



Activision Raises Third Quarter and Fiscal Year 2008 Outlook

- Fiscal Year Net Revenue Outlook Increases from \$2.30 Billion to \$2.45 Billion -
- Fiscal Year Earnings Per Diluted Share Outlook Up From \$0.75 to \$0.85 -

SANTA MONICA, Calif., Dec 19, 2007 (BUSINESS WIRE) -- Activision, Inc. (Nasdaq: ATVI) announced today that based on better than expected consumer response to its holiday slate worldwide, the company is raising its net revenue and earnings per diluted share outlook for the third quarter, ending December 31, 2007 and fiscal year 2008. Activision's revised outlook marks the highest net revenues and earnings per diluted share in the company's history for both the third quarter and full fiscal year.

For the fiscal third quarter, Activision expects record net revenues of \$1.375 billion and earnings per diluted share of \$0.76, an increase from the company's prior net revenues outlook of \$1.225 billion and earnings outlook of \$0.66 per diluted share. The company's per share outlook for the third quarter includes costs associated with its recently announced agreement with Vivendi. Excluding the impact of equity based compensation expense, which Activision expects to total \$0.04 per diluted share for the third quarter of fiscal 2008, the company expects earnings per diluted share for the third quarter of \$0.80, as compared to the company's previous outlook of \$0.70.

For the full fiscal year 2008, Activision expects record net revenues of \$2.45 billion and earnings per diluted share of \$0.85, as compared to its previous outlook of net revenues of \$2.30 billion and earnings per diluted share of \$0.75. The company's per share outlook for the full fiscal year includes costs associated with its recently announced agreement with Vivendi. Excluding the impact of equity-based compensation expense, which Activision expects to total \$0.10 per diluted share for the full fiscal year 2008, the company expects earnings per diluted share of \$0.95 for the full fiscal year, as compared to the company's previous outlook of \$0.85.

"Activision is the #1 U.S. console and handheld publisher, according to the recently announced results from The NPD Group, for calendar 2007 through November," said Robert Kotick, Chairman and CEO, Activision, Inc. "The company increased its market share for the eleven month period to a record 16.8%, a 7.9% increase over the same period last year. We continue to see strong audience excitement for our products and as a result we are again raising our financial outlook for the December quarter and the fiscal year."

Non-GAAP Financial Measures

This release provides expected earnings per diluted share data both including (in accordance with GAAP) and excluding (non-GAAP) the impact of expenses related to employee stock options, employee stock purchase plans, restricted stock rights and other equity-based compensation and the associated tax benefits. Prior to April 1, 2006, Activision accounted for equity-based compensation under the Accounting Principles Board, Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25"). In accordance with the APB No. 25, the company historically used the intrinsic value method to account for equity-based compensation. Beginning on April 1, 2006, the company has accounted for equity-based compensation using the fair value method under the Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" ("FAS 123®").

Expected earnings per diluted share, excluding the impact of expenses related to equity-based compensation, are not determined in accordance with generally accepted accounting principles (GAAP), and the exclusion of those amounts has the effect of increasing expected non-GAAP earnings per diluted share by the same amounts as compared with expected GAAP earnings per diluted share for the indicated periods. Activision recognizes that there are limitations associated with the use of this non-GAAP financial measure as it does not reflect earnings per diluted share results as determined in accordance with GAAP, and may reduce comparability with other companies that calculate similar non-GAAP measures differently. Management compensates for the limitations resulting from the exclusion of expenses related to equity-based compensation by considering the amount and impact of these expenses separately and by considering the company's expected GAAP as well as non-GAAP results and, in this release, by presenting the most comparable GAAP measures, expected earnings per diluted share, directly ahead of expected non-GAAP earnings per diluted share.

Management does not believe the limitations resulting from the exclusion of these expenses are material, particularly when this non-GAAP financial measure is disclosed with its most comparable GAAP financial measure, expected earnings per share. Management believes that the presentation of this non-GAAP financial measure provides investors with additional useful information to measure the company's financial performance because it allows for a better comparison of expected results in the periods covered herein to those in historical periods. Internally, management uses this non-GAAP financial measure in assessing the company's operating results, as well as in planning and forecasting.

This non-GAAP financial measure should be considered in addition to, not as a substitute for or superior to, financial measures determined in accordance with GAAP. Expected non-GAAP earnings per diluted share do not include the impact of certain expenses required to be recorded in order to present expected earnings per share in accordance with GAAP. This non-GAAP financial measure is not based on a comprehensive set of accounting rules or principles, and the term expected non-GAAP earnings per share does not have a standardized meaning. Therefore, other companies may use the same or similarly named measures, but exclude different items, which may not provide investors a comparable view of the company's performance in relation to other companies in the same industry.

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 \$1.5 billion for the fiscal year ended March 31, 2007.

Activision maintains operations in the U.S., Canada, the United Kingdom, France, Germany, Ireland, Italy, Sweden, Spain, the Netherlands, Australia, Japan and South Korea. 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.

Cautionary Note Regarding Forward-looking Statements: Information in this press release that involves Activision's expectations, plans, intentions or strategies regarding the future are forward-looking statements that are not facts and involve a number of risks and uncertainties. In this release they are identified by references to dates after the date of this release and words such as "outlook," "will," "will be," "remains," "to be," "plans," "believes," "may," "expects," "intends," "should," "continue," and similar expressions. Factors that could cause Activision's actual future results to differ materially from those expressed in the forward-looking statements set forth in this release include, but are not limited to, sales in fiscal year 2008 of Activision's titles, shifts in consumer spending trends, the seasonal and cyclical nature of the interactive game market, Activision's ability to predict consumer preferences among competing hardware platforms (including next-generation hardware), declines in software pricing, product returns and price protection, product delays, retail acceptance of Activision's products, adoption rate and availability of new hardware and related software, industry competition, rapid changes in technology and industry standards, protection of proprietary rights, maintenance of relationships with key personnel, customers, vendors and third-party developers, international economic and political conditions, integration of recent acquisitions and identification of suitable future acquisition opportunities, the timing and successful completion of the combination of Vivendi Games with Activision, the combined companies' success in executing planned strategies and achieving assumed synergies and cost savings, and foreign exchange rate changes. Other such factors include, without limitation, the further implementation, acceptance and effectiveness of the remedial measures recommended or adopted by the special sub-committee of independent directors established in July 2006 to review Activision's historical stock option granting practices, by the board and by Activision; the outcome of the SEC's formal investigation and the derivative litigation filed in July 2006 against certain current and former directors and officers of Activision relating to Activision's stock option granting practices, the possibility that additional claims and proceedings will be commenced, including additional stockholder litigation, employee litigation, and additional action by the SEC and/or other regulatory agencies, other litigation (unrelated to stock option granting practices), and the additional risks identified in Activision's most recent annual report on Form 10-K. The forward-looking statements in this release are based upon information available to Activision as of the date of this release, and Activision assumes no obligations to update any such forward-looking statements. Forward-looking statements believed to be true when made may ultimately prove to be incorrect. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control and may cause actual results to differ materially from our current expectations.

SOURCE: Activision, Inc.

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