



## Activision Announces Second Quarter 2006 Results

### - Company's Q2 Results Exceed Outlook - - Company Increases FY 2006 Revenue Outlook -

SANTA MONICA, Calif., Nov 02, 2005 /PRNewswire-FirstCall via COMTEX News Network/ -- Activision, Inc. (Nasdaq: ATVI) today announced financial results for the second fiscal quarter ended September 30, 2005.

Net revenues were \$222.5 million, an increase of \$22.5 million from the company's prior outlook of \$200 million. Net revenues for the second quarter of last fiscal year were \$310.6 million. Net loss for the second fiscal quarter was \$13.2 million, as compared with a net income for the second fiscal quarter last year of \$25.5 million. Loss per share was \$0.05, which is \$0.02 better than the company's prior outlook of a loss per share of \$0.07, as compared with earnings per diluted share of \$0.09 reported for the same period last year.

Net revenues for the six-month period ended September 30, 2005, were \$463.6 million, as compared to net revenues of \$521.9 million reported for the six-month period of last fiscal year. Net loss for the six-month period was \$16.8 million, or a loss per share of \$0.06, as compared with net income of \$37.5 million, or earnings per diluted share of \$0.14, reported for the same period last year.

Robert A. Kotick, Chairman and CEO of Activision, stated, "Our second quarter revenues and earnings exceeded our expectations, despite having difficult year-over-year comparables. To date, seven of our games have shipped more than one million units each. We remain focused on big propositions and in the third quarter will release the strongest holiday slate in our history. We are optimistic about our holiday titles, although we remain cautious of the many variables that can affect the holiday selling season and our own performance. As we look toward the future, we will continue to leverage our expanding portfolio of franchises and world class development capabilities to strengthen our global competitive position."

Kotick continued, "We are excited about the long-term opportunities that will result from the next-generation consoles and handheld platforms. These new platforms combined with the ever increasing installed base of current-generation console hardware and our strong portfolio of brands should enable us to continue to take advantage of the positive market fundamentals over the long-term."

#### Business Highlights

Activision's second quarter results were driven by sales of Ultimate Spider-Man(TM) for the PlayStation(R) 2 computer entertainment system, Xbox(R) video game system from Microsoft, Nintendo(R) Game Cube., Nintendo Game Boy(R) Advance, Nintendo(R) DS(TM) video game platforms and the PC; and X-Men Legends II: Rise of Apocalypse and World Series of Poker for the PlayStation(R) 2 computer entertainment system, Xbox(R) video game system from Microsoft, Nintendo(R) Game Cube (TM), the PC and the PlayStation(R) Portable Entertainment Platforms (PSP(TM)). The company also released Tony Hawk's Underground 2 Remix and Spider-Man 2(TM) in conjunction with the European launch of the PSP hardware.

Other highlights include:

- \* On September 12, 2005, Activision announced the appointment of Thomas Tippl as Chief Financial Officer and Director of Activision Publishing, Inc. A 14-year veteran of Procter & Gamble, Tippl has held leadership positions in investor relations, global treasury, financial and strategic planning, acquisitions and divestitures and financial management of business units in Asia, Europe and North America.
- \* During the second quarter, Activision's Board of Directors approved a four-for-three split of its common shares. The split was announced on September 28, 2005 and was paid on October 24, 2005 to shareholders of record as of the close of business on October 10, 2005.

Activision's third quarter slate will be driven primarily by proven franchises which include Tony Hawk's American Wasteland(TM) for the PlayStation 2 computer entertainment system, Xbox video game system, the soon- to-be released Xbox 360(TM) video

game and entertainment system, Nintendo GameCube, Nintendo Game Boy Advance and the Nintendo DS; Call of Duty 2(TM) and Quake 4(TM) for the PC and Xbox 360 video game and entertainment system; Call of Duty 2: Big Red One(TM) and True Crime: New York City(TM) for the PlayStation 2 computer entertainment system, Xbox video game system and Nintendo GameCube; and Shrek(R) SuperSlam for the PlayStation 2 computer entertainment system, Xbox video game system, Nintendo GameCube, Nintendo Game Boy Advance and the Nintendo DS. Additionally, the company will introduce two new intellectual properties GUN(TM), from our internal studio Neversoft, which is being developed for the PlayStation 2 computer entertainment system, Xbox video game system, Xbox 360(TM) video game and entertainment system, Nintendo GameCube, and the PC; and The Movies(TM) for the PC.

Kotick continued, "Our ability to release our largest holiday slate in the company's history -- eight big propositions -- prior to Thanksgiving is a testament to our extraordinarily talented employees' dedication, innovation, passion and commitment, as well as our organization's institutionalized product development processes which enable us to manage a large portfolio of global products while providing consistency with launch dates and product quality."

## Company Outlook

For the full fiscal year, Activision raised its net revenue outlook to \$1.48 billion, and expects earnings per diluted share of \$0.52.

The company reconfirmed its net revenue outlook for the third quarter and expects net revenues of \$790 million and earnings per diluted share of \$0.52. For the fourth quarter, Activision expects net revenues of \$226 million and earnings per diluted share of \$0.05.

## Conference Call

Today at 4:30 p.m. EST, Activision's management will host a conference call and webcast to discuss its second quarter fiscal year 2006 results and outlook. The company welcomes all members of the financial and media communities to visit the "Investor Relations" area of [www.activision.com](http://www.activision.com) to listen to the conference call via live webcast or to listen to the call live by dialing into (913) 981-4902 in the U.S.

## 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 \$1.4 billion for the fiscal year ended March 31, 2005.

Activision maintains operations in the U.S., Canada, the United Kingdom, France, Germany, Italy, Spain, 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).

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.

## ACTIVISION, INC. AND SUBSIDIARIES

### CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except earnings per share data)

Quarter ended		Six months ended	
September 30,		September 30,	
2005	2004	2005	2004

		Restated		Restated
Net revenues	\$222,540	\$310,626	\$463,633	\$521,902
Costs and expenses:				
Cost of sales - product costs	112,582	123,177	249,336	212,265
Cost of sales - software royalties and amortization	20,427	46,363	35,003	58,646
Cost of sales - intellectual property licenses	8,449	17,551	29,389	35,199
Product development	28,072	19,881	45,874	40,986
Sales and marketing	56,640	53,234	102,958	94,968
General and administrative	22,917	15,762	41,068	29,447
Total operating expenses	249,087	275,968	503,628	471,511
Operating income (loss)	(26,547)	34,658	(39,995)	50,391
Investment income, net	6,330	2,645	13,678	4,757
Income (loss) before provision (benefit) for income taxes	(20,217)	37,303	(26,317)	55,148
Provision (benefit) for income taxes	(6,975)	11,760	(9,490)	17,648
Net income (loss)	\$(13,242)	\$25,543	\$(16,827)	\$37,500
Basic earnings (loss) per share	\$(0.05)	\$0.10	\$(0.06)	\$0.15
Weighted average common shares outstanding	272,129	246,231	270,643	245,576
Diluted earnings (loss) per share	\$(0.05)	\$0.09	\$(0.06)	\$0.14
Weighted average common shares outstanding assuming dilution	272,129	271,439	270,643	272,227

Share and earnings per share data have been restated to reflect our four-for-three stock splits for shareholders of record as of March 7, 2005, paid March 22, 2005 and for shareholders of record as of October 10, 2005, paid October 24, 2005.

ACTIVISION, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(In thousands)

	September 30, 2005	March 31, 2005
ASSETS		
Current assets:		
Cash, cash equivalents and short-term investments	\$750,259	\$840,864
Accounts receivable, net	116,879	109,144
Inventories	52,035	48,018
Software development	110,248	73,096
Intellectual property licenses	10,513	21,572
Deferred income taxes	11,616	6,760
Other current assets	30,712	23,010
Total current assets	1,082,262	1,122,464
Software development	12,643	18,518
Intellectual property licenses	18,825	14,154
Property and equipment, net	35,668	30,490
Deferred income taxes	48,181	28,041
Other assets	1,239	1,635
Goodwill	98,683	91,661
Total assets	\$1,297,501	\$1,306,963

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$90,838	\$108,984
Accrued expenses	85,759	98,067
Total current liabilities	176,597	207,051
Other liabilities	656	--
Total liabilities	177,253	207,051
Shareholders' equity:		
Common stock	--	--
Additional paid-in capital	787,454	741,680
Retained earnings	329,787	346,614
Accumulated other comprehensive income	4,890	11,618
Unearned compensation	(1,883)	--
Total shareholders' equity	1,120,248	1,099,912
Total liabilities and shareholders' equity	\$1,297,501	\$1,306,963

ACTIVISION, INC. AND SUBSIDIARIES  
FINANCIAL INFORMATION  
For the Quarter Ended September 30, 2005 and 2004  
(Amounts in thousands)

	Quarter Ended				Percent Increase (Decrease)
	September 30, 2005		September 30, 2004		
	Amount	% of Total	Amount	% of Total	
Geographic Revenue					
North America	\$111,904	50%	\$157,705	51%	-29%
International	110,636	50%	152,921	49%	-28%
Total net revenues	\$222,540	100%	\$310,626	100%	-28%
Activity/Platform Mix					
Publishing:					
Console	\$108,025	48%	\$145,542	47%	-26%
Hand-held	44,287	20%	23,669	8%	87%
Total publishing	\$167,407	75%	\$266,395	86%	-37%
Distribution:					
Console	\$29,848	13%	\$29,929	10%	0%
Hand-held	19,167	9%	3,556	1%	439%
PC	6,118	3%	10,746	3%	-43%
Total distribution	\$55,133	25%	\$44,231	14%	25%
Total net revenues	\$222,540	100%	\$310,626	100%	-28%

	Six Months Ended				Percent Increase (Decrease)
	September 30, 2005		September 30, 2004		
	Amount	% of Total	Amount	% of Total	
Geographic Revenue					
Mix					
North America	\$224,224	48%	\$282,896	54%	-21%
International	239,409	52%	239,006	46%	0%
Total net					

revenues	\$463,633	100%	\$521,902	100%	-11%
Activity/Platform Mix					
Publishing:					
Console	\$250,387	54%	\$264,669	51%	-5%
Hand-held	69,618	15%	42,099	8%	65%
PC	40,953	9%	121,279	23%	-66%
Total publishing	\$360,958	78%	\$428,047	82%	-16%
Distribution:					
Console	\$67,936	15%	\$69,123	13%	-2%
Hand-held	23,075	5%	7,211	1%	220%
PC	11,664	2%	17,521	4%	-33%
Total distribution	\$102,675	22%	\$93,855	18%	9%
Total net revenues	\$463,633	100%	\$521,902	100%	-11%

ACTIVISION, INC. AND SUBSIDIARIES  
FINANCIAL INFORMATION

For the Quarter Ended September 30, 2005 and 2004

	Quarter Ended September 30, 2005	Quarter Ended September 30, 2004	Six Months Ended September 30, 2005	Six Months Ended September 30, 2004
Publishing Net Revenues				
PC	9%	36%	11%	28%
Console	65%	55%	70%	62%
Sony PlayStation 2	39%	33%	36%	37%
Microsoft Xbox	15%	14%	26%	15%
Nintendo GameCube	11%	8%	8%	10%
Hand-held	26%	9%	19%	10%
Nintendo Game Boy Advance	12%	9%	10%	10%
Nintendo Dual Screen	3%	0%	3%	0%
Sony PlayStation Portable	11%	0%	6%	0%
Total publishing net revenues	100%	100%	100%	100%

SOURCE Activision, Inc.

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