

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

(Unaudited)

(Amounts in millions, except per share data)

	Three months ended March 31,	
	2010	2009
Net revenues:		
Product sales	\$ 986	\$ 690
Subscription, licensing and other revenues	322	291
Total net revenues	1,308	981
Costs and expenses:		
Cost of sales - product costs	337	296
Cost of sales - software royalties and amortization	99	72
Cost of sales - intellectual property licenses	43	64
Cost of sales - massively multi-player online role playing game ("MMORPG")	54	52
Product development	143	117
Sales and marketing	56	83
General and administrative	65	103
Restructuring	-	15
Total costs and expenses	797	802
Operating income	511	179
Investment and other income, net	-	10
Income before income tax expense	511	189
Income tax expense	130	-
Net income	\$ 381	\$ 189
Basic earnings per common share	\$ 0.30	\$ 0.14
Weighted average common shares outstanding	1,248	1,308
Diluted earnings per common share	\$ 0.30	\$ 0.14
Weighted average common shares outstanding assuming dilution	1,264	1,359

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

	March 31, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,695	\$ 2,768
Short-term investments	647	477
Accounts receivable, net	134	739
Inventories	194	241
Software development	217	224
Intellectual property licenses	40	55
Deferred income taxes, net	395	498
Other current assets	164	327
Total current assets	4,486	5,329
Long-term investments	23	23
Software development	4	10
Intellectual property licenses	29	28
Property and equipment, net	131	138
Other assets	11	9
Intangible assets, net	599	618
Trademark and trade names	433	433
Goodwill	7,150	7,154
Total assets	\$ 12,866	\$ 13,742
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 147	\$ 302
Deferred revenues	772	1,426
Accrued expenses and other liabilities	623	779
Total current liabilities	1,542	2,507
Deferred income taxes, net	254	270
Other liabilities	202	209
Total liabilities	1,998	2,986
Shareholders' equity:		
Common stock	-	-
Additional paid-in capital	12,234	12,376
Treasury stock	(1,342)	(1,235)
Retained earnings (accumulated deficit)	20	(361)
Accumulated other comprehensive loss	(44)	(24)
Total shareholders' equity	10,868	10,756
Total liabilities and shareholders' equity	\$ 12,866	\$ 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 March 31, 2010									
GAAP Measurement	\$ 1,308	\$ 337	\$ 99	\$ 43	\$ 54	\$ 143	\$ 56	\$ 65	\$ 797
Less: Net effect from deferral in net revenues and related cost of sales (a)	(594)	(133)	(37)	(14)	-	-	-	-	(184)
Less: Stock-based compensation (including purchase price accounting related adjustments) (b)	-	-	(29)	-	-	(4)	(2)	(9)	(44)
Less: Restructuring (included in general and administrative) (c)	-	-	-	-	-	-	-	(3)	(3)
Less: Amortization of intangible assets (d)	-	(1)	(4)	(12)	-	-	-	-	(17)
Non-GAAP Measurement	\$ 714	\$ 203	\$ 29	\$ 17	\$ 54	\$ 139	\$ 54	\$ 53	\$ 549

	Operating Income	Net Income	Basic Earnings per Share	Diluted Earnings per Share
Three months ended March 31, 2010				
GAAP Measurement	\$ 511	\$ 381	\$ 0.30	\$ 0.30
Less: Net effect from deferral in net revenues and related cost of sales (a)	(410)	(308)	(0.24)	(0.24)
Less: Stock-based compensation (including purchase price accounting related adjustments) (b)	44	30	0.02	0.02
Less: Restructuring (included in general and administrative) (c)	3	2	0.00	0.00
Less: Amortization of intangible assets (d)	17	11	0.01	0.01
Non-GAAP Measurement	\$ 165	\$ 116	\$ 0.09	\$ 0.09

(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.

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.

	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 March 31, 2009										
GAAP Measurement	\$ 981	\$ 296	\$ 72	\$ 64	\$ 52	\$ 117	\$ 83	\$ 103	\$ 15	\$ 802
Less: Net effect from deferral in net revenues and related cost of sales (a)	(256)	(57)	(23)	(9)	-	-	-	-	-	(89)
Less: Stock-based compensation (including purchase price accounting related adjustments) (b)	-	-	(4)	-	-	(9)	(3)	(12)	-	(28)
Less: Results of Activision Blizzard's non-core exit operations (c)	(1)	-	-	-	-	3	(2)	(6)	-	(5)
Less: Costs related to the Business Combination, integration and restructuring (d)	-	-	-	-	-	-	-	(14)	(15)	(29)
Less: Amortization of intangible assets and purchase price accounting related adjustments (e)	-	(1)	(17)	(27)	-	-	-	(1)	-	(46)
Non-GAAP Measurement	\$ 724	\$ 238	\$ 28	\$ 28	\$ 52	\$ 111	\$ 78	\$ 70	\$ -	\$ 605

	Operating Income	Net Income	Basic Earnings per Share	Diluted Earnings per Share
Three months ended March 31, 2009				
GAAP Measurement	\$ 179	\$ 189	\$ 0.14	\$ 0.14
Less: Net effect from deferral in net revenues and related cost of sales (a)	(167)	(134)	(0.09)	(0.09)
Less: Stock-based compensation (including purchase price accounting related adjustments) (b)	28	17	0.01	0.01
Less: Results of Activision Blizzard's non-core exit operations (c)	4	3	0.00	0.00
Less: Costs related to the Business Combination, integration and restructuring (d)	29	17	0.01	0.01
Less: Amortization of intangible assets and purchase price accounting related adjustments (e)	46	19	0.01	0.01
Non-GAAP Measurement	\$ 119	\$ 111	\$ 0.08	\$ 0.08

(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 March 31, 2010 and 2009
(Amounts in millions)

	Three Months Ended					
	March 31, 2010		March 31, 2009		\$ Increase	% Increase
	Amount	% of Total	Amount	% of Total	(Decrease)	(Decrease)
GAAP Net Revenues by Segment/Platform Mix						
Activision and Blizzard:						
MMORPG	\$ 306	24 %	\$ 314	32 %	\$ (8)	(3) %
PC and other	53	4	46	5	7	15
Sony PlayStation 3	304	23	131	13	173	132
Sony PlayStation 2	15	1	40	4	(25)	(63)
Microsoft Xbox 360	384	29	198	20	186	94
Nintendo Wii	136	11	134	14	2	1
Total console	839	64	503	51	336	67
Sony PlayStation Portable	5	-	6	-	(1)	(17)
Nintendo Dual Screen	34	3	26	3	8	31
Total handheld	39	3	32	3	7	22
Total Activision and Blizzard	1,237	95	895	91	342	38
Distribution:						
Total Distribution	71	5	85	9	(14)	(16)
Total platform mix net revenues	1,308	100	980	100	328	33
Other ¹						
Total consolidated GAAP net revenues	-	-	1	-	(1)	(100)
	1,308	100 %	981	100 %	327	33
Change in Deferred Net Revenues ¹						
Activision and Blizzard:						
MMORPG	(9)		(33)		24	(73)
PC and other	(23)		(17)		(6)	35
Sony PlayStation 3	(222)		(71)		(151)	213
Microsoft Xbox 360	(280)		(92)		(188)	204
Nintendo Wii	(60)		(43)		(17)	40
Total Console	(562)		(206)		(356)	173
Total changes in deferred net revenues	(594)		(256)		(338)	132
Other ¹						
	-		(1)		1	NM
Non-GAAP Net Revenues by Segment/Platform Mix						
Activision and Blizzard:						
MMORPG	297	42 %	281	39 %	16	6
PC and other	30	4	29	4	1	3
Sony PlayStation 3	82	11	60	8	22	37
Sony PlayStation 2	15	2	40	5	(25)	(63)
Microsoft Xbox 360	104	15	106	15	(2)	(2)
Nintendo Wii	76	11	91	13	(15)	(16)
Total console	277	39	297	41	(20)	(7)
Sony PlayStation Portable	5	1	6	1	(1)	(17)
Nintendo Dual Screen	34	4	26	3	8	31
Total handheld	39	5	32	4	7	22
Total Activision and Blizzard	643	90	639	88	4	1
Total Distribution						
	71	10	85	12	(14)	(16)
Total non-GAAP net revenues ²	\$ 714	100 %	\$ 724	100 %	\$ (10)	(1)

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

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

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
FINANCIAL INFORMATION
For the Three Months Ended March 31, 2010 and 2009
(Amounts in millions)

	March 31, 2010		Three Months Ended March 31, 2009		\$ Increase (Decrease)	% Increase (Decrease)
	Amount	% of Total	Amount	% of Total		
GAAP Net Revenues by Geographic Region						
North America	\$ 703	54 %	\$ 524	53 %	\$ 179	34 %
Europe	524	40	392	40	132	34
Asia Pacific	81	6	64	7	17	27
Total geographic region net revenues	1,308	100	980	100	328	33
Other ¹	-	-	1	-	(1)	NM
Total consolidated GAAP net revenues	1,308	100 %	981	100 %	327	33
Change in Deferred Net Revenues ¹						
North America	(312)		(150)		(162)	108
Europe	(254)		(99)		(155)	157
Asia Pacific	(28)		(7)		(21)	300
Total changes in net revenues	(594)		(256)		(338)	132
Other ¹	-		(1)		1	NM
Non-GAAP Net Revenues by Geographic Region						
North America	391	55 %	374	52 %	17	5
Europe	270	38	293	40	(23)	(8)
Asia Pacific	53	7	57	8	(4)	(7)
Total non-GAAP net revenues ²	\$ 714	100 %	\$ 724	100 %	\$ (10)	(1)

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

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

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
SEGMENT INFORMATION
For the Three Months Ended March 31, 2010 and 2009
(Amounts in millions)

	Three Months Ended					
	March 31, 2010		March 31, 2009		\$ Increase	% Increase
	Amount	% of Total	Amount	% of Total	(Decrease)	(Decrease)
Segment net revenues:						
Activision ⁽ⁱ⁾	\$ 337	26 %	\$ 348	35 %	\$ (11)	(3) %
Blizzard ⁽ⁱⁱ⁾	306	23	291	30	15	5
Distribution ⁽ⁱⁱⁱ⁾	71	6	85	9	(14)	(16)
Operating segments total	<u>714</u>	<u>55</u>	<u>724</u>	<u>74</u>	<u>(10)</u>	<u>(1)</u>
Reconciliation to consolidated net revenues:						
Net effect from deferral of net revenues	594	45	256	26	338	132
Other ^(iv)	-	-	1	-	(1)	NM
Consolidated net revenues	<u>1,308</u>	<u>100</u> %	<u>981</u>	<u>100</u> %	<u>327</u>	<u>33</u>
Segment income (loss) from operations:						
Activision ⁽ⁱ⁾	7		(27)		34	(126)
Blizzard ⁽ⁱⁱ⁾	158		143		15	10
Distribution ⁽ⁱⁱⁱ⁾	-		3		(3)	NM
Operating segments total	<u>165</u>		<u>119</u>		<u>46</u>	<u>39</u>
Reconciliation to consolidated operating income:						
Net effect from deferral of net revenues and related cost of sales	410		167		243	146
Stock-based compensation expense	(44)		(28)		(16)	57
Restructuring	(3)		(15)		12	(80)
Amortization of intangible assets and purchase price accounting related adjustments	(17)		(46)		29	(63)
Integration and transactions costs	-		(14)		14	NM
Other ^(iv)	-		(4)		4	NM
Consolidated operating income	<u>\$ 511</u>		<u>\$ 179</u>		<u>\$ 332</u>	<u>185</u>
Operating margin from total operating segments		23%		16%		

(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 June 30, 2010 and

Year Ending December 31, 2010

GAAP to Non-GAAP Reconciliation

(Amounts in millions, except per share data)

	Outlook for Three Months Ending June 30, 2010	Outlook for Year Ending December 31, 2010
Net Revenues (GAAP)	\$ 925	\$ 4,180
<u>Excluding the impact of:</u>		
Change in deferred net revenues	(a) (225)	220
Non-GAAP Net Revenues	\$ 700	\$ 4,400
Earnings Per Diluted Share (GAAP)	\$ 0.11	\$ 0.49
<u>Excluding the impact of:</u>		
Change in deferred net revenues and related cost of sales	(b) (0.10)	0.09
Stock based compensation	(c) 0.02	0.08
Amortization of intangible assets	(d) 0.01	0.06
Non-GAAP Earnings Per Diluted Share	\$ 0.04	\$ 0.72

(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 stock based compensation costs. Also includes the costs of the Blizzard Entertainment equity plan and Vivendi awards to historical Vivendi Games employees.

(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.