

**ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Unaudited)**  
**(Amounts in millions, except per share data)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Net revenues:				
Product sales	\$ 397	\$ 411	\$ 2,025	\$ 1,848
Subscription, licensing and other revenues	348	292	994	874
Total net revenues	745	703	3,019	2,722
Costs and expenses:				
Cost of sales - product costs	194	185	765	762
Cost of sales - software royalties and amortization	61	54	211	212
Cost of sales - intellectual property licenses	33	45	105	163
Cost of sales - massively multi-player online role playing game ("MMORPG")	61	55	168	158
Product development	119	122	366	362
Sales and marketing	111	128	294	329
General and administrative	111	106	245	301
Restructuring	---	(1)	---	29
Total costs and expenses	690	694	2,154	2,316
Operating income	55	9	865	406
Investment and other income, net	14	11	15	21
Income before income tax expense	69	20	880	427
Income tax expense	18	5	229	28
Net income	\$ 51	\$ 15	\$ 651	\$ 399
Basic earnings per common share	\$ 0.04	\$ 0.01	\$ 0.53	\$ 0.31
Weighted average common shares outstanding	1,212	1,271	1,230	1,289
Diluted earnings per common share	\$ 0.04	\$ 0.01	\$ 0.52	\$ 0.30
Weighted average common shares outstanding assuming dilution	1,227	1,297	1,245	1,320

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

(Unaudited)

(Amounts in millions)

	September 30, 2010	December 31, 2009
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,123	\$ 2,768
Short-term investments	726	477
Accounts receivable, net	246	739
Inventories	258	241
Software development	248	224
Intellectual property licenses	26	55
Deferred income taxes, net	419	498
Other current assets	102	327
Total current assets	4,148	5,329
Long-term investments	23	23
Software development	37	10
Intellectual property licenses	36	28
Property and equipment, net	169	138
Other assets	14	9
Intangible assets, net	566	618
Trademark and trade names	433	433
Goodwill	7,144	7,154
Total assets	\$ 12,570	\$ 13,742
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 238	\$ 302
Deferred revenues	622	1,426
Accrued expenses and other liabilities	533	779
Total current liabilities	1,393	2,507
Deferred income taxes, net	231	270
Other liabilities	200	209
Total liabilities	1,824	2,986
Shareholders' equity:		
Common stock	---	---
Additional paid-in capital	12,313	12,376
Treasury stock	(1,848)	(1,235)
Retained earnings (accumulated deficit)	290	(361)
Accumulated other comprehensive loss	(9)	(24)
Total shareholders' equity	10,746	10,756
Total liabilities and shareholders' equity	\$ 12,570	\$ 13,742

**ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES**  
**RECONCILIATION OF GAAP NET INCOME TO NON-GAAP MEASURES**  
(Amounts in millions, except earnings per share data)

	Net Revenues	Cost of Sales - Product Costs	Cost of Sales - Software Royalties and Amortization	Cost of Sales - Intellectual Property Licenses	Cost of Sales - MMORPG	Product Development	Sales and Marketing	General and Administrative	Total Costs and Expenses
Three Months Ended September 30, 2010									
GAAP Measurement	\$ 745	\$ 194	\$ 61	\$ 33	\$ 61	\$ 119	\$ 111	\$ 111	\$ 690
Less: Net effect from deferral in net revenues and related cost of sales (a)	112	3	8	4	-	-	-	-	15
Less: Stock-based compensation (b)	-	-	(11)	-	-	(6)	(2)	(15)	(34)
Less: Amortization of intangible assets and purchase price accounting related adjustments (d)	-	(1)	(5)	(12)	-	-	-	-	(18)
Non-GAAP Measurement	\$ 857	\$ 196	\$ 53	\$ 25	\$ 61	\$ 113	\$ 109	\$ 96	\$ 653

	Operating Income	Net Income	Basic Earnings per Share	Diluted Earnings per Share
Three Months Ended September 30, 2010				
GAAP Measurement	\$ 55	\$ 51	\$ 0.04	\$ 0.04
Less: Net effect from deferral in net revenues and related cost of sales (a)	97	81	0.07	0.07
Less: Stock-based compensation (b)	34	21	0.02	0.02
Less: Amortization of intangible assets and purchase price accounting related adjustments (d)	18	(5)	-	-
Non-GAAP Measurement	\$ 204	\$ 148	\$ 0.12	\$ 0.12

	Net Revenues	Cost of Sales - Product Costs	Cost of Sales - Software Royalties and Amortization	Cost of Sales - Intellectual Property Licenses	Cost of Sales - MMORPG	Product Development	Sales and Marketing	General and Administrative	Total Costs and Expenses
Nine Months Ended September 30, 2010									
GAAP Measurement	\$ 3,019	\$ 765	\$ 211	\$ 105	\$ 168	\$ 366	\$ 294	\$ 245	\$ 2,154
Less: Net effect from deferral in net revenues and related cost of sales (a)	(765)	(198)	(16)	(12)	-	-	-	-	(226)
Less: Stock-based compensation (b)	-	-	(51)	-	-	(4)	(6)	(33)	(94)
Less: Restructuring (included in general and administrative) (c)	-	-	-	-	-	-	-	(3)	(3)
Less: Amortization of intangible assets and purchase price accounting related adjustments (d)	-	(3)	(10)	(33)	-	-	-	(1)	(47)
Non-GAAP Measurement	\$ 2,254	\$ 564	\$ 134	\$ 60	\$ 168	\$ 362	\$ 288	\$ 208	\$ 1,784

	Operating Income	Net Income	Basic Earnings per Share	Diluted Earnings per Share
Nine Months Ended September 30, 2010				
GAAP Measurement	\$ 865	\$ 651	\$ 0.53	\$ 0.52
Less: Net effect from deferral in net revenues and related cost of sales (a)	(539)	(392)	(0.32)	(0.31)
Less: Stock-based compensation (b)	94	64	0.05	0.05
Less: Restructuring (included in general and administrative) (c)	3	2	0.00	0.00
Less: Amortization of intangible assets and purchase price accounting related adjustments (d)	47	12	0.01	0.01
Non-GAAP Measurement	\$ 470	\$ 337	\$ 0.27	\$ 0.27

(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, and the change in the fair value of assets and liabilities from purchase price accounting related adjustments.

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

**ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES**  
**RECONCILIATION OF GAAP NET INCOME TO NON-GAAP MEASURES**  
(Amounts in millions, except earnings per share data)

		Net Revenues	Cost of Sales - Product Costs	Cost of Sales - Software Royalties and Amortization	Cost of Sales - Intellectual Property Licenses	Cost of Sales - MMORPG	Product Development	Sales and Marketing	General and Administrative	Restructuring	Total Costs and Expenses
Three Months Ended September 30, 2009											
GAAP Measurement		\$ 703	\$ 185	\$ 54	\$ 45	\$ 55	\$ 122	\$ 128	\$ 106	\$ (1)	\$ 694
Less: Net effect from deferral in net revenues and related cost of sales	(a)	52	20	31	5	-	-	5	-	-	61
Less: Stock-based compensation	(b)	-	-	(3)	-	-	(11)	(2)	(20)	-	(36)
Less: Costs related to the Business Combination, integration and restructuring	(d)	-	-	-	-	-	-	-	(7)	1	(6)
Less: Amortization of intangible assets and purchase price accounting related adjustments	(e)	-	(1)	(8)	(24)	-	-	-	-	-	(33)
Non-GAAP Measurement		\$ 755	\$ 204	\$ 74	\$ 26	\$ 55	\$ 111	\$ 131	\$ 79	\$ -	\$ 680

		Operating Income	Net Income	Basic Earnings per Share	Diluted Earnings per Share
Three Months Ended September 30, 2009					
GAAP Measurement		\$ 9	\$ 15	\$ 0.01	\$ 0.01
Less: Net effect from deferral in net revenues and related cost of sales	(a)	(9)	5	0.00	0.00
Less: Stock-based compensation	(b)	36	23	0.02	0.02
Less: Costs related to the Business Combination, integration and restructuring	(d)	6	3	0.00	0.00
Less: Amortization of intangible assets and purchase price accounting related adjustments	(e)	33	9	0.01	0.01
Non-GAAP Measurement		\$ 75	\$ 55	\$ 0.04	\$ 0.04

		Net Revenues	Cost of Sales - Product Costs	Cost of Sales - Software Royalties and Amortization	Cost of Sales - Intellectual Property Licenses	Cost of Sales - MMORPG	Product Development	Sales and Marketing	General and Administrative	Restructuring	Total Costs and Expenses
Nine Months Ended September 30, 2009											
GAAP Measurement		\$ 2,722	\$ 762	\$ 212	\$ 163	\$ 158	\$ 362	\$ 329	\$ 301	\$ 29	\$ 2,316
Less: Net effect from deferral in net revenues and related cost of sales	(a)	(441)	(79)	(20)	(6)	-	-	5	-	-	(100)
Less: Stock-based compensation	(b)	-	-	(19)	-	-	(28)	(9)	(51)	-	(107)
Less: Results of Activision Blizzard's non-core exit operations	(c)	(1)	-	-	-	-	4	(3)	(10)	-	(9)
Less: Costs related to the Business Combination, integration and restructuring	(d)	-	-	-	-	-	-	-	(24)	(29)	(53)
Less: Amortization of intangible assets and purchase price accounting related adjustments	(e)	-	(4)	(36)	(75)	-	-	-	(2)	-	(117)
Non-GAAP Measurement		\$ 2,280	\$ 679	\$ 137	\$ 82	\$ 158	\$ 338	\$ 322	\$ 214	\$ -	\$ 1,930

		Operating Income	Net Income	Basic Earnings per Share	Diluted Earnings per Share
Nine Months Ended September 30, 2009					
GAAP Measurement		\$ 406	\$ 399	\$ 0.31	\$ 0.30
Less: Net effect from deferral in net revenues and related cost of sales	(a)	(341)	(274)	(0.21)	(0.21)
Less: Stock-based compensation	(b)	107	67	0.05	0.05
Less: Results of Activision Blizzard's non-core exit operations	(c)	8	5	0.00	0.00
Less: Costs related to the Business Combination, integration and restructuring	(d)	53	32	0.02	0.02
Less: Amortization of intangible assets and purchase price accounting related adjustments	(e)	117	49	0.05	0.05
Non-GAAP Measurement		\$ 350	\$ 278	\$ 0.21	\$ 0.21

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

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

(c) Reflects the results of products and operations from the historical Vivendi Games businesses that the company has exited, divested or wound down.

(d) Reflects costs related to the Business Combination with Vivendi Games (including transaction costs, integration costs and restructuring activities). 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, and the change in the fair value of assets and liabilities from purchase price accounting related adjustments.

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

**ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES**  
**FINANCIAL INFORMATION**  
**For the Three Months Ended September 30, 2010 and 2009**  
(Amounts in millions)

	September 30, 2010		Three Months Ended September 30, 2009		\$ Increase (Decrease)	% Increase (Decrease)
	Amount	% of Total	Amount	% of Total		
	<b>GAAP Net Revenues by Segment/Platform Mix</b>					
Activision and Blizzard:						
MMORPG	\$ 289	39 %	\$ 306	44 %	\$ (17)	(6) %
PC and other	73	10	27	4	46	170
Sony PlayStation 3	109	15	73	10	36	49
Sony PlayStation 2	6	1	37	5	(31)	(84)
Microsoft Xbox 360	127	16	104	15	23	22
Nintendo Wii	56	8	72	10	(16)	(22)
Total console	298	40	286	40	12	4
Sony PlayStation Portable	3	---	9	1	(6)	(67)
Nintendo Dual Screen	20	3	21	3	(1)	(5)
Total handheld	23	3	30	4	(7)	(23)
Total Activision and Blizzard	683	92	649	92	34	5
Distribution:						
Total Distribution	62	8	54	8	8	15
Total consolidated GAAP net revenues	745	100	703	100	42	6
<b>Change in Deferred Net Revenues <sup>1</sup></b>						
Activision and Blizzard:						
MMORPG	(7)		(31)			
PC and other	141		3			
Sony PlayStation 3	(5)		34			
Microsoft Xbox 360	(26)		38			
Nintendo Wii	9		8			
Total console	(22)		80			
Total changes in deferred net revenues	112		52			
<b>Non-GAAP Net Revenues by Segment/Platform Mix</b>						
Activision and Blizzard:						
MMORPG	282	33	275	36	7	3
PC and other	214	25	30	4	184	NM
Sony PlayStation 3	104	12	107	14	(3)	(3)
Sony PlayStation 2	6	1	37	5	(31)	(84)
Microsoft Xbox 360	101	12	142	19	(41)	(29)
Nintendo Wii	65	8	80	11	(15)	(19)
Total console	276	33	366	49	(90)	(25)
Sony PlayStation Portable	3	---	9	1	(6)	(67)
Nintendo Dual Screen	20	2	21	3	(1)	(5)
Total handheld	23	2	30	4	(7)	(23)
Total Activision and Blizzard	795	93	701	93	94	13
Total Distribution	62	7	54	7	8	15
Total non-GAAP net revenues <sup>2</sup>	\$ 857	100 %	\$ 755	100 %	\$ 102	14 %

<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.

**ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES**  
**FINANCIAL INFORMATION**  
**For the Nine Months Ended September 30, 2010 and 2009**  
(Amounts in millions)

	September 30, 2010		September 30, 2009		\$ Increase (Decrease)	% Increase (Decrease)
	Amount	% of Total	Amount	% of Total		
	Nine Months Ended					
<b>GAAP Net Revenues by Segment/Platform Mix</b>						
Activision and Blizzard:						
MMORPG	\$ 890	29 %	\$ 952	35 %	\$ (62)	(7) %
PC and other	201	7	106	4	95	90
Sony PlayStation 3	595	20	356	13	239	67
Sony PlayStation 2	29	1	121	4	(92)	(76)
Microsoft Xbox 360	751	25	533	20	218	41
Nintendo Wii	267	9	324	12	(57)	(18)
Total console	1,642	55	1,334	49	308	23
Sony PlayStation Portable	11	---	32	1	(21)	(66)
Nintendo Dual Screen	90	3	95	4	(5)	(5)
Total handheld	101	3	127	5	(26)	(20)
Total Activision and Blizzard	2,834	94	2,519	93	315	13
Distribution:						
Total Distribution	185	6	202	7	(17)	(8)
Total platform mix net revenues	3,019	100	2,721	100	298	11
Other <sup>1</sup>						
Total consolidated GAAP net revenues	3,019	100	2,722	100	297	11
<b>Change in Deferred Net Revenues <sup>1</sup></b>						
Activision and Blizzard:						
MMORPG	(13)		(106)			
PC and other	81		(26)			
Sony PlayStation 3	(317)		(84)			
Microsoft Xbox 360	(425)		(145)			
Nintendo Wii	(91)		(80)			
Total console	(833)		(309)			
Total changes in deferred net revenues	(765)		(441)			
Other <sup>1</sup>						
	---		(1)			
<b>Non-GAAP Net Revenues by Segment/Platform Mix</b>						
Activision and Blizzard:						
MMORPG	877	39	846	37	31	4
PC and other	282	13	80	4	202	NM
Sony PlayStation 3	278	12	272	12	6	2
Sony PlayStation 2	29	1	121	5	(92)	(76)
Microsoft Xbox 360	326	14	388	17	(62)	(16)
Nintendo Wii	176	8	244	11	(68)	(28)
Total console	809	35	1,025	45	(216)	(21)
Sony PlayStation Portable	11	1	32	1	(21)	(66)
Nintendo Dual Screen	90	4	95	4	(5)	(5)
Total handheld	101	5	127	5	(26)	(20)
Total Activision and Blizzard	2,069	92	2,078	91	(9)	-
Total Distribution	185	8	202	9	(17)	(8)
Total non-GAAP net revenues <sup>2</sup>	\$ 2,254	100 %	\$ 2,280	100 %	\$ (26)	(1) %

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

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



**ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES**  
**SEGMENT INFORMATION**  
**For the Three And Nine Months Ended September 30, 2010 and 2009**  
(Amounts in millions)

	Three Months Ended					
	September 30, 2010		September 30, 2009		\$ Increase (Decrease)	% Increase (Decrease)
	Amount	% of Total	Amount	% of Total		
<b>Segment net revenues:</b>						
Activision <sup>(i)</sup>	\$ 314	42 %	\$ 415	59 %	\$ (101)	(24) %
Blizzard <sup>(ii)</sup>	481	65	286	40	195	68
Distribution <sup>(iii)</sup>	62	8	54	8	8	15
Operating segment total	<u>857</u>	<u>115</u>	<u>755</u>	<u>107</u>	<u>102</u>	<u>14</u>
<b>Reconciliation to consolidated net revenues:</b>						
Net effect from deferral of net revenues	(112)	(15)	(52)	(7)		
Consolidated net revenues	<u>\$ 745</u>	<u>100 %</u>	<u>\$ 703</u>	<u>100 %</u>	42	6
<b>Segment income (loss) from operations:</b>						
Activision <sup>(i)</sup>	\$ (43)		\$ (43)		-	NM
Blizzard <sup>(ii)</sup>	246		116		130	112
Distribution <sup>(iii)</sup>	1		2		(1)	NM
Operating segment total	<u>204</u>		<u>75</u>		<u>129</u>	<u>172</u>
<b>Reconciliation to consolidated operating income:</b>						
Net effect from deferral of net revenues and related cost of sales	(97)		9			
Stock-based compensation expense	(34)		(36)			
Restructuring	---		1			
Amortization of intangible assets and purchase price accounting related adjustments	(18)		(33)			
Integration and transactions costs	---		(7)			
Consolidated operating income	<u>\$ 55</u>		<u>\$ 9</u>		\$ 46	NM
Operating margin from total operating segments	24%		10%			

	Nine Months Ended					
	September 30, 2010		September 30, 2009		\$ Increase (Decrease)	% Increase (Decrease)
	Amount	% of Total	Amount	% of Total		
<b>Segment net revenues:</b>						
Activision <sup>(i)</sup>	\$ 983	33 %	\$ 1,211	44 %	\$ (228)	(19) %
Blizzard <sup>(ii)</sup>	1,086	36	867	33	219	25
Distribution <sup>(iii)</sup>	185	6	202	7	(17)	(8)
Operating segment total	<u>2,254</u>	<u>75</u>	<u>2,280</u>	<u>84</u>	<u>(26)</u>	<u>(1)</u>
<b>Reconciliation to consolidated net revenues:</b>						
Net effect from deferral of net revenues	765	25	441	16		
Other <sup>(iv)</sup>	---	---	1	---		
Consolidated net revenues	<u>\$ 3,019</u>	<u>100 %</u>	<u>\$ 2,722</u>	<u>100 %</u>	297	11
<b>Segment income (loss) from operations:</b>						
Activision <sup>(i)</sup>	\$ (88)		\$ (49)		(39)	NM
Blizzard <sup>(ii)</sup>	559		393		166	42
Distribution <sup>(iii)</sup>	(1)		6		(7)	NM
Operating segment total	<u>470</u>		<u>350</u>		<u>120</u>	<u>34</u>
<b>Reconciliation to consolidated operating income:</b>						
Net effect from deferral of net revenues and related cost of sales	539		341			
Stock-based compensation expense	(94)		(107)			
Restructuring	(3)		(29)			
Amortization of intangible assets and purchase price accounting related adjustments	(47)		(117)			
Integration and transactions costs	---		(24)			
Other <sup>(iv)</sup>	---		(8)			
Consolidated operating income	<u>\$ 865</u>		<u>\$ 406</u>		\$ 459	113 %
Operating margin from total operating segments	21%		15%			

(i) Activision Publishing ("Activision") — publishes interactive entertainment software and peripherals.

(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.

(iv) Other represents Non-Core activities, which are legacy Vivendi Games' divisions or business units that we have exited, divested or wound down as part of our restructuring and integration efforts as a result of the Business Combination. Prior to July 1, 2009, Non-Core activities were managed as a stand alone operating segment; however, in light of the minimal activities and insignificance of Non-Core activities, as of that date we ceased their management as a separate operating segment and consequently, we are no longer providing separate operating segment disclosure.



**ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES OUTLOOK**  
**For the Quarter Ending December 31, 2010 and**  
**Year Ending December 31, 2010**  
**GAAP to Non-GAAP Reconciliation**  
**(Amounts in millions, except per share data)**

	<b>Outlook for Three Months Ending <u>December 31, 2010</u></b>	<b>Outlook for Year Ending <u>December 31, 2010</u></b>
<b>Net Revenues (GAAP)</b>	\$ 1,260	\$ 4,280
<b><u>Excluding the impact of:</u></b>		
Change in deferred net revenues	(a) <u>940</u>	<u>170</u>
<b>Non-GAAP Net Revenues</b>	\$ 2,200	\$ 4,450
<b>(Loss)/Earnings Per Diluted Share (GAAP)</b>	\$ (0.01)	\$ 0.51
<b><u>Excluding the impact of:</u></b>		
Net effect from deferral in net revenues and related cost of sales	(b) 0.44	0.12
Stock-based compensation	(c) 0.01	0.06
Amortization of intangible assets	(d) 0.03	0.05
<b>Non-GAAP Earnings Per Diluted Share</b>	<u>\$ 0.47</u>	<u>\$ 0.74</u>

- (a) Reflects the net change in deferred net revenues.  
(b) Reflects the net change in deferred net revenues and related cost of sales.  
(c) Reflects expense related to stock-based compensation.  
(d) Reflects amortization of intangible assets.

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