

Activision Blizzard, Inc.
Update on Presentation of Non-GAAP Financial Results
Frequently Asked Questions
July 29, 2016

Due to the updated Compliance and Disclosure Interpretations (C&DI) issued by the SEC staff on May 17, 2016, Activision Blizzard (ATVI) can no longer present Non-GAAP financials excluding the impact of deferrals. The C&DI updates affect all companies that use Non-GAAP disclosures.

It's important to note that nothing is changing in how ATVI currently manages the business or in its fundamentals. This is only a change in the external reporting of Non-GAAP results. GAAP results are the same. Cash flows are the same. How ATVI currently internally tracks and manages its business and reviews the results remains the same. How ATVI currently measures and incentivizes its teams remains the same.

ATVI historically gave you two ways to view its revenues. GAAP defers the recognition of revenues and costs of sales over a service period of less than a year, and typically in the ~6-month range. This is not changing. Non-GAAP, as previously defined, largely eliminated the impact of those deferrals, giving you a more timely view of sales with our customers and trends in our operating results. It's on this basis that ATVI has managed and continues to manage the business.

Per the new SEC C&DI guidelines, however, ATVI will no longer be able to exclude the impact of deferrals in the presentation of results to you. That said, we will continue to separately highlight the impact of GAAP deferrals in our results and outlook so you can compare our results to Non-GAAP (as previously defined), if you so choose.

Please also refer to the conference call held on Friday, July 29th and the supporting slides.

Question 1: Why is Activision Blizzard changing the way it externally reports its financials?

The updated C&DI issued by the SEC staff on May 17, 2016 are applicable to all companies with SEC reporting requirements and were effective immediately. Like other companies, ATVI is modifying its external reporting as a result of the updated C&DI.

Question 2: Why did Activision Blizzard historically report Non-GAAP (as previously defined) without the impact of deferrals?

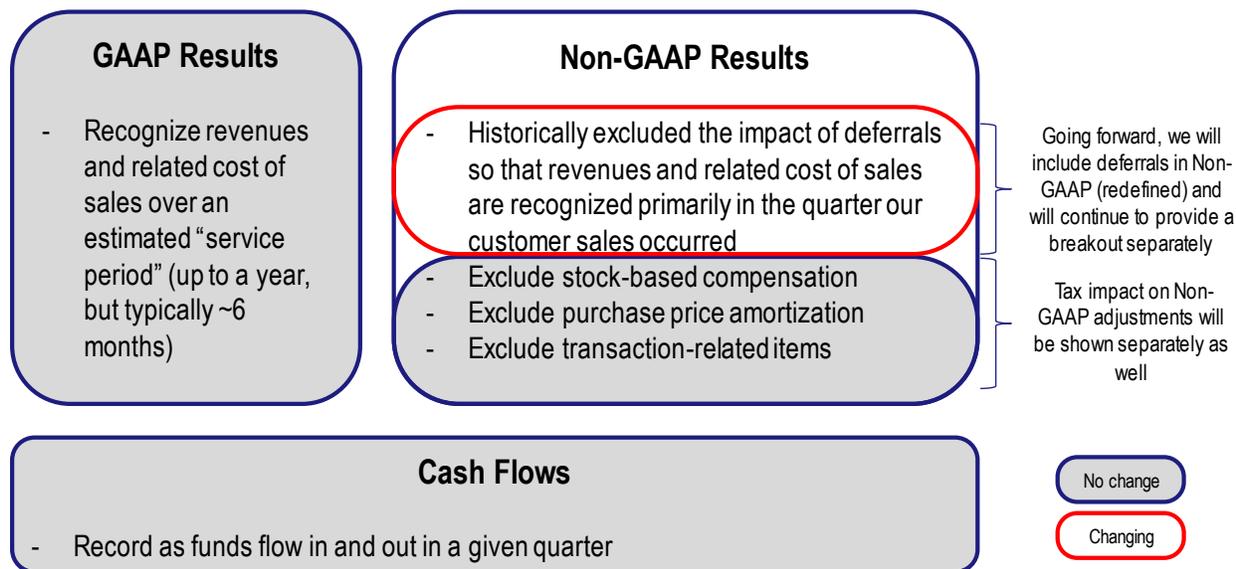
Starting in 2007, ATVI determined that some of our games' online functionality represented an essential component of gameplay and, as a result, a more-than-inconsequential separate deliverable. Because ATVI does not charge separately for this online functionality, revenues attributed to these game are deferred and then recognized over their estimated service periods, which may range from three months to less than a year. The related cost of sales is deferred and recognized as the related revenues are recognized.

Internally, management has excluded the impact of this change in deferred revenues and related cost of sales in its financial measures when evaluating the company's operating performance. Doing so, enables an analysis of performance based on the timing of actual transactions with our customers, and provides a more real-time indication of trends in our operating results.

When reporting Non-GAAP (as previously defined) metrics, ATVI has always provided detailed disclosures which show the impact of deferrals and reconciled Non-GAAP (as previously defined) results to GAAP results.

Question 3: How will Activision Blizzard’s GAAP and Non-GAAP financial reporting change?

Please refer to the diagram below.



GAAP results will not change. ATVI’s GAAP results will continue to recognize revenues and related cost of sales over an estimated service period which is less than a year, and typically in the ~6-month range.

Cash flows will also not change.

Going forward, Non-GAAP results will be reported using a new methodology based on the updated C&DI issued by the SEC staff. ATVI has historically excluded stock-based compensation, purchase price accounting, and transaction-related items from Non-GAAP results, and these items will continue to be excluded. However, the tax impact of these adjustments will be shown separately going forward.

In the past ATVI also excluded the impact of deferrals so that revenues and related cost of sales were recognized primarily in the quarter that sales occurred with our customers. ATVI can no longer exclude the impact of deferrals on revenues or related costs from Non-GAAP results.

As a result, GAAP and Non-GAAP will both include the impact of deferrals and revenues will now be the same going forward. However, GAAP and Non-GAAP (as redefined) earnings will continue to have differences given the other expense related adjustments described above.

Question 4: Does this change affect digitally distributed goods as well as physical goods?

Yes. The updated C&DI applies to both digital and physical goods. The online functionality of ATVI’s titles and its criticality to the game is the same whether it was delivered digitally or sold physically. As a result, the GAAP accounting for deferred revenues and related cost of sales applies to physical and digital sales.

Question 5: After this quarter will I be able to calculate Non-GAAP (as previously defined) metrics including results by segment and revenue by geography, platform, channel so I can compare those to past period performance?

Yes. ATVI's filings have historically provided the impact of GAAP deferrals in its results. ATVI is not changing how it calculates or accounts for GAAP deferrals, and will continue to break-out the impact of GAAP deferrals going forward.

If you would like to calculate Non-GAAP figures as ATVI previously defined and reported them to do year-over-year comparisons, you would simply add the impact of the change in GAAP deferrals to GAAP Revenues or Non-GAAP (as previously defined) EPS. See illustrations below.

GAAP TO NON-GAAP (as previously defined) Revenues Calculation:

GAAP Net Revenues	+	Change in deferred revenues	=	Non-GAAP (as previously defined) Net Revenues
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GAAP TO NON-GAAP (as previously defined) EPS Calculation:

Non-GAAP (redefined) EPS	+	Net effect from deferral of net revenues and related cost of sales	=	Non-GAAP (as previously defined) EPS
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Page five of the July 29th conference call slides illustrates where to find the impact of deferrals in the press release outlook tables. There will be similar disclosures for the company's historical results as well as for revenue by Distribution Channel, Platform and Geographic Region.

It's important to note that we can and will continue to report our segment results for Activision, Blizzard and King using the same previous methodology (results before the impact of deferrals). This is consistent with how our Chief Operating Decision Maker has managed and will continue to manage the business, and with how ATVI's board evaluates performance.

Question 6: Will Activision Blizzard change how guidance is provided?

Yes. Please refer to page five of the July 29th conference call slides.

Going forward ATVI will no longer provide guidance for Non-GAAP (as previously defined) revenues. However, ATVI expects to provide guidance for GAAP, and Non-GAAP metrics (as redefined) as well as guidance on the expected impact of deferrals.

If you would like to calculate Non-GAAP guidance (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 redefined Non-GAAP EPS (using the calculations above).

Question 7: What reporting and metrics does Activision Blizzard use internally to manage the business and compensate teams?

ATVI's Chief Operating Decision Maker has managed the business and continues to manage the business and review results using Non-GAAP (as previously defined) metrics. ATVI believes using Non-GAAP (as previously defined) offers a more timely view of financial results, and is more closely aligned with the cash flows the business generates and the transactions with our customers. GAAP results provide a view, in-part, that creates a lag in results, due to the recognition of transactions with our customers that occurred in the past.

In addition, ATVI currently continues to use Non-GAAP (as previously defined) metrics to set certain performance targets and to award performance-based compensation. This is consistent with our disclosure in this year's annual proxy filings and for the assessment of performance in 2016 as well. Actual performance in 2016 will be measured in a manner consistent with the methodology used to establish the targets at the beginning of the year (ensuring an apples-to-apples comparison).

Question 8: When will this external reporting change take affect?

Starting this quarter, for the period ending June 30, 2016. During next week's earnings call, ATVI will speak to quarterly performance and guidance using GAAP and Non-GAAP (redefined) methodologies. ATVI will also, for one last time, provide historical results using Non-GAAP (as previously defined), which excludes the impact of deferrals.

Question 9: Is Activision Blizzard restating its historical financial results?

No. The updated C&DI are not retroactive. ATVI will only change its external reporting on a go-forward basis. The company's financial model posted to its IR website following earnings will help the investment community bridge and compare historical Non-GAAP (as previously defined) to Non-GAAP (redefined) and will continue to include detail on the impact of deferrals. There will be no change to GAAP reporting.

Question 10: Is Activision Blizzard changing its GAAP financials at all?

No. There will be no changes to the GAAP financials. Our GAAP results will be reported using the same accounting and reporting policies and procedures ATVI has used historically.

Question 11: Will Activision Blizzard report or include historical non-GAAP (as previously defined) metrics at all?

Not on a consolidated company basis, though we will provide you with the tools necessary to make relevant year-over-year comparisons. As required by GAAP, ATVI's filings will continue to include the disclosure of segment revenues and operating income before the impact of deferrals, which is reconciled to the company's consolidated net revenues and consolidated operating income. Our segment revenues and segment operating income is determined using the same basis as non-GAAP (as

previously defined) metrics – excluding the impact of deferrals. Currently, we have three reportable segments, Activision, Blizzard, and King.

Cautionary Note Regarding Forward-looking Statements: 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 any duty to update them.

APPENDIX

Non-GAAP: Detail on Q2 and Full Year 2016 Outlook Provided on May 5, 2016*

The impact of deferrals was noted in our previous disclosure on May 5, 2016, and is shown again below to highlight what would have been presented for Non-GAAP (redefined) on May 5.*

Bridge on Q2 2016 Outlook Provided May 5*

(in millions) except EPS	May 5, 2016 Outlook*			
	GAAP (no change)	Non-GAAP (redefined)	Impact of deferrals	Non-GAAP (as previously defined)
Q2 2016				
Net Revenues	\$ 1,425	\$ 1,425	\$ (50)	\$ 1,375
EPS	\$ 0.10	\$ 0.36	\$ 0.02	\$ 0.38

- **No change or impact to GAAP outlook.**
- **We will only report GAAP revenues, which include the impact of deferrals.**
- **In Q2 2016, Non-GAAP (redefined) revenues were expected to be higher than Non-GAAP (as previously defined)** due to continuing recognition of revenues deferred from prior quarters (e.g. Q4 2015's COD release of BO3 sales flowing into 1H 2016). **EPS was expected to be lower** due to the margin mix of products.
- We will continue to provide the impact of deferrals on revenues and EPS going forward should you wish to calculate Non-GAAP (as previously defined) metrics for year-over-year comparisons.

Bridge on Full Year 2016 Outlook Provided May 5*

(in millions) except EPS	May 5, 2016 Outlook*			
	GAAP (no change)	Non-GAAP (redefined)	Impact of deferrals	Non-GAAP (as previously defined)
CY 2016				
Net Revenues	\$ 6,130	\$ 6,130	\$ 145	\$ 6,275
EPS	\$ 0.69	\$ 1.64	\$ 0.14	\$ 1.78

- **No change or impact to GAAP outlook.**
- **We will only report GAAP revenues, which include the impact of deferrals.**
- **In full year 2016, Non-GAAP (redefined) revenues and EPS were expected to be lower than Non-GAAP (as previously defined)** primarily due to the accounting treatment of revenue deferrals of certain of our products.
- We will continue to provide the impact of deferrals on revenues and EPS going forward should you wish to calculate Non-GAAP (as previously defined) metrics for year-over-year comparisons.

* Prior outlook as provided on May 5, 2016, showing what would have been presented for Non-GAAP (redefined) on May 5. Not in any way updating, reaffirming or otherwise commenting on prior outlook.

What to Expect on Format of Disclosures – IR Model Quarterly and TTM P&L Tabs

You may use the model published to our website following earnings releases to refer to historical Non-GAAP (as previously defined) results, as well as view the two key pieces making up Non-GAAP (as previously defined) results (i.e. Non-GAAP (redefined) results and GAAP deferrals).

Quarterly and TTM P&L Tabs – Prior

- GAAP P&L
- Non-GAAP (as previously defined) P&L

Quarterly and TTM P&L Tabs – New

- GAAP P&L
- Non-GAAP (redefined) P&L
- Deferral impact on revenues and related cost of sales
- Non-GAAP (as previously defined) P&L filled in for historical results only, and will not be filled in going forward