

# Fourth Quarter CY 2011 Results



February 9, 2012

# Safe Harbor Disclosure

Please review our SEC filings on Form 10-K and Form 10-Q

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The statements contained in this presentation that are not historical facts are forward-looking statements. The company generally uses words such "outlook," "will," "could," "should," "would," "might," "remains," "to be," "plans," "believes," "may," "expects," "intends as," "anticipates," "estimate," "future," "plan," "positioned," "potential," "project," "scheduled," "set to," "subject to," "upcoming" and similar expressions to identify forward-looking statements. These forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties.

The Company cautions that a number of important factors could cause Activision Blizzard's actual future results and other future circumstances to differ materially from those expressed in any such forward looking statements. Such factors 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, Activision Blizzard's ability to predict consumer preferences, including interest in specific genres such as first-person action and massively multiplayer online games and preferences among competing hardware platforms, the seasonal and cyclical nature of the interactive game market, changing business models, including digital delivery of content, competition, including from used games and other forms of entertainment, possible declines in software pricing, product returns and price protection, product delays, adoption rate and availability of new hardware (including peripherals) and related software, rapid changes in technology and industry standards, litigation risks and associated costs, 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. These important factors and other factors that potentially could affect the Company's financial results are described in the Company's most recent annual report on Form 10-K and other filings with the SEC.

The Company may change its intention, belief or expectation, at any time and without notice, based upon any changes in such factors, in the Company's assumptions or otherwise. The Company undertakes no obligation to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the original date of this presentation, February 9, 2012, or to reflect the occurrence of unanticipated events.

# Activision Blizzard 2011 Highlights

Another year of record performance

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## Largest and most profitable 3rd-Party Interactive Entertainment Publisher

- Nearly \$1B in Operating Cash Flow
- Over \$3.5B in Operating Cash Flow from 2009 to 2011
- Increasing our annual dividend 9% to \$0.18 per common share; announcing new \$1B repurchase program
- Record 28% GAAP Operating Margin and Non-GAAP Operating Margin above 30%
- Record EPS: \$0.92 GAAP and \$0.93 non-GAAP
- #1 Third-Party Interactive Entertainment Digital Publisher in U.S. and Europe with Digital Revenues of \$1.6B

## Leadership based on focus, talent, innovation and discipline

- *World of Warcraft*, World's largest subscription-based MMORPG with approximately 10.2M subscribers
- *Call of Duty Modern Warfare 3*, best-selling game in 2011<sup>1</sup>
- *Call of Duty Elite*, one of the fastest growing subscription services ever with over 7M registered members, including over 1.5M premium annual members as of January 31, 2011
- *Skylanders*, our largest new IP ever and potentially a \$1B franchise

## Well positioned for 2012 and beyond

- Focused on the largest opportunities, strong balance sheet, and outstanding studio talent
- Approximately 50M monthly active users<sup>2</sup> across Battle.net, Call of Duty multiplayer, Call of Duty Elite, and Skylanders WebWorld

<sup>1</sup>Activision Blizzard internal estimates; NPD, Chartrack, GfK, <sup>2</sup>Activision Blizzard internal estimates  
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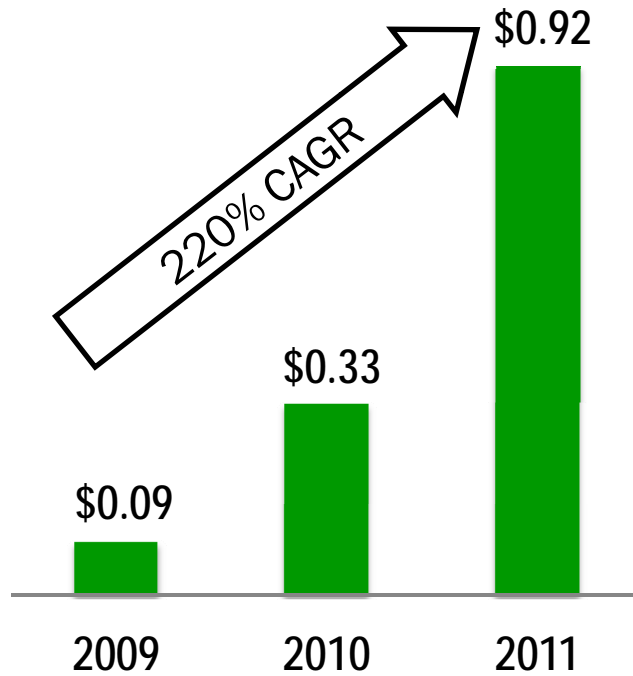


# Record Earnings Per Share

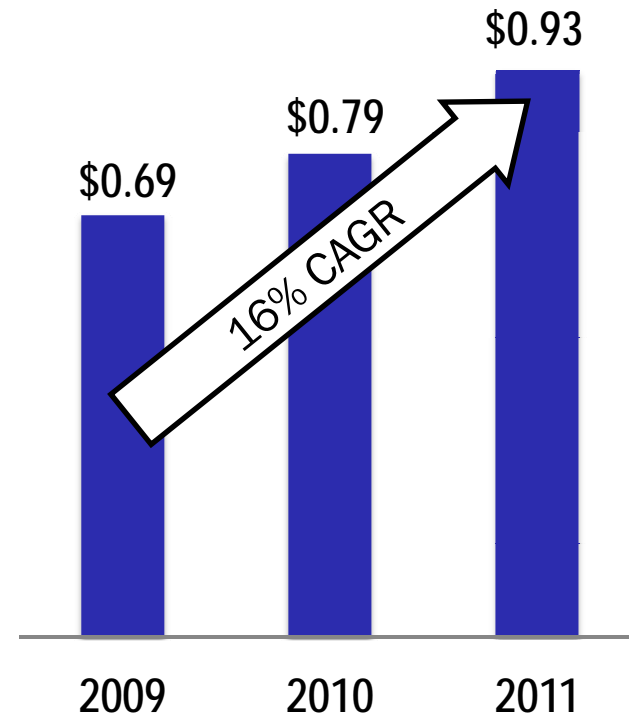
Rapid growth

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### GAAP EPS



### Non-GAAP EPS



# Activision Blizzard 2011 Results

Strong performance driven by innovation and online-enabled franchises

| GAAP                  | 2010     | Original 2011 Outlook <sup>1</sup> | 2011           |
|-----------------------|----------|------------------------------------|----------------|
| Net Revenues          | \$4,447M | \$3.95B                            | \$4,755M       |
| EPS                   | \$0.33   | 0.56                               | \$0.92         |
| Non-GAAP <sup>2</sup> | 2010     | Original 2011 Outlook <sup>1</sup> | 2011           |
| Net Revenues          | \$4,803M | \$3.9B                             | \$4,489M       |
| EPS                   | \$0.79   | \$0.70                             | \$0.93         |
|                       |          | As of 12/31/10                     | As of 12/31/11 |
| Cash & Investments    |          | \$3.53B                            | \$3.54B        |
| Operating Cash Flow   |          | \$1,376M                           | \$952M         |

<sup>1</sup> Original 2011 outlook provided on 2/9/11

<sup>2</sup> Non-GAAP information reconciliation tables in the appendix of the earnings release, which is available on [www.activisionblizzard.com](http://www.activisionblizzard.com)



# Activision Blizzard 4Q 2011 Results

Strong performance driven by innovation and online-enabled franchises

| GAAP                                     | 4Q 2010  | Prior 4Q 2011 Outlook <sup>1</sup> | 4Q 2011        |
|--|----------|------------------------------------|----------------|
| Net Revenues                             | \$1,427M | \$980M                             | \$1,407M       |
| EPS                                      | (\$0.20) | (\$0.08)                           | \$0.08         |
| Non-GAAP <sup>2</sup>                    | 4Q 2010  | Prior 4Q 2011 Outlook <sup>1</sup> | 4Q 2011        |
| Net Revenues                             | \$2.55B  | \$2.17B                            | \$2.41B        |
| EPS                                      | \$0.53   | \$0.55                             | \$0.62         |
|  |          | As of 9/30/11                      | As of 12/31/11 |
| Cash & Investments <sup>3</sup>          |          | \$2.9B                             | \$3.5B         |
| Cumulative share repurchases 2009 - 2011 |          |                                    | \$2.8B         |

<sup>1</sup> Prior outlook provided on 11/8/11

<sup>2</sup> Non-GAAP information reconciliation tables in the appendix of the earnings release, which is available on [www.activisionblizzard.com](http://www.activisionblizzard.com)

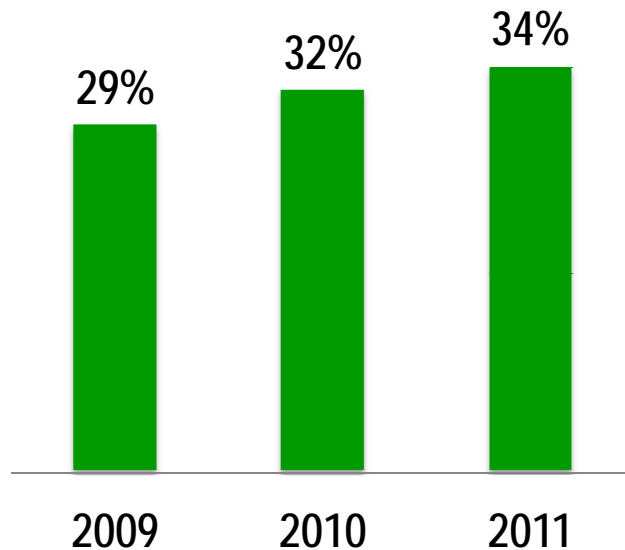
<sup>3</sup> Includes short and long term investments.



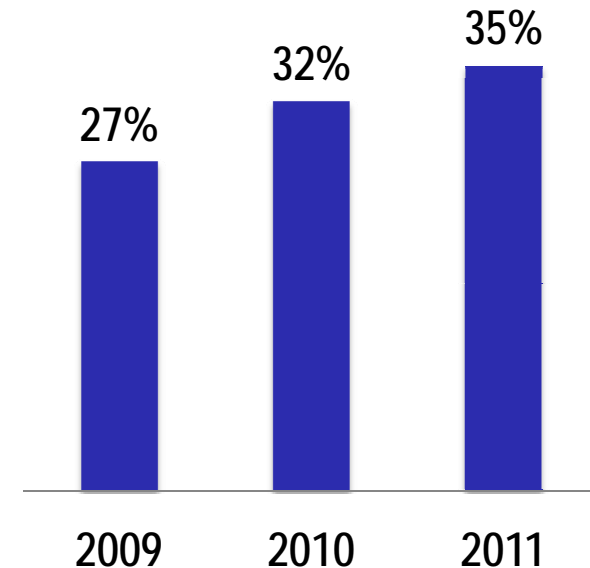
# Increasing Percentage of Digital<sup>1</sup> Revenues

Digital growth drives operating margin expansion

GAAP Digital Revenues as Percentage of Total



Non-GAAP Digital Revenues as Percentage of Total



Total Company  
GAAP Operating  
Margin:

| Year                  | 2009   | 2010  | 2011  |
|-----------------------|--------|-------|-------|
| GAAP Operating Margin | (0.6%) | 10.5% | 27.9% |

Total Company  
Non-GAAP  
Operating Margin:

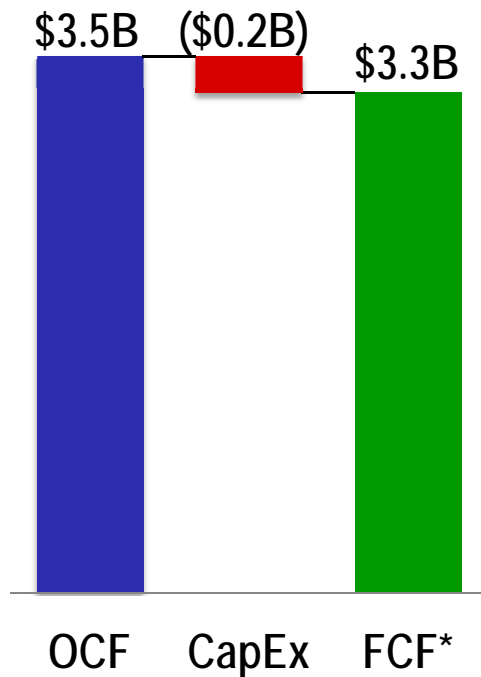
| Year                      | 2009  | 2010  | 2011  |
|---------------------------|-------|-------|-------|
| Non-GAAP Operating Margin | 25.8% | 28.5% | 30.3% |

<sup>1</sup> Digital includes revenues from subscriptions and memberships revenue, licensing royalties, value added services, downloadable content, digitally distributed products, and wireless devices.

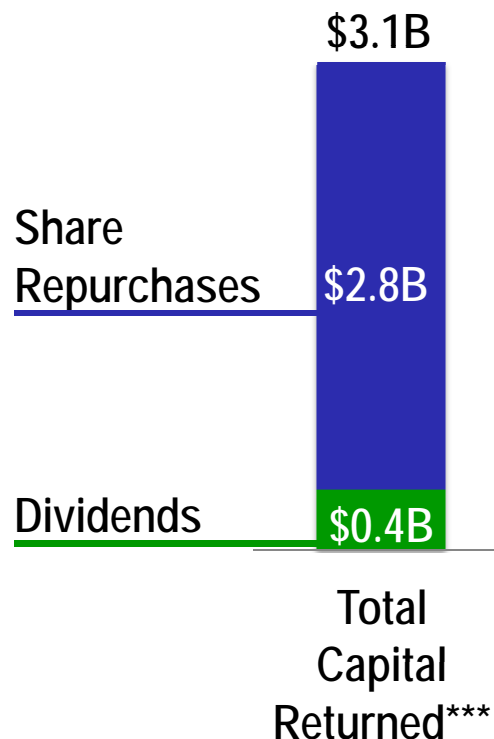
# Strong Cash Flow; Disciplined Capital Allocation

Consistent Operating Cash Flow, high payout ratio, strong balance sheet

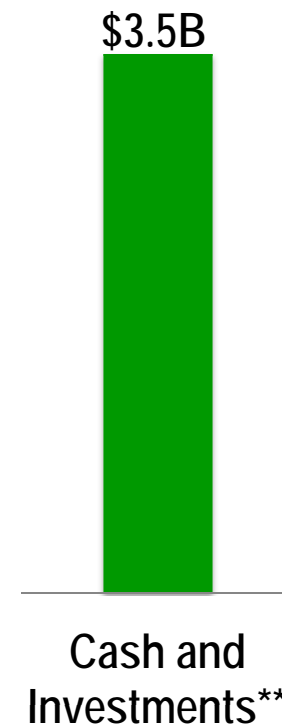
2009 - 2011  
Strong Cash Flow



2009 - 2011  
High Payout Ratio



Dec. 31, 2011  
Strong, Debt-Free  
Balance Sheet



\* Free Cash Flow ("FCF") represents Operating Cash Flow ("OCF") minus Capital Expenditure ("CapEx").

\*\* Cash includes short-term and long-term investments

\*\*\* May not tie exactly due to rounding.



# Expanding Blizzard Portfolio

Owned IP and direct connections to consumers enable multiple models

| World of Warcraft      | StarCraft              | Diablo        | Blizzard DOTA | Warcraft     | New MMO |
|------------------------|------------------------|---------------|---------------|--------------|---------|
| Mists of Pandaria      | Heart of the Swarm     | Diablo III    | Blizzard DOTA | Warcraft III | New MMO |
| Cataclysm              | Exp. Pack              | Exp. Pack     |               | Warcraft II  | New MMO |
| Wrath of the Lich King | SCII: Wings of Liberty | Diablo II     |               | Warcraft     |         |
| Burning Crusade        | StarCraft              | Diablo        |               |              |         |
| World of Warcraft      | Blizzard Arcade        | Auction House |               |              |         |
| Subscriptions          |                        |               |               |              |         |
| Value Added Services   |                        |               |               |              |         |

Retail

Retail and Battle.net

Battle.net only



# Expanding Activision Publishing Portfolio

Increasing our mix of Digital<sup>1</sup> Revenues

| Call of Duty       | Skylanders            | Bungie                |
|--------------------|-----------------------|-----------------------|
| COD 2012           | GIANTS                | Genre-defining new IP |
| Modern Warfare 3   | Light Up Toys         | Genre-defining new IP |
| Black Ops          | Spyro's Adventure     |                       |
| Modern Warfare 2   | Starter Packs         |                       |
| World at War       | Individual Toys       |                       |
| Modern Warfare     | Multi-Character Packs |                       |
| Mobile             | Expansion Packs       |                       |
| DLC                | Licensing             |                       |
| Elite 2.0          | Web World FTP MTX     |                       |
| China FTP MTX      | Mobile                |                       |
| Full Game Download |                       |                       |

Retail

Digital

<sup>1</sup> Digital includes revenues from subscriptions and memberships revenue, licensing royalties, value added services, downloadable content, digitally distributed products, and wireless devices.



# Expanding Operating Margins

Expanding Digital<sup>1</sup> Revenues and increasing productivity

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**Blizzard  
Entertainment**

**Activision  
Publishing**

## Margin Expansion

- Increasing our sales of above average margin Skylanders toys
- Expanding our high margin Blizzard slate
- Productivity improvements across key areas of operating expenses

<sup>1</sup> Digital includes revenues from subscriptions and memberships revenue, licensing royalties, value added services, downloadable content, digitally distributed products, and wireless devices.

# Financial Outlook<sup>1</sup>, as of February 9, 2012

Expecting record non-GAAP EPS and record non-GAAP Operating Margins

|                                    | 2012    |          | 1Q 2012 |          |
|------------------------------------|---------|----------|---------|----------|
|                                    | GAAP    | Non-GAAP | GAAP    | Non-GAAP |
| Net Revenues                       | \$4.15B | \$4.5B   | \$965M  | \$525M   |
| COGS (Prod/Online)                 | 29%     | 27%      | 30%     | 34%      |
| Operating Expense, incl. Royalties | 48%     | 40%      | 34%     | 57%      |
| Tax Rate                           | 26%     | 27%      | 26%     | 27%      |
| EPS                                | \$0.63  | \$0.94   | \$0.22  | \$0.03   |
| Diluted Share Count                | 1.15B   | 1.15B    | 1.15B   | 1.15B    |

<sup>1</sup> 2012 full-year guidance assumes at least two major title releases from Blizzard Entertainment.

Our outlook is based on assumptions about sell-through rates for our products and the launch timing, success and pricing of our slate of new products which are subject to significant risks and uncertainties, including possible declines in the overall demand for video games and in the demand for our products, the dependence in the interactive software industry and by us on an increasingly limited number of popular franchises for a disproportionately high percentage of revenues and profits, our ability to predict shifts in consumer preferences among genres and competition. Current macroeconomic conditions and market conditions within the video game industry increase those risks and uncertainties. Our 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. As a result of these and other factors (including those mentioned in our Safe Harbor Disclosure at the beginning of this presentation and in our 2010 Annual Report on Form 10-K) actual results may deviate materially from the outlook presented above.



# Non-GAAP Outlook Exceeds Long Term Targets

As announced at September 1, 2011 Analyst Day

|                                      | Non-GAAP Revenues |         |         |         |             | Non-GAAP EPS |        |        |        |             |
|--------------------------------------|-------------------|---------|---------|---------|-------------|--------------|--------|--------|--------|-------------|
|                                      | 2011              | 2012    | 2013    | 2014    | 2012 - 2014 | 2011         | 2012   | 2013   | 2014   | 2012 - 2014 |
|                                      |                   |         |         | \$230   | \$230       |              |        |        | \$0.09 | \$0.09      |
|                                      |                   |         | \$210   | \$210   | \$420       |              |        | \$0.08 | \$0.08 | \$0.17      |
|                                      |                   | \$200   | \$200   | \$200   | \$600       |              | \$0.08 | \$0.08 | \$0.08 | \$0.23      |
| <b>Outlook as of 9/1/11:</b>         | \$4,050           | \$4,250 | \$4,460 | \$4,680 | \$1,250     | \$0.77       | \$0.85 | \$0.93 | \$1.02 | \$0.49      |
| <i>Long term target growth rate:</i> |                   | 5%+     | 5%+     | 5%+     |             |              | 10%+   | 10%+   | 10%+   |             |

|  |                               |                              |
|--|-------------------------------|------------------------------|
| <b>Outlook as of 2/9/12<sup>1</sup>:</b> | <u>2012</u><br><b>\$4,500</b> | <u>2012</u><br><b>\$0.94</b> |
| <i>Growth rate v. 9/1/11 base year:</i>  | 11%                           | 22%                          |

<sup>1</sup> 2012 full-year guidance assumes at least two major title releases from Blizzard Entertainment.

Our outlook is based on assumptions about sell-through rates for our products and the launch timing, success and pricing of our slate of new products which are subject to significant risks and uncertainties, including possible declines in the overall demand for video games and in the demand for our products, the dependence in the interactive software industry and by us on an increasingly limited number of popular franchises for a disproportionately high percentage of revenues and profits, our ability to predict shifts in consumer preferences among genres and competition. Current macroeconomic conditions and market conditions within the video game industry increase those risks and uncertainties. Our 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. As a result of these and other factors (including those mentioned in our Safe Harbor Disclosure at the beginning of this presentation and in our 2010 Annual Report on Form 10-K) actual results may deviate materially from the outlook presented above.



# N. American, European Installed Base

Hardware at all time highs + Digital expected to grow double digits

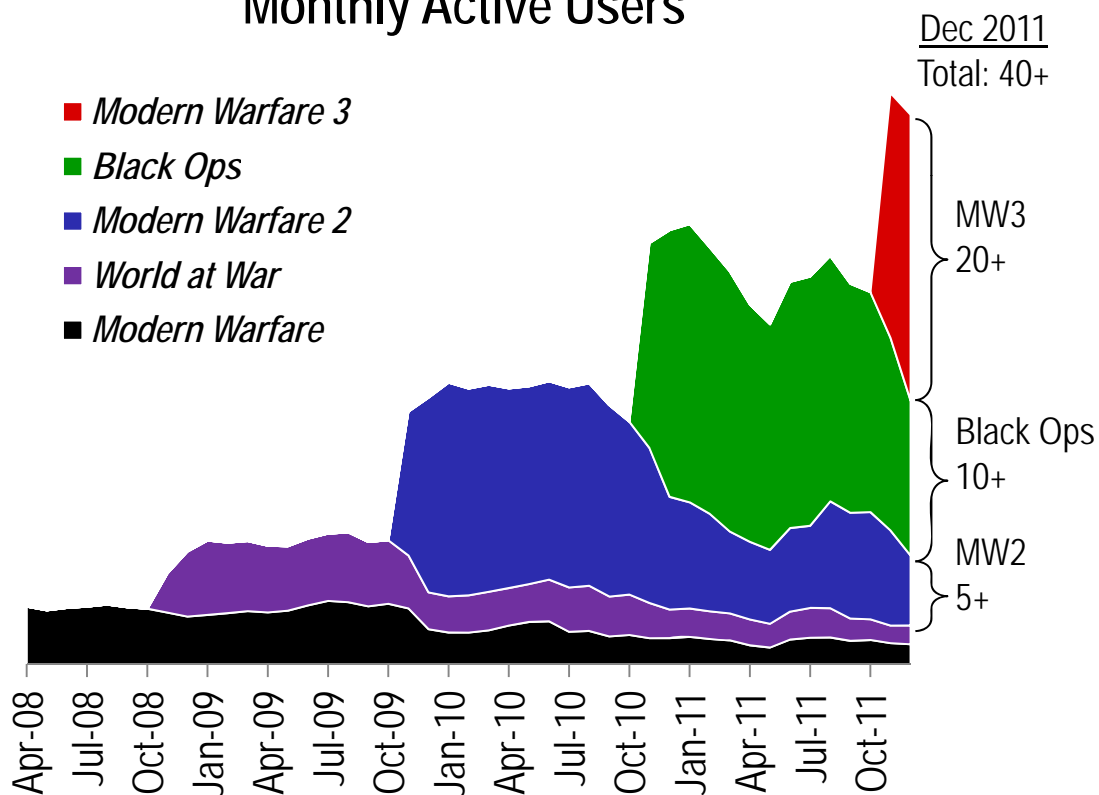
|                    | 12/31/11<br>Installed Base (M) | Estimated<br>CY2012<br>Increase (M) | Estimated<br>12/31/12 Installed<br>Base (M) | <i>Estimated<br/>Growth Y/Y</i> |
|--------------------|--------------------------------|-------------------------------------|---|---------------------------------|
| Xbox 360           | 54                             | 9                                   | 63  | 17%                             |
| PlayStation 3      | 40                             | 8                                   | 48  | 20%                             |
| <b>HD-Consoles</b> | 94                             | 17                                  | 112   | <b>18%</b>                      |
| Wii + Handhelds    | 219                            | 25                                  | 243   | 11%                             |
| <b>Total</b>       | 312                            | 43                                  | 355   | <b>14%</b>                      |
| Wii-U              |                                | (TBD)                               | (TBD)                                       |                                 |

Source: Activision Blizzard internal estimates; NPD, Charttrack, GfK  
Rows/Columns may not tie exactly due to rounding

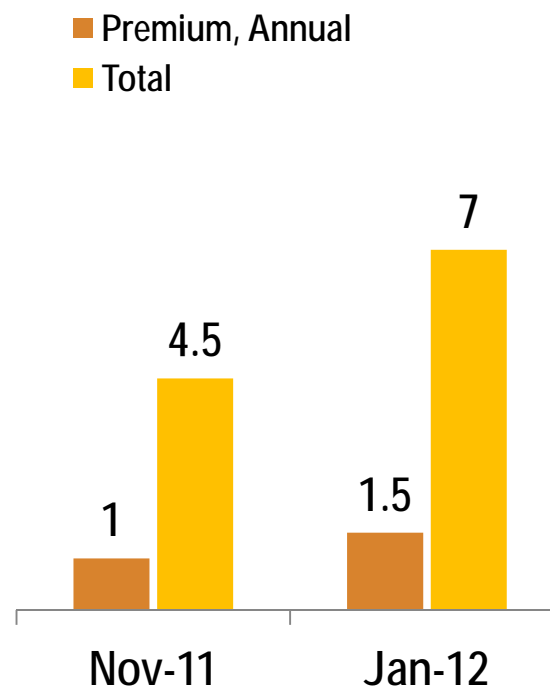
# Call of Duty Franchise Growth

Multiple titles sustain year-long engagement, just scratching the surface with Elite

## 40 Million Call of Duty Monthly Active Users



## Elite Members (M)



Source: Activision Blizzard internal estimates



# Skylanders and Skylanders GIANTS



Building our next \$1B franchise

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## Skylanders GIANTS:

- Dwarf regular Skylanders
- Have unique in-game powers
- Use existing Portal of Power
- Toys light up on and near the Portal of Power

## Skylanders GIANTS to come in:

- Starter packs to include a portal of power
- Expansion packs
- Stand-alone characters

## Franchise growth opportunities:

- WebWorld with 1M registered users\*
- Mobile
- Licensing



**ACTIVISION**

\*Source: Activision Blizzard internal estimates



# Activision Publishing Highlights

Focused on our biggest opportunities

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**Call of Duty:** Largest interactive entertainment franchise ever\* in U.S. and Europe

**Call of Duty ELITE:** 7M+ members including 1.5M+ annual premium members\*\*

**Call of Duty Downloadable Content:** More all-new content than ever in 2012

**Call of Duty China:** Free-to-play, microtransaction-based game in development

**Skylanders:** 20M+ toys sold, 2011 #1 kids' title, our largest new IP launch ever\*\*

**Prototype 2:** Core owned IP for a passionate audience

**Bungie:** Continuing multiplatform development of a genre-defining new IP from one of the industry's best

\*In \$'s across 360, PS3 and PC, according to NPD, GFK/Chartrack

\*\*Activision Blizzard estimates

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# Blizzard Entertainment Highlights

Working hard on exciting pipeline of new games

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## World of Warcraft: Mists of Pandaria

- New expansion set debuted at BlizzCon
- Global press event in March, new information coming 3/19

## StarCraft II: Heart of the Swarm

- Campaign centering on iconic Kerrigan; new multiplayer units
- eSports in 2011 drew huge audiences -- Blizzard to take more active role in 2012

## Diablo III

- Beta testing and auction house testing going well
- Targeting Q2 launch

## Large and Innovative Pipeline

- Multiple title launches expected in 2012
- Blizzard DOTA -- new free-to-play online game
- Unannounced MMO



# Use of Non-GAAP Measures

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In order to supplement the Company's financial measures that are presented in accordance with GAAP, Activision Blizzard presents certain non-GAAP measures of financial performance. The presentation of these non-GAAP financial measures is not intended to be considered in isolation from, as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. In addition, these non-GAAP measures have limitations in that they do not reflect all of the items associated with the Company's results of operations as determined in accordance with GAAP.

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. In particular, the measures facilitate comparison of operating performance between periods and help investors to better understand the operating results of Activision Blizzard by excluding certain items that may not be indicative of the company's core business, operating results or future outlook. Internally, management uses these non-GAAP financial measures in assessing the Company's operating results, as well as in planning and forecasting.

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 items from the measures 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 presentation, by presenting the most comparable GAAP measures directly ahead of non-GAAP measures and providing a reference to a reconciliation that indicates and describes the adjustments made.

For such reconciliation of GAAP to non-GAAP numbers and a description of what is excluded from each non-GAAP financial measure, and for more detailed information concerning the Company's financial results for the quarter ended December 31, 2011, please refer to the Company's earnings release dated February 9, 2012, which is available on our website, [www.activisionblizzard.com](http://www.activisionblizzard.com).

# Fourth Quarter CY 2011 Results



February 9, 2012

\*The reconciliation tables are in the earnings release and on [www.activisionblizzard.com](http://www.activisionblizzard.com) along with the replay webcast.