



## **Activision and Nielsen Entertainment Announce Pioneering Test To Measure How Consumers Interact With Ads In Video Games**

### **Chrysler Group Is First Advertiser To Participate; Jeep® Integration In Newest Tony Hawk Video Game To Be Tested**

### **Activision and Nielsen Entertainment Release Results Of New Study That Further Establishes The Effectiveness Of In-Game Advertising**

Santa Monica, CA - October 15, 2004 - Activision, Inc. (Nasdaq: ATVI) and Nielsen Entertainment today unveiled three new developments in their ongoing initiative, first announced in April, to develop standardized tools to measure the value of in-game advertising:

- The two companies announced that they are launching a groundbreaking test using the newly-released Activision video game, *Tony Hawk's Underground 2* to determine how long and how often players interact with brands. The test will feature Nielsen's watermarking technology that uses audio encoding to uniquely identify when players are exposed to product placements within the game. While the test is initially PC only, Activision and Nielsen Entertainment are in discussions with the console manufacturers.
- The Chrysler Group will be the first advertiser to take part in the test. Activision and Nielsen Entertainment will measure consumer interaction with the Jeep® brand, which is integrated within *Tony Hawk's Underground 2*.
- Activision and Nielsen Entertainment presented the results of a major new study on the power of in-game advertising (detailed findings below).

#### **New Study to Determine Player Interaction with Brands**

Using proprietary methodology, Nielsen Entertainment and Activision will conduct a PC-based test to measure in-game product placement among a representative sample of active video game households. The test will incorporate a watermark - an inaudible audio code - that will identify how long and how often players are exposed to various products.

The test will take place over late 2004 to early 2005, during which Nielsen Entertainment will collect and process the data on a daily basis. Nielsen Entertainment also will conduct pre- and post-test surveys to understand perceptions of in-game advertising, as well as the impact on brand awareness and recall.

Robert Kotick, Chairman and Chief Executive Officer of Activision, said, "Companies are beginning to recognize the tremendous potential of in-game advertising. Our partnership with Nielsen Entertainment is aimed at taking video games to a new level as a mainstream advertising medium."

"When our established watermarking technology can be leveraged to advance the understanding of a new advertising medium, it's an illustration of the value our aggregated Nielsen Entertainment businesses can deliver," said Andy Wing, Chief Executive Officer of Nielsen Entertainment. "I expect the Activision/Nielsen Entertainment partnership will be a milestone in media history books; the chapter on how video games became a dominant force in our culture and a magnet for advertising dollars."

Michael Dowling, General Manager of Nielsen Interactive Entertainment, a division of Nielsen Entertainment, said, "Nielsen Interactive Entertainment is extending our leadership in measuring the interests and preferences of global consumers. This test is a milestone in our efforts to create measurement tools for advertisers who, increasingly, are interested in video game advertising as a means of reaching their target audiences. As this medium becomes ever more popular for the nation's leading advertisers, we are proud of our partnership with Activision and are moving closer to providing the industry with the standardized metrics to understand the value of in-game placement."

#### **Chrysler Group is First Participant**

The Chrysler Group is the first company to participate in the Activision/Nielsen Entertainment test.

The Chrysler Group's Jeep brand is prominently featured in *Tony Hawk's Underground 2*, the newest game in the award-winning Tony Hawk franchise. During the test, a watermarking code will be placed around the Jeep brand to determine how long, how often and even where in the game users are interacting with the vehicles.

Activision and the Chrysler Group also announced that the Chrysler brand will be featured in the life simulation game *The Movies*, from award-winning designer Peter Molyneux's Lionhead Studios, to be released in 2005.

Jeff Bell, Vice President of Chrysler and Jeep, Chrysler Group, said, "Video games are increasingly becoming the medium of choice for a new generation of consumers and Chrysler Group has been at the forefront of this exciting revolution. By teaming with Activision and Nielsen Entertainment, we are helping to take this medium to its next level."

Mr. Kotick added, "We are delighted to have a renowned company such as the Chrysler Group partner with us on the test, especially because its world-class brands can make the game experience even more relevant and more engaging. As a pioneer in in-game advertising placement, we understand that video gamers expect to see brands that lend credibility to the content and settings portrayed in our games."

### **Activision and Nielsen Entertainment Release New Data**

Activision and Nielsen Entertainment also announced results of a new study that examined the power of incorporating brand name products within the video game experience.

The study, which was conducted among approximately 500 active male gamers ages 13 to 34, is an offshoot of an ongoing program of research by the two companies to investigate the effects of video gaming on television viewing in the homes of young men. Among the study's key findings:

- Brands with which gamers must actively interact substantially impact consumer awareness and recall;
- These highly integrated ads tend to enhance a gamer's interest in purchasing the advertised products;
- In general, gamers perceive in-game advertising positively and believe it makes a game more realistic.

"The industry is starting to benefit from a philosophical shift - marketers are more willing to experiment with new ways to reach consumers that go beyond the traditional methods. This study shows how, if products are integrated effectively within a game, the impact and recall of that advertising is well received," said Michael Dowling. "As the entertainment industry continues to expand and evolve, Nielsen Interactive Entertainment will continue to pioneer this research to provide advertisers with the tools they need to effectively gauge audience recall and purchasing decisions."

### **Study Compares Various In-Game Experiences with TV Viewing**

The Activision/Nielsen Entertainment study included participants who were randomly assigned to one of four study groups. Participants in the first group experienced a series of both high- and low-integrated ads, while those in the second group experienced only two low-integrated ads. Group three saw no in-game advertising at all. And instead of playing video games, members of the fourth group watched an episode of a television show, during which they were exposed to traditional advertising.

### **Effectively Integrated Ads Generate Greater Awareness and Recall**

According to the study's conclusions, the more effectively an ad is integrated within a video game, the greater a gamer's ability to recall that ad. In fact, 87% of research participants remembered seeing a high-integrated brand much more frequently than other less integrated brands. This indicates that when a brand appears throughout a game, and gamers must interact with it, that it has a strong positive impact on brand recognition and recall.

Moreover, although low-integrated ads did not generate the same degree of recall, many gamers still were able to remember such brands by name, suggesting that even appearing in background advertising may still impact consumer behavior on some level.

### **Recall of In-Game Ads Can Enhance Purchasing Decisions**

Often, participants who recalled seeing a specific brand advertised in-game were much more likely to express an interest in buying the associated product than were participants who did not recall seeing the brand.

In some cases, brands that elicited significant recall in video games generated the same, or even higher, purchase interest than those products advertised via TV. These findings suggest that, not only does effectively integrated advertising have a significant impact on product awareness and recall - among those who actively remember seeing the brands advertised - but it also has the potential to increase interest in buying a product to a level comparable to television advertising.

### **Gamers Generally Perceive In-Game Advertising Positively**

Of the male gamers who participated in the study, about 40 percent said that in-game ads made a game more appealing, and made them more inclined to buy the advertised product. Similarly, a solid two-thirds majority of active gamers reported that in-game advertising made a game more realistic, while nearly three in 10 noted that advertising in video games was more memorable than traditional television advertising.

What is more, more than one-third of participants agreed that in-game ads were more effective if they assist a game player in

reaching a particular objective. This finding is consistent with the higher awareness, recall and purchase interest generated by high-interactive brands.

### **Study Methodology**

The study was conducted between March 19 and April 4, 2004 with approximately 500 active male gamers in Las Vegas, Nevada. Participants in the study were males between the ages of 13-34 who play video games at least once a week for at least 15 minutes per session, have familiarity with the PlayStation® 2 computer entertainment system, and had very limited or no experience playing any of the three video games used in the experiment.

### **About Nielsen Entertainment**

If you believe that entertainment drives culture and culture drives consumption, you understand why Nielsen Entertainment is the leading provider of entertainment intelligence, serving as strategic partner to top entertainment brands throughout the world. We are comprised of companies focused on all media, including filmed, music, literary, interactive and home entertainment through the following Nielsen businesses: NRG, EDI, Entertainment Marketing Solutions (EMS), SoundScan, Broadcast Data Systems, VideoScan, BookScan, BookData, Interactive Entertainment and ReelResearch.

Together, we provide industry insight and consulting services based on our own primary and custom research, strategic analysis, testing, tracking, retail sales measurement, and a broad array of specialized tools catering to entertainment creators, developers, marketers, distributors and observers. Nielsen Entertainment is part of VNU, [www.vnu.com](http://www.vnu.com), a global leader in information services for the media and entertainment industries.

### **About Activision**

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 [www.activision.com](http://www.activision.com).

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 Report 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 any forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

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