

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported) October 26, 2004
(October 26, 2004)

ACTIVISION, INC.

(Exact Name of Registrant as Specified in Charter)

Delaware

(State or Other Jurisdiction of Incorporation)

0-12699

95-4803544

(Commission File Number

(IRS Employer Identification No.)

3100 Ocean Park Blvd., Santa Monica, CA

90405

(Address of Principal Executive Offices)

(Zip Code)

(310) 255-2000

Registrant's telephone number, including area code

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

On October 26, 2004, Activision, Inc. (the "Company") issued a press release announcing its financial results for the fiscal quarter ended September 30, 2004. A copy of the press release is attached hereto as Exhibit 99.1.

The information in this Form 8-K and the Exhibit attached hereto shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits

99.1 Press Release of the Company, dated October 26, 2004.

certain non-GAAP financial measures. A "non-GAAP financial measure" is defined as a numerical measure of a company's financial performance, financial position or cash flows that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP in the Company's financial statements.

The attached press release utilizes a measure of free cash flow. Free cash flow is defined as operating cash flow less capital expenditures. The Company's management believes that although free cash flow does not represent the amount of money available for the Company's discretionary spending because certain obligations of the Company must be funded out of free cash flow, it nevertheless provides a useful measure of liquidity for assessing the amount of cash available for general corporate and strategic purposes after funding operating activities and capital expenditures, and deferred costs.

In addition, return on invested capital, also included in the attached press release, is a non-GAAP financial measure. Management defines "return on invested capital" as net income, less investment income plus tax paid on investment income. Invested capital is calculated as average total assets (over a trailing four-quarter period), less average cash and short term investments (over a trailing four-quarter period), less average non-interest bearing current liabilities (over a trailing four-quarter period). Management believes that return on invested capital is useful because it provides investors with additional useful information for evaluating the efficiency of the Company's capital deployed in its operations. Return on invested capital does not consider whether the business is financed with debt or equity, but rather calculates a return on all capital invested in the business.

The non-GAAP financial measures used by the Company in the attached press release may not be comparable to similarly titled measures used by other companies and should not be considered in isolation or as a substitute for measures of performance or liquidity prepared in accordance with GAAP.

EXHIBIT INDEX

Exhibit Number	Description
99.1	Press Release of Activision, Inc., dated October 26, 2004.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: October 26, 2004

ACTIVISION, INC.

By: /s/ Ronald Doornink

Name: Ronald Doornink
Title: President

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ACTIVISION ANNOUNCES RECORD SECOND QUARTER 2005 RESULTS

- Net Revenues Hit Q2 All Time High, Increasing 164% Year Over Year -
- Diluted E.P.S. Grew to \$0.17 From a Loss Per Share of \$0.08 -
- Net Revenues for Six Month Period Rise 89% -
- Company Increases FY 2005 Outlook -

Santa Monica, CA - October 26, 2004 - Activision, Inc. (Nasdaq: ATVI) today announced financial results for the second fiscal quarter ended September 30, 2004.

Net revenues were \$310.6 million, an increase of \$193.1 million or 164%, as compared to net revenues of \$117.5 million reported for the second quarter last fiscal year. Net income for the second fiscal quarter was \$25.5 million, as compared with a net loss for the second fiscal quarter last year of \$10.1 million. Earnings per diluted share were \$0.17, as compared with a loss per share of \$0.08 reported for the same period last year.

Net revenues for the six-month period ended September 30, 2004, were \$521.9 million, an increase of \$245.7 million or 89%, as compared to net revenues of \$276.2 million reported for the six-month period of last fiscal year. Net income for the six-month period was \$37.5 million, or earnings per diluted share of \$0.24, as compared with net loss of \$5.9 million, or a loss per share of \$0.04, reported for the same period last year.

(more)

Activision Announces Q2 FY 2005 Results

Robert A. Kotick, Chairman and CEO of Activision, stated, "In addition to delivering record net revenues and earnings for the quarter, we also significantly increased our market position in North America and Europe. As of this date, five of our games have shipped more than one million units each and three of those titles have achieved multi-million unit status. Our focus on big propositions is yielding tremendous results worldwide. As we look to the future, we will continue to leverage our increasing portfolio of franchises as we expand and strengthen our competitive position."

Kotick continued, "We are very excited about future growth opportunities that will result from the Nintendo(R) DS, PlayStation(R) Portable, wireless gaming, in-game advertising and the next-generation of console hardware. These emerging opportunities combined with the ever increasing installed base of console hardware and our strong portfolio of brands should enable us to continue growing our revenues, earnings and operating margin as we have over the past several years."

Business Highlights

Activision's second quarter results were driven by strong worldwide sales of Spider-Man 2(TM), which was the company's best-selling title for the quarter, and newly released games across all platforms including Doom 3(TM), Rome: Total War(TM) and Call of Duty: United Offensive(TM) for the PC, X-Men (TM) Legends and DreamWorks' Shark Tale for the PlayStation(R) 2 computer entertainment system, Xbox(R) video game system from Microsoft and Nintendo(R) Game Cube(TM) and DreamWorks' Shark Tale for the Nintendo Game Boy(R) Advance and PC. The company's catalogue titles Shrek 2 (TM), Tony Hawk's Underground and True Crime: Streets of L.A. (TM) also performed well.

The company strengthened its market position worldwide resulting in a

number of unprecedented rankings. Activision was the #1 PC publisher in North America for the month of August, according to NPD Techworld; the #1 publisher overall in the U.K. for the months of July and August, according to Chart Track; and the #1 publisher overall in Germany and the #2 publisher overall in France for the month of August, according to Media Control and GfK respectively.

Other highlights include:

- o On October 21, Activision confirmed that based on strong consumer response to its action role playing game X-Men Legends, the company is developing a sequel based on the ever-popular Marvel franchise with Raven Software.
- o According to NPD, Doom 3 is the #1 best-selling PC game in North America year to date.

(more)

Activision Announces Q2 FY 2005 Results

- o On October 18, Activision announced that the company is launching a groundbreaking test with Nielsen Entertainment using its newly released Tony Hawk's Underground 2 game to determine how long and how often players interact with brands. The Chrysler Group will be the first advertiser to take part in the test, which will measure consumer interaction with the Jeep(R) brand.
- o Additionally on October 18, Activision and Nielsen Entertainment announced the results of a new study that examined the ability of game players to recall brand name products that were integrated within the video game experience. Among the study's key findings were: brands with which gamers must actively interact substantially impact consumer awareness and recall; and that highly integrated ads tend to enhance a gamer's interest in purchasing the advertised products.
- o On October 13, Activision confirmed that the company is in development on new games based on Spider-Man 2(TM) and Tony Hawk's Underground 2 which are expected to be launch titles for SCEA'S PlayStation(R) Portable Entertainment Platform.
- o On September 22, Activision announced that the company's first title for the Nintendo(R) DS video game platform will be a new video game based on Spider-Man 2, which is currently the #1 best-selling movie game of 2004 according to NPD Funworld.

Company Outlook

Activision also increased its outlook for fiscal 2005. For the full fiscal year, the company expects net revenues of \$1.15 billion, an increase of \$50 million, and earnings per diluted share of \$0.75. The company's previous fiscal year outlook was \$1.10 billion in net revenues and earnings per diluted share of \$0.69.

For the third quarter, the company expects net revenues of \$500 million and earnings per diluted share of \$0.49 as compared to its previous outlook of \$515 million in net revenues and earnings per diluted share of \$0.52. The change in Activision's third quarter outlook was based on over performance of its titles in the second quarter, which the company expects will result in lower likelihoods of reorders during the third quarter, and the movement of Doom 3 for the Xbox into the fourth quarter. For the fourth quarter, Activision expects net revenues of \$128 million and earnings per diluted share of \$0.01, as compared with its previous outlook of net revenues of \$120 million and earnings per diluted share of \$0.01.

(more)

Activision Announces Q2 FY 2005 Results

Kotick continued, "We are on track to deliver another record year of net revenues and operating margin. Our net revenues exceeded \$1 billion for the trailing 12 month period. We ended the quarter with more than \$600 million in cash and short term investments. For the trailing 12 months, free cash flow was \$122 million and return on invested capital was 42%."

Looking ahead to the third quarter, Activision's slate will be driven by Tony Hawk's Underground 2 and Lemony Snicket's A Series of Unfortunate Event(TM) for the PlayStation 2 computer entertainment system, Xbox video game system, Nintendo GameCube, Nintendo Game Boy Advance and the PC; Call of Duty: Finest Hour(TM) for the PlayStation 2 computer entertainment system, Xbox video game system and Nintendo GameCube; Vampire: The Masquerade(R)-Bloodlines(TM) and Shrek 2: Team Action for the PC; Spider-Man 2 for the Nintendo DS and Shrek

2(TM): Beg for Mercy! for the Nintendo Game Boy Advance.

Non-GAAP Financial Measures

The company's press release includes the non-GAAP financial measures of "free cash flow" and "return on invested capital." A reconciliation of these non-GAAP financial measures to the most comparable GAAP financial measure appears at the end of this press release.

Conference Call

Today at 4:30 p.m. EDT, Activision's management will host a conference call and Webcast to discuss its second quarter fiscal year 2005 results and outlook. The company welcomes all members of the financial and media communities to visit the "Investor Relations" area of www.activision.com to listen to the conference call via live Webcast or to listen to the call live by dialing into (913) 981-4903 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 \$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.

(more)

Activision Announces Q2 FY 2005 Results

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.

(Tables to Follow)

ACTIVISION, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (In thousands, except earnings per share data)

	Quarter ended 2004	September 30, 2003	Six Months ended September 30, 2004	September 30, 2003
Net revenues	\$ 310,626	\$ 117,523	\$ 521,902	\$ 276,248
Costs and expenses:				
Cost of sales				
- product costs	123,177	72,391	212,265	149,001
Cost of sales				
- software royalties and amortization	46,363	11,397	58,646	26,895

Cost of sales				
- intellectual property licenses	17,551	7,401	35,199	17,544
Product development	19,881	15,894	40,986	29,474
Sales and marketing	53,234	17,237	94,968	43,522
General and administrative	15,762	10,136	29,447	21,599
	-----	-----	-----	-----
Total operating expenses	275,968	134,456	471,511	288,035
Operating income (loss)	34,658	(16,933)	50,391	(11,787)
Investment income, net	2,645	1,404	4,757	2,661
Income (loss) before provision for income taxes	37,303	(15,529)	55,148	(9,126)
Provision (benefit) for income taxes	11,760	(5,436)	17,648	(3,196)
	-----	-----	-----	-----
Net income (loss)	\$ 25,543	\$ (10,093)	\$ 37,500	\$ (5,930)
	=====	=====	=====	=====
Basic earnings per share	\$ 0.18	\$ (0.08)	\$ 0.27	\$ (0.04)
Weighted average common shares outstanding	138,505	132,243	138,137	132,158
Diluted earnings per share	\$ 0.17	\$ (0.08)	\$ 0.24	\$ (0.04)
Weighted average common shares outstanding assuming dilution	152,685	132,243	153,127	132,158

Share and earnings per share data have been restated to reflect our three-for-two stock split for shareholders of record as of February 23, 2004, paid March 15, 2004.

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

	September 30, 2004	March 31, 2004
	-----	-----
ASSETS		
Current assets:		
Cash, cash equivalents and short-term investments	\$ 606,087	\$ 587,649
Short-term investments	-	-
Accounts receivable, net	138,586	62,577
Inventories	63,690	26,427
Software development	79,432	58,320
Intellectual property licenses	15,945	32,115
Deferred income taxes	21,203	26,127
Other current assets	29,930	18,660
	-----	-----
Total current assets	954,873	811,875
	=====	=====
Software development	21,023	28,386
Intellectual property licenses	19,885	16,380
Property and equipment, net	24,712	25,539
Deferred income taxes	5,056	9,064
Other assets	1,018	1,080
Goodwill	77,602	76,493
	-----	-----
Total assets	1,104,169	\$ 968,817
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ -	\$ -
Accounts payable	103,001	72,874
Accrued expenses	113,341	63,205
	-----	-----
Total current liabilities	216,342	136,079
Long-term debt, less current portion	-	-
Deferred income taxes	-	-
Convertible subordinated notes	-	-
	-----	-----
Total liabilities	216,342	136,079

Shareholders' equity:		
Common stock	-	-
Additional paid-in capital	777,337	758,626
Retained earnings	245,779	208,279
Treasury stock	(144,128)	(144,128)
Accumulated other comprehensive income	8,839	9,961
	-----	-----
Total shareholders' equity	887,827	832,738
Total liabilities and shareholders' equity	\$ 1,104,169	\$ 968,817
	=====	=====

ACTIVISION, INC.
AND SUBSIDIARIES
FINANCIAL

INFORMATION For
the Quarter and
Six Months Ended
September 30,
2004 and 2003
(Amounts in
thousands)

Percent Increase
Quarter Ended
(Decrease)
September 30,
2004 September
30, 2003 Amount
% of Total
Amount % of

Total Geographic
Revenue Mix
United States \$
157,705 51% \$
46,450 40% 240%
International
152,921 49%
71,073 60% 115%

Total
net revenues \$
310,626 100% \$
117,523 100%
164%

Activity/Platform
Mix Publishing:
Console \$
145,542 55% \$
46,019 64% 216%
Hand held 23,669
9% 4,187 6% 465%
PC 97,184 36%
21,590 30% 350%

Total
publishing \$
266,395 86% \$
71,796 61% 271%

Distribution:
Console \$ 29,929
68% \$ 33,188 73%
10% Hand held
3,556 8% 4,730
10% 25% PC
10,746 24% 7,809
17% 38%

Total
distribution \$
44,231 14% \$
45,727 30% 3%

Total
net revenues \$

~~310,626 100% \$~~
~~117,523 100%~~
~~164%~~

~~=====~~
~~=====~~

~~Percent Increase~~
~~Six Months Ended~~

~~(Decrease)~~
~~September 30,~~
~~2004 September~~

~~30, 2003 Amount~~
~~% of Total~~
~~Amount % of~~

~~Total Geographic~~
~~Revenue Mix~~

~~United States \$~~
~~282,896 54% \$~~

~~129,189 47% 119%~~
~~International~~
~~239,006 46%~~

~~147,059 53% 63%~~

~~-----~~
~~Total~~
~~net revenues \$~~

~~521,902 100% \$~~
~~276,248 100% 89%~~

~~Activity/Platform~~
~~Mix Publishing:~~

~~Console \$~~
~~264,669 62% \$~~

~~134,503 72% 97%~~
~~Hand held 42,009~~
~~10% 8,783 5%~~

~~370% PC 121,279~~
~~28% 42,915 23%~~
~~183%~~

~~-----~~
~~Total publishing~~
~~\$ 428,047 82% \$~~

~~186,201 67% 130%~~
~~Distribution:~~

~~Console \$ 69,123~~
~~74% \$ 68,530 76%~~

~~1% Hand held~~
~~7,211 8% 7,642~~

~~9% 6% PC 17,521~~
~~19% 13,875 15%~~
~~26%~~

~~-----~~
~~Total~~
~~distribution \$~~

~~93,855 18% \$~~
~~90,047 33% 4%~~

~~-----~~
~~-----~~

~~-----~~
~~Total~~
~~net revenues \$~~

~~521,902 100% \$~~
~~276,248 100% 89%~~

~~=====~~
~~=====~~

~~-----~~
~~-----~~

ACTIVISION, INC. AND SUBSIDIARIES
FINANCIAL INFORMATION For the Quarter
and Six Months Ended September 30,
2004 and 2003 Quarter Ended Quarter
Ended Six Months Ended Six Months
Ended September 30, 2004 September
30, 2003 September 30, 2004 September
30, 2003 Publishing Net Revenues PC
36% 30% 28% 23%

Console 55% 64% 62% 72%

PlayStation 2	33%	32%	37%	35%
Microsoft Xbox	14%	18%	15%	26%
Nintendo GameCube	8%	4%	10%	5%
Playstation	0%	10%	0%	6%
Hand held	9%	6%	10%	5%

Game Boy Advance	9%	5%	10%	5%
Game Boy Color	0%	1%	0%	0%

Total publishing net revenues	100%	100%	100%	100%
--	-----------------	-----------------	-----------------	-----------------

ACTIVISION,
INC. AND
SUBSIDIARIES

Non-GAAP
Disclosures
Free Cash
Flow (In
thousands)
Trailing
Twelve
Three
Months
Three
Months
Three
Months
Three
Months
Three
Months
Months

Ended Ended
Ended Ended
09/30/2004
09/30/2004
06/30/2004
03/31/2004
12/31/2003

Net Cash
Provided by
Operating
Activities

\$130,202
\$62,846
\$(52,136)
\$21,069
\$98,423

Less:
Capital
Expenditures

\$(8,204)
\$(2,562)
\$(1,881)
\$(2,521)
\$(1,240)

Free Cash
Flow

\$121,998
\$60,284
\$(54,017)
\$18,548
\$97,183

ACTIVISION,
INC. AND
SUBSIDIARIES
Non-GAAP
Disclosures
Return on
Invested

Capital (In
 thousands)
 Trailing
 Twelve
 Three
 Months
 Three
 Months
 Three
 Months
 Three
 Months NET
 OPERATING
 PROFIT
 AFTER TAXES
 Months
 Ended Ended
 Ended Ended
 09/30/2004
 09/30/2004
 06/30/2004
 03/31/2004
 12/31/2003
 Net income
 \$121,145
 \$25,543
 \$11,957
 \$6,664
 \$76,981
 Less:
 Investment
 income
 (8,272)
 (2,645)
 (2,112)
 (2,051)
 (1,464) Tax
 effect on
 Investment
 income (B)
 2,703 846
 697 677 483
 Net
 Operating
 Profit
 After Taxes
 \$115,576
 \$23,744
 \$10,542
 \$5,290
 \$76,000
 INVESTED
 CAPITAL
 Total
 assets (A)
 \$1,040,030
 \$1,104,169
 \$985,841
 \$968,817
 \$1,101,291
 Less: Cash
 and short
 term
 investments
 (A) 571,140
 606,087
 539,146
 587,649
 551,677
 Current
 liabilities
 (A) 196,034
 216,342
 132,092
 136,079
 299,623
 Invested
 capital
 \$272,856
 \$281,740
 \$314,603

~~\$245,089~~

~~\$249,991~~

~~Return on
Invested~~

~~Capital 42%~~

~~8% 3% 2%~~

~~30% (A)~~

~~Amounts for
the~~

~~trailing~~

~~twelve~~

~~months~~

~~represent~~

~~averages of~~

~~the~~

~~previous~~

~~four fiscal~~

~~quarters~~

~~(B) Tax~~

~~effectd~~

~~represents~~

~~investment~~

~~income~~

~~multiplied~~

~~by our~~

~~effective~~

~~tax rate.~~