

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

(Unaudited)

(Amounts in millions, except per share data)

	Three Months Ended March 31,	
	2011	2010
Net revenues:		
Product sales	\$ 1,061	\$ 986
Subscription, licensing and other revenues	388	322
Total net revenues	1,449	1,308
Costs and expenses:		
Cost of sales - product costs	299	337
Cost of sales - massively multi-player online role playing game ("MMORPG")	63	54
Cost of sales - software royalties and amortization	61	99
Cost of sales - intellectual property licenses	29	43
Product development	142	143
Sales and marketing	64	56
General and administrative	98	65
Restructuring	19	---
Total costs and expenses	775	797
Operating income	674	511
Investment and other income, net	2	---
Income before income tax expense	676	511
Income tax expense	173	130
Net income	\$ 503	\$ 381
Basic earnings per common share	\$ 0.42	\$ 0.30
Weighted average common shares outstanding	1,173	1,248
Diluted earnings per common share	\$ 0.42	\$ 0.30
Weighted average common shares outstanding assuming dilution	1,182	1,264

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(Amounts in millions)

	March 31, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,658	\$ 2,812
Short-term investments	701	696
Accounts receivable, net	95	640
Inventories	103	112
Software development	129	147
Intellectual property licenses	32	45
Deferred income taxes, net	464	620
Other current assets	167	293
Total current assets	4,349	5,365
Long-term investments	25	23
Software development	65	55
Intellectual property licenses	29	28
Property and equipment, net	165	169
Other assets	25	21
Intangible assets, net	152	160
Trademark and trade names	433	433
Goodwill	7,134	7,132
Total assets	\$ 12,377	\$ 13,386
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 172	\$ 363
Deferred revenues	1,043	1,726
Accrued expenses and other liabilities	676	838
Total current liabilities	1,891	2,927
Deferred income taxes, net	83	92
Other liabilities	166	164
Total liabilities	2,140	3,183
Shareholders' equity:		
Common stock	---	---
Additional paid-in capital	12,382	12,353
Treasury stock	(2,537)	(2,194)
Retained earnings	366	57
Accumulated other comprehensive income (loss)	26	(13)
Total shareholders' equity	10,237	10,203
Total liabilities and shareholders' equity	\$ 12,377	\$ 13,386

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 - MMORPG	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 March 31, 2011											
GAAP Measurement		\$ 1,449	\$ 299	\$ 63	\$ 61	\$ 29	\$ 142	\$ 64	\$ 98	\$ 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	(e)	-	-	-	-	(8)	-	-	-	-	(8)
Non-GAAP Measurement		\$ 755	\$ 167	\$ 63	\$ 15	\$ 7	\$ 136	\$ 63	\$ 86	\$ -	\$ 537

		Operating Income	Net Income	Basic Earnings per Share	Diluted Earnings per Share
Three Months Ended March 31, 2011					
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	(e)	8	5	-	-
Non-GAAP Measurement		\$ 218	\$ 156	\$ 0.13	\$ 0.13

		Net Revenues	Cost of Sales - Product Costs	Cost of Sales - MMORPG	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
Three Months Ended March 31, 2010										
GAAP Measurement		\$ 1,308	\$ 337	\$ 54	\$ 99	\$ 43	\$ 143	\$ 56	\$ 65	\$ 797
Less: Net effect from deferral in net revenues and related cost of sales	(a)	(594)	(133)	-	(37)	(14)	-	-	-	(184)
Less: Stock-based compensation	(b)	-	-	-	(29)	-	(4)	(2)	(9)	(44)
Less: Restructuring (included in general and administrative)	(d)	-	-	-	-	-	-	-	(3)	(3)
Less: Amortization of intangible assets	(e)	-	(1)	-	(4)	(12)	-	-	-	(17)
Non-GAAP Measurement		\$ 714	\$ 203	\$ 54	\$ 29	\$ 17	\$ 139	\$ 54	\$ 53	\$ 549

		Operating Income	Net Income	Basic Earnings per Share	Diluted Earnings per Share
Three Months Ended March 31, 2010					
GAAP Measurement		\$ 511	\$ 381	\$ 0.30	\$ 0.30
Less: Net effect from deferral in net revenues and related cost of sales	(a)	(410)	(308)	(0.24)	(0.24)
Less: Stock-based compensation	(b)	44	30	0.02	0.02
Less: Restructuring (included in general and administrative)	(d)	3	2	-	-
Less: Amortization of intangible assets	(e)	17	11	0.01	0.01
Non-GAAP Measurement		\$ 165	\$ 116	\$ 0.09	\$ 0.09

- (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 restructuring related to the Business Combination with Vivendi Games. Restructuring activities includes severance costs, facility exit costs and balance sheet write down and exit costs from the cancellation of projects.
(e) Reflects amortization of intangible assets from purchase price accounting.

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, 2011 and 2010

(Amounts in millions)

	Three Months Ended							
	March 31, 2011		March 31, 2010		\$ Increase (Decrease)	% Increase (Decrease)		
	Amount	% of Total	Amount	% of Total				
GAAP Net Revenues by Distribution Channel								
Retail channels	\$ 946	65 %	\$ 907	70 %	\$ 39	4 %		
Digital online channels*	428	30	330	25	98	30		
Total Activision and Blizzard	1,374	95	1,237	95	137	11		
Distribution	75	5	71	5	4	6		
Total consolidated GAAP net revenues	1,449	100	1,308	100	141	11		
Change in Deferred Net Revenues¹								
Retail channels	(706)		(603)					
Digital online channels*	12		9					
Total changes in deferred net revenues	(694)		(594)					
Non-GAAP Net Revenues by Distribution Channel								
Retail channels	240	32	304	43	(64)	(21)		
Digital online channels*	440	58	339	47	101	30		
Total Activision and Blizzard	680	90	643	90	37	6		
Distribution	75	10	71	10	4	6		
Total non-GAAP net revenues ²	\$ 755	100 %	\$ 714	100 %	\$ 41	6 %		

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.

* Represents revenues from subscriptions and licensing royalties, value-added services, downloadable content, digitally distributed products, and wireless devices.

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
FINANCIAL INFORMATION

For the Three Months Ended March 31, 2011 and 2010

(Amounts in millions)

	Three Months Ended					
	March 31, 2011		March 31, 2010		\$ Increase	% Increase
	Amount	% of Total	Amount	% of Total	(Decrease)	(Decrease)
GAAP Net Revenues by Segment/Platform Mix						
Activision and Blizzard:						
Online subscriptions*	\$ 395	27 %	\$ 310	24 %	\$ 85	27 %
PC and Other	124	9	49	4	75	153
Sony PlayStation 3	342	24	304	23	38	13
Sony PlayStation 2	4	---	15	1	(11)	(73)
Microsoft Xbox 360	396	27	384	30	12	3
Nintendo Wii	82	6	136	10	(54)	(40)
Total console^	824	57	839	64	(15)	(2)
Sony PlayStation Portable	5	---	5	---	---	---
Nintendo 3DS	4	---	---	---	4	NM
Nintendo Dual Screen	22	2	34	3	(12)	(35)
Total handheld	31	2	39	3	(8)	(21)
Total Activision and Blizzard	1,374	95	1,237	95	137	11
Distribution:						
Total Distribution	75	5	71	5	4	6
Total consolidated GAAP net revenues	1,449	100	1,308	100	141	11
Change in Deferred Net Revenues¹						
Activision and Blizzard:						
Online subscriptions*	(56)		(8)			
PC and Other	(87)		(24)			
Sony PlayStation 3	(244)		(222)			
Microsoft Xbox 360	(259)		(280)			
Nintendo Wii	(46)		(60)			
Total console^	(549)		(562)			
Nintendo Dual Screen	(2)		---			
Total changes in deferred net revenues	(694)		(594)			
Non-GAAP Net Revenues by Segment/Platform Mix						
Activision and Blizzard:						
Online subscriptions*	339	45	302	42	37	12
PC and Other	37	4	25	3	12	48
Sony PlayStation 3	98	13	82	11	16	20
Sony PlayStation 2	4	1	15	2	(11)	(73)
Microsoft Xbox 360	137	18	104	15	33	32
Nintendo Wii	36	4	76	11	(40)	(53)
Total console^	275	36	277	39	(2)	(1)
Sony PlayStation Portable	5	1	5	1	---	---
Nintendo 3DS	4	1	---	---	4	NM
Nintendo Dual Screen	20	3	34	5	(14)	(41)
Total handheld	29	5	39	6	(10)	(26)
Total Activision and Blizzard	680	90	643	90	37	6
Distribution:						
Total Distribution	75	10	71	10	4	6
Total non-GAAP net revenues ²	\$ 755	100 %	\$ 714	100 %	\$ 41	6 %

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.

* 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.

^ Downloadable content are included in each respective console platforms, hence, total console.

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
FINANCIAL INFORMATION

For the Three Months Ended March 31, 2011 and 2010

(Amounts in millions)

	Three Months Ended					
	March 31, 2011		March 31, 2010		\$ Increase	% Increase
	Amount	% of Total	Amount	% of Total	(Decrease)	(Decrease)
GAAP Net Revenues by Geographic Region						
North America	\$ 748	52 %	\$ 703	54 %	\$ 45	6 %
Europe	594	41	524	40	70	13
Asia Pacific	107	7	81	6	26	32
Total consolidated GAAP net revenues	<u>1,449</u>	<u>100</u>	<u>1,308</u>	<u>100</u>	<u>141</u>	<u>11</u>
Change in Deferred Net Revenues¹						
North America	(383)		(312)			
Europe	(271)		(254)			
Asia Pacific	(40)		(28)			
Total changes in net revenues	<u>(694)</u>		<u>(594)</u>			
Non-GAAP Net Revenues by Geographic Region						
North America	365	48	391	55	(26)	(7)
Europe	323	43	270	38	53	20
Asia Pacific	67	9	53	7	14	26
Total non-GAAP net revenues ²	<u>\$ 755</u>	<u>100 %</u>	<u>\$ 714</u>	<u>100 %</u>	<u>\$ 41</u>	<u>6 %</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, 2011 and 2010

(Amounts in millions)

	Three Months Ended							
	March 31, 2011		March 31, 2010		\$ Increase	% Increase		
	Amount	% of Total	Amount	% of Total				
Segment net revenues:								
Activision ⁽ⁱ⁾	\$ 323	22 %	\$ 337	26 %	\$ (14)	(4)%		
Blizzard ⁽ⁱⁱ⁾	357	25	306	23	51	17		
Distribution ⁽ⁱⁱⁱ⁾	75	5	71	6	4	6		
Operating segment total	755	52	714	55	41	6		
Reconciliation to consolidated net revenues:								
Net effect from deferral of net revenues	694	48	594	45				
Consolidated net revenues	\$ 1,449	100 %	\$ 1,308	100 %	\$ 141	11 %		
Segment income from operations:								
Activision ⁽ⁱ⁾	\$ 48		\$ 7		\$ 41	NM%		
Blizzard ⁽ⁱⁱ⁾	170		158		12	8		
Distribution ⁽ⁱⁱⁱ⁾	---		---		---	NM		
Operating segment total	218		165		53	32		
Reconciliation to consolidated operating income and consolidated income before income tax expense:								
Net effect from deferral of net revenues and related cost of sales	506		410					
Stock-based compensation expense	(23)		(44)					
Restructuring	(19)		(3)					
Amortization of intangible assets	(8)		(17)					
Consolidated operating income	674		511		163	32		
Investment and other income, net	2		---		2	NM		
Consolidated income before income tax expense	\$ 676		\$ 511		\$ 165	32 %		
Operating margin from total operating segments	29%		23%					

(i) Activision Publishing (“Activision”) — publishes interactive software products and content.

(ii) Blizzard — Blizzard Entertainment, Inc. and its subsidiaries (“Blizzard”) publishes games and online subscription-based games in the MMORPG category.

(iii) Activision Blizzard Distribution (“Distribution”) — distributes interactive entertainment software and hardware products.

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES OUTLOOK**For the Quarter Ending June 30, 2011 and****Year Ending December 31, 2011****GAAP to Non-GAAP Reconciliation****(Amounts in millions, except per share data)**

	Outlook for Three Months Ending <u>June 30, 2011</u>	Outlook for Year Ending <u>December 31, 2011</u>
Net Revenues (GAAP)	\$ 985	\$ 4,050
<u>Excluding the impact of:</u>		
Change in deferred net revenues	(a) <u>(410)</u>	<u>(100)</u>
Non-GAAP Net Revenues	\$ 575	\$ 3,950
Earnings Per Diluted Share (GAAP)	\$ 0.19	\$ 0.61
<u>Excluding the impact of:</u>		
Net effect from deferral in net revenues and related cost of sales	(b) (0.18)	-
Stock-based compensation	(c) 0.02	0.07
Amortization of intangible assets	(d) -	0.04
Restructuring expenses	(e) 0.01	0.02
Non-GAAP Earnings Per Diluted Share	<u>\$ 0.04</u>	<u>\$ 0.73</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.

(e) Reflects expenses relating to the restructuring of our Activision Publishing operations.

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.