

**ACTIVISION**

**BILZZARD®**

## **Second Quarter CY 2010 Results**

**August 05, 2010**

# Safe Harbor Disclosure



The statements contained in this presentation that are not historical facts are forward-looking statements. The company generally uses words such as "outlook", "will", "could", "would", "might", "remain", "to be", "plan", "believes", "may", "expects", "intends", "anticipates", "estimate", "future", "plan", "positioned", "potential", "project", "remain", "scheduled", "set to", "subject to", "upcoming", and similar expressions to identify forward-looking statements. These forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties. 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 such forward looking statements. Such factors include, but are not limited to, sales levels of the Company's titles, increasing concentration of titles, shifts in consumer spending trends, the impact of the current macroeconomic environment and market conditions within the video game industry, the seasonal and cyclical nature of the interactive game market, any further difficulties related to *World of Warcraft* in China, the Company's ability to predict consumer preferences among competing hardware platforms, declines in software pricing, product returns and price protection, product delays, retail acceptance of the Company's products, adoption rate and availability of new hardware (including peripherals) and related software, industry competition including from used games and other forms of entertainment, litigation risks and associated costs, rapid changes in technology, industry standards, business models including online and used games, and consumer preferences including interest in specific genres such as music, first-person action and massively multiplayer online games, protection of proprietary rights, maintenance of relationships with key personnel, customers, licensees, licensors, vendors, and third-party developers, including the ability to attract, retain and develop key personnel and developers that can create high quality "hit" 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, and the identification of suitable future acquisition opportunities and potential challenges associated with geographic expansion. These important factors and other factors that potentially could affect the Company's financial results are described in the Company's most recent annual report on Form 10-K. 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, August 5<sup>th</sup>, 2010, or to reflect the occurrence of unanticipated events.

For a full reconciliation of GAAP to non-GAAP numbers and for more detailed information concerning the Company's financial results for the fiscal quarter ended June 30, 2010, please refer to the Company's earnings release dated August 5<sup>th</sup>, 2010, which is available on our website, [www.activisionblizzard.com](http://www.activisionblizzard.com).

# Activision Blizzard 2Q 2010 Highlights



- **Delivered better than expected EPS in 2Q\***
  - Reaffirming calendar year revenue and EPS guidance
  - 2Q was 1<sup>st</sup> time sales from online channels outweighed retail sales
  - On track for our most profitable year and highest ever operating margin
- **Our Blockbuster 2H lineup just kicked off with StarCraft II**
  - Superb start since world-wide release on July 27th
  - Exceptional game quality
  - Revamped Battle.net providing enhanced online experience
- **Our results reaffirm our Strategy and Global Execution**
  - Focused slate and online leadership drive unmatched recurring revenues
  - Continued growth in digital segments drives shareholder value, lowers volatility

\*Prior Outlook provided on 5/06/10

*Another quarter of outperformance*

# Key Discussion Topics



- **Top Titles are getting bigger, Online is more important**
  - Players and Retailers alike are more selective than ever before
  - New technology and platforms are enabling deeper immersion into content
  - Success requires having the very best talent focus on the largest opportunities
  - The quality and capability gaps between providers are widening
- **We have built a sizable competitive advantage**
  - We believe our competitors are beginning to realize the gaps they must bridge
  - Our investments over time provide us with superior experience and capabilities
  - Our established positioning allows for online growth without sacrificing shareholder value
- **We continue to build our industry leading brands and teams**
  - Battle.net illustrates how we are forging a new connection with gamers
  - Appointment of Eric Hirshberg as CEO, ATVI Pub reflects commitment to creative talent

*We continue to widen and deepen the moats around our core franchises*

# Narrow and Deep Focus on 7 Biggest Opportunities



	Ranking in Genre	LTD Revenues or Units	Margin Type	Years Since Launch <sup>1</sup>
	<b>#1</b>	\$3B+	Con/PC/Online	9
	<b>#1</b>	\$3B+	Con/PC/Online	6
	<b>#1</b>	\$3B+	MMO	7
	<b>#1</b>	11M+	PC	12
	<b>#1</b>	20M+	PC	14
New Title	---	---	MMO	---
New Title	---	---	Con/PC/Online	10yr. Alliance

*Note, Online Includes 3<sup>rd</sup> party revenues from DLC, MMO, and value-added services; Rankings based on LTD sales vs. competitive games in same genre. LTD sales metrics through 6/30/2010; Dollar sales reflect non-GAAP figures. Note (1) Bungie 'Years' reflects term of current Agreement, 10-year alliance beginning in 2010; Sources: NPD, Chartrack/GFK, Internal Data; Ranking in Genre based on NPD classification and platform*

**Simultaneously driving innovation and shareholder value**

# Activision Blizzard 2Q 2010 Results



<b>GAAP</b>	<b>Prior Outlook<sup>1</sup></b>	<b>2Q 2010</b>
Net Revenue	\$925M	\$967M
EPS	\$0.11	\$0.17

<b>Non-GAAP<sup>2</sup></b>	<b>Prior Outlook<sup>1</sup></b>	<b>2Q 2010</b>
Net Revenue	\$700M	\$683
EPS	\$0.04	\$0.06

	<b>As of 03/31/10</b>	<b>As of 6/30/10</b>
Cash & Investments	\$3.4B	\$2.9B

	<b>Through 6/30/10<sup>3</sup></b>
\$1 Billion Share Repurchase Program	<b>31M shares for \$334M</b>
First Common Stock Dividend	<b>\$187M</b>

<sup>1</sup> Prior Outlook provided on 5/06/10

<sup>2</sup> Non-GAAP information reconciliation tables in the appendix at the end of the press release, which is available on [www.activisionblizzard.com](http://www.activisionblizzard.com)

<sup>3</sup> Share repurchase program was initiated on 2/10/10

**Trailing twelve month Operating Cash Flow of \$1.2B**

# Key Building Blocks for 2010



## **1. We are heading into the strength of our 2010 lineup**

- Blizzard Entertainment's StarCraft II and World of Warcraft: Cataclysm
- Activision's Guitar Hero: Warriors of Rock and Call of Duty: Black Ops

## **2. We expect significant growth in online primarily from Blizzard Entertainment**

- StarCraft II, Battle.net, and World of Warcraft: Cataclysm
- Call of Duty Map Packs
- Revenues from online channels grew more than 20% year over year in 2Q

## **3. We expect to increase the operating income contribution from music**

## **4. We will continue our productivity improvement efforts in order to expand operating margins while investing in our products**

*Focus on delivering continued profit growth in 2010*

# Activision Blizzard Financial Outlook



Outlook	GAAP 2010*	Non-GAAP 2010*	GAAP 3Q 2010*	Non-GAAP 3Q 2010*
Net Revenue	<b>\$4.2B</b>	<b>\$4.4B</b>	<b>\$600M</b>	<b>\$725M</b>
COGS (Prod/MMOG)	<b>31%</b>	<b>32%</b>	<b>30%</b>	<b>29%</b>
Op Ex incl. Royalties	<b>49%</b>	<b>39%</b>	<b>71%</b>	<b>51%</b>
EPS	<b>\$0.49</b>	<b>\$0.72</b>	<b>\$0.00</b>	<b>\$0.08</b>
Share Count	<b>1.25B</b>	<b>1.25B</b>	<b>NM</b>	<b>1.25B</b>

\*3Q 2010 and FY 2010 outlook is provided as of 8/5/10

Our outlook is based on assumptions about sell through rates for our products and the launch timing, success and pricing of our new slate of products which are subject to significant risks and uncertainties, including declines in the overall demand for video games and in the demand for our products, the dependence in the interactive software industry and by us on an increasingly limited number of popular franchises for a disproportionately high percentage of revenues and profits, our ability to predict shifts in consumer preferences among genres, such as music and casual games, and competition. Current macroeconomic conditions and market conditions within the video game industry increase those risks and uncertainties. Our outlook is also subject to other risks and uncertainties including litigation and associated costs, fluctuations in foreign exchange and tax rates, counterparty risks relating to customers, licensees, licensors and manufacturers and risks relating to the ongoing ability of Blizzard Entertainment's licensee, NetEase.com, Inc., to operate World of Warcraft in China on a paying basis without interruption. As a result of these and other factors, (including those mentioned in our Safe Harbor Disclosure at the beginning of this presentation and in our 2009 Annual Report on Form 10-K) actual results may deviate materially from the outlook presented below.

***Focus on delivering continued profit growth in 2010***



# NA/EUR Hardware Outlook



## NA and Europe Installed Base

Current Gen. Platforms	12/31/09 Installed Base	Estimated CY2010 Increase	Estimated 12/31/10 Installed Base
Xbox 360	32M	<b>8M</b>	40M
Playstation 3	23M	<b>9M</b>	32M
Wii	51M	<b>12M</b>	64M
Handhelds	111M	<b>17M</b>	129M
<b>Total</b>	<b>218M</b>	<b>46M</b>	<b>265M</b>

Source: Activision Blizzard internal estimates; NPD, Charttrack, GfK  
Rows/Columns may not tie exactly due to rounding

*Solid foundation for core software sell-through*

- Expect Nintendo and legacy platforms software to decline
- Expect PS3, Xbox 360, and PC software collectively to be up high single digits
- Expect Digital to be up double digits

*Source: Activision Blizzard internal estimates*

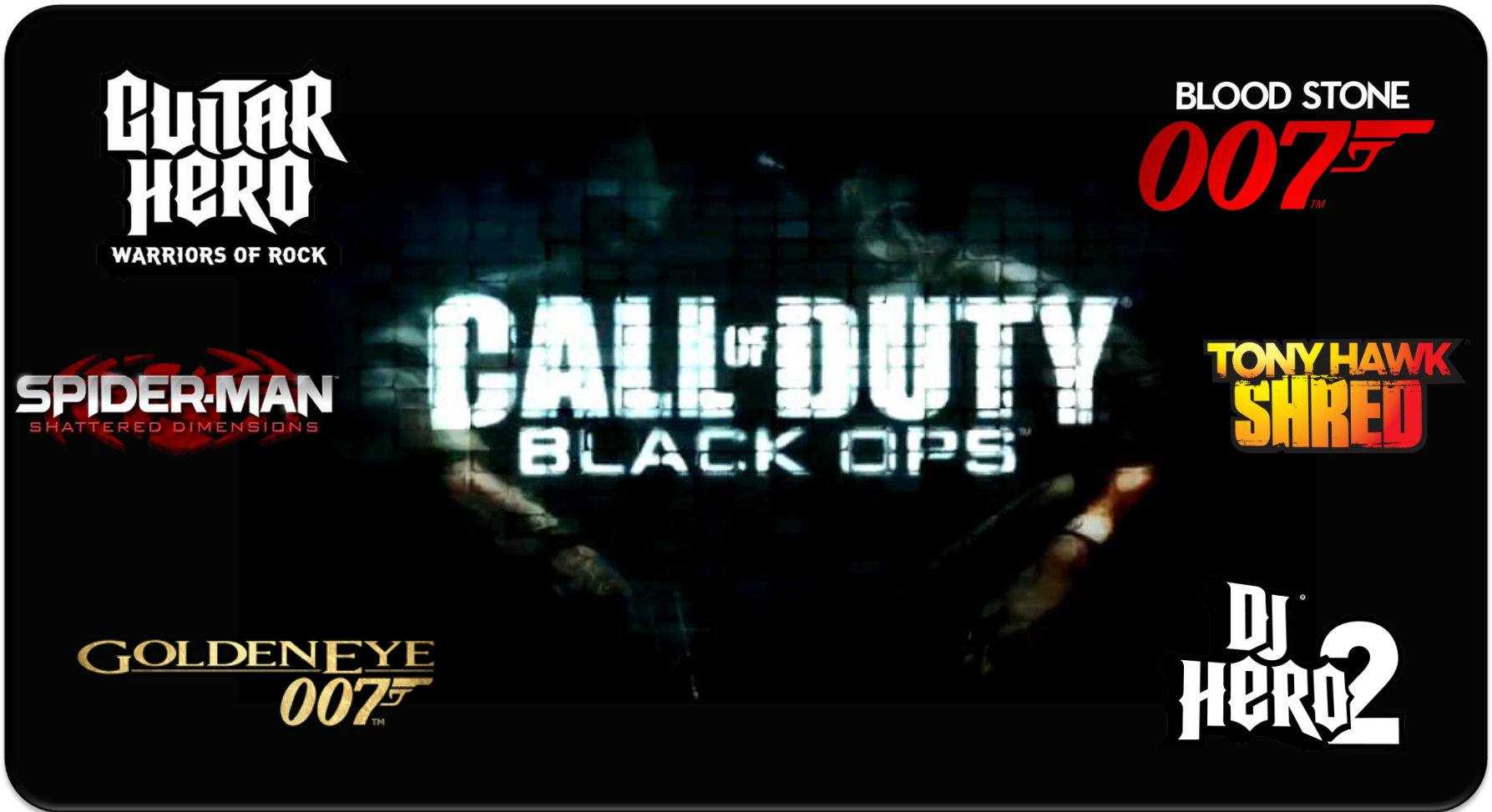
*Note: Comparisons refer to Year over Year projections; Digital includes Online subscriptions, Digital game downloads, Downloadable Content (DLC), Value Added Services (VAS) and Mobile*

***Expect combined retail and digital software to be up single digits***

- **Call of Duty strong performance in Q2:**
  - #3 franchise overall across US and Europe\*
  - Sold more than 5 million Map Packs during the quarter
  - MW2 Map Pack sales alone would rank as a top-5 title through 1H 2010
  - Including catalog and Map Packs, MW2 has outsold #1 title of 1H 2010
  - New milestone for Call of Duty DLC, with LTD units surpassing 20M
- **Transformers a top-10 title in June NPD**
  - Highest ratings in franchise history
  - Solid sales despite not having film-release support in 2010

Sources: \*NPD, Charttrack, GfK

# Activision: Strong 2H Lineup



*Focus on proven franchises in 2H 2010*

# Blizzard Entertainment Highlights



- **Strong Q2 extends 1st Half momentum**
  - World of Warcraft remains strong with large and stable base of 11.5M+ subscribers
  - Both revenue and profit up Y/Y in Q2 2010
- **Record-breaking StarCraft II launch**
  - 94 Metacritic\* score: One of the top scoring games of all time
  - Already the #1 PC title to date in 2010 and the fastest selling Strategy game ever
  - Over 1.5M units sold in first 48 hours
  - Korea and Taiwan remain in open beta; more meaningful data to come post free-trial
- **Revamped Battle.net successfully launched world-wide with StarCraft II**
  - Major technical achievement
  - World of Warcraft and StarCraft II players are already using the service to compete and communicate
  - Already working on additional features in response to player demand
- **World of Warcraft: Cataclysm on track; Progress towards WotLK China approval**
  - Cataclysm beta launched in June and the early results of the testing have been very positive
  - Currently tens of thousands players participating
  - Wrath of the Lich King approved for China launch by GAPP; one remaining regulatory approval needed
- **BlizzCon 2010!**
  - Tickets sold out in one second! But don't worry, partnering again with DIRECTV to broadcast live

\*StarCraft II Metacritic Score as of 08/05/2010

*2010 shaping up to be Blizzard Entertainment's biggest year yet*

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