



## FISCAL 2000 SECOND QUARTER FINANCIAL RESULTS

### ACTIVISION REPORTS RECORD SECOND QUARTER REVENUES

#### **Net Revenues Increase 74% Earnings Per Share Up \$.14**

SANTA MONICA, Calif., Oct. 20 /PRNewswire/ -- Activision, Inc. (Nasdaq: ATVI) today announced financial results for the second fiscal quarter ended September 30, 1999.

Net revenues for the second fiscal quarter increased 74% to \$115.4 million from \$66.2 million for the second quarter of the last fiscal year. Net income for the second fiscal quarter was \$1.1 million, or \$0.04 per share, compared with a net loss of \$2.2 million, or \$0.10 per share, for the same period last year.

The increase in net revenues for the second fiscal quarter was driven by strong growth in the Company's publishing operations, with the release of Tony Hawk's Pro Skater, QUAKE II, Space Invaders and Intellivision Classics for the PlayStation game console, Cabela's Big Game Hunter III and Space Invaders for the PC, Blue Stinger for the Dreamcast and Asteroids for the Nintendo Gameboy Color.

"We are pleased with the customer response to our slate of recently released games," stated Robert A. Kotick, Chairman and CEO, Activision, Inc. "All of these titles had solid launches in the market and we expect them to continue selling well into the holiday season. These releases, coupled with our expected third fiscal quarter titles, including Toy Story 2, QUAKE III Arena, Vigilante 8: 2nd Offense, Wu Tang: Shaolin Style, Star Trek: Hidden Evil, Battlezone II, Interstate '82, Shanghai: Second Dynasty and Teen Digital Diva II: Cosmic Guide & Journal, will allow us to capitalize on what we believe will be the best-selling holiday season in the history of our industry."

Kotick continued, "During the quarter we significantly expanded our publishing operations and continued to achieve many of our strategic objectives. Our recent acquisition of Neversoft Entertainment reinforced our status as a major console developer and should allow us to take full advantage of the next-generation of console game systems. We also entered into relationships with two of the industry's most talented game developers -- Peter Molyneux, the founder of Bullfrog Productions, one of the most important developers in the world, and Larry Holland's Totally Games, which created the Star Wars based titles X-Wing vs. TIE Fighter and X-Wing Alliance for LucasArts. Additionally, we expanded our relationship with Marvel Enterprises with respect to Marvel's X-MEN and Blade franchises."

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 \$436 million for the fiscal year ended March 31, 1999.

Activision maintains operations in the US, Canada, the United Kingdom, France, Germany, Japan, Australia, The Netherlands and Belgium. 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: Any reference to the development of products, growth rates, investment or other performance or the continued success of the company's current product offerings constitutes forward-looking information and actual future results may vary materially. There can be no assurance of the rate of growth of the industry or of the company, that the company's products will enjoy continued success or that any products in development will ever be commercially released or that, if released, such products will contribute revenues to the company sufficient to recoup or exceed their development cost. For a discussion of these and other factors that could affect Activision's business and financial results, see information contained in the company's most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q on file at the Securities and Exchange Commission.

	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Quarter ended		Six month ended	
	September 30,		September 30,	
	1999	1998	1999	1998
		Restated		Restated
Net revenues	\$115,363	\$66,182	\$ 199,505	\$127,723
Costs and expenses:				--
Cost of sales -				
product costs	66,284	43,473	119,823	82,864
Cost of sales - royalties				
and software amortization	11,610	4,999	21,480	7,749
Product development	5,819	4,246	10,342	10,307
Sales and marketing	20,020	10,798	37,158	24,537
General and administrative	6,593	4,580	11,296	9,130
Amortization of intangible				
assets	1,362	396	1,831	793
Merger expenses	150	425	150	600
Total operating expenses	111,838	68,917	202,080	135,980
Operating income (loss)	3,525	(2,735)	(2,575)	(8,257)
Interest expense, net	(1,838)	(824)	(2,997)	(1,225)
Income (loss) before				
provision for				
income taxes	1,687	(3,559)	(5,572)	(9,482)
Provision for income taxes	624	(1,354)	(2,061)	(3,606)
Net income (loss)	\$1,063	\$(2,205)	\$(3,511)	\$(5,876)
Basic earnings per share	\$0.04	\$(0.10)	\$(0.15)	\$(0.26)
Diluted earnings per share	\$0.04	\$(0.10)	\$(0.15)	\$(0.26)
Common shares outstanding	24,502	22,669	24,103	22,648
Common shares assuming				
dilution	26,753	22,669	24,103	22,648

ACTIVISION, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

	(Unaudited)	(Unaudited)
	September 30,	March 31,
	1999	1999
		Restated
ASSETS		
Current assets:		
Cash and cash equivalents	\$25,797	\$33,037
Accounts receivable, net	127,637	117,541
Inventories, net	40,805	30,931
Prepaid royalties and		
capitalized software costs	45,458	30,593
Distribution rights advances	2,535	7,500
Deferred income taxes	11,145	6,383
Other current assets	14,831	9,965
Total current assets	268,208	235,950
Prepaid royalties and		
capitalized software costs	10,377	6,923
Property and equipment, net	11,438	10,924
Excess purchase price		
over identifiable		
assets acquired, net	53,727	21,647
Deferred income taxes	2,618	2,618
Other assets	8,795	5,283
Total assets	\$355,163	\$ 283,345

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Notes payable to bank	\$25,339	\$5,992
Accounts payable	39,731	43,853
Accrued expenses	61,194	45,160
Total current liabilities	126,264	95,005
Note payable to bank	19,291	1,143
Convertible subordinated notes	60,000	60,000
Other liabilities	2	6
Total liabilities	205,557	156,154

Commitments and contingencies

Stockholders' equity:

Common stock	--	--
Additional paid-in capital	134,412	109,251
Retained earnings	22,217	25,728
Cumulative foreign currency translation	(1,745)	(2,510)
Less: Treasury stock	(5,278)	(5,278)
Total stockholders' equity	149,606	127,191
Total liabilities and stockholders' equity	\$355,163	\$ 283,345

ACTIVISION, INC.

FINANCIAL INFORMATION

For the Quarters and Six Months Ended September 30, 1999 and 1998

(Amounts in thousands)

(Unaudited)

	Quarter Ended				Percent Increase (Decrease)
	September 30, 1999		September 30, 1998		
	Amount	% of Total	Amount	% of Total	
Geographic Revenue Mix					
United States	\$58,345	51%	\$21,242	32%	175%
International	57,018	49%	44,940	68%	27%
Total net revenues	\$115,363	100%	\$66,182	100%	74%
Activity/Platform Mix					
Publishing:					
Console	\$61,890	71%	\$12,813	53%	383%
PC	25,216	29%	11,317	47%	123%
Total Publishing	\$87,106	76%	\$24,130	36%	261%
Distribution:					
Console	\$17,933	63%	\$ 31,718	75%	-43%
PC	10,324	37%	10,334	25%	0%
Total Distribution	\$28,257	24%	\$42,052	64%	-33%
Total net revenues	\$115,363	100%	\$66,182	100%	74%
Channel Revenue Mix					
Retailer/Reseller	\$108,322	94%	\$63,487	96%	71%
OEM, Licensing & Other	7,041	6%	2,695	4%	161%
Total net revenues	\$115,363	100%	\$66,182	100%	74%

	Six Months Ended				Percent Increase (Decrease)
	September 30, 1999		September 30, 1998		
	Amount	% of Total	Amount	% of Total	

	Amount	% of Total	Amount	% of Total	
Geographic Revenue Mix					
United States	\$93,158	47%	\$37,161	29%	151%
International	106,347	53%	90,562	71%	17%
Total net revenues	\$199,505	100%	\$127,723	100%	56%
Activity/Platform Mix					
Publishing:					
Console	\$93,405	66%	\$23,782	50%	293%
PC	47,067	34%	23,510	50%	100%
Total Publishing	140,472	70%	47,292	37%	197%
Distribution:					
Console	35,646	60%	59,174	74%	-40%
PC	23,387	40%	21,257	26%	10%
Total Distribution	59,033	30%	80,431	63%	-27%
Total net revenues	\$199,505	100%	\$127,723	100%	56%
Channel Revenue Mix					
Retailer/Reseller	\$187,680	94%	\$120,634	94%	56%
OEM, Licensing & Other	11,825	6%	7,089	6%	67%
Total net revenues	\$199,505	100%	\$127,723	100%	56%

SOURCE Activision, Inc.