

UNITED STATES
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) February 7, 2005
(February 7, 2005)

ACTIVISION, INC.

(Exact Name of Registrant as Specified in Charter)

Delaware	0-12699	95-4803544
-----	-----	-----
(State or Other Jurisdiction of Incorporation)	(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 February 7, 2005, Activision, Inc. (the "Company") issued a press
release announcing its financial results for the fiscal quarter ended December
31, 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 February 7, 2005.

Use of Non-GAAP Financial Information

The Company's press release, and other communications from time to time, include
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.

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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.

ACTIVISION, INC.

By:/s/ Ronald Doornink

Name: Ronald Doornink
Title: President

Date: February 7, 2005

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EXHIBIT INDEX

Exhibit Number	Description
- - - - -	- - - - -
99.1	Press Release of Activision, Inc., dated February 7, 2005.

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Contacts: Bill Chardavoyne
 Chief Financial Officer
 (310) 255-2229
 bchardavoyne@activision.com

Kristin Mulvihill Southey
 Vice President, Investor Relations
 (310) 255-2635
 ksouthey@activision.com

Maryanne Lataif
 Vice President, Corporate Communications
 (310) 255-2704
 mlataif@activision.com

FOR IMMEDIATE RELEASE

ACTIVISION REPORTS RECORD THIRD QUARTER AND
 NINE MONTH FISCAL 2005 RESULTS

- Q3 Net Revenues Increase 34% Year Over Year -- Largest Quarter in Company's History -
- Net Revenues for Nine Months Grow 53% -
- Company Increases Net Revenue and E.P.S. Outlook for FY 2005 -
- Company Expects Net Revenue, E.P.S. and Operating Margin Growth for FY 2006 -

Santa Monica, CA - February 7, 2005 - Activision, Inc. (Nasdaq: ATVI) today announced record financial results for the third quarter and nine months ended December 31, 2004.

Net revenues for the third quarter were \$680.1 million or 34% higher, as compared to \$508.5 million for the third quarter of fiscal year 2004. Net income for the third quarter rose to \$97.3 million, a 26% increase, compared with net income of \$77.0 million for the previous fiscal third quarter. Diluted earnings per share grew 19% to \$0.63 per diluted share, compared to \$0.53 per diluted share reported for the prior fiscal third quarter.

For the nine-month period ended December 31, 2004, the company announced record net revenues of \$1.2 billion, an increase of 53%, as compared to net revenues of \$784.8 million reported for the nine-month period last fiscal year. The company also announced record earnings per diluted share for the nine-month period of \$0.87, an increase of 78%, as compared to earnings per diluted share of \$0.49 for the same period last fiscal year.

(more)

Activision Reports Record Q3 2005 Earnings Results

Activision increased its net revenues and earnings per diluted share outlook for fiscal year 2005 to \$1.352 billion in net revenues and earnings per diluted share of \$0.87 from the company's prior outlook of \$1.265 billion in net revenues and diluted earnings per share of \$0.81. The company's revised outlook represents a 43% increase in net revenues and a 61% increase in earnings per diluted share year over year.

The company also increased its outlook for the fourth quarter of fiscal year 2005 to \$150 million in net revenues from \$128 million, despite moving id Software's DOOM 3 for the Xbox and the DOOM 3 PC expansion pack to fiscal 2006. For the fourth quarter, the company expects earnings per diluted share of \$0.01. During the quarter, Activision plans to release Spider-Man 2(TM) and Tony Hawk's Underground 2 Remix for the PSP simultaneously with the North American release of the new handheld platform, as well as, three titles from LucasArts Entertainment that will be released in Europe - Star Wars(R) Knights of the Old Republic(R)II: The Sith Lords(TM), Mercenaries(TM) and Star Wars Republic Commando(TM). In addition, Shrek 2(TM) will be the first of the company's fiscal 2005 games to enter Sony Computer Entertainment America's "Greatest Hits," Microsoft's "Platinum Family Hits" and Nintendo of America's "Player's Choice" programs.

Robert Kotick, Chairman and CEO of Activision, Inc., commented, "For the first nine months of fiscal year 2005, net revenues have already exceeded net revenues in fiscal 2004, resulting in 13 consecutive years of revenue growth for Activision. We ended the quarter with more than \$713 million in cash and short term investments and for the trailing 12 months, our free cash flow was \$107 million and return on invested capital was 46%. Our results to date were driven

by the release of over 10 one million-unit selling games. Four of these titles sold in excess of two million units. These proven franchises should allow us to continue improving our market position domestically and internationally."

Kotick continued, "As we look toward the future, we are very excited about the opportunities ahead. The combination of our product slate, the emerging opportunities created by new hardware technologies and the ever increasing installed base of current console hardware should enable us to continue expanding our net revenues, earnings and operating margin. In fiscal 2006, we will release the strongest game slate in our history which includes new versions of our top-selling fiscal 2005 franchises -- Tony Hawk, Spider-Man, Shrek, Call of Duty, DOOM, and X-Men, as well as games based on True Crime, Fantastic Four, Madagascar, Quake, The Movies, and an original new property from Neversoft, the development team behind the Tony Hawk series."

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Activision Reports Record Q3 2005 Earnings Results

Business Highlights

Activision's third quarter results were driven by solid performance of its titles across all platforms worldwide. During the quarter, the company had five top 10-best selling games in the U.S., according to NPD -- Call of Duty: Finest Hour(TM), which has established itself as a new console franchise for the company, Tony Hawk's Underground 2, DOOM 3(TM), Rome: Total War(TM) and Spider-Man 2 for the Nintendo DS.

Between October and December, Activision released five new games: Tony Hawk's Underground 2, an all-new Tony Hawk experience for PlayStation(R) 2 computer entertainment system, Xbox(R) video game system from Microsoft, Nintendo(R) Game Cube, Nintendo Game Boy(R) Advance and PC; Call of Duty: Finest Hour, a World War II first-person action game for the PlayStation 2 computer entertainment system, Xbox video game system from Microsoft and Nintendo Game Cube; Lemony Snicket's: A Series of Unfortunate Events(TM) for the PlayStation 2 computer entertainment system, Xbox video game system from Microsoft, Nintendo Game Cube, Nintendo Game Boy Advance and PC; Vampire(R): The Masquerade Bloodlines(TM) for the PC and Spider-Man 2 for the Nintendo DS.

Other business highlights include:

- o On January 20, 2005, Activision announced that the company further strengthened its next-generation development capabilities through the acquisition of game developer Vicarious Visions, the creative studio behind the #1 best-selling third-party Nintendo(R) DS title, Spider-Man 2. Vicarious Visions' proven proprietary Alchemy(TM) middleware technology and tools will be combined with Activision's next-generation tools and libraries to further enhance the company's overall development efforts.
- o For calendar 2004, Activision had a number of top-selling titles:
 - o Spider-Man 2 was the #1 movie-based game in the U.S., according to NPD Funworld. For the calendar year, the Spider-Man franchise sold more than seven million units worldwide. Spider-Man 2 for the Nintendo DS was the #1 best-selling third-party title for the platform in the U.S. for the calendar year, according to NPD Funworld.
 - o Tony Hawk's Underground 2 was the #9 best selling title in the U.S., according to NPD Funworld. The Tony Hawk brand sold more than six million units worldwide in the calendar year.

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Activision Reports Record Q3 2005 Earnings Results

- o The Call of Duty franchise sold more than four and a half million units worldwide in the calendar year and was the best selling game franchise based on a new intellectual property.
- o Shrek 2 was the #1 best-selling children's video game in the U.S., according to NPD Funworld. The Shrek 2 franchise sold more than four million units worldwide in the calendar year.
- o According to NPD Techworld, Activision was the fastest growing top-10 U.S. PC publisher for calendar 2004. The company had a 10% PC market share, the highest in its history, and was the only publisher to have three top-10 games for the year - DOOM 3, Call of Duty(TM) and Rome: Total War.

Company Outlook

Activision also provided its outlook for fiscal year 2006, which begins in April 2005, of \$1.43 billion in net revenues and earnings per diluted share of \$0.91. For the first quarter of fiscal year 2006, the company expects net revenues of \$215 million and earnings per diluted share of \$0.02. Diluted earnings per share does not include the impact of adopting FASB 123(R), which relates to the expensing of stock options and other share-based payments.

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 third 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) 981-4910 in the U.S.

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Activision Reports Record Q3 2005 Earnings Results

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, Spain 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.

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	December 31, 2003	Nine Months ended December 31, 2004	2003
	-----	-----	-----	-----
Net revenues	\$680,094	\$508,511	\$1,201,996	\$784,759
Costs and expenses:				
Cost of sales				
- product costs	316,494	235,301	528,759	384,302

Cost of sales				
- software royalties and amortization	58,200	23,680	116,846	50,575
Cost of sales				
- intellectual property licenses	22,598	9,464	57,797	27,008
Product development	25,068	50,354	66,054	79,828
Sales and marketing	105,248	58,503	200,216	102,025
General and administrative	15,407	14,248	44,854	35,847
	-----	-----	-----	-----
Total operating expenses	543,015	391,550	1,014,526	679,585
Operating income	137,079	116,961	187,470	105,174
Investment income, net	3,197	1,464	7,954	4,125
Income before provision for income taxes	140,276	118,425	195,424	109,299
Provision for income taxes	43,014	41,444	60,662	38,248
	-----	-----	-----	-----
Net income	\$97,262	\$76,981	\$134,762	\$71,051
	=====	=====	=====	=====

Basic earnings per share	\$0.70	\$0.58	\$0.97	\$0.54
Weighted average common shares outstanding	139,820	133,145	138,700	132,488
Diluted earnings per share	\$0.63	\$0.53	\$0.87	\$0.49
Weighted average common shares outstanding assuming dilution	155,592	146,027	154,418	143,679

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)

	December 31, 2004	March 31, 2004
	-----	-----
ASSETS		
Current assets:		
Cash, cash equivalents and short-term investments	\$ 713,180	\$ 587,649
Accounts receivable, net	344,894	62,577
Inventories	41,656	26,427
Software development	61,550	58,320
Intellectual property licenses	19,908	32,115
Deferred income taxes	13,689	26,127
Other current assets	17,424	18,660
	-----	-----
Total current assets	1,212,301	811,875
	=====	=====
Software development	13,384	28,386
Intellectual property licenses	11,624	16,380
Property and equipment, net	26,798	25,539
Deferred income taxes	-	9,064
Other assets	2,530	1,080
Goodwill	77,992	76,493
	-----	-----
Total assets	\$ 1,344,629	968,817
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 156,376	\$ 72,874
Accrued expenses	155,057	63,205
	-----	-----
Total current liabilities	311,433	136,079
Deferred income taxes	12,712	-
	-----	-----

Total liabilities	324,145	136,079
Shareholders' equity:		
Common stock	-	-
Additional paid-in capital	803,753	758,626
Retained earnings	343,041	208,279
Treasury stock	(144,128)	(144,128)
Accumulated other comprehensive income	17,818	9,961
	-----	-----
Total shareholders' equity	1,020,484	832,738
	-----	-----
Total liabilities and shareholders' equity	\$ 1,344,629	\$ 968,817
	=====	=====

ACTIVISION, INC.
AND SUBSIDIARIES

FINANCIAL
INFORMATION For
the Quarter and
Nine Months
Ended December
31, 2004 and
2003 (Amounts in
thousands)
Percent Increase
Quarter Ended
(Decrease)
December 31,
2004 December
31, 2003 Amount
% of Total
Amount % of
Total Geographic
Revenue Mix
United States \$
344,342 51% \$
252,114 50% 37%
International
335,752 49%
256,397 50% 31%

— Total net
revenues \$
680,094 100% \$
508,511 100% 34%

—
Activity/Platform
Mix Publishing:
Console \$
382,400 75% \$
304,996 80% 25%
Hand held 63,243
12% 13,367 3%
373% PC 68,410
13% 64,558 17%
6%

— Total
publishing \$
514,053 76% \$
382,921 75% 34%

— Distribution:
Console \$
134,503 81% \$
102,979 82% 31%
Hand held 7,923
5% 6,917 6% 15%
PC 23,615 14%
15,694 12% 50%

— Total
distribution \$
166,041 24% \$

~~125,590 25% 32%~~

~~— Total net
revenues \$
680,094 100% \$
508,511 100% 34%
=====~~

~~=====~~
~~=== Percent
Increase Nine
Months Ended
(Decrease)
December 31,
2004 December
31, 2003 Amount
% of Total
Amount % of
Total Geographic
Revenue Mix
United States \$
627,238 52% \$
381,303 49% 64%
International
574,758 48%
403,456 51% 42%~~

~~— Total net
revenues \$
1,201,996 100% \$
784,759 100% 53%~~

~~—
Activity/Platform
Mix Publishing:
Console \$
647,069 69% \$
439,499 77% 47%
Hand-held
105,342 11%
22,150 4% 376%
PC 189,689 20%
107,473 19% 76%~~

~~— Total
publishing \$
942,100 78% \$
569,122 73% 66%~~

~~—
Distribution:
Console \$
203,626 78% \$
171,509 79% 19%
Hand-held 15,134
6% 14,559 7% 4%
PC 41,136 16%
29,569 14% 39%~~

~~— Total
distribution \$
259,896 22% \$
215,637 27% 21%~~

~~— Total net
revenues \$
1,201,996 100% \$
784,759 100% 53%
=====~~
~~=====~~
~~=====~~

FINANCIAL INFORMATION For the Quarter				
and Nine Months Ended December 31,				
2004 and 2003 Quarter Ended Quarter				
Ended Nine Months Ended Nine Months				
Ended December 31, 2004 December 31,				
2003 December 31, 2004 December 31,				
2003 Publishing Net Revenues PC 13%				
17% 20% 19%				
Console 75%				
80% 69% 77%				
PlayStation				
2 44% 48% 41% 44% Microsoft Xbox 21%				
20% 18% 22% Nintendo GameCube 10% 10%				
10% 8% Playstation 0% 2% 0% 3% Hand-				
held 12% 3% 11% 4%				
Game Boy Advance 10% 3% 10% 4%				
Nintendo Dual Screen 2% 0% 1% 0%				
Total publishing net				
revenues 100% 100% 100% 100%				
=====				
=====				
=====				

ACTIVISION,
 INC. AND
 SUBSIDIARIES
 Non-GAAP
 Disclosures
 Free Cash
 Flow (In
 thousands)
 Three
 Months
 Three
 Months
 Three
 Months
 Three
 Months
 Ended Ended
 Ended Ended
 12/31/2004
 9/30/2004
 6/30/2004
 3/31/2004
 Net Cash
 Provided by
 (Used In)
 Operating
 Activities
 \$ 85,668 \$
 62,846 \$
 (52,136) \$
 21,069
 Less:
 Capital
 Expenditures
 \$ (3,587) \$
 (2,562) \$
 (1,881) \$
 (2,521)
 Free
 Cash Flow \$
 82,081 \$
 60,284 \$
 (54,017) \$
 18,548
 Trailing
 Twelve
 Month Free
 Cash Flow \$

~~106,896 \$~~
~~121,998 \$~~
~~30,779 \$~~
~~55,427~~

ACTIVISION,
INC. AND
SUBSIDIARIES
Non-GAAP

Disclosures
Return on
Invested
Capital (In
thousands)
Three
Months
Three
Months
Three
Months
Three
Months

Months NET
OPERATING
PROFIT

AFTER TAXES
Ended Ended
Ended Ended
12/31/2004
9/30/2004
6/30/2004
3/31/2004

~~Net income~~
~~\$ 97,262 \$~~
~~25,543 \$~~
~~11,957 \$~~

~~6,664 Less:~~
~~Investment~~
~~income~~
~~(3,197)~~
~~(2,645)~~
~~(2,112)~~

~~(2,051) Tax~~
~~effect on~~
~~Investment~~
~~income (B)~~
~~991 846 697~~
~~677~~

~~—Net~~
~~Operating~~
~~Profit~~

~~After Taxes~~
~~\$ 95,056 \$~~
~~23,744 \$~~
~~10,542 \$~~
~~5,290~~

~~Trailing~~
~~Twelve~~
~~Month Net~~
~~Operating~~
~~Profit~~

~~After Taxes~~
~~\$ 134,632 \$~~
~~115,576 \$~~
~~80,826 \$~~
~~73,630~~

~~INVESTED~~
~~CAPITAL~~
~~Total~~
~~assets (A)~~
~~\$1,344,629~~
~~\$1,104,169~~
~~\$985,841~~
~~\$968,817~~
~~Less: Cash~~
~~and short~~
~~term~~

investments
~~(A) 713,180~~
~~606,087~~
~~539,146~~
~~587,649~~
Current
liabilities
~~(A) 311,433~~
~~216,342~~
~~132,092~~
~~136,079~~

~~Invested~~
~~capital \$~~
~~320,016~~ ~~\$~~
~~281,740~~
~~\$314,603~~
~~\$245,089~~
Trailing
Twelve
Month
Invested
Capital ~~(A)~~
~~290,362~~
~~272,856~~
~~265,585~~
~~247,330~~

~~Return on~~
~~Invested~~
~~Capital 30%~~
~~8%~~ ~~3%~~ ~~2%~~
Trailing
Twelve
Month

~~Return on~~
~~Invested~~
~~Capital 46%~~
~~42%~~ ~~30%~~ ~~30%~~

~~(A) Amounts~~
~~for the~~
~~trailing~~
~~twelve~~
~~months~~
~~represent~~
~~averages of~~
~~the~~
~~previous~~
~~four fiscal~~
~~quarters~~
~~(B) Tax~~
~~effect~~
~~represents~~
~~investment~~
~~income~~
~~multiplied~~
~~by our~~
~~effective~~
~~tax rate.~~