ACTIVISION | BLIZZARD

FOURTH QUARTER 2018 RESULTS

FEBRUARY 12, 2019

SAFE HARBOR DISCLOSURE

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

The statements contained herein that are not historical facts are forward-looking statements, including, but not limited to, statements about: (1) projections of revenues, expenses, income or loss, earnings or loss per share, cash flow or other financial items; (2) statements of our plans and objectives, including those related to releases of products and services and restructuring activities; (3) statements of future financial or operating performance, including the impact of tax items thereon; and (4) statements of assumptions underlying such statements. The company generally uses words such as “outlook,” “forecast,” “will,” “could,” “should,” “would,” “to be,” “plan,” “plans,” “believes,” “may,” “might,” “expects,” “intends,” “intends as,” “anticipates,” “estimate,” “future,” “positioned,” “potential,” “project,” “remain,” “scheduled,” “set to,” “subject to,” “upcoming,” and other similar expressions to help identify forward-looking statements. Forward-looking statements are subject to business and economic risks, reflect management’s current expectations, estimates and projections about our business, and are inherently uncertain and difficult to predict.

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 forward-looking statements. Such factors include, but are not limited to: sales levels of Activision Blizzard’s titles, products and services; concentration of revenue among a small number of titles; Activision Blizzard’s ability to predict consumer preferences, including interest in specific genres and modes, and preferences among platforms; the continued growth in the scope and complexity of our business, including the diversion of management time and attention to issues relating to the operations of our newly acquired or started businesses and the potential impact of our expansion into new businesses on our existing businesses; the execution of our restructuring activities; the amount of our debt and the limitations imposed by the covenants in the agreements governing our debt; counterparty risks relating to customers, licensees, licensors and manufacturers; maintenance of relationships with key personnel, customers, financing providers, licensees, licensors, manufacturers, vendors, and third-party developers, including the ability to attract, retain and motivate key personnel and developers that can create high-quality titles, products and services; changing business models within the video game industry, including digital delivery of content and the increased prevalence of free-to-play games; product delays or defects; competition, including from other forms of entertainment; rapid changes in technology and industry standards; possible declines in software pricing; product returns and price protection; the identification of suitable future acquisition opportunities and potential challenges associated with geographic expansion; the seasonal and cyclical nature of the interactive entertainment market; the outcome of current or future tax disputes; litigation risks and associated costs; protection of proprietary rights; potential data breaches and other cybersecurity risks; shifts in consumer spending trends; capital market risks; the impact of applicable laws, rules and regulations, including changes in those laws, rules and regulations; domestic and international economic, financial and political conditions and policies; tax rates and foreign exchange rates; the impact of the current macroeconomic environment; and the other factors identified in “Risk Factors” included in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2017.

The forward-looking statements in this press release are based on information available to the company at this time and we assume no obligation to update any such forward-looking statements. Although these forward-looking statements are believed to be true when made, they may ultimately prove to be incorrect. These statements are not guarantees of our future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control and may cause actual results to differ materially from current expectations.

USE OF NON-GAAP MEASURES

As a supplement to our financial measures presented in accordance with Generally Accepted Accounting Principles (“GAAP”), Activision Blizzard presents certain non-GAAP measures of financial performance. These non-GAAP financial measures are not intended to be considered in isolation from, as a substitute for, or as more important than, 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.

Activision Blizzard provides net income (loss), earnings (loss) per share and operating margin data and guidance both including (in accordance with GAAP) and excluding (non-GAAP) certain items. When relevant, the company also provides constant FX information to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency rate fluctuations. In addition, Activision Blizzard provides EBITDA (defined as GAAP net income (loss) before interest (income) expense, income taxes, depreciation and amortization) and adjusted EBITDA (defined as non-GAAP operating margin (see non-GAAP financial measure below) before depreciation). The non-GAAP financial measures exclude the following items, as applicable in any given reporting period and our outlook:

- expenses related to stock-based compensation;
- the amortization of intangibles from purchase price accounting;
- fees and other expenses related to the King acquisition, including related debt financings, and refinancing of long-term debt, including penalties and the write off of unamortized discount and deferred financing costs;
- restructuring charges;
- other non-cash charges from reclassification of certain cumulative translation adjustments into earnings as required by GAAP;
- the income tax adjustments associated with any of the above items (tax impact on non-GAAP pre-tax income is calculated under the same accounting principles applied to the GAAP pre-tax income under ASC 740, which employs an annual effective tax rate method to the results); and
- significant discrete tax-related items, including amounts related to changes in tax laws (including the Tax Cuts and Jobs Act enacted in December 2017), amounts related to the potential or final resolution of tax positions, and other unusual or unique tax-related items and activities.

In the future, Activision Blizzard may also consider whether other items should also be excluded in calculating the non-GAAP financial measures used by the company. 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. Additionally, we consider quantitative and qualitative factors in assessing whether to adjust for the impact of items that may be significant or that could affect an understanding of our ongoing financial and business performance or trends. Internally, management uses these non-GAAP financial measures, along with others, in assessing the company’s operating results, and measuring compliance with the requirements of the company’s debt financing agreements, as well as in planning and forecasting.

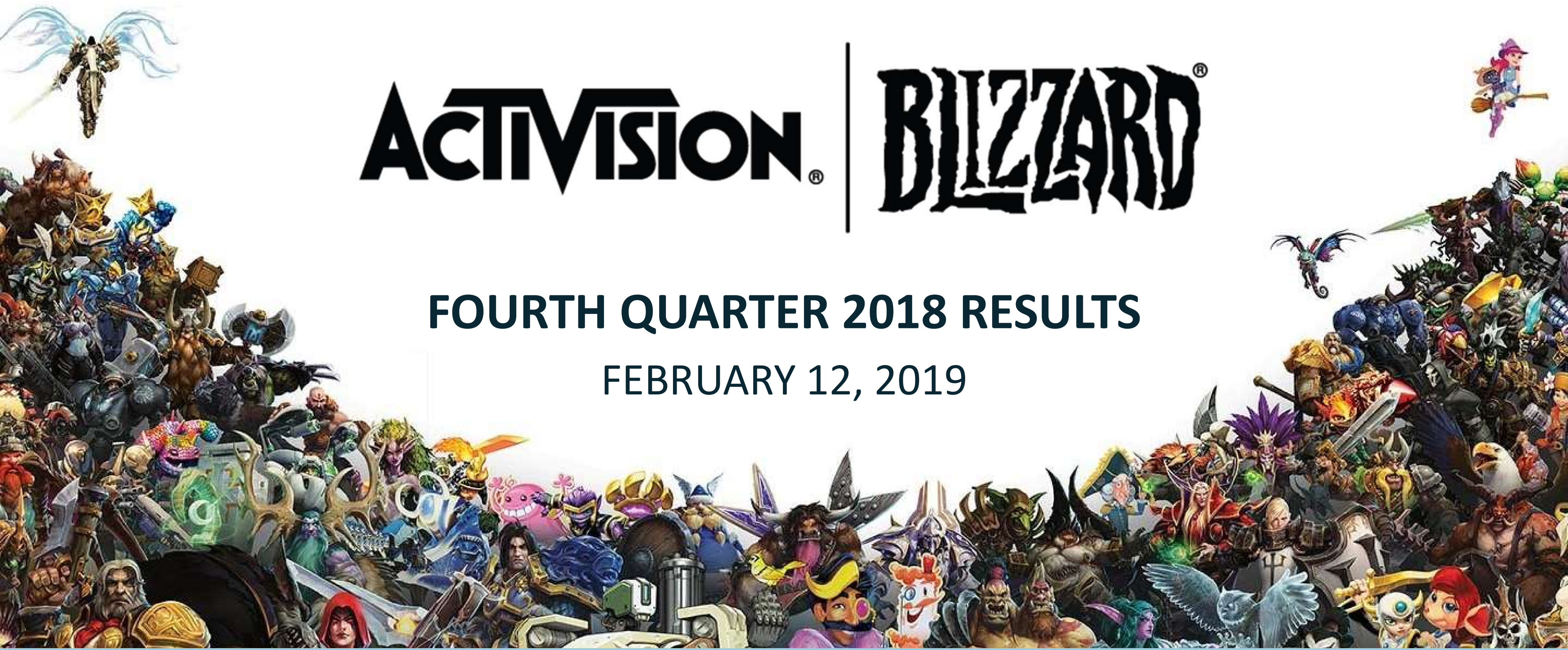
Activision Blizzard’s non-GAAP financial measures are not based on a comprehensive set of accounting rules or principles, and the terms non-GAAP net income, non-GAAP earnings per share, non-GAAP operating margin, and non-GAAP or adjusted EBITDA do not have a standardized meaning. Therefore, other companies 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 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.

ACTIVISION | BLIZZARD

FOURTH QUARTER 2018 RESULTS

FEBRUARY 12, 2019



FOURTH QUARTER 2018 RESULTS

Record fourth quarter results with in-game net bookings of $1.2B

	Q4 2017 Actual			Prior Q4 2018 Outlook[1]			Q4 2018 Actual		
	GAAP	Non-GAAP[2]	Impact of GAAP deferrals	GAAP	Non-GAAP[2]	Impact of GAAP deferrals	GAAP	Non-GAAP[2]	Impact of GAAP deferrals
Net Revenues	**$2,043M**	**$2,043M**	**$597M**	**$2,236M**	**$2,236M**	**$812M**	**$2,381M**	**$2,381M**	**$454M**
Digital Revenues %	70%	70%					75%	75%	
Operating Income	$221M	$511M	$441M				$694M	$838M	$368M
Operating Margin	11%	25%		21%	29%	12 pp	29%	35%	
Interest Expense, Net	$36M	$35M		$6M	$5M		$4M	$4M	
EPS[3]	**($0.77)**	**$0.49**	**$0.45**	**$0.43**	**$0.64**	**$0.63**	**$0.84**	**$0.90**	**$0.39**
Total Share Count for EPS	757M	769M		776M	776M		771M	771M	
Operating Cash Flow		**$1,158M**						**$999M**	
Free Cash Flow[4]		**$1,089M**						**$965M**	
Net Bookings (operating metric)		**$2,640M**			**$3,048M**			**$2,835M**	

[1] Prior outlook provided November 8, 2018.
[2] Non-GAAP reconciliations are in the earnings releases dated February 8, 2018, November 8, 2018, and February 12, 2019, which are available on www.activisionblizzard.com.
[3] GAAP EPS includes the impact of significant discrete tax related items. Refer to the tables at the end of this press release for details
[4] Free Cash Flow represents Operating Cash Flow minus Capital Expenditure.

FOURTH QUARTER AND 2018 SEGMENT RESULTS

	Activision	Blizzard Entertainment	King
	53M MAUs[1]	35M MAUs[1]	268M MAUs[1]
Q4 Segment Net Revenues:	**$1,411M**	**$686M**	**$543M**
Q4 Segment Operating Income:	**$723M** ***51% operating margin*** *(all time record)*	**$241M** ***35% operating margin***	**$207M** ***38% operating margin***
2018 Segment Net Revenues:	**$2,458M**	**$2,291M**	**$2,086M**
2018 Segment Operating Income:	**$1,011M** *(all time record)* ***41% operating margin*** *(all time record)*	**$685M** ***30% operating margin***	**$750M** **36% operating margin**
Key Highlights:	• ***Call of Duty®*** was the #1 selling console franchise worldwide in 2018, a feat accomplished for nine of the last ten years[2] • ***Black Ops 4*** sold-through more units than ***Black Ops III*** in its launch quarter, with PC units >3x, and average hours per player increased • Full-game downloads for ***Black Ops 4*** were over 40% of console sell-through	• Blizzard had 35M MAUs in the quarter, as ***Overwatch®*** and ***Hearthstone®*** saw sequential stability and ***World of Warcraft®*** saw expected declines post the expansion release this summer • Building on an 11-year partnership, Blizzard extended its joint venture with NetEase to publish its games in China through January 2023	• ***Candy Crush Friends Saga™*** saw strong monetization and retention trends, contributing incremental growth for the ***Candy Crush™*** franchise, which grew net bookings and MAUs[1] Y/Y and Q/Q • This quarter, King had 2 of the top-10 highest-grossing titles in the U.S. mobile app stores for twenty-one quarters in a row, with ***Candy Crush Saga™*** at #1 again[3]

[1] MAUs defined as number of individuals who accessed a particular game in a given month averaged across the number of months in a respective period. Refer to the definition included in today's earnings release for additional details.
[2] The NPD Group, GfK, GSD, and internal estimates, based on dollar sales of front line games. [3] U.S. ranking for Apple App Store and Google Play Store combined, per App Annie Intelligence for fourth quarter of 2018.
Note: These segment results are consistent with how we report our U.S. GAAP segment results externally in the footnotes to our financial statements. The segment performance is exclusive of the impact of the change in deferred revenues and related cost of revenues with respect to certain of our online-enabled products, share-based compensation expense, amortization of intangible assets as a result of purchase price accounting, fees and other expenses related to financings and acquisitions, including integration activities, certain restructuring costs, and other non-cash charges. Reconciliation of our segment results to our consolidated results is included in the earnings release dated February 12, 2019, which is available on www.activisionblizzard.com.

2018 RESULTS

Record full year results with in-game net bookings of $4.2B

	2017 Actual			Prior 2018 Outlook[1]			2018 Actual		
	GAAP	Non-GAAP[2]	Impact of GAAP deferrals	GAAP	Non-GAAP[2]	Impact of GAAP deferrals	GAAP	Non-GAAP[2]	Impact of GAAP deferrals
Net Revenues	**$7,017M**	**$7,017M**	**$139M**	**$7,355M**	**$7,355M**	**$120M**	**$7,500M**	**$7,500M**	**($238M)**
Digital Revenues %	78%	78%					77%	77%	
Operating Income	$1,309M	$2,327M	$71M				$1,988M	$2,577M	($100M)
Operating Margin	19%	33%		24%	33%	1 pp	27%	34%	
Interest Expense, Net[3]	$158M	$139M		$113M	$70M		$111M	$69M	
EPS[4]	**$0.36**	**$2.21**	**$0.07**	**$1.94**	**$2.46**	**$0.12**	**$2.35**	**$2.72**	**($0.12)**
Total Share Count for EPS	766M	766M		772M	772M		771M	771M	
Operating Cash Flow		**$2,213M**						**$1,790M**	
Free Cash Flow[5]		**$2,058M**						**$1,659M**	
Net Bookings (operating metric)		**$7,156M**			**$7,475M**			**$7,262M**	

[1] Prior outlook provided November 8, 2018.
[2] Non-GAAP reconciliations are in the earnings releases dated February 8, 2018, November 8, 2018, and February 12, 2019, which are available on www.activisionblizzard.com.
[3] GAAP Interest and Other Expenses include a $12M and $40M loss on extinguishment of debt for 2017 and 2018 respectively.
[4] GAAP EPS includes the impact of significant discrete tax related items. Refer to the tables at the end of this press release for details
[5] Free Cash Flow represents Operating Cash Flow minus Capital Expenditure.

REINFORCING THE FOUNDATION FOR GROWTH

- **We developed our plan after a comprehensive examination of the business**
- **Focused on improving execution and capitalizing on substantial long-term opportunities**

Investing in Core Franchise Product and Development

- Investing more for our biggest, internally-owned franchises
- More upfront releases, in-game content, mobile, geographic expansion
- Adjacent opportunity investment in esports leagues and advertising
- 20% increase in development resources

Reducing Admin Expense & Underperforming Initiatives

- De-prioritizing games and initiatives that are not meeting our expectations
- Reducing certain non-development and administrative-related costs across our business

Enhancing Commercial Capabilities Through Scale

- Integrating our global and regional sales and go-to-market, partnerships, and sponsorships capabilities across the business
- Enabling better leverage talent, expertise, and scale on behalf of our business units

FINANCIAL OUTLOOK AS OF FEBRUARY 12, 2019

	Q1 2019			2019		
	GAAP[1]	Non-GAAP[1]	Impact of GAAP Deferrals[2]	GAAP[1]	Non-GAAP[1]	Impact of GAAP Deferrals[2]
Net Revenues	**$1,715M**	**$1,715M**	**($540M)**	**$6,025M**	**$6,025M**	**$275M**
Product Costs, Game Ops & Distribution	20%	20%		24%	24%	
Operating Expenses, Incl. SW Amort[3]	57%	43%		56%	46%	
Operating Margin[4]	23%	37%	(20 pp)	20%	30%	2 pp
Interest Expense, Net	-	-		-	-	
Tax Rate	24%	22%		24%	20%	
EPS	**$0.39**	**$0.63**	**($0.43)**	**$1.18**	**$1.85**	**$0.25**
Fully Diluted Weighted Avg. Shares[5]	772M	772M		775M	775M	
Net Bookings (operating metric)	**$1,175M**			**$6,300M**		

Currency Assumptions for Current 2019 Outlook:

- *$1.13 USD/Euro (vs. $1.12 avg. for 2018, $1.12 for 2017, & $1.11 for 2016)*
- *$1.26 USD/GBP (vs. $1.30 avg. for 2018, $1.30 for 2017, & $1.36 for 2016)*
- *Note: Our financial guidance includes the forecasted impact of our FX hedging program*

[1] Non-GAAP reconciliations are in the earnings release dated February 12, 2019, which is available on www.activisionblizzard.com. For 2019, GAAP outlook includes restructuring charge of approximately $100M for Q1 and approximately $150M for the full year.
[2] Net effect of revenue deferral accounting treatment on certain of our online enabled products.
[3] Includes expenses related to product development, sales & marketing, and general & administrative, as well as software amortization & IP licenses costs.
[4] May not recalculate due to rounding.
[5] Including fully diluted shares based on average share price.

BALANCE SHEET AS OF December 31, 2018

Q4 adjusted EBITDA of $871M

	12/31/2017	9/30/2018	12/31/2018
Cash and investments	**$4.78M**	**$3.43B**	**$4.38B**
Term loans	$0.99B	-	-
Notes[1]	$3.45B	$2.70B	$2.70B
Gross Debt	**$4.44B**	**$2.70B**	**$2.70B**
Net Cash[2]	**$0.34B**	**$0.73B**	**$1.68B**
Adjusted TTM EBITDA[3]	**$2,458M**	**$2,389M**	**$2,716M**
Gross Debt / Adj. TTM EBITDA[3]	1.8x	1.1x	1.0x

2019 Capital Allocation:

- Increasing 2019 dividend by 9% to $0.37 per share
- Two-year $1.5B stock repurchase authorization

[1] As of 12/31/18, includes notes for the maturity dates of 2021, 2022, 2026, 2027, and 2047.
[2] Net cash is defined as cash and cash equivalents, short-term investments and long-term investments minus gross debt.
[3] Adjusted TTM EBITDA, for any given date, is calculated as non-GAAP operating income plus depreciation for the trailing twelve months ended December 31, 2018.

Q&A

FEBRUARY 12, 2019