

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(Amounts in millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net revenues:				
Product sales	\$ 798	\$ 768	\$ 1,672	\$ 1,829
Subscription, licensing and other revenues ¹	277	378	575	766
Total net revenues	1,075	1,146	2,247	2,595
Costs and expenses:				
Cost of sales - product costs	229	213	486	512
Cost of sales - online subscriptions	64	59	123	122
Cost of sales - software royalties and amortization	57	47	88	109
Cost of sales - intellectual property licenses	20	24	27	53
Product development	152	116	276	258
Sales and marketing	136	90	216	150
General and administrative	190	127	291	228
Restructuring	-	3	-	22
Total costs and expenses	848	679	1,507	1,454
Operating income	227	467	740	1,141
Investment and other income (expense), net	2	2	3	5
Income before income tax expense	229	469	743	1,146
Income tax expense	44	134	174	308
Net income	\$ 185	\$ 335	\$ 569	\$ 838
Basic earnings per common share	\$ 0.16	\$ 0.29	\$ 0.50	\$ 0.71
Weighted average common shares outstanding	1,109	1,141	1,115	1,157
Diluted earnings per common share ²	\$ 0.16	\$ 0.29	\$ 0.50	\$ 0.71
Weighted average common shares outstanding assuming dilution	1,115	1,150	1,121	1,166

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 \$181 million and \$558 million for the three and six months ended June 30, 2012, as compared to the total net income of \$185 million and \$569 million for the same periods, respectively. Net income attributable to Activision Blizzard Inc. common shareholders used to calculate earnings per common share assuming dilution was \$330 million and \$826 million for the three and six months ended June 30, 2011, as compared to total net income of \$335 million and \$838 million for the same periods, respectively.

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(Amounts in millions)

	June 30, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,786	\$ 3,165
Short-term investments	406	360
Accounts receivable, net	227	649
Inventories, net	128	144
Software development	141	137
Intellectual property licenses	8	22
Deferred income taxes, net	484	507
Other current assets	152	396
Total current assets	4,332	5,380
Long-term investments	17	16
Software development	123	62
Intellectual property licenses	12	12
Property and equipment, net	149	163
Other assets	12	12
Intangible assets, net	83	88
Trademark and trade names	433	433
Goodwill	7,108	7,111
Total assets	\$ 12,269	\$ 13,277
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 163	\$ 390
Deferred revenues	905	1,472
Accrued expenses and other liabilities	416	694
Total current liabilities	1,484	2,556
Deferred income taxes, net	61	55
Other liabilities	160	174
Total liabilities	1,705	2,785
Shareholders' equity:		
Common stock	---	---
Additional paid-in capital	9,375	9,616
Retained earnings	1,313	948
Accumulated other comprehensive income (loss)	(124)	(72)
Total shareholders' equity	10,564	10,492
Total liabilities and shareholders' equity	\$ 12,269	\$ 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 June 30, 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	\$ 1,075	\$ 229	\$ 64	\$ 57	\$ 20	\$ 152	\$ 136	\$ 190	\$ 848
Less: Net effect from deferral in net revenues and related cost of sales (a)	(21)	(61)	-	-	-	-	-	-	(61)
Less: Stock-based compensation (b)	-	-	-	(3)	-	(5)	(1)	(22)	(31)
Less: Amortization of intangible assets (c)	-	-	-	-	(2)	-	-	-	(2)
Non-GAAP Measurement	\$ 1,054	\$ 168	\$ 64	\$ 54	\$ 18	\$ 147	\$ 135	\$ 168	\$ 754

Three months ended June 30, 2012	Operating Income	Net Income	Basic Earnings per Share	Diluted Earnings per Share
GAAP Measurement	\$ 227	\$ 185	\$ 0.16	\$ 0.16
Less: Net effect from deferral in net revenues and related cost of sales (a)	40	17	0.02	0.02
Less: Stock-based compensation (b)	31	21	0.02	0.02
Less: Amortization of intangible assets (c)	2	1	-	-
Non-GAAP Measurement	\$ 300	\$ 224	\$ 0.20	\$ 0.20

Six months ended June 30, 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	\$ 2,247	\$ 486	\$ 123	\$ 88	\$ 27	\$ 276	\$ 216	\$ 291	\$ 1,507
Less: Net effect from deferral in net revenues and related cost of sales (a)	(606)	(181)	-	(17)	(1)	-	-	-	(199)
Less: Stock-based compensation (b)	-	-	-	(6)	-	(9)	(4)	(33)	(52)
Less: Amortization of intangible assets (c)	-	-	-	-	(5)	-	-	-	(5)
Non-GAAP Measurement	\$ 1,641	\$ 305	\$ 123	\$ 65	\$ 21	\$ 267	\$ 212	\$ 258	\$ 1,251

Six months ended June 30, 2012	Operating Income	Net Income	Basic Earnings per Share	Diluted Earnings per Share
GAAP Measurement	\$ 740	\$ 569	\$ 0.50	\$ 0.50
Less: Net effect from deferral in net revenues and related cost of sales (a)	(407)	(317)	(0.28)	(0.28)
Less: Stock-based compensation (b)	52	36	0.03	0.03
Less: Amortization of intangible assets (c)	5	3	-	-
Non-GAAP Measurement	\$ 390	\$ 291	\$ 0.26	\$ 0.25

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

(b) Includes expense related to stock-based compensation.

(c) 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 common shareholders used to calculate non-GAAP earnings per common share assuming dilution was \$219 million and \$285 million for the three and six months ended June 30, 2012 as compared to the total non-GAAP net income of \$224 million and \$291 million for the same periods, respectively.

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
RECONCILIATION OF GAAP NET INCOME TO NON-GAAP MEASURES
(Amounts in millions, except earnings per share data)

		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
Three months ended June 30, 2011											
GAAP Measurement		\$ 1,146	\$ 213	\$ 59	\$ 47	\$ 24	\$ 116	\$ 90	\$ 127	\$ 3	\$ 679
Less: Net effect from deferral in net revenues and related cost of sales	(a)	(447)	(78)	-	(32)	(5)	-	-	-	-	(115)
Less: Stock-based compensation	(b)	-	-	-	(3)	-	(5)	(1)	(11)	-	(20)
Less: Restructuring	(c)	-	-	-	-	-	-	-	-	(3)	(3)
Less: Amortization of intangible assets	(d)	-	-	-	-	(7)	-	-	-	-	(7)
Non-GAAP Measurement		\$ 699	\$ 135	\$ 59	\$ 12	\$ 12	\$ 111	\$ 89	\$ 116	\$ -	\$ 534

		Operating Income	Net Income	Basic Earnings per Share	Diluted Earnings per Share
Three months ended June 30, 2011					
GAAP Measurement		\$ 467	\$ 335	\$ 0.29	\$ 0.29
Less: Net effect from deferral in net revenues and related cost of sales	(a)	(332)	(238)	(0.21)	(0.20)
Less: Stock-based compensation	(b)	20	15	0.01	0.01
Less: Restructuring	(c)	3	2	-	-
Less: Amortization of intangible assets	(d)	7	4	-	-
Non-GAAP Measurement		\$ 165	\$ 118	\$ 0.10	\$ 0.10

		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
Six months ended June 30, 2011											
GAAP Measurement		\$ 2,595	\$ 512	\$ 122	\$ 109	\$ 53	\$ 258	\$ 150	\$ 228	\$ 22	\$ 1,454
Less: Net effect from deferral in net revenues and related cost of sales	(a)	(1,141)	(209)	-	(75)	(19)	-	-	-	-	(303)
Less: Stock-based compensation	(b)	-	-	-	(6)	-	(11)	(3)	(23)	-	(43)
Less: Restructuring	(c)	-	-	-	-	-	-	-	-	(22)	(22)
Less: Amortization of intangible assets	(d)	-	-	-	(1)	(15)	-	-	-	-	(16)
Non-GAAP Measurement		\$ 1,454	\$ 303	\$ 122	\$ 27	\$ 19	\$ 247	\$ 147	\$ 205	\$ -	\$ 1,070

		Operating Income	Net Income	Basic Earnings per Share	Diluted Earnings per Share
Six months ended June 30, 2011					
GAAP Measurement		\$ 1,141	\$ 838	\$ 0.71	\$ 0.71
Less: Net effect from deferral in net revenues and related cost of sales	(a)	(838)	(619)	(0.53)	(0.52)
Less: Stock-based compensation	(b)	43	30	0.03	0.03
Less: Restructuring	(c)	22	16	0.01	0.01
Less: Amortization of intangible assets	(d)	16	10	0.01	0.01
Non-GAAP Measurement		\$ 384	\$ 275	\$ 0.23	\$ 0.23

- (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 \$117 million and \$270 million for the three and six months ended June 30, 2011 as compared to total non-GAAP net income of \$118 million and \$275 million for the same periods, respectively.

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 And Six Months Ended June 30, 2012 and 2011
(Amounts in millions)

	Three Months Ended							
	June 30, 2012		June 30, 2011		\$ Increase (Decrease)	% Increase (Decrease)		
	Amount	% of Total	Amount	% of Total				
GAAP Net Revenues by Distribution Channel								
Retail channel	\$ 685	64	% \$ 660	58	% \$ 25	4	%	
Digital online channels ¹	343	32	423	37	(80)	(19)		
Total Activision and Blizzard	1,028	96	1,083	95	(55)	(5)		
Distribution	47	4	63	5	(16)	(25)		
Total consolidated GAAP net revenues	1,075	100	1,146	100	(71)	(6)		
Change in Deferred Net Revenues²								
Retail channel	(175)		(448)					
Digital online channels ¹	154		1					
Total changes in deferred net revenues	(21)		(447)					
Non-GAAP Net Revenues by Distribution Channel								
Retail channel	510	48	212	30	298	141		
Digital online channels ¹	497	47	424	61	73	17		
Total Activision and Blizzard	1,007	95	636	91	371	58		
Distribution	47	5	63	9	(16)	(25)		
Total non-GAAP net revenues ³	\$ 1,054	100	% \$ 699	100	% \$ 355	51	%	

	Six Months Ended							
	June 30, 2012		June 30, 2011		\$ Increase (Decrease)	% Increase (Decrease)		
	Amount	% of Total	Amount	% of Total				
GAAP Net Revenues by Distribution Channel								
Retail channel	\$ 1,479	66	% \$ 1,607	62	% \$ (128)	(8)	%	
Digital online channels ¹	656	29	851	33	(195)	(23)		
Total Activision and Blizzard	2,135	95	2,458	95	(323)	(13)		
Distribution	112	5	137	5	(25)	(18)		
Total consolidated GAAP net revenues	2,247	100	2,595	100	(348)	(13)		
Change in Deferred Net Revenues²								
Retail channel	(746)		(1,154)					
Digital online channels ¹	140		13					
Total changes in deferred net revenues	(606)		(1,141)					
Non-GAAP Net Revenues by Distribution Channel								
Retail channel	733	45	453	31	280	62		
Digital online channels ¹	796	48	864	60	(68)	(8)		
Total Activision and Blizzard	1,529	93	1,317	91	212	16		
Distribution	112	7	137	9	(25)	(18)		
Total non-GAAP net revenues ³	\$ 1,641	100	% \$ 1,454	100	% \$ 187	13	%	

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 June 30, 2012 and 2011

(Amounts in millions)

	Three Months Ended					
	June 30, 2012		June 30, 2011		\$ Increase (Decrease)	% Increase (Decrease)
	Amount	% of Total	Amount	% of Total		
GAAP Net Revenues by Segment/Platform Mix						
Activision and Blizzard:						
Online subscriptions ¹	\$ 220	20 %	\$ 359	31 %	\$ (139)	(39)%
PC and Other ⁵	276	26	80	7	196	245
Sony PlayStation 3	234	22	239	21	(5)	(2)
Sony PlayStation 2	---	---	2	---	(2)	(100)
Microsoft Xbox 360	248	23	300	26	(52)	(17)
Nintendo Wii	32	3	70	6	(38)	(54)
Total console ²	514	48	611	53	(97)	(16)
Sony PlayStation Portable	1	---	4	---	(3)	(75)
Nintendo 3DS	6	1	5	1	1	20
Nintendo DS	11	1	24	2	(13)	(54)
Total handheld	18	2	33	3	(15)	(45)
Total Activision and Blizzard	1,028	96	1,083	94	(55)	(5)
Distribution:						
Total Distribution	47	4	63	6	(16)	(25)
Total consolidated GAAP net revenues	1,075	100	1,146	100	(71)	(6)
Change in Deferred Net Revenues³						
Activision and Blizzard:						
Online subscriptions ¹	(21)		(67)			
PC and Other ⁵	314		(35)			
Sony PlayStation 3	(137)		(156)			
Microsoft Xbox 360	(162)		(146)			
Nintendo Wii	(12)		(39)			
Total console ²	(311)		(341)			
Nintendo DS	(3)		(4)			
Total changes in deferred net revenues	(21)		(447)			
Non-GAAP Net Revenues by Segment/Platform Mix						
Activision and Blizzard:						
Online subscriptions ¹	199	19	292	42	(93)	(32)
PC and Other ⁵	590	56	45	6	545	NM
Sony PlayStation 3	97	9	83	12	14	17
Sony PlayStation 2	---	---	2	---	(2)	(100)
Microsoft Xbox 360	86	8	154	22	(68)	(44)
Nintendo Wii	20	2	31	4	(11)	(35)
Total console ²	203	19	270	38	(67)	(25)
Sony PlayStation Portable	1	---	4	1	(3)	(75)
Nintendo 3DS	6	1	5	1	1	20
Nintendo DS	8	1	20	3	(12)	(60)
Total handheld	15	2	29	5	(14)	(48)
Total Activision and Blizzard	1,007	96	636	91	371	58
Distribution:						
Total Distribution	47	4	63	9	(16)	(25)
Total non-GAAP net revenues ⁴	\$ 1,054	100 %	\$ 699	100 %	\$ 355	51 %

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. We have recorded a reduction of revenues of \$11 million during the three months ended June 30, 2012 as a result of a correction of an accounting error. Please refer to footnote 1 on our Form 10-Q for the quarter ended June 30, 2012 for further details on this correction.

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.

⁵ Other includes standalone sales of toys and accessories products from Skylanders franchise, mobile sales and other physical merchandise and accessories.

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
FINANCIAL INFORMATION

For the Six Months Ended June 30, 2012 and 2011

(Amounts in millions)

	Six Months Ended					
	June 30, 2012		June 30, 2011		\$ Increase (Decrease)	% Increase (Decrease)
	Amount	% of Total	Amount	% of Total		
GAAP Net Revenues by Segment/Platform Mix						
Activision and Blizzard:						
Online subscriptions ¹	\$ 475	21 %	\$ 754	29 %	\$ (279)	(37)%
PC and Other ⁵	413	18	205	8	208	101
Sony PlayStation 3	534	24	581	22	(47)	(8)
Sony PlayStation 2	2	---	6	---	(4)	(67)
Microsoft Xbox 360	584	26	697	27	(113)	(16)
Nintendo Wii	83	4	152	6	(69)	(45)
Total console ²	1,203	54	1,436	55	(233)	(16)
Sony PlayStation Portable	4	---	8	---	(4)	(50)
Nintendo 3DS	15	1	9	1	6	67
Nintendo DS	25	1	46	2	(21)	(46)
Total handheld	44	2	63	3	(19)	(30)
Total Activision and Blizzard	2,135	95	2,458	95	(323)	(13)
Distribution:						
Total Distribution	112	5	137	5	(25)	(18)
Total consolidated GAAP net revenues	2,247	100	2,595	100	(348)	(13)
Change in Deferred Net Revenues³						
Activision and Blizzard:						
Online subscriptions ¹	(27)		(123)			
PC and Other ⁵	291		(123)			
Sony PlayStation 3	(400)		(400)			
Microsoft Xbox 360	(439)		(405)			
Nintendo Wii	(26)		(84)			
Total console ²	(865)		(889)			
Nintendo DS	(5)		(6)			
Total changes in deferred net revenues	(606)		(1,141)			
Non-GAAP Net Revenues by Segment/Platform Mix						
Activision and Blizzard:						
Online subscriptions ¹	448	27	631	43	(183)	(29)
PC and Other ⁵	704	43	82	6	622	NM
Sony PlayStation 3	134	8	181	12	(47)	(26)
Sony PlayStation 2	2	---	6	---	(4)	(67)
Microsoft Xbox 360	145	9	292	20	(147)	(50)
Nintendo Wii	57	4	68	5	(11)	(16)
Total console ²	338	21	547	37	(209)	(38)
Sony PlayStation Portable	4	---	8	1	(4)	(50)
Nintendo 3DS	15	1	9	1	6	67
Nintendo DS	20	1	40	3	(20)	(50)
Total handheld	39	2	57	5	(18)	(32)
Total Activision and Blizzard	1,529	93	1,317	91	212	16
Distribution:						
Total Distribution	112	7	137	9	(25)	(18)
Total non-GAAP net revenues ⁴	\$ 1,641	100 %	\$ 1,454	100 %	\$ 187	13 %

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. We have recorded a reduction of revenues of \$11 million during the three months ended June 30, 2012 as a result of a correction of an accounting error. Please refer to footnote 1 on our Form 10-Q for the quarter ended June 30, 2012 for further details on this correction.

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.

⁵ Other includes standalone sales of toys and accessories products from Skylanders franchise, mobile sales and other physical merchandise and accessories.

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
FINANCIAL INFORMATION
For the Three and Six Months Ended June 30, 2012 and 2011
(Amounts in millions)

	Three Months Ended					
	June 30, 2012		June 30, 2011		\$ Increase	% Increase
	Amount	% of Total	Amount	% of Total	(Decrease)	(Decrease)
GAAP Net Revenues by Geographic Region						
North America	\$ 562	52 %	\$ 580	50 %	\$ (18)	(3)%
Europe	403	38	467	41	(64)	(14)
Asia Pacific	110	10	99	9	11	11
Total consolidated GAAP net revenues	<u>1,075</u>	<u>100</u>	<u>1,146</u>	<u>100</u>	<u>(71)</u>	<u>(6)</u>
Change in Deferred Net Revenues¹						
North America	(79)		(249)			
Europe	(9)		(181)			
Asia Pacific	67		(17)			
Total changes in net revenues	<u>(21)</u>		<u>(447)</u>			
Non-GAAP Net Revenues by Geographic Region						
North America	483	46	331	47	152	46
Europe	394	37	286	41	108	38
Asia Pacific	177	17	82	12	95	116
Total non-GAAP net revenues ²	<u>\$ 1,054</u>	<u>100 %</u>	<u>\$ 699</u>	<u>100 %</u>	<u>\$ 355</u>	<u>51 %</u>
Six Months Ended						
	June 30, 2012		June 30, 2011		\$ Increase	% Increase
	Amount	% of Total	Amount	% of Total	(Decrease)	(Decrease)
	Amount	% of Total	Amount	% of Total	(Decrease)	(Decrease)
GAAP Net Revenues by Geographic Region						
North America	\$ 1,163	52 %	\$ 1,328	51 %	\$ (165)	(12)%
Europe	888	39	1,061	41	(173)	(16)
Asia Pacific	196	9	206	8	(10)	(5)
Total consolidated GAAP net revenues	<u>2,247</u>	<u>100</u>	<u>2,595</u>	<u>100</u>	<u>(348)</u>	<u>(13)</u>
Change in Deferred Net Revenues¹						
North America	(409)		(632)			
Europe	(235)		(452)			
Asia Pacific	38		(57)			
Total changes in net revenues	<u>(606)</u>		<u>(1,141)</u>			
Non-GAAP Net Revenues by Geographic Region						
North America	754	46	696	48	58	8
Europe	653	40	609	42	44	7
Asia Pacific	234	14	149	10	85	57
Total non-GAAP net revenues ²	<u>\$ 1,641</u>	<u>100 %</u>	<u>\$ 1,454</u>	<u>100 %</u>	<u>\$ 187</u>	<u>13 %</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 and Six Months Ended June 30, 2012 and 2011
(Amounts in millions)

	Three Months Ended					
	June 30, 2012		June 30, 2011		\$ Increase (Decrease)	% Increase (Decrease)
	Amount	% of Total	Amount	% of Total		
Segment net revenues:						
Activision ¹	\$ 373	35 %	\$ 323	28 %	\$ 50	15 %
Blizzard ²	634	59	313	27	321	103
Distribution ³	47	4	63	6	(16)	(25)
Operating segment total	<u>1,054</u>	<u>98</u>	<u>699</u>	<u>61</u>	<u>355</u>	<u>51</u>
Reconciliation to consolidated net revenues:						
Net effect from deferral of net revenues	21	2	447	39		
Consolidated net revenues	<u>\$ 1,075</u>	<u>100 %</u>	<u>\$ 1,146</u>	<u>100 %</u>	\$ (71)	(6) %
Segment income from operations:						
Activision ¹	\$ (71)		\$ 31		\$ (102)	NM
Blizzard ²	371		135		236	175
Distribution ³	---		(1)		1	NM
Operating segment total	<u>300</u>		<u>165</u>		<u>135</u>	<u>82</u>
Reconciliation to consolidated operating income and consolidated income before income tax expense:						
Net effect from deferral of net revenues and related cost of sales	(40)		332			
Stock-based compensation expense	(31)		(20)			
Restructuring	---		(3)			
Amortization of intangible assets	(2)		(7)			
Consolidated operating income	<u>227</u>		<u>467</u>		(240)	(51)
Investment and other income (expense), net	<u>2</u>		<u>2</u>			
Consolidated income before income tax expense	<u>\$ 229</u>		<u>\$ 469</u>		\$ (240)	(51)%
Operating margin from total operating segments	28%		24%			

	Six Months Ended					
	June 30, 2012		June 30, 2011		\$ Increase (Decrease)	% Increase (Decrease)
	Amount	% of Total	Amount	% of Total		
Segment net revenues:						
Activision ¹	\$ 645	29 %	\$ 646	25 %	\$ (1)	- %
Blizzard ²	884	39	671	26	213	32
Distribution ³	112	5	137	5	(25)	(18)
Operating segment total	<u>1,641</u>	<u>73</u>	<u>1,454</u>	<u>56</u>	<u>187</u>	<u>13</u>
Reconciliation to consolidated net revenues:						
Net effect from deferral of net revenues	606	27	1,141	44		
Consolidated net revenues	<u>\$ 2,247</u>	<u>100 %</u>	<u>\$ 2,595</u>	<u>100 %</u>	\$ (348)	(13)%
Segment income (loss) from operations:						
Activision ¹	\$ (70)		\$ 78		\$ (148)	(190)%
Blizzard ²	460		306		154	50
Distribution ³	---		---		-	NM
Operating segment total	<u>390</u>		<u>384</u>		<u>6</u>	<u>2</u>
Reconciliation to consolidated operating income and consolidated income before income tax expense:						
Net effect from deferral of net revenues and related cost of sales	407		838			
Stock-based compensation expense	(52)		(43)			
Restructuring	---		(22)			
Amortization of intangible assets	(5)		(16)			
Consolidated operating income	<u>740</u>		<u>1,141</u>		(401)	(35)
Investment and other income (expense), net	<u>3</u>		<u>5</u>			
Consolidated income before income tax expense	<u>\$ 743</u>		<u>\$ 1,146</u>		\$ (403)	(35)%
Operating margin from total operating segments	24%		26%			

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 September 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 <u>September 30, 2012</u>	Outlook for Year Ending <u>December 31, 2012</u>
Net Revenues (GAAP)	\$ 740	\$ 4,330
<u>Excluding the impact of:</u>		
Change in deferred net revenues	(a) <u>(50)</u>	<u>300</u>
Non-GAAP Net Revenues	\$ 690	\$ 4,630
Earnings Per Diluted Share (GAAP)	\$ 0.06	\$ 0.69
<u>Excluding the impact of:</u>		
Net effect from deferral in net revenues and related cost of sales	(b) (0.02)	0.19
Stock-based compensation	(c) 0.03	0.09
Amortization of intangible assets	(d) -	0.02
Non-GAAP Earnings Per Diluted Share	<u>\$ 0.07</u>	<u>\$ 0.99</u>

(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.