



Update on External Presentation of Non-GAAP Results
July 29, 2016

These materials may include forward-looking statements regarding future events with respect to Activision Blizzard, including the ways in which we may modify external financial reporting and the ways in which our Board and management will assess performance. Actual events may differ materially from our expectations. Important factors that could cause actual events to differ materially from those in the forward-looking statements include additional guidance or rules from the Securities and Exchange Commission, refinement of our analysis with respect to the subject matter of the forward-looking statements and any of the risks discussed in our most recent SEC filings. Activision Blizzard makes these statements as of today, July 29, 2016 and undertakes no obligation to update them.

- **Due to the updated Compliance and Disclosure Interpretations (C&DI) issued by the SEC staff on May 17, 2016**, we can no longer present Non-GAAP revenues excluding the impact of deferrals. The C&DI updates affect all companies that use non-GAAP disclosures.
- **Historically since 2008, we have consistently given you two ways to view our revenues:**
 - GAAP and Non-GAAP
 - GAAP defers the recognition of revenues and related costs of sales over a service period of less than a year (but typically in the ~6-month range) – this is not changing.
 - Non-GAAP (as previously defined) largely eliminated that deferral, giving you a more real-time view of our sales. It's on this basis that we manage the business. Under the new C&DI directive, we can no longer adjust for the deferrals in the presentation of our results; we will, however, be able to continue to highlight the impact of these GAAP deferrals in our results and outlook.
- **As an important reminder, nothing is changing in how we currently manage the business or in our fundamentals.**
 - GAAP results are the same.
 - Our cash flows are the same.
 - How we currently internally track and manage our business and results remains the same.
 - How we currently measure and incentivize our teams remains the same.

Update (cont.)

- **As we've done in the past, we will provide you with supplemental information so you can calculate relevant metrics, should you decide to do that.**
 - We will provide Non-GAAP (redefined) operating income and EPS which will continue to adjust for stock-based compensation, purchase price accounting and transaction-related items, similar to what we have done in the past.
 - This new Non-GAAP (redefined) measure gets you as close as possible to how we internally manage the business. The only difference is related to change in deferrals. As noted, we will continue to separately provide the impact of GAAP deferrals.
 - The sum of the “impact of deferrals” and “GAAP revenues” is equivalent to how we have previously defined and reported Non-GAAP revenues. The sum of the “net effect of deferred net revenues and related cost of sales” and “Non-GAAP (redefined) EPS” is equivalent to how we previously defined and reported Non-GAAP EPS.
- **On the call today and in our FAQ, posted to our website, we provide:**
 - The format for our upcoming Earnings Press Release showing where to find various information.
 - A baseline for Non-GAAP (redefined) for outlook previously provided on May 5, 2016. To be clear, we are not in any way updating, reaffirming or otherwise commenting on our business performance or prior outlook on this call or in the materials posted to the website.
 - Refresher on GAAP, Non-GAAP (as previously defined), Non-GAAP (redefined), GAAP Deferrals.
- **During next week's earnings call, we will discuss quarterly results and guidance for GAAP and Non-GAAP (redefined). And for one last time, we will also share historical results using Non-GAAP as we used to define and report it.**

What to Expect in Disclosure – Press Release Outlook

- We will continue to provide information needed to calculate our outlook excluding GAAP deferrals.

Disclosure – Prior Format (May 5 Example)*

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES

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Outlook for the Three Months Ending June 30, 2016 and Year Ending December 31, 2016
GAAP to Non-GAAP Reconciliation
(Amounts in millions, except per share data)

	Outlook for the Three Months Ending June 30, 2016	Outlook for the Year Ending December 31, 2016
Net Revenues (GAAP)	\$ 1,425	\$ 6,130
Excluding the impact of:		
Change in deferred revenues ¹	(50)	145
Net Revenues (Non-GAAP)	\$ 1,375	\$ 6,275
Operating Income (GAAP)	\$ 160	\$ 932
Excluding the impact of:		
Deferral of net revenues and related cost of sales ²	11	150
Stock-based compensation ³	51	187
Amortization of intangible assets ⁴	201	705
Fees and other expenses related to acquisitions ⁵	6	52
Operating Income (Non-GAAP)	\$ 429	\$ 2,026
Earnings Per Diluted Share (GAAP)	\$ 0.10	\$ 0.69
Excluding the impact of:		
Deferral of net revenues and related cost of sales ²	0.02	0.14
Stock-based compensation ³	0.04	0.16
Amortization of intangible assets ⁴	0.21	0.72
Fees and other expenses related to acquisitions ⁵	0.01	0.07
Earnings Per Diluted Share (Non-GAAP)	\$ 0.38	\$ 1.78

- Reflects the net change in deferred revenues.
- Reflects the net change in deferred revenues and related cost of sales.
- Reflects expenses related to stock-based compensation.
- Reflects amortization of intangible assets from purchase price accounting, including intangible assets from the King Acquisition.
- Reflects fees and other expenses related to the King Acquisition, inclusive of related debt financings.

The per share adjustments and the GAAP and non-GAAP earnings per share information are presented as calculated. Therefore the sum of these measures, as presented, may differ due to the impact of rounding.

Disclosure – New Format (May 5 Example)*

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(Amounts in millions, except per share data)

	Outlook for the Three Months Ending June 30, 2016	Outlook for the Year Ending December 31, 2016
Net Revenues (GAAP) ¹	\$ 1,425	\$ 6,130
Change in deferred revenues ²	(50)	145
Earnings Per Diluted Share (GAAP)	\$ 0.10	\$ 0.69
Excluding the impact of:		
Stock-based compensation ³	0.07	0.24
Amortization of intangible assets ⁴	0.27	0.92
Fees and other expenses related to acquisitions ⁵	0.01	0.08
Income tax impacts from above items ⁶	(0.09)	(0.29)
Earnings Per Diluted Share Non-GAAP (redefined)	\$ 0.36	\$ 1.64
Net effect of deferred net revenues and related cost of sales on Earnings Per Diluted Share ⁷	\$ 0.02	\$ 0.14

- Net Revenues represents the revenue outlook for both GAAP and Non-GAAP (redefined) as they are measured the same.
- Reflects the net effect from deferral of revenues and (recognition) of deferred revenues on certain of our online enabled products.
- Reflects expenses related to stock-based compensation.
- Reflects amortization of intangible assets from purchase price accounting, including intangible assets from the King Acquisition.
- Reflects fees and other expenses related to the King Acquisition, inclusive of related debt financings.
- Reflects the income tax impacts associated with the above items.
- Reflects the net effect from deferral of revenues and (recognition) of deferred revenues, along with related cost of sales, on certain of our online enabled products, including the effect of taxes.

We will continue to provide GAAP deferrals and their impact