

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(Amounts in millions, except per share data)

	Three Months Ended March 31,	
	2012	2011
Net revenues:		
Product sales	\$ 874	\$ 1,061
Subscription, licensing and other revenues ¹	298	388
Total net revenues	1,172	1,449
Costs and expenses:		
Cost of sales - product costs	257	299
Cost of sales - online subscriptions	59	63
Cost of sales - software royalties and amortization	31	61
Cost of sales - intellectual property licenses	7	29
Product development	124	142
Sales and marketing	79	60
General and administrative	102	102
Restructuring	-	19
Total costs and expenses	659	775
Operating income	513	674
Investment and other income (expense), net	1	2
Income before income tax expense	514	676
Income tax expense	130	173
Net income	\$ 384	\$ 503
Basic earnings per common share	\$ 0.34	\$ 0.42
Weighted average common shares outstanding	1,120	1,173
Diluted earnings per common share ²	\$ 0.33	\$ 0.42
Weighted average common shares outstanding assuming dilution	1,127	1,182

¹ Subscription, licensing and other revenues represents revenues from World of Warcraft subscriptions, Call of Duty Elite memberships, licensing royalties from our products and franchises, value-added services, downloadable content, and other miscellaneous revenues.

² The company calculates earnings per share pursuant to the two-class method which requires the allocation of net income between common shareholders and participating security holders. Net income attributable to Activision Blizzard Inc. common shareholders used to calculate earnings per common share assuming dilution was \$377 million for the three months ended March 31, 2012 as compared to the total net income of \$384 million for the same period. Net income attributable to Activision Blizzard Inc. common shareholders used to calculate earnings per common share assuming dilution was \$496 million for the three months ended March 31, 2011 as compared to total net income of \$503 million for the same period.

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(Amounts in millions)

	March 31, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,049	\$ 3,165
Short-term investments	427	360
Accounts receivable, net	103	649
Inventories, net	146	144
Software development	148	137
Intellectual property licenses	22	22
Deferred income taxes, net	445	507
Other current assets	226	396
Total current assets	4,566	5,380
Long-term investments	17	16
Software development	91	62
Intellectual property licenses	12	12
Property and equipment, net	154	163
Other assets	15	12
Intangible assets, net	85	88
Trademark and trade names	433	433
Goodwill	7,109	7,111
Total assets	\$ 12,482	\$ 13,277
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 181	\$ 390
Deferred revenues	917	1,472
Accrued expenses and other liabilities	676	694
Total current liabilities	1,774	2,556
Deferred income taxes, net	57	55
Other liabilities	165	174
Total liabilities	1,996	2,785
Shareholders' equity:		
Common stock	---	---
Additional paid-in capital	9,391	9,616
Retained earnings	1,128	948
Accumulated other comprehensive income (loss)	(33)	(72)
Total shareholders' equity	10,486	10,492
Total liabilities and shareholders' equity	\$ 12,482	\$ 13,277

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
RECONCILIATION OF GAAP NET INCOME TO NON-GAAP MEASURES
(Amounts in millions, except earnings per share data)

Three months ended March 31, 2012	Net Revenues	Cost of Sales - Product Costs	Cost of Sales - Online Subscriptions	Cost of Sales - Software Royalties and Amortization	Cost of Sales - Intellectual Property Licenses	Product Development	Sales and Marketing	General and Administrative	Total Costs and Expenses
GAAP Measurement	\$ 1,172	\$ 257	\$ 59	\$ 31	\$ 7	\$ 124	\$ 79	\$ 102	\$ 659
Less: Net effect from deferral in net revenues and related cost of sales (a)	(585)	(119)	-	(18)	(1)	-	-	-	(138)
Less: Stock-based compensation (b)	-	-	-	(3)	-	(4)	(2)	(12)	(21)
Less: Amortization of intangible assets (d)	-	-	-	-	(3)	-	-	-	(3)
Non-GAAP Measurement	\$ 587	\$ 138	\$ 59	\$ 10	\$ 3	\$ 120	\$ 77	\$ 90	\$ 497

Three months ended March 31, 2012	Operating Income	Net Income	Basic Earnings per Share	Diluted Earnings per Share
GAAP Measurement	\$ 513	\$ 384	\$ 0.34	\$ 0.33
Less: Net effect from deferral in net revenues and related cost of sales (a)	(447)	(335)	(0.29)	(0.29)
Less: Stock-based compensation (b)	21	16	0.01	0.01
Less: Amortization of intangible assets (d)	3	2	-	-
Non-GAAP Measurement	\$ 90	\$ 67	\$ 0.06	\$ 0.06

Three months ended March 31, 2011	Net Revenues	Cost of Sales - Product Costs	Cost of Sales - Online Subscriptions	Cost of Sales - Software Royalties and Amortization	Cost of Sales - Intellectual Property Licenses	Product Development	Sales and Marketing	General and Administrative	Restructuring	Total Costs and Expenses
GAAP Measurement	\$ 1,449	\$ 299	\$ 63	\$ 61	\$ 29	\$ 142	\$ 60	\$ 102	\$ 19	\$ 775
Less: Net effect from deferral in net revenues and related cost of sales (a)	(694)	(132)	-	(42)	(14)	-	-	-	-	(188)
Less: Stock-based compensation (b)	-	-	-	(4)	-	(6)	(1)	(12)	-	(23)
Less: Restructuring (c)	-	-	-	-	-	-	-	-	(19)	(19)
Less: Amortization of intangible assets (d)	-	-	-	-	(8)	-	-	-	-	(8)
Non-GAAP Measurement	\$ 755	\$ 167	\$ 63	\$ 15	\$ 7	\$ 136	\$ 59	\$ 90	\$ -	\$ 537

Three months ended March 31, 2011	Operating Income	Net Income	Basic Earnings per Share	Diluted Earnings per Share
GAAP Measurement	\$ 674	\$ 503	\$ 0.42	\$ 0.42
Less: Net effect from deferral in net revenues and related cost of sales (a)	(506)	(381)	(0.32)	(0.32)
Less: Stock-based compensation (b)	23	15	0.01	0.01
Less: Restructuring (c)	19	14	0.01	0.01
Less: Amortization of intangible assets (d)	8	5	-	-
Non-GAAP Measurement	\$ 218	\$ 156	\$ 0.13	\$ 0.13

- (a) Reflects the net change in deferred net revenues and related cost of sales.
(b) Includes expense related to stock-based compensation.
(c) Reflects restructuring related to our Activision Publishing operations.
(d) Reflects amortization of intangible assets.

The company calculates earnings per share pursuant to the two-class method which requires the allocation of net income between common shareholders and participating security holders. Net income attributable to Activision Blizzard Inc. common shareholders used to calculate non-GAAP earnings per common share assuming dilution was \$65 million for the three months ended March 31, 2012 as compared to total non-GAAP net income of \$67 million for the same period. Net income attributable to Activision Blizzard Inc. common shareholders used to calculate non-GAAP earnings per common share assuming dilution was \$154 million for the three months ended March 31, 2011 as compared to total non-GAAP net income of \$156 million for the same period.

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

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
FINANCIAL INFORMATION

For the Three Months Ended March 31, 2012 and 2011

(Amounts in millions)

	<u>March 31, 2012</u>		<u>March 31, 2011</u>		<u>\$ Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>		
GAAP Net Revenues by Distribution Channel						
Retail channel	\$ 793	67	% \$ 946	65	% \$ (153)	(16) %
Digital online channels ¹	314	27	428	30	(114)	(27)
Total Activision and Blizzard	1,107	94	1,374	95	(267)	(19)
Distribution	65	6	75	5	(10)	(13)
Total consolidated GAAP net revenues	1,172	100	1,449	100	(277)	(19)
Change in Deferred Net Revenues²						
Retail channel	(569)		(706)			
Digital online channels ¹	(16)		12			
Total changes in deferred net revenues	(585)		(694)			
Non-GAAP Net Revenues by Distribution Channel						
Retail channel	224	38	240	32	(16)	(7)
Digital online channels ¹	298	51	440	58	(142)	(32)
Total Activision and Blizzard	522	89	680	90	(158)	(23)
Distribution	65	11	75	10	(10)	(13)
Total non-GAAP net revenues ³	\$ 587	100	% \$ 755	100	% \$ (168)	(22) %

¹ Net revenues from digital online channel represent revenues from subscriptions and memberships, licensing royalties, value-added services, downloadable content, digitally distributed products, and wireless devices.

² We provide net revenues including (in accordance with GAAP) and excluding (non-GAAP) the impact of changes in deferred net revenues.

³ Total non-GAAP net revenues presented also represents our total operating segment net revenues.

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
FINANCIAL INFORMATION

For the Three Months Ended March 31, 2012 and 2011

(Amounts in millions)

	Three Months Ended					
	March 31, 2012		March 31, 2011		\$ Increase	% Increase
	Amount	% of Total	Amount	% of Total	(Decrease)	(Decrease)
GAAP Net Revenues by Segment/Platform Mix						
Activision and Blizzard:						
Online subscriptions ¹	\$ 256	22 %	\$ 395	27 %	\$ (139)	(35)%
PC and Other	137	11	124	9	13	10
Sony PlayStation 3	300	26	342	24	(42)	(12)
Sony PlayStation 2	2	---	4	---	(2)	(50)
Microsoft Xbox 360	335	29	396	27	(61)	(15)
Nintendo Wii	51	4	82	6	(31)	(38)
Total console ²	688	59	824	57	(136)	(17)
Sony PlayStation Portable	3	---	5	---	(2)	(40)
Nintendo 3DS	9	1	4	---	5	125
Nintendo Dual Screen	14	1	22	2	(8)	(36)
Total handheld	26	2	31	2	(5)	(16)
Total Activision and Blizzard	1,107	94	1,374	95	(267)	(19)
Distribution:						
Total Distribution	65	6	75	5	(10)	(13)
Total consolidated GAAP net revenues	1,172	100	1,449	100	(277)	(19)
Change in Deferred Net Revenues³						
Activision and Blizzard:						
Online subscriptions ¹	(6)		(56)			
PC and Other	(23)		(87)			
Sony PlayStation 3	(263)		(244)			
Microsoft Xbox 360	(277)		(259)			
Nintendo Wii	(14)		(46)			
Total console ²	(554)		(549)			
Nintendo Dual Screen	(2)		(2)			
Total changes in deferred net revenues	(585)		(694)			
Non-GAAP Net Revenues by Segment/Platform Mix						
Activision and Blizzard:						
Online subscriptions ¹	250	43	339	45	(89)	(26)
PC and Other	114	19	37	4	77	208
Sony PlayStation 3	37	6	98	13	(61)	(62)
Sony PlayStation 2	2	---	4	1	(2)	(50)
Microsoft Xbox 360	58	11	137	18	(79)	(58)
Nintendo Wii	37	6	36	4	1	3
Total console ²	134	23	275	36	(141)	(51)
Sony PlayStation Portable	3	---	5	1	(2)	(40)
Nintendo 3DS	9	2	4	1	5	125
Nintendo Dual Screen	12	2	20	3	(8)	(40)
Total handheld	24	4	29	5	(5)	(17)
Total Activision and Blizzard	522	89	680	90	(158)	(23)
Distribution:						
Total Distribution	65	11	75	10	(10)	(13)
Total non-GAAP net revenues ⁴	\$ 587	100 %	\$ 755	100 %	\$ (168)	(22)%

¹ Revenue from online subscriptions consists of revenue from all *World of Warcraft* products, including subscriptions, boxed products, expansion packs, licensing royalties, and value-added services. It also includes revenues from *Call of Duty Elite* memberships.

² Downloadable content and their related revenues are included in each respective console platforms and total console.

³ We provide net revenues including (in accordance with GAAP) and excluding (non-GAAP) the impact of changes in deferred net revenues.

⁴ Total non-GAAP net revenues presented also represents our total operating segment net revenues.

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
FINANCIAL INFORMATION

For the Three Months Ended March 31, 2012 and 2011

(Amounts in millions)

	Three Months Ended					
	March 31, 2012		March 31, 2011		\$ Increase	% Increase
	Amount	% of Total	Amount	% of Total	(Decrease)	(Decrease)
GAAP Net Revenues by Geographic Region						
North America	\$ 601	51 %	\$ 748	52 %	\$ (147)	(20)%
Europe	485	41	594	41	(109)	(18)
Asia Pacific	86	8	107	7	(21)	(20)
Total consolidated GAAP net revenues	<u>1,172</u>	<u>100</u>	<u>1,449</u>	<u>100</u>	<u>(277)</u>	<u>(19)</u>
Change in Deferred Net Revenues¹						
North America	(331)		(383)			
Europe	(225)		(271)			
Asia Pacific	(29)		(40)			
Total changes in net revenues	<u>(585)</u>		<u>(694)</u>			
Non-GAAP Net Revenues by Geographic Region						
North America	270	46	365	48	(95)	(26)
Europe	260	44	323	43	(63)	(20)
Asia Pacific	57	10	67	9	(10)	(15)
Total non-GAAP net revenues ²	<u>\$ 587</u>	<u>100 %</u>	<u>\$ 755</u>	<u>100 %</u>	<u>\$ (168)</u>	<u>(22)%</u>

¹ We provide net revenues including (in accordance with GAAP) and excluding (non-GAAP) the impact of changes in deferred net revenues.

² Total non-GAAP net revenues presented also represents our total operating segment net revenues.

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
SEGMENT INFORMATION

For the Three Months Ended March 31, 2012 and 2011

(Amounts in millions)

	March 31, 2012		Three Months Ended March 31, 2011		\$ Increase (Decrease)	% Increase (Decrease)
	Amount	% of Total	Amount	% of Total		
Segment net revenues:						
Activision ¹	\$ 271	23 %	\$ 323	22 %	\$ (52)	(16)%
Blizzard ²	251	21	357	25	(106)	(30)
Distribution ³	65	6	75	5	(10)	(13)
Operating segment total	587	50	755	52	(168)	(22)
Reconciliation to consolidated net revenues:						
Net effect from deferral of net revenues	585	50	694	48		
Consolidated net revenues	<u>\$ 1,172</u>	<u>100 %</u>	<u>\$ 1,449</u>	<u>100 %</u>	\$ (277)	(19)%
Segment income from operations:						
Activision ¹	\$ ---		\$ 48		\$ (48)	(100)%
Blizzard ²	89		170		(81)	(48)
Distribution ³	1		---		1	NM
Operating segment total	90		218		(128)	(59)
Reconciliation to consolidated operating income and consolidated income before income tax expense:						
Net effect from deferral of net revenues and related cost of sales	447		506			
Stock-based compensation expense	(21)		(23)			
Restructuring	---		(19)			
Amortization of intangible assets	(3)		(8)			
Consolidated operating income	513		674		(161)	(24)
Investment and other income (expense), net	1		2			
Consolidated income before income tax expense	<u>\$ 514</u>		<u>\$ 676</u>		\$ (162)	(24)%
Operating margin from total operating segments	15%		29%			

¹ Activision Publishing ("Activision") — publishes interactive entertainment products and contents.

² Blizzard — Blizzard Entertainment, Inc. and its subsidiaries ("Blizzard") publishes PC games and online subscription-based games in the MMORPG category.

³ Activision Blizzard Distribution ("Distribution") — distributes interactive entertainment software and hardware products.

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES OUTLOOK
For the Quarter Ending June 30, 2012 and
Year Ending December 31, 2012
GAAP to Non-GAAP Reconciliation
(Amounts in millions, except per share data)

	Outlook for Three Months Ending June 30, 2012	Outlook for Year Ending December 31, 2012
Net Revenues (GAAP)	\$ 950	\$ 4,200
<u>Excluding the impact of:</u>		
Change in deferred net revenues	(a) (145)	330
Non-GAAP Net Revenues	\$ 805	\$ 4,530
Earnings Per Diluted Share (GAAP)	\$ 0.13	\$ 0.65
<u>Excluding the impact of:</u>		
Net effect from deferral in net revenues and related cost of sales	(b) (0.06)	0.19
Stock-based compensation	(c) 0.02	0.08
Amortization of intangible assets	(d) -	0.03
Non-GAAP Earnings Per Diluted Share	\$ 0.10	\$ 0.95

(a) Reflects the net change in deferred net revenues.

(b) Reflects the net change in deferred net revenues and related cost of sales.

(c) Reflects expense related to stock-based compensation.

(d) Reflects amortization of intangible assets.

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