

ATVI Remarks

July 29, 2016

Amrita Ahuja, SVP Investor Relations

Good afternoon and thank you for joining us for Activision Blizzard's update call regarding the external presentation of our Non-GAAP results.

Accompanying today's call is a slide deck overview which you can access with the webcast and which will be posted to our website following the call, along with an FAQ and the remarks you'll hear today. We hope these materials address any fundamental questions you may have, and will answer additional questions as part of our Q2 earnings call next Thursday.

These materials and our comments may include forward-looking statements regarding future events with respect to the Company, including the ways in which the Company may modify its external financial reporting and the ways in which our Board and management will assess the Company's 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.

And now I'd like to introduce our CFO, Dennis Durkin.

Dennis Durkin, CFO

Thank you, Amrita, and thank you all for joining us this afternoon.

Today we would like to update you on some changes we will be making with respect to our external financial reporting, beginning with our Q2 earnings release next week.

As many of you are aware, due to the updated Compliance and Disclosure Interpretations 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 U.S. companies that use non-GAAP disclosures.

As background, historically since 2008, we have consistently given you two ways to view our revenues: GAAP and Non-GAAP.

The difference between the two is simply timing.

Notably, 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 we previously defined it, largely eliminated that deferral, giving you a more real-time view of our sales. It’s also the basis on which we manage the business and how our board evaluates our performance, and is a closer proxy to our cash flows.

Under the new C&DI directive, we can no longer adjust for the deferrals in the presentation of our external non-GAAP results.

It’s important to note that nothing is changing in how we currently manage the business or in our fundamentals. This is only a change in external reporting of our future Non-GAAP results. GAAP results are the same. Our cash flows are the same. How we currently manage our business and results remains the same. How we currently measure and incentivize our teams remains the same. So this change is only related to our external reporting of non-GAAP measures and in no way affects the underlying performance of the business or most importantly, our cash flows.

As a result of this change, going forward, we will only be reporting GAAP revenues. We will no longer report Non-GAAP revenues.

We do, however, expect to continue to 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.

In addition, we will provide you with supplemental information, including the impact of GAAP deferrals on revenue and EPS. With this information, you can calculate our Non-GAAP results in the same way we have reported them for the past 8 years, should you wish to do so.

Let me walk you through the calculations just to keep it simple.

On the revenue side, the sum of the GAAP revenues and the impact of the change in deferred revenues is equivalent to how we used to define and report Non-GAAP revenues.

For EPS, the sum of the Non-GAAP (redefined) EPS and the impact of change in deferred net revenues and related cost of sales is equivalent to how we used to define and report Non-GAAP EPS.

So this new Non-GAAP (redefined) measure gets you as close as possible to how we internally manage the business, and the only difference is related to change in deferrals.

On the call today, we will show you the format for the upcoming earnings press release, so that you'll know where to find relevant information when we present it next week.

We will also be publishing a set of Frequently Asked Questions on our IR website. In those FAQs, we provide a bridge and baseline for Non-GAAP (redefined) measures for the outlook previously provided on May 5, 2016. To be clear, we are not restating any of our historical numbers, nor are we in any way updating, reaffirming or otherwise commenting on the prior outlook on this call or in the materials posted to the website; we are simply highlighting where to find the relevant information, all of which was included as part of our previous disclosures. The FAQs also provide an outline for the go-forward format for our IR model, which will be posted to our website following our earnings release and will include all the supplemental information required to calculate relevant metrics.

During next week's earnings call, we will speak to our Q2 performance and future outlook using both GAAP and this new Non-GAAP redefined methodology, which will be our standard reporting format going forward. And for one last time, for Q2 only, we will also provide historical results using our old Non-GAAP methodology, which excluded the impact of deferrals.

Now let's take a look at where you can find the impact of GAAP deferrals in our earnings materials.

On this slide, what you see on the left side of the page is our exact disclosure from our earnings release from May 5th.

As you can see, the impact of GAAP deferrals on revenues and EPS was previously presented discretely. You can also see, in the highlighted boxes, the impact of deferrals, which helped in-part to bridge from GAAP to Non-GAAP as we previously defined and reported it.

We plan to continue to break-out the impact of GAAP deferrals going forward, as you see on the right side of the page. These GAAP deferrals, and their impact on Revenue and EPS, will continue to be separately called out.

We cannot sum them for you. But if you would like to calculate Non-GAAP revenues and EPS as previously defined, in order to do year-over-year comparisons, you would simply add the impact of the change in GAAP deferrals to GAAP Revenues and to Non-GAAP (redefined) EPS.

As we have done in the past, we will also continue to provide a break-out of GAAP deferrals by Distribution Channel, Platform and Geographic Region. If you would like to do year-over-year comparisons with Non-GAAP results as we previously defined them, you simply need to add the impact of the change in GAAP deferrals to the GAAP revenue results shown.

In addition, we can and will continue to report our segment results for Activision, Blizzard and King excluding GAAP deferrals consistent with the Non-GAAP methodology as we previously defined it. This

aligns with how Bobby, our Chief Operating Decision Maker, has managed and will continue to manage the business, and review results.

So in summary, starting with Q2 earnings next week, our reporting will conform to the changes I've just described.

Just to reiterate, the external reporting changes outlined in this presentation do not in any way change our intrinsic business fundamentals or exciting growth themes. Our GAAP results don't change. How we manage and measure our performance doesn't change. How we measure and incentivize our teams doesn't change. And most importantly for you all, this has no effect on our cash flows. This is simply a change in the way we will be reporting our results externally.

As always, we will continue to endeavor to provide you with the all the relevant information we think is important for you to analyze our business and performance. We thank you for your patience and consideration as we work our way through this transition.

The FAQs posted to our website will hopefully address your fundamental questions on our new approach, and we will obviously be available to answer any of your broader questions as part of our earnings release next week, when a lot of this new reporting will become much clearer with the benefit of actual Q2 results. Many thanks for joining us today. We look forward to talking with you and sharing those results next Thursday.