
**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): **May 9, 2011**

ACTIVISION BLIZZARD, INC.

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction of
Incorporation)

001-15839
(Commission File Number)

95-4803544
(IRS Employer
Identification No.)

**3100 Ocean Park Boulevard, Santa
Monica, CA**
(Address of Principal Executive
Offices)

90405
(Zip Code)

Registrant's telephone number, including area code: **(310) 255-2000**

(Former 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):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Certain Information Not Filed. 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 May 9, 2011, Activision Blizzard, Inc. (the "Company") issued a press release announcing results for the Company for the fiscal quarter ended March 31, 2011. 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 9.01. Financial Statements and Exhibits.

(d) Exhibits

99.1 Press Release dated May 9, 2011 (furnished not filed)

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: May 9, 2011

ACTIVISION BLIZZARD, INC.

By: /s/ Thomas Tippl
Thomas Tippl
Chief Operating Officer and
Chief Financial Officer

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EXHIBIT INDEX

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|---|
| 99.1 | Press Release dated May 9, 2011 (furnished not filed) |

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FOR IMMEDIATE RELEASE

**ACTIVISION BLIZZARD ANNOUNCES RECORD
 FIRST QUARTER FINANCIAL RESULTS**

- Q1 Net Revenues and EPS Ahead of Prior Year and Prior Outlook –

- Q1 GAAP EPS Increased 40% and Non-GAAP EPS Up 44% Over Prior Year -

- Q1 Net Revenues from Digital Channels Grow 30% -

- Company Increases Full Year Outlook for Net Revenues and EPS -

Santa Monica, CA – May 9, 2011 – Activision Blizzard, Inc. (Nasdaq: ATVI) today announced better-than-expected financial results for the first quarter of 2011.

For the quarter ended March 31, 2011, Activision Blizzard's GAAP net revenues increased to \$1.4 billion, as compared with \$1.3 billion for the first quarter of 2010. On a non-GAAP basis, the company's net revenues were \$755 million, as compared with \$714 million for the first quarter of 2010. For the first quarter, GAAP net revenues from digital channels increased 30% year over year, accounting for 30% of the company's total net revenues. On a non-GAAP basis, net revenues from digital channels also increased 30% year over year, accounting for more than 50% of total net revenues.

For the quarter ended March 31, 2011, Activision Blizzard's GAAP earnings per diluted share increased to \$0.42, as compared with \$0.30 for the first quarter of 2010. On a non-GAAP basis, the company's earnings per diluted share were \$0.13, as compared with \$0.09 for the first 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.

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Robert Kotick, CEO of Activision Blizzard, stated, "With over \$1.4 billion of GAAP net revenues and \$0.42 of GAAP EPS our record first-quarter performance was driven by digital sales and the continued strength of Activision Publishing's **Call of Duty®** and Blizzard Entertainment's **World of Warcraft®** franchises. Digital content continues to represent a significant portion of our revenues and increased by about \$100 million year over year, enabling us to deliver record first-quarter operating margins and earnings per share. The **Call of Duty: Black Ops® First Strike** content pack shattered Xbox LIVE® launch records, surpassing 1.4 million downloads in the first 24 hours alone,(1) and Blizzard's Battle.net® service continues to grow its service offerings. To date, **Call of Duty: Black Ops** players have logged more than 1.2 billion online hours of online gameplay.(2)"

Kotick continued, "Interactive entertainment continues to see broader audience appeal and powerful positive trends in online gameplay and online distribution. Our incredibly talented people continue to lead in innovation and we continue to deliver the world's best games combined with strong financial performance."

Business Highlights

- During the first quarter, **Call of Duty: Black Ops** became the best-selling game of all time in dollars across the Xbox 360® video game and entertainment system from Microsoft, the PlayStation®3 computer entertainment system and the PC in the U.S. and Europe and was also the #1 game in the U.S. and Europe for the quarter.(3)
- For the first quarter, Activision Blizzard had three top-10 PC titles with Blizzard Entertainment's **World of Warcraft: Cataclysm™** and **StarCraft II: Wings of Liberty™** and Activision Publishing's **Call of Duty: Black Ops**.(3)
- Total unique online gamers playing **Call of Duty: Black Ops** were more than 33% greater than the total unique online gamers who played **Call of Duty: Modern Warfare® 2** for the first five months after each game's release.(4)

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- During the quarter, digital downloads of the **Call of Duty: Black Ops First Strike** content pack were more than 20% higher than digital downloads of the **Call of Duty: Modern Warfare 2 Stimulus Pack** during the comparable period in 2010.(4)

(1) According to Microsoft

(2) According to Activision Blizzard internal estimates

- (3) According to The NPD Group, Charttrack and Gfk.
(4) According to Microsoft, Sony and Activision Blizzard internal estimates

- Since **Call of Duty: Black Ops First Strike** launched on February 1, players have spent an average of 58 minutes per day playing online, exceeding the 55 minutes the average user spends per day on Facebook.(5)
- As of March 31, 2011, Activision Blizzard had purchased approximately 31 million shares of its common stock, for approximately \$344 million, under the \$1.5 billion stock repurchase program authorized by its Board of Directors on February 9, 2011.
- Activision Blizzard will pay a cash dividend of \$0.165 per common share on May 11, 2011 to shareholders of record as of March 16, 2011. The dividend represents a 10% increase over the dividend that was issued in 2010.

Company Outlook

On May 3, 2011, Activision Publishing released the **Call of Duty: Black Ops Escalation** content pack on the Xbox 360 video game and entertainment system from Microsoft. The pack also is expected to be available during the second quarter on Sony's PlayStation3 computer entertainment system and the PC. During the quarter, Activision Publishing also expects to release **Transformers: Dark of the Moon**, which will launch in connection with the release of the upcoming feature film of the same name; and **Wipeout In The Zone**, a Kinect-ready title for the Xbox 360 which is expected to be available in conjunction with the premier of Wipeout's summer television season.

The company plans to allocate the majority of its resources and focus toward opportunities which it expects will afford it the greatest competitive advantages and the greatest potential for best-in-class quality, high-margin digital growth, and long-term success. These opportunities include new content for Blizzard Entertainment's **World of Warcraft**, **StarCraft** and **Diablo** franchises, and its next-generation MMO; robust investment in forthcoming **Call of Duty** titles, including a micro-transaction game for China; the development of a best-in-class digital platform surrounding the **Call of Duty** franchise; a new property from Bungie; and **Skylander's Spyro's Adventure**,™ an innovative new universe bringing the world of toys, video games and the Internet together in an unprecedented way. These investments should better position Activision Blizzard for long-term growth and enable it to continue expanding its position as the largest digital publisher.

(5) According to Microsoft, Sony, Activision Blizzard internal estimates and Digitalbuzzblog.com

For calendar year 2011, Activision Blizzard is raising its outlook from the estimates it provided on February 9, 2011. Since Blizzard Entertainment has not confirmed a launch date for its next global release, the company's calendar year outlook at this time does not include a new game from Blizzard in 2011.

| | GAAP Outlook | Prior* GAAP Outlook | Non-GAAP Outlook | Prior* Non-GAAP Outlook |
|----------------------------|-----------------|---------------------------|---------------------|-------------------------------|
| CY 2011 | | | | |
| Net Revenues (in billions) | \$ 4.05 | \$ 3.95 | \$ 3.95 | \$ 3.90 |
| EPS | \$ 0.61 | \$ 0.56 | \$ 0.73 | \$ 0.70 |
| Q2 2011 | | | | |
| Net Revenues (in millions) | \$ 985 | n/a | \$ 575 | n/a |
| EPS | \$ 0.19 | n/a | \$ 0.04 | n/a |

*Prior outlook was provided on February 9, 2011

Activision Blizzard's financial outlook is subject to significant risks and uncertainties, including declines in demand for its products, competition, the effectiveness of the company's restructuring efforts, fluctuations in foreign exchange and tax rates, and counterparty risks relating to customers, licensees, licensors and manufacturers.

The company's outlook is also based on assumptions about sell-through rates for its products, and the launch timing, success and pricing of its new slate of products. Current macroeconomic conditions increase those risks and uncertainties. As a result of these and other factors, actual results may deviate materially from the outlook presented above.

Conference Call

Today at 4:30 p.m. EDT, Activision Blizzard's management will host a conference call and Webcast to discuss the company's results for the first-quarter and management's outlook for the remainder of the calendar year. The company welcomes all members of the financial and media communities and other interested parties to visit the "Investor Relations" area of www.activisionblizzard.com to listen to the conference call via live Webcast or to listen to the call live by dialing into **877-719-9796 in the U.S. with passcode 7833192**.

Non-GAAP Financial Measures

In order to supplement our financial measures that are presented in accordance with GAAP, Activision Blizzard presents certain non-GAAP measures of financial performance. The presentation of these non-GAAP financial measures is not intended to be considered in isolation from, as a substitute

for, or superior to, 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 the restructuring of our Activision Publishing operations;
- the amortization of intangibles and impairment of intangible assets; 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, in this release, 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.

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.

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 and used games, 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, the effectiveness of Activision Blizzard's restructuring efforts, 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)

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

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(Amounts in millions)

| | March 31, 2011 | December 31, 2010 |
|--------------------------------|---------------------------|------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 2,658 | \$ 2,812 |
| Short-term investments | 701 | 696 |
| Accounts receivable, net | 95 | 640 |
| Inventories | 103 | 112 |
| Software development | 129 | 147 |
| Intellectual property licenses | 32 | 45 |
| Deferred income taxes, net | 464 | 620 |
| Other current assets | 167 | 293 |
| Total current assets | 4,349 | 5,365 |
| Long-term investments | 25 | 23 |
| Software development | 65 | 55 |
| Intellectual property licenses | 29 | 28 |
| Property and equipment, net | 165 | 169 |
| Other assets | 25 | 21 |

| | | |
|---|------------------|------------------|
| Intangible assets, net | 152 | 160 |
| Trademark and trade names | 433 | 433 |
| Goodwill | 7,134 | 7,132 |
| Total assets | <u>\$ 12,377</u> | <u>\$ 13,386</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 172 | \$ 363 |
| Deferred revenues | 1,043 | 1,726 |
| Accrued expenses and other liabilities | 676 | 838 |
| Total current liabilities | <u>1,891</u> | <u>2,927</u> |
| Deferred income taxes, net | 83 | 92 |
| Other liabilities | 166 | 164 |
| Total liabilities | <u>2,140</u> | <u>3,183</u> |
| Shareholders' equity: | | |
| Common stock | — | — |
| Additional paid-in capital | 12,382 | 12,353 |
| Treasury stock | (2,537) | (2,194) |
| Retained earnings | 366 | 57 |
| Accumulated other comprehensive income (loss) | 26 | (13) |
| Total shareholders' equity | <u>10,237</u> | <u>10,203</u> |
| Total liabilities and shareholders' equity | <u>\$ 12,377</u> | <u>\$ 13,386</u> |

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 March 31, 2011 | Net Revenues | Cost of Sales - Product Costs | Cost of Sales - MMORPG | Cost of Sales - Software Royalties and Amortization | Cost of Sales - Intellectual Property Licenses | Product Development | Sales and Marketing | General and Administrative | Restructuring | Total Costs and Expenses |
|--|---------------|-------------------------------|------------------------|---|--|---------------------|---------------------|----------------------------|---------------|--------------------------|
| GAAP Measurement | \$ 1,449 | \$ 299 | \$ 63 | \$ 61 | \$ 29 | \$ 142 | \$ 64 | \$ 98 | \$ 19 | \$ 775 |
| Less: Net effect from deferral in net revenues and related cost of sales | (a) (694) | (132) | — | (42) | (14) | — | — | — | — | (188) |
| Less: Stock-based compensation | (b) — | — | — | (4) | — | (6) | (1) | (12) | — | (23) |
| Less: Restructuring | (c) — | — | — | — | — | — | — | — | (19) | (19) |
| Less: Amortization of intangible assets | (e) — | — | — | — | (8) | — | — | — | — | (8) |
| Non-GAAP Measurement | <u>\$ 755</u> | <u>\$ 167</u> | <u>\$ 63</u> | <u>\$ 15</u> | <u>\$ 7</u> | <u>\$ 136</u> | <u>\$ 63</u> | <u>\$ 86</u> | <u>\$ —</u> | <u>\$ 537</u> |

| Three Months Ended March 31, 2011 | Operating Income | Net Income | Basic Earnings per Share | Diluted Earnings per Share |
|--|------------------|---------------|--------------------------|----------------------------|
| GAAP Measurement | \$ 674 | \$ 503 | \$ 0.42 | \$ 0.42 |
| Less: Net effect from deferral in net revenues and related cost of sales | (a) (506) | (381) | (0.32) | (0.32) |
| Less: Stock-based compensation | (b) 23 | 15 | 0.01 | 0.01 |
| Less: Restructuring | (c) 19 | 14 | 0.01 | 0.01 |
| Less: Amortization of intangible assets | (e) 8 | 5 | — | — |
| Non-GAAP Measurement | <u>\$ 218</u> | <u>\$ 156</u> | <u>\$ 0.13</u> | <u>\$ 0.13</u> |

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

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

- (a) Reflects the net change in deferred net revenues and related cost of sales.
(b) Includes expense related to stock-based compensation.
(c) Reflects restructuring related to our Activision Publishing operations.
(d) Reflects restructuring related to the Business Combination with Vivendi Games. Restructuring activities includes severance costs, facility exit costs and balance sheet write down and exit costs from the cancellation of projects.
(e) Reflects amortization of intangible assets from purchase price accounting.

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

(Amounts in millions)

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

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

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

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

(Amounts in millions)

| | Three Months Ended | | | | | |
|--|--------------------|------------|----------------|------------|------------------------|-----------------------|
| | March 31, 2011 | | March 31, 2010 | | \$ Increase (Decrease) | % Increase (Decrease) |
| | Amount | % of Total | Amount | % of Total | | |
| GAAP Net Revenues by Segment/Platform Mix | | | | | | |
| Activision and Blizzard: | | | | | | |
| Online subscriptions* | \$ 395 | 27% | \$ 310 | 24% | \$ 85 | 27% |
| PC and Other | 124 | 9 | 49 | 4 | 75 | 153 |
| Sony PlayStation 3 | 342 | 24 | 304 | 23 | 38 | 13 |
| Sony PlayStation 2 | 4 | — | 15 | 1 | (11) | (73) |
| Microsoft Xbox 360 | 396 | 27 | 384 | 30 | 12 | 3 |
| Nintendo Wii | 82 | 6 | 136 | 10 | (54) | (40) |
| Total console^ | 824 | 57 | 839 | 64 | (15) | (2) |
| Sony PlayStation Portable | 5 | — | 5 | — | — | — |
| Nintendo 3DS | 4 | — | — | — | 4 | NM |
| Nintendo Dual Screen | 22 | 2 | 34 | 3 | (12) | (35) |
| Total handheld | 31 | 2 | 39 | 3 | (8) | (21) |
| Total Activision and Blizzard | 1,374 | 95 | 1,237 | 95 | 137 | 11 |
| | | | | | | |
| Distribution: | | | | | | |
| Total Distribution | 75 | 5 | 71 | 5 | 4 | 6 |
| Total consolidated GAAP net revenues | 1,449 | 100 | 1,308 | 100 | 141 | 11 |
| | | | | | | |
| Change in Deferred Net Revenues(1) | | | | | | |
| Activision and Blizzard: | | | | | | |
| Online subscriptions* | (56) | | (8) | | | |
| PC and Other | (87) | | (24) | | | |
| Sony PlayStation 3 | (244) | | (222) | | | |
| Microsoft Xbox 360 | (259) | | (280) | | | |
| Nintendo Wii | (46) | | (60) | | | |
| Total console^ | (549) | | (562) | | | |
| Nintendo Dual Screen | (2) | | — | | | |
| Total changes in deferred net revenues | (694) | | (594) | | | |

Non-GAAP Net Revenues by Segment/Platform Mix

Activision and Blizzard:

| | | | | | | |
|-------------------------------|-----|----|-----|----|------|------|
| Online subscriptions* | 339 | 45 | 302 | 42 | 37 | 12 |
| PC and Other | 37 | 4 | 25 | 3 | 12 | 48 |
| Sony PlayStation 3 | 98 | 13 | 82 | 11 | 16 | 20 |
| Sony PlayStation 2 | 4 | 1 | 15 | 2 | (11) | (73) |
| Microsoft Xbox 360 | 137 | 18 | 104 | 15 | 33 | 32 |
| Nintendo Wii | 36 | 4 | 76 | 11 | (40) | (53) |
| Total console^ | 275 | 36 | 277 | 39 | (2) | (1) |
| Sony PlayStation Portable | 5 | 1 | 5 | 1 | — | — |
| Nintendo 3DS | 4 | 1 | — | — | 4 | NM |
| Nintendo Dual Screen | 20 | 3 | 34 | 5 | (14) | (41) |
| Total handheld | 29 | 5 | 39 | 6 | (10) | (26) |
| Total Activision and Blizzard | 680 | 90 | 643 | 90 | 37 | 6 |

Distribution:

| | | | | | | |
|--------------------------------|--------|------|--------|------|-------|----|
| Total Distribution | 75 | 10 | 71 | 10 | 4 | 6 |
| Total non-GAAP net revenues(2) | \$ 755 | 100% | \$ 714 | 100% | \$ 41 | 6% |

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

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

* Revenue from online subscriptions consists of revenue from all World of Warcraft products, including subscriptions, boxed products, expansion packs, licensing royalties, and value-added services.

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

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES FINANCIAL INFORMATION

For the Three Months Ended March 31, 2011 and 2010

(Amounts in millions)

| | Three Months Ended | | | | | |
|--|--------------------|------------|----------------|------------|---------------------------|--------------------------|
| | March 31, 2011 | | March 31, 2010 | | \$ Increase (Decrease) | % Increase (Decrease) |
| | Amount | % of Total | Amount | % of Total | | |
| GAAP Net Revenues by Geographic Region | | | | | | |
| North America | \$ 748 | 52% | \$ 703 | 54% | \$ 45 | 6% |
| Europe | 594 | 41 | 524 | 40 | 70 | 13 |
| Asia Pacific | 107 | 7 | 81 | 6 | 26 | 32 |
| Total consolidated GAAP net revenues | 1,449 | 100 | 1,308 | 100 | 141 | 11 |

Change in Deferred Net Revenues(1)

| | | |
|-------------------------------|-------|-------|
| North America | (383) | (312) |
| Europe | (271) | (254) |
| Asia Pacific | (40) | (28) |
| Total changes in net revenues | (694) | (594) |

Non-GAAP Net Revenues by Geographic Region

| | | | | | | |
|--------------------------------|--------|------|--------|------|-------|-----|
| North America | 365 | 48 | 391 | 55 | (26) | (7) |
| Europe | 323 | 43 | 270 | 38 | 53 | 20 |
| Asia Pacific | 67 | 9 | 53 | 7 | 14 | 26 |
| Total non-GAAP net revenues(2) | \$ 755 | 100% | \$ 714 | 100% | \$ 41 | 6% |

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

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

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES SEGMENT INFORMATION

For the Three Months Ended March 31, 2011 and 2010

(Amounts in millions)

| | Three Months Ended | | | | | |
|-------------------------|--------------------|------------|----------------|------------|---------------------------|--------------------------|
| | March 31, 2011 | | March 31, 2010 | | \$ Increase (Decrease) | % Increase (Decrease) |
| | Amount | % of Total | Amount | % of Total | | |
| Segment net revenues: | | | | | | |
| Activision(i) | \$ 323 | 22% | \$ 337 | 26% | \$ (14) | (4)% |
| Blizzard(ii) | 357 | 25 | 306 | 23 | 51 | 17 |
| Distribution(iii) | 75 | 5 | 71 | 6 | 4 | 6 |
| Operating segment total | 755 | 52 | 714 | 55 | 41 | 6 |

| | | | | | |
|---|-----------------|-------------|-----------------|---------------|------------|
| Reconciliation to consolidated net revenues: | | | | | |
| Net effect from deferral of net revenues | 694 | 48 | 594 | 45 | |
| Consolidated net revenues | <u>\$ 1,449</u> | <u>100%</u> | <u>\$ 1,308</u> | <u>100%</u> | \$ 141 11% |
| Segment income from operations: | | | | | |
| Activision(i) | \$ 48 | | \$ 7 | \$ 41 | NM% |
| Blizzard(ii) | 170 | | 158 | 12 | 8 |
| Distribution(iii) | — | | — | — | NM |
| Operating segment total | <u>218</u> | | <u>165</u> | <u>53</u> | <u>32</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 | 506 | | 410 | | |
| Stock-based compensation expense | (23) | | (44) | | |
| Restructuring | (19) | | (3) | | |
| Amortization of intangible assets | <u>(8)</u> | | <u>(17)</u> | | |
| Consolidated operating income | 674 | | 511 | 163 | 32 |
| Investment and other income, net | 2 | | — | 2 | NM |
| Consolidated income before income tax expense | <u>\$ 676</u> | | <u>\$ 511</u> | <u>\$ 165</u> | <u>32%</u> |
| Operating margin from total operating segments | 29% | | 23% | | |

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

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

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

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES OUTLOOK

For the Quarter Ending June 30, 2011 and

Year Ending December 31, 2011

GAAP to Non-GAAP Reconciliation

(Amounts in millions, except per share data)

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

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

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

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

(d) Reflects amortization of intangible assets.

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

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