

ACTIVISION®

BLIZZARD®

Third Quarter 2014 Results

November 4, 2014

Safe Harbor Disclosure

Please review our SEC filings on Form 10-K and Form 10-Q

The statements contained in this presentation that are not historical facts are forward-looking statements, including, but not limited to, statements about (1) projections of revenues, expenses, income or loss, earnings or loss per share, cash flow or other financial items; (2) statements of our plans and objectives, including those related to product releases; and (3) statements of future financial or operating performance. The company generally uses words such as “outlook,” “forecast,” “will,” “could,” “should,” “would,” “to be,” “plan,” “plans,” “believes,” “may,” “might,” “expects,” “intends,” “intends as,” “anticipates,” “estimate,” “future,” “positioned,” “potential,” “project,” “remain,” “scheduled,” “set to,” “subject to,” “upcoming” and other similar expressions to help identify forward-looking statements. Forward-looking statements are subject to business and economic risk, reflect management’s current expectations, estimates and projections about our business, and are inherently uncertain and difficult to predict.

The Company cautions that a number of important factors could cause Activision Blizzard's actual future results and other future circumstances to differ materially from those expressed in any forward looking statements. Such factors include, but are not limited to, sales levels of Activision Blizzard’s titles, increasing concentration of titles, shifts in consumer spending trends, the impact of the current macroeconomic environment, Activision Blizzard’s ability to predict consumer preferences, including interest in specific genres, such as first-person action, massively multiplayer online and “toys to life” games, and preferences among hardware platforms, the seasonal and cyclical nature of the interactive game market, changing business models, including digital delivery of content, competition including from used games and other forms of entertainment, possible declines in software pricing, product returns and price protection, product delays, adoption rate and availability of new hardware (including peripherals) and related software, particularly during the ongoing console transition, rapid changes in technology and industry standards, the current regulatory environment, litigation risks and associated costs, protection of proprietary rights, maintenance of relationships with key personnel, customers, financing providers, licensees, licensors, vendors, and third-party developers, including the ability to attract, retain and develop key personnel and developers that can create high quality titles, counterparty risks relating to customers, licensees, licensors and manufacturers, domestic and international economic, financial and political conditions and policies, foreign exchange rates and tax rates, the identification of suitable future acquisition opportunities, and potential challenges associated with geographic expansion, capital market risks, the possibility that expected benefits related to the transactions involving the repurchase of shares from Vivendi S.A. may not materialize as expected, the amount of our debt and the limitations imposed by the covenants in the agreements governing our debt, and the other factors identified in “Risk Factors” included in Part I, Item 1A of Activision Blizzard’s most recent annual report on Form 10-K.

The forward-looking statements in this presentation are based on information available to the Company as of the date of this presentation and, while believed to be true when made, may ultimately prove to be incorrect. The Company may change its intention, belief or expectation, at any time and without notice, based upon any changes in such factors, in the Company’s assumptions or otherwise. The Company undertakes no obligation to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the original date of this presentation, November 4, 2014, or to reflect the occurrence of unanticipated events.

Activision Blizzard Q3 Highlights

Non-GAAP¹: Record Q3 results, Raising 2014 Outlook, Expecting Record EPS

Better-than-expected Q3 financial results

- GAAP: \$753M revenues, (\$0.03) EPS
- Record Non-GAAP¹ Results: \$1.17B revenues, \$0.23 EPS

Successfully established two new large-scale franchises

- Destiny: Largest new console videogame launch in history; among top-10 in U.S. of all time²
- Hearthstone: Heroes of Warcraft: >20M registered users³

In 2014 we expect to deliver some of our best content ever for our established franchises

- Diablo III: Reaper of Souls Ultimate Evil Edition: better-than-expected Q3 sales on consoles
- World of Warcraft: World's largest subscription-based MMORPG with over 7.4M subscribers³
- Skylanders TRAP TEAM: Highest-rated Skylanders game ever³; now on console & tablet; strong retail support
- Call of Duty Advanced Warfare: Highest game-ranking of last 3 Call of Duty titles³

Non-GAAP¹: Expecting double-digit revenue growth and record EPS in 2014

- Driven by our largest and most diverse slate ever:
 - Activision Publishing: Destiny, Skylanders TRAP TEAM, Call of Duty: Advanced Warfare
 - Blizzard Entertainment: Warlords of Draenor, Diablo III: Reaper of Souls and Hearthstone

¹ Non-GAAP information; reconciliation tables in the appendix of the earnings release dated November 4, 2014, which is available on www.activisionblizzard.com.

² NPD and Activision Blizzard internal estimates.

³ Activision Blizzard internal estimates.

Better-than-Expected Q3 2014 Results

Destiny and World of Warcraft drove record non-GAAP Q3 revenues and EPS

	Q3 2013		Q3 2014 Outlook ¹		Q3 2014 Actual	
	GAAP	Non-GAAP ²	GAAP	Non-GAAP ²	GAAP	Non-GAAP ²
Net Revenues	\$691M	\$657M	\$650M	\$975M	\$753M	\$1,170M
Operating Income	\$70M	\$128M			\$8M	\$260M
Operating Margin	10%	19%	-3%	15%	1%	22%
Interest Expense, Net	\$4M	\$4M	\$52M	\$52M	\$51M	\$51M
Tax Rate	15%	28%	30%	19%	46%	17%
EPS	\$0.05	\$0.08	(\$0.07)	\$0.11	(\$0.03)	\$0.23
Weighted-average shares outstanding:						
Diluted shares	1,134M	1,134M			718M	728M
Participating securities	24M	24M			--	14M
Total share count for EPS ³	1,158M	1,158M	719M	745M	718M	742M

¹ Prior outlook provided August 5, 2014.

² Non-GAAP reconciliations are in the appendices of the earnings releases dated November 6, 2013, August 5, 2014 and November 4, 2014, available on www.activisionblizzard.com

³ Fully diluted weighted average shares outstanding includes options and participating securities based on average share price. May not recalculate due to rounding.

Balance Sheet

	12/31/13	6/30/14	9/30/14
Cash and investments	\$4.45B	\$4.21B	\$3.84B³
Cash and investments per share ²	Approx. \$5.71	Approx. \$5.69	Approx. \$5.17
\$250M revolving facility	---	---	---
7-year secured bank loans	\$2.49B	\$2.12B	\$2.12B
8-year notes (5.625%)	\$1.50B	\$1.50B	\$1.50B
10-year notes (6.125%)	\$0.75B	\$0.75B	\$0.75B
Gross Debt	\$4.74B	\$4.37B	\$4.37B
Net Debt¹	\$0.29B	\$0.16B	\$0.53B
			\$1,554M
Adjusted TTM EBITDA⁴			
Secured Debt / Adj. TTM EBITDA ⁴			1.36x
Gross Debt / Adj. TTM EBITDA ⁴			2.81x
Net Debt ¹ / Adj. TTM EBITDA ⁴			0.34x

¹ Net debt is defined as gross debt less cash and cash equivalents, short-term investments and long-term investments.

² Based on weighted average shares outstanding of 780M, 741M, and 742M for the quarters ending December 31, 2013, June 30, 2014, and September 30, 2014, respectively.

³ Includes over \$0.55B of domestic cash and investments.

⁴ Adjusted TTM EBITDA is calculated as non-GAAP operating income plus depreciation for the trailing twelve months ended September 30, 2014.

Financial Outlook, as of November 4, 2014

Raising 2014 revenue & non-GAAP* EPS outlook with record EPS

	Q4 2014		2014	
	GAAP	Non-GAAP*	GAAP	Non-GAAP*
Net Revenues	\$1,492M	\$2.2B	\$4.3B	\$4.8B, up >10% YOY
COGS (Prod/Online)	31%	27%	28%	26%
Op Ex, incl. Royalties	47%	32%	48%	42%
Operating Margin**	21%	41%	25%	32%
Interest Expense	\$51M	\$51M	\$203M	\$203M
Tax Rate	23%	25%	21%	24%
EPS**	\$0.28	\$0.86	\$0.91	\$1.35, up 44% YOY
Fully Diluted Weighted Avg. Shares***	748M	748M	745M	745M

* Non-GAAP information; reconciliation tables in the appendix of the earnings release dated November 4, 2014, which is available on www.activisionblizzard.com.

** May not recalculate due to rounding.

*** Including fully diluted shares and participating securities based on average share price.

2014: Biggest and Best Slate in Company History

Strongest and most diversified slate we have ever produced

ACTIVISION®

BIZZARD®



Activision Publishing

Great pipeline: Destiny, Skylanders, Call of Duty + COD China planned for Q1

1

D E S T I N Y



- Largest new video game franchise launch in history^{1,2}
- Non-GAAP revenues of over \$500M in Q3
- Over 9.5M registered users; players play 3 hours per day on average¹

2

CALL OF DUTY
ADVANCED WARFARE

- Highest game-ranking of last 3 Call of Duty titles¹
- Most pre-ordered game of 2014¹
- Expected to be the biggest console game of 2014¹

3



- Skylanders TRAP TEAM launched Oct. 5, 2014; strong retail support
- Highest-rated Skylanders game ever¹; now on console & tablet
- Only Toys-to-Life title for the Wii in 2014

4

CALL OF DUTY
使命召唤
ONLINE

- Free-to-play PC game for China
- To be published by Tencent
- To enter large unlimited beta, and monetize virtual items, in Q1 2015

¹Activision Blizzard internal estimates. ²NPD.

Blizzard Entertainment Highlights

Strong Q3 results, BlizzCon coming November 7th and 8th



- Non-GAAP revenues up year-over-year
- Global subscribers increased to over 7.4M ahead of expansion
- Warlords of Draenor expansion to be released November 13, 2014

- Ultimate Evil Edition launched on consoles on August 19, 2014
- Better-than-expected sales for Ultimate Evil Edition
- New content update for PC players

- Curse of Naxxramas adventure launched in Q3
- Surpassed 20M players; over 2B hours played on PC and iPad life-to-date¹
- Android tablet version coming December 2014; Phone versions to follow

- New free-to-play online hero brawler for PC and Mac
- Alpha testing has expanded globally, including China
- Driving toward closed beta

- 2014 event at Anaheim Convention Center on Friday and Saturday Nov. 7-8
- Follow online at www.BlizzCon.com

¹ Activision Blizzard internal estimates.

Key Takeaways

Record non-GAAP results, Raising 2014 non-GAAP outlook, Expanding portfolio

1. Record non-GAAP results and increased 2014 non-GAAP outlook

- Record-setting Destiny launch & World of Warcraft subscriber growth drove record Q3.
- 2014: On track for >10% non-GAAP revenue growth and record EPS of \$1.35.

2. Successfully expanded our portfolio with Hearthstone and Destiny

- High-quality content grows our communities, deepens engagement and increases monetization which enables investment to create more content.
- We have one of the world's greatest content libraries that we have used to make new games such as Hearthstone, Skylanders, Call of Duty Online and Heroes of the Storm. We see large opportunities for our brands.
- Planning to launch Call of Duty Online for China in Q1 2015 and Heroes of the Storm in 2015.

3. Well-positioned for long-term growth and increasing profitability

- Large, diversified global pipeline with several games targeting fastest-growing industry segments.
- Large and growing global opportunities driven by Digital.
- Plans to expand to new geographies, new platforms, and new business models.

Use of Non-GAAP Measures

As a supplement to our financial measures presented in accordance with GAAP, Activision Blizzard presents certain non-GAAP measures of financial performance. These non-GAAP financial measures are not intended to be considered in isolation from, as a substitute for, or as more important than, the financial information prepared and presented in accordance with GAAP. In addition, these non-GAAP measures have limitations in that they do not reflect all of the items associated with the company's results of operations as determined in accordance with GAAP.

Activision Blizzard provides net revenues, net income (loss), earnings (loss) per share and operating margin data and guidance both including (in accordance with GAAP) and excluding (non-GAAP) certain items. In addition, Activision Blizzard provides EBITDA (defined as GAAP net income (loss) before interest (income) expense, income taxes, depreciation and amortization) and adjusted EBITDA (defined as non-GAAP operating margin (see non-GAAP financial measure below) before depreciation). The non-GAAP financial measures exclude the following items, as applicable in any given reporting period:

- the change in deferred net revenue and related cost of sales with respect to certain of the company's online-enabled games;
- expenses related to stock-based compensation;
- fees and other expenses (including legal fees, costs, expenses and accruals) related to the acquisition of 429 million shares of our common stock on October 11, 2013 from Vivendi, pursuant to the stock purchase agreement dated July 25, 2013 and the \$4.75 billion debt financings related thereto; and
- the amortization of intangibles from purchase price accounting; and
- the income tax adjustments associated with any of the above items.

In the future, Activision Blizzard may also consider whether other significant non-recurring items should also be excluded in calculating the non-GAAP financial measures used by the company. Management believes that the presentation of these non-GAAP financial measures provides investors with additional useful information to measure Activision Blizzard's financial and operating performance. In particular, the measures facilitate comparison of operating performance between periods and help investors to better understand the operating results of Activision Blizzard by excluding certain items that may not be indicative of the company's core business, operating results or future outlook. Internally, management uses these non-GAAP financial measures in assessing the company's operating results, and measuring compliance with the requirements of the company's debt financing agreements, as well as in planning and forecasting.

Activision Blizzard's non-GAAP financial measures are not based on a comprehensive set of accounting rules or principles, and the terms non-GAAP net revenues, non-GAAP net income, non-GAAP earnings per share, non-GAAP operating margin, and non-GAAP or adjusted EBITDA do 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 Activision Blizzard's performance in relation to other companies.

Management compensates for the limitations resulting from the exclusion of these items by considering the impact of the items separately and by considering Activision Blizzard's GAAP, as well as non-GAAP, results and outlook, and by presenting the most comparable GAAP measures directly ahead of non-GAAP measures, and by providing a reconciliation that indicates and describes the adjustments made.

In addition to the reasons stated above, which are generally applicable to each of the items Activision Blizzard excludes from its non-GAAP financial measures, there are additional specific reasons why the company believes it is appropriate to exclude the change in deferred net revenue and related cost of sales with respect to certain of the company's online-enabled games.

Since Activision Blizzard has determined that some of our games' online functionality represents an essential component of gameplay and, as a result, a more-than-inconsequential separate deliverable, we recognize revenue attributed to these game titles over their estimated service periods, which may range from five months to a maximum of less than a year. The related cost of sales is deferred and recognized as the related revenues are recognized. Internally, management excludes the impact of this change in deferred net revenue and related cost of sales in its non-GAAP financial measures when evaluating the company's operating performance, when planning, forecasting and analyzing future periods, and when assessing the performance of its management team.

Management believes this is appropriate because doing so enables an analysis of performance based on the timing of actual transactions with our customers, which is consistent with the way the company is measured by investment analysts and industry data sources. In addition, excluding the change in deferred net revenue and the related cost of sales provides a much more timely indication of trends in our operating results.

For such reconciliation of GAAP to non-GAAP numbers and a description of what is excluded from each non-GAAP financial measure, and for more detailed information concerning the Company's financial results for the three months ended September 30, 2014, please refer to the Company's earnings release dated November 4, 2014, which is available on our website, www.activisionblizzard.com.



Third Quarter 2014 Results: Q&A

November 4, 2014