

Sales and Marketing

(In thousands)	% of		% of		
March 31, 2003	Consolidated Net Revenue	March 31, 2002	Consolidated Net Revenue	Increase/ (Decrease)	Percent Change
\$100,646	12%	\$86,161	11%	\$14,485	17%

Sales and marketing expenses of \$100.6 million and \$86.2 million represented 12% and 11% of consolidated net revenues for the years ended March 31, 2003 and 2002, respectively. The increase in sales and marketing expense dollars for the year ended March 31, 2003 from the prior fiscal year was the result of increased costs in both our publishing and distribution businesses. The increase in sales and marketing expense dollars in our publishing business was the result of a significant marketing program in support of the simultaneous cross-platform, multinational release of *Spider-Man: The Movie* during the first quarter of fiscal 2003, as well as increased TV and print ads in support of second, third and fourth quarter releases such as *Street Hoops*, *Tony Hawk's Pro Skater 4* and *Tenchu: Wrath of Heaven*. Additionally, in the year ended March 31, 2003, we provided sponsorship for select action sports tours/tournaments in support of our Activision action sports brands. The increase in sales and marketing expense dollars in our distribution business was due to an increasing percentage of our distribution business being generated from large national accounts. Such large national accounts generally result in increased sales costs.

General and Administrative

(In thousands)	% of		% of		
March 31, 2003	Consolidated Net Revenue	March 31, 2002	Consolidated Net Revenue	Increase/ (Decrease)	Percent Change
\$46,479	5%	\$44,008	6%	\$2,471	6%

General and administrative expenses for the year ended March 31, 2003 increased \$2.5 million from the prior fiscal year, from \$44.0 million to \$46.5 million. As a percentage of consolidated net revenues, general and administrative expenses remained relatively constant year-over-year at approximately 5% to 6% as a result of our continued focus on building operating efficiencies and controlling costs. The increase in absolute dollars was primarily due to the incurrence in the first quarter of fiscal 2003 of an approximate \$2.0 million charge for the relocation of our UK distribution facility due to the increased growth of our UK distribution and UK publishing businesses.

Operating Income

(In thousands)	March 31, 2003	% of Segment Net Revenues	March 31, 2002	% of Segment Net Revenues	Increase/ (Decrease)	Percent Change
Publishing	\$79,139	13%	\$68,675	12%	\$10,464	15%
Distribution	15,708	6	11,899	5	3,809	32
Consolidated	<u>\$94,847</u>	11%	<u>\$80,574</u>	10%	<u>\$14,273</u>	18%

Operating income for the year ended March 31, 2003 was \$94.8 million, compared to \$80.6 million in the prior fiscal year. The increase reflects improvements in both our publishing and distribution businesses. Publishing operating income improvement reflects, as previously discussed, the benefits generated by the release of hit titles, the decrease in cost of sales—product costs due to changes in product mix and our continued focus on building operating efficiencies and controlling costs. Distribution operating income improvement includes the distribution of a very successful third-party publisher's title in several countries and reductions in headcount related expenses.