



Activision Blizzard Announces Second Quarter CY 2010 Financial Results

- Second Quarter EPS Ahead of Prior Outlook - - Company Reaffirms CY 2010 Net Revenues and EPS Outlook - - Q2 Sales From Online Channels Exceeded Retail Sales For the First Time -

SANTA MONICA, Calif., Aug 05, 2010 /PRNewswire via COMTEX News Network/ -- Activision Blizzard, Inc. (Nasdaq: ATVI) today announced financial results for the second quarter of 2010.

For the quarter ended June 30, 2010, Activision Blizzard's GAAP net revenues were \$967 million, and its non-GAAP net revenues were \$683 million. For the quarter ended June 30, 2010, Activision Blizzard's GAAP earnings per diluted share were \$0.17, and the company's non-GAAP earnings per diluted share were \$0.06. The company reports results on both a GAAP and a non-GAAP basis. Please refer to the tables at the back of this press release for a reconciliation of the company's GAAP and non-GAAP results.

Robert Kotick, CEO of Activision Blizzard, stated, "Our quarterly results were fueled by continued strong consumer response to Activision Publishing's *Call of Duty(R)* franchise and Blizzard Entertainment's *World of Warcraft(R)*. For the first and second quarters, we outperformed our earnings per share outlook, and we grew our operating margin year over year for the six month period, driven by our focused effort to increase digital revenues. There are clearly more opportunities than ever before to create great games and we are at the forefront of doing so."

"Looking to the balance of the year, we expect to release the best slate in our company's history. Blizzard Entertainment's *StarCraft(R) II: Wings of Liberty™* off to a strong start worldwide with midnight openings on July 27, 2010 at 3,100 GameStop stores in the U.S. and 8,000 retailers around the world. We are, of course, enthusiastic about Blizzard Entertainment's upcoming release of *World of Warcraft: Cataclysm™* which began a closed beta test on June 30," Kotick added.

Kotick continued, "*Call of Duty: Black Ops™* shaping up to be one of the best games Activision Publishing has ever created, the marketing programs are the biggest in the company's history and to date, pre-orders of the game exceed the pre-orders for *Modern Warfare 2* at this time last year. This fall, our lineup includes Activision Publishing's *Guitar Hero(R): Warriors of Rock™*, *DJ Hero 2™*, *Tony Hawk(R): SHRED™*, *Spider-Man™: Shattered Dimensions*, *GoldenEye 007™* and *Bakugan(R)*, all of which look to be very promising as well. We have never been better positioned for the holiday season than we are today with such a strong slate of games and the best team in our industry to bring them to market."

Business Highlights

For the first six months of the calendar year, in the U.S. and Europe, *Call of Duty* was the #1 third-party franchise and *Call of Duty: Modern Warfare 2* was the #1 first-person action game, according to The NPD Group, Charttrack and Gfk. Additionally, for the six month period, Activision Publishing was the #2 U.S. third-party console and handheld publisher, according to The NPD Group.

Other highlights are as follows:

- During the quarter, in the U.S., *Call of Duty* was the #3 franchise overall and the #1 first-person action franchise, according to The NPD Group.
- According to The NPD Group, *Call of Duty: Modern Warfare 2* was the #1 first-person action title overall in the U.S. for the quarter.
- Blizzard Entertainment estimates that *StarCraft II: Wings of Liberty* sold through more than 1 million units in its first 24 hours, making it the best-selling PC game of 2010, and 1.5 million units in its first 48 hours, setting a record for fastest-selling strategy game of all time.
- During the quarter, according to The NPD Group, Activision Blizzard had four top-10 U.S. PC games - Activision Publishing's *Call of Duty: Modern Warfare 2* and Blizzard Entertainment's *World of Warcraft: Wrath of the Lich King (R)*, *World of Warcraft Battle Chest(R)* and *Diablo(R) Battle Chest(R)*.
- During the quarter, life-to-date sales of map packs for the *Call of Duty* franchise surpassed 20 million units.
- During the quarter, sales from digital online channels grew more than 20% year over year.
- During the quarter, Activision Publishing released four games -- *Shrek Forever After™*, *Blur™*, *Singularity™* and

Transformers™: War for Cybertron as well as two Call of Duty map packs -- Call of Duty: Modern Warfare(R) 2 Stimulus Package for the PLAYSTATION(R)3 and PC and Call of Duty: Modern Warfare 2 Resurgence Pack for the Xbox (R) 360.

- On February 10, 2010, Activision Blizzard announced that its Board of Directors had authorized a stock repurchase program under which the company can purchase up to \$1 billion of the company's common stock. As of June 30, 2010, Activision Blizzard had purchased \$334 million of its common stock, or approximately 31 million shares.
- On April 2, 2010, Activision Blizzard paid a cash dividend of \$0.15 per common share to shareholders of record at the close of business on February 22, 2010.

On July 13, Activision Blizzard announced that marketing and advertising industry veteran Eric Hirshberg has been named Chief Executive Officer of Activision Publishing, effective September 7, 2010. In this role, Mr. Hirshberg will oversee Activision Publishing's operational management including its studio, product development functions and consumer marketing activities. He will report to Thomas Tipl, Chief Operating Officer of Activision Blizzard.

Company Outlook

In the third quarter, Blizzard Entertainment released **StarCraft II: Wings of Liberty**, and Activision Publishing expects to release **Guitar Hero: Warriors of Rock** for the Xbox 360 video game and entertainment system from Microsoft, the PLAYSTATION3 computer entertainment system from Sony and the Wii home video game system from Nintendo; and **Spider-Man: Shattered Dimensions** for the Xbox 360 video game and entertainment system from Microsoft, the PLAYSTATION3 computer entertainment system from Sony, the Wii home video game system from Nintendo, and the Nintendo DS.

Additionally, Activision Publishing has moved the anticipated release date for its upcoming open-world action title, **True Crime (R): Hong Kong**, from 2010 to 2011 in order to give the development team more time to deliver the high-quality entertainment experience they envision for the game.

Activision Blizzard's outlook is based on assumptions about sell through rates for its products and the launch timing, success and pricing of its new slate of products which are subject to significant risks and uncertainties, including declines in the overall demand for video games and in the demand for the company's products, the dependence in the interactive software industry and by the company on an increasingly limited number of popular franchises for a disproportionately high percentage of revenues and profits, the company's ability to predict shifts in consumer preferences among genres, such as music and casual games, and competition. Current macroeconomic conditions and market conditions within the video game industry increase those risks and uncertainties.

The company's outlook is also subject to other risks and uncertainties including litigation and associated costs, fluctuations in foreign exchange and tax rates, counterparty risks relating to customers, licensees, licensors and manufacturers and risks relating to the ongoing ability of Blizzard Entertainment's licensee, NetEase.com, Inc., to operate **World of Warcraft** in China on a paying basis without interruption. As a result of these and other factors, actual results may deviate materially from the outlook presented below.

Despite Activision Publishing moving the release of **True Crime: Hong Kong** into 2011, Activision Blizzard is reaffirming its calendar year 2010 outlook due to an increase in its expectations for the **Call of Duty** brand in the fourth quarter. For the calendar year, the company still expects GAAP net revenues of \$4.2 billion and GAAP earnings per diluted share of \$0.49, and on a non-GAAP basis, the company still expects net revenues of \$4.4 billion and \$0.72 earnings per diluted share as provided on May 6, 2010.

For the third quarter of calendar year 2010, Activision Blizzard expects GAAP net revenues of \$600 million, and to break even on GAAP earnings per diluted share. On a non-GAAP basis, the company expects net revenues of \$725 million and \$0.08 earnings per diluted share for the third quarter.

Conference Call

Today at 4:30 p.m. EDT, Activision Blizzard's management will host a conference call and Webcast to discuss the company's results for the quarter ended June 30, 2010 and management's outlook for the remainder of the calendar year.

The company welcomes all members of the financial and media communities and other interested parties to visit the "Investor Relations" area of www.activisionblizzard.com to listen to the conference call via live Webcast or to listen to the call live by dialing into 888-389-5986 in the U.S. with passcode 1545851.

Non-GAAP Financial Measures

Activision Blizzard provides net revenues, net income (loss), earnings (loss) per share and operating margin data and guidance both including (in accordance with GAAP) and excluding (non-GAAP): the impact of the change in deferred net revenues and

related cost of sales with respect to certain of the company's online-enabled games; expenses related to share-based payments; Activision Blizzard's non-core exit operations (which are the operating results of products and operations of the historical Vivendi Games, Inc. businesses that the company has exited or substantially wound down); costs related to the business combination between Activision, Inc. and Vivendi Games, Inc. (including transaction costs, integration costs, and restructuring activities); the amortization of intangibles and impairment of intangible assets; and the associated tax benefits.

Management believes that the presentation of these non-GAAP financial measures provides investors with additional useful information to measure Activision Blizzard's financial and operating performance because they facilitate comparison of operating performance between periods and help investors to better understand the operating results of Activision Blizzard. Internally, management uses these non-GAAP financial measures in assessing the company's operating results, as well as in planning and forecasting.

Non-GAAP financial measures should be considered in addition to, not as a substitute for or superior to, financial measures determined in accordance with GAAP. Activision Blizzard recognizes that there are limitations associated with the use of these non-GAAP financial measures.

Activision Blizzard's non-GAAP financial measures are not based on a comprehensive set of accounting rules or principles, and the terms non-GAAP net revenues, non-GAAP net income, non-GAAP earnings per share, and non-GAAP operating margin do not have a standardized meaning. Therefore, other companies may use the same or similarly named measures, but exclude different items, which may not provide investors a comparable view of Activision Blizzard's performance in relation to other companies.

Management compensates for the limitations resulting from the exclusion of these items by considering the impact of the items separately and by considering Activision Blizzard's GAAP as well as non-GAAP results and outlook and, in this release, by presenting the most comparable GAAP measures directly ahead of non-GAAP measures, and by providing a reconciliation that indicates and describes the adjustments made.

About Activision Blizzard

Headquartered in Santa Monica, California, Activision Blizzard, Inc. is a worldwide online, PC, console, handheld and mobile game publisher with leading positions across every major category of the rapidly growing interactive entertainment software industry.

Activision Blizzard maintains operations in the U.S., Canada, the United Kingdom, France, Germany, Ireland, Italy, Sweden, Spain, the Netherlands, Australia, South Korea and China. More information about Activision Blizzard and its products can be found on the company's website, www.activisionblizzard.com.

Cautionary Note Regarding Forward-looking Statements: Information in this press release that involves Activision Blizzard's expectations, plans, intentions or strategies regarding the future, including statements under the heading "Company Outlook," are forward-looking statements that are not facts and involve a number of risks and uncertainties.

Activision Blizzard generally uses words such as "outlook," "will," "could," "would," "might," "remains," "to be," "plans," "believes," "may," "expects," "intends," "anticipates," "estimate," "future," "plan," "positioned," "potential," "project," "remain," "scheduled," "set to," "subject to," "upcoming" and similar expressions to identify forward-looking statements. Factors that could cause Activision Blizzard's actual future results to differ materially from those expressed in the forward-looking statements set forth in this release include, but are not limited to, sales levels of Activision Blizzard's titles, increasing concentration of titles, shifts in consumer spending trends, the impact of the current macroeconomic environment and market conditions within the video game industry, the seasonal and cyclical nature of the interactive game market, any further difficulties related to World of Warcraft in China, Activision Blizzard's ability to predict consumer preferences among competing hardware platforms, declines in software pricing, product returns and price protection, product delays, retail acceptance of Activision Blizzard's products, adoption rate and availability of new hardware (including peripherals) and related software, industry competition including from used games and other forms of entertainment, litigation risks and associated costs, rapid changes in technology, industry standards, business models including online and used games, and consumer preferences including interest in specific genres such as music, first-person action and massively multiplayer online games, protection of proprietary rights, maintenance of relationships with key personnel, customers, licensees, licensors, vendors, and third-party developers, including the ability to attract, retain and develop key personnel and developers that can create high quality "hit" titles, counterparty risks relating to customers, licensees, licensors and manufacturers, domestic and international economic, financial and political conditions and policies, foreign exchange rates and tax rates, and the identification of suitable future acquisition opportunities and potential challenges associated with geographic expansion, and the other factors identified in the risk factors sections of Activision Blizzard's most recent annual report on Form 10-K. The forward-looking statements in this release are based upon information available to Activision Blizzard as of the date of this release, and Activision Blizzard assumes no obligation to update any such forward-looking statements. Forward-looking statements believed to be true when made may ultimately prove to be incorrect. These statements are not guarantees of the future performance of Activision Blizzard and are subject to risks, uncertainties and other factors, some of which are beyond its control and may cause actual results to differ materially from current expectations.

[Click here for Financial Tables](#)