# UNITED STATES SECURITIES AND EXCHANGE COMMISSION WASHINGTON, DC 20549

FORM 8-K

# CURRENT REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): February 5, 2015

#### ACTIVISION BLIZZARD, INC.

(Exact Name of Registrant as Specified in Charter)

Delaware	001-15839	95-4803544
(State or Other Jurisdiction of	(Commission File Number)	(IRS Employer
Incorporation)		Identification No.)
3100 Ocean Park Boulevard,		
Santa Monica, CA		90405
(Address of Principal Executive	<u> </u>	(Zip Code)
Offices)		
Registran	it's telephone number, including area code:	: (310) 255-2000
3	, , , , , , , , , , , , , , , , , , ,	
(For	mer Name or Former Address, if Changed	Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

<u>Certain Information Not Filed</u>. The information in Item 2.02 of this Form 8-K and Exhibit 99.1 attached to this Form 8-K shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall such Item 2.02 or such Exhibit 99.1 or any of the information contained therein be deemed incorporated by reference in any filing under the Securities Exchange Act of 1934 or the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.

#### Item 2.02. Results of Operations and Financial Condition.

On February 5, 2015, Activision Blizzard, Inc. (the "Company") issued a press release announcing results for the Company for the fiscal quarter and year ended December 31, 2014. A copy of the press release is attached hereto as Exhibit 99.1. As previously announced, the Company is hosting a conference call and webcast in conjunction with that release.

## Item 8.01. Other Events.

*Cash Dividend*. On February 5, 2015, the Company's Board of Directors approved a cash dividend of \$0.23 per share to be paid on May 13, 2015 to shareholders of record of the Company's common stock on March 30, 2015.

*Share Repurchase.* On February 3, 2015, the Company's Board of Directors authorized the Company to repurchase up to \$750 million of the Company's common stock on terms and conditions to be determined by the Company from February 9, 2015 until the earlier of February 8, 2017 and a determination by the Board of Directors to discontinue the repurchase program.

Condensed Consolidated Financial Highlights — Fourth Quarter 2014 Results (Unaudited). Set forth below are the Company's condensed consolidated financial highlights for the periods and at the dates indicated.

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

#### (Unaudited)

(Amounts in millions, except per share data)

	Th	ree Months En	ded December 31,	Year Ended I	Year Ended December 31,		
		2014	2013	2014		2013	
Net revenues:							
Product sales	\$	1,094	\$ 1,152	\$ 2,786	\$	3,201	
Subscription, licensing and other revenues <sup>1</sup>		481	366	1,622		1,382	
Total net revenues		1,575	1,518	4,408		4,583	
Costs and expenses:							
Cost of sales - product costs		432	502	999		1,053	
Cost of sales - online		61	50	232		204	
Cost of sales - software royalties and amortization		124	72	260		187	
Cost of sales - intellectual property licenses		14	31	34		87	
Product development		184	197	571		584	
Sales and marketing		247	239	712		606	
General and administrative		75	143	417		490	
Total costs and expenses		1,137	1,234	3,225		3,211	
Operating income		438	284	1,183		1,372	
Interest and other investment income (expense), net		(50)	(51)	(202)	)	(53	
Income before income tax expense		388	233	981		1,319	
Income tax expense		27	59	146		309	
Net income	\$	361	\$ 174	\$ 835	\$	1,010	
Basic earnings per common share <sup>2</sup>	\$	0.49	\$ 0.23	\$ 1.14	\$	0.96	
Weighted average common shares outstanding		720	745	716		1,024	
Diluted earnings per common share <sup>2</sup>	\$	0.49	\$ 0.22	\$ 1.13	\$	0.95	
Weighted average common shares outstanding assuming dilution		729	757	726		1,035	

<sup>&</sup>lt;sup>1</sup> Subscription, licensing and other revenues represents revenues from *World of Warcraft* subscriptions, licensing royalties from our products and franchises, value-added services, downloadable content, and other miscellaneous revenues.

<sup>&</sup>lt;sup>2</sup> 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. We had, on a weighted-average basis, participating securities of approximately 12 million and 15 million for the three months and year ended December 31, 2014, respectively. We had, on a weighted-average basis, participating securities of approximately 23 million and 24 million for the three months and year ended December 31, 2013, respectively. Net income attributable to Activision Blizzard Inc. common shareholders used to calculate earnings per common share assuming dilution was \$355 million and \$817 million for the three months and year ended December 31, 2014 as compared to total net income of \$361 million and \$835 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 \$168 million and \$987 million for the three months and year ended December 31, 2013 as compared to total net income of \$174 million and \$1,010 million for the same periods, respectively.

# ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(Amounts in millions)

	December 31,	December 31,
	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,8	48 \$ 4,410
Short-term investments		10 33
Accounts receivable, net	(	59 510
Inventories, net	1	23 171
Software development	4	52 367
Intellectual property licenses		5 11
Deferred income taxes, net	3	68 321
Other current assets	4	44 418
Total current assets	6,9	09 6,241
Long-term investments		9 9
Software development		20 21
Intellectual property licenses		18
Property and equipment, net	1	57 138
Other assets		85 35
Intangible assets, net		29 43
Trademark and trade names		33 433
Goodwill	7,0	86 7,092
Total assets	\$ 14,7	46 \$ 14,012
VADA AND CHARLES AND CHARLES OF DEBOT FOUNDS		
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:	do .	25.4
Accounts payable	· ·	25 \$ 355
Deferred revenues		97 1,389
Accrued expenses and other liabilities		92 636
Current portion of long-term debt		25
Total current liabilities		2,405
Long-term debt, net	4,3	
Deferred income taxes, net		14 66
Other liabilities		61 251
Total liabilities	7,5	13 7,390
Shareholders' equity:		
Common stock		
Additional paid-in capital		24 9,682
Treasury stock	(5,7	
Retained earnings		74 2,686
Accumulated other comprehensive income (loss)	(3	603) 68
Total shareholders' equity	7,2	33 6,622
Total liabilities and shareholders' equity	\$ 14,7	46 \$ 14,012

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# ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	,	Year Ended December 31,			
	20	)14	2013		
Cash flows from operating activities:					
Net income	\$	835 \$	1,010		
Adjustments to reconcile net income to net cash provided by operating activities:					
Deferred income taxes		(44)	161		
Provision for inventories		39	33		
Depreciation and amortization		90	108		
Loss on disposal of property and equipment		1			

Amortization and write-off of capitalized software development costs and intellectual property licenses (1)	256	207
Amortization of debt discount and debt financing costs	7	1
Stock-based compensation expense (2)	104	108
Excess tax benefits from stock awards	(39)	(29)
Changes in operating assets and liabilities:		
Accounts receivable, net	(177)	198
Inventories	(2)	6
Software development and intellectual property licenses	(349)	(268)
Other assets	18	(67)
Deferred revenues	475	(275)
Accounts payable	(12)	7
Accrued expenses and other liabilities	90	64
Net cash provided by operating activities	1,292	1,264
Cash flows from investing activities:		
Proceeds from maturities of available-for-sale investments	21	304
Proceeds from sales of available-for-sale investments		98
Purchases of available-for-sale investments		(26)
Capital expenditures	(107)	(74)
Decrease (increase) in restricted cash	2	6
Net cash provided by (used in) investing activities	(84)	308
Cash flows from financing activities:		
Proceeds from issuance of common stock to employees	175	158
Tax payment related to net share settlements on restricted stock rights	(66)	(49)
Repurchase of common stock		(5,830)
Dividends paid	(147)	(216)
Proceeds from issuance of long-term debt		4,750
Repayment of long-term debt	(375)	(6)
Payment of debt discount and financing costs		(59)
Excess tax benefits from stock awards	39	29
Net cash used in financing activities	(374)	(1,223)
Effect of foreign exchange rate changes on cash and cash equivalents	(396)	102
Net increase in cash and cash equivalents	438	451
Cash and cash equivalents at beginning of period	4,410	3,959
Cash and cash equivalents at end of period	\$ 4,848 \$	4,410

(1) Excludes deferral and amortization of stock-based compensation expense.
(2) Includes the net effects of capitalization, deferral, and amortization of stock-based compensation expense.

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#### Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Press Release dated February 5, 2015 (furnished not filed) 99.1

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## **SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: February 5, 2015 ACTIVISION BLIZZARD, INC.

> By: /s/ Dennis Durkin

> > Dennis Durkin Chief Financial Officer

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#### **EXHIBIT INDEX**

Exhibit No.

# ACTIVISION BLIZZARD ANNOUNCES RECORD FOURTH QUARTER AND FULL YEAR EARNINGS PER SHARE

Exceeds Outlook for Fourth Quarter and Full Year 2014

Achieved More Than 50% Non-GAAP Earnings Per Share Growth and Double-Digit Non-GAAP Revenue Growth in 2014

Digital Revenues At All-Time High, Representing 46% of Full Year Non-GAAP Revenues

Generated Operating Cash Flow of \$1.3 Billion in 2014

Announces Two-Year Stock Repurchase Plan of \$750 Million and Debt Paydown of \$250 Million

Increases Cash Dividend By 15% to \$0.23 Per Common Share

Santa Monica, CA – February 5, 2015 – Activision Blizzard, Inc. (Nasdaq: ATVI) today announced record fourth quarter and full year earnings per share.

	 Fourth Quarter						Calendar Year		
			Prior		_				
(in millions, except EPS)	<u>2014</u>		Outlook*		<u>2013</u>		<u>2014</u>	<u>2013</u>	
GAAP									
Net Revenues	\$ 1,575	\$	1,492	\$	1,518	\$	4,408 \$	4,583	
EPS	\$ 0.49	\$	0.28	\$	0.22	\$	1.13 \$	0.95	
Non-GAAP									
Net Revenues	\$ 2,213	\$	2,200	\$	2,272	\$	4,813 \$	4,342	
EPS	\$ 0.94	\$	0.86	\$	0.79	\$	1.42 \$	0.94	

<sup>\*</sup>Prior outlook was provided by the company on November 4, 2014 in its earnings release

For calendar year 2014, Activision Blizzard delivered record non-GAAP earnings per diluted share of \$1.42, as compared with \$0.94 per diluted share for 2013. On a GAAP basis, the company delivered record earnings per diluted share of \$1.13, as compared with \$0.95 per diluted share for 2013.

For calendar year 2014, Activision Blizzard delivered non-GAAP net revenues of \$4.81 billion, as compared with \$4.34 billion for 2013. On a GAAP basis, the company delivered net revenues of \$4.41 billion, as compared with \$4.58 billion for 2013. For the calendar year, non-GAAP net revenues from digital channels were \$2.20 billion and represented a record 46% of the company's total net revenues. On a GAAP basis, for the calendar year 2014, net revenues from digital channels were \$1.90

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#### Activision Blizzard Announces Fourth Quarter and CY 2014 Financial Results

billion and represented 43% of the company's total revenues.

For the quarter ended December 31, 2014, Activision Blizzard's non-GAAP earnings per diluted share were a record \$0.94, as compared with \$0.79 for the fourth quarter of 2013. On a GAAP basis, the company's earnings per diluted share were a record \$0.49, more than double the earnings per diluted share of \$0.22 for the fourth quarter of 2013.

For the quarter ended December 31, 2014, the company delivered non-GAAP net revenues of \$2.21 billion, as compared with \$2.27 billion for the fourth quarter of 2013. On a GAAP basis, the company's net revenues were \$1.58 billion, as compared with \$1.52 billion for the fourth quarter of 2013.

Please refer to the tables at the back of this press release for a reconciliation of the company's GAAP and non-GAAP results.

Bobby Kotick, Chief Executive Officer of Activision Blizzard, said, "2014 was another successful year as we achieved record results and introduced new franchises with outstanding gameplay, expanded on exciting new business models and continued investing in some of the world's most important entertainment franchises. We delivered record earnings per share which increased more than 50% from the previous year, double-digit revenue growth, and record high-margin digital revenues that represent an all-time high of 46% of total revenues (all non-GAAP)."

Kotick, added, "We expanded our franchise portfolio by launching two of the industry's most successful new brands, Blizzard's *Hearthstone*®: *Heroes of Warcraft*™, and the biggest new IP launch in industry history, *Destiny*®. Combined, these franchises attracted over 40 million registered players worldwide and generated more than \$850 million in non-GAAP revenue.¹ This year, we expect to expand our franchise portfolio to 10 blockbusters, up from five franchises at the beginning of 2014. Our amazingly talented teams will continue to produce the world's best content for gamers."

Kotick, continued, "We have a growing portfolio of the very best franchises and great confidence in our future. Our Board has once again increased our dividend, authorized a \$750 million share repurchase program and the repayment of another \$250 million of our debt, and we have returned nearly \$10 billion to our shareholders in dividends and repurchases since 2008."

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#### Activision Blizzard Announces Fourth Quarter and CY 2014 Financial Results

### **Selected Business Highlights:**

- · In North America and Europe combined, Activision Publishing was the #1 retail publisher and had three of the top five best-selling new releases for the calendar year #1 *Call of Duty*®: *Advanced Warfare*, #3 *Destiny*, and #5 *Skylanders*® *Trap Team*.<sup>2</sup>
- · Activision Publishing's *Call of Duty: Advanced Warfare* was the #1 top-selling console game globally for the calendar year.<sup>3</sup> Additionally, in 2014, *Call of Duty* was the #1 franchise in North America for the sixth year in a row.<sup>4</sup> *Call of Duty* franchise revenues now exceed \$11 billion in retail sales worldwide since it first launched in 2003.<sup>5</sup>
- · Activision Publishing's *Destiny* was the most successful launch of a new video game franchise in history.<sup>2</sup> *Destiny* was also the #1 top-selling new video game IP and the #3 top-selling new release in North America and Europe, combined, for the calendar year.<sup>2</sup> To date, *Destiny* has more than 16 million registered users and active players are playing the game an average of over three hours per day.
- Activision Publishing's *Skylanders Trap Team* was the #1 top-selling kids console game globally for the calendar year. For the third consecutive year, *Skylanders* was the #1 kids video game franchise of the year in the U.S., and globally.<sup>3</sup>
- · At BlizzCon® on November 7, 2014, Blizzard Entertainment announced a new intellectual property, *Overwatch*™ a highly accessible multi-player game featuring an amazing cast of heroes and set in an all-new Blizzard game universe.
- On November 13, 2014, Blizzard Entertainment launched *Warlords of Draenor*<sup>™</sup>, the fifth expansion for the #1 subscription-based MMORPG in the world, *World of Warcraft*<sup>®</sup>. The expansion sold-through more than 3.3 million copies as of the first 24 hours of its availability and helped drive *World of Warcraft* to more than 10 million global subscribers at the end of 2014.
- On December 8, 2014, Blizzard Entertainment launched *Goblins vs Gnomes*™, the first expansion for *Hearthstone: Heroes of Warcraft*. The release of *Hearthstone: Heroes of Warcraft* on Android tablets followed on December 15, 2014.

## **Company Outlook:**

On January 11, 2015, Activision Publishing and Tencent launched a public open beta for *Call of Duty*® *Online*, making the game available to millions of Chinese gamers. The open beta marks a historic first for the Call of Duty series as it expands into the world's largest gaming market.

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#### Activision Blizzard Announces Fourth Quarter and CY 2014 Financial Results

On January 13, 2015, Blizzard Entertainment began the closed beta test for *Heroes of the Storm* $^{\mathsf{m}}$ , its upcoming free-to-play online team brawler featuring iconic heroes from more than 20 years of Blizzard gaming history. To date, more than nine million players have signed up to beta test the game.

On January 27, 2015, Activision Publishing launched the first DLC for *Call of Duty®: Advanced Warfare – Havoc*, available first on the Xbox Live online entertainment network from Microsoft for Xbox One and Xbox 360. The DLC offers four new multi-player maps, exclusive weapon, custom weapon variant and a new zombies cooperative mode called Exo Zombies.

In January 2015, Blizzard Entertainment's *Hearthstone: Heroes of Warcraft* reached more than 25 million registered players.

Additionally, in 2015, Blizzard Entertainment expects to begin beta testing *Overwatch*.

Given the significant weakening of foreign currencies versus the U.S. dollar, the company's 2015 international revenues and earnings are expected to be translated at much lower rates than in 2014. This will impact the company's 2015 outlook as compared to 2014 actual results given approximately 50% of the company's revenues, and a higher percentage of profits, are generated outside the U.S. See reconciliation table, below.

Activision Blizzard's first quarter and calendar year 2015 outlook is, as follows:

(in millions, except EPS)	 GAAP Outlook	 Non-GAAP Outlook
CY 2015		
Net Revenues	\$ 4,140	\$ 4,400
EPS	\$ 0.89	\$ 1.15
Fully Diluted Shares**	750	750
Q1 2015		
Net Revenues	\$ 1,140	\$ 640
EPS	\$ 0.37	\$ 0.05
Fully Diluted Shares**	745	745

The following table reconciles our CY14 actual earnings per share to CY15 outlook earnings per share.

EPS		GAAP	Non-GAAP		
CY14 – Actuals	\$ 1.13		\$	1.42	
Slate / Operations***		0.01		(0.05)	
Foreign Currency		(0.17)		(0.14)	
Tax Rate & Share Count		(80.0)		(80.0)	
CY15 – Outlook	\$	0.89	\$	1.15	

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#### Activision Blizzard Announces Fourth Quarter and CY 2014 Financial Results

Currency Assumptions for 2015 Outlook:

- \$1.13 USD/Euro (vs. a \$1.33 average for 2014)
- \$1.51 USD/British Pound Sterling (vs. a \$1.65 average for 2014)
- · Revenue and EPS increase if the Euro or British Pound Sterling strengthens vs. USD
- \*\* Fully diluted weighted average shares include participating securities and dilutive options on a weighted average basis.
- \*\*\* For GAAP purpose, it includes the net change in deferred net revenues and related cost of sales.

## Board Authorizes Stock Repurchase Program and Debt Repayment and Declares Cash Dividend

The company also announced that its Board of Directors authorized a new two-year stock repurchase program under which the company is authorized to repurchase up to \$750 million of its outstanding common stock during the period from February 9, 2015 through February 8, 2017.

Additionally, the company announced that its Board of Directors has approved a repayment of \$250 million of the company's outstanding "Term Loan B," which is expected to occur during the first quarter of 2015.

The Board of Directors also declared a cash dividend of \$0.23 per common share, payable on May 13, 2015 to shareholders of record at the close of business on March 30, 2015, which represents a 15% increase from 2014.

#### **Conference Call**

Today at 4:30 p.m. EST, Activision Blizzard's management will host a conference call and Webcast to discuss the company's results for the quarter ended December 31, 2014 and management's outlook for 2015. The company welcomes all members of the financial and media communities and other interested parties to visit the "Investor Relations" area of <a href="https://www.activisionblizzard.com">www.activisionblizzard.com</a> to listen to the conference call via live Webcast or to listen to the call live by dialing into 877-741-4239 in the U.S. with passcode 3638929.

#### **About Activision Blizzard**

Activision Blizzard, Inc. is the largest and most profitable western interactive entertainment publishing company. It develops and publishes some of the most successful and beloved entertainment franchises in any medium, including *Call of Duty, Call of Duty Online, Destiny, Skylanders, World of Warcraft, StarCraft*®, *Diablo*®, and *Hearthstone*.

Headquartered in Santa Monica, California, it maintains operations throughout the United States, Europe, and Asia. Activision Blizzard develops and publishes games on all leading interactive platforms and its games are available in most countries around the world. More information about Activision Blizzard and its products can be found on the company's website, <a href="https://www.activisionblizzard.com">www.activisionblizzard.com</a>.

<sup>&</sup>lt;sup>1</sup> During calendar year 2014, combined GAAP revenues from Hearthstone: Heroes of Warcraft and Destiny were more than \$450 million. The difference in GAAP and non-GAAP revenues represents the net change in deferrals of revenues of approximately \$400 million.

<sup>&</sup>lt;sup>2</sup> The NPD Group and GfK Chart-Track, including toys and accessories

<sup>3</sup> The NPD Group and GfK Chart-Track and Activision Blizzard internal estimates, including toys and accessories

<sup>4</sup> The NPD Group

<sup>5</sup> The NPD Group and GfK Chart-Track

**Subscriber Definition:** *World of Warcraft* subscribers include individuals who have paid a subscription fee or have an active prepaid card to play *World of Warcraft*, as well as those who have purchased the game and are within their free month of access. Internet Game Room players who have accessed the game over the last thirty days are also counted as subscribers. The above definition excludes all players under free promotional subscriptions, expired or cancelled subscriptions, and expired prepaid cards. Subscribers in licensees' territories are defined along the same rules.

Non-GAAP Financial Measures: As a supplement to our financial measures presented in accordance with Generally

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#### Activision Blizzard Announces Fourth Quarter and CY 2014 Financial Results

Accepted Accounting Principles ("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 revenues and related cost of sales with respect to certain of the company's online-enabled games;
- · expenses related to stock-based compensation;
- the amortization of intangibles from purchase price accounting;
- 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 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 revenues 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 revenues 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 revenues 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

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#### Activision Blizzard Announces Fourth Quarter and CY 2014 Financial Results

measured by investment analysts and industry data sources. In addition, excluding the change in deferred revenues and the related cost of sales provides a much more timely indication of trends in our operating results.

**Cautionary Note Regarding Forward-looking Statements:** Information in this press release that involves Activision Blizzard's expectations, plans, intentions or strategies regarding the future, including statements under the heading "Company Outlook," are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements consist of any statement other than a recitation of historical facts and include, but are not limited to: (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 relating to product releases; and (3) statements of future financial or operating performance.

Activision Blizzard generally uses words, such as "outlook," "forecast," "will," "could," "should," "would," "to be," "plans," "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. Activision Blizzard's actual future results could differ materially from those expressed in the forward-looking statements set forth in this release. Risks and uncertainties that may affect our future results 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, 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 release are based upon information available to Activision Blizzard as of the date of this release, and Activision Blizzard assumes no obligation to update any such forward-looking statements. Although these forwardlooking statements are believed to be true when made, they may ultimately prove to be incorrect. These statements are not guarantees of the future performance of Activision Blizzard and are subject to risks, uncertainties and other factors, some of which are beyond its control and may cause actual results to differ materially from current expectations.

###

(Tables to Follow)

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#### Activision Blizzard Announces Fourth Quarter and CY 2014 Financial Results

#### **For Information Contact:**

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

#### (Unaudited)

(Amounts in millions, except per share data)

	Th	ree Months End	led December 31,	Year I	Year Ended December 31,		
		2014	2013	2014			2013
Net revenues:							
Product sales	\$	1,094	\$ 1,152	\$	2,786	\$	3,201
Subscription, licensing and other revenues <sup>1</sup>		481	366		1,622		1,382
Total net revenues		1,575	1,518		4,408		4,583
Costs and expenses:							
Cost of sales - product costs		432	502		999		1,053
Cost of sales - online		61	50		232		204
Cost of sales - software royalties and amortization		124	72		260		187
Cost of sales - intellectual property licenses		14	31		34		87
Product development		184	197		571		584
Sales and marketing		247	239		712		606
General and administrative		75	143		417		490
Total costs and expenses		1,137	1,234		3,225		3,211
Operating income		438	284		1,183		1,372
Interest and other investment income (expense), net		(50)	(51)		(202)		(53)
Income before income tax expense		388	233		981		1,319
Income tax expense		27	59		146		309

Net income	\$ 361	\$ 174	\$ 835	\$ 1,010
Basic earnings per common share <sup>2</sup>	\$ 0.49	\$ 0.23	\$ 1.14	\$ 0.96
Weighted average common shares outstanding	720	745	716	1,024
Diluted earnings per common share <sup>2</sup>	\$ 0.49	\$ 0.22	\$ 1.13	\$ 0.95
Weighted average common shares outstanding assuming dilution	729	757	726	1,035

<sup>&</sup>lt;sup>1</sup> Subscription, licensing and other revenues represents revenues from *World of Warcraft* subscriptions, licensing royalties from our products and franchises, value-added services, downloadable content, and other miscellaneous revenues.

# ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

	December 31,	December 31,
	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,848	\$ 4,410
Short-term investments	10	33
Accounts receivable, net	659	510
Inventories, net	123	171
Software development	452	367
Intellectual property licenses	5	11
Deferred income taxes, net	368	321
Other current assets	444	418
Total current assets	6,909	6,241
Long-term investments	9	9
Software development	20	21
Intellectual property licenses	18	
Property and equipment, net	157	138
Other assets	85	35
Intangible assets, net	29	43
Trademark and trade names	433	433
Goodwill	7,086	7,092
Total assets	\$ 14,746	\$ 14,012
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 325	\$ 355
Deferred revenues	1,797	1,389
Accrued expenses and other liabilities	592	636
Current portion of long-term debt		- 25
Total current liabilities	2,714	2,405
Long-term debt, net	4,324	4,668
Deferred income taxes, net	114	66
Other liabilities	361	251
Total liabilities	7,513	7,390
Shareholders' equity:	1,522	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
Common stock		

<sup>&</sup>lt;sup>2</sup> 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. We had, on a weighted-average basis, participating securities of approximately 12 million and 15 million for the three months and year ended December 31, 2014, respectively. We had, on a weighted-average basis, participating securities of approximately 23 million and 24 million for the three months and year ended December 31, 2013, respectively. Net income attributable to Activision Blizzard Inc. common shareholders used to calculate earnings per common share assuming dilution was \$355 million and \$817 million for the three months and year ended December 31, 2014 as compared to total net income of \$361 million and \$835 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 \$168 million and \$987 million for the three months and year ended December 31, 2013 as compared to total net income of \$174 million and \$1,010 million for the same periods, respectively.

Additional p	aid-in capital	9,924	9,682
Treasury sto	ck	(5,762)	(5,814)
Retained ear	nings	3,374	2,686
Accumulate	d other comprehensive income (loss)	(303)	68
Total sha	reholders' equity	7,233	6,622
Total liab	ilities and shareholders' equity	\$ 14,746	\$ 14,012

### ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

Depreciation and amortization   90   11	Section   Sect		Year	Ended 1	December 31,		
Net income	Not income		2014			2013	
Adjustments to reconcile net income to net cash provided by operating activities:   Deferred income taxes	Not income						
Adjustments to reconcile net income to net cash provided by operating activities:  Deferred income taxes  Provision for inventories  39  10  Depreciation and amorization  Loss on disposal of property and equipment  Amorization and virie-off of capitalized software development costs and intellectual property licenses (1)  256  26  Amorization and virie-off of capitalized software development costs and intellectual property licenses (1)  256  26  Amorization and virie-off of capitalized software development costs and intellectual property licenses (1)  256  26  27  28  28  29  20  Excess tax buesfils from stock awards  Clanges in operating assets and liabilities:  Accounts receivable, net  Inventories  30  30  21  22  23  23  26  26  27  27  28  29  20  20  20  20  20  20  20  20  20	Adjustments to reconcile not income to net eash provided by operating activities:  Deferred income taxes  Provision for inventories  Depreciation and amortization  Depreciation and amortization  Loss on disposol of property and equipment  Amortization and write-off of capitalized software development costs and intellectual property licenses (1)  Amortization and write-off of capitalized software development costs and intellectual property licenses (1)  Excess tax benefits from stock awards  Accorded compensation expense (2)  Excess tax benefits from stock awards  Accorded evelopment and liabilities:  Accounts receivable, net  Inventories  Accorded evelopment and intellectual property licenses  (349)  Catalogus in operating assets and liabilities:  Accorded evelopment and intellectual property licenses  (349)  Catalogus development and intellectual property license		¢	025	¢	1.010	
Deferred income taxes   (44)   11   11   12   13   13   13   13   13	Deferred income taxes		Φ	033	Ф	1,010	
Provision for inventories   39   10	Provision for inventories   39   10			(11)		161	
Depreciation and amortization   90   10	Depreciation and amortization					33	
Loss on disposal of property and equipment   1   256   20   20   20   20   20   20   20   2	Los on disposal of property and equipment         1           Amortization and write-off of capitalized software development costs and intellectual property licenses (1)         256         20           Amortization of debt discount and debt financing costs         7         100         11         11         11         11         11         11         11         11         11         11         11         11         12						
Amortization and write-off of capitalized software development costs and intellectual property licenses (1) 256 24 Amortization of debt discount and debt financing costs 7 104 114 114 114 114 115 115 115 115 115 11	Amortization and write-off of capitalized software development costs and intellectual property licenses (1) 256 22 Amortization of debt discount and debt financing costs 77 104 104 105 105 105 105 105 105 105 105 105 105					108	
Amortization of debt discount and debt financing costs Sick-based compensation expense (2) Excess tax benefits from stock awards (39) (20 Excess tax benefits from stock awards (39) (20 Changes in operating assets and liabilities:  Accounts receivable, net (177) 19 Inventories (2) Software development and intellectual property licenses (349) (20 Other assets 118 (0) Defenred revenues 475 (2) Accounts payable (12) Accounts payable (12) Accounts payable (12) Accounts payable (12) Cash flows from investing activities 90 (40 Net cash provided by operating activities 90 (40 Net cash provided by operating activities 90 (40 Proceeds from maturities of available-for-sale investments 121 (30 Proceeds from sales of available-for-sale investments 121 (30 Proceeds from sales of available-for-sale investments 120 Decrease (increase) in restricted cash 22 Net cash provided by (used in) investing activities (30 Net cash provided by (used in) investing activities (30 Proceeds from sisuance of common stock to employees 175 (11 Expayment related to net share settlements on restricted stock rights (66) (60 Proceeds from issuance of long-term debt 127 Proceeds from issuance of long-term debt 1375 (11 Expayment related to net share settlements on restricted stock rights (65) (60 Excess tax benefits from stock awards 39 (12 Excess tax benefits from stock awards 48 Excess	Amortization of debt discount and debt financing costs Stock-based compensation expense (2)  Excess tax benefits from stock awards Changes in operating assets and liabilities:  Accounts receivable, net Inventories Inventories (2) Software development and intellectual property licenses (349) (24) Cother assets (349) (25) Cother assets (349) (26) Cheferred revenues (347) (27) Accounts payable (102) Accounts payable (103) Net cash provided by operating activities (104) Software development and intellectual property licenses (107) Software development and intellectual property licenses (107) Software development and intellectual property licenses (102) Accounts payable (102) Accounts payable (102) Software development and intellectual property licenses (108) Software development and intellectual property licenses (102) Software de						
Stock-based compensation expense (2)	Stock-based compensation expense (2)   104   116     Excess tax benefits from stock awards   (39)   (3)   (3)     Changes in operating assets and liabilities:					207	
Excess tax benefits from stock awards         (39)         (6           Changes in operating assets and liabilities:         (177)         15           Inventories         (2)         (2)           Software development and intellectual property licenses         (349)         (24)           Other assets         18         (6           Deferred revenues         475         (22)           Accounts payable         (12)         (12)           Accounts payable         (12)         (2)           Net cash provided by operating activities         90         (4           Proceeds from investing activities         21         30           Proceeds from statictities of available-for-sale investments         21         30           Proceeds from investing activities         21         3           Purchases of available-for-sale investments         21         3           Purchases of available-for-sale investments         (107)         (3           Perchases of available-for-sale investments         (107)         (3 <td>Excess tax benefits from stock awards         (39)         (6           Changes in operating assets and liabilities:         (177)         1*           Accounts receivable, net         (177)         1*           Inventories         (349)         (23)           Software development and intellectual property licenses         (349)         (20)           Other assets         (38)         (47)         (22)           Accounts payable         (12)         475         (22)           Accrued expenses and other liabilities         90         1           Net cash provided by operating activities         1,292         1,292           sh flows from investing activities         21         30           sh flows from investing activities         21         3           Proceeds from maturities of available-for-sale investments         21         3           Proceeds from maturities of available-for-sale investments         21         3           Purchases of available-for-sale investments         21         3           Proceeds from maturities of available-for-sale investments         40         3           Purchases of available-for-sale investments         21         3           Purchases of available-for-sale investments         10         3           <t< td=""><td></td><td></td><td>•</td><td></td><td>-</td></t<></td>	Excess tax benefits from stock awards         (39)         (6           Changes in operating assets and liabilities:         (177)         1*           Accounts receivable, net         (177)         1*           Inventories         (349)         (23)           Software development and intellectual property licenses         (349)         (20)           Other assets         (38)         (47)         (22)           Accounts payable         (12)         475         (22)           Accrued expenses and other liabilities         90         1           Net cash provided by operating activities         1,292         1,292           sh flows from investing activities         21         30           sh flows from investing activities         21         3           Proceeds from maturities of available-for-sale investments         21         3           Proceeds from maturities of available-for-sale investments         21         3           Purchases of available-for-sale investments         21         3           Proceeds from maturities of available-for-sale investments         40         3           Purchases of available-for-sale investments         21         3           Purchases of available-for-sale investments         10         3 <t< td=""><td></td><td></td><td>•</td><td></td><td>-</td></t<>			•		-	
Changes in operating assets and liabilities:	Changes in operating assets and liabilities:         (177)         19           Accounts receivable, net Inventories         (2)         19           Inventories         (2)         50           Software development and intellectual property licenses         (349)         (20           Other assets         18         (6           Deferred revenues         475         (2)           Accounts payable         (12)         1           Accounts payable accoun					108	
Accounts receivable, net (177) 15 Inventories (2) Software development and intellectual property licenses (349) (24) Other assets 18 (349) (25) Other assets 18 (349) (25) Other assets 18 (349) (25) Accounts payable (172) Accounts payable (172) Accounts payable (172) Accounts payable (172) Account sepander of the liabilities 90 (172) Other asset in university activities 12,522 (172) Cash flows from investing activities 12,522 (172) Cash flows from investing activities of available-for-sale investments 21 (30) Proceeds from sales of available-for-sale investments 21 (107) (30) Capital expenditures (107) (30) Decrease (increase) in restricted cash 22 Net cash provided by (used in) investing activities (84) (34) Cash flows from financing activities:  Capital expenditures (84) (34) (34) Cash flows from financing activities (65) (66) Capital expenditures (175) (117) Capital expenditur	Accounts receivable, net (177) 12 Inventories (2) Software development and intellectual property licenses (234) (245) Other assets 18 (646) Deferred revenues 475 (227) Accounts payable (122) Account spayable (122) Accounts payable (122) Accounts payabl			(39)		(29	
Inventories   (2)   (24)   (	Inventories						
Software development and intellectual property licenses	Software development and intellectual property licenses         (349)         (24)           Other assets         18         (0           Deferred revenues         475         (22)           Accounts payable         (12)           Net cash provided by operating activities         90         1           Net cash provided by operating activities         31,292         1,21           sah flows from investing activities         21         3           Proceeds from maturities of available-for-sale investments         21         3           Proceeds from sales of available-for-sale investments          (2           Purchases of available-for-sale investments          (3           Purchases of available-for-sale investments          (4           Purchases of available-for-sale investments          (5           Purchases of available-for-sale investments         2            Purchases of available-for-sale investments         2            Secretase (increase) in restricted cash         2         2           Net cash provided by (used in) investing activities         (84)         3           Proceeds from issuance of common stock to employees         175         1           Tax payment related to net share s	Accounts receivable, net		(177)		198	
Other assets         18         (0           Deferred revenues         475         (2)           Accounts payable         (12)           Accured expenses and other liabilities         90         0           Net cash provided by operating activities         1,292         1,21           Cash flows from investing activities:         21         30           Proceeds from maturities of available-for-sale investments          0           Proceeds from sales of available-for-sale investments          0           Purchases of available-for-sale investments          0           Purchase of available-for-sale investments          0           Purchase of available-for-sale investments          0           Purchase of available-for-sale investments          0           Capital expenditures         (107)         0           Decrease (increase) in restricted cash         2         2           Net cash provided by (used in) investing activities         84         3           Cash flows from financing activities         84         3           Cash flows from financing activities         175         15           Tax payment related to net share settlements on restricted stock rights         666	Other assets         18         (0           Deferred revenues         475         (2)           Accounts payable         (12)         (12)           Accrued expenses and other liabilities         90         10           Net cash provided by operating activities         1,292         1,29           ash flows from investing activities:         21         33           Proceeds from sales of available-for-sale investments         21         3           Proceeds from sales of available-for-sale investments	Inventories		(2)		(	
Deferred revenues         475         (27)           Accounts payable         (12)         (12)           Accrued expenses and other liabilities         90         (6           Net cash provided by operating activities         1,292         1,20           Cash flows from investing activities:         21         33           Proceeds from maturities of available-for-sale investments          9           Purchases of available-for-sale investments          (6           Capital expenditures         (107)         (7           Decrease (increase) in restricted cash         2           Net cash provided by (used in) investing activities         (84)         34           Cash flows from financing activities:          (6         6           Proceeds from issuance of common stock to employees         175         13         13         13           As a payment related to net share settlements on restricted stock rights         (66)         (6         6	Deferred revenues	Software development and intellectual property licenses		(349)		(268	
Accounts payable         (12)         0           Accrued expenses and other liabilities         90         0           Net cash provided by operating activities         1,292         1,20           Cash flows from investing activities:	Accounts payable         (12)         1           Accounde expenses and other liabilities         90         1           Net cash provided by operating activities         1,292         1,20           ash flows from investing activities:         8           Proceeds from maturities of available-for-sale investments         21         3           Proceeds from sales of available-for-sale investments          6           Purchases of available-for-sale investments          6           Capital expenditures         (107)         0           Decrease (increase) in restricted cash         2         2           Net cash provided by (used in) investing activities         (84)         3           ash flows from financing activities:          175         18           Tax payment related to net share settlements on restricted stock rights         (66)         6           Repurchase of common stock          4,7           Repayment related to net share settlements on restricted stock rights         (68)         6           Repayment related to net share settlements on restricted stock rights         (69)         6           Repayment of long-term debt         (375)         (38)           Payment of debt discount and financing costs	Other assets		18		(67	
Accrued expenses and other liabilities         90         6           Net cash provided by operating activities         1,292	Accrued expenses and other liabilities         90           Net cash provided by operating activities         1,292         1,292           ash flows from investing activities:	Deferred revenues		475		(275	
Net cash provided by operating activities  Cash flows from investing activities:  Proceeds from maturities of available-for-sale investments  Purchases of available-for-sale investments  Purchases of available-for-sale investments  Capital expenditures  Cupital expenditures  Coefficient of a provided by (used in) investing activities  Proceeds from insurance of common stock to employees  Proceeds from issuance of common stock to employees  Tax payment related to net share settlements on restricted stock rights  Repurchase of common stock  Dividends paid  Proceeds from issuance of long-term debt  Repayment of long-term debt  Repayment of long-term debt  Repayment of ebet discount and financing costs  Excess tax benefits from stock awards  Net cash used in financing activities  Effect of foreign exchange rate changes on cash and cash equivalents  Net increase in cash and cash equivalents  A 38  438  440  4410  349	Net cash provided by operating activities  ash flows from investing activities:  Proceeds from maturities of available-for-sale investments  Proceeds from sales of available-for-sale investments  Capital expenditures  Capital expenditures  Capital expenditures  Recrease (increase) in restricted cash  Proceeds (increase) in investing activities  8(4)  3(107)  Capital expenditures  Return cash provided by (used in) investing activities  8(84)  3(107)  3(1	Accounts payable		(12)		7	
Cash flows from investing activities: Proceeds from maturities of available-for-sale investments Proceeds from sales of available-for-sale investments Proceeds from sales of available-for-sale investments Purchases of available-for-sale investments Purchases of available-for-sale investments Purchases of available-for-sale investments Purchases of available-for-sale investments Purchase of correase (increase) in restricted cash Pote cash provided by (used in) investing activities Proceeds from issuance of common stock to employees Proceeds from issuance of common stock to employees Proceeds from issuance of common stock to employees Proceeds from issuance of common stock Proceeds from issuance of common stock Proceeds from issuance of long-term debt Proceeds from i	she flows from investing activities:  Proceeds from maturities of available-for-sale investments  Proceeds from sales of available-for-sale investments  Purchases of available-for-sale investments  Purchases of available-for-sale investments  Capital expenditures  (107)  Decrease (increase) in restricted cash  Ret cash provided by (used in) investing activities  ash flows from financing activities:  Proceeds from issuance of common stock to employees  Proceeds from issuance of common stock to employees  Proceeds from issuance of common stock to employees  Proceeds from issuance of long-term debt (147)  Proceeds from issuance of long-term debt (375)  Payment of fobret discount and financing costs  Excess tax benefits from stock awards  Net cash used in financing activities  (396)  It fect of foreign exchange rate changes on cash and cash equivalents  et increase in cash and cash equivalents at beginning of period  4,410  3,99  1,90  1,00  1,	Accrued expenses and other liabilities		90		64	
Proceeds from maturities of available-for-sale investments         21         36           Proceeds from sales of available-for-sale investments          5           Purchases of available-for-sale investments         (107)         (7           Capital expenditures         (107)         (7           Decrease (increase) in restricted cash         2           Net cash provided by (used in) investing activities         (84)         38           Cash flows from financing activities:           15         13           Tax payment related to net share settlements on restricted stock rights         (66)         (6         (7 </td <td>Proceeds from maturities of available-for-sale investments         21         33           Proceeds from sales of available-for-sale investments          5           Purchases of available-for-sale investments         (107)         (2           Capital expenditures         (107)         (2           Decrease (increase) in restricted cash         2            Net cash provided by (used in) investing activities         (84)         33           ash flows from financing activities.          (84)         34           ash flows from financing activities.          (84)         34           ash flows from financing activities.         175         11           Tax payment related to net share settlements on restricted stock rights         (66)         (66)           Repurchase of common stock          (5,8)           Dividends paid         (147)         (2           Proceeds from issuance of long-tern debt         (375)            Repayment of long-tern debt         (375)            Repayment of debt discount and financing costs         (37            Excess tax benefits from stock awards         39            Set cash used in financing activities         (374)         (1,2</td> <td>Net cash provided by operating activities</td> <td></td> <td>1,292</td> <td></td> <td>1,264</td>	Proceeds from maturities of available-for-sale investments         21         33           Proceeds from sales of available-for-sale investments          5           Purchases of available-for-sale investments         (107)         (2           Capital expenditures         (107)         (2           Decrease (increase) in restricted cash         2            Net cash provided by (used in) investing activities         (84)         33           ash flows from financing activities.          (84)         34           ash flows from financing activities.          (84)         34           ash flows from financing activities.         175         11           Tax payment related to net share settlements on restricted stock rights         (66)         (66)           Repurchase of common stock          (5,8)           Dividends paid         (147)         (2           Proceeds from issuance of long-tern debt         (375)            Repayment of long-tern debt         (375)            Repayment of debt discount and financing costs         (37            Excess tax benefits from stock awards         39            Set cash used in financing activities         (374)         (1,2	Net cash provided by operating activities		1,292		1,264	
Proceeds from maturities of available-for-sale investments         21         36           Proceeds from sales of available-for-sale investments          5           Purchases of available-for-sale investments         (107)         (7           Capital expenditures         (107)         (7           Decrease (increase) in restricted cash         2           Net cash provided by (used in) investing activities         (84)         38           Cash flows from financing activities:           15         13           Tax payment related to net share settlements on restricted stock rights         (66)         (6         (7 </td <td>Proceeds from maturities of available-for-sale investments         21         33           Proceeds from sales of available-for-sale investments          5           Purchases of available-for-sale investments         (107)         (2           Capital expenditures         (107)         (2           Decrease (increase) in restricted cash         2            Net cash provided by (used in) investing activities         (84)         33           ash flows from financing activities.          (84)         34           ash flows from financing activities.          (84)         34           ash flows from financing activities.         175         11           Tax payment related to net share settlements on restricted stock rights         (66)         (66)           Repurchase of common stock          (5,8)           Dividends paid         (147)         (2           Proceeds from issuance of long-tern debt         (375)            Repayment of long-tern debt         (375)            Repayment of debt discount and financing costs         (37            Excess tax benefits from stock awards         39            Set cash used in financing activities         (374)         (1,2</td> <td></td> <td></td> <td></td> <td></td> <td></td>	Proceeds from maturities of available-for-sale investments         21         33           Proceeds from sales of available-for-sale investments          5           Purchases of available-for-sale investments         (107)         (2           Capital expenditures         (107)         (2           Decrease (increase) in restricted cash         2            Net cash provided by (used in) investing activities         (84)         33           ash flows from financing activities.          (84)         34           ash flows from financing activities.          (84)         34           ash flows from financing activities.         175         11           Tax payment related to net share settlements on restricted stock rights         (66)         (66)           Repurchase of common stock          (5,8)           Dividends paid         (147)         (2           Proceeds from issuance of long-tern debt         (375)            Repayment of long-tern debt         (375)            Repayment of debt discount and financing costs         (37            Excess tax benefits from stock awards         39            Set cash used in financing activities         (374)         (1,2						
Proceeds from sales of available-for-sale investments  Purchases of available-for-sale investments  Capital expenditures  Capital expenditures  (107)  Capital ex	Proceeds from sales of available-for-sale investments Purchases of available-for-sale investments Capital expenditures Capital expendit						
Purchases of available-for-sale investments	Purchases of available-for-sale investments	Proceeds from maturities of available-for-sale investments		21		304	
Capital expenditures Decrease (increase) in restricted cash  Net cash provided by (used in) investing activities  Cash flows from financing activities:  Proceeds from issuance of common stock to employees 175 11 Tax payment related to net share settlements on restricted stock rights (66) (acceptable and acceptable and a	Capital expenditures         (107)         Commerciated (increase) in restricted cash         (107)         Commerciated (increase) in restricted cash         (107)         (1					98	
Decrease (increase) in restricted cash  Net cash provided by (used in) investing activities  Cash flows from financing activities:  Proceeds from issuance of common stock to employees  Tax payment related to net share settlements on restricted stock rights  Repurchase of common stock  Dividends paid  (147)  Proceeds from issuance of long-term debt  Repayment of long-term debt  Repayment of long-term debt  Excess tax benefits from stock awards  Net cash used in financing activities  Effect of foreign exchange rate changes on cash and cash equivalents  Cash and cash equivalents at beginning of period  2    Cash and cash equivalents at beginning of period    Cash and cash equivalents at beginning of period   Cash and cash equivalents at beginning of period   Cash and cash equivalents at beginning of period   Cash and cash equivalents at beginning of period   Cash and cash equivalents at beginning of period   Cash and cash equivalents at beginning of period   Cash and cash equivalents at beginning of period   Cash and cash equivalents	Decrease (increase) in restricted cash  Net cash provided by (used in) investing activities  Ash flows from financing activities:  Proceeds from issuance of common stock to employees  Tax payment related to net share settlements on restricted stock rights  Repurchase of common stock  Repurchase of common stock  Dividends paid  (147)  Proceeds from issuance of long-term debt  Repayment of long-term debt  Repayment of long-term debt  Excess tax benefits from stock awards  Net cash used in financing activities  (374)  (122)  (162)  (162)  (162)  (163)  (164)  (164)  (165)  (166)  (166)  (166)  (167)  (167)  (170)					(26	
Net cash provided by (used in) investing activities  Cash flows from financing activities:  Proceeds from issuance of common stock to employees  Tax payment related to net share settlements on restricted stock rights  Repurchase of common stock  Dividends paid  Proceeds from issuance of long-term debt  Repayment of long-term debt  Repayment of long-term debt  Repayment of ebt discount and financing costs  Excess tax benefits from stock awards  Net cash used in financing activities  Effect of foreign exchange rate changes on cash and cash equivalents  (374)  Net increase in cash and cash equivalents at beginning of period  (84)  38  39  30  30  30  30  30  30  30  30  30	Net cash provided by (used in) investing activities  ash flows from financing activities:  Proceeds from issuance of common stock to employees  Tax payment related to net share settlements on restricted stock rights  Repurchase of common stock  Repurchase of common stock  To ividends paid  Proceeds from issuance of long-term debt  Repayment of long-term debt  Repayment of long-term debt  Repayment of debt discount and financing costs  Excess tax benefits from stock awards  Net cash used in financing activities  The common stock awards  Ret cash used in financing activities  Ret cash used in financing activities  Ret cash and cash equivalents  Ret cash and cash equivalents  Ret cash and cash equivalents  Ret cash and cash equivalents at beginning of period  Additional states are changes on cash and cash equivalents  Ret increase in cash and cash equivalents  Ret cash and cash equivalents at beginning of period  Additional states are changes on cash and cash equivalents  Ret cash and cash equivalents at beginning of period  Additional states are changes on cash and cash equivalents  Ret cash and cash equivalents at beginning of period  Additional states are changes on cash and cash equivalents  Ret cash and cash equivalents at beginning of period  Additional states are changes on cash and cash equivalents  Ret cash and cash equivalents at beginning of period	Capital expenditures		(107)		(74	
Cash flows from financing activities:  Proceeds from issuance of common stock to employees  Tax payment related to net share settlements on restricted stock rights  Repurchase of common stock  Texpayment related to net share settlements on restricted stock rights  Repurchase of common stock  Texpayment of common stock  Texpayment of long-term debt  Texpayment of long-term debt  Texpayment of long-term debt  Texpayment of debt discount and financing costs  Texpayment of debt discount and financing costs  Texpayment of long-term stock awards  Texpayment of debt discount and financing costs  Texpayment of long-term debt  Texpayment of long-	ash flows from financing activities:  Proceeds from issuance of common stock to employees  Tax payment related to net share settlements on restricted stock rights  (66)  Repurchase of common stock  Dividends paid  (147)  (2)  Proceeds from issuance of long-term debt  Repayment of long-term debt  Repayment of debt discount and financing costs  Excess tax benefits from stock awards  Net cash used in financing activities  (374)  (1,2)  ffect of foreign exchange rate changes on cash and cash equivalents  et increase in cash and cash equivalents  438  440  3,99  4,410  3,99  4,410  4,99  4,410  4,99  4,410  4,99  4,410  4,99  4,410  4,99  4,410  4,99  4,410	Decrease (increase) in restricted cash		2		(	
Proceeds from issuance of common stock to employees  Tax payment related to net share settlements on restricted stock rights  Repurchase of common stock  Repurchase of common stock  Dividends paid  Proceeds from issuance of long-term debt  Repayment of long-term debt  Payment of debt discount and financing costs  Excess tax benefits from stock awards  Net cash used in financing activities  Effect of foreign exchange rate changes on cash and cash equivalents  Cash and cash equivalents at beginning of period  175  19  17  17  17  17  17  17  17  17  17	Proceeds from issuance of common stock to employees 175 11 Tax payment related to net share settlements on restricted stock rights (66) (68) Repurchase of common stock (5,88) Dividends paid (147) (21) Proceeds from issuance of long-term debt (375) Repayment of long-term debt (375) Payment of debt discount and financing costs (58) Excess tax benefits from stock awards 39 1 Net cash used in financing activities (374) (1,22)  Iffect of foreign exchange rate changes on cash and cash equivalents 438 438 Ash and cash equivalents at beginning of period 4,410 3,99	Net cash provided by (used in) investing activities		(84)		308	
Proceeds from issuance of common stock to employees  Tax payment related to net share settlements on restricted stock rights  Repurchase of common stock  Repurchase of common stock  Dividends paid  Proceeds from issuance of long-term debt  Repayment of long-term debt  Payment of debt discount and financing costs  Excess tax benefits from stock awards  Net cash used in financing activities  Effect of foreign exchange rate changes on cash and cash equivalents  Cash and cash equivalents at beginning of period  175  19  17  17  17  17  17  17  17  17  17	Proceeds from issuance of common stock to employees 175 11 Tax payment related to net share settlements on restricted stock rights (66) (68) Repurchase of common stock (5,88) Dividends paid (147) (21) Proceeds from issuance of long-term debt (375) Repayment of long-term debt (375) Payment of debt discount and financing costs (58) Excess tax benefits from stock awards 39 1 Net cash used in financing activities (374) (1,22)  Iffect of foreign exchange rate changes on cash and cash equivalents 438 438 Ash and cash equivalents at beginning of period 4,410 3,99	Cach flows from financing activities:					
Tax payment related to net share settlements on restricted stock rights  Repurchase of common stock  Dividends paid  Proceeds from issuance of long-term debt  Repayment of long-term debt  Payment of debt discount and financing costs  Excess tax benefits from stock awards  Net cash used in financing activities  Effect of foreign exchange rate changes on cash and cash equivalents  Cash and cash equivalents at beginning of period  (5,83  (147) (21  (27)  (375)  (375)  (375)  (375)  (376)  (374) (1,22  (374)  (1,22  (374)  (396)  (3	Tax payment related to net share settlements on restricted stock rights  Repurchase of common stock  Dividends paid  Proceeds from issuance of long-term debt  Repayment of long-term debt  Payment of debt discount and financing costs  Excess tax benefits from stock awards  Net cash used in financing activities  Text of foreign exchange rate changes on cash and cash equivalents  ash and cash equivalents at beginning of period  (5,8)  (147)  (2)  (375)  (375)  (375)  (374)  (1,2)  (374)  (1,2)  (396)  (396)  (396)  (397)  (4,410)  (398)			175		159	
Repurchase of common stock  Dividends paid  (147)  Proceeds from issuance of long-term debt  Repayment of long-term debt  Payment of debt discount and financing costs  Excess tax benefits from stock awards  Net cash used in financing activities  Effect of foreign exchange rate changes on cash and cash equivalents  Net increase in cash and cash equivalents  Cash and cash equivalents at beginning of period  (147)  (27)  (375)  (375)  (375)  (374)  (1,22)  (374)  (1,22)  (396)  10  (4,410  3,99)	Repurchase of common stock Dividends paid C147) Proceeds from issuance of long-term debt Repayment of long-term debt Repayment of debt discount and financing costs Excess tax benefits from stock awards Net cash used in financing activities Cffect of foreign exchange rate changes on cash and cash equivalents et increase in cash and cash equivalents Ash and cash equivalents at beginning of period C147) C27 C375) C375 C376 C376 C377 C377 C377 C377 C378 C378 C379 C379 C379 C379 C379 C379 C379 C379						
Dividends paid Proceeds from issuance of long-term debt Repayment of long-term debt Repayment of debt discount and financing costs Excess tax benefits from stock awards Net cash used in financing activities  Effect of foreign exchange rate changes on cash and cash equivalents  Net increase in cash and cash equivalents  Cash and cash equivalents at beginning of period  (147) (21) (27) (375) (375) (375) (375) (375) (375) (375) (376) (377) (377) (1,22) (374) (1,22) (374) (396) (396) (396) (396) (396) (396) (397) (4,410) (4,	Dividends paid  Proceeds from issuance of long-term debt  Repayment of long-term debt  Payment of debt discount and financing costs  Excess tax benefits from stock awards  Net cash used in financing activities  ffect of foreign exchange rate changes on cash and cash equivalents  et increase in cash and cash equivalents  ash and cash equivalents at beginning of period  (22  4,79  (375)  (375)  (375)  (376)  (374)  (1,22  (396)  10  4,410  3,98  4,410  3,98  4,410  3,98  4,410  3,98  4,410			(00)			
Proceeds from issuance of long-term debt  Repayment of long-term debt  Payment of debt discount and financing costs  Excess tax benefits from stock awards  Net cash used in financing activities  Effect of foreign exchange rate changes on cash and cash equivalents  Net increase in cash and cash equivalents  Cash and cash equivalents at beginning of period  4,410  4,75  (5)  (5)  (6)  (7)  (7)  (7)  (8)  (8)  (9)  (1)  (1)  (1)  (1)  (2)  (1)  (2)  (3)  (4)  (4)  (5)  (5)  (6)  (6)  (7)  (7)  (7)  (8)  (8)  (9)  (1)  (1)  (1)  (1)  (2)  (1)  (2)  (2	Proceeds from issuance of long-term debt 4,75 Repayment of long-term debt (375) Payment of debt discount and financing costs (5 Excess tax benefits from stock awards 39 Net cash used in financing activities (374) (1,22) Effect of foreign exchange rate changes on cash and cash equivalents et increase in cash and cash equivalents 438 Ash and cash equivalents at beginning of period 4,410 3,95	•		(147)			
Repayment of long-term debt Payment of debt discount and financing costs Excess tax benefits from stock awards Net cash used in financing activities  Effect of foreign exchange rate changes on cash and cash equivalents  Net increase in cash and cash equivalents  Cash and cash equivalents at beginning of period  (375)  (375)  (375)  (375)  (376)  (377)  (374)  (1,22)  (396)  10  438  438  439  Cash and cash equivalents at beginning of period	Repayment of long-term debt Payment of long-term debt Payment of debt discount and financing costs Excess tax benefits from stock awards Net cash used in financing activities  (374) (1,22)  Effect of foreign exchange rate changes on cash and cash equivalents et increase in cash and cash equivalents  438 440 3,99 450 4,410 3,99 450 4,410 4,99 4,99 4,99 4,99 4,99 4,99 4,99 4,9	*					
Payment of debt discount and financing costs  Excess tax benefits from stock awards  Net cash used in financing activities  Effect of foreign exchange rate changes on cash and cash equivalents  Net increase in cash and cash equivalents  Cash and cash equivalents at beginning of period  (596)  10  11  12  13  14  15  16  17  17  18  18  18  18  18  18  18  18	Payment of debt discount and financing costs  Excess tax benefits from stock awards  Net cash used in financing activities  (374)  (1,2)  ffect of foreign exchange rate changes on cash and cash equivalents et increase in cash and cash equivalents  438  4,410  3,91						
Excess tax benefits from stock awards  Net cash used in financing activities  (374)  Effect of foreign exchange rate changes on cash and cash equivalents  Net increase in cash and cash equivalents  Cash and cash equivalents at beginning of period  4,410  3,95  4,410  3,95	Excess tax benefits from stock awards  Net cash used in financing activities  (374) (1,22)  ffect of foreign exchange rate changes on cash and cash equivalents et increase in cash and cash equivalents  438 438 440 39 4410 39 4410 39 450 450 450 450 450 450 450 450 450 450			` '		(6	
Net cash used in financing activities (374) (1,22)  Effect of foreign exchange rate changes on cash and cash equivalents (396) 10  Net increase in cash and cash equivalents 438 45  Cash and cash equivalents at beginning of period 4,410 3,95	Net cash used in financing activities (374) (1,22)  ffect of foreign exchange rate changes on cash and cash equivalents (396) 10  et increase in cash and cash equivalents 438 438  ash and cash equivalents at beginning of period 4,410 3,939						
Effect of foreign exchange rate changes on cash and cash equivalents  Net increase in cash and cash equivalents  438 438 Cash and cash equivalents at beginning of period  4,410 3,95	ffect of foreign exchange rate changes on cash and cash equivalents  et increase in cash and cash equivalents  438  438  440  3,99					25	
Net increase in cash and cash equivalents  438 45 Cash and cash equivalents at beginning of period  4,410 3,95	et increase in cash and cash equivalents  438  438  438  440  3,99	Net cash used in financing activities		(374)		(1,223	
Net increase in cash and cash equivalents  438 45 Cash and cash equivalents at beginning of period  4,410 3,95	et increase in cash and cash equivalents  438  438  438  440  3,99	Effect of foreign exchange rate changes on cash and cash equivalents		(396)		102	
						45	
Cash and cash equivalents at end of period \$ 4.848 \$ 4.45	ash and cash equivalents at end of period \$ 4,848 \$ 4,4	Cash and cash equivalents at beginning of period		4,410		3,959	
	and can't equitation at the or period # 4,44.	Cash and cash equivalents at end of period	s	1 848	\$	Δ Λ11	

<sup>(1)</sup> Excludes deferral and amortization of stock-based compensation expense.
(2) Includes the net effects of capitalization, deferral, and amortization of stock-based compensation expense.

#### ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES SUPPLEMENTAL FINANCIAL INFORMATION (Amounts in millions)

				Т	Three	Months Ende	led Year over Year						Three Months Ended							Year over Year
	Dec	cember 31, 2012	N	March 31, 2013		June 30, 2013	Sep	otember 30, 2013	D	ecember 31, 2013	% Increase (Decrease)		March 31, 2014		June 30, 2014	Sej	ptember 30, 2014	De	cember 31, 2014	% Increase (Decrease)
Cash Flow Data					_							_								
Operating Cash Flow	\$	976	\$	325	\$	109	\$	(50)	\$	880	(10)%	\$	136	\$	106	\$	(145)	\$	1,195	36 %
Capital Expenditures		27		17		19		22		16	(41)		37		25		28		17	6
Non-GAAP Free Cash Flow <sup>2</sup>		949		308		90		(72)		864	(9)		99		81		(173)		1,178	36
Operating Cash Flow - TTM <sup>1</sup>		1,345		1,516		1,532		1,360		1,264	(6)		1,075		1,072		977		1,292	2
Capital Expenditures - TTM <sup>1</sup>		73		82		84		85		74	1		94		100		106		107	45
Non-GAAP Free Cash Flow - TTM <sup>1</sup>	\$	1,272	\$	1,434	\$	1,448	\$	1,275	\$	1,190	(6)%	\$	981	\$	972	\$	871	\$	1,185	(0)%

<sup>1</sup> TTM represents trailing twelve months. Operating Cash Flow for the three months ended December 31, 2012, three months ended September 30, 2012, three months ended June 30, 2012, and three months ended March 31, 2012 was \$97 million, \$93 million, and \$154 million, respectively. Capital expenditures for the three months ended December 31, 2012, three months ended September 30, 2012, three months ended June 30, 2012, and three months ended March 31, 2012 was \$27 million, \$17 million, and \$80 million, respectively.

Non-GAAP free cash flow represents operating cash flow minus capital expenditures (which includes payment for acquisition of intangible assets).

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# 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 December 31, 2014		Net Revenues	Cost of Sales - Product Costs		Cost of Sales - Software Royaltie and Amortization	Cost of Sales - Intellectual Property Licenses	Product Development	Sales and Marketing	General and Administrative	Total Costs and Expenses
GAAP Measurement		\$ 1,575	\$ 432	\$ 61	\$ 124	\$ 14	\$ 184	\$ 247	\$ 75	\$ 1,137
Less: Net effect from deferral of net revenues and related cost of sales	(a)	638	112	-	52	(1)	-	-	-	163
Less: Stock-based compensation	(b)	-	-	-	(5	-	(5)	(2)	(17)	(29)
Less: Amortization of intangible assets Less: Fees and other expenses related to the Purchase Transaction and related	(c)	-	-	-	-	(8)	-	-	-	(8)
debt financings	(d)	-	-	-	-	-	-	-	36	36
Non-GAAP Measurement		\$ 2,213	\$ 544	\$ 61	\$ 171	\$ 5	\$ 179	\$ 245	\$ 94	\$ 1,299

Three Months Ended December 31, 2014		Operating Income	Net Income		Basic Earnings per Share	ed Earnings er Share
GAAP Measurement Less: Net effect from deferral of net revenues and related cost of sales Less: Stock-based compensation Less: Amortization of intangible assets Less: Fees and other expenses related to the Purchase Transaction and related	(a) (b) (c)	\$ 438 475 29 8		19 19 5	\$ 0.49 0.48 0.03 0.01	\$ 0.49 0.47 0.03 0.01
debt financings Non-GAAP Measurement	(d)	\$ 914		36) 98	(0.05) \$ 0.95	(0.05

Year Ended December 31, 2014	N	Net Revenues	Cost of Sales - Product Costs		Cost of S Software F and Amor	Royalties	Cost of Sales - Intellectual Property Licenses	Product Development	Sales and Marketing	General and Administrative	Total Costs and Expenses
GAAP Measurement	5	4,408	\$ 999	\$ 232	\$	260	\$ 34	\$ 571	\$ 712	\$ 417	\$ 3,225
Less: Net effect from deferral of net revenues and related cost of sales	(a)	405	29	-		161	-	-	-	-	190
Less: Stock-based compensation	b)	-	-	(1)		(17)	-	(22)	(8)	(56)	(104
Less: Amortization of intangible assets Less: Fees and other expenses related to the Purchase Transaction and related debt	(c)	-	-	-		-	(12)	-	-	-	(12
	d)	-	-	-		-	-	-	-	(13)	(13
Non-GAAP Measurement	5	4,813	\$ 1,028	\$ 231	\$	404	\$ 22	\$ 549	\$ 704	\$ 348	\$ 3,286

Year Ended December 31, 2014		erating come	Net	Income	Earnings Share	d Earnings r Share
GAAP Measurement		\$ 1,183	\$	835	\$ 1.14	\$ 1.13
Less: Net effect from deferral of net revenues and related cost of sales	(a)	215		136	0.19	0.18
Less: Stock-based compensation	(b)	104		65	0.09	0.09
Less: Amortization of intangible assets	(c)	12		8	0.01	0.01
Less: Fees and other expenses related to the Purchase Transaction and related						
debt financings	(d)	13		13	0.02	0.02
Non-GAAP Measurement		\$ 1,527	\$	1,057	\$ 1.44	\$ 1.42

- (a) Reflects the net change in deferred revenues and related cost of sales.
  (b) Includes expense related to stock-based compensation.
  (c) Reflects amortization of intangible assets from purchase price accounting.
  (d) Reflects fees and other expenses (including legal fees, costs, expenses and accruals) related to the repurchase of 429 million shares of our common stock from Vivendi (the "Purchase Transaction") completed on October 11, 2013 and related debt financings.

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 \$686 million and \$1,034 million for the three months and year ended December 31, 2014 as compared to total non-GAAP net income of \$698 million and \$1,057 million for the same periods, respectively.

For purpose of calculation of earnings per share, we had, on a weighted-average basis, common shares outstanding of 720 million, participating securities of approximately 12 million, and dilutive shares of 9 million during the three months ended December 31, 2014.

For purpose of calculation of earnings per share, we had, on a weighted-average basis, common shares outstanding of 716 million, participating securities of approximately 15 million, and dilutive shares of 10 million during the year ended December 31, 2014.

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.

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Three Months Ended December 31, 2013		Net Revenues	Cost of Sales - Product Costs	Cost of Sales - Online	Cost of Sales - Software Royalties and Amortization	Property			General and Administrative	Total Costs and Expenses
GAAP Measurement		\$ 1,518	\$ 502	\$ 50	\$ 72	\$ 31	\$ 197	\$ 239	\$ 143	\$ 1,234
Less: Net effect from deferral of net revenues and related cost of sales	(a)	754	181	-	64	-	-	-	-	245
Less: Stock-based compensation	(b)	-	-	-	(7)	-	(10)	(2	(15	(34)
Less: Amortization of intangible assets	(c)	-	-	-	-	(15)	-	-	-	(15)
Less: Fees and other expenses related to the Purchase Transaction and related debt financings	(d)	-	-	-	-	-	-	-	(18)	(18)
Non-GAAP Measurement		\$ 2,272	\$ 683	\$ 50	\$ 129	\$ 16	\$ 187	\$ 237	\$ 110	\$ 1,412

	Operating Income		Net Income	Basic Earnings per Share	Diluted Earning per Share
	\$ 284	\$	174	\$ 0.23	\$ 0.2
(a)	509		401	0.52	0.5
(b)	34		23	0.03	0.0
(c)	15		9	0.01	0.0
(d)	18		14	0.02	0.0
ĺ	\$ 860	\$	621	\$ 0.81	\$ 0.7
	(b) (c)	Income	S   284   S   (a)   509   (b)   34   (c)   15	Income   Net Income	S   S   S   S   S   S   S   S   S   S

Year Ended December 31, 2013		Net Revenues	Cost of Sales - Product Costs	Cost of Sales - Online	Cost of Sales - Software Royalties and Amortization	Cost of Sales - Intellectual Property Licenses			General and Administrative	Total Costs and Expenses
GAAP Measurement		\$ 4,583	\$ 1,053	\$ 204	\$ 187	\$ 87	\$ 584	\$ 606	\$ 490	\$ 3,211
Less: Net effect from deferral of net revenues and related cost of										
sales	(a)	(241)	(10)	-	2	(4)	-	-	-	(12)
Less: Stock-based compensation	(b)	-	-	-	(17)	-	(33)	(7)	(53)	(110)
Less: Amortization of intangible assets	(c)	-	-	-	-	(23)	-	-	-	(23)
Less: Fees and other expenses related to the Purchase Transaction and related debt financings	(d)	-	-	-	-	-	_	-	(79)	(79)
Non-GAAP Measurement		\$ 4,342	\$ 1,043	\$ 204	\$ 172	\$ 60	\$ 551	\$ 599	\$ 358	\$ 2,987

	Operating Income	Net Income	Basic Earnings per Share	Diluted Earnings per Share
	\$ 1,372	\$ 1,010	\$ 0.96	\$ 0.95
(a)	(229)	(150)	(0.14)	(0.14)
(b)	110	71	0.07	0.07
(c)	23	14	0.01	0.01
(d)	79	54	0.05	0.05
	\$ 1,355	\$ 999	\$ 0.95	\$ 0.94
	(b) (c)	Income   1,372   (a) (229) (b) 110 (c) 23   (d) 79	Income   Net Income	Income

- (a) Reflects the net change in deferred revenues and related cost of sales.
  (b) Includes expense related to stock-based compensation.
  (c) Reflects amontization of intangible assess from purchase price accounting.
  (d) Reflects fees and other expenses (including legal fees, costs, expenses and accruals) related to the repurchase of 429 million shares of our common stock from Vivendi (the "Purchase Transaction") completed on October 11, 2013 and related debt financings.

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 \$602 million and \$976 million for the three months and year ended December 31, 2013 as compared to total non-GAAP net income of \$621 million and \$999 million for the same periods, respectively.

For purpose of calculation of earnings per share, we had, on a weighted-average basis, common shares outstanding of 745 million, participating securities of approximately 23 million, and dilutive shares of 12 million during the three months ended December 31, 2013.

For purpose of calculation of earnings per share, we had, on a weighted-average basis, common shares outstanding of 1,024 million, participating securities of approximately 24 million, and dilutive shares of 11 million during the year ended December 31, 2013.

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.

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#### ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES

#### FINANCIAL INFORMATION

### For the Three Months and Year Ended December 31, 2014 and 2013

			Three Month	ns Ended						
	December	31, 2014	December 3	31, 2013	\$ Increase	% Increase				
	Amount	% of Total <sup>4</sup>	Amount	% of Total <sup>4</sup>	(Decrease)	(Decrease)				
GAAP Net Revenues by Distribution Channel Retail channels Digital online channels <sup>1</sup> Total Activision and Blizzard	\$ 846 539 1,385	54 % \$ 34 88	953 385 1,338	63 % \$ 25 88	(107) 154 47	(11) % 40 4				
Distribution Total consolidated GAAP net revenues	190 1,575	12 100	180 1,518	12 100	10 57	6 4				
Change in Deferred Revenues <sup>2</sup> Retail channels Digital online channels <sup>1</sup> Total changes in deferred revenues	492 146 638	_ 	786 (32) 754							
Non-GAAP Net Revenues by Distribution Channel Retail channels Digital online channels <sup>1</sup> Total Activision and Blizzard	1,338 685 2,023	60 31 91	1,739 353 2,092	77 16 92	(401) 332 (69)	(23) 94 (3)				
Distribution Total non-GAAP net revenues <sup>3</sup>	190 \$ 2,213	9 100 % \$	180 2,272	8 100 % §	10 (59)	6 (3) %				
			Year En	ded						

		101	Linucu				
December	r 31, 2014	Decembe	er 31, 2013	\$ Increase	% Increase		
Amount	% of Total <sup>4</sup>	Amount	% of Total <sup>4</sup>	(Decrease)	(Decrease)		

Retail channels Digital online channels¹ Total Activision and Blizzard	\$ 2,104 1,897 4,001	48 % \$ 43 91	2,701 1,559 4,260	59 % \$ 34 93	(597) 338 (259)	(22) % 22 (6)
Distribution Total consolidated GAAP net revenues	407 4,408	9 100	323 4,583	7 100	84 (175)	26 (4)
Change in Deferred Revenues <sup>2</sup> Retail channels Digital online channels <sup>1</sup> Total changes in deferred revenues	 104 301 405		(247) 6 (241)			
Non-GAAP Net Revenues by Distribution Channel						
Retail channels	2,208	46	2,454	57	(246)	(10)
Digital online channels <sup>1</sup>	2,198	46	1,565	36	633	40
Total Activision and Blizzard	 4,406	92	4,019	93	387	10
Distribution	 407	8	323	7	84	26
Total non-GAAP net revenues <sup>3</sup>	\$ 4,813	100 % \$	4,342	100 % \$	471	11 %

<sup>1</sup> Net revenues from digital online channels represent revenues from subscriptions, licensing royalties, value-added services, downloadable content, digitally distributed products, and wireless devices

**Three Months Ended** 

#### ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES

#### FINANCIAL INFORMATION

#### For the Three Months Ended December 31, 2014 and 2013

Amount   Wolfstaff   Amount   Wolfstaff   Amount   Wolfstaff   Amount   Wolfstaff   Amount		December '	December 31, 2014 December 31, 2013			\$ Increase	% Increase
CAAP Net Revenues by Segment/Platform Mix   Activision and Blizzard:							
Activision and Blizzard: Online' Conline' Conlin						, , , , , , , , , , , , , , , , , , , ,	
S							
Next-generation (PS4, Xbox One, Wii U)   367   23   79   5   288   NM     Prior-generation (PS3, Xbox 360, Wii)   360   24   666   44   (286)   (43)     Total console <sup>3</sup>   747   47   745   49   2       Mobile and other <sup>6</sup>   268   17   329   22   (61)   (19)     Total Activision and Blizzard   1,385   88   1,338   88   47   4     Distribution:		\$ 266	17 % \$	198	13 %	\$ 68	34 %
Prior-generation (PS3, Xbox 360, Wii) 380 24 666 44 (286) (43) Total console <sup>2</sup> 747 47 745 49 2  Mobile and other <sup>5</sup> 268 17 329 22 (61) (19)  Total Activision and Blizzard 1,385 88 1,338 88 47 4  Distribution: Total Distribution 190 12 180 12 10 6  Total consolidated GAAP net revenues 1,575 100 1,518 100 57 4   Change in Deferred Revenues <sup>3</sup> Activision and Blizzard: Online <sup>1</sup> 132 3 3 PC 23 45  Next-generation (PS4, Xbox One, Wii U) 263 222  Prior-generation (PS3, Xbox 360, Wii) 219 484  Mobile and other <sup>5</sup> 1							
Prior-generation (PS3, Xbox 360, Wii) 380 24 666 44 (286) (43) Total console <sup>2</sup> 747 47 745 49 2  Mobile and other <sup>5</sup> 268 17 329 22 (61) (19)  Total Activision and Blizzard 1,385 88 1,338 88 47 4  Distribution: Total Distribution 190 12 180 12 10 6  Total consolidated GAAP net revenues 1,575 100 1,518 100 57 4   Change in Deferred Revenues <sup>3</sup> Activision and Blizzard: Online <sup>1</sup> 132 3 3 PC 23 45  Next-generation (PS4, Xbox One, Wii U) 263 222  Prior-generation (PS3, Xbox 360, Wii) 219 484  Mobile and other <sup>5</sup> 1	Next generation (DCA Vbey One Wii II)	267	າາ	70	F	200	NIM
Total console	Prior-generation (PS3, Xbox Offe, Wif O)						
Total Activision and Blizzard	Total console <sup>2</sup>		47				
Total Activision and Blizzard				<u> </u>		<del></del> ,	
Distribution:   Total Distribution   190   12   180   12   10   6	Mobile and other <sup>5</sup>	268	17	329	22	(61)	(19)
Total Distribution	Total Activision and Blizzard	1,385	88	1,338	88	47	4
Total Distribution	Distribution						
Total consolidated GAAP net revenues   1,575   100   1,518   100   57   4		190	12	180	12	10	6
Activision and Blizzard: Online¹	Total consolidated GAAP net revenues		100		100		4
PC 23 45  Next-generation (PS4, Xbox One, Wii U) 263 Prior-generation (PS3, Xbox 360, Wii) 219 Total console² 482  Mobile and other⁵ 1 1 Total changes in deferred revenues 638  Non-GAAP Net Revenues by Segnent/Platform Mix  Activision and Blizzard: Online¹ 398 18 201 9 197 98 PC 127 6 111 5 16 14  Next-generation (PS4, Xbox One, Wii U) 630 28 301 13 329 NM Prior-generation (PS3, Xbox 360, Wii) 599 27 1,150 51 (551) (48) Total console² 1,229 56 1,451 64 (222) (15)	Change in Deferred Revenues <sup>3</sup> Activision and Blizzard:						
Next-generation (PS4, Xbox One, Wii U)							
Prior-generation (PS3, Xbox 360, Wii)       219       484         Total console <sup>2</sup> 482       706         Mobile and other <sup>5</sup> 1          Total changes in deferred revenues       638       754         Non-GAAP Net Revenues by Segment/Platform Mix         Activision and Blizzard:       01line <sup>1</sup> 9       197       98         PC       127       6       111       5       16       14         Next-generation (PS4, Xbox One, Wii U)       630       28       301       13       329       NM         Prior-generation (PS3, Xbox 360, Wii)       599       27       1,150       51       (551)       (48)         Total console <sup>2</sup> 1,229       56       1,451       64       (222)       (15)	PC	23		45			
Prior-generation (PS3, Xbox 360, Wii)       219       484         Total console <sup>2</sup> 482       706         Mobile and other <sup>5</sup> 1          Total changes in deferred revenues       638       754         Non-GAAP Net Revenues by Segment/Platform Mix         Activision and Blizzard:       01line <sup>1</sup> 9       197       98         PC       127       6       111       5       16       14         Next-generation (PS4, Xbox One, Wii U)       630       28       301       13       329       NM         Prior-generation (PS3, Xbox 360, Wii)       599       27       1,150       51       (551)       (48)         Total console <sup>2</sup> 1,229       56       1,451       64       (222)       (15)	Next-generation (PS4, Xbox One, Wii U)	263		222			
Mobile and other <sup>5</sup> 1            Total changes in deferred revenues         638         754           Non-GAAP Net Revenues by Segment/Platform Mix           Activision and Blizzard:         8398         18         201         9         197         98           PC         127         6         111         5         16         14           Next-generation (PS4, Xbox One, Wii U)         630         28         301         13         329         NM           Prior-generation (PS3, Xbox 360, Wii)         599         27         1,150         51         (551)         (48)           Total console <sup>2</sup> 1,229         56         1,451         64         (222)         (15)	Prior-generation (PS3, Xbox 360, Wii)						
Total changes in deferred revenues         638         754           Non-GAAP Net Revenues by Segment/Platform Mix         Segment/Platform Mix         Segment/Platform Mix           Activision and Blizzard:             Online <sup>1</sup>	Total console <sup>2</sup>	482		706			
Total changes in deferred revenues         638         754           Non-GAAP Net Revenues by Segment/Platform Mix         Segment/Platform Mix         Segment/Platform Mix           Activision and Blizzard:             Online <sup>1</sup>	Mobile and other <sup>5</sup>	1					
Non-GAAP Net Revenues by Segment/Platform Mix           Activision and Blizzard:         398         18         201         9         197         98           Online <sup>1</sup> 127         6         111         5         16         14           Next-generation (PS4, Xbox One, Wii U)         630         28         301         13         329         NM           Prior-generation (PS3, Xbox 360, Wii)         599         27         1,150         51         (551)         (48)           Total console <sup>2</sup> 1,229         56         1,451         64         (222)         (15)			_				
Segment/Platform Mix           Activision and Blizzard:           Online¹         398         18         201         9         197         98           PC         127         6         111         5         16         14           Next-generation (PS4, Xbox One, Wii U)         630         28         301         13         329         NM           Prior-generation (PS4, Xbox 360, Wii)         599         27         1,150         51         (551)         (48)           Total console²         1,229         56         1,451         64         (222)         (15)	-						
Online¹       398       18       201       9       197       98         PC       127       6       111       5       16       14         Next-generation (PS4, Xbox One, Wii U)       630       28       301       13       329       NM         Prior-generation (PS3, Xbox 360, Wii)       599       27       1,150       51       (551)       (48)         Total console²       1,229       56       1,451       64       (222)       (15)	Non-GAAP Net Revenues by Segment/Platform Mix						
PC         127         6         111         5         16         14           Next-generation (PS4, Xbox One, Wii U)         630         28         301         13         329         NM           Prior-generation (PS3, Xbox 360, Wii)         599         27         1,150         51         (551)         (48)           Total console <sup>2</sup> 1,229         56         1,451         64         (222)         (15)							
Next-generation (PS4, Xbox One, Wii U)         630         28         301         13         329         NM           Prior-generation (PS3, Xbox 360, Wii)         599         27         1,150         51         (551)         (48)           Total console²         1,229         56         1,451         64         (222)         (15)					9		
Prior-generation (PS3, Xbox 360, Wii)         599         27         1,150         51         (551)         (48)           Total console <sup>2</sup> 1,229         56         1,451         64         (222)         (15)	PC	12/	0	111	5	10	14
Total console <sup>2</sup> $\frac{1,229}{}$ $\frac{56}{}$ $\frac{1,451}{}$ $\frac{64}{}$ $\frac{(222)}{}$ $(15)$							
Mobile and other <sup>5</sup> 269 12 329 14 (60) (18)	Total console <sup>2</sup>	1,229	56	1,451	64	(222)	(15)
	Mobile and other <sup>5</sup>	269	12	329	14	(60)	(18)
Total Activision and Blizzard 2,023 91 2,092 92 (69) (3)	Total Activision and Blizzard	2,023	91	2,092	92	(69)	(3)
Distribution:	Distribution:						
Total Distribution 190 9 180 8 10 6		190		180			
Total consolidated non-GAAP net revenues <sup>4</sup> $\$$ 2,213 $100$ $\%$ $\$$ 2,272 $100$ $\%$ $\$$ (59) (3) $\%$	Total consolidated non-GAAP net revenues <sup>4</sup>	\$ 2,213	100 % \$	2,272	100 %	\$ (59)	(3) %

<sup>&</sup>lt;sup>1</sup> Revenues from online consists of revenues from all World of Warcraft products, including subscriptions, boxed products, expansion packs, licensing royalties, and value-added services.

<sup>&</sup>lt;sup>2</sup> We provide net revenues including (in accordance with GAAP) and excluding (non-GAAP) the impact of changes in deferred revenues.

<sup>&</sup>lt;sup>3</sup> Total non-GAAP net revenues presented also represents our total operating segment net revenues.

<sup>&</sup>lt;sup>4</sup> The percentages of total are presented as calculated. Therefore the sum of these percentages, as presented, may differ due to the impact of rounding.

<sup>&</sup>lt;sup>2</sup> Downloadable content and their related revenues are included in each respective console platforms and total console.

<sup>&</sup>lt;sup>3</sup> We provide net revenues including (in accordance with GAAP) and excluding (non-GAAP) the impact of changes in deferred net revenues.

<sup>&</sup>lt;sup>4</sup> Total non-GAAP net revenues presented also represents our total operating segment net revenues.

<sup>&</sup>lt;sup>5</sup> Revenues from mobile and other includes revenues from handheld and mobile devices, as well as non-platform specific game related revenues such as standalone sales of toys and accessories products from the Skylanders franchise and other physical merchandise and accessories.

<sup>&</sup>lt;sup>6</sup> The percentages of total are presented as calculated. Therefore the sum of these percentages, as presented, may differ due to the impact of rounding.

#### ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES

#### FINANCIAL INFORMATION

#### For the Year Ended December 31, 2014 and 2013

(Amounts in millions)

					Year Eı				
		December			 December			\$Increase	% Increase
GAAP Net Revenues by Segment/Platform Mix		Amount	% of Total <sup>6</sup>		 Amount	% of Total <sup>6</sup>		(Decrease)	(Decrease)
Activision and Blizzard:									
Online <sup>1</sup>	\$	867	20	%	\$ 912	20	%	\$ (45)	(5) %
PC		551	13		340	7		211	62
Next-generation (PS4, Xbox One, Wii U)		720	16		92	2		628	NM
Prior-generation (PS3, Xbox 360, Wii)		1,430	32		2,287	50		(857)	(37)
Total console <sup>2</sup>		2,150	49		 2,379	52		(229)	(10)
Mobile and other <sup>5</sup>		433	10		629	14		(196)	(31)
Total Activision and Blizzard	_	4,001	91		4,260	93		(259)	(6)
Distribution:									
Total Distribution		407	9		323	7		84	26
Total consolidated GAAP net revenues		4,408	100		4,583	100		(175)	(4)
Change in Deferred Revenues <sup>3</sup>									
Activision and Blizzard:									
Online <sup>1</sup>		168			(107)				
PC		41			(22)				
Next-generation (PS4, Xbox One, Wii U)		477			213				
Prior-generation (PS3, Xbox 360, Wii)		(295)			 (324)				
Total console <sup>2</sup>		182			 (111)				
Mobile and other <sup>5</sup>		14			(1)				
Total changes in deferred revenues		405			(241)				
Non-GAAP Net Revenues by Segment/Platform Mix									
Activision and Blizzard:									
Online <sup>1</sup>		1,035	22 12		805	19		230	29
PC		592	12		318	7		274	86
Next-generation (PS4, Xbox One, Wii U)		1,197	25		305	7		892	NM
Prior-generation (PS3, Xbox 360, Wii)		1,135	24		1,963	45		(828)	(42)
Total console <sup>2</sup>		2,332	48		2,268	52		64	3
Mobile and other <sup>5</sup>		447	9		628	14		(181)	(29)
Total Activision and Blizzard	_	4,406	92	•	4,019	93		387	10
Distribution:									
Total Distribution		407	8		 323	7		84	26
Total consolidated non-GAAP net revenues <sup>4</sup>	\$	4,813	100	%	\$ 4,342	100	%	\$ 471	11 %

<sup>&</sup>lt;sup>1</sup> Revenues from online consists of revenues from all *World of Warcraft* products, including subscriptions, boxed products, expansion packs, licensing royalties, and value-added services.

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#### ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES

### FINANCIAL INFORMATION

### For the Three Months and Year Ended December 31, 2014 and 2013 $\,$

	Three Months Ended									
	December 31, 2014				December	31, 2013	\$Increase		crease	% Increase
	Aı	nount	% of Total <sup>3</sup>	A	mount	% of Total <sup>3</sup>		(De	crease)	(Decrease)
GAAP Net Revenues by Geographic Region	-				,					
North America	\$	806	51 %	\$	770	51	%	\$	36	5 %
Europe		653	41		647	43			6	1
Asia Pacific		116	7		101	7			15	15
Total consolidated GAAP net revenues		1,575	100		1,518	100			57	4
Change in Deferred Revenues <sup>1</sup>										
North America		342			457					
Europe		254			247					
Asia Pacific		42			50					
Total changes in net revenues		638			754					
Non-GAAP Net Revenues by Geographic Region										
North America		1,148	52		1,227	54			(79)	(6)
Europe		907	41		894	39			13	1
Asia Pacific		158	7		151	7			7	5
Total non-GAAP net revenues <sup>2</sup>	\$	2,213	100 %	\$	2,272	100	%	\$	(59)	(3)%
					Year E	nded				

					Year E	nded				
		December 31, 2014			December	\$Increase			% Increase	
	A	mount	% of Total <sup>3</sup>	A	mount	% of Total <sup>3</sup>		(Decr	ease)	(Decrease)
GAAP Net Revenues by Geographic Region	-									
North America Europe	\$	2,190 1,824	50 % 41	\$	2,414 1,826	53 40	%	\$	(224) (2)	(9)% 

 $<sup>{}^2\,</sup>Downloadable\ content\ and\ their\ related\ revenues\ are\ included\ in\ each\ respective\ console\ platforms\ and\ total\ console.$ 

<sup>&</sup>lt;sup>3</sup> We provide net revenues including (in accordance with GAAP) and excluding (non-GAAP) the impact of changes in deferred net revenues.

 $<sup>^4</sup>$  Total non-GAAP net revenues presented also represents our total operating segment net revenues.

<sup>&</sup>lt;sup>5</sup> Revenues from mobile and other includes revenues from handheld and mobile devices, as well as non-platform specific game related revenues such as standalone sales of toys and accessories products from the Skylanders franchise and other physical merchandise and accessories.

<sup>&</sup>lt;sup>6</sup> The percentages of total are presented as calculated. Therefore the sum of these percentages, as presented, may differ due to the impact of rounding.

Asia Pacific Total consolidated GAAP net revenues	 394 4,408	9 100	 343 4,583	7 100	_	51 (175)	15 (4)
Change in Deferred Revenues <sup>1</sup>							
North America	206		(108)				
Europe	153		(107)				
Asia Pacific	46		(26)				
Total changes in net revenues	405		(241)				
Non-GAAP Net Revenues by Geographic Region							
North America	2,396	50	2,306	53		90	4
Europe	1,977	41	1,719	40		258	15
Asia Pacific	 440	9	 317	7		123	39
Total non-GAAP net revenues <sup>2</sup>	\$ 4.813	100 %	\$ 4,342	100	% <b>\$</b>	471	11 %

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

Three Months Ended

# ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES SEGMENT INFORMATION

For the Three Months and Year Ended December 31, 2014 and 2013

(Amounts in millions)

			Tiffee Mon	uis Eliueu		
	December	31, 2014	December	31, 2013	\$ Increase	% Increase
	Amount	% of Total <sup>5</sup>	Amount	% of Total <sup>5</sup>	(Decrease)	(Decrease)
Segment net revenues:	rinount	70 01 Total	Timount	70 01 10tai	(Decrease)	(Decrease)
Activision <sup>1</sup>	\$ 1,492	67 %	\$ 1,805	79 %	\$ (313)	(17)%
Blizzard <sup>2</sup>	531	24	287	13	244	85
Distribution <sup>3</sup>	190	9	180	8	10	6
Operating segment total	2,213	100 %	2,272	100 %	(59)	(3)
operating segment total	2,210	100 /0	2,2/2	100 /0	(55)	(5)
Reconciliation to consolidated net revenues:						
Net effect from deferral of net revenues	(638)		(754)			
Consolidated net revenues	\$ 1,575		\$ 1,518		\$ 57	4 %
Consolidated liet revenues	4 1,575		Ψ 1,010		<b>y</b> 37	7 70
Segment income from operations:						
Activision <sup>1</sup>	\$ 696		\$ 758		\$ (62)	(8)%
Blizzard <sup>2</sup>	208		93		115	124
Distribution <sup>3</sup>	10		9		1	11
Operating segment total	914		860		54	6
Operating Segment total	914		800		34	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	(475)		(509)			
Stock-based compensation expense	(29)		(34)			
Amortization of intangible assets	(8)		(15)			
Fees and other expenses related to the Purchase Transaction and related debt financings <sup>4</sup>	36		(18)			
Consolidated operating income	438		284		154	54
Interest and other investment income (expense), net	(50)		(51)		134	34
Consolidated income before income tax expense	\$ 388		\$ 233		\$ 155	67 %
Consolidated income before income tax expense	300		g 233		\$ 155	0/ %
	44.207		27.00/			
Operating margin from total operating segments	41.3%		37.9%			
			Year F	nded		
		21.221	Year F			
	December		Year E December		\$ Increase	% Increase
	December Amount	31, 2014 % of Total <sup>5</sup>			\$ Increase (Decrease)	% Increase (Decrease)
Segment net revenues:	Amount	% of Total <sup>5</sup>	December Amount	% of Total <sup>5</sup>	(Decrease)	(Decrease)
Activision <sup>1</sup>	* 2,686	% of Total <sup>5</sup> 56 %	Amount \$ 2,895	**31, 2013 % of Total <sup>5</sup> 67 %	(Decrease) \$ (209)	(Decrease) (7)%
Activision <sup>1</sup> Blizzard <sup>2</sup>	* 2,686 1,720	% of Total <sup>5</sup> 56 % 36	### December   Amount   \$ 2,895   1,124	**31, 2013 ** of Total <sup>5</sup> 67 % 26	(Decrease) \$ (209) 596	(Decrease) (7)% 53
Activision <sup>1</sup>	* 2,686 1,720 407	% of Total <sup>5</sup> 56 % 36 8	**December   Amount   \$ 2,895   1,124   323	**31, 2013 ** of Total <sup>5</sup> 67 % 26 7	(Decrease) \$ (209) 596 84	(Decrease) (7)% 53 26
Activision <sup>1</sup> Blizzard <sup>2</sup>	* 2,686 1,720	% of Total <sup>5</sup> 56 % 36	### December   Amount   \$ 2,895   1,124	**31, 2013 ** of Total <sup>5</sup> 67 % 26	(Decrease) \$ (209) 596	(Decrease) (7)% 53
Activision¹ Blizzard² Distribution³	* 2,686 1,720 407	% of Total <sup>5</sup> 56 % 36 8	**December   Amount   \$ 2,895   1,124   323	**31, 2013 ** of Total <sup>5</sup> 67 % 26 7	(Decrease) \$ (209) 596 84	(Decrease) (7)% 53 26
Activision¹ Blizzard² Distribution³	* 2,686 1,720 407	% of Total <sup>5</sup> 56 % 36 8	**December   Amount   \$ 2,895   1,124   323	**31, 2013 ** of Total <sup>5</sup> 67 % 26 7	(Decrease) \$ (209) 596 84	(Decrease) (7)% 53 26
Activision <sup>1</sup> Blizzard <sup>2</sup> Distribution <sup>3</sup> Operating segment total	* 2,686 1,720 407	% of Total <sup>5</sup> 56 % 36 8	**December   Amount   \$ 2,895   1,124   323	**31, 2013 ** of Total <sup>5</sup> 67 % 26 7	(Decrease) \$ (209) 596 84	(Decrease) (7)% 53 26
Activision¹ Blizzard² Distribution³ Operating segment total  Reconciliation to consolidated net revenues:	\$ 2,686 1,720 407 4,813	% of Total <sup>5</sup> 56 % 36 8	\$ 2,895 1,124 323 4,342	**31, 2013 ** of Total <sup>5</sup> 67 % 26 7	(Decrease) \$ (209) 596 84	(Decrease) (7)% 53 26 11
Activision¹ Blizzard² Distribution³ Operating segment total  Reconciliation to consolidated net revenues: Net effect from deferral of net revenues	\$ 2,686 1,720 407 4,813	% of Total <sup>5</sup> 56 % 36 8	\$ 2,895 1,124 323 4,342	**31, 2013 ** of Total <sup>5</sup> 67 % 26 7	(Decrease) \$ (209) 596 84 471	(Decrease) (7)% 53 26
Activision¹ Blizzard² Distribution³ Operating segment total  Reconciliation to consolidated net revenues: Net effect from deferral of net revenues Consolidated net revenues	\$ 2,686 1,720 407 4,813	% of Total <sup>5</sup> 56 % 36 8	\$ 2,895 1,124 323 4,342	**31, 2013 ** of Total <sup>5</sup> 67 % 26 7	(Decrease) \$ (209) 596 84 471	(Decrease) (7)% 53 26 11
Activision¹ Blizzard² Distribution³ Operating segment total  Reconciliation to consolidated net revenues: Net effect from deferral of net revenues Consolidated net revenues Segment income from operations:	Amount \$ 2,686 1,720 407 4,813  (405) \$ 4,408	% of Total <sup>5</sup> 56 % 36 8	\$ 2,895 1,124 323 4,342  241 \$ 4,583	**31, 2013 ** of Total <sup>5</sup> 67 % 26 7	(Decrease)  \$ (209) 596 84 471  \$ (175)	(Decrease) (7)% 53 26 11
Activision¹ Blizzard² Distribution³ Operating segment total  Reconciliation to consolidated net revenues: Net effect from deferral of net revenues Consolidated net revenues	Amount \$ 2,686 1,720 407 4,813  (405) \$ 4,408	% of Total <sup>5</sup> 56 % 36 8	\$ 2,895 1,124 323 4,342	**31, 2013 ** of Total <sup>5</sup> 67 % 26 7	(Decrease) \$ (209) 596 84 471	(Decrease) (7)% 53 26 11 (4)%
Activision¹ Blizzard² Distribution³ Operating segment total  Reconciliation to consolidated net revenues: Net effect from deferral of net revenues Consolidated net revenues Segment income from operations: Activision¹	\$ 2,686 1,720 407 4,813 (405) \$ 4,408	% of Total <sup>5</sup> 56 % 36 8	\$ 2,895 1,124 323 4,342  241 \$ 4,583	**31, 2013 ** of Total <sup>5</sup> 67 % 26 7	\$ (209) 596 84 471 \$ (175) \$ (209)	(Decrease) (7)% 53 26 11
Activision¹ Blizzard² Distribution³ Operating segment total  Reconciliation to consolidated net revenues: Net effect from deferral of net revenues Consolidated net revenues  Segment income from operations: Activision¹ Blizzard² Distribution³	\$ 2,686 1,720 407 4,813 \$ (405) \$ 4,408 \$ 762 756 9	% of Total <sup>5</sup> 56 % 36 8	\$ 2,895 1,124 323 4,342	**31, 2013 ** of Total <sup>5</sup> 67 % 26 7	\$ (209) 596 84 471 \$ (175) \$ (209) 380	(Decrease) (7)% 53 26 11 (4)% (22)% 101 13
Activision¹ Blizzard² Distribution³ Operating segment total  Reconciliation to consolidated net revenues: Net effect from deferral of net revenues Consolidated net revenues  Segment income from operations: Activision¹ Blizzard²	**Xmount**  \$ 2,686 1,720 407 4,813  (405) \$ 4,408  \$ 762 756	% of Total <sup>5</sup> 56 % 36 8	\$ 2,895 1,124 323 4,342  241 \$ 4,583  \$ 971 376	**31, 2013 ** of Total <sup>5</sup> 67 % 26 7	\$ (209) 596 84 471 \$ (175) \$ (209) 380 1	(Decrease) (7)% 53 26 11 (4)%
Activision¹ Blizzard² Distribution³ Operating segment total  Reconciliation to consolidated net revenues: Net effect from deferral of net revenues Consolidated net revenues  Segment income from operations: Activision¹ Blizzard² Distribution³	\$ 2,686 1,720 407 4,813 \$ (405) \$ 4,408 \$ 762 756 9	% of Total <sup>5</sup> 56 % 36 8	\$ 2,895 1,124 323 4,342	**31, 2013 ** of Total <sup>5</sup> 67 % 26 7	\$ (209) 596 84 471 \$ (175) \$ (209) 380 1	(Decrease) (7)% 53 26 11 (4)% (22)% 101 13
Activision¹ Blizzard² Distribution³ Operating segment total  Reconciliation to consolidated net revenues: Net effect from deferral of net revenues Consolidated net revenues  Segment income from operations: Activision¹ Blizzard² Distribution³ Operating segment total	\$ 2,686 1,720 407 4,813 \$ (405) \$ 4,408 \$ 762 756 9	% of Total <sup>5</sup> 56 % 36 8	\$ 2,895 1,124 323 4,342	**31, 2013 ** of Total <sup>5</sup> 67 % 26 7	\$ (209) 596 84 471 \$ (175) \$ (209) 380 1	(Decrease) (7)% 53 26 11 (4)% (22)% 101 13
Activision¹ Blizzard² Distribution³ Operating segment total  Reconciliation to consolidated net revenues: Net effect from deferral of net revenues Consolidated net revenues  Segment income from operations: Activision¹ Blizzard² Distribution³ Operating segment total  Reconciliation to consolidated operating income and consolidated income before income tax	\$ 2,686 1,720 407 4,813 \$ (405) \$ 4,408 \$ 762 756 9 1,527	% of Total <sup>5</sup> 56 % 36 8	\$ 2,895 1,124 323 4,342	**31, 2013 ** of Total <sup>5</sup> 67 % 26 7	\$ (209) 596 84 471 \$ (175) \$ (209) 380 1	(Decrease) (7)% 53 26 11 (4)% (22)% 101 13
Activision¹ Blizzard² Distribution³ Operating segment total  Reconciliation to consolidated net revenues: Net effect from deferral of net revenues Consolidated net revenues  Segment income from operations: Activision¹ Blizzard² Distribution³ Operating segment total  Reconciliation to consolidated operating income and consolidated income before income tax expense: Net effect from deferral of net revenues and related cost of sales Stock-based compensation expense	\$ 2,686 1,720 407 4,813 (405) \$ 4,408 \$ 762 756 9 1,527	% of Total <sup>5</sup> 56 % 36 8	\$ 2,895 1,124 323 4,342  241 \$ 4,583  \$ 971 376 8 1,355	**31, 2013 ** of Total <sup>5</sup> 67 % 26 7	\$ (209) 596 84 471 \$ (175) \$ (209) 380 1	(Decrease) (7)% 53 26 11 (4)% (22)% 101 13
Activision¹ Blizzard² Distribution³ Operating segment total  Reconciliation to consolidated net revenues: Net effect from deferral of net revenues Consolidated net revenues  Segment income from operations: Activision¹ Blizzard² Distribution³ Operating segment total  Reconciliation to consolidated operating income and consolidated income before income tax expense: Net effect from deferral of net revenues and related cost of sales Stock-based compensation expense Amortization of intangible assets	\$ 2,686 1,720 407 4,813 (405) \$ 4,408 \$ 762 756 9 1,527 (215) (104) (12)	% of Total <sup>5</sup> 56 % 36 8	\$ 2,895 1,124 323 4,342  241 \$ 4,583  \$ 971 376 8 1,355	**31, 2013 ** of Total <sup>5</sup> 67 % 26 7	\$ (209) 596 84 471 \$ (175) \$ (209) 380 1	(Decrease) (7)% 53 26 11 (4)% (22)% 101 13
Activision¹ Blizzard² Distribution³ Operating segment total  Reconciliation to consolidated net revenues: Net effect from deferral of net revenues Consolidated net revenues  Segment income from operations: Activision¹ Blizzard² Distribution³ Operating segment total  Reconciliation to consolidated operating income and consolidated income before income tax expense: Net effect from deferral of net revenues and related cost of sales Stock-based compensation expense Amortization of intangible assets Fees and other expenses related to the Purchase Transaction and related debt financings⁴	\$ 2,686 1,720 407 4,813 (405) \$ 4,408 \$ 762 756 9 1,527 (215) (104) (12) (13)	% of Total <sup>5</sup> 56 % 36 8	\$ 2,895 1,124 323 4,342  \$ 4,583  \$ 971 376 8 1,355  229 (110) (23) (79)	**31, 2013 ** of Total <sup>5</sup> 67 % 26 7	\$ (209) 596 84 471 \$ (175) \$ (209) 380 1 172	(Decrease) (7)% 53 26 11 (4)% (22)% 101 13
Activision¹ Blizzard² Distribution³ Operating segment total  Reconciliation to consolidated net revenues: Net effect from deferral of net revenues Consolidated net revenues  Segment income from operations: Activision¹ Blizzard² Distribution³ Operating segment total  Reconciliation to consolidated operating income and consolidated income before income tax expense: Net effect from deferral of net revenues and related cost of sales Stock-based compensation expense Amortization of intangible assets	\$ 2,686 1,720 407 4,813 (405) \$ 4,408 \$ 762 756 9 1,527 (215) (104) (12)	% of Total <sup>5</sup> 56 % 36 8	\$ 2,895 1,124 323 4,342  241 \$ 4,583  \$ 971 376 8 1,355	**31, 2013 ** of Total <sup>5</sup> 67 % 26 7	\$ (209) 596 84 471 \$ (175) \$ (209) 380 1	(Decrease) (7)% 53 26 11 (4)% (22)% 101 13
Activision¹ Blizzard² Distribution³ Operating segment total  Reconciliation to consolidated net revenues: Net effect from deferral of net revenues Consolidated net revenues  Segment income from operations: Activision¹ Blizzard² Distribution³ Operating segment total  Reconciliation to consolidated operating income and consolidated income before income tax expense: Net effect from deferral of net revenues and related cost of sales Stock-based compensation expense Amortization of intangible assets Fees and other expenses related to the Purchase Transaction and related debt financings⁴	\$ 2,686 1,720 407 4,813 (405) \$ 4,408 \$ 762 756 9 1,527 (215) (104) (12) (13)	% of Total <sup>5</sup> 56 % 36 8	\$ 2,895 1,124 323 4,342  \$ 4,583  \$ 971 376 8 1,355  229 (110) (23) (79)	**31, 2013 ** of Total <sup>5</sup> 67 % 26 7	\$ (209) 596 84 471 \$ (175) \$ (209) 380 1 172	(Decrease) (7)% 53 26 11 (4)% (22)% 101 13 13
Activision¹ Blizzard² Distribution³ Operating segment total  Reconciliation to consolidated net revenues: Net effect from deferral of net revenues Consolidated net revenues  Segment income from operations: Activision¹ Blizzard² Distribution³ Operating segment total  Reconciliation to consolidated operating income and consolidated income before income tax expense: Net effect from deferral of net revenues and related cost of sales Stock-based compensation expense Amortization of intangible assets Fees and other expenses related to the Purchase Transaction and related debt financings⁴ Consolidated operating income	\$ 2,686 1,720 407 4,813 (405) \$ 4,408 \$ 762 756 9 1,527 (215) (104) (12) (13) 1,183	% of Total <sup>5</sup> 56 % 36 8	\$ 2,895 1,124 323 4,342  241 \$ 4,583  \$ 971 376 8 1,355  229 (110) (23) (79) 1,372	**31, 2013 ** of Total <sup>5</sup> 67 % 26 7	\$ (209) 596 84 471 \$ (175) \$ (209) 380 1 172	(Decrease) (7)% 53 26 11 (4)% (22)% 101 13 13
Activision¹ Blizzard² Distribution³ Operating segment total  Reconciliation to consolidated net revenues: Net effect from deferral of net revenues Consolidated net revenues  Segment income from operations: Activision¹ Blizzard² Distribution³ Operating segment total  Reconciliation to consolidated operating income and consolidated income before income tax expense: Net effect from deferral of net revenues and related cost of sales Stock-based compensation expense Amortization of intangible assets Fees and other expenses related to the Purchase Transaction and related debt financings⁴ Consolidated operating income Interest and other investment income (expense), net	\$ 2,686 1,720 407 4,813 (405) \$ 4,408 \$ 762 756 9 1,527 (215) (104) (112) (13) 1,183 (202)	% of Total <sup>5</sup> 56 % 36 8	\$ 2,895 1,124 323 4,342  241 \$ 4,583  \$ 971 376 8 1,355  229 (110) (23) (79) 1,372 (53)	**31, 2013 ** of Total <sup>5</sup> 67 % 26 7	\$ (209) 596 84 471 \$ (175) \$ (209) 380 1 172	(Decrease) (7)% 53 26 11 (4)% (22)% 101 13 13
Activision¹ Blizzard² Distribution³ Operating segment total  Reconciliation to consolidated net revenues: Net effect from deferral of net revenues Consolidated net revenues  Segment income from operations: Activision¹ Blizzard² Distribution³ Operating segment total  Reconciliation to consolidated operating income and consolidated income before income tax expense: Net effect from deferral of net revenues and related cost of sales Stock-based compensation expense Amortization of intangible assets Fees and other expenses related to the Purchase Transaction and related debt financings⁴ Consolidated operating income Interest and other investment income (expense), net	\$ 2,686 1,720 407 4,813 (405) \$ 4,408 \$ 762 756 9 1,527 (215) (104) (112) (13) 1,183 (202)	% of Total <sup>5</sup> 56 % 36 8	\$ 2,895 1,124 323 4,342  241 \$ 4,583  \$ 971 376 8 1,355  229 (110) (23) (79) 1,372 (53)	**31, 2013 ** of Total <sup>5</sup> 67 % 26 7	\$ (209) 596 84 471 \$ (175) \$ (209) 380 1 172	(Decrease) (7)% 53 26 11 (4)% (22)% 101 13 13

 $<sup>^{1}</sup>$  Activision Publishing ("Activision") — publishes interactive entertainment products and contents.

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 $<sup>^{\</sup>rm 2}$  Total non-GAAP net revenues presented also represents our total operating segment net revenues.

<sup>&</sup>lt;sup>3</sup> The percentages of total are presented as calculated. Therefore the sum of these percentages, as presented, may differ due to the impact of rounding.

<sup>&</sup>lt;sup>2</sup> Blizzard — Blizzard Entertainment, Inc. and its subsidiaries ("Blizzard") publishes PC games and online subscription-based games in the MMORPG category.

<sup>&</sup>lt;sup>3</sup> Activision Blizzard Distribution ("Distribution") — distributes interactive entertainment software and hardware products.

<sup>&</sup>lt;sup>4</sup> Reflects fees and other expenses (including legal fees, costs, expenses and accruals) related to the repurchase of 429 million shares of our common stock from Vivendi (the "Purchase Transaction") completed on October 11, 2013 and related debt financings.

<sup>&</sup>lt;sup>5</sup> The percentages of total are presented as calculated. Therefore the sum of these percentages, as presented, may differ due to the impact of rounding.

							Months Ending			
	March 31, 2014		June	30, 2014	September 30, 2014		December 31, 2014		December 31, 2014	
GAAP Net Income (Loss)	\$	293	\$	204	\$	(23)	\$	361	\$	835
Interest (Income) / Expense, net		51		50		51		51		203
Provision (Benefit) for income taxes		83		56		(20)		27		146
Depreciation and amortization		19		19		22		29		90
EBITDA		446		329		30		468		1,274
Deferral of net revenues and related cost of sales (a)		(219)		(220)		180		475		215
Stock-based compensation expense (b)		30		22		22		29		104
Fees and other expenses related to the Purchase										
Transaction and related debt financings (c)						48		(36)		13
Adjusted EBITDA	\$	257	\$	131	\$	280	\$	936	\$	1,606

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

Trailing twelve months amounts are presented as calculated. Therefore, the sum of the four quarters, as presented, may differ due to the impact of rounding.

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ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES Outlook for the Quarter Ending March 31, 2015 and Year Ending December 31, 2015 GAAP to Non-GAAP Reconciliation (Amounts in millions, except per share data)

		Three M	tlook for Ionths Ending <u>ch 31, 2015</u>	Outlook for Year Ending <u>December 31, 2015</u>			
Net Revenues (GAAP)		\$	1,140	\$	4,140		
Excluding the impact of: Change in deferred net revenues	(a)		(500)		260		
Net Revenues (Non-GAAP)		\$	640	\$	4,400		
Earnings Per Diluted Share (GAAP)		\$	0.37	\$	0.89		
Excluding the impact of:  Net effect from deferral in net revenues and related cost of sales Stock-based compensation  Amortization of intangible assets	(b) (c) (d)		(0.35) 0.03 -		0.15 0.10 0.01		
Earnings Per Diluted Share (Non-GAAP)		\$	0.05	\$	1.15		

<sup>(</sup>a) Reflects the net change in deferred net revenues.

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.

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ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES

Reconciliation of 2014 Actual Earnings Per Share to 2015 Outlook Earnings Per Share

GAAP Non-GAAP

<sup>(</sup>b) Includes expense related to stock-based compensation.

<sup>(</sup>c) Reflects fees and other expenses (including legal fees, costs, expenses and accruals) related to the repurchase of 429 million shares of our common stock from Vivendi (the "Purchase Transaction") completed on October 11, 2013 and related debt financings.

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

<sup>(</sup>c) Reflects expense related to stock-based compensation.

<sup>(</sup>d) Reflects amortization of intangible assets from purchase price accounting.

CY14 Actuals	\$ 1.13	\$ 1.42
Slate / Operations (a)	0.01	(0.05)
Foreign Currency (b)	(0.17)	(0.14)
Tax Rate and Share Count (c)	(80.0)	(80.0)
CY15 Outlook	\$ 0.89	\$ 1.15

- (a) Reflects changes in operations and, for GAAP purpose, includes the net change in deferred net revenues and related cost of sales.
- (b) Reflects changes in foreign currency on operating results.

  Currency assumptions for 2015 outlook:
  - - \$1.13 USD / Euro (vs. a \$1.33 average for 2014)
    - \$1.51 USD / British Pound Sterling (vs. a \$1.65 average for 2014)
    - Revenue and EPS increase if the Euro or British Pound Sterling strengthens vs. USD
- (c) Reflects changes in tax rate and share count.