

Update on External Presentation of Non-GAAP Results July 29, 2016

Safe Harbor Disclosure



These materials may include forward-looking statements regarding future events with respect to Activision Blizzard, including the ways in which we may modify external financial reporting and the ways in which our Board and management will assess performance. Actual events may differ materially from our expectations. Important factors that could cause actual events to differ materially from those in the forward-looking statements include additional guidance or rules from the Securities and Exchange Commission, refinement of our analysis with respect to the subject matter of the forward-looking statements and any of the risks discussed in our most recent SEC filings. Activision Blizzard makes these statements as of today, July 29, 2016 and undertakes no obligation to update them.



- Due to the updated Compliance and Disclosure Interpretations (C&DI) issued by the SEC staff on May 17, 2016, we can no longer present Non-GAAP revenues excluding the impact of deferrals. The C&DI updates affect all companies that use non-GAAP disclosures.
- Historically since 2008, we have consistently given you two ways to view our revenues:
 - GAAP and Non-GAAP
 - GAAP defers the recognition of revenues and related costs of sales over a service period
 of less than a year (but typically in the ~6-month range) this is not changing.
 - Non-GAAP (as previously defined) largely eliminated that deferral, giving you a more real-time view of our sales. It's on this basis that we manage the business. Under the new C&DI directive, we can no longer adjust for the deferrals in the presentation of our results; we will, however, be able to continue to highlight the impact of these GAAP deferrals in our results and outlook.
- As an important reminder, nothing is changing in how we currently manage the business or in our fundamentals.
 - GAAP results are the same.
 - Our cash flows are the same.
 - How we currently internally track and manage our business and results remains the same.
 - How we currently measure and incentivize our teams remains the same.

Update (cont.)

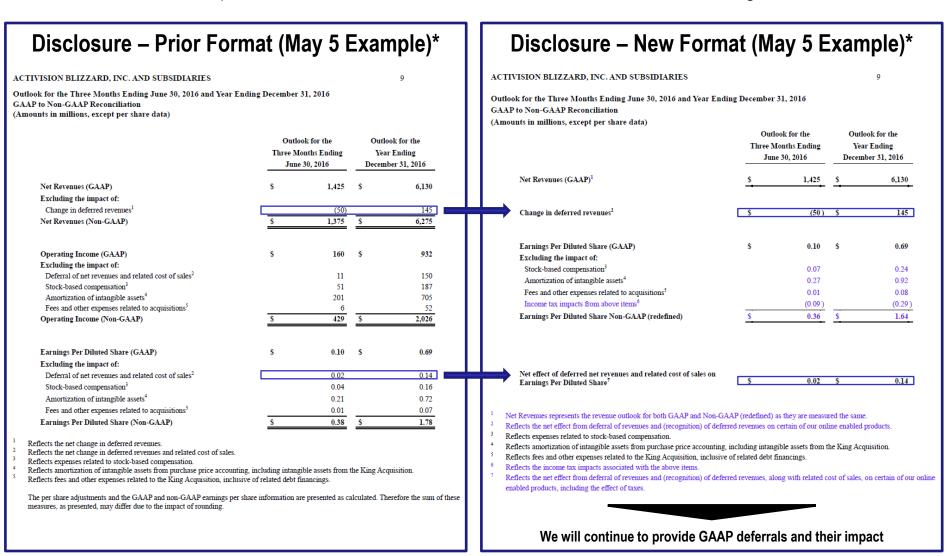


- As we've done in the past, we will provide you with supplemental information so you can calculate relevant metrics, should you decide to do that.
 - We will provide Non-GAAP (redefined) operating income and EPS which will continue to adjust for stock-based compensation, purchase price accounting and transaction-related items, similar to what we have done in the past.
 - This new Non-GAAP (redefined) measure gets you as close as possible to how we internally manage the business. The only difference is related to change in deferrals. As noted, we will continue to separately provide the impact of GAAP deferrals.
 - The sum of the "impact of deferrals" and "GAAP revenues" is equivalent to how we have previously defined and reported Non-GAAP revenues. The sum of the "net effect of deferred net revenues and related cost of sales" and "Non-GAAP (redefined) EPS" is equivalent to how we previously defined and reported Non-GAAP EPS.
- On the call today and in our FAQ, posted to our website, we provide:
 - The format for our upcoming Earnings Press Release showing where to find various information.
 - A baseline for Non-GAAP (redefined) for outlook previously provided on May 5, 2016. To be clear, we are not in any way updating, reaffirming or otherwise commenting on our business performance or prior outlook on this call or in the materials posted to the website.
 - Refresher on GAAP, Non-GAAP (as previously defined), Non-GAAP (redefined), GAAP Deferrals.
- During next week's earnings call, we will discuss quarterly results and guidance for GAAP and Non-GAAP (redefined). And for one last time, we will also share historical results using Non-GAAP as we used to define and report it.

What to Expect in Disclosure – Press Release Outlook



We will continue to provide information needed to calculate our outlook excluding GAAP deferrals.



^{*} Prior outlook as provided on May 5, 2016, showing what would have been presented for Non-GAAP (redefined) on May 5. Not in any way updating, reaffirming or otherwise commenting on prior outlook