

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,	
	2011	2010	2011	2010
Net revenues:				
Product sales	\$ 369	\$ 397	\$ 2,197	\$ 2,025
Subscription, licensing and other revenues	385	348	1,151	994
Total net revenues	754	745	3,348	3,019
Costs and expenses:				
Cost of sales - product costs	138	194	650	765
Cost of sales - massively multi-player online role playing game ("MMORPG")	59	61	181	168
Cost of sales - software royalties and amortization	24	61	133	211
Cost of sales - intellectual property licenses	16	33	69	105
Product development	133	118	390	361
Sales and marketing	115	110	264	291
General and administrative	104	113	333	253
Restructuring	3	---	24	---
Total costs and expenses	592	690	2,044	2,154
Operating income	162	55	1,304	865
Investment and other income, net	3	14	7	15
Income before income tax expense	165	69	1,311	880
Income tax expense	17	18	325	229
Net income	\$ 148	\$ 51	\$ 986	\$ 651
Basic earnings per common share	\$ 0.13	\$ 0.04	\$ 0.84	\$ 0.53
Weighted average common shares outstanding	1,140	1,212	1,151	1,230
Diluted earnings per common share ¹	\$ 0.13	\$ 0.04	\$ 0.84	\$ 0.52
Weighted average common shares outstanding assuming dilution	1,148	1,227	1,160	1,245

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 \$146 million and \$972 million for the three and nine months ended September 30, 2011 as compared to the total net income of \$148 million and \$986 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 \$51 million and \$645 million for the three and nine months ended September 30, 2010 as compared to total net income of \$51 million and \$651 million for the same periods, respectively.

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(Amounts in millions)

	September 30, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,469	\$ 2,812
Short-term investments	432	696
Accounts receivable, net	139	640
Inventories	207	112
Software development	150	147
Intellectual property licenses	42	45
Deferred income taxes, net	507	648
Other current assets	136	299
Total current assets	4,082	5,399
Long-term investments	25	23
Software development	114	55
Intellectual property licenses	13	28
Property and equipment, net	167	169
Other assets	15	15
Intangible assets, net	138	160
Trademark and trade names	433	433
Goodwill	7,126	7,132
Total assets	\$ 12,113	\$ 13,414
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 250	\$ 363
Deferred revenues	487	1,726
Accrued expenses and other liabilities	542	838
Total current liabilities	1,279	2,927
Deferred income taxes, net	95	120
Other liabilities	168	164
Total liabilities	1,542	3,211
Shareholders' equity:		
Common stock	---	---
Additional paid-in capital	9,751	12,353
Treasury stock	---	(2,194)
Retained earnings	849	57
Accumulated other comprehensive income (loss)	(29)	(13)
Total shareholders' equity	10,571	10,203
Total liabilities and shareholders' equity	\$ 12,113	\$ 13,414

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 - 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
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 - 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
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 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 \$85 million and \$357 million for the three and nine months ended September 30, 2011 as compared to the 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
RECONCILIATION OF GAAP NET INCOME TO NON-GAAP MEASURES
(Amounts in millions, except earnings per share data)

Three months ended September 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	\$ 745	\$ 194	\$ 61	\$ 61	\$ 33	\$ 118	\$ 110	\$ 113	\$ 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 (d)	-	(1)	-	(5)	(12)	-	-	-	(18)
Non-GAAP Measurement	\$ 857	\$ 196	\$ 61	\$ 53	\$ 25	\$ 112	\$ 108	\$ 98	\$ 653

Three months ended September 30, 2010	Operating Income	Net Income	Basic Earnings per Share	Diluted Earnings per Share
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 (d)	18	(5)	-	-
Non-GAAP Measurement	\$ 204	\$ 148	\$ 0.12	\$ 0.12

Nine months ended September 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	\$ 3,019	\$ 765	\$ 168	\$ 211	\$ 105	\$ 361	\$ 291	\$ 253	\$ 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 (d)	-	(3)	-	(10)	(33)	-	-	(1)	(47)
Non-GAAP Measurement	\$ 2,254	\$ 564	\$ 168	\$ 134	\$ 60	\$ 357	\$ 285	\$ 216	\$ 1,784

Nine months ended September 30, 2010	Operating Income	Net Income	Basic Earnings per Share	Diluted Earnings per Share
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	-	-
Less: Amortization of intangible assets (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 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 \$147 million and \$334 million for the three and nine months ended September 30, 2010 as compared to total non-GAAP net income of \$148 million and \$337 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, 2011 and 2010

(Amounts in millions)

	Three Months Ended							
	September 30, 2011		September 30, 2010		\$ Increase (Decrease)	% Increase (Decrease)		
	Amount	% of Total	Amount	% of Total				
GAAP Net Revenues by Distribution Channel								
Retail channels	\$ 250	33 %	\$ 320	43 %	\$ (70)	(22) %		
Digital online channels*	427	57	363	49	64	18		
Total Activision and Blizzard	677	90	683	92	(6)	(1)		
Distribution	77	10	62	8	15	24		
Total consolidated GAAP net revenues	754	100	745	100	9	1		
Change in Deferred Net Revenues¹								
Retail channels	(86)		112					
Digital online channels*	(41)		---					
Total changes in deferred net revenues	(127)		112					
Non-GAAP Net Revenues by Distribution Channel								
Retail channels	164	26	432	51	(268)	(62)		
Digital online channels*	386	62	363	42	23	6		
Total Activision and Blizzard	550	88	795	93	(245)	(31)		
Distribution	77	12	62	7	15	24		
Total non-GAAP net revenues ²	\$ 627	100 %	\$ 857	100 %	\$ (230)	(27) %		

	Nine Months Ended							
	September 30, 2011		September 30, 2010		\$ Increase (Decrease)	% Increase (Decrease)		
	Amount	% of Total	Amount	% of Total				
GAAP Net Revenues by Distribution Channel								
Retail channels	\$ 1,856	56 %	\$ 1,808	60 %	\$ 48	3 %		
Digital online channels*	1,278	38	1,026	34	252	25		
Total Activision and Blizzard	3,134	94	2,834	94	300	11		
Distribution	214	6	185	6	29	16		
Total consolidated GAAP net revenues	3,348	100	3,019	100	329	11		
Change in Deferred Net Revenues¹								
Retail channels	(1,240)		(816)					
Digital online channels*	(28)		51					
Total changes in deferred net revenues	(1,268)		(765)					
Non-GAAP Net Revenues by Distribution Channel								
Retail channels	616	30	992	44	(376)	(38)		
Digital online channels*	1,250	60	1,077	48	173	16		
Total Activision and Blizzard	1,866	90	2,069	92	(203)	(10)		
Distribution	214	10	185	8	29	16		
Total non-GAAP net revenues ²	\$ 2,080	100 %	\$ 2,254	100 %	\$ (174)	(8) %		

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 September 30, 2011 and 2010

(Amounts in millions)

	Three Months Ended					
	September 30, 2011		September 30, 2010		\$ Increase	% Increase
	Amount	% of Total	Amount	% of Total	(Decrease)	(Decrease)
GAAP Net Revenues by Segment/Platform Mix						
Activision and Blizzard:						
Online subscriptions*	\$ 336	44 %	\$ 289	39 %	\$ 47	16 %
PC and Other	45	6	73	10	(28)	(38)
Sony PlayStation 3	96	13	109	15	(13)	(12)
Sony PlayStation 2	4	1	6	1	(2)	(33)
Microsoft Xbox 360	144	19	127	16	17	13
Nintendo Wii	33	4	56	8	(23)	(41)
Total console^	277	37	298	40	(21)	(7)
Sony PlayStation Portable	4	1	3	---	1	33
Nintendo Dual Screen	15	2	20	3	(5)	(25)
Total handheld	19	3	23	3	(4)	(17)
Total Activision and Blizzard	677	90	683	92	(6)	(1)
Distribution:						
Total Distribution	77	10	62	8	15	24
Total consolidated GAAP net revenues	754	100	745	100	9	1
Change in Deferred Net Revenues¹						
Activision and Blizzard:						
Online subscriptions*	(62)		(7)			
PC and Other	(5)		141			
Sony PlayStation 3	(18)		(5)			
Microsoft Xbox 360	(36)		(26)			
Nintendo Wii	(5)		9			
Total console^	(59)		(22)			
Nintendo Dual Screen	(1)		---			
Total changes in deferred net revenues	(127)		112			
Non-GAAP Net Revenues by Segment/Platform Mix						
Activision and Blizzard:						
Online subscriptions*	274	44	282	33	(8)	(3)
PC and Other	40	6	214	25	(174)	(81)
Sony PlayStation 3	78	12	104	12	(26)	(25)
Sony PlayStation 2	4	1	6	1	(2)	(33)
Microsoft Xbox 360	108	17	101	12	7	7
Nintendo Wii	28	5	65	8	(37)	(57)
Total console^	218	35	276	33	(58)	(21)
Sony PlayStation Portable	4	1	3	---	1	33
Nintendo Dual Screen	14	2	20	2	(6)	(30)
Total handheld	18	3	23	2	(5)	(22)
Total Activision and Blizzard	550	88	795	93	(245)	(31)
Distribution:						
Total Distribution	77	12	62	7	15	24
Total non-GAAP net revenues ²	\$ 627	100 %	\$ 857	100 %	\$ (230)	(27)%

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 Nine Months Ended September 30, 2011 and 2010

(Amounts in millions)

	Nine Months Ended					
	September 30, 2011		September 30, 2010		\$ Increase	% Increase
	Amount	% of Total	Amount	% of Total	(Decrease)	(Decrease)
GAAP Net Revenues by Segment/Platform Mix						
Activision and Blizzard:						
Online subscriptions*	\$ 1,090	33 %	\$ 890	29 %	\$ 200	22 %
PC and Other	251	8	201	7	50	25
Sony PlayStation 3	676	20	595	20	81	14
Sony PlayStation 2	10	---	29	1	(19)	(66)
Microsoft Xbox 360	840	25	751	25	89	12
Nintendo Wii	185	6	267	9	(82)	(31)
Total console^	1,711	51	1,642	55	69	4
Sony PlayStation Portable	12	---	11	---	1	9
Nintendo Dual Screen	70	2	90	3	(20)	(22)
Total handheld	82	2	101	3	(19)	(19)
Total Activision and Blizzard	3,134	94	2,834	94	300	11
Distribution:						
Total Distribution	214	6	185	6	29	16
Total consolidated GAAP net revenues	3,348	100	3,019	100	329	11
Change in Deferred Net Revenues¹						
Activision and Blizzard:						
Online subscriptions*	(185)		(13)			
PC and Other	(129)		81			
Sony PlayStation 3	(417)		(317)			
Microsoft Xbox 360	(440)		(425)			
Nintendo Wii	(90)		(91)			
Total console^	(947)		(833)			
Nintendo Dual Screen	(7)		---			
Total changes in deferred net revenues	(1,268)		(765)			
Non-GAAP Net Revenues by Segment/Platform Mix						
Activision and Blizzard:						
Online subscriptions*	905	44	877	39	28	3
PC and Other	122	6	282	13	(160)	(57)
Sony PlayStation 3	259	12	278	12	(19)	(7)
Sony PlayStation 2	10	---	29	1	(19)	(66)
Microsoft Xbox 360	400	19	326	14	74	23
Nintendo Wii	95	5	176	8	(81)	(46)
Total console^	764	36	809	35	(45)	(6)
Sony PlayStation Portable	12	1	11	1	1	9
Nintendo Dual Screen	63	3	90	4	(27)	(30)
Total handheld	75	4	101	5	(26)	(26)
Total Activision and Blizzard	1,866	90	2,069	92	(203)	(10)
Distribution:						
Total Distribution	214	10	185	8	29	16
Total non-GAAP net revenues ²	\$ 2,080	100 %	\$ 2,254	100 %	\$ (174)	(8)%

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 Nine Months Ended September 30, 2011 and 2010

(Amounts in millions)

	Three Months Ended					
	September 30, 2011		September 30, 2010		\$ Increase	% Increase
	Amount	% of Total	Amount	% of Total	(Decrease)	(Decrease)
GAAP Net Revenues by Geographic Region						
North America	\$ 360	48 %	\$ 406	54 %	\$ (46)	(11)%
Europe	323	43	281	38	42	15
Asia Pacific	71	9	58	8	13	22
Total consolidated GAAP net revenues	<u>754</u>	<u>100</u>	<u>745</u>	<u>100</u>	<u>9</u>	<u>1</u>
Change in Deferred Net Revenues¹						
North America	(72)		41			
Europe	(45)		53			
Asia Pacific	(10)		18			
Total changes in net revenues	<u>(127)</u>		<u>112</u>			
Non-GAAP Net Revenues by Geographic Region						
North America	288	46	447	52	(159)	(36)
Europe	278	44	334	39	(56)	(17)
Asia Pacific	61	10	76	9	(15)	(20)
Total non-GAAP net revenues ²	<u>\$ 627</u>	<u>100 %</u>	<u>\$ 857</u>	<u>100 %</u>	<u>\$ (230)</u>	<u>(27)%</u>

	Nine Months Ended					
	September 30, 2011		September 30, 2010		\$ Increase	% Increase
	Amount	% of Total	Amount	% of Total	(Decrease)	(Decrease)
GAAP Net Revenues by Geographic Region						
North America	\$ 1,687	51 %	\$ 1,675	55 %	\$ 12	1 %
Europe	1,385	41	1,142	38	243	21
Asia Pacific	276	8	202	7	74	37
Total consolidated GAAP net revenues	<u>3,348</u>	<u>100</u>	<u>3,019</u>	<u>100</u>	<u>329</u>	<u>11</u>
Change in Deferred Net Revenues¹						
North America	(703)		(462)			
Europe	(499)		(280)			
Asia Pacific	(66)		(23)			
Total changes in net revenues	<u>(1,268)</u>		<u>(765)</u>			
Non-GAAP Net Revenues by Geographic Region						
North America	984	47	1,213	54	(229)	(19)
Europe	886	43	862	38	24	3
Asia Pacific	210	10	179	8	31	17
Total non-GAAP net revenues ²	<u>\$ 2,080</u>	<u>100 %</u>	<u>\$ 2,254</u>	<u>100 %</u>	<u>\$ (174)</u>	<u>(8)%</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 Nine Months Ended September 30, 2011 and 2010

(Amounts in millions)

	Three Months Ended					
	September 30, 2011		September 30, 2010		\$ Increase	% Increase
	Amount	% of Total	Amount	% of Total	(Decrease)	(Decrease)
Segment net revenues:						
Activision ⁽ⁱ⁾	\$ 253	34 %	\$ 314	42 %	\$ (61)	(19)%
Blizzard ⁽ⁱⁱ⁾	297	39	481	65	(184)	(38)
Distribution ⁽ⁱⁱⁱ⁾	77	10	62	8	15	24
Operating segment total	<u>627</u>	<u>83</u>	<u>857</u>	<u>115</u>	<u>(230)</u>	<u>(27)</u>
Reconciliation to consolidated net revenues:						
Net effect from deferral of net revenues	127	17	(112)	(15)		
Consolidated net revenues	<u>\$ 754</u>	<u>100 %</u>	<u>\$ 745</u>	<u>100 %</u>	\$ 9	1 %
Segment income (loss) from operations:						
Activision ⁽ⁱ⁾	\$ (36)		\$ (43)		\$ 7	NM%
Blizzard ⁽ⁱⁱ⁾	120		246		(126)	(51)
Distribution ⁽ⁱⁱⁱ⁾	1		1		---	NM
Operating segment total	<u>85</u>		<u>204</u>		<u>(119)</u>	<u>(58)</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	105		(97)			
Stock-based compensation expense	(18)		(34)			
Restructuring	(3)		---			
Amortization of intangible assets	(7)		(18)			
Consolidated operating income	162		55		107	195
Investment and other income, net	3		14			
Consolidated income before income tax expense	<u>\$ 165</u>		<u>\$ 69</u>		\$ 96	139 %
Operating margin from total operating segments	14%		24%			

	Nine Months Ended					
	September 30, 2011		September 30, 2010		\$ Increase	% Increase
	Amount	% of Total	Amount	% of Total	(Decrease)	(Decrease)
Segment net revenues:						
Activision ⁽ⁱ⁾	\$ 898	27 %	\$ 983	33 %	\$ (85)	(9)%
Blizzard ⁽ⁱⁱ⁾	968	29	1,086	36	(118)	(11)
Distribution ⁽ⁱⁱⁱ⁾	214	6	185	6	29	16
Operating segment total	<u>2,080</u>	<u>62</u>	<u>2,254</u>	<u>75</u>	<u>(174)</u>	<u>(8)</u>
Reconciliation to consolidated net revenues:						
Net effect from deferral of net revenues	1,268	38	765	25		
Consolidated net revenues	<u>\$ 3,348</u>	<u>100 %</u>	<u>\$ 3,019</u>	<u>100 %</u>	\$ 329	11 %
Segment income (loss) from operations:						
Activision ⁽ⁱ⁾	\$ 42		\$ (88)		\$ 130	NM%
Blizzard ⁽ⁱⁱ⁾	425		559		(134)	(24)
Distribution ⁽ⁱⁱⁱ⁾	1		(1)		2	NM
Operating segment total	<u>468</u>		<u>470</u>		<u>(2)</u>	<u>-</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	943		539			
Stock-based compensation expense	(61)		(94)			
Restructuring	(24)		(3)			
Amortization of intangible assets	(22)		(47)			
Consolidated operating income	1,304		865		439	51
Investment and other income, net	7		15			
Consolidated income before income tax expense	<u>\$ 1,311</u>		<u>\$ 880</u>		\$ 431	49 %
Operating margin from total operating segments	23%		21%			

(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 December 31, 2011 and****Year Ending December 31, 2011****GAAP to Non-GAAP Reconciliation****(Amounts in millions, except per share data)**

	Outlook for Three Months Ending December 31, 2011	Outlook for Year Ending December 31, 2011
Net Revenues (GAAP)	\$ 980	\$ 4,330
<u>Excluding the impact of:</u>		
Change in deferred net revenues	(a) <u>1,190</u>	<u>(80)</u>
Non-GAAP Net Revenues	\$ 2,170	\$ 4,250
Earnings (Loss) Per Diluted Share (GAAP)	\$ (0.08)	\$ 0.76
<u>Excluding the impact of:</u>		
Net effect from deferral in net revenues and related cost of sales	(b) 0.57	(0.03)
Stock-based compensation	(c) 0.03	0.07
Amortization of intangible assets	(d) 0.03	0.04
Restructuring expenses	(e) -	0.01
Non-GAAP Earnings Per Diluted Share	\$ <u>0.55</u>	\$ <u>0.85</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.