



Activision Reports Second Quarter Fiscal 2004 Results

Activision Reports Record Q2 FY 04 Earnings

Santa Monica, CA - November 6, 2003 - Activision, Inc. (Nasdaq: ATVI) today announced financial results for the second fiscal quarter and the six-month period ended September 30, 2003.

Net revenues were \$117.5 million as compared to \$169.2 million reported for the second quarter last fiscal year. Net loss for the second fiscal quarter was \$10.1 million, or a loss per share of \$0.11, compared with net income of \$9.1 million, or \$0.08 per diluted share, reported for the same period last year. The company's results were down year over year due to a significantly smaller release schedule.

Net revenues for the six-month period ended September 30, 2003, were \$276.2 million, as compared to net revenues of \$360.4 million reported for the six-month period of last fiscal year. Net loss for the six-month period ended September 30, 2003 was \$5.9 million, or a loss per share of \$0.07, compared with net income of \$29.8 million, or \$0.29 per diluted share, reported for the same period last year.

Ron Doornink, President of Activision said, "We had a light release schedule for the second quarter, however, our main focus for this fiscal year remains our third quarter releases -- **Tony Hawk's Underground™**, **True Crime?: Streets of L.A.™**, **Call of Duty™** and **Empires: Dawn of the Modern World™**, which represent some of the strongest, most innovative games in our company's history. Overall our competitive position remains strong as we continue to make progress with our quality enhancement initiatives."

Business Highlights

During the quarter, the company shipped Disney's Extreme Skate Adventure for the PlayStation 2 computer entertainment system, Xbox video game console and Nintendo® GameCube™ and Game Boy® Advance, **Cabela's® Deer Hunt 2004 Season?** for the PlayStation®2 computer entertainment system and Xbox™ video game console and LucasArts' **Jedi Knight: Jedi Academy™** for the PC, which Activision developed and publishes in Europe. Activision's quarterly results were driven by newly released titles, as well as solid performance of the company's catalog franchises including **Spider-Man™**, **Tony Hawk's Pro Skater™** and **Return to Castle Wolfenstein™**.

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 Activision's highly acclaimed PC game, **Call of Duty**.

Activision's product slate for the remainder of fiscal year 2004 includes the recently released **Tony Hawk's Underground**, for the PlayStation 2 computer entertainment system, Xbox video game console, GameCube and Game Boy Advance, which is being supported by the biggest marketing and advertising campaign in Activision's history; the highly anticipated **True Crime: Streets of L.A.**, for the PlayStation 2 computer entertainment system, Xbox video game console and GameCube platform, which garnered more pre-orders than any game in the company's history; and **Call of Duty**, which received a 93 rating by industry leading PC Gamer magazine and **Empires: Dawn of the Modern World** for the PC.

Titles slated for release after the holiday season include **MTX: Mototrax™** for the PlayStation 2 computer entertainment system, Xbox video game console and GameCube, **Pitfall™** for the PlayStation 2 computer entertainment system, Xbox video game console, GameCube and Game Boy Advance and **Tenchu™: Return from Darkness™** for the Xbox video game console.

Activision also announced that the company is modifying its full fiscal year 2004 and third and fourth quarter outlook. The company is raising its outlook for net revenue for the full fiscal year by \$30 million to \$780 million, while at the same time it is moving **DOOM 3™** into its next fiscal year for planning purposes. However, the company is taking a one-time, pre-tax charge of approximately \$23 million in the third quarter related to product cancellations including the previously announced titles **Trinity™**, **Shaun Palmer's Pro Snowboarder 2™** and the sequel to **Street Hoops™**. The after-tax effect of this charge amounts to approximately \$0.16 per diluted share. The company's previously provided outlook for fiscal year 2004 earnings

per diluted share was \$0.47. The company now expects earnings per diluted share of \$0.34 for the fiscal year ending March 31, 2004, which includes the charge.

The company is raising its outlook for third quarter net revenue to \$390 million and expects earnings per diluted share of \$0.45, which includes the one-time charge. For the fourth quarter, the company expects net revenues of \$114 million and a loss per share of \$0.05.

Doornink added, "The video game market is increasingly dominated by high-quality products based on recognizable franchises supported with big marketing programs. We have decided to take steps to align our business with the continuing evolution of the video game market. Specifically, we have canceled the development of 10 games, which we believe are unlikely to produce an acceptable level of return on our investment. This will enable us to focus and increase our development and marketing resources on those franchises with the greatest potential. We believe that this realignment will enhance our position to capitalize on the opportunities presented by the growing mass-market installed base of hardware platforms."

Activision's fiscal year 2005 game slate includes **Spider-Man 2™**, **Shrek 2™**, **DOOM 3**, **Lemony Snicket's: A Series of Unfortunate Events™**, DreamWorks' **A Shark's Tale™**, **Call of Duty?: Finest Hour™**, **Vampire® The Masquerade - Bloodlines™**, **Rome: Total War™**, Peter Molyneux's **The Movies™** and **X-Men™: Legends™**.

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 \$864 million for the fiscal year ended March 31, 2003.

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 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.

[Download the Q2-FY04 Financial Tables \(PDF\)](#)

Bill Chardavoyne
Chief Financial Officer
(310) 255-2229
bchardavoyne@activision.com

Kristin Mulvihill Southey
Vice President, Investor
Relations
(310) 255-2635

Maryanne Lataif
Vice President, Corporate
Communications
(310) 255-2704

ksouthey@activision.com

mlataif@activision.com