## ACTIVISION BLIZZARD ANNOUNCES RECORD FOURTH QUARTER AND CALENDAR YEAR 2011 EARNINGS

### FINANCIAL HIGHLIGHTS

- CY 2011 EPS Grows by More than 17% Establishing New Company Record
- Company Achieves Record GAAP and Non-GAAP Operating Margins of 28% and 30%
- Company Generates Nearly \$1 Billion in Operating Cash Flow
- Company Announces new \$1 Billion Stock Repurchase Program
- Company Announces 9% Increase in Cash Dividend to \$0.18 per Common Share
- Company Expects 2012 GAAP EPS of \$0.63 and Non-GAAP EPS of \$0.94

### **BUSINESS HIGHLIGHTS**

- #1 Third-Party Interactive Entertainment Digital Publisher in U.S. and Europe in 2011
- Digital Revenues of \$1.6 Billion Accounted for More than 34% of Total Revenues in 2011
- Call of Duty®: Modern Warfare® 3 was #1 Best-Selling Game for 2011
- Skylanders Spyro's Adventure<sup>™</sup> was #1 Kids Video Game for 2011 with 20+ Million Toys Sold
- Call of Duty Elite Has 7+ Million Registered Users Including 1.5+ Million Annual Premium Members as of 1/31/12
- Blizzard Entertainment's World of Warcraft® Remains #1 Subscription-based MMORPG with Approximately 10.2 Million Subscribers as of 12/31/11

Santa Monica, CA – February 9, 2012 – Activision Blizzard, Inc. (Nasdaq: ATVI) today announced better-than-expected financial results for the fourth quarter and calendar year 2011.

		Fourt	h Quarter	 Calendar Year					
			Prior						
(in millions, except EPS)	<u>2011</u>	<u>0</u>	utlook*	<u>2011</u>					
GAAP									
Net Revenues	\$ 1,407	\$	980	\$ 1,427	\$ 4,755	\$	4,447		
EPS	\$ 0.08	\$	(0.08)	\$ (0.20)	\$ 0.92	\$	0.33		
Non-GAAP									
Net Revenues	\$ 2,408	\$	2,170	\$ 2,548	\$ 4,489	\$	4,803		
EPS	\$ 0.62	\$	0.55	\$ 0.53	\$ 0.93	\$	0.79		

### \*Prior Outlook was provided by the company on November 8, 2011 in its earnings release

For calendar year 2011, Activision Blizzard's GAAP net revenues were \$4.76 billion, as compared with \$4.45 billion for 2010. On a non-GAAP basis, the company's net revenues were \$4.49 billion, as compared with \$4.80 billion for 2010. The company delivered record calendar year GAAP and non-GAAP net revenues from digital channels,<sup>1</sup> accounting for a record of more than 34% of the company's total net revenues.

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

For calendar year 2011, Activision Blizzard's GAAP earnings per diluted share increased to \$0.92, as compared with \$0.33 per diluted share for 2010. On a non-GAAP basis, the company's earnings per diluted share grew 18% to a record \$0.93, as compared with \$0.79 per diluted share for 2010.

For the quarter ended December 31, 2011, the company delivered GAAP net revenues of \$1.41 billion, as compared with \$1.43 billion for the fourth quarter of 2010. On a non-GAAP basis, the company's net revenues were \$2.41 billion, as compared with \$2.55 billion for the fourth quarter of 2010.

For the quarter ended December 31, 2011, Activision Blizzard's GAAP earnings per diluted share were \$0.08, as compared with a loss per share of \$0.20 for the fourth quarter of 2010. On a non-GAAP basis, the company's earnings per diluted share were \$0.62, as compared with \$0.53 for the fourth quarter of 2010.

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

<u>Bobby Kotick</u>, Chief Executive Officer, Activision Blizzard, said, "As we continue to strengthen our leadership position in interactive entertainment, our proven management team and talented employees delivered another extraordinary year of outperformance. With better than expected net revenues, record earnings, record operating margins, and having generated nearly \$1 billion in operating cash flow, Activision Blizzard continues to set the industry success bar."

Kotick continued, "Blizzard Entertainment's *World of Warcraft*® maintained its leadership position as the #1 subscription-based MMORPG around the world<sup>2</sup> and Activision Publishing's *Call of Duty*®: *Modern Warfare 3*® was the #1-selling game.<sup>3</sup> *Skylanders Spyro's Adventure*™ was the biggest new IP launch in Activision's history and it is on track to become an important and sustainable franchise. We launched our online service, *Call of Duty Elite*, which is one of the fastest growing premium online services ever created."

Kotick added, "Our extraordinary employees around the world are focused on making 2012 another great year for our audience and stakeholders. Blizzard Entertainment plans to have multiple highly-anticipated titles to release, including *Diablo*® *III*, and Activision Publishing expects to release a new *Call of Duty* game. In addition, Activision Publishing expects to continue to grow *Call of Duty Elite* and launch *Skylanders Giants*<sup>TM</sup>."

<sup>&</sup>lt;sup>2</sup>According to Activision Blizzard's internal data

<sup>&</sup>lt;sup>3</sup>According to The NPD Group, Charttrack and Gfk

## Selected Business Highlights:

- Activision Publishing was the #1 console and handheld publisher in the U.S. and Europe for the fourth quarter of 2011 and the #1 console and handheld publisher in the U.S. for the calendar year.<sup>3</sup>
- For the calendar year, in aggregate across all platforms in the U.S. and Europe, Activision Publishing's *Call of Duty: Modern Warfare 3* was the #1 best-selling title in dollars, and *Call of Duty: Black Ops* was the #5 best-selling title in dollars.<sup>3</sup>
- In November 2011, *Call of Duty: Modern Warfare 3* became the first video game ever to surpass \$775 million in retail sales in its first five days of release and the only entertainment property to cross the \$1 billion mark in 16-days, eclipsing "Avatar's" 17-day record.<sup>4</sup>
- As of January 31, 2012, more than seven million gamers have registered for *Call of Duty Elite*, including more than 1.5 million premium annual memberships the company has sold for the online service.<sup>2</sup>
- *Call of Duty: Modern Warfare 3* players logged more than 639 million hours of online gameplay through December 31, 2011.<sup>5</sup>
- Total unique online gamers playing *Call of Duty: Modern Warfare 3* were more than 12% greater than the total unique online gamers who played *Call of Duty: Black Ops* during the first two months after each game's release.<sup>5</sup>
- In North America and Europe, including accessory packs and figures *,Skylanders Spyro's Adventure* was the #8 best-selling game in dollars for the fourth quarter of 2011 and #1 selling kids' title in dollars in the calendar year.<sup>3</sup> Additionally, in North America, including accessory packs and figures, *Skylanders Spyro's Adventure* was the #10 best-selling title in dollars.<sup>6</sup>
- For the calendar year, Blizzard Entertainment had two top-10 PC games in North America and Europe with *StarCraft*® *II: Wings of Liberty*® and *World of Warcraft: Cataclysm*®.<sup>3</sup>
- Activision Blizzard purchased an aggregate of 61 million shares of its common stock for approximately \$692 million in 2011.

<sup>&</sup>lt;sup>2</sup>According to Activision Blizzard's internal data

<sup>&</sup>lt;sup>3</sup>According to The NPD Group, Charttrack and Gfk

<sup>&</sup>lt;sup>4</sup>According to The NPD Group, Charttrack, retail customer sell-through information, Boxofficemojo.com and PricewaterhouseCoopers' Global Entertainment and Media Outlook

<sup>&</sup>lt;sup>5</sup>According to Microsoft, Sony and Activision Blizzard internal estimates

<sup>6</sup>According to The NPD Group

### **Company Outlook**

In March 2012, Activision Publishing expects to release the first *Call of Duty: Modern Warfare 3 Content Collection*, a compilation of content previously released to *Call of Duty Elite* premium members, on the Xbox 360 video game and entertainment system from Microsoft.

The company's first quarter 2012 outlook does not incorporate a new release from Blizzard Entertainment, but its calendar year 2012 outlook anticipates two releases from Blizzard Entertainment. In addition, the company's full year revenue outlook is expected to be impacted by a reduction of about \$130 million in revenues from the company's lower margin distribution and affiliate title businesses and a negative year-over-year foreign exchange planning assumption of approximately \$200 million.

	GAAP	Non-GAA				
(in millions, except EPS)	 Outlook		Outlook			
<u>CY 2012</u>						
Net Revenues	\$ 4,150	\$	4,500			
EPS	\$ 0.63	\$	0.94			
<u>Q1 2012</u>						
Net Revenues	\$ 965	\$	525			
EPS	\$ 0.22	\$	0.03			

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

Activision Blizzard today announced that its Board of Directors has authorized a new stock repurchase program effective April 1, 2012 under which the company can repurchase up to \$1 billion of the company's outstanding common stock. The company's \$1.5 billion stock repurchase plan program authorized in February 2011 is set to expire on March 31, 2012.

The Board of Directors also declared a cash dividend of \$0.18 per common share payable on May 16, 2012 to shareholders of record at the close of business on March 21, 2012. This represents a 9% increase over the dividend that was paid in 2011.

### **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 and year ended December 31, 2011 and management's outlook for 2012. The company welcomes all members of the financial and media communities and other interested parties to visit the "Investor Relations" area of <u>www.activisionblizzard.com</u> to listen to the conference call via live Webcast or to listen to the call live by dialing into **888-481-2845** in the U.S. with passcode **8472934**.

### **About Activision Blizzard**

Headquartered in Santa Monica, California, Activision Blizzard, Inc. is a worldwide online, PC, console, handheld and mobile game publisher with leading positions across the major categories of the rapidly growing interactive entertainment software industry.

Activision Blizzard maintains operations in the U.S., Canada, the United Kingdom, France, Germany, Ireland, Italy, Sweden, Spain, the Netherlands, Australia, South Korea and China. More information about Activision Blizzard and its products can be found on the company's website, www.activisionblizzard.com.

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

Activision Blizzard provides net revenues, net income (loss), earnings (loss) per share and operating margin data and guidance both including (in accordance with GAAP) and excluding (non-GAAP) certain items. The non-GAAP financial measures exclude the following items, as applicable in any given reporting period:

- the change in deferred net revenue and related cost of sales with respect to certain of the company's online-enabled games;
- expenses related to stock-based compensation;
- expenses related to restructuring;
- the amortization of intangibles, and impairment of intangible assets and goodwill; 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, 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, and non-GAAP operating margin do not have a standardized meaning. Therefore, other companies may use the same or similarly named measures, but exclude different items, which may not provide investors a comparable view of Activision Blizzard's performance in relation to other companies.

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

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

Since Activision Blizzard has determined that some of our games' online functionality represents an essential component

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

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

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 that are not facts and involve a number of risks and uncertainties. Activision Blizzard generally uses words such as "outlook," "will," "could," "should," "would," "might," "to be," "plans," "believes," "may," "expects," "intends," "anticipates," "estimate," "future," "plan," "positioned," "potential," "project," "remain," "scheduled," "set to," "subject to," "upcoming" and similar expressions to identify forward-looking statements. Factors that could cause Activision Blizzard's actual future results to differ materially from those expressed in the forward-looking statements set forth in this release 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 and market conditions within the video game industry, Activision Blizzard's ability to predict consumer preferences, including interest in specific genres such as first-person action and massively multiplayer online games and preferences among competing 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, rapid changes in technology and industry standards, litigation risks and associated costs, protection of proprietary rights, maintenance of relationships with key personnel, customers, licensees, licensors, vendors, and third-party developers, including the ability to attract, retain and develop key personnel and developers that can create high quality "hit" titles, counterparty risks relating to customers, licensees, licensors and manufacturers, domestic and international economic, financial and political conditions and policies, foreign exchange rates and tax rates, and the identification of suitable future acquisition opportunities and potential challenges associated with geographic expansion, and the other factors identified in the risk factors section 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 forward-looking 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.

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(Tables to Follow)

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

#### (Unaudited)

### (Amounts in millions, except per share data)

	Thr	ee Months En	ded I	December 31,	Year Ended I	Dece	mber 31,
		2011		2010	2011		2010
Net revenues:							
Product sales	\$	1,060	\$	1,061	\$ 3,257	\$	3,087
Subscription, licensing and other revenues*		347		366	1,498		1,360
Total net revenues		1,407		1,427	4,755		4,447
Costs and expenses:							
Cost of sales - product costs		483		585	1,134		1,350
Cost of sales - online subscriptions		58		73	238		241
Cost of sales - software royalties and amortization		85		128	218		338
Cost of sales - intellectual property licenses		96		92	165		197
Product development		256		273	646		635
Sales and marketing		281		225	545		516
General and administrative		122		122	456		375
Impairment of intangible assets		-		326	-		326
Restructuring		1		-	25		-
Total costs and expenses		1,382		1,824	3,427		3,978
Operating income (loss)		25		(397)	1,328		469
Investment and other income (expense), net		(5)		8	3		23
Income (loss) before income tax expense		20		(389)	1,331		492
Income tax (benefit) expense		(79)		(156)	246		74
Net income (loss)	\$	99	\$	(233)	\$ 1,085	\$	418
Basic earnings (loss) per common share	\$	0.09	\$	(0.20)	\$ 0.93	\$	0.34
Weighted average common shares outstanding		1,139		1,198	1,148		1,222
Diluted earnings (loss) per common share <sup>1</sup> Weighted average common shares	\$	0.08	\$	(0.20)	\$ 0.92	\$	0.33
outstanding assuming dilution		1,147		1,198	1,156		1,236

<sup>1</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. Net income attributable to Activision Blizzard Inc. common shareholders used to calculate earnings per common share assuming dilution was \$97 million and \$1,069 million for the three months and year ended December 31, 2011 as compared to the total net income of \$99 million and \$1,085 million for the same periods, respectively. Net income (loss) attributable to Activision Blizzard Inc. common shareholders used to calculate earnings per common share assuming dilution was \$(233) million and \$414 million for the three months and year ended December 31, 2010 as compared to \$(233) million and \$418 million for the same periods, respectively.

\* Subscription, licensing and other revenues represents revenues from *World of Warcraft* subscriptions, *Call of Duty Elite* memberships, licensing royalties from our products and franchises, value-added services, downloadable content, and other miscellaneous revenues.

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

# (Unaudited)

# (Amounts in millions)

	D	December 31,	December 31,
		2011	2010
ASSETS			
Current assets:			
Cash and cash equivalents	\$	3,165 \$	2,812
Short-term investments		360	69
Accounts receivable, net		649	67
Inventories		144	11
Software development		137	14
Intellectual property licenses		22	4
Deferred income taxes, net		507	64
Other current assets		396	29
Total current assets		5,380	5,43
Long-term investments		16	2
Software development		62	5
Intellectual property licenses		12	2
Property and equipment, net		163	16
Other assets		12	1.
Intangible assets, net		88	16
Trademark and trade names		433	43
Goodwill		7,111	7,13
Total assets	\$	13,277 \$	13,44
JABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$	390 \$	36
Deferred revenues		1,472	1,72
Accrued expenses and other liabilities		694	87
Total current liabilities		2,556	2,96
Deferred income taxes, net		55	12
Other liabilities		174	16
Total liabilities		2,785	3,24
		,	- ,
Shareholders' equity:			
Common stock			-
Additional paid-in capital		9,616	12,35
Treasury stock			(2,19
Retained earnings		948	5
Accumulated other comprehensive loss		(72)	(1
Total shareholders' equity		10,492	10,20
Total liabilities and shareholders' equity	\$	13,277 \$	13,44
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### ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) (Amounts in millions)

	Three Mo	nths End	ed December 31,	Year	Ended D	ecember 31,	
	2011		2010	2011		2010	
Cash flows from operating activities:							
Net income (loss)	\$	99	\$ (233)	\$	1,085	\$	418
Adjustments to reconcile net income (loss) to net							
cash provided by operating activities:							
Deferred income taxes		(49)	(329)		75		(278)
Impairment of goodwill / intangible assets		12	326		12		326
Depreciation and amortization		71	101		148		198
Loss on disposal of property and equipment		3	1		4		1
Amortization and write-off of capitalized							
software development costs and intellectual							
property licenses (1)		136	137		287		319
Stock-based compensation expense (2)		42	37		103		131
Excess tax benefits from stock options exercises		(3)	(11)		(24)		(22)
Changes in operating assets and liabilities:		~ /	· · · · · · · · · · · · · · · · · · ·		. ,		. ,
Accounts receivable		(503)	(428)		13		43
Inventories		62	143		(34)		124
Software development and intellectual property		(73)	(75)		(254)		(313)
Other assets		(237)	(201)		(67)		17
Deferred revenues		1,020	1,103		(248)		293
Accounts payable		1,020	1,103		(248)		293 70
		148	292				70 49
Accrued expenses and other liabilities	-				(179)		-
Net cash provided by operating activities		850	993		952		1,376
Cash flows from investing activities:							
Proceeds from maturities of available-for-sale investments		137	107		740		519
Proceeds from maturities of auction rate securities		107	10,		, 10		017
("ARS") classified as trading securities							61
Proceeds from auction rate securities ("ARS") called at par		10			10		
Payment of contingent consideration					(3)		(4)
Purchases of available-for-sale investments		(92)	(119)		(417)		(800)
Capital expenditures		(25)	(21)		(72)		(97)
Decrease in restricted cash		26	44		8		9
Net cash provided by (used in) investing activities		56	11		266		(312)
The cash provided by (asea in) investing activities		50	11		200		(312)
Cash flows from financing activities:							
Proceeds from issuance of common stock to employees		15	19		54		73
Repurchase of common stock		(168)	(346)		(692)		(959)
Dividends paid			(2)		(194)		(189)
Excess tax benefits from stock option exercises		3	11		24		22
Net cash used in financing activities		(150)	(318)		(808)		(1,053)
		(150)	(516)	/	(000)		(1,055)
Effect of foreign exchange rate changes on cash	1						
and cash equivalents	1	(60)	3		(57)		33
Net increase (decrease) in cash and cash equivalents		696	689	1	353		44
-		<b>a</b> (170			0.010		0.575
Cash and cash equivalents at beginning of period		2,469	2,123		2,812		2,768
Cash and cash equivalents at end of period	\$	3,165	\$ 2,812	\$	3,165	\$	2,812
cush and cush equivalents at end of period	Ψ	5,105	φ 2,012	Ψ	5,105	Ψ	2,012

(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.

(Amounts in millions)

	Three Months Ended													
	December 31, 2009			March 31, 2010		June 30, 2010	September 30, 2010			December 31, 2010				
Cash Flow Data														
Operating Cash Flow	\$	813	\$	227	\$	(26)	\$	182	\$	993				
Operating Cash Flow - TTM <sup>1</sup>		1,183		1,083		1,175		1,196		1,376				
Capital Expenditures		28		12		27		37		21				
Capital Expenditures - TTM <sup>1</sup>		69		71		84		104		97				
Non-GAAP Free Cash Flow <sup>2</sup>		785		215		(53)		145		972				
Non-GAAP Free Cash Flow - TTM <sup>1</sup>	\$	1,114	\$	1,012	\$	1,091	\$	1,092	\$	1,279				

			Three Mo	nths F	Ended			
	]	March 31, 2011	 June 30, 2011	Se	eptember 30, 2011	December 31, 2011		
Cash Flow Data								
Operating Cash Flow	\$	134	\$ (78)	\$	46	\$	850	
Operating Cash Flow - TTM <sup>1</sup>		1,283	1,231		1,095		952	
Capital Expenditures		4	14		29		25	
Capital Expenditures - TTM <sup>1</sup>		89	76		68		72	
Non-GAAP Free Cash Flow <sup>2</sup>		130	(92)		17		825	
Non-GAAP Free Cash Flow - TTM <sup>1</sup>	\$	1,194	\$ 1,155	\$	1,027	\$	880	

<sup>1</sup> TTM represents trailing twelve months. Operating Cash Flow for the year ended December 31, 2009, three months ended September 30, 2009, three months ended June 30, 2009, and three months ended March 31, 2009 was \$1,183 million, \$161 million, \$(181) million, and \$327 million, respectively. Capital expenditures for the year ended December 31, 2009, three months ended September 30, 2009, three months ended June 30, 2009, and three months ended March 31, 2009, three months ended September 30, 2009, three months ended June 30, 2009, and three months ended March 31, 2009 was \$69 million, \$14 million, and \$10 million, respectively.

<sup>2</sup>Non-GAAP free cash flow represents operating cash flow minus capital expenditures.

#### 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, 2011		Net Re	venues	Cost of Sales - Product Costs	Cost of Sales - Online Subscriptions	Softwa	t of Sales - are Royalties mortization	Cost of Sales - Intellectual Property License		Product Development	Sales and Marketing	General and Administrative	Restructuring		Costs and penses
GAAP Measurement		\$	1,407	\$ 483	\$ 58	\$	85	\$	96	\$ 256	\$ 281	\$ 12	2 \$ 1	\$	1,382
Less: Net effect from deferral in net revenues and related cost of sales	(a)		1,001	209	-		37		(3)	-	-				243
Less: Stock-based compensation	(b)		-	-	-		(3)		-	(25)	(2)	(1	3) -		(43
Less: Restructuring	(c)		-	-	-		-		-	-	-	(	(1	)	(2
Less: Amortization of intangible assets	(d)		-	(2)	-		-	(4	18)	-	-				(50
Less: Impairment of goodwill	(e)		-	-	-		-		-	-	-	(1)			(12
Non-GAAP Measurement		\$	2,408	\$ 690	\$ 58	\$	119	\$	45	\$ 231	\$ 279	\$ 9	5 \$ -	\$	1,51

Three Months Ended December 31, 2011		•	rating come	Net In		arnings Share	d Earnings r Share
GAAP Measurement		\$	25	\$	99	\$ 0.09	\$ 0.08
Less: Net effect from deferral in net revenues and related cost of sales	(a)		758		549	0.47	0.47
Less: Stock-based compensation	(b)		43		33	0.03	0.03
Less: Restructuring	(c)		2		1	-	-
Less: Amortization of intangible assets	(d)		50		31	0.03	0.03
Less: Impairment of goodwill	(e)		12		12	0.01	0.01
Non-GAAP Measurement		\$	890	\$	725	\$ 0.63	\$ 0.62

Year Ended December 31, 2011	]	Net Revenu		Cost of Sales - Product Costs	Cost of Sales Online Subscriptions		Cost of Sales - Software Royalties and Amortization		Cost of Sales - Intellectual Property Licenses	D	Product Development	Sales and Marketing	ŗ	General and Administrative	Restructuring		otal Costs and Expenses
GAAP Measurement		\$ 4,	755	\$ 1,134	\$ 23	8	\$ 218	:	\$ 165	\$	646	\$	545	\$ 456	\$ 25	\$	3,427
Less: Net effect from deferral in net revenues and related cost of sales	a)	(	266)	(11)		-	(48)	)	(24)		-		-	-	-	-	(83)
Less: Stock-based compensation	b)		-	-		-	(10)	)	-		(40)		(6)	(47)	-	-	(103)
Less: Restructuring	c)		-	-		-	-		-		-		-	(1)	(25	)	(26)
Less: Amortization of intangible assets	d)		-	(2)		-	(1)	)	(69)		-		-	-	-	-	(72)
Less: Impairment of goodwill	e)		-	-		-	-		-		-		-	(12)	-	-	(12)
Non-GAAP Measurement		\$ 4,	489	\$ 1,121	\$ 23	8	\$ 159		\$ 72	\$	606	\$	539	\$ 396	\$ -	\$	3,131

ar Ended December 31, 2011		erating come	Net		Earnings per Share	Diluted Earnings (Loss) per Share		
GAAP Measurement		\$ 1,328	\$	1,085	\$ 0.93	\$	0.92	
Less: Net effect from deferral in net revenues and related cost of sales	(a)	(183)		(151)	(0.13)		(0.13	
Less: Stock-based compensation	(b)	103		76	0.07		0.06	
Less: Restructuring	(c)	26		19	0.02		0.02	
Less: Amortization of intangible assets	(d)	72		46	0.04		0.04	
Less: Impairment of goodwill	(e)	12		12	0.01		0.0	
Non-GAAP Measurement		\$ 1,358	\$	1,087	\$ 0.93	\$	0.93	

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

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

(c) Reflects restructuring related to our Activision Publishing operations.

(d) Reflects amortization of intangible assets.

(e) Reflects impairment of goodwill.

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 \$715 million and \$1,071 million for the three months and year ended December 31, 2011 as compared to the total non-GAAP net income of \$725 million and \$1,087 million for the same periods, respectively.

The per share adjustments are presented as calculated, and the GAAP and non-GAAP earnings per share information is also presented as calculated. The sum of these measures, as presented, may differ due to the impact of rounding.

### ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES RECONCILIATION OF GAAP NET INCOME TO NON-GAAP MEASURES

(Amounts in millions, except earnings per share data)

Three Months Ended December 31, 2010	Net Re		Cost of Sales - Product Costs		- Softwa Royalties	re and	Cost of Sales - Intellectual Property Licenses	Product Development	Sales and Marketing	General and Administrative	Impairment of Intangible Assets	 Costs
GAAP Measurement	\$	1,427	\$ 585	\$ 73	\$	128	\$ 92	\$ 273	\$ 225	\$ 122	\$ 326	\$ 1,824
Less: Net effect from deferral in net revenues and related cost of sales (a)		1,121	200	-		45	17	-	-	-	-	262
Less: Stock-based compensation (b)		-	-	-		(14)	-	(8)	(2)	(13)	-	(37)
Less: Restructuring (included in general and administrative) (c)		-	-	-		-	-	-	-	1	-	1
Less: Amortization of intangible assets (d)		-	(2)	-		(6)	(69)		-	-	-	(77)
Less: Impairment of intangible assets (e)		-	-	-		-	-	-	-	-	(326)	(326)
Non-GAAP Measurement	\$	2,548	\$ 783	\$ 73	\$	153	\$ 40	\$ 265	\$ 223	\$ 110	\$ -	\$ 1,647

Three Months Ended December 31, 2010		•	rating e (Loss)	ncome bss)	Earr (Los	isic 1ings 5) per are	Ear (Los	luted mings ss) per hare
GAAP Measurement		\$	(397)	\$ (233)	\$	(0.20)	\$	(0.20)
Less: Net effect from deferral in net revenues and related cost of sales	(a)		859	628		0.52		0.51
Less: Stock-based compensation	(b)		37	24		0.02		0.02
Less: Restructuring (included in general and administrative)	(c)		(1)	-		-		-
Less: Amortization of intangible assets	(d)		77	38		0.03		0.03
Less: Impairment of intangible assets	(e)		326	198		0.16		0.16
Non-GAAP Measurement		\$	901	\$ 655	\$	0.54	\$	0.53

Year Ended December 31, 2010	Net		Cost of Sales Product Cost		s- Re	Software	Cost of Sales - Intellectual Property Licenses	Product Development	Sales and Marketing	General and Administrative	Impairment of Intangible Assets	Total Costs : Expenses	
GAAP Measurement	\$	4,447	\$ 1,35	\$ 24	41	\$ 338	\$ 197	\$ 635	\$ 516	\$ 375	\$ 326	\$ 3,9	,978
Less: Net effect from deferral in net revenues and related cost of sales (a)		356		3	-	29	5	-	-	-	-		37
Less: Stock-based compensation (b	)	-		-	-	(65)	-	(12)	(8)	(46)	-	(1	(131)
Less: Restructuring (included in general and administrative) (c	)	-		-	-	-	-	-	-	(3)	-		(3)
Less: Amortization of intangible assets (d	)	-	(:	() ()	-	(15)	(102)	-	-	(1)	-	(1	(123)
Less: Impairment of intangible assets (e)		-		-	-	-	-	-	-	-	(326)	(3	(326)
Non-GAAP Measurement	\$	4,803	\$ 1,34	\$ \$ 24	41	\$ 287	\$ 100	\$ 623	\$ 508	\$ 325	\$	\$ 3,4	,432

Year Ended December 31, 2010		rating	Net Incon	ne	Basic Earnings pe Share	r F	Dilu Earnin Sha	gs per
GAAP Measurement		\$ 469	\$	418	\$ 0.3	4	\$	0.33
Less: Net effect from deferral in net revenues and related cost of sales	(a)	319		232	0.1	9		0.19
Less: Stock-based compensation	(b)	131		88	0.0	7		0.07
Less: Restructuring (included in general and administrative)	(c)	3		2		-		-
Less: Amortization of intangible assets	(d)	123		53	0.0	4		0.04
Less: Impairment of intangible assets	(e)	326		198	0.1	6		0.16
Non-GAAP Measurement		\$ 1,371	\$	991	\$ 0.8	1	\$	0.79

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

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

(c) Reflects restructuring related to the Business Combination with Vivendi Games. Restructuring activities includes severance costs, facility exit costs and balance sheet write down and exit costs from the cancellation of projects.

(d) Reflects amortization of intangible assets.

(e) Reflects impairment of intangible assets acquired as a result of purchase accounting.

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 \$646 million and \$982 million for the three months and year ended December 31, 2010 as compared to the total non-GAAP net income of \$655 million and \$991 million for the same periods, respectively.

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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.

### For the Three Months and Year Ended December 31, 2011 and 2010

(Amounts in millions)

	Three Months Ended											
		December	31, 2011		December 3	31, 2010		\$ Increase	% Increase			
		Amount	% of Total		Amount	% of Total	_	(Decrease)	(Decrease)			
GAAP Net Revenues by Distribution Channel												
Retail channel	\$	841	60	% \$	820	57	%\$	21	3 %			
Digital online channels*		363	26		414	29	_	(51)	(12)			
Total Activision and Blizzard		1,204	86		1,234	86		(30)	(2)			
Distribution		203	14		193	14	_	10	5			
Total consolidated GAAP net revenues		1,407	100	_	1,427	100	_	(20)	(1)			
Change in Deferred Net Revenues <sup>1</sup>												
Retail channel		1,055			1,065							
Digital online channels*		(54)			56							
Total changes in deferred net revenues		1,001		_	1,121							
Non-GAAP Net Revenues by Distribution Channel												
Retail channel		1,896	79		1,885	74		11	1			
Digital online channels*		309	13		470	18		(161)	(34)			
Total Activision and Blizzard		2,205	92		2,355	92		(150)	(6)			
Distribution	_	203	8	_	193	8		10	5			
Total non-GAAP net revenues <sup>2</sup>	\$	2,408	100	% \$	2,548	100	% \$	(140)	(5) %			

	Year Ended											
		December	31, 2011		December .	31, 2010		\$ Increase	% Increase			
		Amount	% of Total		Amount	% of Total		(Decrease)	(Decrease)			
GAAP Net Revenues by Distribution Channel					<u> </u>		-					
Retail channel	\$	2,697	57	% \$	2,629	59	% \$	68	3	%		
Digital online channels*		1,640	34		1,440	32		200	14			
Total Activision and Blizzard		4,337	91		4,069	91		268	7			
Distribution		418	9		378	9		40	11			
Total consolidated GAAP net revenues		4,755	100	_	4,447	100	_	308	7			
Change in Deferred Net Revenues <sup>1</sup>												
Retail channel		(185)			251							
Digital online channels*		(81)			105							
Total changes in deferred net revenues		(266)		_	356							
Non-GAAP Net Revenues by Distribution Channel												
Retail channel		2,512	56		2,880	60		(368)	(13)			
Digital online channels*		1,559	35		1,545	32		14	1			
Total Activision and Blizzard		4,071	91		4,425	92	_	(354)	(8)			
Distribution		418	9		378	8		40	11			
Total non-GAAP net revenues <sup>2</sup>	\$	4,489	100	% \$	4,803	100	% \$	(314)	(7)	%		

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

<sup>2</sup> Total non-GAAP net revenues presented also represents our total operating segment net revenues.

\* Net revenues from digital online channel represent revenues from subscriptions and memberships, licensing royalties, value-added services, downloadable content, digitally distributed products, and wireless devices.

### For the Three Months Ended December 31, 2011 and 2010

(Amounts in millions)

				ths Ended				
	I	December	31, 2011	December	31, 2010	\$ Increase	% Increase	
	A	mount	% of Total	Amount	% of Total	(Decrease)	(Decrease)	
GAAP Net Revenues by Segment/Platform Mix								
Activision and Blizzard:								
Online subscriptions*	\$	268	19 %	\$ 340	24 %	\$ (72)	(21)%	
PC and Other		123	9	124	9	(1)	(1)	
Sony PlayStation 3		259	19	259	18			
Sony PlayStation 2		3		6		(3)	(50)	
Microsoft Xbox 360		300	21	281	20	19	7	
Nintendo Wii		166	12	141	10	25	18	
Total console^		728	52	687	48	41	6	
Sony PlayStation Portable		3		6		(3)	(50)	
Nintendo 3DS		26	2			26	NM	
Nintendo Dual Screen		56	4	77	5	(21)	(27)	
Total handheld		85	6	83	5	2	2	
Total Activision and Blizzard		1,204	86	1,234	86	(30)	(2)	
		1,201				(30)	(2)	
Total Distribution		203	14	193	14	10	5	
Total consolidated GAAP net revenues		1,407	100	1,427	100	(20)	(1)	
Change in Deferred Net Revenues (1)								
Activision and Blizzard:								
Online subscriptions*		(18)		204				
PC and Other		54						
Sony PlayStation 3		453		393				
Microsoft Xbox 360		483		441				
Nintendo Wii		24		75				
Total console^		960		909				
Nintendo Dual Screen		5		8				
Total changes in deferred net revenues		1,001		1,121				
Non-GAAP Net Revenues by Segment/Platform Mix								
Activision and Blizzard:								
Online subscriptions*		250	10	544	21	(294)	(54)	
PC and Other		177	7	124	5	53	43	
Sony PlayStation 3		712	30	652	26	60	9	
Sony PlayStation 2		3		6		(3)	(50)	
Microsoft Xbox 360		783	32	722	28	61	8	
Nintendo Wii		190	8	216	8	(26)	(12)	
Total console^		1,688	70	1,596	62	92	6	
Sony PlayStation Portable		3		6		(3)	(50)	
Nintendo 3DS		26	1			26	NM	
Nintendo Dual Screen		61	3	85	4	(24)	(28)	
Total handheld		90	4	91	4	(1)	(1)	
Total Activision and Blizzard		2,205	91	2,355	92	(150)	(6)	
Total Distribution		203	9	193	8	10	5	
Total non-GAAP net revenues (2)	\$	2,408	100 %	\$ 2,548	100 %	\$ (140)	(5)%	

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

(2) Total non-GAAP net revenues presented also represents our total operating segment net revenues.

\* Revenue from online subscriptions consists of revenue from all *World of Warcraft* products, including subscriptions, boxed products, expansion packs, licensing royalties, and value-added services. It also includes revenues from *Call of Duty Elite* memberships.

^ Downloadable content and their related revenues are included in each respective console platforms and total console.

### For the Year Ended December 31, 2011 and 2010

(Amounts in millions)

	Year Ended							
	]	Decembe	r 31, 2011		December	31, 2010	\$ Increase	% Increase
	An	nount	% of Total	Ar	nount	% of Total	(Decrease)	(Decrease)
GAAP Net Revenues by Segment/Platform Mix Activision and Blizzard:								
Online subscriptions*	\$	1,357	29 %	\$	1,230	28 %	\$ 127	10 %
PC and Other		374	8		325	7	49	15
Sony PlayStation 3		935	20		854	19	81	9
Sony PlayStation 2		13			35	1	(22)	(63)
Microsoft Xbox 360		1,140	24		1,033	23	107	10
Nintendo Wii		351	7		408	9	(57)	(14)
Total console^		2,439	51		2,330	52	109	5
Sony PlayStation Portable		15			16		(1)	(6)
Nintendo 3DS		35	1				35	NM
Nintendo Dual Screen		117	2		168	4	(51)	(30)
Total handheld		167	3		184	4	(17)	(9)
Total Activision and Blizzard		4,337	91		4,069	91	268	7
Total Distribution		418	9		378	9	40	11
Total Activision and Blizzard		4,755	100		4,447	100	308	7
<b>Change in Deferred Net Revenues (1)</b> Activision and Blizzard:								
Online subscriptions*		(202)			191			
PC and Other		(75)			81			
Sony PlayStation 3		36			77			
Microsoft Xbox 360		43			15			
Nintendo Wii		(66)			(16)			
Total console^		13			76			
Nintendo Dual Screen		(2)			8			
Total changes in deferred net revenues		(266)			356			
Non-GAAP Net Revenues by Segment/Platform Mix Activision and Blizzard:								
Online subscriptions*		1,155	26		1,421	30	(266)	(19)
PC and Other		299	7		406	8	(107)	(26)
Sony PlayStation 3		971	22		931	19	40	4
Sony PlayStation 2		13			35	1	(22)	(63)
Microsoft Xbox 360		1,183	26		1,048	22	135	13
Nintendo Wii		285	6		392	8	(107)	(27)
Total console^		2,452	54		2,406	50	46	2
Sony PlayStation Portable		15			16		(1)	(6)
Nintendo 3DS		35	1				35	NM
Nintendo Dual Screen		115	3		176	4	(61)	(35)
Total handheld		165	4		192	4	(27)	(14)
Total Activision and Blizzard		4,071	91		4,425	92	(354)	(8)
Total Distribution		418	9		378	8	40	11
Total non-GAAP net revenues (2)	\$	4,489	100 %	\$	4,803	100 %	\$ (314)	(7)%
Total non-OAAF lict levellues (2)	φ	4,409	100 %	φ	4,005	100 %	φ (514)	(7)%

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

(2) Total non-GAAP net revenues presented also represents our total operating segment net revenues.

\* Revenue from online subscriptions consists of revenue from all *World of Warcraft* products, including subscriptions, boxed products, expansion packs, licensing royalties, and value-added services. It also includes revenues from *Call of Duty Elite* memberships.

^ Downloadable content and their related revenues are included in each respective console platforms and total console.

#### For the Three Months And Year Ended December 31, 2011 and 2010

(Amounts in millions)

	Three Months Ended											
		December	31, 2011		December	· 31, 2010	\$ In	crease	% Increase			
	А	mount	% of Total		Amount	% of Total	(Dee	crease)	(Decrease)			
GAAP Net Revenues by Geographic Region												
North America	\$	718	51 %	\$	734	51 %	\$	(16)	(2)%			
Europe		605	43		600	42		5	1			
Asia Pacific		84	6		93	7		(9)	(10)			
Total consolidated GAAP net revenues		1,407	100		1,427	100		(20)	(1)			
Change in Deferred Net Revenues (1)												
North America		548			627							
Europe		395			440							
Asia Pacific		58			54							
Total changes in net revenues		1,001			1,121							
Non-GAAP Net Revenues by Geographic Region												
North America		1,266	53		1,361	53		(95)	(7)			
Europe		1,000	41		1,040	41		(40)	(4)			
Asia Pacific		142	6		147	6		(5)	(3)			
Total non-GAAP net revenues (2)	\$	2,408	100 %	\$	2,548	100 %	\$	(140)	(5)%			

			Ended			
	 December	r 31, 2011	December	31, 2010	\$ Increase	% Increase
	Amount	% of Total	Amount	% of Total	(Decrease)	(Decrease)
GAAP Net Revenues by Geographic Region	 		 			
North America	\$ 2,405	50 %	\$ 2,409	54 %	\$ (4)	- %
Europe	1,990	42	1,743	39	247	14
Asia Pacific	 360	8	 295	7	 65	22
Total consolidated GAAP net revenues	 4,755	100	 4,447	100	 308	7
Change in Deferred Net Revenues (1)						
North America	(154)		166			
Europe	(104)		159			
Asia Pacific	(8)		31			
Total changes in net revenues	 (266)		 356			
Non-GAAP Net Revenues by Geographic Region						
North America	2,251	50	2,575	54	(324)	(13)
Europe	1,886	42	1,902	39	(16)	(1)
Asia Pacific	 352	8	 326	7	 26	8
Total non-GAAP net revenues (2)	\$ 4,489	100 %	\$ 4,803	100 %	\$ (314)	(7)%

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

2 Total non-GAAP net revenues presented also represents our total operating segment net revenues.

### ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES

### SEGMENT INFORMATION

For the Three Months And Year Ended December 31, 2011 and 2010 (Amounts in millions)

			hs Ended				
	December 3	1,2011	December 3	31, 2010		\$ Increase	% Increase
	 Amount	% of Total	 Amount	% of Total		(Decrease)	(Decrease)
Segment net revenues:							
Activision <sup>(i)</sup>	\$ 1,929	137 %	\$ 1,785	125 %	\$	144	8 %
Blizzard <sup>(ii)</sup>	276	20	570	40		(294)	(52)
Distribution <sup>(iii)</sup>	 203	14	 193	14	_	10	5
Operating segment total	2,408	171	2,548	179		(140)	(5)
Reconciliation to consolidated net revenues:							
Net effect from deferral of net revenues	 (1,001)	(71)	 (1,121)	(79)			
Consolidated net revenues	\$ 1,407	100 %	\$ 1,427	100 %	\$	(20)	(1)%
Segment income from operations:							
Activision <sup>(i)</sup>	\$ 809		\$ 599		\$	210	35 %
Blizzard <sup>(ii)</sup>	71		291			(220)	(76)
Distribution <sup>(iii)</sup>	 10		 11			(1)	(9)
Operating segment total	890		901			(11)	(1)
Reconciliation to consolidated operating income (loss)							
and consolidated income (loss) before income tax expense:							
Net effect from deferral of net revenues and related cost of sales	(758)		(859)				
Stock-based compensation expense	(43)		(37)				
Restructuring	(2)		1				
Amortization of intangible assets	(50)		(77)				
Impairment of goodwill/intangible assets	 (12)		 (326)				
Consolidated operating income (loss)	\$ 25		\$ (397)			422	NM
Investment and other income (expense), net	 (5)		 8				
Consolidated income (loss) before income tax expense	\$ 20		\$ (389)		\$	409	NM%
Operating margin from total operating segments	37.0%		35.4%				

	Year Ended								
		December 3	1, 2011		December 3	31, 2010		\$ Increase	% Increase
		Amount	% of Total	_	Amount	% of Total	_	(Decrease)	(Decrease)
Segment net revenues:									
Activision <sup>(i)</sup>	\$	2,828	59 %	\$	2,769	62 %	\$	59	2 %
Blizzard <sup>(ii)</sup>		1,243	26		1,656	37		(413)	(25)
Distribution <sup>(iii)</sup>		418	9		378	9	_	40	11
Operating segment total		4,489	94		4,803	108		(314)	(7)
Reconciliation to consolidated net revenues:									
Net effect from deferral of net revenues		266	6		(356)	(8)			
Consolidated net revenues	\$	4,755	100 %	\$	4,447	100 %	\$	308	7 %
Segment income from operations:									
Activision <sup>(i)</sup>	\$	851		\$	511		\$	340	67 %
Blizzard <sup>(ii)</sup>		496			850			(354)	(42)
Distribution <sup>(iii)</sup>		11			10			1	10
Operating segment total		1,358			1,371			(13)	(1)
Reconciliation to consolidated operating income									
and consolidated income before income tax expense:									
Net effect from deferral of net revenues and related cost of sales		183			(319)				
Stock-based compensation expense		(103)			(131)				
Restructuring		(26)			(3)				
Amortization of intangible assets		(72)			(123)				
Impairment of goodwill/intangible assets		(12)			(326)				
Consolidated operating income	\$	1,328		\$	469			859	183
Investment and other income (expense), net		3			23				
Consolidated income before income tax expense	\$	1,331		\$	492		\$	839	171 %
Operating margin from total operating segments		30.3%			28.5%				

(i) Activision Publishing ("Activision") — publishes interactive entertainment products and contents.

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

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

### ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES OUTLOOK For the Quarter Ending March 31, 2012 and Year Ending December 31, 2012 GAAP to Non-GAAP Reconciliation (Amounts in millions, except per share data)

	Ou Three M <u>Mar</u>	]	Outlook for Year Ending December 31, 2012	
Net Revenues (GAAP)	\$	965	\$	4,150
Excluding the impact of: Change in deferred net revenues	(a)	(440)		350
Non-GAAP Net Revenues	\$	525	\$	4,500
Earnings Per Diluted Share (GAAP)	\$	0.22	\$	0.63
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)	(0.21) 0.02		0.20 0.08 0.03
Non-GAAP Earnings Per Diluted Share	\$	0.03	\$	0.94

(a) Reflects the net change in deferred net revenues.

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

(c) Reflects expense related to stock-based compensation.

(d) Reflects amortization of intangible assets.

The per share adjustments are presented as calculated, and the GAAP and non-GAAP earnings (loss) per share information is also presented as calculated. The sum of these measures, as presented, may differ due to the impact of rounding.