

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

(Unaudited)

(Amounts in millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Net revenues:				
Product sales	\$ 768	\$ 643	\$ 1,829	\$ 1,629
Subscription, licensing and other revenues	378	324	766	646
Total net revenues	1,146	967	2,595	2,275
Costs and expenses:				
Cost of sales - product costs	213	235	512	572
Cost of sales - massively multi-player online role playing game ("MMORPG")	59	53	122	109
Cost of sales - software royalties and amortization	47	51	109	150
Cost of sales - intellectual property licenses	24	29	53	72
Product development	116	100	258	237
Sales and marketing	90	125	150	181
General and administrative	127	74	228	143
Restructuring	3	---	22	-
Total costs and expenses	679	667	1,454	1,464
Operating income	467	300	1,141	811
Investment and other income, net	2	1	5	1
Income before income tax expense	469	301	1,146	812
Income tax expense	134	82	308	212
Net income	\$ 335	\$ 219	\$ 838	\$ 600
Basic earnings per common share	\$ 0.29	\$ 0.18	\$ 0.71	\$ 0.48
Weighted average common shares outstanding	1,141	1,232	1,157	1,239
Diluted earnings per common share ¹	\$ 0.29	\$ 0.17	\$ 0.71	\$ 0.47
Weighted average common shares outstanding assuming dilution	1,150	1,248	1,166	1,254

¹ 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 \$330 million and \$826 million for the three and six months ended June 30, 2011 as compared to the total net income of \$335 million and \$838 million for the same periods, respectively. Net income attributable to Activision Blizzard Inc. common shareholders used to calculate earnings per common share assuming dilution was \$217 million and \$595 million for the three and six months ended June 30, 2010 as compared to total net income of \$219 million and \$600 million for the same periods, respectively.

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

(Amounts in millions)

	June 30, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,334	\$ 2,812
Short-term investments	610	696
Accounts receivable, net	140	640
Inventories	93	112
Software development	126	147
Intellectual property licenses	43	45
Deferred income taxes, net	511	648
Other current assets	97	299
Total current assets	3,954	5,399
Long-term investments	25	23
Software development	90	55
Intellectual property licenses	16	28
Property and equipment, net	163	169
Other assets	17	15
Intangible assets, net	144	160
Trademark and trade names	433	433
Goodwill	7,130	7,132
Total assets	\$ 11,972	\$ 13,414
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 156	\$ 363
Deferred revenues	601	1,726
Accrued expenses and other liabilities	489	838
Total current liabilities	1,246	2,927
Deferred income taxes, net	97	120
Other liabilities	164	164
Total liabilities	1,507	3,211
Shareholders' equity:		
Common stock	---	---
Additional paid-in capital	9,735	12,353
Treasury stock	---	(2,194)
Retained earnings	701	57
Accumulated other comprehensive income (loss)	29	(13)
Total shareholders' equity	10,465	10,203
Total liabilities and shareholders' equity	\$ 11,972	\$ 13,414

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 June 30, 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		\$ 1,146	\$ 213	\$ 59	\$ 47	\$ 24	\$ 116	\$ 90	\$ 127	\$ 3	\$ 679
Less: Net effect from deferral in net revenues and related cost of sales	(a)	(447)	(78)	-	(32)	(5)	-	-	-	-	(115)
Less: Stock-based compensation	(b)	-	-	-	(3)	-	(5)	(1)	(11)	-	(20)
Less: Restructuring	(c)	-	-	-	-	-	-	-	-	(3)	(3)
Less: Amortization of intangible assets	(d)	-	-	-	-	(7)	-	-	-	-	(7)
Non-GAAP Measurement		\$ 699	\$ 135	\$ 59	\$ 12	\$ 12	\$ 111	\$ 89	\$ 116	\$ -	\$ 534

Three months ended June 30, 2011		Operating Income	Net Income	Basic Earnings per Share	Diluted Earnings per Share
GAAP Measurement		\$ 467	\$ 335	\$ 0.29	\$ 0.29
Less: Net effect from deferral in net revenues and related cost of sales	(a)	(332)	(238)	(0.21)	(0.20)
Less: Stock-based compensation	(b)	20	15	0.01	0.01
Less: Restructuring	(c)	3	2	-	-
Less: Amortization of intangible assets	(d)	7	4	-	-
Non-GAAP Measurement		\$ 165	\$ 118	\$ 0.10	\$ 0.10

Six months ended June 30, 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		\$ 2,595	\$ 512	\$ 122	\$ 109	\$ 53	\$ 258	\$ 150	\$ 228	\$ 22	\$ 1,454
Less: Net effect from deferral in net revenues and related cost of sales	(a)	(1,141)	(209)	-	(75)	(19)	-	-	-	-	(303)
Less: Stock-based compensation	(b)	-	-	-	(6)	-	(11)	(3)	(23)	-	(43)
Less: Restructuring	(c)	-	-	-	-	-	-	-	-	(22)	(22)
Less: Amortization of intangible assets	(d)	-	-	-	(1)	(15)	-	-	-	-	(16)
Non-GAAP Measurement		\$ 1,454	\$ 303	\$ 122	\$ 27	\$ 19	\$ 247	\$ 147	\$ 205	\$ -	\$ 1,070

Six months ended June 30, 2011		Operating Income	Net Income	Basic Earnings per Share	Diluted Earnings per Share
GAAP Measurement		\$ 1,141	\$ 838	\$ 0.71	\$ 0.71
Less: Net effect from deferral in net revenues and related cost of sales	(a)	(838)	(619)	(0.53)	(0.52)
Less: Stock-based compensation	(b)	43	30	0.03	0.03
Less: Restructuring	(c)	22	16	0.01	0.01
Less: Amortization of intangible assets	(d)	16	10	0.01	0.01
Non-GAAP Measurement		\$ 384	\$ 275	\$ 0.23	\$ 0.23

- (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 from purchase price 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 common shareholders used to calculate non-GAAP earnings per common share assuming dilution was \$117 million and \$270 million for the three and six months ended June 30, 2011 as compared to the total non-GAAP net income of \$118 million and \$275 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 June 30, 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	\$ 967	\$ 235	\$ 53	\$ 51	\$ 29	\$ 100	\$ 125	\$ 74	\$ 667
Less: Net effect from deferral in net revenues and related cost of sales (a)	(284)	(68)	-	13	(2)	-	-	-	(57)
Less: Stock-based compensation (b)	-	-	-	(12)	-	6	(2)	(9)	(17)
Less: Restructuring (included in general and administrative) (c)	-	-	-	-	-	-	-	(1)	(1)
Less: Amortization of intangible assets (d)	-	(1)	-	-	(9)	-	-	-	(10)
Non-GAAP Measurement	\$ 683	\$ 166	\$ 53	\$ 52	\$ 18	\$ 106	\$ 123	\$ 64	\$ 582

Three months ended June 30, 2010	Operating Income	Net Income	Basic Earnings per Share	Diluted Earnings per Share
GAAP Measurement	\$ 300	\$ 219	\$ 0.18	\$ 0.17
Less: Net effect from deferral in net revenues and related cost of sales (a)	(227)	(165)	(0.13)	(0.13)
Less: Stock-based compensation (b)	17	12	0.01	0.01
Less: Restructuring (included in general and administrative) (c)	1	-	-	-
Less: Amortization of intangible assets (d)	10	6	-	-
Non-GAAP Measurement	\$ 101	\$ 72	\$ 0.06	\$ 0.06

Six months ended June 30, 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	\$ 2,275	\$ 572	\$ 109	\$ 150	\$ 72	\$ 237	\$ 181	\$ 143	\$ 1,464
Less: Net effect from deferral in net revenues and related cost of sales (a)	(878)	(201)	-	(24)	(16)	-	-	-	(241)
Less: Stock-based compensation (b)	-	-	-	(41)	-	2	(3)	(18)	(60)
Less: Restructuring (included in general and administrative) (c)	-	-	-	-	-	-	-	(4)	(4)
Less: Amortization of intangible assets (d)	-	(2)	-	(4)	(21)	-	-	(1)	(28)
Non-GAAP Measurement	\$ 1,397	\$ 369	\$ 109	\$ 81	\$ 35	\$ 239	\$ 178	\$ 120	\$ 1,131

Six months ended June 30, 2010	Operating Income	Net Income	Basic Earnings per Share	Diluted Earnings per Share
GAAP Measurement	\$ 811	\$ 600	\$ 0.48	\$ 0.47
Less: Net effect from deferral in net revenues and related cost of sales (a)	(637)	(473)	(0.38)	(0.37)
Less: Stock-based compensation (b)	60	42	0.03	0.03
Less: Restructuring (included in general and administrative) (c)	4	2	-	-
Less: Amortization of intangible assets (d)	28	17	0.01	0.01
Non-GAAP Measurement	\$ 266	\$ 188	\$ 0.15	\$ 0.15

(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 from purchase price 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 common shareholders used to calculate non-GAAP earnings per common share assuming dilution was \$72 million and \$187 million for the three and six months ended June 30, 2010 as compared to total non-GAAP net income of \$72 million and \$188 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
FINANCIAL INFORMATION

For the Three and Six Months Ended June 30, 2011 and 2010

(Amounts in millions)

	Three Months Ended							
	June 30, 2011		June 30, 2010		\$ Increase (Decrease)	% Increase (Decrease)		
	Amount	% of Total	Amount	% of Total				
GAAP Net Revenues by Distribution Channel								
Retail channels	\$ 660	58 %	\$ 584	61 %	\$ 76	13 %		
Digital online channels*	423	37	332	34	91	27		
Total Activision and Blizzard	1,083	95	916	95	167	18		
Distribution	63	5	51	5	12	24		
Total consolidated GAAP net revenues	1,146	100	967	100	179	19		
Change in Deferred Net Revenues¹								
Retail channels	(448)		(326)					
Digital online channels*	1		42					
Total changes in deferred net revenues	(447)		(284)					
Non-GAAP Net Revenues by Distribution Channel								
Retail channels	212	30	258	38	(46)	(18)		
Digital online channels*	424	61	374	55	50	13		
Total Activision and Blizzard	636	91	632	93	4	1		
Distribution	63	9	51	7	12	24		
Total non-GAAP net revenues ²	\$ 699	100 %	\$ 683	100 %	\$ 16	2 %		

	Six Months Ended							
	June 30, 2011		June 30, 2010		\$ Increase (Decrease)	% Increase (Decrease)		
	Amount	% of Total	Amount	% of Total				
GAAP Net Revenues by Distribution Channel								
Retail channel	\$ 1,607	62 %	\$ 1,490	66 %	\$ 117	8 %		
Digital online channel*	851	33	663	29	188	28		
Total Activision and Blizzard	2,458	95	2,153	95	305	14		
Distribution	137	5	122	5	15	12		
Total consolidated GAAP net revenues	2,595	100	2,275	100	320	14		
Change in Deferred Net Revenues¹								
Retail channel	(1,154)		(928)					
Digital online channel*	13		50					
Total changes in deferred net revenues	(1,141)		(878)					
Non-GAAP Net Revenues by Distribution Channel								
Retail channel	453	31	562	40	(109)	(19)		
Digital online channel*	864	59	713	51	151	21		
Total Activision and Blizzard	1,317	90	1,275	91	42	3		
Distribution	137	10	122	9	15	12		
Total non-GAAP net revenues ²	\$ 1,454	100 %	\$ 1,397	100 %	\$ 57	4 %		

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

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

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

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
FINANCIAL INFORMATION

For the Three Months Ended June 30, 2011 and 2010

(Amounts in millions)

	Three Months Ended					
	June 30, 2011		June 30, 2010		\$ Increase	% Increase
	Amount	% of Total	Amount	% of Total	(Decrease)	(Decrease)
GAAP Net Revenues by Segment/Platform Mix						
Activision and Blizzard:						
Online subscriptions*	\$ 359	31 %	\$ 291	30 %	\$ 68	23 %
PC and Other	80	7	79	8	1	1
Sony PlayStation 3	239	21	182	19	57	31
Sony PlayStation 2	2	---	9	1	(7)	(78)
Microsoft Xbox 360	300	26	240	24	60	25
Nintendo Wii	70	6	76	8	(6)	(8)
Total console^	611	53	507	52	104	21
Sony PlayStation Portable	4	---	3	---	1	33
Nintendo Dual Screen	29	3	36	5	(7)	(19)
Total handheld	33	3	39	5	(6)	(15)
Total Activision and Blizzard	1,083	94	916	95	167	18
Distribution:						
Total Distribution	63	6	51	5	12	24
Total consolidated GAAP net revenues	1,146	100	967	100	179	19
Change in Deferred Net Revenues¹						
Activision and Blizzard:						
Online subscriptions*	(67)		2			
PC and Other	(35)		(37)			
Sony PlayStation 3	(156)		(90)			
Microsoft Xbox 360	(146)		(119)			
Nintendo Wii	(39)		(40)			
Total console^	(341)		(249)			
Nintendo Dual Screen	(4)		---			
Total changes in deferred net revenues	(447)		(284)			
Non-GAAP Net Revenues by Segment/Platform Mix						
Activision and Blizzard:						
Online subscriptions*	292	42	293	43	(1)	-
PC and Other	45	6	42	6	3	7
Sony PlayStation 3	83	12	92	14	(9)	(10)
Sony PlayStation 2	2	---	9	1	(7)	(78)
Microsoft Xbox 360	154	22	121	18	33	27
Nintendo Wii	31	4	36	5	(5)	(14)
Total console^	270	38	258	38	12	5
Sony PlayStation Portable	4	1	3	1	1	33
Nintendo Dual Screen	25	4	36	5	(11)	(31)
Total handheld	29	5	39	6	(10)	(26)
Total Activision and Blizzard	636	91	632	93	4	1
Distribution:						
Total Distribution	63	9	51	7	12	24
Total non-GAAP net revenues ²	\$ 699	100 %	\$ 683	100 %	\$ 16	2 %

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 and its related revenues are included in each respective console platforms, hence, total console.

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
FINANCIAL INFORMATION

For the Six Months Ended June 30, 2011 and 2010

(Amounts in millions)

	Six Months Ended					
	June 30, 2011		June 30, 2010		\$ Increase	% Increase
	Amount	% of Total	Amount	% of Total	(Decrease)	(Decrease)
GAAP Net Revenues by Segment/Platform Mix						
Activision and Blizzard:						
Online subscriptions*	\$ 754	29 %	\$ 602	26 %	\$ 152	25 %
PC and Other	205	8	127	7	78	61
Sony PlayStation 3	581	22	486	22	95	20
Sony PlayStation 2	6	---	24	1	(18)	(75)
Microsoft Xbox 360	697	27	624	27	73	12
Nintendo Wii	152	6	212	9	(60)	(28)
Total console^	1,436	55	1,346	59	90	7
Sony PlayStation Portable	8	---	8	---	---	---
Nintendo Dual Screen	55	3	70	3	(15)	(21)
Total handheld	63	3	78	3	(15)	(19)
Total Activision and Blizzard	2,458	95	2,153	95	305	14
Distribution:						
Total Distribution	137	5	122	5	15	12
Total consolidated GAAP net revenues	2,595	100	2,275	100	320	14
Change in Deferred Net Revenues¹						
Activision and Blizzard:						
Online subscriptions*	(123)		(7)			
PC and Other	(123)		(60)			
Sony PlayStation 3	(400)		(312)			
Microsoft Xbox 360	(405)		(399)			
Nintendo Wii	(84)		(100)			
Total console^	(889)		(811)			
Nintendo Dual Screen	(6)		---			
Total changes in deferred net revenues	(1,141)		(878)			
Non-GAAP Net Revenues by Segment/Platform Mix						
Activision and Blizzard:						
Online subscriptions*	631	43	595	42	36	6
PC and Other	82	6	67	5	15	22
Sony PlayStation 3	181	12	174	12	7	4
Sony PlayStation 2	6	---	24	2	(18)	(75)
Microsoft Xbox 360	292	20	225	16	67	30
Nintendo Wii	68	5	112	8	(44)	(39)
Total console^	547	37	535	38	12	2
Sony PlayStation Portable	8	1	8	1	---	---
Nintendo Dual Screen	49	4	70	5	(21)	(30)
Total handheld	57	5	78	6	(21)	(27)
Total Activision and Blizzard	1,317	91	1,275	91	42	3
Distribution:						
Total Distribution	137	9	122	9	15	12
Total non-GAAP net revenues ²	\$ 1,454	100 %	\$ 1,397	100 %	\$ 57	4 %

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 and its related revenues are included in each respective console platforms, hence, total console.

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
FINANCIAL INFORMATION
For the Three and Six Months Ended June 30, 2011 and 2010
(Amounts in millions)

	Three Months Ended					
	June 30, 2011		June 30, 2010		\$ Increase	% Increase
	Amount	% of Total	Amount	% of Total	(Decrease)	(Decrease)
GAAP Net Revenues by Geographic Region						
North America	\$ 580	50 %	\$ 567	59 %	\$ 13	2 %
Europe	467	41	337	35	130	39
Asia Pacific	99	9	63	6	36	57
Total consolidated GAAP net revenues	<u>1,146</u>	<u>100</u>	<u>967</u>	<u>100</u>	<u>179</u>	<u>19</u>
Change in Deferred Net Revenues¹						
North America	(249)		(192)			
Europe	(181)		(79)			
Asia Pacific	(17)		(13)			
Total changes in net revenues	<u>(447)</u>		<u>(284)</u>			
Non-GAAP Net Revenues by Geographic Region						
North America	331	47	375	55	(44)	(12)
Europe	286	41	258	38	28	11
Asia Pacific	82	12	50	7	32	64
Total non-GAAP net revenues ²	<u>\$ 699</u>	<u>100 %</u>	<u>\$ 683</u>	<u>100 %</u>	<u>\$ 16</u>	<u>2 %</u>

	Six Months Ended					
	June 30, 2011		June 30, 2010		\$ Increase	% Increase
	Amount	% of Total	Amount	% of Total	(Decrease)	(Decrease)
GAAP Net Revenues by Geographic Region						
North America	\$ 1,328	51 %	\$ 1,270	56 %	\$ 58	5 %
Europe	1,061	41	861	38	200	23
Asia Pacific	206	8	144	6	62	43
Total consolidated GAAP net revenues	<u>2,595</u>	<u>100</u>	<u>2,275</u>	<u>100</u>	<u>320</u>	<u>14</u>
Change in Deferred Net Revenues¹						
North America	(632)		(504)			
Europe	(452)		(333)			
Asia Pacific	(57)		(41)			
Total changes in net revenues	<u>(1,141)</u>		<u>(878)</u>			
Non-GAAP Net Revenues by Geographic Region						
North America	696	48	766	55	(70)	(9)
Europe	609	42	528	38	81	15
Asia Pacific	149	10	103	7	46	45
Total non-GAAP net revenues ²	<u>\$ 1,454</u>	<u>100 %</u>	<u>\$ 1,397</u>	<u>100 %</u>	<u>\$ 57</u>	<u>4 %</u>

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

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

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
SEGMENT INFORMATION

For the Three and Six Months Ended 2011 and 2010

(Amounts in millions)

	Three Months Ended					
	June 30, 2011		June 30, 2010		\$ Increase (Decrease)	% Increase (Decrease)
	Amount	% of Total	Amount	% of Total		
Segment net revenues:						
Activision ⁽ⁱ⁾	\$ 323	28 %	\$ 333	34 %	\$ (10)	(3)%
Blizzard ⁽ⁱⁱ⁾	313	27	299	31	14	5
Distribution ⁽ⁱⁱⁱ⁾	63	6	51	6	12	24
Operating segment total	699	61	683	71	16	2
Reconciliation to consolidated net revenues:						
Net effect from deferral of net revenues	447	39	284	29		
Consolidated net revenues	\$ 1,146	100 %	\$ 967	100 %	\$ 179	19 %
Segment income from operations:						
Activision ⁽ⁱ⁾	\$ 31		\$ (53)		\$ 84	NM%
Blizzard ⁽ⁱⁱ⁾	135		155		(20)	(13)
Distribution ⁽ⁱⁱⁱ⁾	(1)		(1)		---	NM
Operating segment total	165		101		64	63
Reconciliation to consolidated operating income and consolidated income before income tax expense:						
Net effect from deferral of net revenues and related cost of sales	332		227			
Stock-based compensation expense	(20)		(17)			
Restructuring	(3)		(1)			
Amortization of intangible assets	(7)		(10)			
Consolidated operating income	467		300		167	56
Investment and other income, net	2		1		1	NM
Consolidated income before income tax expense	\$ 469		\$ 301		\$ 168	56 %
Operating margin from total operating segments	24%		15%			

	Six Months Ended					
	June 30, 2011		June 30, 2010		\$ Increase (Decrease)	% Increase (Decrease)
	Amount	% of Total	Amount	% of Total		
Segment net revenues:						
Activision ⁽ⁱ⁾	\$ 646	25 %	\$ 670	29 %	\$ (24)	(4)%
Blizzard ⁽ⁱⁱ⁾	671	26	605	27	66	11
Distribution ⁽ⁱⁱⁱ⁾	137	5	122	5	15	12
Operating segment total	1,454	56	1,397	61	57	4
Reconciliation to consolidated net revenues:						
Net effect from deferral of net revenues	1,141	44	878	39		
Consolidated net revenues	\$ 2,595	100 %	\$ 2,275	100 %	\$ 320	14 %
Segment income (loss) from operations:						
Activision ⁽ⁱ⁾	\$ 78		\$ (46)		\$ 124	NM%
Blizzard ⁽ⁱⁱ⁾	306		313		(7)	(2)
Distribution ⁽ⁱⁱⁱ⁾	---		(1)		1	NM
Operating segment total	384		266		118	44
Reconciliation to consolidated operating income:						
Net effect from deferral of net revenues and related cost of sales	838		637			
Stock-based compensation expense	(43)		(60)			
Restructuring	(22)		(4)			
Amortization of intangible assets	(16)		(28)			
Consolidated operating income	1,141		811		330	41
Investment and other income, net	5		1		4	NM
Consolidated income before income tax expense	\$ 1,146		\$ 812		\$ 334	41 %
Operating margin from total operating segments	26%		19%			

(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 September 30, 2011 and

Year Ending December 31, 2011

GAAP to Non-GAAP Reconciliation

(Amounts in millions, except per share data)

	Outlook for Three Months Ending <u>September 30, 2011</u>	Outlook for Year Ending <u>December 31, 2011</u>
Net Revenues (GAAP)	\$ 650	\$ 4,180
<u>Excluding the impact of:</u>		
Change in deferred net revenues	(a) <u>(120)</u>	<u>(130)</u>
Non-GAAP Net Revenues	\$ 530	\$ 4,050
Earnings Per Diluted Share (GAAP)	\$ 0.05	\$ 0.68
<u>Excluding the impact of:</u>		
Net effect from deferral in net revenues and related cost of sales	(b) (0.06)	(0.02)
Stock-based compensation	(c) 0.02	0.06
Amortization of intangible assets	(d) -	0.04
Restructuring expenses	(e) -	0.02
Non-GAAP Earnings Per Diluted Share	<u>\$ 0.01</u>	<u>\$ 0.77</u>

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

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

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

(d) Reflects amortization of intangible assets.

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

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