

**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,	
	2012	2011	2012	2011
Net revenues:				
Product sales	\$ 536	\$ 369	\$ 2,208	\$ 2,197
Subscription, licensing and other revenues <sup>1</sup>	305	385	880	1,151
Total net revenues	841	754	3,088	3,348
Costs and expenses:				
Cost of sales - product costs	146	138	633	650
Cost of sales - online subscriptions	56	59	178	181
Cost of sales - software royalties and amortization	19	24	107	133
Cost of sales - intellectual property licenses	10	16	37	69
Product development	131	133	407	390
Sales and marketing	131	115	346	264
General and administrative	121	104	413	333
Restructuring	-	3	-	24
Total costs and expenses	614	592	2,121	2,044
Operating income	227	162	967	1,304
Investment and other income (expense), net	1	3	4	7
Income before income tax expense	228	165	971	1,311
Income tax expense	2	17	176	325
Net income	\$ 226	\$ 148	\$ 795	\$ 986
Basic earnings per common share	\$ 0.20	\$ 0.13	\$ 0.70	\$ 0.84
Weighted average common shares outstanding	1,109	1,140	1,113	1,151
Diluted earnings per common share <sup>2</sup>	\$ 0.20	\$ 0.13	\$ 0.70	\$ 0.84
Weighted average common shares outstanding assuming dilution	1,114	1,148	1,118	1,160

<sup>1</sup> 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.

<sup>2</sup> The company calculates earnings per share pursuant to the two-class method which requires the allocation of net income between common shareholders and participating security holders. We had, on a weighted-average basis, participating securities of approximately 27 million and 23 million for the three and nine months ended September 30, 2012, respectively, and we had, on a weighted-average basis, participating securities of approximately 17 million for the three and nine months ended September 30, 2011. Net income attributable to Activision Blizzard Inc. common shareholders used to calculate earnings per common share assuming dilution was \$221 million and \$779 million for the three and nine months ended September 30, 2012, as compared to the total net income of \$226 million and \$795 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 \$146 million and \$972 million for the three and nine months ended September 30, 2011, as compared to total net income of \$148 million and \$986 million for the same periods, respectively.

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

**(Unaudited)**

**(Amounts in millions)**

	September 30, 2012	December 31, 2011
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,909	\$ 3,165
Short-term investments	455	360
Accounts receivable, net	200	649
Inventories, net	291	144
Software development	164	137
Intellectual property licenses	13	22
Deferred income taxes, net	497	507
Other current assets	173	396
Total current assets	4,702	5,380
Long-term investments	19	16
Software development	156	62
Intellectual property licenses	4	12
Property and equipment, net	148	163
Other assets	12	12
Intangible assets, net	80	88
Trademark and trade names	433	433
Goodwill	7,107	7,111
Total assets	\$ 12,661	\$ 13,277
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 253	\$ 390
Deferred revenues	847	1,472
Accrued expenses and other liabilities	455	694
Total current liabilities	1,555	2,556
Deferred income taxes, net	60	55
Other liabilities	163	174
Total liabilities	1,778	2,785
Shareholders' equity:		
Common stock	---	---
Additional paid-in capital	9,418	9,616
Retained earnings	1,539	948
Accumulated other comprehensive income (loss)	(74)	(72)
Total shareholders' equity	10,883	10,492
Total liabilities and shareholders' equity	\$ 12,661	\$ 13,277

**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 - Online Subscriptions	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
Three months ended September 30, 2012										
GAAP Measurement		\$ 841	\$ 146	\$ 56	\$ 19	\$ 10	\$ 131	\$ 131	\$ 121	\$ 614
Less: Net effect from deferral in net revenues and related cost of sales	(a)	(90)	(5)	-	23	2	-	-	-	20
Less: Stock-based compensation	(b)	-	-	-	(1)	-	(5)	(2)	(26)	(34)
Less: Amortization of intangible assets	(c)	-	-	-	-	(3)	-	-	-	(3)
Non-GAAP Measurement		\$ 751	\$ 141	\$ 56	\$ 41	\$ 9	\$ 126	\$ 129	\$ 95	\$ 597

		Operating Income	Net Income	Basic Earnings per Share	Diluted Earnings per Share
Three months ended September 30, 2012					
GAAP Measurement		\$ 227	\$ 226	\$ 0.20	\$ 0.20
Less: Net effect from deferral in net revenues and related cost of sales	(a)	(110)	(83)	(0.07)	(0.07)
Less: Stock-based compensation	(b)	34	23	0.02	0.02
Less: Amortization of intangible assets	(c)	3	2	-	-
Non-GAAP Measurement		\$ 154	\$ 168	\$ 0.15	\$ 0.15

		Net Revenues	Cost of Sales - Product Costs	Cost of Sales - Online Subscriptions	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
Nine months ended September 30, 2012										
GAAP Measurement		\$ 3,088	\$ 633	\$ 178	\$ 107	\$ 37	\$ 407	\$ 346	\$ 413	\$ 2,121
Less: Net effect from deferral in net revenues and related cost of sales	(a)	(695)	(186)	-	5	-	-	-	-	(181)
Less: Stock-based compensation	(b)	-	-	-	(6)	-	(14)	(5)	(60)	(85)
Less: Amortization of intangible assets	(c)	-	-	-	-	(7)	-	-	-	(7)
Non-GAAP Measurement		\$ 2,393	\$ 447	\$ 178	\$ 106	\$ 30	\$ 393	\$ 341	\$ 353	\$ 1,848

		Operating Income	Net Income	Basic Earnings per Share	Diluted Earnings per Share
Nine months ended September 30, 2012					
GAAP Measurement		\$ 967	\$ 795	\$ 0.70	\$ 0.70
Less: Net effect from deferral in net revenues and related cost of sales	(a)	(514)	(401)	(0.35)	(0.35)
Less: Stock-based compensation	(b)	85	60	0.05	0.05
Less: Amortization of intangible assets	(c)	7	5	-	-
Non-GAAP Measurement		\$ 545	\$ 459	\$ 0.40	\$ 0.40

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

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 \$164 million and \$449 million for the three and nine months ended September 30, 2012 as compared to the total non-GAAP net income of \$168 million and \$459 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)

		Net Revenues	Cost of Sales - Product Costs	Cost of Sales - Online Subscriptions	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
Three months ended September 30, 2011											
GAAP Measurement		\$ 754	\$ 138	\$ 59	\$ 24	\$ 16	\$ 133	\$ 115	\$ 104	\$ 3	\$ 592
Less: Net effect from deferral in net revenues and related cost of sales	(a)	(127)	(10)	-	(10)	(2)	-	-	-	-	(22)
Less: Stock-based compensation	(b)	-	-	-	-	-	(5)	(2)	(11)	-	(18)
Less: Restructuring	(c)	-	-	-	-	-	-	-	-	(3)	(3)
Less: Amortization of intangible assets	(d)	-	-	-	-	(7)	-	-	-	-	(7)
Non-GAAP Measurement		\$ 627	\$ 128	\$ 59	\$ 14	\$ 7	\$ 128	\$ 113	\$ 93	\$ -	\$ 542

		Operating Income	Net Income	Basic Earnings per Share	Diluted Earnings per Share
Three months ended September 30, 2011					
GAAP Measurement		\$ 162	\$ 148	\$ 0.13	\$ 0.13
Less: Net effect from deferral in net revenues and related cost of sales	(a)	(105)	(81)	(0.07)	(0.07)
Less: Stock-based compensation	(b)	18	13	0.01	0.01
Less: Restructuring	(c)	3	2	-	-
Less: Amortization of intangible assets	(d)	7	5	-	-
Non-GAAP Measurement		\$ 85	\$ 87	\$ 0.07	\$ 0.07

		Net Revenues	Cost of Sales - Product Costs	Cost of Sales - Online Subscriptions	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
Nine months ended September 30, 2011											
GAAP Measurement		\$ 3,348	\$ 650	\$ 181	\$ 133	\$ 69	\$ 390	\$ 264	\$ 333	\$ 24	\$ 2,044
Less: Net effect from deferral in net revenues and related cost of sales	(a)	(1,268)	(220)	-	(84)	(21)	-	-	-	-	(325)
Less: Stock-based compensation	(b)	-	-	-	(8)	-	(15)	(4)	(34)	-	(61)
Less: Restructuring	(c)	-	-	-	-	-	-	-	-	(24)	(24)
Less: Amortization of intangible assets	(d)	-	-	-	(1)	(21)	-	-	-	-	(22)
Non-GAAP Measurement		\$ 2,080	\$ 430	\$ 181	\$ 40	\$ 27	\$ 375	\$ 260	\$ 299	\$ -	\$ 1,612

		Operating Income	Net Income	Basic Earnings per Share	Diluted Earnings per Share
Nine months ended September 30, 2011					
GAAP Measurement		\$ 1,304	\$ 986	\$ 0.84	\$ 0.84
Less: Net effect from deferral in net revenues and related cost of sales	(a)	(943)	(699)	(0.60)	(0.59)
Less: Stock-based compensation	(b)	61	43	0.04	0.04
Less: Restructuring	(c)	24	18	0.02	0.02
Less: Amortization of intangible assets	(d)	22	14	0.01	0.01
Non-GAAP Measurement		\$ 468	\$ 362	\$ 0.31	\$ 0.31

- (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.

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 \$85 million and \$357 million for the three and nine months ended September 30, 2011 as compared to total non-GAAP net income of \$87 million and \$362 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 Nine Months Ended September 30, 2012 and 2011**

(Amounts in millions)

	Three Months Ended					
	September 30, 2012		September 30, 2011		\$ Increase (Decrease)	% Increase (Decrease)
	Amount	% of Total	Amount	% of Total		
<b>GAAP Net Revenues by Distribution Channel</b>						
Retail channel	\$ 357	43 %	\$ 250	33 %	\$ 107	43 %
Digital online channels <sup>1</sup>	430	51	427	57	3	1
Total Activision and Blizzard	787	94	677	90	110	16
Distribution	54	6	77	10	(23)	(30)
Total consolidated GAAP net revenues	841	100	754	100	87	12
<b>Change in Deferred Net Revenues<sup>2</sup></b>						
Retail channel	(87)		(86)			
Digital online channels <sup>1</sup>	(3)		(41)			
Total changes in deferred net revenues	(90)		(127)			
<b>Non-GAAP Net Revenues by Distribution Channel</b>						
Retail channel	270	36	164	26	106	65
Digital online channels <sup>1</sup>	427	57	386	62	41	11
Total Activision and Blizzard	697	93	550	88	147	27
Distribution	54	7	77	12	(23)	(30)
Total non-GAAP net revenues <sup>3</sup>	\$ 751	100 %	\$ 627	100 %	\$ 124	20 %

	Nine Months Ended					
	September 30, 2012		September 30, 2011		\$ Increase (Decrease)	% Increase (Decrease)
	Amount	% of Total	Amount	% of Total		
<b>GAAP Net Revenues by Distribution Channel</b>						
Retail channel	\$ 1,837	60 %	\$ 1,856	56 %	\$ (19)	(1) %
Digital online channels <sup>1</sup>	1,085	35	1,278	38	(193)	(15)
Total Activision and Blizzard	2,922	95	3,134	94	(212)	(7)
Distribution	166	5	214	6	(48)	(22)
Total consolidated GAAP net revenues	3,088	100	3,348	100	(260)	(8)
<b>Change in Deferred Net Revenues<sup>2</sup></b>						
Retail channel	(832)		(1,240)			
Digital online channels <sup>1</sup>	137		(28)			
Total changes in deferred net revenues	(695)		(1,268)			
<b>Non-GAAP Net Revenues by Distribution Channel</b>						
Retail channel	1,005	42	616	30	389	63
Digital online channels <sup>1</sup>	1,222	51	1,250	60	(28)	(2)
Total Activision and Blizzard	2,227	93	1,866	90	361	19
Distribution	166	7	214	10	(48)	(22)
Total non-GAAP net revenues <sup>3</sup>	\$ 2,393	100 %	\$ 2,080	100 %	\$ 313	15 %

<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.

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

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

**ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES**
**FINANCIAL INFORMATION**
**For the Three Months Ended September 30, 2012 and 2011**

(Amounts in millions)

	<b>Three Months Ended</b>					
	<b>September 30, 2012</b>		<b>September 30, 2011</b>		<b>\$ Increase</b>	<b>% Increase</b>
	<b>Amount</b>	<b>% of Total</b>	<b>Amount</b>	<b>% of Total</b>	<b>(Decrease)</b>	<b>(Decrease)</b>
<b>GAAP Net Revenues by Segment/Platform Mix</b>						
Activision and Blizzard:						
Online subscriptions <sup>1</sup>	\$ 226	27 %	\$ 336	44 %	\$ (110)	(33)%
PC and Other <sup>5</sup>	314	37	45	6	269	598
Sony PlayStation 3	81	10	100	14	(19)	(19)
Microsoft Xbox 360	121	14	144	19	(23)	(16)
Nintendo Wii	25	3	33	4	(8)	(24)
Total console <sup>2</sup>	<u>227</u>	<u>27</u>	<u>277</u>	<u>37</u>	<u>(50)</u>	<u>(18)</u>
Sony PlayStation Portable	2	---	4	1	(2)	(50)
Nintendo 3DS and DS	18	2	15	2	3	20
Total handheld	<u>20</u>	<u>2</u>	<u>19</u>	<u>3</u>	<u>1</u>	<u>5</u>
Total Activision and Blizzard	<u>787</u>	<u>93</u>	<u>677</u>	<u>90</u>	<u>110</u>	<u>16</u>
Distribution:						
Total Distribution	<u>54</u>	<u>7</u>	<u>77</u>	<u>10</u>	<u>(23)</u>	<u>(30)</u>
Total consolidated GAAP net revenues	<u>841</u>	<u>100</u>	<u>754</u>	<u>100</u>	<u>87</u>	<u>12</u>
<b>Change in Deferred Net Revenues<sup>3</sup></b>						
Activision and Blizzard:						
Online subscriptions <sup>1</sup>	119		(62)			
PC and Other <sup>5</sup>	(165)		(5)			
Sony PlayStation 3	(12)		(18)			
Microsoft Xbox 360	(30)		(36)			
Nintendo Wii	(2)		(5)			
Total console <sup>2</sup>	<u>(44)</u>		<u>(59)</u>			
Nintendo 3DS and DS	---		(1)			
Total changes in deferred net revenues	<u>(90)</u>		<u>(127)</u>			
<b>Non-GAAP Net Revenues by Segment/Platform Mix</b>						
Activision and Blizzard:						
Online subscriptions <sup>1</sup>	345	46	274	44	71	26
PC and Other <sup>5</sup>	149	20	40	6	109	273
Sony PlayStation 3	69	9	82	13	(13)	(16)
Microsoft Xbox 360	91	12	108	17	(17)	(16)
Nintendo Wii	23	3	28	5	(5)	(18)
Total console <sup>2</sup>	<u>183</u>	<u>24</u>	<u>218</u>	<u>35</u>	<u>(35)</u>	<u>(16)</u>
Sony PlayStation Portable	2	---	4	1	(2)	(50)
Nintendo 3DS and DS	18	3	14	2	4	29
Total handheld	<u>20</u>	<u>3</u>	<u>18</u>	<u>3</u>	<u>2</u>	<u>11</u>
Total Activision and Blizzard	<u>697</u>	<u>93</u>	<u>550</u>	<u>88</u>	<u>147</u>	<u>27</u>
Distribution:						
Total Distribution	<u>54</u>	<u>7</u>	<u>77</u>	<u>12</u>	<u>(23)</u>	<u>(30)</u>
Total non-GAAP net revenues <sup>4</sup>	<u>\$ 751</u>	<u>100 %</u>	<u>\$ 627</u>	<u>100 %</u>	<u>\$ 124</u>	<u>20 %</u>

<sup>1</sup> 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.

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

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

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

<sup>5</sup> Other includes standalone sales of toys and accessories products from Skylanders franchise, mobile sales and other physical merchandise and accessories.

**ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES**
**FINANCIAL INFORMATION**
**For the Nine Months Ended September 30, 2012 and 2011**

(Amounts in millions)

	Nine Months Ended					
	September 30, 2012		September 30, 2011		\$ Increase (Decrease)	% Increase (Decrease)
	Amount	% of Total	Amount	% of Total		
<b>GAAP Net Revenues by Segment/Platform Mix</b>						
Activision and Blizzard:						
Online subscriptions <sup>1</sup>	\$ 701	23 %	\$ 1,090	33 %	\$ (389)	(36)%
PC and Other <sup>5</sup>	727	24	251	8	476	190
Sony PlayStation 3	617	20	686	20	(69)	(10)
Microsoft Xbox 360	705	23	840	25	(135)	(16)
Nintendo Wii	108	3	185	6	(77)	(42)
Total console <sup>2</sup>	1,430	46	1,711	51	(281)	(16)
Sony PlayStation Portable	5	---	12	---	(7)	(58)
Nintendo 3DS and DS	59	2	70	2	(11)	(16)
Total handheld	64	2	82	2	(18)	(22)
Total Activision and Blizzard	2,922	95	3,134	94	(212)	(7)
Distribution:						
Total Distribution	166	5	214	6	(48)	(22)
Total consolidated GAAP net revenues	3,088	100	3,348	100	(260)	(8)
<b>Change in Deferred Net Revenues<sup>3</sup></b>						
Activision and Blizzard:						
Online subscriptions <sup>1</sup>	92		(185)			
PC and Other <sup>5</sup>	126		(129)			
Sony PlayStation 3	(412)		(417)			
Microsoft Xbox 360	(469)		(440)			
Nintendo Wii	(27)		(90)			
Total console <sup>2</sup>	(908)		(947)			
Nintendo 3DS and DS	(5)		(7)			
Total changes in deferred net revenues	(695)		(1,268)			
<b>Non-GAAP Net Revenues by Segment/Platform Mix</b>						
Activision and Blizzard:						
Online subscriptions <sup>1</sup>	793	33	905	44	(112)	(12)
PC and Other <sup>5</sup>	853	36	122	6	731	599
Sony PlayStation 3	205	9	269	12	(64)	(24)
Microsoft Xbox 360	236	10	400	19	(164)	(41)
Nintendo Wii	81	3	95	5	(14)	(15)
Total console <sup>2</sup>	522	22	764	36	(242)	(32)
Sony PlayStation Portable	5	---	12	1	(7)	(58)
Nintendo 3DS and DS	54	2	63	3	(9)	(14)
Total handheld	59	2	75	4	(16)	(21)
Total Activision and Blizzard	2,227	93	1,866	90	361	19
Distribution:						
Total Distribution	166	7	214	10	(48)	(22)
Total non-GAAP net revenues <sup>4</sup>	\$ 2,393	100 %	\$ 2,080	100 %	\$ 313	15 %

<sup>1</sup> 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.

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

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

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

<sup>5</sup> Other includes standalone sales of toys and accessories products from Skylanders franchise, mobile sales and other physical merchandise and accessories.

**ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES**  
**FINANCIAL INFORMATION**

**For the Three and Nine Months Ended September 30, 2012 and 2011**

(Amounts in millions)

	<b>Three Months Ended</b>					
	<b>September 30, 2012</b>		<b>September 30, 2011</b>		<b>\$ Increase (Decrease)</b>	<b>% Increase (Decrease)</b>
	<b>Amount</b>	<b>% of Total</b>	<b>Amount</b>	<b>% of Total</b>		
<b>GAAP Net Revenues by Geographic Region</b>						
North America	\$ 403	48 %	\$ 360	48 %	\$ 43	12 %
Europe	333	40	323	43	10	3
Asia Pacific	105	12	71	9	34	48
Total consolidated GAAP net revenues	<u>841</u>	<u>100</u>	<u>754</u>	<u>100</u>	<u>87</u>	<u>12</u>
<b>Change in Deferred Net Revenues<sup>1</sup></b>						
North America	(49)		(72)			
Europe	(9)		(45)			
Asia Pacific	(32)		(10)			
Total changes in net revenues	<u>(90)</u>		<u>(127)</u>			
<b>Non-GAAP Net Revenues by Geographic Region</b>						
North America	354	47	288	46	66	23
Europe	324	43	278	44	46	17
Asia Pacific	73	10	61	10	12	20
Total non-GAAP net revenues <sup>2</sup>	<u>\$ 751</u>	<u>100 %</u>	<u>\$ 627</u>	<u>100 %</u>	<u>\$ 124</u>	<u>20 %</u>

	<b>Nine Months Ended</b>					
	<b>September 30, 2012</b>		<b>September 30, 2011</b>		<b>\$ Increase (Decrease)</b>	<b>% Increase (Decrease)</b>
	<b>Amount</b>	<b>% of Total</b>	<b>Amount</b>	<b>% of Total</b>		
<b>GAAP Net Revenues by Geographic Region</b>						
North America	\$ 1,567	51 %	\$ 1,687	51 %	\$ (120)	(7)%
Europe	1,220	39	1,385	41	(165)	(12)
Asia Pacific	301	10	276	8	25	9
Total consolidated GAAP net revenues	<u>3,088</u>	<u>100</u>	<u>3,348</u>	<u>100</u>	<u>(260)</u>	<u>(8)</u>
<b>Change in Deferred Net Revenues<sup>1</sup></b>						
North America	(459)		(703)			
Europe	(243)		(499)			
Asia Pacific	7		(66)			
Total changes in net revenues	<u>(695)</u>		<u>(1,268)</u>			
<b>Non-GAAP Net Revenues by Geographic Region</b>						
North America	1,108	46	984	47	124	13
Europe	977	41	886	43	91	10
Asia Pacific	308	13	210	10	98	47
Total non-GAAP net revenues <sup>2</sup>	<u>\$ 2,393</u>	<u>100 %</u>	<u>\$ 2,080</u>	<u>100 %</u>	<u>\$ 313</u>	<u>15 %</u>

<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**  
**SEGMENT INFORMATION**  
**For the Three and Nine Months Ended September 30, 2012 and 2011**  
(Amounts in millions)

	Three Months Ended					
	September 30, 2012		September 30, 2011		\$ Increase	% Increase
	Amount	% of Total	Amount	% of Total	(Decrease)	(Decrease)
<b>Segment net revenues:</b>						
Activision <sup>1</sup>	\$ 283	34 %	\$ 253	34 %	\$ 30	12 %
Blizzard <sup>2</sup>	414	49	297	39	117	39
Distribution <sup>3</sup>	54	6	77	10	(23)	(30)
Operating segment total	<u>751</u>	<u>89</u>	<u>627</u>	<u>83</u>	<u>124</u>	<u>20</u>
<b>Reconciliation to consolidated net revenues:</b>						
Net effect from deferral of net revenues	90	11	127	17		
Consolidated net revenues	<u>\$ 841</u>	<u>100 %</u>	<u>\$ 754</u>	<u>100 %</u>	\$ 87	12 %
<b>Segment income from operations:</b>						
Activision <sup>1</sup>	\$ (14)		\$ (36)		\$ 22	(61)
Blizzard <sup>2</sup>	168		120		48	40
Distribution <sup>3</sup>	---		1		(1)	(100)
Operating segment total	<u>154</u>		<u>85</u>		<u>69</u>	<u>81</u>
<b>Reconciliation to consolidated operating income and consolidated income before income tax expense:</b>						
Net effect from deferral of net revenues and related cost of sales	110		105			
Stock-based compensation expense	(34)		(18)			
Restructuring	---		(3)			
Amortization of intangible assets	(3)		(7)			
Consolidated operating income	<u>227</u>		<u>162</u>		65	40
Investment and other income (expense), net	1		3			
Consolidated income before income tax expense	<u>\$ 228</u>		<u>\$ 165</u>		\$ 63	38 %
Operating margin from total operating segments	21%		14%			

	Nine Months Ended					
	September 30, 2012		September 30, 2011		\$ Increase	% Increase
	Amount	% of Total	Amount	% of Total	(Decrease)	(Decrease)
<b>Segment net revenues:</b>						
Activision <sup>1</sup>	\$ 928	30 %	\$ 898	27 %	\$ 30	3 %
Blizzard <sup>2</sup>	1,299	42	968	29	331	34
Distribution <sup>3</sup>	166	5	214	6	(48)	(22)
Operating segment total	<u>2,393</u>	<u>77</u>	<u>2,080</u>	<u>62</u>	<u>313</u>	<u>15</u>
<b>Reconciliation to consolidated net revenues:</b>						
Net effect from deferral of net revenues	695	23	1,268	38		
Consolidated net revenues	<u>\$ 3,088</u>	<u>100 %</u>	<u>\$ 3,348</u>	<u>100 %</u>	\$ (260)	(8)%
<b>Segment income (loss) from operations:</b>						
Activision <sup>1</sup>	\$ (84)		\$ 42		\$ (126)	(300)%
Blizzard <sup>2</sup>	629		425		204	48
Distribution <sup>3</sup>	---		1		(1)	(100)
Operating segment total	<u>545</u>		<u>468</u>		<u>77</u>	<u>16</u>
<b>Reconciliation to consolidated operating income and consolidated income before income tax expense:</b>						
Net effect from deferral of net revenues and related cost of sales	514		943			
Stock-based compensation expense	(85)		(61)			
Restructuring	---		(24)			
Amortization of intangible assets	(7)		(22)			
Consolidated operating income	<u>967</u>		<u>1,304</u>		(337)	(26)
Investment and other income (expense), net	4		7			
Consolidated income before income tax expense	<u>\$ 971</u>		<u>\$ 1,311</u>		\$ (340)	(26)%
Operating margin from total operating segments	23%		23%			

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

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

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

**ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES OUTLOOK**

**For the Quarter Ending December 31, 2012 and**

**Year Ending December 31, 2012**

**GAAP to Non-GAAP Reconciliation**

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

	<b>Outlook for Three Months Ending <u>December 31, 2012</u></b>	<b>Outlook for Year Ending <u>December 31, 2012</u></b>
<b>Net Revenues (GAAP)</b>	\$ 1,485	\$ 4,574
<b><u>Excluding the impact of:</u></b>		
Change in deferred net revenues	(a) <u>927</u>	<u>231</u>
<b>Non-GAAP Net Revenues</b>	\$ 2,412	\$ 4,805
<b>Earnings Per Diluted Share (GAAP)</b>	\$ 0.19	\$ 0.88
<b><u>Excluding the impact of:</u></b>		
Net effect from deferral in net revenues and related cost of sales	(b) 0.46	0.11
Stock-based compensation	(c) 0.04	0.09
Amortization of intangible assets	(d) 0.01	0.02
<b>Non-GAAP Earnings Per Diluted Share</b>	\$ <u>0.70</u>	\$ <u>1.10</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.