

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K**

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year Ended December 31, 2021

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 1-15839



ACTIVISION BLIZZARD, INC.

(Exact name of registrant as specified in its charter)

Delaware	95-4803544
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2701 Olympic Boulevard Building B Santa Monica, CA	90404
(Address of principal executive offices)	(Zip Code)

(310) 255-2000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.000001 per share	ATVI	The Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15 (d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☒ Accelerated Filer ☐ Non-accelerated Filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the registrant's Common Stock held by non-affiliates on June 30, 2021 (based on the closing sale price as reported on the Nasdaq) was \$73,721,746,854.

The number of shares of the registrant's Common Stock outstanding at February 18, 2022 was 779,234,888.

Documents Incorporated by Reference

Portions of the registrant's Proxy Statement for the 2022 Annual Meeting of Stockholders are incorporated herein by reference into Part III of this Form 10-K to the extent stated herein. The 2022 Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days of the registrant's fiscal year ended December 31, 2021.

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES

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PART I

CAUTIONARY STATEMENT

This Annual Report on Form 10-K contains, or incorporates by reference, certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements consist of any statement other than a recitation of historical facts and include, but are not limited to: (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 our pending merger with Microsoft Corporation, releases of products or services, restructuring activities, and employee retention and recruitment; (3) statements of future financial or operating performance, including the impact of tax items thereon; and (4) statements of assumptions underlying such statements. Activision Blizzard, Inc. generally uses words such as “outlook,” “forecast,” “will,” “could,” “should,” “would,” “to be,” “plan,” “aims,” “believes,” “may,” “might,” “expects,” “intends,” “seeks,” “anticipates,” “estimate,” “future,” “positioned,” “potential,” “project,” “remain,” “scheduled,” “set to,” “subject to,” “upcoming,” and the negative version of these words and other similar words and 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.

We caution that a number of important factors, many of which are beyond our control, could cause our actual future results and other future circumstances to differ materially from those expressed in any forward-looking statements. Some of the risk factors that could cause our actual results to differ from those stated in the forward-looking statements can be found in “Risk Factors” included in Part I, Item 1A of this Annual Report on Form 10-K. The forward-looking statements contained herein are based on information available to Activision Blizzard, Inc. as of the date of this filing, and we assume no obligation to update any such forward-looking statements. Actual events or results may differ from those expressed in forward-looking statements. As such, you should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Annual Report on Form 10-K primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, operating results, prospects, strategy, and financial needs. 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.

Activision Blizzard, Inc.’s names, abbreviations thereof, logos, and product and service designators are all either the registered or unregistered trademarks or trade names of Activision Blizzard, Inc. All other product or service names are the property of their respective owners. All dollar amounts referred to in, or contemplated by, this Annual Report on Form 10-K refer to U.S. dollars, unless otherwise explicitly stated to the contrary.

Item 1. BUSINESS

Overview

Activision Blizzard, Inc. is a leading global developer and publisher of interactive entertainment content and services. We develop and distribute content and services on video game consoles, personal computers (“PCs”), and mobile devices. We also operate esports leagues and offer digital advertising within some of our content. The terms “Activision Blizzard,” the “Company,” “we,” “us,” and “our” are used to refer collectively to Activision Blizzard, Inc. and its subsidiaries. For a discussion of the history of the formation of our Company, including our year and form of incorporation, refer to [Part I, Item 1 “Business” of our Annual Report on Form 10-K for the year ended December 31, 2019](#).

Merger Agreement

On January 18, 2022, we entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Microsoft Corporation (“Microsoft”) and Anchorage Merger Sub Inc. (“Merger Sub”), a wholly owned subsidiary of Microsoft. Subject to the terms and conditions of the Merger Agreement, Microsoft agreed to acquire the Company for \$95.00 per issued and outstanding share of our common stock, par value \$0.000001 per share (the “Shares”), in an all-cash transaction. Pursuant to the Merger Agreement, following consummation of the merger of Merger Sub with and into the Company (the “Merger”), the Company will be a wholly-owned subsidiary of Microsoft. As a result of the Merger, we will cease to be a publicly traded company. We have agreed to various customary covenants and agreements, including, among others, agreements to conduct our business in the ordinary course during the period between the execution of the Merger Agreement and the effective time of the Merger (the “Effective Time”). We do not believe these restrictions will prevent us from meeting our debt service obligations, ongoing costs of operations, working capital needs or capital expenditure requirements.

If the Merger Agreement is terminated under certain specified circumstances, we or Microsoft will be required to pay a termination fee. We will be required to pay Microsoft a termination fee of approximately \$2.27 billion under specified circumstances, including termination of the Merger Agreement in connection with our entry into an agreement with respect to a Superior Proposal (as defined in the Merger Agreement) prior to us receiving stockholder approval of the Merger, or termination by Microsoft upon a Company Board Recommendation Change (as defined in the Merger Agreement), in each case, if certain other conditions are met. Microsoft will be required to pay us a reverse termination fee under specified circumstances, including termination of the Merger Agreement due to a permanent injunction arising from Antitrust Laws (as defined in the Merger Agreement) when we are not then in material breach of any provision of the Merger Agreement and if certain other conditions are met, in an amount equal to (1) \$2.0 billion if the termination notice is provided prior to January 18, 2023, (2) \$2.5 billion if the termination notice is provided after January 18, 2023, and prior to April 18, 2023, or (3) \$3.0 billion if the termination notice is provided at any time after April 18, 2023. The consummation of the Merger remains subject to customary closing conditions, including satisfaction of certain regulatory approvals, approval by our stockholders and other customary closing conditions. The Merger is currently expected to close in Microsoft’s fiscal year ending June 30, 2023.

For additional information related to the Merger Agreement, please refer to the preliminary proxy statement previously filed with the SEC and other relevant materials in connection with the transaction that we will file with the SEC and that will contain important information about the Company and the Merger.

Our Strategy and Vision

Our objective is to connect and engage the world through epic entertainment by continuing to be a worldwide leader in the development, publishing, and distribution of high-quality interactive entertainment content and services, as well as related media, that deliver engaging entertainment experiences to our network of connected players on a year-round basis. In pursuit of this objective, we focus on three strategic pillars: expanding audience reach; deepening consumer engagement; and increasing player investment.

Expanding audience reach. Building on our strong established franchises and creating new franchises through compelling content is at the core of our business. We endeavor to expand our network and reach as many consumers as possible by offering our content on multiple platforms, particularly mobile, the largest and fastest growing platform, and delivering compelling experiences across multiple business models (e.g., premium, free-to-play, subscription-based).

Driving deep consumer engagement. Our high-quality entertainment content not only expands our audience reach, but it also drives deep engagement with our franchises. We design our games, as well as related media, to provide a depth of content that keeps consumers engaged for a long period of time following a game's release. In addition, our games are designed to provide players the ability to connect with each other socially within our franchise communities, thus delivering more value to our players and providing additional growth opportunities for our franchises.

Increasing player investment. The connected, online nature of our network enables us to offer content and player investment opportunities directly to our consumers on a year-round basis. In addition to purchasing full games or subscriptions, players can invest in our franchises by purchasing incremental in-game content. These digital revenue streams tend to be more recurring and have relatively higher profit margins. In addition, we generate revenue through offering advertising within certain of our franchises, and we believe there are opportunities to grow new forms of player investment through esports and consumer products. We are still in the early stages of developing these new revenue streams.

Our Segments

Based upon our organizational structure, we conduct our business through three reportable segments, each of which is a leading global developer and publisher of interactive entertainment content and services based primarily on our internally-developed intellectual properties.

(i) Activision Publishing, Inc.

Activision Publishing, Inc. ("Activision") delivers content through both premium and free-to-play offerings and primarily generates revenue from full-game and in-game sales, as well as by licensing software to third-party or related-party companies that distribute Activision products. Activision's key product franchise is Call of Duty®, a first-person action franchise. Activision also includes the activities of the Call of Duty League™, a global professional esports league with city-based teams.

(ii) Blizzard Entertainment, Inc.

Blizzard Entertainment, Inc. ("Blizzard") delivers content through both premium and free-to-play offerings and primarily generates revenue from full-game and in-game sales, subscriptions, and by licensing software to third-party or related-party companies that distribute Blizzard products. Blizzard also maintains a proprietary online gaming platform, Battle.net®, which facilitates digital distribution of Blizzard content and selected Activision content, online social connectivity, and the creation of user-generated content. Blizzard's key product franchises include: Warcraft®, which includes World of Warcraft®, a subscription-based massive multi-player online role-playing game and Hearthstone®, an online collectible card game based in the Warcraft universe; Diablo®, an action role-playing franchise; and Overwatch®, a team-based first-person action franchise. Blizzard also includes the activities of the Overwatch League™, a global professional esports league with city-based teams.

(iii) King Digital Entertainment

King Digital Entertainment ("King") delivers content through free-to-play offerings and primarily generates revenue from in-game sales and in-game advertising on mobile platforms. King's key product franchise is Candy Crush™, a "match three" franchise.

Other

We also engage in other businesses that do not represent reportable segments, including the Activision Blizzard Distribution ("Distribution") business, which consists of operations in Europe that provide warehousing, logistics, and sales distribution services to third-party publishers of interactive entertainment software, our own publishing operations, and manufacturers of interactive entertainment hardware.

Impacts of the Global COVID-19 Pandemic

In December 2019, a novel strain of coronavirus ("COVID-19") emerged and has since extensively impacted global health and the economic environment. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In an effort to contain the spread of COVID-19, domestic and international governments around the world enacted various measures, including orders to close all businesses not deemed "essential," quarantine orders for individuals to stay in their homes or places of residence, and to practice social distancing when engaging in essential activities.

During the early stages of the COVID-19 pandemic, our business experienced an increase in demand for certain of our products and services as a result of the stay-at-home orders enacted in various regions as players had more time to engage with our games. We have, however, seen a moderation in these trends from when the stay-at-home orders were originally enacted early in 2020 and at this time stay-at-home orders have largely been lifted in most regions. It is uncertain how our business could be impacted in the current state of the pandemic as stay-at-home orders in certain regions are reduced, lifted, or at times, fully or partially reinstated, as new cases and variants of COVID-19 arise and evolve.

In an effort to protect the health and safety of our employees, the majority of our workforce continues to work from home, and we have placed restrictions on non-essential business travel. During 2022 we expect that our workforce will return to our offices in some capacity while also having the option to continue to work from home depending on business requirements and health and safety concerns. Additionally, thus far, the pandemic has caused minimal disruption to our game titles' published release dates. Please see "[Management's Overview of Business Trends](#)" section included in Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Annual Report on Form 10-K.

As the COVID-19 pandemic continues to be present and evolve, the impact on our business, reputation, financial condition, results of operations, income, revenue, profitability, cash flows, liquidity, and stock price will depend on numerous evolving factors that we are not able to fully predict at this time, including the duration and spread of the pandemic and associated macroeconomic impacts including labor shortages and supply chain disruption, the speed and effectiveness of regional and worldwide containment and vaccination efforts including vaccine mandates, and the impact of these and other factors on our employees, customers, and partners. We will continue to actively monitor the developments of the COVID-19 pandemic and may take further actions that could alter our business operations as may be required by federal, state, local, or foreign authorities, or that we determine are in the best interests of our employees, customers, partners, and shareholders.

Refer to Part I, Item 1A "[Risk Factors](#)" of this Annual Report on Form 10-K for additional details on risks and uncertainties regarding the impacts of the global COVID-19 pandemic on our business, reputation, financial condition, results of operations, income, revenue, profitability, cash flows, liquidity, and stock price.

Products

We develop interactive entertainment content and services, principally for console, PC, and mobile devices, and we market and sell our games primarily through digital distribution channels. Our products span various genres, including first- and third-person action/adventure, role-playing, strategy, and "match three," among others. We primarily offer the following products and services:

- premium full-games, which typically provide access to main game content after purchase;
- free-to-play offerings, which allow players to download the game and engage with the associated content for free;
- in-game content for purchase to enhance gameplay (i.e., microtransactions and downloadable content) available within both our premium full-games and free-to-play offerings; and
- subscriptions for players in *World of Warcraft* that provide for ongoing access to the game content.

Providing additional content and experiences within franchises has increased opportunities for player investment outside of premium full-game purchases. This has allowed us to shift from our historical seasonality to a more consistently recurring and year-round revenue model. In addition, if executed properly, it allows us to increase player engagement with our games and content.

Product Development and Support

We focus on developing enduring wholly-owned franchises backed by well-designed, high-quality games with regular content updates. We aim to build interactive entertainment content with the potential for broad reach, sustainable engagement, and year-round player investment. It is our experience that enduring franchises then serve as the basis for related new products and content that can be released over an extended period of time. We believe that the development and distribution of products and content based on established franchises enhances predictability of revenues and the probability of high unit volume sales and operating profits. We intend to continue development of content based on our owned franchises in the future.

We develop and produce our titles using a model in which individual game studios have responsibility for the entire development and production process, including the supervision and coordination of internal and, where appropriate, external resources. We believe this model allows us to deploy the best resources for a given task, including by supplementing our internal expertise with top-quality external resources on an as-needed basis.

While most of our content is developed by our internal studios, we periodically engage independent third-party developers to create content on our behalf. From time to time, we also acquire the license rights to publish and/or distribute software products that are, or will be, independently created by third-party developers.

We provide various forms of product support. Central technology and development teams review, assess, and provide support to products throughout the development process. Quality assurance personnel are also involved throughout the development and production of published content. We subject all such content to extensive testing before public release to ensure compatibility with appropriate hardware systems and configurations and in an effort to minimize the number of bugs and other defects found in the products. To support our content, we generally provide 24-hour game support to players, primarily online.

Marketing, Sales, and Distribution

Many of our products contain software that enables us to connect with our gamers directly. This allows us to communicate and market directly to our customers, including through customized advertising and in-game messaging based on customer preferences and trends. Our marketing efforts also include: activities on online social networks; other online advertising; public relations activities; print and broadcast advertising; coordinated in-store and industry promotions (including merchandising and point of purchase displays); participation in cooperative advertising programs; direct response vehicles; and product sampling. From time to time, we also receive marketing support from hardware manufacturers, producers of consumer products related to a game, and retailers in connection with their own promotional efforts, as well as co-marketing from promotional partners.

Most of our products and content are available in a digital format, which allows consumers to purchase and download the content at their convenience directly to their console, PC, or mobile device through our platform partners, including Apple Inc. (“Apple”), Facebook, Inc. (“Facebook”), Google Inc. (“Google”), Microsoft, and Sony Interactive Entertainment Inc. (“Sony”). Blizzard utilizes its proprietary online gaming platform, Battle.net, to distribute most of Blizzard’s content and selected Activision content directly to PC consumers.

In addition to serving as a distribution platform, Battle.net offers players communications features, social networking, player matching, and digital content delivery and is designed to allow people to connect regardless of which of our games on Battle.net they are playing.

Our physical products are available for sale in outlets around the world. These products are sold primarily on a direct basis to mass-market retailers (e.g., Target, Walmart), consumer electronics stores (e.g., Best Buy), discount warehouses, game specialty stores (e.g., GameStop), and other stores (e.g., Amazon), or through third-party distribution and licensing arrangements.

Manufacturing

We prepare master program copies for our products on each release platform. With respect to products for consoles, such as for Microsoft and Sony, our disk duplication, packaging, printing, manufacturing, warehousing, assembly, and shipping are performed by third-party subcontractors or distribution facilities owned by us.

Microsoft and Sony generally specify or control the manufacturing and assembly of finished products and license their hardware technologies to us. In return, we pay an applicable royalty per unit once the manufacturer fills the product order, even if the units do not ultimately sell. We deliver the master materials to the licensor or its approved replicator, who then manufactures the finished goods and delivers them to us for distribution under our label.

Significant Customers and Top Franchises

Customers

While the Company does sell directly to end consumers in certain instances, such as sales through Battle.net, in other instances our customers are platform providers, such as Sony, Microsoft, Google, and Apple, or retailers, such as Walmart, Target, Best Buy, and GameStop, who act as distributors of our content to end consumers.

The percentage of our consolidated net revenues by our most significant customers were as follows:

	For the Years Ended		
	December 31, 2021	December 31, 2020	December 31, 2019
Apple	17 %	15 %	17 %
Google	17 %	14 %	13 %
Sony	15 %	17 %	11 %
Microsoft	*	11 %	*

* Customer did not account for 10% or more of our consolidated net revenues for the noted period.

No other customer accounted for 10% or more of our net revenues in the periods above. We had two customers—Microsoft and Sony—who accounted for 20% and 22%, respectively, of consolidated gross receivables at December 31, 2021, and 28% and 21%, respectively, at December 31, 2020. No other customer accounted for 10% or more of our consolidated gross receivables in those periods.

Top Franchises

For the years ended December 31, 2021, 2020, and 2019, our top three franchises—Call of Duty, Candy Crush, and Warcraft—collectively accounted for 82%, 79%, and 72%, respectively, of our net revenues. No other franchise comprised 10% or more of our net revenues in those periods.

Competition

We compete for the leisure time and discretionary spending of consumers with other interactive entertainment companies and software competitors, as well as with providers of different forms of entertainment, such as film, television, social networking, music, and other consumer products.

The interactive entertainment industry is intensely competitive, and new interactive entertainment software products and platforms are regularly introduced. We believe that the main competitive factors in the interactive entertainment industry include: product features, game quality, and playability; brand name recognition; compatibility of products with popular platforms; access to distribution channels; online capability and functionality; ease of use; price of content; marketing support; and quality of customer service.

In addition to third-party software competitors, integrated video game console hardware and software companies, such as Microsoft, Sony, and Nintendo, compete directly with us in the development of software titles for their respective platforms, while at the same time act as key distribution channels and payment gateways for our products and services through their digital storefronts. Apple and Google are similarly positioned on mobile devices.

As our teams have contributed to transforming gaming into social experiences, enabling players to find purpose and meaning through games, we believe connecting these communities together is the next step in our industry. This can be seen by established and emerging competitors seeing opportunity for virtual worlds filled with professionally produced content, user generated content and rich social connections. As investments in cloud computing, artificial intelligence and machine learning, data analytics, and user interface and experience capabilities are becoming more competitive, we believe that our recently announced merger and partnership with Microsoft will better enable our ambitions in this dynamic and highly competitive environment.

Intellectual Property

Like other interactive entertainment companies, our business is significantly dependent on the creation, acquisition, use and protection of intellectual property. Some of this intellectual property is in the form of copyrighted software code, patented technology, and other technology and trade secrets that we use to develop and run our games. Other intellectual property is in the form of copyrighted audio-visual elements that consumers can see, hear, and interact with when they are playing our games.

We develop a majority of our products based on wholly-owned intellectual properties, such as Call of Duty, Warcraft, and Candy Crush. In other cases, we obtain intellectual property through licenses and service agreements. Further, our products that play on consoles and mobile platforms include technology that is owned by the platform provider and is licensed non-exclusively to us for use in the relevant product. We also license technology from providers other than console manufacturers in developing our content and services. While we may have renewal rights for some licenses, our business is dependent on our ability to continue to obtain the intellectual property rights from the owners of these rights on reasonable terms and at reasonable rates.

We are actively engaged in enforcement of our copyright, trademark, patent, and trade secret rights against potential infringers of those rights along with other protective activities, including monitoring online channels for distribution of pirated copies and participating in various enforcement initiatives, education programs, and legislative activity around the world. For our PC products, we use technological protection measures to prevent piracy and the use of unauthorized copies of our products. For other platforms, the platform providers typically incorporate technological protections and other security measures in their platforms to prevent the use of unlicensed products on those platforms.

Our People

We are committed to becoming the most welcoming, inclusive company in our industry. Genuinely embodying this mission and responsibility to our communities is a powerful lever to attract and retain the very best talent. Our continued success and growth are directly related to our ability to attract, recruit, enable, retain, and develop diverse and innovative talent.

During 2021, the Company has worked to address concerns raised regarding our workplace and related matters. These concerns have been set forth in, among other contexts, various legal actions against the Company, as described in Part I, Item 1A “[Risk Factors](#)” and [Note 22](#) to the notes to the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K. The leadership of the Company has committed to take action to produce meaningful change and provide employees the resources and support to succeed in our collective aspiration to be the model workplace in our industry.

Steps we have taken to improve our workplace and address concerns include:

- In November 2021, the Board of Directors formed a “Workplace Responsibility Committee” (the “Committee”), initially comprised of two independent directors, to oversee the Company’s progress in successfully implementing its workplace policies, procedures, and commitments. The Committee will require management to develop key performance indicators and/or other means to measure progress and ensure accountability, with executive management providing frequent progress reports to the Committee, which will regularly brief the full Board of Directors.
- For any Activision Blizzard employee who chooses not to arbitrate an individual claim of sexual harassment, unlawful discrimination, or related retaliation arising from events after October 2021, the Company will waive any obligation to do so.
- We have investigated—and will continue to investigate—complaints of harassment, discrimination and retaliation raised through various reporting channels. In October 2021, we combined our investigations groups into one centralized “investigations unit” within the Ethics & Compliance team. This centralized unit with expanded resources increases our ability to conduct prompt investigations and maintain and measure consistency throughout investigations of all types and across the Company.
- Our Way to Play Heroes—who are volunteers who help other employees understand reporting options, champion speaking up, and provide feedback and advise on how to strengthen our overall ethics and compliance program—are receiving additional resources and recognition through an overall expansion of the program.

- We are committed to continuing to grow our investment in anti-harassment and anti-discrimination training resources.
- We released our U.S. Pay Equity Review 2020 in October 2021. We also released our 2021 Representation Data report in December 2021, based on data in Company records as of November 30, 2021. We believe transparency with our stakeholders is an important part of our mission.
- In October 2021, we announced the launch of a new zero-tolerance harassment policy Company-wide.
- We launched Upward Feedback in December 2021, an annual process where employees share constructive, actionable feedback to their managers through an anonymous survey, enabling awareness regarding managers' inclusive behaviors and commitment to living our values.
- We announced a global drug and alcohol policy for Company-sponsored events and zero tolerance for alcohol consumption in the workplace in November 2021.
- We removed content in our games that we believe to be inappropriate.

While some of these initiatives will have an immediate impact, others may take time to be felt across the Company and will continue to evolve as we gather further feedback from our employees. Additionally, our employees in the U.S. are not covered by collective bargaining agreements. At Raven Software, one of our studios, the Communications Workers of America has filed a petition to represent a unit of employees, and the National Labor Relations Board will oversee the election process, including a determination of the appropriate set of employees who would be included in any bargaining unit (and thus participate in the election on potential unionization). We deeply respect the rights of all employees to make their own decisions about whether or not to join a union and exercise all other National Labor Relations Act rights. Across the Company, we believe that a direct relationship between managers and team members allows us to quickly respond and deliver the strongest results and opportunities for employees. As discussed in Part I, Item 1A under “Risk Factors” of this Annual Report on Form 10-K, while the Merger Agreement is in effect, we are also subject to certain interim covenants with respect to various matters (including, among other things, with respect to collective bargaining agreements and employee benefit plans) concerning the operation of our business during the pendency of the Merger.

Other important aspects and areas of focus for the Company to attract, recruit, enable, retain, and develop diverse and innovative talent are set out below:

Overview: As of December 31, 2021, Activision Blizzard had approximately 9,800 full-time and part-time employees, with approximately 68% in North America, approximately 25% in the Europe, Middle East, and Africa (“EMEA”) region, and approximately 7% in the Asia Pacific region. Of these employees, approximately 68% either work directly on, or support, our game and technology development, which represents an approximate seven percentage point increase from 2020.

Diversity, Equity, and Inclusion (“DE&I”): We believe that a culture of inclusion and diversity enables us to create, develop, and fully leverage the strengths of our workforce to exceed players’ and fans’ expectations and meet our growth objectives. We remain committed to building and sustaining a culture of belonging, where our employees can be their authentic selves. By embedding DE&I practices and programs in the full employee lifecycle, we work to attract, recruit, enable, retain and develop diverse world-class talent. Our employee resource groups play an active role in our DE&I efforts by building community and awareness. We also offer leadership and management development opportunities on the topics of unconscious bias and inclusive leadership and train our recruiting workforce in diverse sourcing strategies.

Our Corporate Governance Principles and Policies demonstrate our commitment to diversity at the Board of Directors level, providing that the initial list from which any new independent director nominee is chosen includes qualified female and racially/ethnically diverse candidates and, similarly, if we conduct an external search for a new CEO, that the initial list of external candidates includes qualified female and racially/ethnically diverse candidates. As of December 31, 2021, 20% of the members of our Board of Directors are women, and 20% are members of underrepresented communities. Under current California law, we were required to add an additional female director to our Board of Directors by the end of 2021. To meet this requirement and improve the diversity of our Board of Directors, the Company retained a search firm and began interviewing potential additional female directors in 2021. However, since the Company’s current directors would cease to continue to serve on our Board of Directors upon consummation of our proposed transaction with Microsoft, we were unable to conclude the process in 2021. We will be continuing our efforts to appoint a new female director.

Additionally, since 2016, the number of women in our game development leadership roles has more than doubled. As of November 30, 2021, approximately 24% of our global employee population identifies as women or non-binary, and in 2021, we committed to increase the percentage of women and non-binary employees in our workforce by 50% over the next five years to achieve over one-third representation. Further, upon joining the Company, and again every two years, every employee is required to take our bespoke online Equality & Diversity Training, which underscores our commitment to creating a respectful workplace culture.

Our overall goal in hiring is to provide an objective and equitable process that helps us recruit the very best creative and technical talent in the world and explore an array of resources to increase the share of women, underrepresented ethnic groups (“UEGs”), and other forms of diversity in our workforce.

In 2021 we launched a new tool that tracks—for every single hire—data on the representation and presence of women and UEG candidates at applicant, interview, and hiring stages of our recruiting process. This tool will enable us to provide transparency on our diversity progress as well as helping to reinforce our objective of having diverse candidate slates for open positions.

We also recognize that formal tools and mechanisms around our candidate slates alone will not create the change we strive for in our organization or our industry, which is why we have also prioritized and taken meaningful action on a broad portfolio of initiatives—from expanding opportunities in the gaming and technology space for underrepresented communities to mentorship and sponsorship programs for our current teammates and future leaders. As part of these efforts, we have committed to invest \$250 million over the next 10 years in initiatives that foster expanded opportunities in gaming and technology for underrepresented communities. Additionally, our work to support the Call of Duty Endowment in 2021 resulted in 16,138 veteran job placements and more than \$1 billion in positive economic impact for the veteran community.

Compensation and Benefits: The main objective of our compensation program is to provide a compensation package that attracts, retains, motivates, and rewards employees that operate in a highly competitive and technologically challenging environment. We seek to do this by linking compensation (including annual changes in compensation) to overall Company and business unit/franchise performance, as well as each individual’s contribution to the results achieved. The emphasis on overall Company performance is intended to align our employees’ financial interests with the interests of our shareholders. We continue to make efforts across our global organization to promote equal pay practices. For example, our U.S. analysis showed that women at the Company on average earned slightly more than men for comparable work in 2020. Further, we have announced improved benefits provided to a large portion of our employees, such as increased holiday, sick, and vacation time off. We also have increased our overall investment in development and operations by announcing the conversion of approximately 500 temporary workers to full-time employees at our Activision studios.

We are committed to providing comprehensive benefit options, and it is our intention to offer benefits that allow our employees and their families to live healthier and more secure lives. Some examples of our wide-ranging benefits offered are: 401(k) with matching Company contributions; a comprehensive well-being program; paid leave programs; medical insurance; prescription drug benefits; dental insurance; vision insurance; accidental death and dismemberment insurance; critical illness insurance; life insurance; disability insurance; health savings accounts; flexible spending accounts; and benefits to support current and hopeful parents. We frequently upgrade our benefit portfolio by seeking out pioneer partners that give our employees modern benefit experiences. As an example, at the onset of the COVID-19 pandemic when traditional medical services became under huge demand, in order to help ensure that our employees and their families had access to medical advice, we created an enterprise-wide global network of physicians.

Further, the Company has been reviewing our overall compensation structure and philosophy and began implementing changes to our compensation payments for 2021, primarily to enhance employee equity ownership and bring our employee equity compensation in line with current industry practice. As a result of this review, the Company made changes to our 2021 bonus and equity structure so that all eligible employees will receive incentives in the form of Company equity for 2021 in an amount equal to or greater than 2021 target Company performance without regard to whether target performance was achieved.

Developing Careers and Growing Leaders: Recognizing that ours is a rapidly changing industry with constant innovation, developing our diverse and innovative talent base is vital to our business. Our talent processes are focused on performance management, strategic talent assessment and succession planning, and career and leadership development opportunities through promotion and internal mobility. We intend for our employees to have a clear understanding of their strengths and development opportunities, while fostering a collaborative and productive relationship between employees and their managers. Our performance management process begins with the establishment of goals, followed by encouraged regular check-ins on progress and performance so that employees have an understanding of their strengths, areas for improvement, and how they are contributing to the Company. We assess employee contributions to our Company results and culture so that we can recognize and reward their contributions. Additionally, on an annual basis, we conduct an organizational and performance review process with our CEO and all segment, business unit, and function leaders, focusing on our high-performing and high-potential talent, diversity and inclusion, and the performance and succession for our most critical roles.

Engaging Employees: Employees across the Company have the opportunity to join and contribute to one of our nine Employee Networks. These groups enrich our employees' experiences, our culture, and our business by driving inclusion, cultural awareness, professional development, networking, and community involvement. Employee engagement also plays a critical role in how we identify and improve the way we work. We capture and act on the voice of our employees through multiple means including pulse surveys, listening sessions and newly added upward feedback. We emphasize to employees that this is their chance to "provide honest, candid feedback about their experience working for the Company." Our employee feedback is dynamic and relevant to our employees' immediate needs.

Sustainability

We understand that we have a responsibility to operate sustainably. Our ongoing conversion to a more digital business is enabling us to set and achieve important sustainability goals. As a result of this transition, during 2021 we have made significant progress in reducing packaging waste for which, using 2019 as a baseline, we have achieved a 60% reduction, surpassing our original goal of a 50% reduction by 2024. We are also in the process of establishing baselines and setting quantitative interim targets to measure progress towards our goal of achieving net zero greenhouse gas emissions by 2050.

Information about our Executive Officers

Our executive officers and their biographical summaries are provided below:

Name	Age	Position
Robert A. Kotick	58	Chief Executive Officer of Activision Blizzard
Daniel Alegre	53	President and Chief Operating Officer of Activision Blizzard
Armin Zerza	52	Chief Financial Officer of Activision Blizzard
Grant Dixon	48	Chief Legal Officer of Activision Blizzard
Brian Bulatao	57	Chief Administrative Officer of Activision Blizzard

Robert A. Kotick, Chief Executive Officer of Activision Blizzard

Robert A. Kotick, who serves as our Chief Executive Officer, has been a director of Activision Blizzard since February 1991, following his purchase of a significant interest in the Company, which was then on the verge of insolvency. Mr. Kotick was our Chairman and Chief Executive Officer from February 1991 until July 2008, when he became our President and Chief Executive Officer. He served as our President from July 2008 until June 2017. Mr. Kotick is also a member of the board of directors of The Coca-Cola Company, a multinational beverage corporation, and the boards of trustees for the Harvard-Westlake School. He is also the Vice Chairman of the Board and Chairman of the Committee of trustees of the Los Angeles County Museum of Art. In addition, Mr. Kotick is the co-founder and co-Chairman of the Call of Duty Endowment, a nonprofit, public benefit corporation that seeks to help organizations that provide job placement and training services for veterans.

Daniel Alegre, President and Chief Operating Officer of Activision Blizzard

Daniel Alegre has served as our Chief Operating Officer since April 2020. Prior to joining the Company, Mr. Alegre held a number of leadership positions at Google, a technology company specializing in internet-related services and products, from 2004 to 2020, including serving as President of Global Retail and Shopping, where he led the initiatives to embed e-commerce across all Google product areas and to help diversify beyond advertising into the retail transactions business. Prior to that, Mr. Alegre was President of the Google's Global and Strategic Partnerships organization, working across all of Google's core business lines to create and foster key strategic relationships with some of the world's largest partners. Mr. Alegre was also instrumental in Google's international expansion, serving as President of Google's Asia-Pacific and Japan businesses living in China, Singapore, and Tokyo and as Vice President of the Latin America business, overseeing a massive expansion in both regions. Prior to joining Google, Mr. Alegre was Vice President at Bertelsmann Media, running a division of BMG Music in Latin America as well as Partnerships of the Bertelsmann eCommerce Group in New York City. Mr. Alegre holds a B.A. degree from the Woodrow Wilson School of Public and International Affairs at Princeton University, as well as dual M.B.A. and J.D. degrees from Harvard Business School and Harvard Law School.

Armin Zerza, Chief Financial Officer of Activision Blizzard

Armin Zerza has served as our Chief Financial Officer since April 2021. Prior to that, he served as the Company's Chief Commercial Officer from 2019 to 2021, as the Chief Operating Officer of Blizzard from 2017 to 2019, and as Chief Financial Officer of Blizzard from 2015 to 2017. Mr. Zerza joined Activision Blizzard in August 2015 with more than 20 years of senior leadership experience at Procter & Gamble, serving in North America, Europe, Asia, and Latin America. Mr. Zerza has held a number of senior roles across multi-billion dollar businesses at Procter & Gamble, including as Director of Procter & Gamble's global M&A team and CFO of the European Baby Care and Latin America divisions. Mr. Zerza also served as a board member of the Italy Procter & Gamble-Fater and Spain Procter & Gamble-Arbora & Ausonia joint ventures. Mr. Zerza holds a degree from Vienna University.

Grant Dixon, Chief Legal Officer of Activision Blizzard

Grant Dixon has served as our Chief Legal Officer since June 2021. From 2006 to 2021, Mr. Dixon held a number of positions of increasing responsibility within the legal department of The Boeing Company, an aerospace company and leading manufacturer in space and security systems, most recently as Senior Vice President, General Counsel, and Corporate Secretary, in addition to serving as a member of the company's Executive Council. Prior to joining The Boeing Company, Mr. Dixon served in the White House as Associate Counsel to the President. Earlier in his career, Mr. Dixon practiced law at Kirkland & Ellis in Washington, D.C. He served as a law clerk for the Honorable Anthony M. Kennedy at the Supreme Court of the United States and for the Honorable J. Michael Luttig at the United States Court of Appeals for the Fourth Circuit. Mr. Dixon holds an A.B. degree in history from Harvard University and a J.D. from Harvard Law School.

Brian Bulatao, Chief Administrative Officer of Activision Blizzard

Brian Bulatao has served as Chief Administrative Officer of Activision Blizzard since March 2021. Prior to joining the Company, Mr. Bulatao served as the Under Secretary of State for Management from 2018 to 2021, directly responsible for the budget, security, IT infrastructure, consular affairs and global talent management of the U.S. State Department's 70,000 plus workforce based in 190 countries around the world. Prior to that, Mr. Bulatao served as Chief Operating Officer at the Central Intelligence Agency from 2017 to 2018, where he also led diversity and inclusion initiatives. Before joining the CIA, Mr. Bulatao held a number of leadership positions in private equity and investment companies, having served as Senior Advisor at Highlander Partners from 2016 to 2017 and Managing Director at Pallas Capital Partners from 2015 to 2017, helping companies grow organically and through acquisitions and creating transformational value through strategic positioning. Prior to that, Mr. Bulatao held executive and CEO roles at The Nefab Group, co-founded Thayer Aerospace with fellow West Point graduates, and served as a consultant with McKinsey & Company. Mr. Bulatao is a retired Infantry Captain and a distinguished graduate of the US Army Ranger School. Mr. Bulatao holds a BS degree in Engineering Management from the United States Military Academy at West Point and an MBA degree from Harvard Business School.

Additional Financial Information

See the "[Critical Accounting Policies and Estimates](#)" section under Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a discussion of our practices with regard to several working capital items. See the "[Management's Overview of Business Trends](#)" under Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a discussion of the impact of seasonality on our business.

Available Information

Our website, located at <https://www.activisionblizzard.com>, allows free-of-charge access to our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and amendments to those documents filed with or furnished to the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The information found on our website is not a part of, and is not incorporated by reference into, this or any other report that we file with or furnish to the Securities and Exchange Commission (“SEC”).

The SEC maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

Item 1A. RISK FACTORS

Risk Factors Summary

Below is a summary of the principal risks associated with an investment in the Company. This summary should not be relied upon as an exhaustive list of the material risks facing our business.

- the Merger, the pendency of the Merger Agreement, or our failure to complete the Merger;
- the impact of the global COVID-19 pandemic;
- our ability to deliver popular, high-quality content in a timely manner;
- the level of demand for our games and products;
- our ability to meet customer expectations with respect to our brands, games, services, and/or business practices;
- negative impacts on our business resulting from concerns regarding our workplace, including associated legal proceedings;
- our ability to attract, retain, and motivate skilled personnel;
- competition;
- our reliance on a relatively small number of franchises for a significant portion of our revenues and profits;
- negative impacts from unionization or attempts to unionize by our workforce;
- our ability to adapt to rapid technological change and allocate our resources accordingly;
- the increasing importance of digital sales and the risks of that business model;
- our ability to effectively manage the scope and complexity of our business;
- our reliance on third-party platforms, which are also our competitors, for the distribution of products;
- our dependence on the success and availability of video game consoles manufactured by third parties and our ability to develop commercially successful products for these consoles;
- the increasing importance of free-to-play games and the risks of that business model;
- the risks and uncertainties of conducting business outside the U.S., including the need for regulatory approval to operate, the relatively weaker protection for our intellectual property rights, and the impact of cultural differences on consumer preferences;
- the importance of retail sales to our business and the risks of that business model;
- our ability to realize the expected benefits of our recent restructuring actions;
- any difficulties in integrating acquired businesses or realizing the anticipated benefits of strategic transactions;
- seasonality in the sale of our products;
- fluctuation in our recurring business;
- the risk of distributors, retailers, development, and licensing partners or other third parties being unable to honor their commitments or otherwise putting our brand at risk;
- our reliance on tools and technologies owned by third parties;
- our use of open source software;
- risks associated with undisclosed content or features in our games;
- impact of objectionable consumer- or other third-party-created content on our operating results or reputation;
- outages, disruptions, or degradations in our services, products, and/or technological infrastructure;
- any cybersecurity-related attack, significant data breach, fraudulent activity, or disruption of our information technology systems or networks;
- significant disruption during our live events;
- catastrophic events;
- climate change;
- provisions in our corporate documents and Delaware state law that could delay or prevent a change of control;
- ongoing legal proceedings, related to workplace concerns and otherwise;
- increasing regulation in key territories over our business, products, and distribution;
- changes in government regulation relating to the Internet;

- our compliance with evolving data privacy laws and regulations;
- scrutiny regarding the appropriateness of the content in our games and our ability to receive target ratings for certain titles;
- changes in tax rates and/or tax laws and exposure to additional tax liabilities;
- fluctuations in currency exchange rates;
- changes in financial accounting standards or the application of existing or future standards as our business evolves;
- insolvency or business failure of any of our business partners; and
- declines in general economic conditions and related discretionary spending on our products and services.

The following are detailed descriptions of our Risk Factors summarized above.

We wish to caution the reader that the following important risk factors, and those risk factors described elsewhere in this report or in our other filings with the SEC, could cause our actual results to differ materially from those stated in forward-looking statements contained in this document and elsewhere. These risks are not presented in order of importance or probability of occurrence. Further, the risks described below are not the only risks that we face. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also impair our business operations. Any of these risks may have a material adverse effect on our business, reputation, financial condition, results of operations, income, revenue, profitability, cash flows, liquidity, or stock price.

Risks Related to the Merger

While the Merger Agreement is in effect, we are subject to certain interim covenants.

On January 18, 2022, we entered into the Merger Agreement with Microsoft and Merger Sub, a wholly owned subsidiary of Microsoft, pursuant to which Microsoft agreed to acquire the Company in an all-cash transaction for \$95.00 per share of our issued and outstanding common stock.

The Merger Agreement generally requires us to operate our business in the ordinary course, subject to certain exceptions, including as required by applicable law, pending consummation of the Merger, and subjects us to customary interim operating covenants that restrict us, without Microsoft's approval (such approval not to be unreasonably conditioned, withheld or delayed), from taking certain specified actions until the Merger is completed or the Merger Agreement is terminated in accordance with its terms. These restrictions could prevent us from pursuing certain business opportunities that may arise prior to the consummation of the Merger and may affect our ability to execute our business strategies and attain financial and other goals and may impact our financial condition, results of operations and cash flows.

The announcement and pendency of the Merger may result in disruptions to our business, and the Merger could divert management's attention, disrupt our relationships with third parties and employees, and result in negative publicity or legal proceedings, any of which could negatively impact our operating results and ongoing business.

In connection with the pending Merger, our current and prospective employees may experience uncertainty about their future roles with us following the Merger, which may materially adversely affect our ability to attract and retain key personnel and other employees while the Merger is pending. Key employees may depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with us following the Merger, and may depart prior to the consummation of the Merger. Accordingly, no assurance can be given that we will be able to attract and retain key employees to the same extent that we have been able to in the past.

The proposed Merger could cause disruptions to our business or business relationships with our existing and potential customers, suppliers, vendors, landlords, and other business partners, and this could have an adverse impact on our results of operations. Parties with which we have business relationships may experience uncertainty as to the future of such relationships and may delay or defer certain business decisions, seek alternative relationships with third parties, or seek to negotiate changes or alter their present business relationships with us. Parties with whom we otherwise may have sought to establish business relationships may seek alternative relationships with third parties.

The pursuit of the Merger may place a significant burden on management and internal resources, which may have a negative impact on our ongoing business. It may also divert management's time and attention from the day-to-day operation of our remaining businesses and the execution of our other strategic initiatives. This could adversely affect our financial results. In addition, we have incurred and will continue to incur other significant costs, expenses, and fees for professional services and other transaction costs in connection with the proposed Merger, and many of these fees and costs are payable regardless of whether or not the pending Merger is consummated.

Any of the foregoing, individually or in combination, could materially and adversely affect our business, our financial condition and our results of operations and prospects.

The Merger may not be completed within the expected timeframe, or at all, for a variety of reasons, including the possibility that the Merger Agreement is terminated prior to the consummation of the Merger, and the failure to complete the Merger could adversely affect our business, results of operations, financial condition, and the market price of our common stock.

There can be no assurance that the Merger will be completed in the expected timeframe, or at all. The Merger Agreement contains a number of customary closing conditions that must be satisfied or waived prior to the completion of the Merger, including, among others, (1) the approval and adoption of the Merger Agreement by our stockholders, (2) the absence of any court order or law prohibiting (or seeking to prohibit) the consummation of the Merger, (3) the termination or expiration of any applicable waiting period or periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (as amended) and specified approvals under certain other antitrust and foreign investment laws, subject to certain limitations, (4) compliance by us and Microsoft in all material respects with our respective obligations under the Merger Agreement, and (5) subject to specified exceptions and qualifications for materiality, the accuracy of representations and warranties made by us and Microsoft, respectively, as of the signing date and the closing date.

There can be no assurance that all required approvals will be obtained or that all closing conditions will otherwise be satisfied (or waived, if applicable), and, if all required approvals are obtained and all closing conditions are satisfied (or waived, if applicable), we can provide no assurance as to the terms, conditions and timing of such approvals or that the Merger will be completed in a timely manner or at all. Many of the conditions to completion of the Merger are not within our or Microsoft's control, and we cannot predict when or if these conditions will be satisfied (or waived, as applicable). Even if regulatory approval is obtained, it is possible conditions will be imposed that could result in a material delay in, or the abandonment of, the Merger or otherwise have an adverse effect on us.

The Merger Agreement contains customary mutual termination rights for us and Microsoft, which could prevent the consummation of the Merger, including if the Merger is not completed by January 18, 2023 (subject to automatic extension first to April 18, 2023, then to July 18, 2023, in each case, to the extent the regulatory closing conditions are the only conditions that remain outstanding).

The Merger Agreement also contains customary termination rights for the benefit of each party, including if the other party breaches its representations, warranties, or covenants under the Merger Agreement in a way that would result in a failure of the other party's condition to closing being satisfied (subject to certain procedures and cure periods). Additionally, the Merger Agreement provides termination rights, if certain conditions are met, including (1) for Microsoft, if our Board of Directors changes its recommendation in favor of the Merger, and (2) for us, if our Board of Directors authorizes entry into a definitive agreement with respect to a Superior Proposal (as defined in the Merger Agreement) prior to us receiving stockholder approval of the Merger.

If the Merger is not completed within the expected timeframe or at all, we may be subject to a number of material risks, including:

- the market price of our common stock may decline to the extent that current market prices reflect a market assumption that the Merger will be completed;
- if the Merger Agreement is terminated under certain specified circumstances, we or Microsoft will be required to pay a termination fee, including that we will be required to pay Microsoft a termination fee of approximately \$2.27 billion under specified circumstances, and Microsoft will be required to pay us a reverse termination fee ranging from \$2.0 billion to \$3.0 billion under specified circumstances;

- some costs related to the Merger must be paid whether or not the Merger is completed, and we have incurred, and will continue to incur, significant costs, expenses and fees for professional services and other transaction costs in connection with the proposed transaction, as well as the diversion of management and resources towards the Merger, for which we will have received little or no benefit if completion of the Merger does not occur; and
- we may experience negative publicity and/or reactions from our investors, customers, partners, suppliers, vendors, landlords, other business partners and employees

Stockholder litigation could prevent or delay the closing of the pending Merger or otherwise negatively impact our business, operating results and financial condition.

We may incur additional costs in connection with the defense or settlement of stockholder litigation in connection with the pending Merger. Such litigation may adversely affect our ability to complete the pending Merger. We could incur significant costs in connection with such litigation, including costs associated with the indemnification obligations to our directors and officers. Such litigation may be distracting to management and may require us to incur additional, significant costs. Such litigation could result in the Merger being delayed and/or enjoined by a court of competent jurisdiction, which could prevent the Merger from becoming effective. See Note 22 to the notes to the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K for a description of complaints filed on February 24, 2022 with respect to the pending Merger.

Business and Industry Risks

We are unable to predict the full impact of the global COVID-19 pandemic.

Since COVID-19 emerged in December 2019 and was declared a pandemic in March 2020, it has extensively impacted global health and the economic environment. The full extent to which the global COVID-19 pandemic and its aftermath impacts our business, reputation, financial condition, results of operations, income, revenue, profitability, cash flows, liquidity, or stock price continues to depend on numerous evolving factors that we are not able to fully predict, including: the duration and severity of the pandemic and the prevalence and severity of new COVID variants; the impact of the pandemic on the global economy and consumer habits; the impact of governmental, business, and individual actions that have been and will continue to be taken in response to the pandemic; unintended consequences of actions we take, or have taken, in response to the pandemic; the impact of the pandemic on the health or productivity of our employees and external developers, including the ability to develop high-quality and well-received interactive software products and entertainment content and/or to release our products and content in a timely manner with effective quality control; the longer-term impact of substantially-increased remote access to our networks and systems on our ability to prevent, detect, and remedy cyber-attacks or information security incidents while our workforce remains dispersed; the effects on the health, finances and discretionary spending patterns of our consumers, including the ability of our consumers to pay for our products and content; our ability to sell products at assumed prices; the financial impact, supply chain constraints and other strains on the retail customers and distributors on whom we rely to sell our physical products to consumers; the financial impact and strain on platform providers for whose video game consoles and/or on whose networks certain of our products are exclusively available; the financial impact and strain on third-party mobile and web platforms that provide significant online distribution for, and/or provide other services critical for the operation of, a number of our games; the effects on our suppliers who manufacture our physical products and on other third parties with which we partner (e.g., to market or ship our products), including from supply chain disruptions; the effects on our lenders and financial counterparties; the effects on regulatory agencies around the world on which we rely; our ability to continue to develop our emerging businesses, such as advertising; increased volatility in foreign currency exchange rates; the impact of recent and potential upcoming or ongoing large-scale actions by local and federal governments and agencies or similar governing bodies in the U.S. and around the world, the U.S. Federal Reserve, and other central banks around the world, including the impact of any of these actions on the U.S. or world economy or global financial markets; and any other factor which results in disruptions or increased costs associated with the development, production, post-production, marketing and distribution of our products, and/or the digital advertising offered within our content. If adverse effects in these areas from the ongoing global COVID-19 pandemic continue or worsen, our business may be negatively impacted. Further, we cannot predict the emergence of new variants, the rise and fall of case rates, or the associated reducing, lifting, and reenacting of stay-at-home orders and other, similar measures to mitigate the spread of COVID-19. As in the case of COVID-19, the occurrence of other epidemics, medical emergencies, and other public health crises outside of our control could have a negative impact on our business. Additionally, stay-at-home orders, the curtailment of certain other forms of entertainment, and other pandemic-related factors that make consumers more inclined to spend time at home may increase demand for our products, and such increase may not be sustained if pandemic-related restrictions and behaviors change. These trends may continue to evolve, and prior trends for revenues, net income, and other financial results and operating metrics, may not be indicative of results for future periods, particularly as pandemic-related factors become less significant.

Our professional esports leagues (i.e., the Overwatch League and the Call of Duty League) and the franchise teams that make up the leagues generate revenues from live in-person events. The COVID-19 pandemic has resulted in the cancellation of live in-person events and any continued health and safety concerns with large public gatherings may impact the ability of the teams in our leagues to hold future live in-person events. Prolonged COVID-19 risks could result in teams being unable or unwilling to make continued investments or otherwise participate in our leagues going forward. This, in turn, could result in the loss of future entry fee payments, revenue from advertising, and other future potential league revenues or income, other benefits associated with our esports business, and/or the termination of our leagues. Also, we have provided, and may continue to provide, financial support to the owners of the teams as a result of the COVID-19 pandemic. Any one of these things could harm our business. Additionally, a prolonged impact of COVID-19 could heighten many of the risk factors included in this Annual Report filed on Form 10-K.

If we do not consistently deliver popular, high-quality content in a timely manner, our business may be negatively impacted.

Consumer preferences for games are usually cyclical and difficult to predict. Even the most successful games can lose consumer audiences over time, and remaining popular is increasingly dependent on the games being refreshed with new content or other enhancements. In order to remain competitive and maximize the chances that consumers select our products as opposed to the various entertainment options available to them and with which we compete, we must continuously develop new products or new content for, or other enhancements to, our existing products. These products or enhancements may not be well-received by consumers, even if well-reviewed and of high quality.

Additionally, consumer expectations regarding the quality, performance, and integrity of our products and services are high. Consumers may be critical of our brands, games, services, and/or business practices for a wide variety of reasons, and such negative reactions may not be foreseeable or within our control to manage effectively. For example, we are subject to legal proceedings regarding workplace concerns, as described in [Note 22](#) of the notes to the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K, and could become subject to additional, similar legal proceedings in the future. These legal proceedings have negatively impacted our public reputation and, as a result, some consumers have elected not to continue subscribing to one of our games, and existing and potential players may decide not to play our games in the future. Some existing sponsors, partners, and advertisers have also elected not to be associated with our brand due to this impact on our reputation, and others may so elect in the future. As another example, if we fail to create fun, fair, and safe playing environments, consumers may engage less with our games. All of this may negatively impact, and in the case of those legal proceedings is negatively impacting, our business.

Our products and services are complex software programs. We have quality controls in place to detect defects, “bugs,” or other errors in our products and services before they are released. Nonetheless, these quality controls are subject to human error, overriding, and resource or technical constraints. As such, these quality controls and preventative measures may not be effective, and at times have not been successful, in detecting all defects, bugs, or errors in our products and services before they have been released into the marketplace. Our games with online features are frequently updated, increasing the risk that a game may contain errors. If any of these issues occur, consumers may stop playing the game and may be less likely to return to the game as often in the future, which may negatively impact our business. If our games or services, such as our proprietary online gaming platform, do not function as consumers expect, whether because they fail to function as advertised or otherwise, our sales may suffer. The risk that this may occur is particularly pronounced with respect to our games with online features because they involve ongoing consumer expectations, which we may not be able to consistently satisfy.

Negative reactions to our products and services may not be foreseeable. We also may not effectively manage or respond to these negative perceptions for reasons within or outside of our control. We expect to continue to expend resources to address concerns with our products and services. Negative perceptions could arise despite our efforts, though, and may result in loss of engagement with our products and services, increased scrutiny from government bodies and consumer groups, and/or litigation, any of which could negatively impact our business.

Further, delays in product releases or disruptions following the commercial release of one or more new products have negatively impacted, and could in the future negatively impact, our business and reputation and could cause our results of operations to be materially different from expectations. Our ability to meet development schedules depends on numerous factors, some of which are outside of our control, including our ability to attract and retain qualified personnel, the time-intensive nature of creative processes, the coordination of large and often dispersed development teams, the complexity of our products and the platforms for which they are developed, and third-party approvals. If we fail to release our products in a timely manner, or if we are unable to continue to extend the life of existing games by adding features and functionality that will encourage continued engagement with the game, our business may be negatively impacted. For example, we are now planning for a later launch for our Overwatch 2 and Diablo IV titles than originally expected, which will delay the uplift to our results that we usually experience following the release of new titles. Any negative impact which occurs during key selling periods, particularly in the fourth quarter of the year, could be especially pronounced.

Additionally, the amount of lead time and cost involved in the development of high-quality products is increasing, and the longer the lead time involved in developing a product and the greater the allocation of financial resources to such product, the more critical it is that we accurately predict consumer demand for such product. If our future products do not achieve expected consumer acceptance or generate sufficient revenues upon introduction, we may not be able to recover the substantial up-front development and marketing costs associated with those products.

We are experiencing adverse effects related to concerns raised about our workplace.

As described below under “We are subject to legal proceedings regarding workplace concerns that have negatively affected our reputation” and in Note 22 to the notes to the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K, we are subject to legal proceedings regarding workplace concerns. The outcome of these matters remains uncertain, though such matters could be decided unfavorably to the Company and could have a material adverse effect on our business, reputation, financial condition, results of operations, income, revenue, profitability, cash flows, liquidity, or stock price.

We are taking actions to address the concerns of employees and other key stakeholders and the adverse consequences to our business. We are experiencing, and are likely to continue to experience, adverse publicity regarding our Company and executives related to these matters. These matters are having a negative effect on the Company’s business and reputation. If we experience significantly reduced productivity, significant worker protests or strikes in regards to these matters, significant continued loss of sponsors, advertisers or players, or other negative consequences relating to these matters, our business could be materially adversely impacted. We cannot predict the duration and severity of these impacts, and we are continuing to carefully monitor all aspects of our business for such impacts and to take actions to address such concerns.

If we do not attract, retain, and motivate skilled personnel, we will be unable to effectively conduct our business.

Our success depends significantly on our ability to identify, attract, hire, retain, motivate, and utilize the abilities of qualified personnel which includes both our direct employees and talent from other employers such as consultants, agencies, and external developers. This particularly pertains to personnel with the specialized skills needed to create and deliver high-quality, well-received content upon which our business is substantially dependent, as well as to ensure business continuity in areas such as risk management, information security, human resources, and compliance. Our industry is generally characterized by a high level of employee mobility, competitive compensation programs, and aggressive recruiting among competitors for employees with technical, marketing, sales, engineering, product development, creative, and/or management skills, all of which is magnified for us because of our leading position within the industry. We have observed labor shortages, increasing competition for talent, and increasing attrition. We are experiencing increased difficulty in attracting and retaining skilled personnel. For example, we observed a significantly higher turnover rate of our human resources function in 2021. Additionally, recent litigation involving the Company relating to workplace and employee concerns, as further discussed in this Part I, Item 1A “Risk Factors” and Note 22 of the notes to the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K, and related media attention can be expected to have an adverse effect on our ability to attract and retain employees and has resulted in work stoppages. If we are unable to attract additional qualified personnel or retain and utilize the services of key personnel, we can expect this would adversely affect our business.

If consumers prefer products from our competitors, our business may be negatively impacted.

Our competitors include very large corporations with significantly greater financial, marketing, and product development resources than we have—increasingly including technology companies entering, or expanding their investment in, interactive entertainment. Our larger competitors may be able to leverage their greater financial, technical, personnel, and other resources to provide larger budgets for development and marketing and make higher offers to licensors and developers for commercially desirable properties, as well as adopt more aggressive pricing policies to develop more commercially successful video game products than we do. The proliferation of companies developing for mobile platforms creates similar risks.

Competitors may develop content that imitates or competes with our best-selling games, potentially reducing our sales or our ability to charge the same prices we have historically charged for our products. These competing products may take a larger share of consumer spending than anticipated, which could cause product sales to fall below expectations. If we do not continue to develop consistently high-quality and well-received games or new content for or enhancements to those games, if our marketing fails to resonate with our consumers, or if consumers lose interest in a genre of games we produce, our revenues and profit margins could decline. In addition, our own best-selling products could compete with our other games, reducing sales for those other games. Further, a failure by us to develop a high-quality product, or our development of a product that is otherwise not well-received, could potentially result in additional expenditures to respond to consumer demands, harm our reputation, and increase the likelihood that our future products will not be well-received. The increased importance of add-on content to our business amplifies these risks, as add-on content for poorly-received games typically generates lower-than-expected sales. The increased demand for consistent new content releases for, and enhancements to, our products also requires a greater allocation of financial resources to those products.

We depend on a relatively small number of franchises for a significant portion of our revenues and profits.

We follow a franchise model, and a significant portion of our revenues has historically been derived from products based on a relatively small number of popular franchises. These products are also responsible for a disproportionately high percentage of our profits. For example, in 2021, revenues associated with the Call of Duty, Candy Crush, and Warcraft franchises, collectively, accounted for approximately 82% of our net revenues—and a significantly higher percentage of our operating income. We expect that a relatively limited number of popular franchises will continue to produce a disproportionately high percentage of our revenues and profits. Due to this dependence on a limited number of franchises, the failure to achieve anticipated results by one or more products based on these franchises could negatively impact our business. Additionally, if the popularity of a franchise declines, as has happened in the past with other popular franchises, we may have to write off the unrecovered portion of the underlying intellectual property assets, which could negatively impact our business.

We may be impacted by unionization or attempts to unionize by our workforce.

Our personnel may attempt, successfully or unsuccessfully, to form one or more unions. For example, at Raven Software, one of our studios, the Communications Workers of America has filed a petition to represent a unit of employees, and the National Labor Relations Board will oversee the election process, including a determination of the appropriate set of employees who would be included in any bargaining unit (and thus participate in the election on potential unionization). Work stoppages or strikes could occur within a unionized workforce. While none of our employees are currently unionized, several of our employees have engaged in a strike for one or more days, leading to a business impact. Further disruptions to our workforce could negatively impact our business and lead to delayed product and content releases as well as a potential impact on product quality.

Our industry is subject to rapid technological change, and if we do not adapt to, and appropriately allocate our resources among, emerging technologies and business models, our business may be negatively impacted.

Technology changes rapidly in the interactive entertainment industry. We must continually anticipate and adapt to emerging technologies, such as cloud-based game streaming, and business models, such as free-to-play and subscription-based access to a portfolio of interactive content, to stay competitive. Forecasting the financial impact of these changing technologies and business models is inherently uncertain and volatile. Supporting a new technology or business model may require partnering with a new platform, business, or technology partner, which may be on terms that are less favorable to us than those for traditional technologies or business models. If we invest in the development of interactive entertainment products for distribution channels that incorporate a new technology or business model that does not achieve significant commercial success, whether because of competition or otherwise, we may not recover the often substantial up-front costs of developing and marketing those products, or recover the opportunity cost of diverting management and financial resources away from other products or opportunities. Further, our competitors may adapt to an emerging technology or business model more quickly or effectively than we do, creating products that are technologically superior to ours, more appealing to consumers, or both.

If, on the other hand, we elect not to pursue the development of products incorporating a new technology, or otherwise elect not to pursue new business models that achieve significant commercial success, it may have adverse consequences. It may take significant time and expenditures to shift product development resources to that technology or business model, and it may be more difficult to compete against existing products incorporating that technology or using that business model.

The increasing importance of digital sales to our business exposes us to the risks of that business model, including greater competition.

The proportion of our revenues derived from digital distribution channels, as compared to traditional retail sales, continues to increase. The increased importance of digital online channels in our industry increases our potential competition, as the minimum capital needed to produce and publish a digitally delivered game, particularly a game for a mobile platform, may be significantly less than that needed to produce and publish one that is purchased through retail distribution and is played on a game console or PC. Further, some of the providers of the platforms through which we digitally distribute content are also publishers of their own content distributed on those platforms, and, therefore, a platform provider may give priority to its own products or those of our competitors.

We may be unable to effectively manage the scope and complexity of our business, including our expansion into new business models that are untested and into adjacent business opportunities with large, established competitors.

We have experienced significant growth in the scope and complexity of our business, including through acquisitions and the development of our esports, advertising, and consumer products businesses. Our future success depends, in part, on our ability to manage this expanded business and our aspirations for continued expansion and growth. We have dedicated resources both to new business models that are largely untested, as is the case with esports, and to adjacent business opportunities in which very large competitors have an established presence, as is the case with our advertising and consumer products businesses. We do not know to what extent our future expansions will be successful. Further, even if successful, our aspirations for growth in our core businesses and these adjacent businesses could create significant challenges for our management, operational, and financial resources. If not managed effectively, this growth could result in the over-extension of our operating infrastructure, and our management systems, information technology systems, and internal controls and procedures may not be adequate to support this growth. Failure by these new businesses or failure to adequately manage our growth in any of these ways may cause damage to our brand or otherwise negatively impact our core business. Further, the success of these new businesses is largely contingent on the success of our underlying franchises, and as such, delays in product releases or a decline in the popularity of a franchise may impact the success of the new businesses adjacent to that franchise.

Due to our reliance on third-party platforms, platform providers are frequently able to influence our products and costs.

Generally, when we develop interactive entertainment software products for hardware platforms offered by companies such as Sony and Microsoft, the physical products are replicated exclusively by that hardware manufacturer or their approved replicator. The agreements with these manufacturers include certain provisions, such as approval rights over all software products and related promotional materials and the ability to change the fee they charge for the manufacturing of products, which allow the hardware manufacturers substantial influence over the cost and the release schedule of such interactive entertainment software products. During a console transition, like the one that occurred in 2020, as described below, these manufacturers may seek to change the terms governing our relationships with them. In addition, because each of the manufacturers is also a publisher of games for its own hardware platforms and may manufacture products for other licensees, a manufacturer may give priority to its own products or those of our competitors. Accordingly, console manufacturers could cause unanticipated delays in the release of our products, as well as increases to projected development, manufacturing, marketing, or distribution costs, any of which could negatively impact our business.

Sony and Microsoft are also platform providers which control the networks over which consumers purchase digital products and services for their platforms and through which we provide online game capabilities for our products. The control that these platform providers have over consumer access to our games, the fee structures and/or retail pricing for products and services for their platforms and online networks and the terms and conditions under which we do business with them could impact the availability of our products or the volume of purchases of our products made over their networks and our profitability. The networks provided by these platform providers are the exclusive means of selling and distributing our content on these platforms. Further, increased competition for limited premium “digital shelf space” has placed the platform providers in an increasingly better position to negotiate favorable terms of sale. If the platform provider establishes terms that restrict our offerings on its platform, significantly alters the financial terms on which these products or services are offered, or does not approve the inclusion of content on its platform, our business could be negatively impacted. We also derive significant revenues from distribution on third-party mobile and web platforms, such as the Apple App Store, the Google Play Store, and Facebook, which are also our direct competitors, and in some cases the exclusive means through which our content reaches gamers on those platforms, and most of the virtual currency we sell is purchased using these platform providers’ payment processing systems. These platforms also serve as significant online distribution platforms for, and/or provide other services critical for the operation of, a number of our games. If these platforms deny access to our games, modify their current discovery mechanisms, communication channels available to developers, operating systems, terms of service, or other policies (including fees), our business could be negatively impacted. Additionally, if these platform providers change how they label a game’s business model, such as free-to-play, change how they apply content ratings to a game, or change how the personal information of consumers is made available to developers, our business could be negatively impacted. These platform providers or their services may be unavailable or may not function as intended or may experience issues with their in-app purchasing functionality. As has sometimes happened in the past, if any of these events occurs on a prolonged, or even short-term, basis or other similar issues arise that impact players’ ability to access our games, access social features, or make purchases, it may result in lost revenues and otherwise negatively impact our business.

Our business is highly dependent on the success and availability of video game consoles manufactured by third parties, as well as our ability to develop commercially successful products for these consoles.

We derive a substantial portion of our revenues from the sale of products for play on video game consoles manufactured by third parties, such as Sony’s PS4 and PS5, Microsoft’s Xbox One and Series X, and Nintendo’s Switch. Sales of products for consoles accounted for 30% of our consolidated net revenues in 2021. The success of our console business is driven in large part by our ability to accurately predict which consoles will be successful in the marketplace and our ability to develop commercially successful products for these consoles. We also rely on the availability of an adequate supply of these video game consoles (which has been negatively impacted by supply chain issues) and the continued support for these consoles by their manufacturers, including our ability to reach consumers via the online networks operated by these console manufacturers. If increased costs are not offset by higher revenues and other cost efficiencies, our business could be negatively impacted. If the consoles for which we develop new software products or modify existing products do not attain significant consumer acceptance, we may not be able to recover our development costs, which could be significant.

Sony and Microsoft each launched next-generation consoles in 2020. We have released titles that operate on these consoles, and we may continue to develop games for these new console systems. When next-generation consoles are announced or introduced into the market, consumers have typically reduced their purchases of game console entertainment software products for prior-generation consoles in anticipation of purchasing a next-generation console and products for that console. During these periods, sales of the game console entertainment software products we publish may decline until new platforms achieve wide consumer adoption. Console transitions may have a comparable impact on sales of add-on content, amplifying the impact on our revenues. This decline may not be offset by increased sales of products for the next-generation consoles. In addition, as console hardware moves through its life cycle, hardware manufacturers typically enact price reductions, and decreasing prices may put downward pressure on software prices. During console transitions, we may simultaneously incur costs both in continuing to develop, market, and operate titles for prior-generation video game platforms, while also developing and supporting next-generation platforms. As a result, our business and operating results may be more volatile and difficult to predict during console transitions than during other times.

The increasing importance of free-to-play games to our business exposes us to the risks of that business model, including the dependence on a relatively small number of consumers for a significant portion of revenues and profits from any given game.

We are increasingly dependent on our ability to develop, enhance, and monetize free-to-play games, such as the games in our Candy Crush franchise, *Hearthstone*, *Call of Duty: Warzone™*, and *Call of Duty: Mobile*. As such, we are increasingly exposed to the risks of the free-to-play business model. For example, we may invest in the development of new free-to-play interactive entertainment products that are not successful in building and maintaining a significant player base, in which case our revenues from those products likely will be lower than anticipated and we may not recover our development costs. Further, our business may be negatively impacted if: (1) we are unable to encourage new and existing consumers to purchase our virtual items; (2) we fail to offer monetization features that appeal to these consumers; (3) our platform providers make it more difficult or expensive for players to purchase our virtual items; and/or (4) our free-to-play releases reduce sales of our other games.

We are a global company and are subject to the risks and uncertainties of conducting business outside the U.S.

We conduct business throughout the world, and we derive a substantial amount of our revenues and profits from international trade, particularly from Europe and Asia. We expect that international sales will continue to account for a significant portion of our total revenues and profits and, moreover, that sales in emerging markets in Asia and elsewhere will continue to be an important part of our international sales. As such, we are, and may be increasingly, subject to risks inherent in foreign trade generally, as well as risks inherent in doing business in non-U.S. markets, including increased tariffs and duties, compliance with economic sanctions, fluctuations in currency exchange rates, shipping delays, increases in transportation costs, international political, regulatory and economic developments, unexpected changes to laws, regulatory requirements, and enforcement on us and our platform partners and differing local business practices, all of which may impact profit margins or make it more difficult, if not impossible, for us to conduct business in foreign markets.

A deterioration in relations between either us or the U.S. and any country in which we have significant operations or sales, or the implementation of government regulations in the U.S. or such a country, could result in the adoption or expansion of trade restrictions, including economic sanctions or absolute prohibitions, that could have a negative impact on our business. For instance, to operate in China, all games must have regulatory approval. A decision by the Chinese government to revoke its approval for any of our games or to decline to approve any products we desire to sell in China in the future could have a negative impact on our business, as could delays in the approval process. Additionally, in the past, legislation has been implemented in China that has required modifications to our products and our business model to satisfy regulatory requirements, such as Chinese regulations that limit the number of hours per week children under the age of 18 can play video games. The future implementation of similar or new laws or regulations in China or any other country in which we have operations or sales may restrict or prohibit the sale of our products or may require engineering modifications to our products and our business model that are not cost-effective, if even feasible at all, or could degrade the consumer experience to the point where consumers cease to purchase such products. Changes in Chinese game approval procedures in 2018 have resulted in reduced rates of approval for games and unclear approval timeframes, making it uncertain as to if and when our new products will be approved for release in China. Further, the continued enforcement of regulations relating to mobile and other games with an online element in China could have a negative impact on our business in China.

The laws of some countries either do not protect our products, brands, and intellectual property to the same extent as the laws of the U.S. or are inconsistently enforced. Legal protection of our rights may be ineffective in countries with weaker intellectual property enforcement mechanisms. In addition, certain third parties have registered our intellectual property rights without authorization in foreign countries. Successfully registering such intellectual property rights could limit or restrict our ability to offer products and services based on such rights in those countries. Although we take steps to enforce and police our rights, our practices and methodologies may not be effective against all eventualities.

In addition, cultural differences may affect consumer preferences and limit the international popularity of games that are popular in the U.S. or require us to modify the content of the games or the method by which we charge our customers for the games to be successful. If we do not correctly assess consumer preferences in the countries in which we sell our products, it could negatively impact our business.

We are also subject to risks that our operations outside the U.S. could be conducted by our employees, contractors, third-party partners, representatives, or agents in ways that violate the Foreign Corrupt Practices Act, the U.K. Anti-Bribery Act, or other similar anti-bribery laws, as well as the 2017 U.K. Criminal Finances Act or other similar financial crime laws. While we have policies, procedures, and training for our employees, intended to secure compliance with these laws, our employees, contractors, third-party partners, representatives, or agents may take actions that violate our policies. Moreover, it may be more difficult to oversee the conduct of any such persons who are not our employees, potentially exposing us to greater risk from their actions.

The importance of retail sales to our business exposes us to the risks of that business model.

While the proportion of our revenues derived from traditional retail sales, as compared to revenue from digital distribution channels, continues to decline, retail sales remain important to our business. Such sales are made primarily on a purchase order basis without long-term agreements or other forms of commitments, and due to the increased proportion of our revenue from digital distribution channels, our retail customers and distributors have generally been reducing the levels of inventory they are willing to carry. The loss of, or significant reduction in sales to, any of Activision's principal retail customers or distributors, including digital distributors, could have adverse consequences.

We may not realize the expected benefits of our recent restructuring actions.

During 2019, we began implementing a plan aimed at refocusing our resources on our largest opportunities and removing unnecessary levels of complexity and duplication from certain parts of our business. While we believe this plan enables us to provide better opportunities for talent, and greater expertise and scale over the long term, our ability to achieve the desired and anticipated benefits from the plan is subject to many estimates and assumptions. These estimates and assumptions are also subject to significant economic, competitive, and other uncertainties, some of which are beyond our control.

Additionally, there can be no assurance that our business will be more efficient or effective than prior to implementation of the plan, and we do not expect to realize significant net savings as a result of the plan as cost reductions in our selling, general and administrative activities are expected to be offset by increased investment in product development. Any of these consequences could negatively impact our business. In addition, there can be no assurance that additional plans will not be required or implemented in the future.

We engage in strategic transactions and may encounter difficulties in integrating acquired businesses or otherwise realizing the anticipated benefits of these transactions.

As part of our business strategy, from time to time, we acquire, make investments in, or enter into strategic alliances and joint ventures with, complementary businesses. These transactions may involve significant risks and uncertainties, including: (1) in the case of an acquisition, (i) the potential for the acquired business to underperform relative to our expectations and the acquisition price, (ii) the potential for the acquired business to cause our financial results to differ from expectations in any given period, or over the longer-term, (iii) unexpected tax consequences from the acquisition, or the tax treatment of the acquired business's operations going forward, giving rise to incremental tax liabilities that are difficult to predict, (iv) difficulty in integrating the acquired business, its operations, and its employees in an efficient and effective manner, (v) any unknown liabilities or internal control deficiencies assumed as part of the acquisition, and (vi) the potential loss of key employees of the acquired businesses; and (2) in the case of an investment, alliance, or joint venture, (i) our ability to cooperate with our partner, (ii) our partner having economic, business, or legal interests or goals that are inconsistent with ours, and (iii) the potential that our partner may be unable to meet its economic or other obligations, which may require us to fulfill those obligations alone.

Further, any such transaction may involve the risk that our senior management's attention will be excessively diverted from our other operations, the risk that our industry does not evolve as anticipated, and that any intellectual property or personnel skills acquired do not prove to be those needed for our future success, and the risk that our strategic objectives, cost savings or other anticipated benefits are otherwise not achieved.

We are exposed to seasonality in the sale of our products.

The interactive entertainment industry is somewhat seasonal, with the highest levels of consumer demand occurring during the calendar year-end holiday buying season. As a result, our sales, particularly for our Activision segment, receivables, and credit risk, are higher during the fourth quarter of the year, as consumers and retailers increase their purchases in anticipation of the holiday season. Delays in development, approvals or manufacturing could affect the release of products, causing us to miss key selling periods such as the year-end holiday buying season, which could negatively impact our business.

Our recurring business is subject to fluctuation, and we could see a decline in that portion of our business.

Our business model includes recurring revenue we deem recurring in nature, such as revenue from subscriptions for *World of Warcraft*. There is no guarantee that demand for this service will remain at current levels. Consumer demand has declined and fluctuated in the past, and could do so in the future. If consumers lose interest in our services; if we fail to adapt our services to changing markets, distribution channels, and business models; if we discontinue our services; if we, or third parties we rely on, experience network disruptions or outages; if our competitors offer more attractive services; if our advertising and marketing of our service fails; or if there is a general downturn in the market, revenues generated by this service may decline, which could negatively impact our business.

Our business may be harmed if our distributors, retailers, development, and licensing partners, or other third parties with whom we are affiliated are unable to honor their commitments or act in ways that put our brand at risk.

In many cases, our business partners and other third-party affiliates, which may include, among others, individuals or entities affiliated with the esports leagues we operate, are given access to sensitive and proprietary information or control over our intellectual property to provide services and support to our team. These third parties may misappropriate or misuse our information or intellectual property and engage in unauthorized use of it. Further, the failure of these third parties to provide adequate services and technologies or to adequately maintain or update their services and technologies could result in a disruption to our business operations or an adverse effect on our reputation and may negatively impact our business. At the same time, if the media, consumers, or employees raise any concerns about our actions vis-à-vis third parties including consumers who play our games, this could also damage our reputation or our business. Further, should we terminate our relationship with a third-party affiliate for any reason, we may experience interruptions in our business and incur costs as we transition to a new partner.

In developing our games, we rely on tools and technologies owned by third parties.

In developing our games, we often use tools and technologies owned by third parties. If entities that own tools and technologies we use are acquired by our competitors we may lose access to such resources. Further, third party tools and technologies we use might be "sunsetting" or modified in such a way that would require us to engineer a workaround. Such events could cause delays in our production schedule and we may incur time and cost as we acquire or develop alternative assets.

We use open source software in connection with certain of our games and services, which may pose particular risks to our proprietary software, products, and services in a manner that could have a negative impact on our business.

We use open-source software in connection with some of the games and services we offer. Some open source software licenses require users who distribute open source software as part of their software to publicly disclose all or part of the source code to such software or make available any derivative works of the open source code on unfavorable terms or at no cost. The terms of various open source licenses have not been interpreted by courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our use of the open source software. Were it determined that our use was not in compliance with a particular license, we may be required to release our proprietary source code, pay damages for breach of contract, re-engineer our games or products, discontinue distribution in the event re-engineering cannot be accomplished on a timely basis, or take other remedial action that may divert resources away from our game development efforts, any of which could negatively impact our business. Additionally, the shared nature of open source software may increase the ability of cyber-attackers to discover and exploit vulnerabilities, which may increase the likelihood of a data breach, ransomware, network interruption, or other type of cyber-attack against us or against third parties who may use open source software, such as our platform partners or key vendors, any of which could negatively impact our business.

Our games may include undisclosed content or features. If our retailers refuse to sell such titles, or consumers refuse to purchase such titles, due to what they perceive to be objectionable undisclosed content, it could have a negative impact on our business.

Throughout the history of the interactive entertainment industry, many interactive software products have included hidden content and/or hidden gameplay features, some of which have been accessible through the use of in-game codes or other technological means, that are intended to enhance the gameplay experience. In some cases, such undisclosed content or features have been considered to be objectionable. While publishers are required to disclose pertinent hidden content during the Entertainment Software Rating Board (the “ESRB”) ratings process, in a few cases, publishers have failed to disclose pertinent content, and the ESRB has required the recall of the game, changed the rating or associated content descriptors originally assigned to the product, required the publisher to change the game or game packaging and/or imposed fines on the publisher. Retailers have on occasion reacted to the discovery of such undisclosed content by removing these games from their stores, refusing to sell them, and demanding that their publishers accept them as product returns. Likewise, some consumers have reacted to the revelation of undisclosed content by refusing to purchase such games, demanding refunds for games they have already purchased, refraining from buying other games published by the Company whose game contained the objectionable material, and, on at least one occasion, filing a lawsuit against the publisher of the product containing such content.

We have implemented preventive measures designed to reduce the possibility of objectionable undisclosed content from appearing in the interactive software products we publish. Nonetheless, these preventive measures are subject to human error, circumvention, overriding, and reasonable resource constraints. If an interactive software product we publish is found to contain undisclosed content, we could be subject to any of these consequences.

Our results of operations or reputation may be harmed as a result of objectionable consumer- or other third-party-created content.

Certain of our games and esports broadcasts support collaborative online features that allow consumers to communicate with one another and post narrative comments, in real time, that are visible to other consumers. Additionally, certain of our games allow consumers to create and share “user-generated content” that is visible to other consumers. From time to time, objectionable and offensive consumer content may be distributed within our games and on our broadcasts through these features or to gaming websites or other sites or forums with online chat features or that otherwise allow consumers to post comments. Although we expend resources, and expect to continue to expend resources, to promote positive play, our efforts may not be successful due to scale, limitations of existing technologies, or other factors. We may be subject to lawsuits, governmental regulation or restrictions, and consumer backlash (including decreased sales and harmed reputation), as a result of consumers posting offensive content.

Additionally, we have begun to generate revenue through offering advertising within certain of our franchises and in connection with our esports broadcasts. The content of in-game and esports broadcast advertisements may be created and delivered by third-party advertisers without our pre-approval, and, as such, objectionable content may be published in our games or during our esports broadcasts by these advertisers. This objectionable third-party-created content may expose us to regulatory action or claims related to content, or otherwise negatively impact our business. We may also be subject to consumer backlash from comments made in response to postings we make on social media sites such as Facebook, YouTube, and Twitter.

We may experience outages, disruptions, or degradations in our services, products, and/or technological infrastructure.

The reliable performance of our products and services depends on the continuing operation and availability of our information technology systems and those of our external service providers, including third-party “cloud” computing services. Our games and services are complex software products, and maintaining the sophisticated internal and external technological infrastructure required to reliably deliver these games and services is expensive and complex. The reliable delivery and stability of our products and services has been, and could in the future be, adversely impacted by outages, disruptions, failures, or degradations in our network and related infrastructure, as well as in the online platforms or services of key business partners that offer, support or host our products and services. The reliability and stability of our products and services has been affected by events outside of our control as well as by events within our control, such as the migration of data among data centers and to third-party hosted environments, the performance of upgrades and maintenance on our systems, and online demand for our products and services that exceeds the capabilities of our technological infrastructure.

If we or our external business partners were to experience an event that caused a significant system outage, disruption, or degradation or if a transition among data centers or service providers or an upgrade or maintenance session encountered unexpected interruptions, unforeseen complexity, or unplanned disruptions, our products and services may not be available to consumers or may not be delivered reliably and stably. As a result, our reputation and brand may be harmed, consumer engagement with our products and services may be reduced, and our revenue and profitability could be negatively impacted. We do not have redundancy for all our systems and many of our critical applications reside in only one of our data centers, which may make such an event more damaging to us.

As our digital business grows, we will require an increasing amount of internal and external technical infrastructure, including network capacity and computing power to continue to satisfy the needs of our players. We are investing, and expect to continue to invest, in our own technology, hardware, and software and the technology, hardware, and software of external service providers to support our business. It is possible that we may fail to scale effectively and grow this technical infrastructure to accommodate increased demands, which may adversely affect the reliable and stable performance of our games and services, therefore negatively impact our business.

Any cybersecurity-related attack, significant data breach, fraudulent activity, or disruption of the information technology systems or networks on which we rely could negatively impact our business.

In the course of our day-to-day business, we and third parties operating on our behalf create, store, and/or use commercially sensitive information, such as the source code and game assets for our interactive entertainment software products and sensitive and confidential information with respect to our customers, consumers, and employees. A malicious cybersecurity-related attack, intrusion, or disruption by hackers (including through spyware, ransomware, viruses, phishing, denial of service, and similar attacks) or other breach of the systems (including harm or improper access due to error by employees or third parties who have authorized access) on which such source code and assets, account information (including personal information), and other sensitive data is stored could lead to piracy of our software, fraudulent activity, disclosure, or misappropriation of, or access to, our customers’, consumers’, or employees’ personal information, or our own business data. Such incidents could also lead to product code-base and game distribution platform exploitation, should undetected viruses, spyware, or other malware be inserted into our products, services, or networks, or systems used by our consumers. We have implemented cybersecurity programs and the tools, technologies, processes, and procedures intended to secure our data and systems, and prevent and detect unauthorized access to, or loss of, our data, or the data of our customers, consumers, or employees. However, because these cyberattacks may remain undetected for prolonged periods of time and the techniques used by criminal hackers and other third parties to breach systems change frequently, we may be unable to anticipate these techniques or implement adequate preventative measures. A data intrusion into a server for a game with online features or for our proprietary online gaming platform could also disrupt the operation of such game or platform. If we are subject to cybersecurity breaches, or a security-related incident that materially disrupts the availability of our products and services, we may have a loss in sales or subscriptions or be forced to pay damages or incur other costs, including from the implementation of additional cyber and physical security measures, or suffer reputational damage. Additionally, although we maintain insurance policies, they may be insufficient to reimburse us for all losses or all types of claims that may be caused by cyberbreaches or system or network disruptions, and it is uncertain whether we will be able to maintain our current level of coverage in the future. Moreover, if there were a public perception that our data protection measures are inadequate, whether or not the case, it could result in reputational damage and potential harm to our business relationships or the public perception of our business model. In addition, such cybersecurity breaches may subject us to legal claims or proceedings, like individual claims and regulatory investigations and actions, including fines, especially if there is loss, disclosure, or misappropriation of, or access to, our customers’ personal information or other sensitive information, or there is otherwise an intrusion into our customers’ privacy.

Additionally, many of our games include virtual economies, comprising virtual currencies and assets, which are subject to fraud, exploitation, and abuse. In-game exploits and the use of automated or other fraudulent practices to generate virtual currency or assets illegitimately can detract from players' enjoyment of our games and can cause loss of revenue and harm to our reputation. Further, the measures we take to remedy abuse and protect against future fraudulent actions can be costly and time-consuming and may negatively impact our operations and financial outlook.

Significant disruption during our live events may adversely affect our business.

We, as well as the teams in the esports leagues we operate, host live events each year, many of which are attended by a large number of people. There are many risks that are inherent in large gatherings of people, including actual or threatened terrorist attacks or other acts of violence, fire, explosion, protests, and riots, and other safety or security issues, any one of which could result in injury or death to attendees and/or damage to the facilities at which such an event is hosted. While we maintain insurance policies, they may be insufficient to reimburse us for all losses or all types of claims that may be caused by such an event. Moreover, if there were a public perception that the safety or security measures are inadequate at the events we host or events hosted by teams in the esports leagues we operate, whether or not the case, it could result in reputational damage and a decline in future attendance at events hosted by us or those teams. Any one of these things could harm our business.

Catastrophic events may disrupt our business.

Our corporate headquarters and our primary corporate data center are located in the Los Angeles, California area, which is near a major earthquake fault. A major earthquake or other catastrophic event that results in the destruction or disruption of any of our critical business or information technology systems, impacts the health and safety of our employees or the employees of third-party affiliates and the regulatory agencies we rely on, or otherwise prevents us from conducting our normal business operations, could require significant expenditures to resume operations and negatively impact our business. While we maintain insurance coverage for some of these events, the potential liabilities associated with such events could exceed the insurance coverage we maintain. Further, our system redundancy may be ineffective or inadequate to protect us against such events. Any such event could also limit the ability of retailers, distributors, or our other customers to sell or distribute our products.

Climate change may have an impact on our business.

Risks related to climate change are increasing in both impact and type. We do not expect significant near-term impacts to our operations as a result of climate change, but long-term impacts remain unknown. There may be business or operational risk due to the significant impacts that climate change could pose to our employees' lives, consumers' lives, our supply chain, or other operational disruptions from climate change-related weather events. In addition, rapidly changing customer and regulatory requirements, along with stakeholder expectations, to reduce carbon emissions and otherwise to reduce our environmental footprint could increase our costs of operations to comply or present a risk of loss of business if we are not able to meet those requirements.

Provisions in our corporate documents and Delaware state law could delay or prevent a change of control.

Our Fifth Amended and Restated Bylaws contain a provision regulating the ability of shareholders to bring matters for action before annual and special meetings. The regulations on shareholder action could make it more difficult for any person seeking to acquire control of the Company to obtain shareholder approval of actions that would support this effort. In addition, our Third Amended and Restated Certificate of Incorporation authorizes the issuance of so-called "blank check" preferred stock. This ability of our Board of Directors to issue and fix the rights and preferences of preferred stock could effectively dilute the interests of any person seeking control or otherwise make it more difficult to obtain control.

Regulatory and Legal Risks

We are subject to legal proceedings regarding workplace concerns that have negatively affected our reputation.

As described in [Note 22](#) to the notes to the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K, in July 2021, the California Department of Fair Employment and Housing (the “DFEH”) filed a complaint against Activision Blizzard, Blizzard Entertainment, and Activision Publishing alleging violations of the California Fair Employment and Housing Act and the California Equal Pay Act. The Company is separately awaiting court approval of a consent decree with the EEOC settling claims against the Company regarding certain employment practices, while the DFEH has objected to the consent decree. The Company has also been named as a defendant in a shareholder class action and a nominal defendant in shareholder derivative actions involving allegations similar to those alleged in the foregoing matters and is cooperating in an investigation with the SEC with respect to its disclosures on employment matters and related issues. The outcome of these matters remains uncertain, and we could become subject to additional, similar legal proceedings in the future. If such matters are decided unfavorably to the Company, they could have a material adverse effect on our business, reputation, financial condition, results of operations, income, revenue, profitability, cash flows, liquidity, or stock price.

These legal proceedings have negatively impacted our public reputation and, as a result, some consumers have elected not to continue subscribing to one or more of our games, and existing and potential players may decide not to play our games in the future. Some existing sponsors, partners, and advertisers have also elected not to be associated with our brand due to this impact on our reputation, and others may so elect in the future. The outcome of these matters remains uncertain, though such matters could be decided unfavorably to the Company and could have a material adverse effect on our business, reputation, financial condition, results of operations, income, revenue, profitability, cash flows, liquidity, or stock price.

We are involved in legal proceedings that can have a negative impact on our business.

From time to time, we are involved in claims, suits, investigations, audits, and proceedings arising in the ordinary course of our business, including with respect to intellectual property, competition and antitrust, regulatory, tax, privacy, labor and employment, compliance, unclaimed property, liability and personal injury, product damage, collection, and/or commercial matters. In addition, negative consumer sentiment about our business practices may result in inquiries or investigations from regulatory agencies and consumer groups, as well as litigation.

Claims, suits, investigations, audits, and proceedings are inherently difficult to predict, including those referenced above, and their results are subject to significant uncertainties, many of which are outside of our control. Regardless of the outcome, such legal proceedings can have a negative impact on us due to reputational harm, legal costs, diversion of management resources, and other factors. It is also possible that a resolution of one or more such proceedings could result in substantial settlements, judgments, fines or penalties, injunctions, criminal sanctions, consent decrees, or orders preventing us from offering certain features, functionalities, products, or services, requiring us to change our development process or other business practices.

There is also inherent uncertainty in determining reserves for these matters. Significant judgment is required in the analysis of these matters, including assessing the probability of potential outcomes and determining whether a potential exposure can be reasonably estimated. In making these determinations, we, in consultation with outside counsel, examine the relevant facts and circumstances on a quarterly basis assuming, as applicable, a combination of settlement and litigated outcomes and strategies. Further, it may take time to develop factors on which reasonable judgments and estimates can be based.

We regard our software as proprietary and rely on a variety of methods, including a combination of copyright, patent, trademark, and trade secret laws, and employee and third-party non-disclosure agreements, to protect our proprietary rights. We own or license various copyrights, patents, trademarks, and trade secrets. The process of registering and protecting these rights in various jurisdictions is expensive and time-consuming. Further, we are aware that some unauthorized copying and piracy occurs, and if a significantly greater amount of unauthorized copying or piracy of our software products were to occur, it could negatively impact our business. We also cannot be certain that existing intellectual property laws will provide adequate protection for our products in connection with emerging technologies or that we will be able to effectively protect our intellectual property through litigation and other means.

Our business, products, and distribution are subject to increasing regulation in key territories. If we do not successfully respond to these regulations, our business could be negatively impacted.

The video game industry continues to evolve, and new and innovative business opportunities are often subject to new attempts at regulation. As such, legislation is continually being introduced, and litigation and regulatory enforcement actions are taking place, that may affect the way in which we, and other industry participants, may offer content and features, and distribute and advertise our products. These laws, regulations, and investigations are related to protection of minors, gambling, screen time, business models, consumer privacy, cybersecurity, data protection, accessibility, advertising, taxation, payments, intellectual property, distribution, and antitrust, among others.

For example, many foreign countries have laws that permit governmental entities to restrict or prohibit marketing or distribution of interactive entertainment software products because of the content therein (and similar legislation has been introduced at one time or another at the federal and state levels in the U.S., including legislation that attempts to impose additional taxes based on content). In addition, certain jurisdictions have laws that restrict or prohibit marketing or distribution of interactive entertainment software products with random digital item mechanics, which some of our online games and services include, or subject such products to additional regulation and oversight, such as reporting to regulators, mandatory disclosure to consumers of item drop rates, and higher age ratings for products that contain such mechanics.

We are also subject to laws in a number of jurisdictions concerning the operation and offering of tournaments and games, many of which are still evolving and could be interpreted in ways that could harm our business. Certain jurisdictions also have laws that restrict or prohibit certain types of esports tournament structures. These laws may have an impact on our ability to offer certain esports competitions and/or to offer consumers of our online and casual games various types of contests and promotional opportunities.

Further, the growth and development of electronic commerce, virtual items, and currency may prompt calls for more stringent consumer protection laws that may impose additional burdens or limitations on operations of companies such as ours conducting business through the Internet and mobile devices, including related to screen time. Also, existing laws or new laws regarding the marketing of in-app purchases, regulation of currency, banking institutions, unclaimed property, and money laundering may be interpreted to cover virtual currency or goods. Additionally, laws may limit or prevent the auto-renewal of contracts and subscriptions. Further, the European Commission has recently imposed a large antitrust fine on a number of other game publishers who had been geoblocking certain EU countries. In addition, in 2019 the World Health Organization included “gaming disorder” in the 11th Revision of the International Classification of Diseases (ICD-11), leading some countries to consider legislation and policies aimed at addressing this issue. Moreover, the public dialogue concerning interactive entertainment may have an adverse impact on our reputation and consumers’ willingness to purchase our products.

The adoption and enforcement of legislation that restricts the marketing, content, business model, or sales of our products in countries in which we do business may harm the sales of our products, as the products we are able to offer to our customers and the size of the potential audience for our products may be limited. We may be required to modify certain product development processes or products or alter our marketing strategies to comply with regulations, which could be costly or delay the release of our products. In addition, the laws and regulations affecting our products vary by territory and may be inconsistent with one another, imposing conflicting or uncertain restrictions. Failure to comply with any applicable legislation may also result in government-imposed fines or other penalties, as well as harm to our reputation.

Change in government regulations relating to the Internet could negatively impact our business.

We rely on our consumers’ access to significant levels of Internet bandwidth for the sale and digital delivery of our content and the functionality of our games with online features. Changes in laws or regulations that adversely affect the growth, popularity, or use of the Internet, including laws impacting “net neutrality” or the availability of bandwidth could impair our consumers’ online video game experiences, decrease the demand for our products and services or increase our cost of doing business. Although certain jurisdictions have implemented laws and regulations intended to prevent Internet service providers from discriminating against particular types of legal traffic on their networks, other jurisdictions may lack such laws and regulations or repeal existing laws or regulations. Given uncertainty around these rules relating to the Internet, including changing interpretations, amendments, or repeal of those rules, coupled with the potentially significant political and economic power of local Internet service providers and the relatively significant level of Internet bandwidth access our products and services require, we could experience discriminatory or anti-competitive practices that could impede our growth, cause us to incur additional expenses, or otherwise negatively impact our business.

The laws and regulations concerning data privacy are continually evolving. Failure to comply with these laws and regulations could harm our business.

Consumers play certain of our games online using our own distribution platforms, including Blizzard Battle.net, third-party platforms and networks, through online social platforms, and on mobile devices. We collect and store information about our consumers, including consumers who play these games. In addition, we collect and store information about our employees. We are subject to laws from a variety of jurisdictions regarding privacy and the protection of this information, including the E.U.’s General Data Protection Regulation (the “GDPR”), the U.S. Children’s Online Privacy Protection Act, which regulates the collection, use, and disclosure of personal information from children under 13 years of age, the California Consumer Privacy Act, and China’s Personal Information Protection Law, among others. Failure to comply with any of these laws or regulations may increase our costs, subject us to expensive and distracting government investigations, result in substantial fines, and other punitive measures, including restricting or prohibiting the sale of our products, or result in lawsuits and claims against us to the extent these laws include a private right of action.

Data privacy protection laws are rapidly changing and likely will continue to do so for the foreseeable future and may be inconsistent from jurisdiction to jurisdiction. For example, the E.U. and China have taken a broader view than the U.S. and certain other jurisdictions as to what is considered personal information and has imposed greater obligations under data privacy and protection regulations, including those imposed under the GDPR. The U.S. government, including the Federal Trade Commission and the Department of Commerce, various U.S. state governments, and other various national and local governments are continuing to review the need for greater regulation over the collection, sharing, use, or sale of personal information and information about consumer behavior on the Internet and on mobile devices. Complying with emerging and changing laws could require us to incur substantial costs or impact our approach to operating and marketing our games. Due to the rapidly changing nature of these data privacy protection laws, there is not always clear guidance from the respective governments and regulators regarding the interpretation of the law, which may create the risk of an inadvertent violation. Various government and consumer agencies worldwide have also called for new regulation and changes in industry practices. In addition, in some cases, we are dependent upon our platform providers and external data processors to assist us in ensuring compliance with these various types of regulations, and a violation by one of these third parties may also subject us to government investigations and result in substantial fines.

Player interaction with our games is subject to our privacy policies, end user license agreements (“EULAs”), and terms of service. If we fail to comply with our posted privacy policies, EULAs, or terms of service, or if we fail to comply with existing privacy-related or data protection laws and regulations, it could result in proceedings or litigation against us by governmental authorities or others, which could result in fines or judgments against us, damage our reputation, impact our financial condition, and harm our business. If regulators, the media, consumers, or employees raise any concerns about our privacy and data protection or consumer protection practices, even if unfounded, this could also result in fines or judgments against us, damage our reputation, negatively impact our financial condition, or damage our business.

Our games are subject to scrutiny regarding the appropriateness of their content. If we fail to receive our target ratings for certain titles, or if our retailers refuse to sell such titles due to what they perceive to be objectionable content, it could have a negative impact on our business.

Our console and PC games are subject to ratings by the ESRB, a self-regulatory body based in the U.S. that provides U.S. and Canadian consumers of interactive entertainment software with ratings information, including information on the content in such software, such as violence, nudity, or sexual content, along with an assessment of the suitability of the content for certain age groups. Certain other countries have also established content rating systems as prerequisites for product sales in those countries. In addition, certain third parties use other ratings systems. For example, Apple uses a proprietary “App Rating System” and certain online stores, including Google Play, use the International Age Rating Coalition (“IARC”) rating system, whereby ratings are assigned in participating regions through a single application. If we are unable to obtain the ratings we have targeted for our products, it could have a negative impact on our business. In some instances, we may be required to modify our products to meet the requirements of the rating systems, which could delay or disrupt the release of any given product or may prevent its sale altogether in certain territories. Further, if one of our games is “re-rated” for any reason, a ratings organization could require corrective actions, which could include a recall, retailers could refuse to sell it and demand that we accept the return of any unsold or returned copies or consumers could demand a refund for copies previously purchased.

Additionally, retailers may decline to sell, and/or consumers may decline to buy, interactive entertainment software containing what they judge to be graphic violence or sexually explicit material or other content that they deem inappropriate for their businesses, whether because a product received a certain rating by the ESRB or other content rating system, or otherwise. If retailers decline to sell our products or consumers decline to buy them based upon their opinion that they contain objectionable themes, graphic violence or sexually explicit material, or other generally objectionable content, we might be required to modify particular titles or forfeit the revenue opportunity of selling such titles.

Financial and Economic Risks

Changes in tax rates and/or tax laws or exposure to additional tax liabilities could negatively impact our business.

Our income tax liability and effective tax rate could be adversely affected by a variety of factors, including changes in our business, the mix of earnings in countries with differing statutory tax rates, changes in tax laws or tax rulings, changes in interpretations of existing laws, or developments in tax examinations or investigations. Any of these factors could have a negative impact on our business or require us to change the manner in which we operate our business. The tax regimes we are subject to, or operate under, are unsettled and may be subject to significant change. Furthermore, tax authorities may choose to examine or investigate our tax reporting or tax liability, including under transfer pricing or permanent establishment theories. These proceedings may lead to adjustments or proposed adjustments to our income taxes or provisions for uncertain tax positions. Additionally, a number of countries, including the U.S., have been pursuing fundamental changes to the tax laws applicable to multinational companies like us, including changing the U.S. taxation of non-U.S. income, developing new global OECD guidelines, and enacting revenue-based taxes on digital services. If these developments lead to enacted policy changes, it may have an adverse impact on our income tax expense and could negatively impact our business.

Fluctuations in currency exchange rates could negatively impact our business.

We transact business in various currencies other than the U.S. dollar and have significant international sales and expenses denominated in currencies other than the U.S. dollar, subjecting us to currency exchange rate risks. A substantial portion of our international sales and expenses are denominated in local currencies, which could fluctuate against the U.S. dollar. Since we have significant international sales but incur the majority of our costs in the U.S., the impact of foreign currency fluctuations, particularly the strengthening of the U.S. dollar, may have an asymmetric and disproportional impact on our business. We have, in the past, utilized currency derivative contracts to hedge certain foreign exchange exposures and managed these exposures with natural offsets. However, there can be no assurance that we will continue our hedging programs, or that we will be successful in managing exposure to currency exchange rate risks whether or not we do so.

Our reported financial results could be significantly impacted by changes in financial accounting standards or by the application of existing or future accounting standards to our business as it evolves.

Our reported financial results are impacted by the accounting policies promulgated by the SEC and national accounting standards bodies and the methods, estimates, and judgments that we use in applying our accounting policies. Policies affecting revenue recognition have affected, and could further significantly affect, the way we report revenues related to our products and services. We recognize a majority of the revenues from video games that include an online service on a deferred basis over an estimated service period for such games. In addition, we defer the cost of revenues of those products. Further, as we increase our add-on content and add new features to our online services, our estimate of the service period may change, and we could be required to recognize revenues, and defer related costs, over a shorter or longer period of time. As we enhance, expand, and diversify our business and product offerings, the application of existing or future financial accounting standards, particularly those relating to the way we account for revenues and income taxes, could have a significant impact on our reported net revenues, net income, and earnings per share under generally accepted accounting principles in the U.S. in any given period.

The insolvency or business failure of any of our business partners could negatively impact us.

Our sales, whether digital or retail, are concentrated in a small number of large customers, which makes us more vulnerable to collection risk if one or more of these large customers becomes unable to pay for our products or seeks protection under the bankruptcy laws. Retailers and distributors in the interactive entertainment industry have from time to time experienced significant fluctuations in their businesses and a number of them have failed. Challenging economic conditions may impair the ability of our customers to pay for products they have purchased and, as a result, our reserves for doubtful accounts and write-off of accounts receivable could increase and, even if increased, may turn out to be insufficient. While we have insurance to protect against a customer's bankruptcy, insolvency, or liquidation, this insurance typically contains a significant deductible and co-payment obligation and does not cover all instances of non-payment. Further, a payment default or the insolvency or business failure of, other types of business partners could result in disruptions to the manufacturing or distribution of our products or the cancellation of contractual arrangements that we consider to be favorable and could negatively impact our business. In addition, having such a large portion of our total net revenues concentrated in a few customers reduces our negotiating leverage with these customers.

Because purchases of our products and services are discretionary spending, if general economic conditions decline, demand for our products and services could decline.

Purchases of our products and services involve discretionary spending on the part of consumers. Consumers are generally more willing to make discretionary purchases, including purchases of products and services like ours, during periods in which favorable economic conditions prevail. As a result, our products are sensitive to general economic conditions and economic cycles. A reduction or shift in domestic or international consumer spending could result in an increase in our selling and promotional expenses, in an effort to offset that reduction, and could negatively impact our business.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

Our principal corporate and administrative offices and our Activision segment's headquarters are located in Santa Monica, California. Our Activision segment also leases office space for development studio personnel throughout the U.S., primarily in California, New York, and Wisconsin. We also lease office space in Irvine, CA for our Blizzard segment's headquarters, which include administrative and development studio space. We lease office space in London, United Kingdom for our King segment's headquarters, as well as office space for additional administrative and development studio space in Stockholm, Sweden and Barcelona, Spain.

We anticipate no difficulty in extending the leases of our facilities or obtaining comparable facilities in suitable locations, as needed, and we consider our facilities to be adequate for our current needs.

Item 3. LEGAL PROCEEDINGS

Refer to [Note 22](#) of the notes to the consolidated financial statements included in Item 8 of this Annual Report on Form 10-K for disclosures regarding our legal proceedings.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

Item 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information and Holders

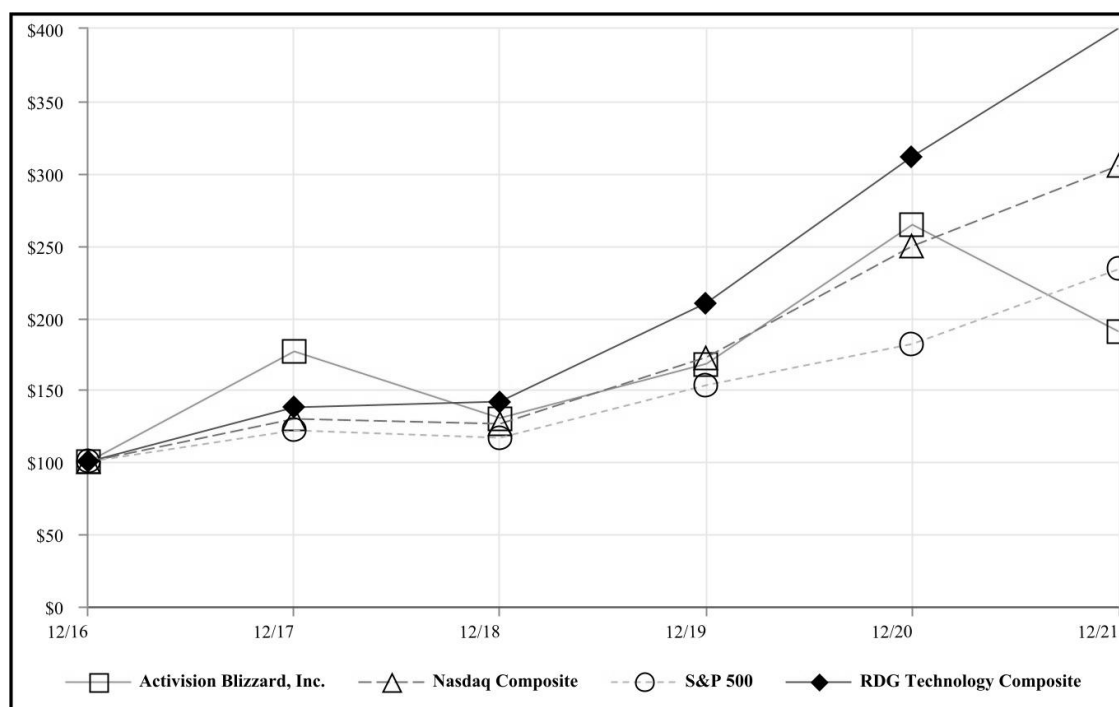
Our common stock is quoted on the Nasdaq National Market under the symbol “ATVI”. At February 18, 2022, there were 1,482 holders of record of our common stock.

Stock Performance Graph

This performance graph shall not be deemed “filed” for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of Activision Blizzard, Inc. under the Exchange Act or the Securities Act of 1933, as amended.

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN among Activision Blizzard, Inc., the Nasdaq Composite Index, the S&P 500 Index, and the RDG Technology Composite Index

The following graph and table compare the cumulative total stockholder return on our common stock, the Nasdaq Composite Index, the S&P 500 Index, and the RDG Technology Composite Index. The graph and table assume that \$100 was invested on December 31, 2016, and that dividends were reinvested daily. The stock price performance on the following graph and table is not necessarily indicative of future stock price performance.



Fiscal year ending December 31:	12/16	12/17	12/18	12/19	12/20	12/21
Activision Blizzard, Inc.	\$ 100.00	\$ 176.41	\$ 130.41	\$ 167.75	\$ 263.83	\$ 189.96
Nasdaq Composite	100.00	129.64	125.96	172.17	249.51	304.85
S&P 500	100.00	121.83	116.49	153.17	181.35	233.41
RDG Technology Composite	100.00	137.44	141.58	210.04	311.64	400.39

Cash Dividends

We have paid a dividend annually since 2010. Below is a summary of cash dividends paid over the past three fiscal years, along with the dividend most recently declared by the Board of Directors that will be paid in May 2022:

Year	Per Share Amount	Record Date	Dividend Payment Date
2022	\$0.47	4/15/2022	5/6/2022
2021	\$0.47	4/15/2021	5/6/2021
2020	\$0.41	4/15/2020	5/6/2020
2019	\$0.37	3/28/2019	5/9/2019

Future dividends will depend upon our earnings, financial condition, cash requirements, anticipated future prospects, and other factors deemed relevant by our Board of Directors. There can be no assurances that dividends will be declared in the future.

Under the Merger Agreement, we may declare and pay one regular cash dividend not to exceed \$0.47 per common share and consistent with the declaration, record, and payment date of our dividend from our most recent fiscal year. On February 3, 2022, our Board of Directors declared the regular cash dividend of \$0.47 per common share permitted under the terms of the Merger Agreement, payable on May 6, 2022, to shareholders of record at the close of business on April 15, 2022. We may not declare, set aside, authorize, establish a record date for, or pay any further dividend or other distribution (whether in cash, shares, or property or any combination thereof) in respect of any shares of capital stock or other equity or voting interest, or make any other actual, constructive, or deemed distribution in respect of the shares of capital stock or other equity or voting interest, without obtaining Microsoft's approval (which may not be unreasonably withheld, conditioned, or delayed).

Issuer Purchase of Equity Securities

On January 27, 2021, our Board of Directors authorized a stock repurchase program under which we are authorized to repurchase up to \$4 billion of our common stock during the two-year period from February 14, 2021 until the earlier of February 13, 2023 and a determination by the Board of Directors to discontinue the repurchase program. To date, we have not repurchased any shares under this program and are restricted from making any repurchases during the period between the execution of the Merger Agreement and the effective time of the Merger without obtaining Microsoft's approval (which may not be unreasonably withheld, conditioned, or delayed).

On January 31, 2019, our Board of Directors authorized a stock repurchase program under which we were authorized to repurchase up to \$1.5 billion of our common stock during the two-year period from February 14, 2019 until the earlier of February 13, 2021 and a determination by the Board of Directors to discontinue the repurchase program. We did not repurchase any shares under this program.

Item 6. [RESERVED]

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Business Overview

Activision Blizzard, Inc. is a leading global developer and publisher of interactive entertainment content and services. We develop and distribute content and services on video game consoles, PCs, and mobile devices. We also operate esports leagues and offer digital advertising within some of our content. The terms “Activision Blizzard,” the “Company,” “we,” “us,” and “our” are used to refer collectively to Activision Blizzard, Inc. and its subsidiaries.

Merger Agreement

On January 18, 2022, we entered into the Merger Agreement with Microsoft and Merger Sub, in which we agreed to be acquired for \$95.00 in cash per Share. Pursuant to the terms of the Merger Agreement, our acquisition will be accomplished through the merger of Merger Sub with and into the Company, with the Company surviving the Merger as a wholly owned subsidiary of Microsoft.

Pursuant to the terms of the Merger Agreement, and subject to the terms and conditions set forth therein, at the Effective Time, each Share (other than Shares (1) held by the Company as treasury stock (excluding certain Shares held by a wholly owned subsidiary of the Company, which shares will remain outstanding and unaffected by the Merger), (2) owned by Microsoft or Merger Sub, (3) owned by any direct or indirect wholly owned subsidiary of Microsoft or Merger Sub or (4) held by stockholders who have neither voted in favor of adoption of the Merger Agreement nor consented thereto in writing and who have properly and validly exercised their statutory rights of appraisal in respect of such Shares in accordance with Section 262 of the Delaware General Corporation Law, in each case, immediately prior to the Effective Time) issued and outstanding immediately prior to the Effective Time will be cancelled and automatically converted into the right to receive \$95.00 in cash, without interest.

If the Merger Agreement is terminated under certain specified circumstances, we or Microsoft will be required to pay a termination fee. We will be required to pay Microsoft a termination fee of approximately \$2.27 billion under specified circumstances, including termination of the Merger Agreement in connection with our entry into an agreement with respect to a Superior Proposal (as defined in the Merger Agreement) prior to us receiving stockholder approval of the Merger, or termination by Microsoft upon a Company Board Recommendation Change (as defined in the Merger Agreement), in each case, if certain other conditions are met. Microsoft will be required to pay us a reverse termination fee under specified circumstances, including termination of the Merger Agreement due to a permanent injunction arising from Antitrust Laws (as defined in the Merger Agreement) when we are not then in material breach of any provision of the Merger Agreement and if certain other conditions are met, in an amount equal to (1) \$2.0 billion if the termination notice is provided prior to January 18, 2023, (2) \$2.5 billion if the termination notice is provided after January 18, 2023, and prior to April 18, 2023, or (3) \$3.0 billion if the termination notice is provided at any time after April 18, 2023.

The consummation of the Merger is subject to customary closing conditions, including, among others, (1) the approval and adoption of the Merger Agreement by our stockholders, (2) the absence of any court order or law prohibiting (or seeking to prohibit) the consummation of the Merger, (3) the termination or expiration of any applicable waiting period or periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (as amended) and specified approvals under certain other antitrust and foreign investment laws, subject to certain limitations, (4) compliance by us and Microsoft in all material respects with our respective obligations under the Merger Agreement, and (5) subject to specified exceptions and qualifications for materiality, the accuracy of representations and warranties made by us and Microsoft, respectively, as of the signing date and the closing date.

Employment Matters

We are subject to legal proceedings regarding our workplace and are experiencing adverse effects related to these proceedings and to concerns raised about our workplace. For information about these matters, see Part I, Item 1A “[Risk Factors](#)” and [Note 22](#) to the notes to the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Our Segments

Based upon our organizational structure, we conduct our business through three reportable segments, each of which is a leading global developer and publisher of interactive entertainment content and services based primarily on our internally-developed intellectual properties.

(i) Activision Publishing, Inc.

Activision delivers content through both premium and free-to-play offerings and primarily generates revenue from full-game and in-game sales, as well as by licensing software to third-party or related-party companies that distribute Activision products. Activision’s key product franchise is Call of Duty, a first-person action franchise. Activision also includes the activities of the Call of Duty League, a global professional esports league with city-based teams.

(ii) Blizzard Entertainment, Inc.

Blizzard delivers content through both premium and free-to-play offerings and primarily generates revenue from full-game and in-game sales, subscriptions, and by licensing software to third-party or related-party companies that distribute Blizzard products. Blizzard also maintains a proprietary online gaming platform, Battle.net, which facilitates digital distribution of Blizzard content and selected Activision content, online social connectivity, and the creation of user-generated content. Blizzard’s key product franchises include: Warcraft, which includes World of Warcraft, a subscription-based massive multi-player online role-playing game and Hearthstone, an online collectible card game based in the Warcraft universe; Diablo, an action role-playing franchise; and Overwatch, a team-based first-person action franchise. Blizzard also includes the activities of the Overwatch League, a global professional esports league with city-based teams.

(iii) King Digital Entertainment

King delivers content through free-to-play offerings and primarily generates revenue from in-game sales and in-game advertising on mobile platforms. King’s key product franchise is Candy Crush™, a “match three” franchise.

Other

We also engage in other businesses that do not represent reportable segments, including our Distribution business, which consists of operations in Europe that provide warehousing, logistics, and sales distribution services to third-party publishers of interactive entertainment software, our own publishing operations, and manufacturers of interactive entertainment hardware.

Business Results and Highlights

Financial Results

2021 financial highlights included:

- consolidated net revenues increased 9% to \$8.8 billion and consolidated operating income increased 19% to \$3.3 billion, as compared to consolidated net revenues of \$8.1 billion and consolidated operating income of \$2.7 billion in 2020;
- diluted earnings per common share increased 22% to \$3.44, as compared to \$2.82 in 2020; and
- cash flows from operating activities were approximately \$2.4 billion, an increase of 7%, as compared to \$2.3 billion in 2020.

Since certain of our games are hosted online or include significant online functionality that represents a separate performance obligation, we defer the transaction price allocable to the online functionality from the sale of these games and recognize the attributable revenues over the relevant estimated service periods, which are generally less than a year. Net revenues and operating income for the year ended December 31, 2021, include a net effect of \$449 million and \$347 million, respectively, from the recognition of deferred net revenues and related cost of revenues.

The percentage of our consolidated net revenues that are recognized from revenue sources that are recognized at a “point-in-time” and from sources that are recognized “over-time and other” were as follows:

	For the Years Ended December 31,	
	2021	2020
Point-in-time (1)	14 %	16 %
Over-time and other (2)	86 %	84 %

(1) Revenue recognized at a “point-in-time” is primarily comprised of the portion of revenue from software products that is recognized when the customer takes control of the product (i.e., upon delivery of the software product) and revenues from our Distribution business.

(2) Revenue recognized “over-time and other revenue” is primarily comprised of revenue associated with the online functionality of our games, in-game purchases, and subscriptions.

2021 Content Release and Event Highlights

Throughout the year we regularly release new content through seasonal and live services updates within our franchises, including Call of Duty, Candy Crush, and Warcraft. In addition to these updates, notable game releases during 2021 included:

- Activision's *Call of Duty: Vanguard*;
- Activision's *Call of Duty: Warzone Pacific*;
- Blizzard's *World of Warcraft: Burning Crusade Classic*[™];
- Blizzard's *Hearthstone: Mercenaries*; and
- Blizzard's *Diablo II: Resurrected*[™], a remastered version of the original action role-playing game title *Diablo II*.

Summary of Title Release Dates

Below is a summary of release dates for titles that are discussed throughout our analysis for our operating metrics, our consolidated results, and operating segment results.

Title	Release Date
<i>Call of Duty: Vanguard</i>	November 2021, and when referred to herein, is inclusive of <i>Call of Duty: Warzone</i> from the release of <i>Call of Duty: Vanguard</i> Season 1 content and <i>Call of Duty: Warzone Pacific</i> on December 8, 2021.
<i>Call of Duty: Black Ops Cold War</i>	November 2020, and when referred to herein, is inclusive of <i>Call of Duty: Warzone</i> from the release of <i>Call of Duty: Black Ops Cold War</i> Season 1 content on December 16, 2020 through December 8, 2021.
<i>Crash Bandicoot</i> [™] 4: <i>It's About Time</i>	October 2020.
<i>Tony Hawk's</i> [™] <i>Pro Skater</i> [™] 1 + 2	September 2020.
<i>Call of Duty: Modern Warfare</i>	October 2019, and when referred to herein, is inclusive of <i>Call of Duty: Warzone</i> from its release in March 2020 through December 16, 2020.
<i>Call of Duty: Mobile</i>	October 2019.
<i>Crash</i> [™] <i>Team Racing Nitro-Fueled</i>	June 2019.
<i>Call of Duty: Black Ops 4</i>	October 2018.
<i>Diablo II: Resurrected</i>	September 2021.
<i>World of Warcraft: Burning Crusade Classic</i>	June 2021.
<i>World of Warcraft: Shadowlands</i>	November 2020.

International Sales

International sales are a fundamental part of our business. An important element of our international strategy is to develop content that is specifically directed toward local cultures and customs. Net revenues from international sales accounted for approximately 51%, 52%, and 54% of our total consolidated net revenues for the years ended December 31, 2021, 2020, and 2019, respectively. The majority of our net revenues from foreign countries are generated by consumers in Australia, Canada, China, France, Germany, Italy, Japan, South Korea, and the U.K. Our international business is subject to risks typical of an international business, including, but not limited to, foreign currency exchange rate volatility and changes in local economies. Accordingly, our future results could be materially and adversely affected by changes in foreign currency exchange rates and changes in local economies.

Operating Metrics

The following operating metrics are key performance indicators that we use to evaluate our business. The key drivers of changes in our operating metrics are presented in the order of significance.

Net bookings and in-game net bookings

We monitor net bookings and in-game net bookings as key operating metrics in evaluating the performance of our business because they enable an analysis of performance based on the timing of actual transactions with our customers and provide a more timely indication of trends in our operating results. Net bookings is the net amount of products and services sold digitally or sold-in physically in the period and includes license fees, merchandise, and publisher incentives, among others. Net bookings is equal to net revenues excluding the impact from deferrals. In-game net bookings primarily includes the net amount of microtransactions and downloadable content sold during the period and is equal to in-game net revenues excluding the impact from deferrals.

Net bookings and in-game net bookings were as follows (amounts in millions):

	For the Years Ended December 31,				Increase (Decrease)
	2021		2020		
Net bookings	\$	8,354	\$	8,419	\$ (65)
In-game net bookings	\$	5,100	\$	4,852	\$ 248

Net bookings

The decrease in net bookings for the year ended December 31, 2021, as compared to the year ended December 31, 2020, was primarily due to:

- a \$464 million decrease in Activision net bookings, driven by lower net bookings from (1) *Call of Duty: Vanguard* as compared to *Call of Duty: Black Ops Cold War*, (2) *Call of Duty: Black Ops Cold War* as compared to *Call of Duty: Modern Warfare*, (3) *Tony Hawk's Pro Skater 1 + 2*, and (4) *Crash Bandicoot 4: It's About Time*, partially offset by higher net bookings from *Call of Duty: Modern Warfare*, as compared to *Call of Duty: Black Ops 4* and *Call of Duty: Mobile*; and
- a \$78 million decrease in Blizzard net bookings, driven by lower net bookings from *World of Warcraft*, partially offset by higher net bookings from *Diablo II: Resurrected*.

The decrease in net bookings was partially offset by a \$416 million increase in King net bookings, driven by higher net bookings from in-game player purchases and advertising, primarily in the Candy Crush franchise.

In-game net bookings

The increase in in-game net bookings for the year ended December 31, 2021, as compared to the year ended December 31, 2020, was primarily due to a \$265 million increase in King in-game net bookings, driven by the Candy Crush franchise.

This increase was partially offset by a \$18 million decrease in Activision in-game net bookings, with lower in-game net bookings from (1) *Call of Duty: Black Ops Cold War*, as compared to *Call of Duty: Modern Warfare*, and (2) *Call of Duty: Vanguard*, as compared to *Call of Duty: Black Ops Cold War*, being largely offset by higher in-game net bookings from *Call of Duty: Mobile* and *Call of Duty: Modern Warfare*, as compared to *Call of Duty: Black Ops 4*.

Monthly Active Users

We monitor monthly active users (“MAUs”) as a key measure of the overall size of our user base. MAUs are the number of individuals who accessed a particular game in a given month. We calculate average MAUs in a period by adding the total number of MAUs in each of the months in a given period and dividing that total by the number of months in the period. An individual who accesses two of our games would be counted as two users. In addition, due to technical limitations, for Activision and King, an individual who accesses the same game on two platforms or devices in the relevant period would be counted as two users. For Blizzard, an individual who accesses the same game on two platforms or devices in the relevant period would generally be counted as a single user. In certain instances, we rely on third parties to publish our games. In these instances, MAU data is based on information provided to us by those third parties or, if final data is not available, reasonable estimates of MAUs for these third-party published games.

The number of MAUs for a given period can be significantly impacted by the timing of new content releases, since new releases may cause a temporary surge in MAUs. Accordingly, although we believe that overall trends in the number of MAUs can be a meaningful performance metric, period-to-period fluctuations may not be indicative of longer-term trends. The following table details our average MAUs on a sequential quarterly basis for each of our reportable segments (amounts in millions):

	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
Activision	107	119	127	150	128
Blizzard	24	26	26	27	29
King	240	245	255	258	240
Total	371	390	408	435	397

Average MAUs decreased by 19 million, or 5%, for the three months ended December 31, 2021, as compared to the three months ended September 30, 2021. The decrease was primarily due to lower average MAUs for Activision, primarily driven by the Call of Duty franchise.

Average MAUs decreased by 26 million or 7% for the three months ended December 31, 2021 as compared to the three months ended December 31, 2020. The decrease was primarily due to lower average MAUs for Activision, primarily driven by the Call of Duty franchise.

Management's Overview of Business Trends

Impacts of the Global COVID-19 Pandemic

Refer to the “Impacts of the Global COVID-19 Pandemic” section under Part I, Item 1 “[Business](#)” for discussion on the impacts of COVID-19 on our business.

Interactive Entertainment Growth

Our business participates in the global interactive entertainment industry. Games have become an increasingly popular form of entertainment, and we estimate, based on consumer spending, that the total industry has grown, on average, 10% annually from 2018 to 2021. The industry continues to benefit from additional players entering the market as interactive entertainment becomes more commonplace across age groups and as more developing regions gain access to this form of entertainment.

Mobile Gaming and Free-to-Play Games

Wide adoption of smartphones globally and the free-to-play business model on mobile platforms have increased the total addressable audience for gaming significantly by introducing gaming to new age groups and new regions and allowing gaming to occur more widely outside the home. Mobile gaming is estimated to be larger than console and PC gaming, and continues to grow at a significant rate. King is a leading developer of mobile and free-to-play games, and our other business units have mobile efforts underway that present the opportunity for us to expand the reach of, and drive additional player investment in, our franchises. The 2019 launch of *Call of Duty: Mobile* is an example of these efforts.

In addition, the free-to-play business model, which allows players to try a new game with no upfront cost, has begun to receive broader acceptance on PC and console platforms. This provides opportunities for us to increase the reach of our franchises through free-to-play offerings, which, in turn, provides opportunities to further drive player investment, as was seen with our *Call of Duty: Warzone* release in March 2020, and continuous content updates including the release of a completely new map with the launch of *Call of Duty: Warzone Pacific*.

Concentration of Sales Among the Most Popular Franchises

The top titles in the industry are also becoming more consistent as players and revenues concentrate more heavily in established franchises.

A significant portion of our revenues historically has been derived from video games based on a few popular franchises, and these video games have also been responsible for a disproportionately higher percentage of our profits. For example, in 2021, the *Call of Duty*, *Candy Crush*, and *Warcraft* franchises, collectively, accounted for 82% of our consolidated net revenues—and a significantly higher percentage of our operating income.

In addition to investing in new content for our top franchises, with the aim of releasing such content more frequently, we are continually exploring additional ways to expand those franchises, such as our release of Activision's *Call of Duty: Warzone*. Additionally, we have been increasing our development efforts to focus on expanding our franchises to mobile platforms, as demonstrated by the release of *Call of Duty: Mobile* and our recent release of *Crash Bandicoot: On the Run!* in March 2021, as well as our plans for *Diablo Immortal*[™], which is currently in development.

Overall, we expect that a limited number of popular franchises will continue to produce a disproportionately high percentage of our, and the industry's, revenues and profits in the near future. Accordingly, our ability to maintain our top franchises and our ability to successfully compete against our competitors' top franchises can significantly impact our performance.

Recurring Revenue Business Models

Increased consumer online connectivity has allowed us to offer players new investment opportunities and to shift our business further towards a more consistently recurring and year-round model. While our business does continue to experience some periods of “seasonality” driven primarily by the timing of our releases of new premium full games, our in-game content and free-to-play offerings allow our players to access and invest in new content throughout the year. This incremental content not only provides additional high-margin revenues, but it can also increase player engagement.

Opportunities to Expand Franchises Outside of Games

Our fans spend significant time engaging in our franchises and investing through purchases of our game content, including full games and in-game content. Given the passion our players have for our franchises, we believe there are emerging opportunities to drive additional engagement and investment in our franchises through adding non-gaming experiences within games or by adding ways to engage outside of games, such as with our Overwatch and Call of Duty esports leagues. Our efforts to build these adjacent opportunities are still relatively nascent and have experienced negative impacts from COVID-19 on their growth.

Increased Competition for Talent

We believe that our continued success and growth is directly related to our ability to attract, retain, and develop top talent. We have seen increased competition in the market for talent and expect the competitive environment to continue at least in the short term. We have experienced challenges in both the retention of our existing talent and attraction of new talent, with our average voluntary turnover rates being higher in the current year as compared to the prior year in many parts of our Company. This competition, voluntary turnover and recruiting difficulty, has negatively impacted our ability to deliver future game releases, and if they persist, could continue to negatively impact our ability to deliver content in a cadence that will be optimal for our business.

Additionally, refer to the “Our People” section under Part I, Item 1 “[Business](#)” for discussion on Activision Blizzard’s initiatives and focus on our employees, including anticipated future investments to achieve our diversity aspirations. See also Part I, Item 1A “[Risk Factors](#)” and [Note 22](#) to the notes to the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K for a discussion of recent employment matters affecting the Company.

Upcoming Content Releases

As previously announced, we are now planning for a later launch for our *Overwatch 2* and *Diablo IV* titles than originally expected in order to provide the development teams the extra time they need to deliver the experiences that their communities deserve, and to set the franchises up for success over a multi-year period. As a result, we will not have the financial uplift that we had expected in 2022 from the release of these two titles. Additionally, as previously announced, Blizzard’s mobile title based on the Diablo franchise, *Diablo Immortal*, is now anticipated to release in 2022 and recently completed public testing in February 2022. In the second half of 2022, we also plan to release the next premium title in our Call of Duty franchise. In addition, throughout the year we expect to deliver ongoing content for our various franchises, including continued in-game content for *Call of Duty: Vanguard*, which includes seasonal content updates for *Call of Duty: Warzone*, seasonal content updates for *Call of Duty: Mobile*, substantial new content for key Blizzard franchises, and continued releases of content, features, and services across King’s portfolio with an ongoing focus on the Candy Crush franchise. We will also continue to invest in opportunities that we think have the potential to drive our growth over the long-term, including continuing to build on our advertising initiatives and investments in mobile titles.

Consolidated Statements of Operations Data

The following table sets forth consolidated statements of operations data for the periods indicated (amounts in millions) and as a percentage of total net revenues, except for cost of revenues, which are presented as a percentage of associated revenues:

	For the Years Ended December 31,			
	2021		2020	
Net revenues				
Product sales	\$ 2,311	26 %	\$ 2,350	29 %
In-game, subscription, and other revenues	6,492	74	5,736	71
Total net revenues	8,803	100	8,086	100
Costs and expenses				
Cost of revenues—product sales:				
Product costs	649	28	705	30
Software royalties, amortization, and intellectual property licenses	346	15	269	11
Cost of revenues—in-game, subscription, and other:				
Game operations and distribution costs	1,215	19	1,131	20
Software royalties, amortization, and intellectual property licenses	107	2	155	3
Product development	1,337	15	1,150	14
Sales and marketing	1,025	12	1,064	13
General and administrative	788	9	784	10
Restructuring and related costs	77	1	94	1
Total costs and expenses	5,544	63	5,352	66
Operating income	3,259	37	2,734	34
Interest and other expense (income), net	95	1	87	1
Loss on extinguishment of debt (1)	—	—	31	—
Income before income tax expense	3,164	36	2,616	32
Income tax expense	465	5	419	5
Net income	\$ 2,699	31 %	\$ 2,197	27 %

(1) Represents the loss on extinguishment of debt we recognized in connection with our debt financing activities during the year ended December 31, 2020.

Consolidated Net Revenues

The key drivers of changes in our consolidated results, operating segment results, and sources of liquidity are presented in the order of significance.

The following table summarizes our consolidated net revenues and in-game net revenues (amounts in millions):

	For the Years Ended December 31,			
	2021	2020	Increase/ (decrease)	% Change
Consolidated net revenues	\$ 8,803	\$ 8,086	\$ 717	9 %
In-game net revenues (1)	\$ 5,266	\$ 4,571	\$ 695	15 %

(1) In-game net revenues primarily includes the net amount of revenues recognized for microtransactions and downloadable content during the period.

Consolidated net revenues

The increase in consolidated net revenues for the year ended December 31, 2021, as compared to the year ended December 31, 2020, was primarily driven by an increase in revenues of \$1.3 billion due to higher revenues from:

- the Candy Crush franchise;
- *Call of Duty: Modern Warfare* as compared to *Call of Duty: Black Ops 4*;
- *Call of Duty: Mobile*;
- *Diablo II: Resurrected*; and
- *World of Warcraft*, which includes the release of *World of Warcraft: Shadowlands* and *World of Warcraft: Burning Crusade Classic*.

This increase was partially offset by a decrease in revenues of \$331 million due to lower revenues from:

- *Call of Duty: Black Ops Cold War* as compared to *Call of Duty: Modern Warfare*;
- *Call of Duty: Vanguard* as compared to *Call of Duty: Black Ops Cold War*;
- *Tony Hawk's Pro Skater 1 + 2*; and
- *Crash Bandicoot 4: It's About Time*.

The remaining net decrease in revenues of \$288 million was driven by various other franchises and titles.

In-game net revenues

The increase in in-game net revenues for the year ended December 31, 2021, as compared to the year ended December 31, 2020, was primarily driven by an increase in in-game net revenues of \$924 million due to higher in-game net revenues from:

- *Call of Duty: Modern Warfare*, as compared to *Call of Duty: Black Ops 4*;
- the Candy Crush franchise;
- *Call of Duty: Mobile*; and
- *World of Warcraft*.

This increase was partially offset by a decrease in in-game net revenues of \$120 million due to lower in-game net revenues from *Call of Duty: Black Ops Cold War*, as compared to *Call of Duty: Modern Warfare*.

The remaining net decrease in in-game net revenues of \$109 million was driven by various other franchises and titles.

Operating Segment Results

We have three reportable segments—Activision, Blizzard, and King. Our operating segments are consistent with the manner in which our operations are reviewed and managed by our Chief Executive Officer, who is our chief operating decision maker (“CODM”). The CODM reviews segment performance exclusive of: the impact of the change in deferred revenues and related cost of revenues with respect to certain of our online-enabled games; share-based compensation expense (including liability awards accounted for under ASC 718); amortization of intangible assets as a result of purchase price accounting; fees and other expenses (including legal fees, expenses, and accruals) related to acquisitions, associated integration activities, and financings; certain restructuring and related costs; and certain other non-cash charges. The CODM does not review any information regarding total assets on an operating segment basis, and accordingly, no disclosure is made with respect thereto.

The Company has been reviewing its overall compensation structure and philosophy and began implementing changes to its compensation payments for 2021, primarily to enhance equity ownership for employees and bring our employee equity compensation more in line with the current industry practice. As an aspect of this change, the Company determined to settle amounts not yet paid as of December 31, 2021 under its annual performance plans in stock as opposed to cash and further to provide such incentives, to eligible employees, at no less than target performance without regard to whether target performance was achieved, resulting in a year-end share-based compensation liability of \$194 million. The changes during the three months ended December 31, 2021 resulted in \$160 million of expense related to achievement against 2021 performance targets that would have otherwise been included in our reportable segment operating income to instead be excluded from our 2021 operating income as it is now part of share-based compensation, accounted for as a liability under ASC 718. The changes increased our Activision, Blizzard, King and non-reportable segment operating income by \$43 million, \$25 million, \$65 million, and \$27 million, respectively, for the three months and year ended December 31, 2021. In addition, going forward, to the extent certain of our previously cash-based bonus programs are instead issued as time-based equity or settled via equity, such amounts will be recorded as share-based compensation and will be excluded from segment operating income.

Our operating segments are also consistent with our internal organizational structure, the way we assess operating performance and allocate resources, and the availability of separate financial information. We do not aggregate operating segments.

Information on the reportable segment net revenues and segment operating income is presented below (amounts in millions):

	For the Year Ended December 31, 2021				Increase / (decrease)			
	Activision	Blizzard	King	Total	Activision	Blizzard	King	Total
Segment Revenues								
Net revenues from external customers	\$ 3,478	\$ 1,733	\$ 2,580	\$ 7,791	\$ (464)	\$ (61)	\$ 416	\$ (109)
Intersegment net revenues (1)	—	94	—	94	—	(17)	—	(17)
Segment net revenues	<u>\$ 3,478</u>	<u>\$ 1,827</u>	<u>\$ 2,580</u>	<u>\$ 7,885</u>	<u>\$ (464)</u>	<u>\$ (78)</u>	<u>\$ 416</u>	<u>\$ (126)</u>
Segment operating income	\$ 1,667	\$ 698	\$ 1,140	\$ 3,505	\$ (201)	\$ 5	\$ 283	\$ 87

	For the Year Ended December 31, 2020			
	Activision	Blizzard	King	Total
Segment Revenues				
Net revenues from external customers	\$ 3,942	\$ 1,794	\$ 2,164	\$ 7,900
Intersegment net revenues (1)	—	111	—	111
Segment net revenues	<u>\$ 3,942</u>	<u>\$ 1,905</u>	<u>\$ 2,164</u>	<u>\$ 8,011</u>
Segment operating income	\$ 1,868	\$ 693	\$ 857	\$ 3,418

(1) Intersegment revenues reflect licensing and service fees charged between segments.

Reconciliations of total segment net revenues and total segment operating income to consolidated net revenues and consolidated income before income tax expense are presented in the table below (amounts in millions):

	For the Year Ended December 31,	
	2021	2020
Reconciliation to consolidated net revenues:		
Segment net revenues	\$ 7,885	\$ 8,011
Revenues from non-reportable segments (1)	563	519
Net effect from recognition (deferral) of deferred net revenues (2)	449	(333)
Elimination of intersegment revenues (3)	(94)	(111)
Consolidated net revenues	<u>\$ 8,803</u>	<u>\$ 8,086</u>
Reconciliation to consolidated income before income tax expense:		
Segment operating income	\$ 3,505	\$ 3,418
Operating income (loss) from non-reportable segments (1)	2	(55)
Net effect from recognition (deferral) of deferred net revenues and related cost of revenues (2)	347	(238)
Share-based compensation expense (4)	(508)	(218)
Amortization of intangible assets	(10)	(79)
Restructuring and related costs (Note 17)	(77)	(94)
Consolidated operating income	<u>3,259</u>	<u>2,734</u>
Interest and other expense (income), net	95	87
Loss on extinguishment of debt	—	31
Consolidated income before income tax expense	<u>\$ 3,164</u>	<u>\$ 2,616</u>

(1) Includes other income and expenses outside of our reportable segments, including our Distribution business and unallocated corporate income and expenses.

- (2) Reflects the net effect from recognition (deferral) of deferred net revenues, along with related cost of revenues, on certain of our online-enabled products.
- (3) Intersegment revenues reflect licensing and service fees charged between segments.
- (4) Expenses related to share-based compensation, including liability awards accounted for under ASC 718. Refer to [Note 16](#).

Segment Results

Activision

The decrease in Activision's segment net revenues and operating income for the year ended December 31, 2021, as compared to the year ended December 31, 2020, was primarily due to lower revenues from:

- *Call of Duty: Vanguard* as compared to *Call of Duty: Black Ops Cold War*;
- *Call of Duty: Black Ops Cold War* as compared to *Call of Duty: Modern Warfare*;
- *Tony Hawk's Pro Skater 1 + 2*; and
- *Crash Bandicoot 4: It's About Time*.

This decrease in segment net revenues was partially offset by higher revenues from:

- *Call of Duty: Modern Warfare* as compared to *Call of Duty: Black Ops 4*; and
- *Call of Duty: Mobile*.

The decrease in Activision's segment operating income, driven by the overall decrease in segment net revenues, was partially offset by:

- lower cost of revenues, driven by lower software amortization and royalties for *Call of Duty: Vanguard*, as compared to *Call of Duty: Black Ops Cold War*, as well as for *Tony Hawk's Pro Skater 1 + 2* and *Crash Bandicoot 4: It's About Time*;
- lower sales and marketing costs, primarily for the *Call of Duty* franchise and *Crash Bandicoot 4: It's About Time*; and
- lower product development costs driven by lower personnel costs due to changes made to our compensation payments for 2021, as previously noted above, resulting in the costs for certain 2021 personnel bonuses being excluded from 2021 operating income, as they are now part of share-based compensation.

Blizzard

The decrease in Blizzard's segment net revenues for the year ended December 31, 2021, as compared to the year ended December 31, 2020, was primarily due to lower revenues from *World of Warcraft*; partially offset by higher revenues from *Diablo II: Resurrected*.

Blizzard's segment operating income was comparable to 2020, as the impact of lower segment net revenues and higher product development costs to support game development efforts were offset by:

- lower cost of revenues, driven by lower software amortization and royalties for *World of Warcraft: Shadowlands*, partially offset by higher software amortization and royalties for *Diablo II: Resurrected*;
- lower marketing costs, driven by lower marketing costs for *World of Warcraft* and *Hearthstone*, partially offset by higher marketing costs for *Diablo II: Resurrected*; and
- lower personnel costs due to changes made to our compensation payments for 2021, as previously noted above, resulting in the costs for certain 2021 personnel bonuses being excluded from 2021 operating income, as they are now part of share-based compensation.

King

The increase in King's segment net revenues and operating income for the year ended December 31, 2021, as compared to the year ended December 31, 2020, was primarily due to higher revenues from in-game player purchases and advertising, primarily in the Candy Crush franchise.

In addition, the increase in King's segment operating income was driven by:

- lower personnel costs due to changes made to our compensation payments for 2021, as previously noted above, resulting in the costs for certain 2021 personnel bonuses being excluded from 2021 operating income, as they are now part of share-based compensation; and
- higher insurance claim proceeds primarily relating to a network outage which occurred in 2018 from changes made by a third-party partner which inadvertently impacted some users' ability to play and spend money in King games.

These increases in King's segment operating income were partially offset by:

- higher sales and marketing costs, primarily for the Candy Crush franchise; and
- higher service provider fees, primarily digital storefront fees, driven by the higher revenues from in-game player purchases.

Foreign Exchange Impact

Changes in foreign exchange rates had a positive impact of \$100 million and \$61 million on Activision Blizzard's segment net revenues for the years ended December 31, 2021 and 2020, respectively, in each case as compared to the previous year. The changes are primarily due to changes in the value of the U.S. dollar relative to the euro and the British pound.

Consolidated Results

Net Revenues by Distribution Channel

The following table details our consolidated net revenues by distribution channel (amounts in millions):

	For the Year Ended December 31,			
	2021	2020	Increase/ (decrease)	% Change
Net revenues by distribution channel:				
Digital online channels (1)	\$ 7,663	\$ 6,658	\$ 1,005	15 %
Retail channels	479	741	(262)	(35)
Other (2)	661	687	(26)	(4)
Total consolidated net revenues	<u>\$ 8,803</u>	<u>\$ 8,086</u>	<u>\$ 717</u>	<u>9</u>

(1) Net revenues from “Digital online channels” include revenues from digitally-distributed downloadable content, microtransactions, subscriptions, and products, as well as licensing royalties.

(2) Net revenues from “Other” primarily includes revenues from our Distribution business, the Overwatch League, and the Call of Duty League.

Digital Online Channel Net Revenues

The increase in net revenues from digital online channels for the year ended December 31, 2021, as compared to the year ended December 31, 2020, was primarily due to higher revenues from:

- in-game player purchases and advertising in the Candy Crush franchise;
- *Call of Duty: Modern Warfare* as compared to *Call of Duty: Black Ops 4*;
- *Call of Duty: Mobile*;
- *Diablo II: Resurrected*; and
- *World of Warcraft*, which includes the release of *World of Warcraft: Shadowlands* and *World of Warcraft: Burning Crusade Classic*.

Retail Channel Net Revenues

The decrease in net revenues from retail channels for the year ended December 31, 2021, as compared to the year ended December 31, 2020, was primarily due to lower revenues from:

- *Call of Duty: Black Ops Cold War* as compared to *Call of Duty: Modern Warfare*;
- *Crash Bandicoot 4: It's About Time*;
- *Crash Team Racing Nitro-Fueled*; and
- *Tony Hawk's Pro Skater 1 + 2*.

Net Revenues by Platform

The following tables detail our net revenues by platform (amounts in millions):

	For the Year Ended December 31,			
	2021	2020	Increase/ (decrease)	% Change
Net revenues by platform:				
Console	\$ 2,637	\$ 2,784	\$ (147)	(5)%
PC	2,323	2,056	267	13
Mobile and ancillary (1)	3,182	2,559	623	24
Other (2)	661	687	(26)	(4)
Total consolidated net revenues	<u>\$ 8,803</u>	<u>\$ 8,086</u>	<u>\$ 717</u>	9

- (1) Net revenues from “Mobile and ancillary” include revenues from mobile devices, as well as non-platform-specific game-related revenues, such as standalone sales of toys and accessories.
- (2) Net revenues from “Other” primarily includes revenues from our Distribution business, the Overwatch League, and the Call of Duty League.

Console

The decrease in net revenues from the console platform for the year ended December 31, 2021, as compared to the year ended December 31, 2020, was primarily due to lower revenues from:

- *Call of Duty: Black Ops Cold War* as compared to *Call of Duty: Modern Warfare*;
- *Call of Duty: Vanguard* as compared to *Call of Duty: Black Ops Cold War*;
- *Tony Hawk's Pro Skater 1 + 2*; and
- *Crash Bandicoot 4: It's About Time*.

The decrease was partially offset by higher revenues from *Call of Duty: Modern Warfare*, as compared to *Call of Duty: Black Ops 4*.

PC

The increase in net revenues from the PC platform for the year ended December 31, 2021, as compared to the year ended December 31, 2020, was primarily due to higher revenues from:

- *World of Warcraft*, which includes the release of *World of Warcraft: Shadowlands* and *World of Warcraft: Burning Crusade Classic*;
- *Diablo II: Resurrected*; and
- *Call of Duty: Modern Warfare* as compared to *Call of Duty: Black Ops 4*.

Mobile and Ancillary

The increase in net revenues from mobile and ancillary for the year ended December 31, 2021, as compared to the year ended December 31, 2020, was primarily due to higher revenues from:

- in-game player purchases and advertising in the Candy Crush franchise; and
- *Call of Duty: Mobile*.

Costs and Expenses

Cost of Revenues

The following tables detail the components of cost of revenues in dollars (amounts in millions) and as a percentage of associated net revenues:

	Year Ended December 31, 2021	% of associated net revenues	Year Ended December 31, 2020	% of associated net revenues	Increase (Decrease)
Cost of revenues—product sales:					
Product costs	\$ 649	28 %	\$ 705	30 %	\$ (56)
Software royalties, amortization, and intellectual property licenses	346	15	269	11	77
Cost of revenues—in-game, subscription, and other:					
Game operations and distribution costs	1,215	19	1,131	20	84
Software royalties, amortization, and intellectual property licenses	107	2	155	3	(48)
Total cost of revenues	<u>\$ 2,317</u>	26 %	<u>\$ 2,260</u>	28 %	<u>\$ 57</u>

Cost of Revenues—Product Sales:

The decrease in product costs for the year ended December 31, 2021, as compared to the year ended December 31, 2020, was driven by a \$51 million decrease in product costs from Activision, as a result of lower retail channel revenues.

The increase in software royalties, amortization, and intellectual property licenses related to product sales for the year ended December 31, 2021, as compared to the year ended December 31, 2020, was primarily due to a \$123 million increase in software amortization and royalties from Blizzard, driven by higher software amortization and royalties from (1) *World of Warcraft*, following the release of *World of Warcraft: Shadowlands*, with no comparable amortization in the prior year, and (2) *Diablo II: Resurrected*.

This increase was partially offset by a \$46 million decrease in software amortization and royalties from Activision, driven by lower software amortization and royalties from (1) *Tony Hawk's Pro Skater 1 + 2*, (2) *Crash Bandicoot 4: It's About Time*, and (3) *Call of Duty: Vanguard* as compared to *Call of Duty: Black Ops Cold War*, partially offset by higher software amortization and royalties from *Call of Duty: Black Ops Cold War*, as compared to *Call of Duty: Modern Warfare*.

Cost of Revenues—In-game, Subscription, and Other Revenues:

The increase in game operations and distribution costs for the year ended December 31, 2021, as compared to the year ended December 31, 2020, was primarily due to a \$114 million increase in service provider fees, such as digital storefront fees (e.g., fees retained by Apple and Google for our sales on their platforms) and payment processor fees, as a result of higher revenues.

The decrease in software royalties, amortization, and intellectual property licenses related to in-game, subscription, and other revenues for the year ended December 31, 2021, as compared to the year ended December 31, 2020, was primarily due to a decrease of \$61 million in amortization of internally-developed franchise and developed software intangible assets acquired as part of our 2016 acquisition of King. The decrease was partially offset by an increase in software amortization and royalties from Activision of \$23 million, driven by *Call of Duty: Mobile*.

Product Development (amounts in millions)

	December 31, 2021	% of consolidated net revenues	December 31, 2020	% of consolidated net revenues	Increase (Decrease)
Product development	\$ 1,337	15 %	\$ 1,150	14 %	\$ 187

The increase in product development costs for the year ended December 31, 2021, as compared to the year ended December 31, 2020, was primarily due to higher development spending of \$275 million, driven by increased personnel costs and outside developer fees to support our franchises. The increase was partially offset by an \$89 million increase in capitalization of development costs driven by the timing of Activision's game development cycles.

Sales and Marketing (amounts in millions)

	December 31, 2021	% of consolidated net revenues	December 31, 2020	% of consolidated net revenues	Increase (Decrease)
Sales and marketing	\$ 1,025	12 %	\$ 1,064	13 %	\$ (39)

The decrease in sales and marketing expenses for the year ended December 31, 2021, as compared to the year ended December 31, 2020, was primarily due to a decrease of \$24 million in costs for marketing personnel and support services. Marketing spending for the year ended December 31, 2021 was comparable to the year ended December 31, 2020, primarily due to lower spending for the Call of Duty franchise being offset by higher spending for the Candy Crush franchise.

General and Administrative (amounts in millions)

	December 31, 2021	% of consolidated net revenues	December 31, 2020	% of consolidated net revenues	Increase (Decrease)
General and administrative	\$ 788	9 %	\$ 784	10 %	\$ 4

General and administrative expenses for the year ended December 31, 2021 were comparable to the year ended December 31, 2020.

Restructuring and related costs (amounts in millions)

	December 31, 2021	% of consolidated net revenues	December 31, 2020	% of consolidated net revenues	Increase (Decrease)
Restructuring and related costs	\$ 77	1 %	\$ 94	1 %	\$ (17)

During 2019, we began implementing a plan aimed at refocusing our resources on our largest opportunities and removing unnecessary levels of complexity and duplication from certain parts of our business. Since then, we have been focusing on these goals as we execute against our plan for which, at the end of 2021, we had substantially completed the actions contemplated under our plan. The restructuring and related costs incurred during 2021 relate primarily to severance costs. We do not expect to realize significant net savings in our total operating expenses as a result of our plan, as cost reductions in our selling, general and administrative activities are expected to be offset by increased investment in product development. Refer to [Note 17](#) of the notes to the consolidated financial statements included in Item 8 of this Annual Report on Form 10-K for further discussion.

Interest and Other Expense (Income), Net (amounts in millions)

	December 31, 2021	% of consolidated net revenues	December 31, 2020	% of consolidated net revenues	Increase (Decrease)
Interest and other expense (income), net	\$ 95	1 %	\$ 87	1 %	\$ 8

Interest and other expense (income), net, for the year ended December 31, 2021, was comparable to the year ended December 31, 2020 with a \$24 million increase in gains on equity investments being offset by a \$16 million decrease in interest income as a result of lower interest rates.

Income Tax Expense (amounts in millions)

	December 31, 2021	% of Pretax income	December 31, 2020	% of Pretax income	Increase (Decrease)
Income tax expense	\$ 465	15 %	\$ 419	16 %	\$ 46

The income tax expense of \$465 million for the year ended December 31, 2021 reflects an effective tax rate of 15%, which is lower than the effective tax rate of 16% for the year ended December 31, 2020. The decrease is primarily due to a benefit resulting from deferred tax asset remeasurements.

The effective tax rate of 15% for the year ended December 31, 2021, is lower than the U.S. statutory rate of 21%, primarily due to foreign earnings taxed at lower rates, research and development credits and a benefit resulting from a deferred tax asset remeasurement.

The overall effective income tax rate in future periods will depend on a variety of factors, such as changes in pre-tax income or loss by jurisdiction, applicable accounting rules, applicable tax laws and regulations, and rulings and interpretations thereof, developments in tax audits and other matters, and variations in the estimated and actual level of annual pre-tax income or loss.

Further analysis of the differences between the U.S. federal statutory rate and the consolidated effective tax rate, as well as other information about our income taxes, is provided in [Note 19](#) of the notes to the consolidated financial statements included in Item 8 of this Annual Report on Form 10-K.

Foreign Exchange Impact

Changes in foreign exchange rates had a positive impact of \$107 million and \$62 million on our consolidated net revenues in 2021 and 2020, respectively, as compared to the same periods in the previous year.

Changes in foreign exchange rates had a positive impact of \$30 million and \$35 million on our consolidated operating income in 2021 and 2020, respectively, as compared to the same periods in the previous year.

Comparison of 2020 to 2019

For the comparison of 2020 to 2019, refer to [Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations”](#) of our Annual Report on Form 10-K for the year ended December 31, 2020.

Liquidity and Capital Resources

We believe our ability to generate cash flows from operating activities is one of our fundamental financial strengths. Despite the impacts of the COVID-19 pandemic on the global economy, in the near term, we expect our business and financial condition to remain strong and to continue to generate significant operating cash flows, which, we believe, in combination with our existing balance of cash and cash equivalents and short-term investments of \$10.6 billion, our access to debt and equity capital, and the availability of our \$1.5 billion revolving credit facility, will be sufficient to finance our operational and financing requirements for the next 12 months and beyond. Our primary sources of liquidity include our cash and cash equivalents, short-term investments, and cash flows provided by operating activities. Our material cash requirements include operating expenses, potential dividend payments and share repurchases, scheduled debt maturities (the next of which is in 2026), capital expenditures and other commitments, as discussed below.

As of December 31, 2021, the amount of cash and cash equivalents held outside of the U.S. by our foreign subsidiaries was \$3.9 billion, as compared to \$2.5 billion as of December 31, 2020. These cash balances are generally available for use in the U.S., subject in some cases to certain restrictions.

Our cash provided from operating activities is somewhat impacted by seasonality. Working capital needs are impacted by sales, which are generally highest in the fourth quarter due to seasonal and holiday-related sales patterns. We consider, on a continuing basis, various transactions to increase shareholder value and enhance our business results, including acquisitions, divestitures, joint ventures, dividends, share repurchases, and other structural changes, with certain of the foregoing actions, if we were to move forward with them, requiring Microsoft's approval under the Merger Agreement (which may not be unreasonably withheld, conditioned, or delayed), subject to certain exceptions. These transactions may result in future cash proceeds or payments.

Sources of Liquidity (amounts in millions)

	December 31, 2021	December 31, 2020	Increase (Decrease)
Cash and cash equivalents	\$ 10,423	\$ 8,647	\$ 1,776
Short-term investments	195	170	25
	<u>\$ 10,618</u>	<u>\$ 8,817</u>	<u>\$ 1,801</u>
Percentage of total assets	42 %	38 %	

	For the Year Ended December 31,		
	2021	2020	Increase (Decrease)
Net cash provided by operating activities	\$ 2,414	\$ 2,252	\$ 162
Net cash used in investing activities	(59)	(178)	119
Net cash (used in) provided by financing activities	(521)	711	(1,232)
Effect of foreign exchange rate changes	(48)	69	(117)
Net increase in cash and cash equivalents and restricted cash	<u>\$ 1,786</u>	<u>\$ 2,854</u>	<u>\$ (1,068)</u>

Net Cash Provided by Operating Activities

The primary driver of net cash flows associated with our operating activities is the income generated from the sale of our products and services. This is partially offset by: working capital requirements used in the development, sale, and support of our products; payments for interest on our debt; payments for tax liabilities; and payments to our workforce.

Net cash provided by operating activities for the year ended December 31, 2021, was \$2.4 billion, as compared to \$2.3 billion for the year ended December 31, 2020. The increase was primarily due to higher net income and lower tax payments in the current year, as the prior-year period included payments for a tax settlement in France with no comparable activity in 2021, partially offset by changes in our working capital resulting from the timing of collections and payments.

Net Cash Used in Investing Activities

The primary drivers of net cash flows associated with investing activities typically include capital expenditures, purchases and sales of investments, changes in restricted cash balances, and cash used for acquisitions.

Net cash used in investing activities for the year ended December 31, 2021, was \$59 million, as compared to \$178 million for the year ended December 31, 2020. The decrease in cash used in investing activities was primarily due to net proceeds from the sale and maturities of available-for-sale investments of \$32 million for the year ended December 31, 2021, as compared to net purchases of available-for-sale investments of \$100 million for the year ended December 31, 2020.

Net Cash Used in Financing Activities

The primary drivers of net cash flows associated with financing activities typically include the proceeds from, and repayments of, our long-term debt and transactions involving our common stock, including the issuance of shares of common stock to employees upon the exercise of stock options, as well as the payment of dividends.

Net cash used in financing activities for the year ended December 31, 2021, was \$521 million, as compared to net cash provided by financing activities of \$711 million for the year ended December 31, 2020. The increase in cash used in financing activities was primarily due to:

- net debt proceeds of \$896 million received for the year ended December 31, 2020, resulting from the issuance of an aggregate principal amount of \$2.0 billion of new notes and the early redemption of \$1.05 billion of our previously outstanding notes, with no comparable activity for the year ended December 31, 2021;
- higher tax payments made for net share settlements on restricted stock units, driven by a higher volume of share releases, at higher market values, resulting in \$246 million of payments during the year ended December 31, 2021, as compared to \$39 million during the year ended December 31, 2020; and
- lower proceeds on issuance of stock to employees, with \$90 million received during the year ended December 31, 2021, as compared to \$170 million during the year ended December 31, 2020.

Effect of Foreign Exchange Rate Changes

Changes in foreign exchange rates had a negative impact of \$48 million and a positive impact of \$69 million on our cash and cash equivalents for the years ended December 31, 2021 and December 31, 2020, respectively. The change was primarily due to changes in the value of the U.S. dollar relative to the euro and the British pound.

Debt

At both December 31, 2021 and December 31, 2020, our total gross unsecured senior notes outstanding was \$3.7 billion, bearing interest at a weighted average rate of 2.87%.

A summary of our outstanding debt is as follows (amounts in millions):

	At December 31, 2021	At December 31, 2020
2026 Notes	\$ 850	\$ 850
2027 Notes	400	400
2030 Notes	500	500
2047 Notes	400	400
2050 Notes	1,500	1,500
Total gross long-term debt	\$ 3,650	\$ 3,650
Unamortized discount and deferred financing costs	(42)	(45)
Total net carrying amount	\$ 3,608	\$ 3,605

Refer to [Note 13](#) of the notes to the consolidated financial statements included in Item 8 of this Annual Report on Form 10-K for further disclosures regarding our debt obligations.

Dividends

On February 3, 2022, our Board of Directors declared a cash dividend of \$0.47 per common share, payable on May 6, 2022, to shareholders of record at the close of business on April 15, 2022.

On February 4, 2021, our Board of Directors declared a cash dividend of \$0.47 per common share. On May 6, 2021, we made an aggregate cash dividend payment of \$365 million to shareholders of record at the close of business on April 15, 2021.

Capital Expenditures

We made capital expenditures of \$80 million in 2021, as compared to \$78 million in 2020. In 2022, we anticipate total capital expenditures of approximately \$100 million, primarily for computer hardware, leasehold improvements, and software purchases.

Commitments

Refer to [Note 22](#) of the notes to the consolidated financial statements included in Item 8 of this Annual Report on Form 10-K for disclosures regarding our commitments, including a table showing contractual obligations.

Comparison of 2020 to 2019

For the comparison of 2020 to 2019, refer to [Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our Annual Report on Form 10-K for the year ended December 31, 2020](#), under the subheading “Liquidity and Capital Resources.”

Off-balance Sheet Arrangements

At each of December 31, 2021 and December 31, 2020, Activision Blizzard had no significant relationships with unconsolidated entities or financial parties, often referred to as “structured finance” or “special purpose” entities, established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes that have or are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions. The impact and any associated risks related to these policies on our business operations are discussed throughout Management's Discussion and Analysis of Financial Condition and Results of Operations where such policies affect our reported and expected financial results. The policies, estimates, and assumptions discussed below are considered by management to be critical because they are both important to the portrayal of our financial condition and results of operations and because their application places the most significant demands on management's judgment, with financial reporting results relying on estimates and assumptions about the effect of matters that are inherently uncertain. Specific risks for these critical accounting policies, estimates, and assumptions are described in the following paragraphs.

Revenue Recognition

We generate revenue primarily through the sale of our interactive entertainment content and services, principally for the console, PC, and mobile platforms, as well as through the licensing of our intellectual property. Our products span various genres, including first- and third-person action/adventure, role-playing, strategy, and "match three." We primarily offer the following products and services:

- premium full games, which typically provide access to main game content after purchase;
- free-to-play offerings, which allow players to download the game and engage with the associated content for free;
- in-game content for purchase to enhance gameplay (i.e., microtransactions and downloadable content) available within both our premium full-game and free-to-play offerings; and
- subscriptions to players in *World of Warcraft*, which provide ongoing access to the game content.

When control of the promised products and services is transferred to our customers, we recognize revenue in the amount that reflects the consideration we expect to receive in exchange for these products and services.

We determine revenue recognition by:

- identifying the contract, or contracts, with a customer;
- identifying the performance obligations in each contract;
- determining the transaction price;
- allocating the transaction price to the performance obligations in each contract; and
- recognizing revenue when, or as, we satisfy performance obligations by transferring the promised goods or services.

Certain products are sold to customers with a "street date" (which is the earliest date these products may be sold by retailers). For these products, we recognize revenues on the later of the street date and the date the product is sold to our customer. For digital full-game downloads sold to customers, we recognize revenue when it is available for download or is activated for gameplay. Revenues are recorded net of taxes assessed by governmental authorities that are imposed at the time of the specific revenue-producing transaction between us and our customer, such as sales and value-added taxes.

Payment terms and conditions vary by contract type, although terms generally include a requirement of payment immediately upon purchase or within 30 to 90 days. In instances where the timing of revenue recognition differs from the timing of invoicing, we do not adjust the promised amount of consideration for the effects of a significant financing component when we expect, at contract inception, that the period between our transfer of a promised product or service to our customer and payment for that product or service will be one year or less.

Product Sales

Product sales consist of sales of our games, including digital full-game downloads and physical products. We recognize revenues from the sale of our products after both (1) control of the products has been transferred to our customers and (2) the underlying performance obligations have been satisfied. Such revenues, which include our software products with significant online functionality and our online hosted software arrangements, are recognized in "Product sales" on our consolidated statement of operations.

Revenues from product sales are recognized after deducting the estimated allowance for returns and price protection, which are accounted for as variable consideration when estimating the amount of revenue to recognize. Returns and price protection are estimated at contract inception and updated at the end of each reporting period as additional information becomes available.

Sales incentives and other consideration given by us to our customers, such as rebates and product placement fees, are considered adjustments of the transaction price of our products and are reflected as reductions to revenues. Sales incentives and other consideration that represent costs incurred by us for distinct goods or services received, such as the appearance of our products in a customer's national circular advertisement, are recorded as "Sales and marketing" expense when the benefit from the sales incentive is separable from sales to the same customer and we can reasonably estimate the fair value of the good or service.

Products with Online Functionality

For our software products that include both offline functionality (i.e., do not require an Internet connection to access) and significant online functionality, such as most of our titles from the Call of Duty franchise, we evaluate whether the license of our intellectual property and the online functionality each represent separate and distinct performance obligations. In such instances, we typically have two performance obligations: (1) a license to the game software that is accessible without an Internet connection (predominantly the offline single player campaign or game mode) and (2) ongoing activities associated with the online components of the game, such as content updates, hosting of online content and gameplay, and online matchmaking (the "online functionality"). The online functionality generally operates to support the additional features and functionalities of the game that are only available online, not the offline license. This evaluation is performed for each software product or product add-on, including downloadable content. When we determine that our software products contain a license of intellectual property (i.e., the offline software license) that is separate and distinct from the online functionality, we consider market conditions and other observable inputs to estimate the standalone selling price for the performance obligations, since we do not generally sell the software license on a standalone basis. These products may be sold in a bundle with other products and services, which often results in the recognition of additional performance obligations.

For arrangements that include both a license to the game software that is accessible offline and separate online functionality, we recognize revenue when control of the license transfers to our customers for the portion of the transaction price allocable to the offline software license and ratably over the estimated service period for the portion of the transaction price allocable to the online functionality. Similarly, we defer a portion of the cost of revenues on these arrangements and recognize the costs as the related revenues are recognized. The cost of revenues that are deferred include product costs, distribution costs, software royalties, amortization, and intellectual property licenses, and excludes intangible asset amortization.

Online Hosted Software Arrangements

For our online hosted software arrangements, such as titles for the Overwatch, Warcraft, and Candy Crush franchises, substantially all gameplay and functionality are obtained through our continuous hosting of the game content for the player. In these instances, we typically have a single performance obligation related to our ongoing activities in the hosted arrangement, including content updates, hosting of the gameplay, online matchmaking, and access to the game content. Similar to our software products with online functionality, these arrangements may include other products and services, which often results in the recognition of additional performance obligations. Revenues related to online hosted software arrangements are generally recognized ratably over the estimated service period.

In-game, Subscription, and Other Revenues

In-game Revenues

In-game revenues primarily includes revenue from microtransactions and downloadable content. Microtransaction revenues are derived from the sale of virtual currencies and goods to our players to enhance their gameplay experience. Proceeds from these sales of virtual currencies and goods are initially recorded in deferred revenue. Proceeds from the sales of virtual currencies are recognized as revenues when a player uses the virtual goods purchased with a virtual currency. Proceeds from the direct sales of virtual goods are similarly recognized as revenues when a player uses the virtual goods. We categorize our virtual goods as either “consumable” or “durable.” Consumable virtual goods represent goods that can be consumed by a specific player action; accordingly, we recognize revenues from the sale of consumable virtual goods as the goods are consumed and our performance obligation is satisfied. Durable virtual goods represent goods that are accessible to the player over an extended period of time; accordingly, we recognize revenues from the sale of durable virtual goods ratably over the estimated service period.

Subscription Revenues

Subscription revenue arrangements are mostly derived from *World of Warcraft*, which is only playable online and is generally sold on a subscription-only basis. Revenues associated with the sales of subscriptions are deferred until the subscription service is activated by the consumer and are then recognized ratably over the subscription period as the performance obligations are satisfied.

Revenues attributable to the purchase of *World of Warcraft* software by our customers, including expansion packs, are classified as “Product sales,” whereas revenues attributable to subscriptions and other in-game revenues are classified as “In-game, subscription, and other revenues.”

Other Revenues

Other revenues primarily include revenues from software licensing, licensing of intellectual property other than software, and advertising in our games. These revenues are recognized in “In-game, subscription, and other revenues” on our consolidated statement of operations.

In certain countries we have software licensing arrangements where we utilize third-party licensees to distribute and host our games in accordance with license agreements, for which the licensees typically pay us a fixed minimum guarantee and sales-based royalties. These arrangements typically include multiple performance obligations, such as an upfront license of intellectual property and rights to specified or unspecified future updates. Our estimate of the selling price is comprised of several factors including, but not limited to, prior selling prices, prices charged separately by other third-party vendors for similar service offerings, and a cost-plus-margin approach. Based on the allocated transaction price, we recognize revenue associated with the minimum guarantee (1) when we transfer control of the upfront license of intellectual property, (2) upon transfer of control of future specified updates, and/or (3) ratably over the contractual term in which we provide the customer with unspecified future updates. Royalty payments in excess of the minimum guarantee are generally recognized when the licensed product is sold by the licensee.

Revenues from the licensing of intellectual property other than software primarily include the licensing of our (1) brand, logo, or franchise to customers and (2) media content. Fixed fee payments from customers for the license of our brand or franchise are generally recognized over the license term. Fixed fee payments from customers for the license of our media content are generally recognized when control has transferred to the customer, which may be upfront or over time.

Revenues from advertising arise primarily from contractual relationships with advertising networks, agencies, advertising brokers and directly with advertisers to display advertisements in our games. For all advertising arrangements, we are the principal and our performance obligation is to provide the inventory for advertisements to be displayed in our games. Our advertising arrangements are primarily impression-based and we recognize revenue from these in the contracted period in which the impressions are delivered. Impressions are considered delivered when an advertisement is displayed to users. The pricing and terms for all our advertising arrangements are governed by either a master contract or insertion order. The transaction price in advertising arrangements governed by a master contract is generally based on a revenue share percentage stated in the contract. The transaction price in advertising arrangements governed by an insertion order is generally the product of the number of advertising units delivered (e.g., impressions, videos viewed) and the contractually agreed upon price per advertising unit.

Significant Judgment around Revenue Arrangements with Multiple Deliverables

Our contracts with customers often include promises to transfer multiple products and services. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. Certain of our games, such as titles in the Call of Duty franchise, may contain a license of our intellectual property to play the game offline, but may also depend on a significant level of integration and interdependency with the online functionality. In these cases, significant judgment is required to determine whether this license of our intellectual property should be considered distinct and accounted for separately, or not distinct and accounted for together with the online functionality provided and recognized over time. Generally, for titles in which the software license is functional without the online functionality and a significant component of gameplay is available offline, we believe we have separate performance obligations for the license of the intellectual property and the online functionality.

Significant judgment is also required to determine the standalone selling price for each distinct performance obligation and to determine whether there is a discount that needs to be allocated based on the relative standalone selling price of the various products and services. To estimate the standalone selling price we generally consider market data, including our pricing strategies for the product being evaluated and other similar products we may offer, competitor pricing to the extent data is available, and the replayability design of both the offline and online components of our games. In limited instances, we may also utilize an expected cost approach to determine whether the estimated selling price yields an appropriate profit margin.

Estimated Service Period

We consider a variety of data points when determining the estimated service period for players of our games, including the weighted average number of days between players' unique purchase or first day played online, and the time at which players become inactive and cease engaging with our content for a period of time. We also consider known online trends such as the cadence of content delivery in our games, the service periods of our previously released games, and, to the extent publicly available, the service periods of our competitors' games that are similar in nature to ours. We believe this provides a reasonable depiction of the transfer of services to our customers, as it is the best representation of the time period during which our customers play our games. Determining the estimated service period is subjective and requires significant management judgment. The estimated service periods for players of our current games are less than 12 months.

Historically, we have not observed significant variability in our estimated service period as the online content for our games has generally been comparable to previously released titles resulting in similar usage patterns. Future usage patterns could change from historical patterns as a result of various factors, including but not limited to, changes in our online content, frequency of content delivery, competitor's offerings, and other changes that impact player's engagement that we may not be able to reasonably predict at the time of deriving our estimate. If future usage patterns were to change significantly from historical patterns, in the future our estimated service period could change and materially impact our future consolidated net revenues and operating income.

Principal Agent Considerations

We evaluate sales of our products and content via third-party digital storefronts, such as Microsoft's Xbox Games Store, Sony's PSN, the Apple App Store, and the Google Play Store, to determine whether our revenues should be reported gross or net of fees retained by the storefront. Key indicators that we evaluate in determining whether we are the principal in the sale (gross reporting) or an agent (net reporting) include, but are not limited to:

- which party is primarily responsible for fulfilling the promise to provide the specified good or service; and

- which party has discretion in establishing the price for the specified good or service.

Based on our evaluation of the above indicators, we report revenues on a gross basis for sales arrangements via the Apple App Store and the Google Play Store, and we report revenues on a net basis (i.e., net of fees retained by the digital storefront) for sales arrangements via Microsoft's Xbox Games Store and Sony's PSN.

Income Taxes

We record a tax provision for the anticipated tax consequences of the reported results of operations. In accordance with Accounting Standards Codification Topic 740, the provision for income taxes is computed using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities due to a change in tax rates is recognized in income in the period that includes the enactment date. We evaluate deferred tax assets each period for recoverability. For those assets that do not meet the threshold of "more likely than not" that they will be realized in the future, a valuation allowance is recorded.

Management believes it is more likely than not that forecasted income, including income that may be generated as a result of certain tax planning strategies, together with the tax effects of the deferred tax liabilities, will be sufficient to fully recover the remaining deferred tax assets. In the event that all or part of the net deferred tax assets are determined not to be realizable in the future, an adjustment to the valuation allowance would be charged to tax expense in the period such determination is made.

The calculation of tax liabilities involves significant judgment in estimating the impact of uncertainties in the application of ASC Topic 740 and complex tax laws. The accounting guidance for uncertainty in income taxes applies to all income tax positions, including the potential recovery of previously paid taxes. Resolution of these uncertainties in a manner inconsistent with management's expectations could have a material impact on our business and results of operations in an interim period in which the uncertainties are ultimately resolved.

Significant judgment is required in evaluating our uncertain tax positions and determining our provision for income taxes. Although we believe our reserves are reasonable, no assurance can be given that the final tax outcome of these matters will not be different from that which is reflected in our historical income tax provisions and accruals. We adjust these reserves in light of changing facts and circumstances, such as the closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact the provision for income taxes in the period in which such determination is made. The provision for income taxes includes the impact of reserve provisions and changes to reserves that are considered appropriate, as well as the related net interest and penalties.

We are also subject to the continuous examination of our income tax returns by the IRS and are regularly subject to audit by other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. There can be no assurance that the outcomes from these continuous examinations will not have an adverse impact on our operating results and financial condition. For the year ended December 31, 2021, one percentage point increase in our effective tax rate would have resulted in an increase in our income tax expense of approximately \$32 million.

On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act which also created a new minimum tax that applies to certain foreign earnings ("GILTI"). We have elected to recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years.

Software Development Costs

Software development costs include direct costs incurred for internally developed products, as well as payments made to independent software developers under development agreements. Software development costs are capitalized once the technological feasibility of a product is established and such costs are determined to be recoverable. Technological feasibility of a product requires both technical design documentation and game design documentation, or the completed and tested product design and a working model. For products where proven technology exists, this may occur early in the development cycle. Software development costs related to online hosted revenue arrangements are capitalized after the preliminary project phase is complete and it is probable that the project will be completed and the software will be used to perform the function intended. Significant management judgments and estimates are applied in assessing when capitalization commences for software development costs and the evaluation is performed on a product-by-product basis. Prior to a product's release, if and when we believe capitalized costs are not recoverable, we expense the amounts as part of "Cost of revenues—software royalties, amortization, and intellectual property licenses." Capitalized costs for products that are canceled or are expected to be abandoned are charged to "Product development" in the period of cancellation. Amounts related to software development which are not capitalized are charged immediately to "Product development."

Commencing upon a product's release, capitalized software development costs are amortized to "Cost of revenues—software royalties, amortization, and intellectual property licenses" based on the ratio of current revenues to total projected revenues for the specific product, generally resulting in an amortization period of six months to approximately two years.

We evaluate the future recoverability of capitalized software development costs on a quarterly basis. For products that have been released, the primary evaluation criterion is the actual performance of the title to which the costs relate. For products that are scheduled to be released in future periods, recoverability is evaluated based on the expected performance of the specific products to which the costs relate or in which the licensed trademark or copyright is to be used. Additionally, criteria used to evaluate expected product performance may include, as appropriate: historical performance of comparable products developed with comparable technology; market performance of comparable titles; orders for the product prior to its release; general market conditions; and, for any sequel product, estimated performance based on the performance of the product on which the sequel is based.

Significant management judgments and estimates are utilized in assessing the recoverability of capitalized costs. In evaluating the recoverability of capitalized costs, the assessment of expected product performance utilizes forecasted sales amounts and estimates of additional costs to be incurred. Historically, our forecasted and actual product sales have been more than enough to recover capitalized software costs. If revised forecasted or actual product sales are less than the originally forecasted amounts utilized in the initial recoverability analysis, the net realizable value may be lower than originally estimated in any given quarter, which could result in an impairment charge. Material differences may result in the amount and timing of expenses for any period if matters resolve in a manner that is inconsistent with management's expectations.

For a detailed discussion of the application of these and other accounting policies, see [Note 2](#) of the notes to the consolidated financial statements included in Item 8 of this Annual Report on Form 10-K.

Recently Issued Accounting Pronouncements

For a detailed discussion of all relevant recently issued accounting pronouncements, see [Note 3](#) of the notes to the consolidated financial statements included in Item 8 of this Annual Report on Form 10-K.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Market risk is the potential loss arising from fluctuations in market rates and prices. Our market risk exposures primarily include fluctuations in foreign currency exchange rates and interest rates.

Foreign Currency Exchange Rate Risk

We transact business in many different foreign currencies and may be exposed to financial market risk resulting from fluctuations in foreign currency exchange rates, with a heightened risk for volatility in the future due to potential impacts of COVID-19 on global financial markets. Revenues and related expenses generated from our international operations are generally denominated in their respective local currencies. Primary currencies include euros, British pounds, Australian dollars, South Korean won, Chinese yuan, and Swedish krona. To the extent the U.S. dollar strengthens against foreign currencies, the translation of these foreign currency-denominated transactions will result in reduced revenues, operating expenses, net income, and cash flows from our international operations. Similarly, our revenues, operating expenses, net income, and cash flows will increase for our international operations if the U.S. dollar weakens against foreign currencies. Since we have significant international sales but incur the majority of our costs in the U.S., the impact of foreign currency fluctuations, particularly the strengthening of the U.S. dollar, may have an asymmetric and disproportional impact on our business. We monitor currency volatility throughout the year.

To mitigate our foreign currency risk resulting from our foreign currency-denominated monetary assets, liabilities, and earnings and our foreign currency risk related to functional currency-equivalent cash flows resulting from our intercompany transactions, we periodically enter into currency derivative contracts, principally forward contracts. These forward contracts generally have a maturity of less than one year. The counterparties for our currency derivative contracts are large and reputable commercial or investment banks.

The fair values of our foreign currency contracts are estimated based on the prevailing exchange rates of the various hedged currencies as of the end of the period.

We do not hold or purchase any foreign currency forward contracts for trading or speculative purposes.

Foreign Currency Forward Contracts Designated as Hedges (“Cash Flow Hedges”) and Foreign Currency Forward Contracts Not Designated as Hedges

Refer to [Note 10](#) of the notes to the consolidated financial statements included in Item 8 of this Annual Report on Form 10-K for disclosures regarding our foreign currency forward contracts.

In the absence of hedging activities for the year ended December 31, 2021, a hypothetical adverse foreign currency exchange rate movement of 10% would have resulted in a theoretical decline of our net income of approximately \$184 million. This sensitivity analysis assumes a parallel adverse shift of all foreign currency exchange rates against the U.S. dollar; however, all foreign currency exchange rates do not always move in this manner, and actual results may differ materially.

Interest Rate Risk

Our exposure to market rate risk for changes in interest rates relates primarily to our investment portfolio, as our outstanding debt is all at fixed rates. Our investment portfolio consists primarily of money market funds and government securities with high credit quality and short average maturities. Because short-term securities mature relatively quickly and must be reinvested at the then-current market rates, interest income on a portfolio consisting of cash, cash equivalents, or short-term securities is more subject to market fluctuations than a portfolio of longer-term securities. Conversely, the fair value of such a portfolio is less sensitive to market fluctuations than a portfolio of longer-term securities. At December 31, 2021, our cash and cash equivalents were comprised primarily of money market funds.

As of December 31, 2021, based on the composition of our investment portfolio, we anticipate investment yields may remain low, which would continue to negatively impact our future interest income. Such impact is not expected to be material to the Company's liquidity.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

<u>Report of Independent Registered Public Accounting Firm (PricewaterhouseCoopers LLP, Los Angeles, California, PCAOB ID: 238)</u>	<u>F-1</u>
<u>Consolidated Balance Sheets at December 31, 2021 and 2020</u>	<u>F-3</u>
<u>Consolidated Statements of Operations for the Years Ended December 31, 2021, 2020, and 2019</u>	<u>F-4</u>
<u>Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2021, 2020, and 2019</u>	<u>F-5</u>
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2021, 2020, and 2019</u>	<u>F-6</u>
<u>Consolidated Statements of Changes in Shareholders' Equity for the Years Ended December 31, 2021, 2020, and 2019</u>	<u>F-7</u>
<u>Notes to Consolidated Financial Statements</u>	<u>F-8</u>
<u>Schedule II—Valuation and Qualifying Accounts at December 31, 2021, 2020, and 2019</u>	<u>F-52</u>

Other financial statement schedules are omitted because the information called for is not applicable or is shown either in the Consolidated Financial Statements or the Notes thereto.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

Definition and Limitations of Disclosure Controls and Procedures.

Our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to reasonably ensure that information required to be disclosed in our reports filed under the Exchange Act is: (1) recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms; and (2) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures. A control system, no matter how well designed and operated, can provide only reasonable assurance that it will detect or uncover failures within the Company to disclose material information otherwise required to be set forth in our periodic reports. Inherent limitations to any system of disclosure controls and procedures include, but are not limited to, the possibility of human error and the circumvention or overriding of such controls by one or more persons. In addition, we have designed our system of controls based on certain assumptions, which we believe are reasonable, about the likelihood of future events, and our system of controls may therefore not achieve its desired objectives under all possible future events.

Evaluation of Disclosure Controls and Procedures.

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures at December 31, 2021, the end of the period covered by this report. Based on this evaluation, the principal executive officer and principal financial officer concluded that, at December 31, 2021, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is (1) recorded, processed, summarized, and reported on a timely basis, and (2) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

Management's Report on Internal Control Over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Our management, with the participation of our principal executive officer and principal financial officer, conducted an evaluation of the effectiveness, as of December 31, 2021, of our internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control—Integrated Framework (2013). Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2021.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

The effectiveness of our internal control over financial reporting as of December 31, 2021, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report included in this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting.

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated any changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2021. Based on this evaluation, the principal executive officer and principal financial officer concluded that, at December 31, 2021, there have not been any changes in our internal control over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. OTHER INFORMATION

None.

Item 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

The information required by this Item, other than the information regarding executive officers, which is included in Item 1 of this report, is incorporated by reference to the sections of our definitive Proxy Statement for our 2022 Annual Meeting of Shareholders entitled "Proposal 1—Election of Directors," "Corporate Governance Matters—Board Committees," "Corporate Governance Matters—Governance Documents—Code of Conduct," and, if applicable, "Beneficial Ownership Matters—Delinquent Section 16(a) Reports" to be filed with the SEC.

Item 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to the sections of our definitive Proxy Statement for our 2022 Annual Meeting of Shareholders entitled "Executive Compensation" and "Director Compensation" to be filed with the SEC.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated by reference to the sections of our definitive Proxy Statement for our 2022 Annual Meeting of Shareholders entitled "Beneficial Ownership Matters," "Equity Compensation Plan Information," and "Corporate Governance Matters—Board Committees," to be filed with the SEC.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated by reference to the sections of our definitive Proxy Statement for our 2022 Annual Meeting of Shareholders entitled “Corporate Governance Matters—Director Independence”, “Corporate Governance Matters—Board Committees” and “Certain Relationships and Related Person Transactions” to be filed with the SEC.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated by reference to the sections of our definitive Proxy Statement for our 2022 Annual Meeting of Shareholders entitled “Audit-Related Matters” to be filed with the SEC.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

- (a) 1 *Financial Statements* See Item 8.—Consolidated Financial Statements and Supplementary Data for index to Financial Statements and Financial Statement Schedule on page 65 herein.
- 2 *Financial Statement Schedule* The following financial statement schedule of Activision Blizzard for the years ended December 31, 2021, 2020, and 2019 is filed as part of this report on page F-52 and should be read in conjunction with the consolidated financial statements of Activision Blizzard:

Schedule II—Valuation and Qualifying Accounts

Other financial statement schedules are omitted because the information called for is not applicable or is shown either in the Consolidated Financial Statements or the Notes thereto.

- 3 The exhibits listed on the accompanying index to exhibits immediately following the financial statements are filed as part of, or hereby incorporated by reference into, this Annual Report on Form 10-K.

Item 16. FORM 10-K SUMMARY

None.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Activision Blizzard, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Activision Blizzard, Inc. and its subsidiaries (the “Company”) as of December 31, 2021 and 2020, and the related consolidated statements of operations, of comprehensive income, of changes in shareholders' equity and of cash flows for each of the three years in the period ended December 31, 2021, including the related notes and financial statement schedule listed in the index appearing under Item 15(a) (2) (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Revenue Recognition – Determination of Estimated Service Period

As described in Note 2 to the consolidated financial statements, a portion of the Company's \$8.8 billion of total net revenues for the year ended December 31, 2021, is recognized ratably over an estimated service period, which for players of the Company's current games is less than twelve months. Management considers a variety of data points when determining the estimated service periods for players of the Company's games, including the weighted-average number of days between players' unique purchase or first day played online, and the time at which players become inactive and cease engaging with the games' content for a period of time. Management also considers known online trends such as the cadence of content delivery in the Company's games, the service period of previously released games, and, to the extent publicly available, the service period of competitors' games that are similar in nature. Determining the estimated service period is subjective and requires management's judgment.

The principal considerations for our determination that performing procedures relating to revenue recognition - determination of estimated service period is a critical audit matter are the significant judgment by management when determining the estimated service period, which in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures to evaluate audit evidence relating to the data used by management in determining the estimated service period, such as the player data for historical or comparable titles to determine the weighted-average number of days between players' unique purchase or first day played online and the time at which players become inactive and cease engaging with the games' content for a period of time, and qualitative factors utilized by management, such as analysis of competitor information.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the determination of the estimated service period. These procedures also included, among others, (i) testing management's process for determining the estimated service period, (ii) testing management's method of analyzing player data, (iii) testing the completeness and accuracy of underlying data used in the determination of the estimated service period, and (iv) evaluating the reasonableness of the estimated service period by comparing it to historical or comparable titles and competitor information.

/s/ PricewaterhouseCoopers LLP

Los Angeles, California
February 25, 2022

We have served as the Company's auditor since 2008.

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Amounts in millions, except share data)

	At December 31, 2021	At December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 10,423	\$ 8,647
Accounts receivable, net of allowances of \$36 and \$83, at December 31, 2021 and December 31, 2020, respectively	972	1,052
Software development	449	352
Other current assets	712	514
Total current assets	12,556	10,565
Software development	211	160
Property and equipment, net	169	209
Deferred income taxes, net	1,377	1,318
Other assets	497	641
Intangible assets, net	447	451
Goodwill	9,799	9,765
Total assets	\$ 25,056	\$ 23,109
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 285	\$ 295
Deferred revenues	1,118	1,689
Accrued expenses and other liabilities	1,008	1,116
Total current liabilities	2,411	3,100
Long-term debt, net	3,608	3,605
Deferred income taxes, net	506	418
Other liabilities	932	949
Total liabilities	7,457	8,072
Commitments and contingencies (Note 22)		
Shareholders' equity:		
Common stock, \$0.000001 par value, 2,400,000,000 shares authorized, 1,207,729,623 and 1,202,906,087 shares issued at December 31, 2021 and December 31, 2020, respectively	—	—
Additional paid-in capital	11,715	11,531
Less: Treasury stock, at cost, 428,676,471 shares at December 31, 2021 and December 31, 2020	(5,563)	(5,563)
Retained earnings	12,025	9,691
Accumulated other comprehensive loss	(578)	(622)
Total shareholders' equity	17,599	15,037
Total liabilities and shareholders' equity	\$ 25,056	\$ 23,109

The accompanying notes are an integral part of these Consolidated Financial Statements.

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in millions, except per share data)

	For the Years Ended December 31,		
	2021	2020	2019
Net revenues			
Product sales	\$ 2,311	\$ 2,350	\$ 1,975
In-game, subscription, and other revenues	6,492	5,736	4,514
Total net revenues	8,803	8,086	6,489
Costs and expenses			
Cost of revenues—product sales:			
Product costs	649	705	656
Software royalties, amortization, and intellectual property licenses	346	269	240
Cost of revenues—in-game, subscription, and other:			
Game operations and distribution costs	1,215	1,131	965
Software royalties, amortization, and intellectual property licenses	107	155	233
Product development	1,337	1,150	998
Sales and marketing	1,025	1,064	926
General and administrative	788	784	732
Restructuring and related costs	77	94	132
Total costs and expenses	5,544	5,352	4,882
Operating income	3,259	2,734	1,607
Interest and other expense (income), net (Note 18)	95	87	(26)
Loss on extinguishment of debt	—	31	—
Income before income tax expense	3,164	2,616	1,633
Income tax expense	465	419	130
Net income	\$ 2,699	\$ 2,197	\$ 1,503
Earnings per common share			
Basic	\$ 3.47	\$ 2.85	\$ 1.96
Diluted	\$ 3.44	\$ 2.82	\$ 1.95
Weighted-average number of shares outstanding			
Basic	777	771	767
Diluted	784	778	771

The accompanying notes are an integral part of these Consolidated Financial Statements.

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in millions)

	For the Years Ended December 31,		
	2021	2020	2019
Net income	\$ 2,699	\$ 2,197	\$ 1,503
Other comprehensive income (loss):			
Foreign currency translation adjustments, net of tax	(17)	35	5
Unrealized gains (losses) on forward contracts designated as hedges, net of tax	53	(36)	(15)
Unrealized gains (losses) on available-for-sale securities, net of tax	8	(2)	(8)
Total other comprehensive income (loss)	\$ 44	\$ (3)	\$ (18)
Comprehensive income	<u>\$ 2,743</u>	<u>\$ 2,194</u>	<u>\$ 1,485</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in millions)

	For the Years Ended December 31,		
	2021	2020	2019
Cash flows from operating activities:			
Net income	\$ 2,699	\$ 2,197	\$ 1,503
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred income taxes	7	(94)	(352)
Non-cash operating lease cost	65	65	64
Depreciation and amortization	116	197	328
Amortization of capitalized software development costs and intellectual property licenses (1)	324	249	225
Share-based compensation expense (Note 16) (2)	508	218	166
Realized and unrealized gain on equity investment (Note 10)	(28)	(3)	(38)
Other	2	31	42
Changes in operating assets and liabilities:			
Accounts receivable, net	71	(194)	182
Software development and intellectual property licenses	(426)	(378)	(275)
Other assets	(114)	(88)	186
Deferred revenues	(537)	216	(154)
Accounts payable	(7)	(10)	31
Accrued expenses and other liabilities	(266)	(154)	(77)
Net cash provided by operating activities	2,414	2,252	1,831
Cash flows from investing activities:			
Proceeds from maturities of available-for-sale investments	214	121	153
Proceeds from sale of available-for-sale investments	66	—	—
Purchases of available-for-sale investments	(248)	(221)	(65)
Capital expenditures	(80)	(78)	(116)
Other investing activities	(11)	—	6
Net cash used in investing activities	(59)	(178)	(22)
Cash flows from financing activities:			
Proceeds from issuance of common stock to employees	90	170	105
Tax payment related to net share settlements on restricted stock units	(246)	(39)	(59)
Dividends paid	(365)	(316)	(283)
Proceeds from debt issuances, net of discounts	—	1,994	—
Repayment of long-term debt	—	(1,050)	—
Payment of financing costs	—	(20)	—
Premium payment for early redemption of note	—	(28)	—
Net cash (used in) provided by financing activities	(521)	711	(237)
Effect of foreign exchange rate changes on cash and cash equivalents	(48)	69	(3)
Net increase (decrease) in cash and cash equivalents and restricted cash	1,786	2,854	1,569
Cash and cash equivalents and restricted cash at beginning of period	8,652	5,798	4,229
Cash and cash equivalents and restricted cash at end of period	\$ 10,438	\$ 8,652	\$ 5,798
Supplemental cash flow information:			
Cash paid for income taxes, net of refunds	\$ 468	\$ 806	\$ 319
Cash paid for interest	109	82	86

(1) Excludes deferral and amortization of share-based compensation expense, including liability awards accounted for under ASC 718.

(2) Includes the net effects of capitalization, deferral, and amortization of share-based compensation expense, including liability awards accounted for under ASC 718.

The accompanying notes are an integral part of these Consolidated Financial Statements.

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the Years Ended December 31, 2021, 2020, and 2019
(Amounts and shares in millions, except per share data)

	Common Stock		Treasury Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Shares	Amount	Shares	Amount				
Balance at December 31, 2018	1,192	\$ —	(429)	\$ (5,563)	\$ 10,963	\$ 6,593	\$ (601)	\$ 11,392
Components of comprehensive income:								
Net income	—	—	—	—	—	1,503	—	1,503
Other comprehensive income (loss)	—	—	—	—	—	—	(18)	(18)
Issuance of common stock pursuant to employee stock options	4	—	—	—	105	—	—	105
Issuance of common stock pursuant to restricted stock units	2	—	—	—	—	—	—	—
Restricted stock surrendered for employees' tax liability	(1)	—	—	—	(58)	—	—	(58)
Share-based compensation expense related to employee stock options and restricted stock units	—	—	—	—	164	—	—	164
Dividends (\$0.37 per common share)	—	—	—	—	—	(283)	—	(283)
Balance at December 31, 2019	1,197	\$ —	(429)	\$ (5,563)	\$ 11,174	\$ 7,813	\$ (619)	\$ 12,805
Cumulative impact from adoption of new credit loss standard	—	—	—	—	—	(3)	—	(3)
Components of comprehensive income:								
Net income	—	—	—	—	—	2,197	—	2,197
Other comprehensive income (loss)	—	—	—	—	—	—	(3)	(3)
Issuance of common stock pursuant to employee stock options	5	—	—	—	171	—	—	171
Issuance of common stock pursuant to restricted stock units	1	—	—	—	—	—	—	—
Restricted stock surrendered for employees' tax liability	—	—	—	—	(40)	—	—	(40)
Share-based compensation expense related to employee stock options and restricted stock units	—	—	—	—	226	—	—	226
Dividends (\$0.41 per common share)	—	—	—	—	—	(316)	—	(316)
Balance at December 31, 2020	1,203	\$ —	(429)	\$ (5,563)	\$ 11,531	\$ 9,691	\$ (622)	\$ 15,037
Components of comprehensive income:								
Net income	—	—	—	—	—	2,699	—	2,699
Other comprehensive income (loss)	—	—	—	—	—	—	44	44
Issuance of common stock pursuant to employee stock options	2	—	—	—	90	—	—	90
Issuance of common stock pursuant to restricted stock units	6	—	—	—	—	—	—	—
Restricted stock surrendered for employees' tax liability	(3)	—	—	—	(245)	—	—	(245)
Share-based compensation expense related to employee stock options and restricted stock units	—	—	—	—	339	—	—	339
Dividends (\$0.47 per common share)	—	—	—	—	—	(365)	—	(365)
Balance at December 31, 2021	1,208	\$ —	(429)	\$ (5,563)	\$ 11,715	\$ 12,025	\$ (578)	\$ 17,599

The accompanying notes are an integral part of these Consolidated Financial Statements.

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

1. Description of Business

Activision Blizzard, Inc. is a leading global developer and publisher of interactive entertainment content and services. We develop and distribute content and services on video game consoles, personal computers (“PCs”), and mobile devices. We also operate esports leagues and offer digital advertising within some of our content. The terms “Activision Blizzard,” the “Company,” “we,” “us,” and “our” are used to refer collectively to Activision Blizzard, Inc. and its subsidiaries.

Our Segments

Based upon our organizational structure, we conduct our business through three reportable segments, each of which is a leading global developer and publisher of interactive entertainment content and services based primarily on our internally-developed intellectual properties.

(i) Activision Publishing, Inc.

Activision Publishing, Inc. (“Activision”) delivers content through both premium and free-to-play offerings and primarily generates revenue from full-game and in-game sales, as well as by licensing software to third-party or related-party companies that distribute Activision products. Activision’s key product franchise is Call of Duty®, a first-person action franchise. Activision also includes the activities of the Call of Duty League™, a global professional esports league with city-based teams.

(ii) Blizzard Entertainment, Inc.

Blizzard Entertainment, Inc. (“Blizzard”) delivers content through both premium and free-to-play offerings and primarily generates revenue from full-game and in-game sales, subscriptions, and by licensing software to third-party or related-party companies that distribute Blizzard products. Blizzard also maintains a proprietary online gaming platform, Battle.net®, which facilitates digital distribution of Blizzard content and selected Activision content, online social connectivity, and the creation of user-generated content. Blizzard’s key product franchises include: Warcraft®, which includes World of Warcraft®, a subscription-based massive multi-player online role-playing game, and Hearthstone®, an online collectible card game based in the Warcraft universe; Diablo®, an action role-playing franchise; and Overwatch®, a team-based first-person action franchise. Blizzard also includes the activities of the Overwatch League™, a global professional esports league with city-based teams.

(iii) King Digital Entertainment

King Digital Entertainment (“King”) delivers content through free-to-play offerings and primarily generates revenue from in-game sales and in-game advertising on mobile platforms. King’s key product franchise is Candy Crush™, a “match three” franchise.

Other

We also engage in other businesses that do not represent reportable segments, including the Activision Blizzard Distribution (“Distribution”) business, which consists of operations in Europe that provide warehousing, logistics, and sales distribution services to third-party publishers of interactive entertainment software, our own publishing operations, and manufacturers of interactive entertainment hardware.

2. Summary of Significant Accounting Policies

Basis of Consolidation and Presentation

The accompanying consolidated financial statements include the accounts and operations of the Company. All intercompany accounts and transactions have been eliminated. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the U.S. (“U.S. GAAP”). The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates and assumptions.

Certain reclassifications have been made to prior-year amounts to conform to the current period presentation.

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The Company considers events or transactions that occur after the balance sheet date, but before the financial statements are issued, for additional evidence relative to certain estimates or to identify matters that require additional disclosures.

Cash and Cash Equivalents

We consider all money market funds and highly liquid investments with original maturities of three months or less at the time of purchase to be “Cash and cash equivalents.”

Investment Securities

Investments in debt securities designated as available-for-sale are carried at fair value, which is based on quoted market prices for such securities, if available, or is estimated on the basis of quoted market prices of financial instruments with similar characteristics. Unrealized gains and losses on the Company’s available-for-sale debt securities are excluded from earnings and are reported as a component of “Other comprehensive income (loss).”

Investments with original maturities greater than three months and remaining maturities of less than one year are classified within “Other current assets.” Investments with maturities beyond one year may be classified within “Other current assets” if they are highly liquid in nature and represent the investment of cash that is available for current operations.

The specific identification method is used to determine the cost of securities disposed of, with realized gains and losses reflected in “Interest and other expense (income), net” in our consolidated statements of operations.

Investments in equity securities which are not accounted for under the equity method and for which there is not a readily determinable fair value are carried at cost, less impairment, and adjusted for changes resulting from observable price changes in orderly transactions for identical or similar investment of the same issuer. Investments in equity securities with a readily determinable fair value are measured at fair value each reporting period, with unrealized gains and losses recorded within “Interest and other expense (income)” in our consolidated statements of operations.

Financial Instruments

The carrying amounts of “Cash and cash equivalents,” “Accounts receivable, net of allowances,” “Accounts payable,” and “Accrued expenses and other liabilities” approximate fair value due to the short-term nature of these accounts. Our investments in U.S. treasuries, government agency securities, and corporate bonds, if any, are carried at fair value, which is based on quoted market prices for such securities, if available, or is estimated on the basis of quoted market prices of financial instruments with similar characteristics.

We transact business in various foreign currencies and have significant international sales and expenses denominated in foreign currencies, subjecting us to foreign currency risk. To mitigate our foreign currency risk resulting from our foreign currency-denominated monetary assets, liabilities, earnings and our foreign currency risk related to functional currency-equivalent cash flows resulting from our intercompany transactions, we periodically enter into currency derivative contracts, principally forward contracts. These forward contracts generally have a maturity of less than one year. The counterparties for our currency derivative contracts are large and reputable commercial or investment banks.

We assess the nature of these derivatives under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 815 to determine whether such derivatives should be designated as hedging instruments. The fair values of foreign currency contracts are estimated based on the prevailing exchange rates of the various hedged currencies as of the end of the period. We report the fair value of these contracts within “Other current assets,” “Accrued expense and other liabilities,” “Other assets,” or “Other liabilities,” as applicable, in our consolidated balance sheets.

We do not hold or purchase foreign currency forward contracts for trading or speculative purposes.

For foreign currency forward contracts which are not designated as hedging instruments under ASC 815, we record the changes in the estimated fair value of these derivatives within “General and administrative expenses” in our consolidated statements of operations, consistent with the nature of the underlying transactions.

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

For foreign currency forward contracts which have been designated as cash flow hedges in accordance with ASC 815, we assess the effectiveness of these cash flow hedges at inception and on an ongoing basis and determine if the hedges are effective at providing offsetting changes in cash flows of the hedged items. The Company records the changes in the estimated fair value of these derivatives in “Accumulated other comprehensive loss” and subsequently reclassifies the related amount of accumulated other comprehensive income (loss) to earnings within “General and administrative” or “Net revenues” when the hedged item impacts earnings, consistent with the nature and timing of the underlying transactions. Cash flows from these foreign currency forward contracts are classified in the same category as the cash flows associated with the hedged item in the consolidated statements of cash flows. We measure hedge ineffectiveness, if any, and if it is determined that a derivative has ceased to be a highly effective hedge, the Company will discontinue hedge accounting for the derivative.

Concentration of Credit Risk

Our concentration of credit risk relates to depositors holding the Company’s cash and cash equivalents and customers with significant accounts receivable balances.

Our cash and cash equivalents are invested primarily in money market funds consisting of short-term, high-quality debt instruments issued by governments and governmental organizations, financial institutions, and industrial companies.

Our customer base includes first party digital storefronts, retailers and distributors, including mass-market retailers, consumer electronics stores, discount warehouses, and game specialty stores in the U.S. and other countries worldwide. We perform ongoing credit evaluations of our customers and maintain allowances for potential credit losses. We generally do not require collateral or other security from our customers.

The percentage of our consolidated net revenues by our most significant customers were as follows:

	For the Years Ended		
	December 31, 2021	December 31, 2020	December 31, 2019
Apple Inc.	17 %	15 %	17 %
Google Inc.	17 %	14 %	13 %
Sony Interactive Entertainment Inc.	15 %	17 %	11 %
Microsoft Corporation	*	11 %	*

* Customer did not account for 10% or more of our consolidated net revenues for the noted period.

No other customer accounted for 10% or more of our net revenues in the periods above. We had two customers—Microsoft Corporation (“Microsoft”) and Sony Interactive Entertainment Inc. (“Sony”)—who accounted for 20% and 22%, respectively, of consolidated gross receivables at December 31, 2021, and 28% and 21%, respectively, at December 31, 2020. No other customer accounted for 10% or more of our consolidated gross receivables in those periods.

Software Development Costs and Intellectual Property Licenses

Software development costs include direct costs incurred for internally developed products, as well as payments made to independent software developers under development agreements. Software development costs are capitalized once technological feasibility of a product is established and such costs are determined to be recoverable. Technological feasibility of a product requires both technical design documentation and game design documentation, or the completed and tested product design and a working model. For products where proven technology exists, this may occur early in the development cycle. Software development costs related to online hosted revenue arrangements are capitalized after the preliminary project phase is complete and it is probable that the project will be completed and the software will be used to perform the function intended. Significant management judgments and estimates are applied in assessing when capitalization commences for software development costs and the evaluation is performed on a product-by-product basis. Prior to a product’s release, if and when we believe capitalized costs are not recoverable, we expense the amounts as part of “Cost of revenues—software royalties, amortization, and intellectual property licenses.” Capitalized costs for products that are canceled or are expected to be abandoned are charged to “Product development” in the period of cancellation. Amounts related to software development which are not capitalized are charged immediately to “Product development.”

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Commencing upon a product's release, capitalized software development costs are amortized to "Cost of revenues—software royalties, amortization, and intellectual property licenses" based on the ratio of current revenues to total projected revenues for the specific product, generally resulting in an amortization period of six months to approximately two years.

Intellectual property license costs represent license fees paid to intellectual property rights holders for use of their trademarks, copyrights, software, technology, music or other intellectual property or proprietary rights in the development of our products. Depending upon the agreement with the rights holder, we may obtain the right to use the intellectual property in multiple products or for a single product. Prior to a product's release, if and when we believe capitalized costs are not recoverable, we expense the amounts as part of "Cost of revenues—software royalties, amortization, and intellectual property licenses." Capitalized intellectual property costs for products that are canceled or are expected to be abandoned are charged to "Product development" in the period of cancellation.

Commencing upon a product's release, capitalized intellectual property license costs are amortized to "Cost of revenues—software royalties, amortization, and intellectual property licenses" based on the ratio of current revenues for the specific product to total projected revenues for all products in which the licensed property will be utilized. As intellectual property license contracts may extend for multiple years and can be used in multiple products to be released over a period beyond one year, the amortization of capitalized intellectual property license costs relating to such contracts may extend beyond one year.

We evaluate the future recoverability of capitalized software development costs and intellectual property licenses on a quarterly basis. For products that have been released, the primary evaluation criterion is the actual performance of the title to which the costs relate. For products that are scheduled to be released in future periods, recoverability is evaluated based on the expected performance of the specific products to which the costs relate or in which the licensed trademark or copyright is to be used. Additionally, criteria used to evaluate expected product performance may include, as appropriate: historical performance of comparable products developed with comparable technology; market performance of comparable titles; orders for the product prior to its release; general market conditions; and, for any sequel product, estimated performance based on the performance of the product on which the sequel is based.

Significant management judgments and estimates are utilized in assessing the recoverability of capitalized costs. In evaluating the recoverability of capitalized costs, the assessment of expected product performance utilizes forecasted sales amounts and estimates of additional costs to be incurred. If revised forecasted or actual product sales are less than the originally forecasted amounts utilized in the initial recoverability analysis, the net realizable value may be lower than originally estimated in any given quarter, which could result in an impairment charge. Material differences may result in the amount and timing of expenses for any period if matters resolve in a manner that is inconsistent with management's expectations.

Assets Recognized from Costs to Obtain a Contract with a Customer

We apply the practical expedient to expense, as incurred, costs to obtain a contract with a customer when the amortization period would have been one year or less for certain similar contracts in which commissions are paid to internal personnel or third parties. We believe application of the practical expedient has a limited effect on the amount and timing of cost recognition. Total capitalized costs to obtain a contract were immaterial as of December 31, 2021 and 2020.

Long-Lived Assets

Property and Equipment.

Property and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful life of the asset (i.e., 25 to 33 years for buildings, and 2 to 5 years for computer equipment, office furniture and other equipment). When assets are retired or disposed of, the cost and accumulated depreciation thereon are removed and any resulting gains or losses are included in the consolidated statements of operations. Leasehold improvements are amortized using the straight-line method over the estimated life of the asset, not to exceed the length of the lease. Repair and maintenance costs are expensed as incurred.

Goodwill and Other Indefinite-Lived Assets.

Goodwill is considered to have an indefinite life and is carried at cost. Acquired trade names are assessed as indefinite lived assets if there are no foreseeable limits on the periods of time over which they are expected to contribute cash flows. Goodwill and indefinite-lived assets are not amortized, but are subject to an annual impairment test, as well as between annual tests when events or circumstances indicate that the carrying value may not be recoverable. We perform our annual impairment testing at December 31.

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Our annual goodwill impairment test is performed at the reporting unit level. As of December 31, 2021 and 2020, our reporting units were the same as our operating segments. We generally test goodwill for possible impairment first by performing a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If a qualitative assessment is not used, or if the qualitative assessment is not conclusive, a quantitative impairment test is performed. If a quantitative test is performed, we determine the fair value of the related reporting unit and compare this value to the recorded net assets of the reporting unit, including goodwill. The fair value of our reporting units is determined using an income approach based on discounted cash flow models. In the event the recorded net assets of the reporting unit exceed the estimated fair value of such assets, an impairment charge is recorded for this amount under revised accounting guidance we adopted during the year ended December 31, 2020, and is applicable for future periods. Based on our annual impairment assessment, no impairments of goodwill were identified for the years ended December 31, 2021, 2020, and 2019.

We test our acquired trade names for possible impairment by applying the same process as for goodwill. In the instance when a qualitative test is not performed or is inconclusive, a quantitative test is performed by using a discounted cash flow model to estimate fair value of our acquired trade names. Based on our annual impairment assessment, no impairments of our acquired trade names were identified for the years ended December 31, 2021, 2020, and 2019.

Changes in our assumptions underlying our estimates could result in future impairment charges.

Amortizable Intangible and Other Long-lived Assets.

Intangible assets subject to amortization are carried at cost less accumulated amortization, and amortized over the estimated useful life in proportion to the economic benefits received.

We evaluate the recoverability of our definite-lived intangible assets and other long-lived assets when events or circumstances indicate a potential impairment exists. We consider certain events and circumstances in determining whether the carrying value of identifiable intangible assets and other long-lived assets, other than indefinite-lived intangible assets, may not be recoverable including, but not limited to: significant changes in performance relative to expected operating results; significant changes in the use of the assets; significant negative industry or economic trends; a significant decline in our stock price for a sustained period of time; and changes in our business strategy. If we determine that the carrying value may not be recoverable, we estimate the undiscounted cash flows to be generated from the use and ultimate disposition of the asset group to determine whether an impairment exists. If an impairment is indicated based on a comparison of the asset groups' carrying values and the undiscounted cash flows, the impairment loss is measured as the amount by which the carrying amount of the asset group exceeds its fair value. We did not record an impairment charge to our definite-lived intangible assets for the years ended December 31, 2021, 2020, and 2019.

Leases

We determine if an arrangement is or contains a lease at contract inception. In certain of our lease arrangements, primarily those related to our data center arrangements, judgment is required in determining if a contract contains a lease. For these arrangements, there is judgment in evaluating if the arrangement provides us with an asset that is physically distinct, or that represents substantially all of the capacity of the asset, and if we have the right to direct the use of the asset. Lease assets and liabilities are recognized based on the present value of future lease payments over the lease term at the commencement date. Included in the lease liability are future lease payments that are fixed, in-substance fixed, or are payments based on an index or rate known at the commencement date of the lease. Variable lease payments are recognized as lease expenses as incurred, and generally relate to variable payments made based on the level of services provided by the landlords of our leases. The operating lease right-of-use ("ROU") asset also includes any lease payments made prior to the lease commencement date, initial direct costs incurred, and lease incentives received. As most of our leases do not provide an implicit rate, we generally use our incremental borrowing rate in determining the present value of future payments. The incremental borrowing rate represents an approximation of the rate that would be charged to borrow funds to purchase the leased asset over a similar term, and is based on the information available at the commencement date of the lease. For leased assets with similar lease terms and asset types, we applied a portfolio approach in determining a single incremental borrowing rate for the leased assets.

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

In determining our lease liability, the lease term includes options to extend the lease when it is reasonably certain that we will exercise such option. For operating leases, the lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. Finance lease assets are depreciated on a straight-line basis over the estimated life of the asset, not to exceed the length of the lease, with interest expense associated with finance lease liabilities recorded using the effective interest method. Leases with an initial term of 12 months or less are not recorded on the balance sheet and we recognize lease expense for these leases on a straight-line basis over the lease term.

We have lease agreements with lease and non-lease components. For our real estate, server and data center, and event production and broadcasting equipment leases, we elected the practical expedient to account for the lease and non-lease components as a single lease component. In all other lease arrangements, we account for lease and non-lease components separately. Additionally, for certain leases that have a group of leased assets with similar characteristics in size and composition, we may apply a portfolio approach to effectively account for the operating lease ROU assets and liabilities.

Operating lease ROU assets are presented in “Other assets” and operating lease liabilities are presented in “Accrued expenses and other current liabilities” and “Other liabilities” on our consolidated balance sheet.

Finance lease ROU assets are presented in “Property and equipment, net” and finance lease liabilities are presented in “Accrued expenses and other current liabilities” and “Other liabilities” on our consolidated balance sheet.

Revenue Recognition

We generate revenue primarily through the sale of our interactive entertainment content and services, principally for the console, PC, and mobile platforms, as well as through the licensing of our intellectual property. Our products span various genres, including first- and third-person action/adventure, role-playing, strategy, and “match three.” We primarily offer the following products and services:

- premium full games, which typically provide access to main game content after purchase;
- free-to-play offerings, which allows players to download the game and engage with the associated content for free;
- in-game content for purchase to enhance gameplay (i.e., microtransactions and downloadable content) available within both our premium full-game and free-to-play offerings; and
- subscriptions to players in *World of Warcraft* that provide ongoing access to the game content.

When control of the promised products and services is transferred to our customers, we recognize revenue in the amount that reflects the consideration we expect to receive in exchange for these products and services.

We determine revenue recognition by:

- identifying the contract, or contracts, with a customer;
- identifying the performance obligations in each contract;
- determining the transaction price;
- allocating the transaction price to the performance obligations in each contract; and
- recognizing revenue when, or as, we satisfy performance obligations by transferring the promised goods or services.

Certain products are sold to customers with a “street date” (which is the earliest date these products may be sold by retailers). For these products, we recognize revenues on the later of the street date and the date the product is sold to our customer. For digital full-game downloads sold to customers, we recognize revenue when it is available for download or is activated for gameplay. Revenues are recorded net of taxes assessed by governmental authorities that are imposed at the time of the specific revenue-producing transaction between us and our customer, such as sales and value-added taxes.

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Payment terms and conditions vary by contract type, although terms generally include a requirement of payment immediately upon purchase or within 30 to 90 days. In instances where the timing of revenue recognition differs from the timing of invoicing, we do not adjust the promised amount of consideration for the effects of a significant financing component when we expect, at contract inception, that the period between our transfer of a promised product or service to our customer and payment for that product or service will be one year or less.

Product Sales

Product sales consist of sales of our games, including digital full-game downloads and physical products. We recognize revenues from the sale of our products after both (1) control of the products has been transferred to our customers and (2) the underlying performance obligations have been satisfied. Such revenues, which include our software products with significant online functionality and our online hosted software arrangements, are recognized in "Product sales" on our consolidated statement of operations.

Revenues from product sales are recognized after deducting the estimated allowance for returns and price protection, which are accounted for as variable consideration when estimating the amount of revenue to recognize. Returns and price protection are estimated at contract inception and updated at the end of each reporting period as additional information becomes available.

Sales incentives and other consideration given by us to our customers, such as rebates and product placement fees, are considered adjustments of the transaction price of our products and are reflected as reductions to revenues. Sales incentives and other consideration that represent costs incurred by us for distinct goods or services received, such as the appearance of our products in a customer's national circular advertisement, are recorded as "Sales and marketing" expense when the benefit from the sales incentive is separable from sales to the same customer and we can reasonably estimate the fair value of the good or service.

Products with Online Functionality

For our software products that include both offline functionality (i.e., do not require an Internet connection to access) and significant online functionality, such as most of our titles from the Call of Duty franchise, we evaluate whether the license of our intellectual property and the online functionality each represent separate and distinct performance obligations. In such instances, we typically have two performance obligations: (1) a license to the game software that is accessible without an Internet connection (predominantly the offline single player campaign or game mode) and (2) ongoing activities associated with the online components of the game, such as content updates, hosting of online content and gameplay, and online matchmaking (the "online functionality"). The online functionality generally operates to support the additional features and functionalities of the game that are only available online, not the offline license. This evaluation is performed for each software product or product add-on, including downloadable content. When we determine that our software products contain a license of intellectual property (i.e., the offline software license) that is separate and distinct from the online functionality, we consider market conditions and other observable inputs to estimate the standalone selling price for the performance obligations, since we do not generally sell the software license on a standalone basis. These products may be sold in a bundle with other products and services, which often results in the recognition of additional performance obligations.

For arrangements that include both a license to the game software that is accessible offline and separate online functionality, we recognize revenue when control of the license transfers to our customers for the portion of the transaction price allocable to the offline software license and ratably over the estimated service period for the portion of the transaction price allocable to the online functionality. Similarly, we defer a portion of the cost of revenues on these arrangements and recognize the costs as the related revenues are recognized. The cost of revenues that are deferred include product costs, distribution costs, software royalties, amortization, and intellectual property licenses, and excludes intangible asset amortization.

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Online Hosted Software Arrangements

For our online hosted software arrangements, such as titles for the Overwatch, Warcraft, and Candy Crush franchises, substantially all gameplay and functionality are obtained through our continuous hosting of the game content for the player. In these instances, we typically have a single performance obligation related to our ongoing activities in the hosted arrangement, including content updates, hosting of the gameplay, online matchmaking, and access to the game content. Similar to our software products with online functionality, these arrangements may include other products and services, which often results in the recognition of additional performance obligations. Revenues related to online hosted software arrangements are generally recognized ratably over the estimated service period.

In-game, Subscription, and Other Revenues

In-game Revenues

In-game revenues primarily includes revenues from microtransactions and downloadable content. Microtransaction revenues are derived from the sale of virtual currencies and goods to our players to enhance their gameplay experience. Proceeds from these sales of virtual currencies and goods are initially recorded in deferred revenue. Proceeds from the sales of virtual currencies are recognized as revenues when a player uses the virtual goods purchased with a virtual currency. Proceeds from the direct sales of virtual goods are similarly recognized as revenues when a player uses the virtual goods. We categorize our virtual goods as either “consumable” or “durable.” Consumable virtual goods represent goods that can be consumed by a specific player action; accordingly, we recognize revenues from the sale of consumable virtual goods as the goods are consumed and our performance obligation is satisfied. Durable virtual goods represent goods that are accessible to the player over an extended period of time; accordingly, we recognize revenues from the sale of durable virtual goods ratably over the estimated service period.

Subscription Revenues

Subscription revenue arrangements are mostly derived from *World of Warcraft*, which is only playable online and is generally sold on a subscription-only basis. Revenues associated with the sales of subscriptions are deferred until the subscription service is activated by the consumer and are then recognized ratably over the subscription period as the performance obligations are satisfied.

Revenues attributable to the purchase of *World of Warcraft* software by our customers, including expansion packs, are classified as “Product sales,” whereas revenues attributable to subscriptions and other in-game revenues are classified as “In-game, subscription, and other revenues.”

Other Revenues

Other revenues primarily include revenues from software licensing, licensing of intellectual property other than software, and advertising in our games. These revenues are recognized in “In-game, subscription, and other revenues” on our consolidated statement of operations.

In certain countries we have software licensing arrangements where we utilize third-party licensees to distribute and host our games in accordance with license agreements, for which the licensees typically pay us a fixed minimum guarantee and sales-based royalties. These arrangements typically include multiple performance obligations, such as an upfront license of intellectual property and rights to specified or unspecified future updates. Our estimate of the selling price is comprised of several factors including, but not limited to, prior selling prices, prices charged separately by other third-party vendors for similar service offerings, and a cost-plus-margin approach. Based on the allocated transaction price, we recognize revenue associated with the minimum guarantee (1) when we transfer control of the upfront license of intellectual property, (2) upon transfer of control of future specified updates, and/or (3) ratably over the contractual term in which we provide the customer with unspecified future updates. Royalty payments in excess of the minimum guarantee are generally recognized when the licensed product is sold by the licensee.

Revenues from the licensing of intellectual property other than software primarily include the licensing of our (1) brand, logo, or franchise to customers and (2) media content. Fixed fee payments from customers for the license of our brand or franchise are generally recognized over the license term. Fixed fee payments from customers for the license of our media content are generally recognized when control has transferred to the customer, which may be upfront or over time.

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Revenues from advertising arise primarily from contractual relationships with advertising networks, agencies, advertising brokers and directly with advertisers to display advertisements in our games. For all advertising arrangements, we are the principal and our performance obligation is to provide the inventory for advertisements to be displayed in our games. Our advertising arrangements are primarily impression-based and we recognize revenue from these in the contracted period in which the impressions are delivered. Impressions are considered delivered when an advertisement is displayed to users. The pricing and terms for all our advertising arrangements are governed by either a master contract or insertion order. The transaction price in advertising arrangements governed by a master contract is generally based on a revenue share percentage stated in the contract. The transaction price in advertising arrangements governed by an insertion order is generally the product of the number of advertising units delivered (e.g., impressions, videos viewed) and the contractually agreed upon price per advertising unit.

Significant Judgment around Revenue Arrangements with Multiple Deliverables

Our contracts with customers often include promises to transfer multiple products and services. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. Certain of our games, such as titles in the Call of Duty franchise, may contain a license of our intellectual property to play the game offline, but may also depend on a significant level of integration and interdependency with the online functionality. In these cases, significant judgment is required to determine whether this license of our intellectual property should be considered distinct and accounted for separately, or not distinct and accounted for together with the online functionality provided and recognized over time. Generally, for titles in which the software license is functional without the online functionality and a significant component of gameplay is available offline, we believe we have separate performance obligations for the license of the intellectual property and the online functionality.

Significant judgment is also required to determine the standalone selling price for each distinct performance obligation and to determine whether there is a discount that needs to be allocated based on the relative standalone selling price of the various products and services. To estimate the standalone selling price we generally consider market data, including our pricing strategies for the product being evaluated and other similar products we may offer, competitor pricing to the extent data is available, and the replayability design of both the offline and online components of our games. In limited instances, we may also utilize an expected cost approach to determine whether the estimated selling price yields an appropriate profit margin.

Estimated Service Period

We consider a variety of data points when determining the estimated service period for players of our games, including the weighted average number of days between players' unique purchase or first day played online, and the time at which players become inactive and cease engaging with our content for a period of time. We also consider known online trends such as the cadence of content delivery in our games, the service periods of our previously released games, and, to the extent publicly available, the service periods of our competitors' games that are similar in nature to ours. We believe this provides a reasonable depiction of the transfer of services to our customers, as it is the best representation of the time period during which our customers play our games. Determining the estimated service period is subjective and requires significant management judgment. The estimated service periods for players of our current games are less than 12 months.

Historically, we have not observed significant variability in our estimated service period as the online content for our games has generally been comparable to previously released titles resulting in similar usage patterns. Future usage patterns could change from historical patterns as a result of various factors, including but not limited to, changes in our online content, frequency of content delivery, competitor's offerings, and other changes that impact player's engagement that we may not be able to reasonably predict at the time of deriving our estimate. If future usage patterns were to change significantly from historical patterns, in the future our estimated service period could change and materially impact our future consolidated net revenues and operating income.

Principal Agent Considerations

We evaluate sales of our products and content via third-party digital storefronts, such as Microsoft's Xbox Games Store, Sony's PSN, the Apple App Store, and the Google Play Store, to determine whether revenues should be reported gross or net of fees retained by the storefront. Key indicators that we evaluate in determining whether we are the principal in the sale (gross reporting) or an agent (net reporting) include, but are not limited to:

- which party is primarily responsible for fulfilling the promise to provide the specified good or service; and

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- which party has discretion in establishing the price for the specified good or service.

Based on our evaluation of the above indicators, we report revenues on a gross basis for sales arrangements via the Apple App Store and the Google Play Store, and we report revenues on a net basis (i.e., net of fees retained by the digital storefront) for sales arrangements via Microsoft's Xbox Games Store and Sony's PSN.

Allowances for Returns and Price Protection

We may permit product returns from, or grant price protection to, our customers under certain conditions. In general, price protection refers to the circumstances in which we elect to decrease, on a short- or longer-term basis, the wholesale price of a product by a certain amount and, when granted and applicable, allow customers a credit against amounts owed by such customers to us with respect to open and/or future invoices. The conditions our customers must meet to be granted the right to return products or receive price protection credits include, among other things, compliance with applicable trading and payment terms and delivery of sell-through reports to us. We may also consider the facilitation of slow-moving inventory and other market factors.

Management uses judgment in estimates made with respect to potential future product returns and price protection related to current period product revenues and when establishing the allowance for returns and price protection. We estimate the amount of future returns and price protection for current period product revenues utilizing historical experience and information regarding inventory levels and the demand and acceptance of our products by the end consumer, and record revenue for the transferred products in the amount of consideration to which we expect to be entitled.

Based upon historical experience, we believe that our estimates are reasonable. However, actual returns and price protection could vary from our allowance estimates and therefore impact the amount and timing of our revenues for any period if conditions change or if matters resolve in a manner that is inconsistent with management's assumptions utilized in determining the allowances.

Contract Balances

We generally record a receivable related to revenue when we have an unconditional right to invoice and receive payment, and record deferred revenue when cash payments are received or due in advance of our performance, even if amounts are refundable.

The allowance for doubtful accounts reflects our best estimate of expected credit losses inherent in our accounts receivable balance. In estimating the allowance for doubtful accounts, we analyze the age of current outstanding account balances, historical bad debts, customer concentrations, customer creditworthiness, current economic trends, and changes in our customers' payment terms and their economic condition, as well as whether we can obtain sufficient credit insurance. Any significant changes in any of these criteria would affect management's estimates in establishing our allowance for doubtful accounts.

Deferred revenue is comprised primarily of unearned revenue related to the sale of products with online functionality or online hosted arrangements. We typically invoice, and collect payment for, these sales at the beginning of the contract period and recognize revenue ratably over the estimated service period. Deferred revenue also includes payments for: product sales pending delivery or activation; subscription revenues; licensing revenues with fixed minimum guarantees; and other revenues for which we have been paid in advance and earn the revenue when we transfer control of the product or service.

Refer to [Note 11](#) for further information, including changes in deferred revenue during the period.

Shipping and Handling

Shipping and handling costs consist primarily of packaging and transportation charges incurred to move finished goods to customers. We recognize all shipping and handling costs as an expense in "Cost of revenues-product costs," including those incurred when control of the product has already transferred to the customer.

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Cost of Revenues

Our cost of revenues consist of the following:

Cost of revenues—product sales:

- (1) “Product costs”—includes the manufacturing costs of goods produced and sold. These generally include product costs, manufacturing royalties (net of volume discounts), personnel-related costs, warehousing, and distribution costs. We generally recognize volume discounts when they are earned (typically in connection with the achievement of unit-based milestones).
- (2) “Software royalties, amortization, and intellectual property licenses”—includes the amortization of capitalized software costs and royalties attributable to product sales revenues. These are costs capitalized on the balance sheet until the respective games are released, at which time the capitalized costs are amortized. Also included is amortization of intangible assets recognized in purchase accounting attributable to product sales revenues.

Cost of revenues—in-game, subscription, and other revenues:

- (1) “Game operations and distribution costs”—includes costs to operate our games, such as customer service, Internet bandwidth and server costs, platform provider fees, and payment provider fees, along with costs to associated with our esports activities.
- (2) “Software royalties, amortization, and intellectual property licenses”—includes the amortization of capitalized software costs and royalties attributable to in-game, subscription, and other revenues. These are costs capitalized on the balance sheet until the respective games are released, at which time the capitalized costs are amortized. Also included is amortization of intangible assets recognized in purchase accounting attributable to in-game, subscription, and other revenues.

Advertising Expenses

We expense advertising as incurred, except for production costs associated with media advertising, which are deferred and charged to expense when the related advertisement is run for the first time. Advertising expenses for the years ended December 31, 2021, 2020, and 2019 were \$736 million, \$746 million, and \$587 million, respectively, and are included in “Sales and marketing” in the consolidated statements of operations.

Income Taxes

We record a tax provision for the anticipated tax consequences of the reported results of operations. In accordance with ASC Topic 740, the provision for income taxes is computed using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities due to a change in tax rates is recognized in income in the period that includes the enactment date. We evaluate deferred tax assets each period for recoverability. For those assets that do not meet the threshold of “more likely than not” that they will be realized in the future, a valuation allowance is recorded.

We report a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. We recognize interest and penalties, if any, related to unrecognized tax benefits in “Income tax expense.”

On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act which also created a new minimum tax that applies to certain foreign earnings (“GILTI”). We have elected to recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years.

Excess tax benefits and tax deficiencies from share-based payments are recorded as an income tax expense or benefit in the consolidated statement of operations. The tax effects of exercised or vested equity awards are treated as discrete items in the reporting period in which they occur.

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Foreign Currency Translation

All assets and liabilities of our foreign subsidiaries who have a functional currency other than U.S. dollars are translated into U.S. dollars at the exchange rate in effect at the balance sheet date, and revenue and expenses are translated at average exchange rates during the period. The resulting translation adjustments are reflected as a component of “Accumulated other comprehensive loss” in shareholders’ equity.

Earnings (Loss) Per Common Share

“Basic (loss) earnings per common share” is computed by dividing income (loss) available to common shareholders by the weighted-average number of common shares outstanding for the periods presented. “Diluted earnings (loss) per common share” is computed by dividing income (loss) available to common shareholders by the weighted-average number of common shares outstanding, increased by the weighted-average number of common stock equivalents. Common stock equivalents are calculated using the treasury stock method and represent incremental shares issuable upon exercise of our outstanding options. However, potential common shares are not included in the denominator of the diluted earnings (loss) per common share calculation when inclusion of such shares would be anti-dilutive, such as in a period in which a net loss is recorded.

Share-Based Payments

We account for share-based payments in accordance with ASC Subtopic 718-10. Share-based compensation expense for a given grant is recognized over the requisite service period (that is, the period for which the employee is being compensated) and is based on the value of share-based payment awards after a reduction for estimated forfeitures. Forfeitures are estimated at the time of grant and are revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

We generally estimate the value of stock options using a binomial-lattice model. This estimate is affected by our stock price, as well as assumptions regarding a number of highly complex and subjective variables, including our expected stock price volatility over the term of the awards and projected employee stock option exercise behaviors.

We generally determine the fair value of restricted stock units based on the closing market price of the Company’s common stock on the date of grant, reduced by the present value of the estimated future dividends during the vesting period. Certain restricted stock units granted to our employees vest based on the achievement of pre-established performance conditions, including those that are market-based. For performance-based restricted stock units not subject to market conditions, each quarter we update our assessment of the probability that the specified performance criteria will be achieved. We amortize the fair values of performance-based restricted stock units over the requisite service period, adjusting for estimated forfeitures for each separately vesting tranche of the award. For market-based restricted stock units, we estimate the fair value at the date of grant using a Monte Carlo valuation methodology and amortize those fair values over the requisite service period, adjusting for estimated forfeitures for each separately vesting tranche of the award. The Monte Carlo methodology that we use to estimate the fair value of market-based restricted stock units at the date of grant incorporates into the valuation the possibility that the market condition may not be satisfied. Provided that the requisite service is rendered, the total fair value of the market-based restricted stock units at the date of grant must be recognized as compensation expense even if the market condition is not achieved. However, the number of shares that ultimately vest can vary significantly with the performance of the specified market criteria.

For share-based compensation grants that are liability classified, if any, we update our grant date valuation at each reporting period and recognize a cumulative catch-up adjustment for changes in the value related to the requisite service already rendered. Additionally, any obligations that are based predominantly on fixed monetary amounts that are generally known at inception of the obligation, and are to be settled with a variable number of shares of our common stock, are liability classified with expense recognized ratably over the vesting period. Liability classified awards are subsequently reclassified to equity upon settlement in shares of our common stock.

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Loss Contingencies

ASC Topic 450 governs the disclosure of loss contingencies and accrual of loss contingencies in respect of litigation and other claims. We record an accrual for a potential loss when it is probable that a loss will occur and the amount of the loss can be reasonably estimated. When the reasonable estimate of the potential loss is within a range of amounts, the minimum of the range of potential loss is accrued, unless a higher amount within the range is a better estimate than any other amount within the range. Moreover, even if an accrual is not required, we provide additional disclosure related to litigation and other claims when it is reasonably possible (i.e., more than remote) that the outcomes of such litigation and other claims include potential material adverse impacts on us.

3. Recently Issued Accounting Pronouncements

Recently adopted accounting pronouncements

Simplifying the Accounting for Income Taxes

In December 2019, the Financial Accounting Standards Board (“FASB”) issued new guidance, which is intended to simplify various aspects associated with the accounting for income taxes by removing certain exceptions to the general principles in Topic 740 for recognizing deferred taxes for investments, performing an intra-period allocation, and calculating income taxes in interim periods. The amendment also clarifies and amends certain areas of existing guidance to reduce complexity and improve consistency in the application of Topic 740. Generally, the guidance must be applied prospectively upon adoption, with the exception of certain topics, which are required to be applied on a retrospective or modified retrospective basis. On January 1, 2021, we adopted this new accounting standard and applied the topics in the manner required by the standard. The adoption of this standard did not have a material impact on our consolidated financial statements.

4. Cash and Cash Equivalents

The following table summarizes the components of our cash and cash equivalents (amounts in millions):

	At December 31,	
	2021	2020
Cash	\$ 354	\$ 268
Foreign government treasury bills	34	34
Money market funds	10,035	8,345
Cash and cash equivalents	<u>\$ 10,423</u>	<u>\$ 8,647</u>

5. Software Development and Intellectual Property Licenses

Our total capitalized software development costs of \$660 million and \$512 million, as of December 31, 2021 and December 31, 2020, respectively, primarily relate to internal development costs. As of both December 31, 2021 and December 31, 2020, capitalized intellectual property licenses were not material.

Amortization of capitalized software development costs and intellectual property licenses was as follows (amounts in millions):

	For the Years Ended December 31,		
	2021	2020	2019
Amortization of capitalized software development costs and intellectual property licenses	\$ 341	\$ 263	\$ 241

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6. Property and Equipment, Net

Property and equipment, net was comprised of the following (amounts in millions):

	At December 31,	
	2021	2020
Land	\$ 1	\$ 1
Buildings	4	4
Leasehold improvements	227	246
Computer equipment	703	704
Office furniture and other equipment	90	95
Total cost of property and equipment	1,025	1,050
Less accumulated depreciation	(856)	(841)
Property and equipment, net	<u>\$ 169</u>	<u>\$ 209</u>

Depreciation expense for the years ended December 31, 2021, 2020, and 2019 was \$105 million, \$117 million, and \$124 million, respectively.

7. Intangible Assets, Net

Intangible assets, net, consist of the following (amounts in millions):

	Estimated useful lives	At December 31, 2021		
		Gross carrying amount	Accumulated amortization	Net carrying amount
Acquired definite-lived intangible assets:				
Internally-developed franchises	3 - 11 years	\$ 1,154	\$ (1,154)	\$ —
Trade names and other	1 - 10 years	80	(66)	14
Total definite-lived intangible assets (1)		<u>\$ 1,234</u>	<u>\$ (1,220)</u>	<u>\$ 14</u>
Acquired indefinite-lived intangible assets:				
Activision trademark	Indefinite			\$ 386
Acquired trade names	Indefinite			47
Total indefinite-lived intangible assets				<u>\$ 433</u>
Total intangible assets, net				<u>\$ 447</u>

(1) Beginning with the first quarter of 2021, the balances of the developed software intangible assets have been removed as such amounts were fully amortized in the prior year.

	Estimated useful lives	At December 31, 2020		
		Gross carrying amount	Accumulated amortization	Net carrying amount
Acquired definite-lived intangible assets:				
Internally-developed franchises	3 - 11 years	\$ 1,154	\$ (1,151)	\$ 3
Developed software	2 - 5 years	601	(601)	—
Trade names and other	1 - 10 years	73	(58)	15
Total definite-lived intangible assets		<u>\$ 1,828</u>	<u>\$ (1,810)</u>	<u>\$ 18</u>
Acquired indefinite-lived intangible assets:				
Activision trademark	Indefinite			\$ 386
Acquired trade names	Indefinite			47
Total indefinite-lived intangible assets				<u>\$ 433</u>
Total intangible assets, net				<u>\$ 451</u>

Amortization expense of our intangible assets was \$11 million, \$80 million, and \$204 million for the years ended December 31, 2021, 2020, and 2019, respectively.

8. Goodwill

The carrying amount of goodwill by reportable segment at both December 31, 2021 and December 31, 2020, was as follows (amounts in millions):

	Activision	Blizzard	King	Total
Balance at December 31, 2019	\$ 6,898	\$ 190	\$ 2,676	\$ 9,764
Other	1	—	—	1
Balance at December 31, 2020	\$ 6,899	\$ 190	\$ 2,676	\$ 9,765
Additions through acquisition (1)	34	—	—	34
Balance at December 31, 2021	\$ 6,933	\$ 190	\$ 2,676	\$ 9,799

(1) On October 28, 2021 we acquired a mobile game developer, Digital Legends, that will operate as a studio under our Activision segment. The total net assets acquired were not material.

9. Other Assets and Liabilities

Included in “Accrued expenses and other liabilities” in our consolidated balance sheets are accrued payroll-related costs of \$364 million and \$406 million at December 31, 2021 and 2020, respectively, and the current portion of income taxes payable of \$144 million and \$100 million at December 31, 2021 and 2020, respectively.

10. Fair Value Measurements

The FASB literature regarding fair value measurements for certain assets and liabilities establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of “observable inputs” and minimize the use of “unobservable inputs.” The three levels of inputs used to measure fair value are as follows:

- Level 1—Quoted prices in active markets for identical assets or liabilities;
- Level 2—Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets or other inputs that are observable or can be corroborated by observable market data; and
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities, including certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

Fair Value Measurements on a Recurring Basis

The table below segregates all of our financial assets and liabilities that are measured at fair value on a recurring basis into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date (amounts in millions):

	Fair Value Measurements at December 31, 2021 Using					
	As of December 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance Sheet Classification	
Financial Assets:						
Recurring fair value measurements:						
Money market funds	\$ 10,035	\$ 10,035	\$ —	\$ —	Cash and cash equivalents	
Foreign government treasury bills	34	34	—	—	Cash and cash equivalents	
U.S. treasuries and government agency securities	130	130	—	—	Other current assets	
Equity securities	50	50	—	—	Other current assets	
Foreign currency forward contracts designated as hedges	20	—	20	—	Other current assets	
Total	<u>\$ 10,269</u>	<u>\$ 10,249</u>	<u>\$ 20</u>	<u>\$ —</u>		
	Fair Value Measurements at December 31, 2020 Using					
	As of December 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance Sheet Classification	
Financial Assets:						
Recurring fair value measurements:						
Money market funds	\$ 8,345	\$ 8,345	\$ —	\$ —	Cash and cash equivalents	
Foreign government treasury bills	34	34	—	—	Cash and cash equivalents	
U.S. treasuries and government agency securities	164	164	—	—	Other current assets	
Total	<u>\$ 8,543</u>	<u>\$ 8,543</u>	<u>\$ —</u>	<u>\$ —</u>		
Financial Liabilities:						
Foreign currency forward contracts not designated as hedges	\$ (2)	\$ —	\$ (2)	\$ —	Accrued expenses and other liabilities	
Foreign currency forward contracts designated as hedges	(24)	—	(24)	—	Accrued expenses and other liabilities	
Total	<u>\$ (26)</u>	<u>\$ —</u>	<u>\$ (26)</u>	<u>\$ —</u>		

Foreign Currency Forward Contracts

Foreign Currency Forward Contracts Designated as Hedges (“Cash Flow Hedges”)

The total gross notional amounts and fair values of our Cash Flow Hedges, all of which had remaining maturities of 12 months or less as of December 31, 2021, are as follows (amounts in millions):

	As of December 31, 2021		As of December 31, 2020	
	Notional amount	Fair value gain (loss)	Notional amount	Fair value gain (loss)
Foreign Currency:				
Buy USD, Sell EUR	\$ 382	\$ 20	\$ 542	\$ (24)

For the years ended December 31, 2021, 2020, and 2019, pre-tax net realized gains (losses) associated with our Cash Flow Hedges that were reclassified out of “Accumulated other comprehensive income (loss)” and into earnings were not material.

Foreign Currency Forward Contracts Not Designated as Hedges

The gross notional amounts and fair values of our foreign currency forward contracts not designated as hedges are as follows (amounts in millions):

	As of December 31, 2021		As of December 31, 2020	
	Notional amount	Fair value gain (loss)	Notional amount	Fair value gain (loss)
Foreign Currency:				
Buy USD, Sell GBP	\$ —	\$ —	\$ 116	\$ (2)

For the years ended December 31, 2021, 2020, and 2019, pre-tax net gains (losses) associated with these forward contracts were recorded in “General and administrative expenses” and were not material.

Equity Securities Fair Value Measurement

At December 31, 2020, we held an investment in equity securities with a carrying value of \$45 million. The investment did not have a readily-determinable fair value and was carried at cost, less impairment, and adjusted for changes resulting from observable price changes in orderly transactions for identical or similar investments in the same issuer. During June 2021, the investee completed a merger with a special purpose acquisition company (“SPAC”) and, as a result, our investment was converted into common shares of the publicly traded company.

In connection with the SPAC transaction, we sold a portion of our investment for \$22 million and recognized a realized gain of \$16 million during the three months ended June 30, 2021. Our remaining investment is now measured at fair value at the end of each reporting period. As of December 31, 2021, the carrying value of the investment was \$50 million and was classified within “Other current assets” in our consolidated balance sheets. The realized and unrealized gains were recorded within “Interest and other expense (income), net” in our consolidated statement of operations (refer to [Note 18](#)) for the year ended December 31, 2021.

11. Deferred Revenues

We record deferred revenues when cash payments are received or due in advance of the fulfillment of our associated performance obligations. The aggregate of the current and non-current balances of deferred revenues as of December 31, 2021 and December 31, 2020, were \$1.1 billion and \$1.7 billion, respectively. For the year ended December 31, 2021, the additions to our deferred revenues balance were primarily due to cash payments received or due in advance of satisfying our performance obligations, while the reductions to our deferred revenues balance were primarily due to the recognition of revenues upon fulfillment of our performance obligations, all of which were in the ordinary course of business. During the years ended December 31, 2021, December 31, 2020, and December 31, 2019, \$1.7 billion, \$1.3 billion, and \$1.5 billion of revenues, respectively, were recognized that were included in the deferred revenues balance at beginning of the period.

As of December 31, 2021, the aggregate amount of contracted revenues allocated to our unsatisfied performance obligations was \$1.6 billion, which included our deferred revenues balances and amounts to be invoiced and recognized as revenue in future periods. We expect to recognize approximately \$1.3 billion over the next 12 months, \$0.1 billion in the subsequent 12-month period, and the remainder thereafter. This balance did not include an estimate for variable consideration arising from sales-based royalty license revenue in excess of the contractual minimum guarantee or any estimated amounts of variable consideration that are subject to constraint in accordance with the revenue accounting standard.

12. Leases

Our lease arrangements are primarily for: (1) corporate, administrative, and development studio offices; and (2) data centers and server equipment. Our existing leases have remaining lease terms ranging from one to eight years. In certain instances, such leases include one or more options to renew, with renewal terms that generally extend the lease term by one to five years for each option. The exercise of lease renewal options is generally at our sole discretion. All of our existing leases are classified as operating leases.

Components of our lease costs are as follows (amounts in millions):

	Year Ended December 31, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019
Operating leases			
Operating lease costs	\$ 78	\$ 75	\$ 75
Variable lease costs	18	20	20

Supplemental information related to our operating leases is as follows (amounts in millions):

	Year Ended December 31, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019
Supplemental Operating Cash Flows Information			
Cash paid for amounts included in the measurement of lease liabilities	\$ 75	\$ 77	\$ 80
ROU assets obtained in exchange for new lease obligations	64	80	65

	At December 31, 2021	At December 31, 2020
Weighted Average Lease terms and discount rates		
Remaining lease term	4.10 years	4.48 years
Discount rate	3.01 %	3.40 %

Future undiscounted lease payments for our operating lease liabilities, and a reconciliation of these payments to our operating lease liabilities at December 31, 2021, are as follows (amounts in millions):

For the years ending December 31,		
2022	\$	84
2023		81
2024		63
2025		43
2026		21
Thereafter		15
Total future lease payments	\$	307
Less imputed interest		(18)
Total lease liabilities	\$	289

Operating lease ROU assets and liabilities recorded on our consolidated balance sheet as of December 31, 2021 and December 31, 2020, were as follows (amounts in millions):

	At December 31, 2021	At December 31, 2020	Balance Sheet Classification
ROU assets	\$ 237	\$ 243	Other assets
Current lease liabilities	\$ 77	\$ 66	Accrued expenses and other current liabilities
Non-current lease liabilities	212	224	Other liabilities
	<u>\$ 289</u>	<u>\$ 290</u>	Total lease liabilities

13. Debt

Credit Facilities

As of December 31, 2021 and December 31, 2020, we had \$1.5 billion available under a revolving credit facility (the “Revolver”) pursuant to a credit agreement entered into on October 11, 2013 (as amended thereafter and from time to time, the “Credit Agreement”). To date, we have not drawn on the Revolver.

The Revolver is scheduled to mature on August 24, 2023. Borrowings under the Revolver will bear interest, at the Company’s option, at either (1) a base rate equal to the highest of (i) the federal funds rate, plus 0.5%, (ii) the prime commercial lending rate of Bank of America, N.A. and (iii) the London Interbank Offered Rate (“LIBOR”) for an interest period of one month beginning on such day plus 1.00%, or (2) LIBOR, in each case, plus an applicable interest margin. LIBOR will be subject to a floor of 0% and base rate will be subject to an effective floor of 1.00%. The applicable interest margin for borrowings under the Revolver will range from 0.875% to 1.375% for LIBOR borrowings and from 0% to 0.375% for base rate borrowings and will be determined by reference to a pricing grid based on the Company’s credit ratings. Up to \$50 million of the Revolver may be used for letters of credit.

Under the Credit Agreement, we are subject to a financial covenant requiring the Company’s Consolidated Total Net Debt Ratio (as defined in the Credit Agreement) not to exceed 3.75:1.00 (or, at the Company’s option and for a limited period of time upon the consummation of a Qualifying Acquisition (as defined in the Credit Agreement), 4.25:1.00). The Credit Agreement contains covenants customary for transactions of this type for issuers with similar credit ratings. These include those restricting liens, debt of non-guarantor subsidiaries and certain fundamental changes, in each case with exceptions, including exceptions for secured debt and debt of non-guarantor subsidiaries of the Company, in each case up to an amount not exceeding 7.5% of Total Assets (as defined in the Credit Agreement). We were in compliance with the terms of the Credit Agreement as of December 31, 2021.

Unsecured Senior Notes

As of December 31, 2021 and December 31, 2020, we had \$3.7 billion of gross unsecured senior notes outstanding. A summary of our outstanding unsecured senior notes is as follows (amounts in millions):

Unsecured Senior Notes	Interest Rate	Semi-Annual Interest Payments Due On	Maturity	At December 31, 2021		At December 31, 2020	
				Principal	Fair Value (Level 2)	Principal	Fair Value (Level 2)
2026 Notes	3.40%	Mar. 15 & Sept. 15	Sept. 2026	\$ 850	\$ 912	\$ 850	\$ 970
2027 Notes	3.40%	Jun. 15 & Dec. 15	Jun. 2027	400	430	400	454
2030 Notes	1.35%	Mar. 15 & Sept. 15	Sept. 2030	500	463	500	490
2047 Notes	4.50%	Jun. 15 & Dec. 15	Jun. 2047	400	480	400	525
2050 Notes	2.50%	Mar. 15 & Sept. 15	Sept. 2050	1,500	1,320	1,500	1,462
Total gross long-term debt				<u>\$ 3,650</u>		<u>\$ 3,650</u>	
Unamortized discount and deferred financing costs				(42)		(45)	
Total net carrying amount				<u>\$ 3,608</u>		<u>\$ 3,605</u>	

We may redeem some or all of each class of the unsecured senior notes. Any such redemption will be at a price equal to 100% of the aggregate principal amount thereof plus accrued and unpaid interest as well as, for a redemption prior to the permitted redemption date for that class of notes, a “make-whole” premium.

Upon the occurrence of certain change of control events, we will be required to offer to repurchase the notes outstanding at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest. These repurchase requirements are considered clearly and closely related to the unsecured notes and are not accounted for separately upon issuance.

The outstanding notes are general senior obligations of the Company and rank pari passu in right of payment to all of the Company’s existing and future senior indebtedness, including the Revolver described above. The notes are not secured and are effectively junior to any of the Company’s existing and future indebtedness that is secured to the extent of the value of the collateral securing such indebtedness. The notes contain customary covenants that place restrictions in certain circumstances on, among other things, the incurrence of secured debt, entry into sale or leaseback transactions, and certain merger or consolidation transactions. We were in compliance with the terms of the notes outstanding as of December 31, 2021.

As of December 31, 2021, with the exception of our 2026 Notes, which are scheduled to mature in September 2026, no other contractual principal repayments of our long-term debt were due within the next five years.

14. Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss) were as follows (amounts in millions):

	For the Year Ended December 31, 2021			
	Foreign currency translation adjustments	Unrealized gain (loss) on available-for-sale securities	Unrealized gain (loss) on forward contracts	Total
Balance at December 31, 2020	\$ (589)	\$ (5)	\$ (28)	\$ (622)
Other comprehensive income (loss) before reclassifications	(17)	(2)	44	25
Amounts reclassified from accumulated other comprehensive income (loss) into earnings	—	10	9	19
Balance at December 31, 2021	<u>\$ (606)</u>	<u>\$ 3</u>	<u>\$ 25</u>	<u>\$ (578)</u>

	For the Year Ended December 31, 2020			
	Foreign currency translation adjustments	Unrealized gain (loss) on available-for-sale securities	Unrealized gain (loss) on forward contracts	Total
Balance at December 31, 2019	\$ (624)	\$ (3)	\$ 8	\$ (619)
Other comprehensive income (loss) before reclassifications	37	(6)	(39)	(8)
Amounts reclassified from accumulated other comprehensive income (loss) into earnings	(2)	4	3	5
Balance at December 31, 2020	<u>\$ (589)</u>	<u>\$ (5)</u>	<u>\$ (28)</u>	<u>\$ (622)</u>

15. Operating Segments and Geographic Regions

We have three reportable segments—Activision, Blizzard, and King. Our operating segments are consistent with the manner in which our operations are reviewed and managed by our Chief Executive Officer, who is our chief operating decision maker (“CODM”). The CODM reviews segment performance exclusive of: the impact of the change in deferred revenues and related cost of revenues with respect to certain of our online-enabled games; share-based compensation expense (including liability awards accounted for under ASC 718); amortization of intangible assets as a result of purchase price accounting; fees and other expenses (including legal fees, expenses, and accruals) related to acquisitions, associated integration activities, and financings; certain restructuring and related costs; and certain other non-cash charges. The CODM does not review any information regarding total assets on an operating segment basis, and accordingly, no disclosure is made with respect thereto.

The Company has been reviewing its overall compensation structure and philosophy and began implementing changes to its compensation payments for 2021, primarily to enhance equity ownership for employees and bring our employee equity compensation more in line with the current industry practice. As an aspect of this change, the Company determined to settle amounts not yet paid as of December 31, 2021 under its annual performance plans in stock as opposed to cash and further to provide such incentives, to eligible employees, at no less than target performance without regard to whether target performance was achieved, resulting in a year-end share-based compensation liability of \$194 million. In addition, going forward, to the extent certain of our previously cash-based bonus programs are instead issued as time-based equity or settled via equity, such amounts will be recorded as share-based compensation and will be excluded from segment operating income.

Our operating segments are also consistent with our internal organizational structure, the way we assess operating performance and allocate resources, and the availability of separate financial information. We do not aggregate operating segments.

Information on reportable segment net revenues and operating income are presented below (amounts in millions):

	Year Ended December 31, 2021			
	Activision	Blizzard	King	Total
Segment Revenues				
Net revenues from external customers	\$ 3,478	\$ 1,733	\$ 2,580	\$ 7,791
Intersegment net revenues (1)	—	94	—	94
Segment net revenues	<u>\$ 3,478</u>	<u>\$ 1,827</u>	<u>\$ 2,580</u>	<u>\$ 7,885</u>
Segment operating income	\$ 1,667	\$ 698	\$ 1,140	\$ 3,505
	Year Ended December 31, 2020			
	Activision	Blizzard	King	Total
Segment Revenues				
Net revenues from external customers	\$ 3,942	\$ 1,794	\$ 2,164	\$ 7,900
Intersegment net revenues (1)	—	111	—	111
Segment net revenues	<u>\$ 3,942</u>	<u>\$ 1,905</u>	<u>\$ 2,164</u>	<u>\$ 8,011</u>
Segment operating income	\$ 1,868	\$ 693	\$ 857	\$ 3,418
	Year Ended December 31, 2019			
	Activision	Blizzard	King	Total
Segment Revenues				
Net revenues from external customers	\$ 2,219	\$ 1,676	\$ 2,031	\$ 5,926
Intersegment net revenues (1)	—	43	—	43
Segment net revenues	<u>\$ 2,219</u>	<u>\$ 1,719</u>	<u>\$ 2,031</u>	<u>\$ 5,969</u>
Segment operating income	\$ 850	\$ 464	\$ 740	\$ 2,054

(1) Intersegment revenues reflect licensing and service fees charged between segments.

Reconciliations of total segment net revenues and total segment operating income to consolidated net revenues and consolidated income before income tax expense are presented in the table below (amounts in millions):

	Years Ended December 31,		
	2021	2020	2019
Reconciliation to consolidated net revenues:			
Segment net revenues	\$ 7,885	\$ 8,011	\$ 5,969
Revenues from non-reportable segments (1)	563	519	462
Net effect from recognition (deferral) of deferred net revenues (2)	449	(333)	101
Elimination of intersegment revenues (3)	(94)	(111)	(43)
Consolidated net revenues	<u>\$ 8,803</u>	<u>\$ 8,086</u>	<u>\$ 6,489</u>
Reconciliation to consolidated income before income tax expense:			
Segment operating income	\$ 3,505	\$ 3,418	\$ 2,054
Operating income (loss) from non-reportable segments (1)	2	(55)	24
Net effect from recognition (deferral) of deferred net revenues and related cost of revenues (2)	347	(238)	52
Share-based compensation expense (4)	(508)	(218)	(166)
Amortization of intangible assets	(10)	(79)	(203)
Restructuring and related costs (Note 17)	(77)	(94)	(137)
Discrete tax-related items (5)	—	—	(17)
Consolidated operating income	<u>3,259</u>	<u>2,734</u>	<u>1,607</u>
Interest and other expense (income), net	95	87	(26)
Loss on extinguishment of debt	—	31	—
Consolidated income before income tax expense	<u>\$ 3,164</u>	<u>\$ 2,616</u>	<u>\$ 1,633</u>

- (1) Includes other income and expenses outside of our reportable segments, including our Distribution business and unallocated corporate income and expenses.
- (2) Reflects the net effect from recognition (deferral) of deferred net revenues, along with related cost of revenues, on certain of our online-enabled products.
- (3) Intersegment revenues reflect licensing and service fees charged between segments.
- (4) Expenses related to share-based compensation, including liability awards accounted for under ASC 718. Refer to [Note 16](#).
- (5) Reflects the impact of other unusual or unique tax-related items and activities.

Net revenues by distribution channel, including a reconciliation to each of our reportable segment's revenues, were as follows (amounts in millions):

Year Ended December 31, 2021						
	Activision	Blizzard	King	Non-reportable segments	Elimination of intersegment revenues (3)	Total
Net revenues by distribution channel:						
Digital online channels (1)	\$ 3,287	\$ 1,873	\$ 2,597	\$ —	\$ (94)	\$ 7,663
Retail channels	449	30	—	—	—	479
Other (2)	40	72	—	549	—	661
Total consolidated net revenues	<u>\$ 3,776</u>	<u>\$ 1,975</u>	<u>\$ 2,597</u>	<u>\$ 549</u>	<u>\$ (94)</u>	<u>\$ 8,803</u>
Change in deferred revenues:						
Digital online channels (1)	\$ (264)	\$ (140)	\$ (17)	\$ —	\$ —	\$ (421)
Retail channels	(34)	(8)	—	—	—	(42)
Other (2)	—	—	—	14	—	14
Total change in deferred revenues	<u>\$ (298)</u>	<u>\$ (148)</u>	<u>\$ (17)</u>	<u>\$ 14</u>	<u>\$ —</u>	<u>\$ (449)</u>
Segment net revenues:						
Digital online channels (1)	\$ 3,023	\$ 1,733	\$ 2,580	\$ —	\$ (94)	\$ 7,242
Retail channels	415	22	—	—	—	437
Other (2)	40	72	—	563	—	675
Total segment net revenues	<u>\$ 3,478</u>	<u>\$ 1,827</u>	<u>\$ 2,580</u>	<u>\$ 563</u>	<u>\$ (94)</u>	<u>\$ 8,354</u>
Year Ended December 31, 2020						
	Activision	Blizzard	King	Non-reportable segments	Elimination of intersegment revenues (3)	Total
Net revenues by distribution channel:						
Digital online channels (1)	\$ 2,930	\$ 1,672	\$ 2,167	\$ —	\$ (111)	\$ 6,658
Retail channels	702	39	—	—	—	741
Other (2)	57	92	—	538	—	687
Total consolidated net revenues	<u>\$ 3,689</u>	<u>\$ 1,803</u>	<u>\$ 2,167</u>	<u>\$ 538</u>	<u>\$ (111)</u>	<u>\$ 8,086</u>
Change in deferred revenues:						
Digital online channels (1)	\$ 365	\$ 102	\$ (3)	\$ —	\$ —	\$ 464
Retail channels	(112)	—	—	—	—	(112)
Other (2)	—	—	—	(19)	—	(19)
Total change in deferred revenues	<u>\$ 253</u>	<u>\$ 102</u>	<u>\$ (3)</u>	<u>\$ (19)</u>	<u>\$ —</u>	<u>\$ 333</u>
Segment net revenues:						
Digital online channels (1)	\$ 3,295	\$ 1,774	\$ 2,164	\$ —	\$ (111)	\$ 7,122
Retail channels	590	39	—	—	—	629
Other (2)	57	92	—	519	—	668
Total segment net revenues	<u>\$ 3,942</u>	<u>\$ 1,905</u>	<u>\$ 2,164</u>	<u>\$ 519</u>	<u>\$ (111)</u>	<u>\$ 8,419</u>

Year Ended December 31, 2019

	Activision	Blizzard	King	Non-reportable segments	Elimination of intersegment revenues (3)	Total
Net revenues by distribution channel:						
Digital online channels (1)	\$ 1,366	\$ 1,580	\$ 2,029	\$ —	\$ (43)	\$ 4,932
Retail channels	818	91	—	—	—	909
Other (2)	3	181	—	464	—	648
Total consolidated net revenues	<u>\$ 2,187</u>	<u>\$ 1,852</u>	<u>\$ 2,029</u>	<u>\$ 464</u>	<u>\$ (43)</u>	<u>\$ 6,489</u>
Change in deferred revenues:						
Digital online channels (1)	\$ 122	\$ (128)	\$ 2	\$ —	\$ —	\$ (4)
Retail channels	(90)	(5)	—	—	—	(95)
Other (2)	—	—	—	(2)	—	(2)
Total change in deferred revenues	<u>\$ 32</u>	<u>\$ (133)</u>	<u>\$ 2</u>	<u>\$ (2)</u>	<u>\$ —</u>	<u>\$ (101)</u>
Segment net revenues:						
Digital online channels (1)	\$ 1,488	\$ 1,452	\$ 2,031	\$ —	\$ (43)	\$ 4,928
Retail channels	728	86	—	—	—	814
Other (2)	3	181	—	462	—	646
Total segment net revenues	<u>\$ 2,219</u>	<u>\$ 1,719</u>	<u>\$ 2,031</u>	<u>\$ 462</u>	<u>\$ (43)</u>	<u>\$ 6,388</u>

- (1) Net revenues from “Digital online channels” include revenues from digitally-distributed downloadable content, microtransactions, subscriptions, and products, as well as licensing royalties.
- (2) Net revenues from “Other” include revenues from our Distribution business, the Overwatch League, and the Call of Duty League.
- (3) Intersegment revenues reflect licensing and service fees charged between segments.

Geographic information presented below is based on the location of the paying customer. Net revenues by geographic region, including a reconciliation to each of our reportable segment's net revenues, were as follows (amounts in millions):

Year Ended December 31, 2021						
	Activision	Blizzard	King	Non-reportable segments	Elimination of intersegment revenues (2)	Total
Net revenues by geographic region:						
Americas	\$ 2,446	\$ 876	\$ 1,664	\$ —	\$ (55)	\$ 4,931
EMEA (1)	976	638	665	549	(31)	2,797
Asia Pacific	354	461	268	—	(8)	1,075
Total consolidated net revenues	<u>\$ 3,776</u>	<u>\$ 1,975</u>	<u>\$ 2,597</u>	<u>\$ 549</u>	<u>\$ (94)</u>	<u>\$ 8,803</u>
Change in deferred revenues:						
Americas	\$ (198)	\$ (79)	\$ (11)	\$ —	\$ —	\$ (288)
EMEA (1)	(80)	(65)	(5)	14	—	(136)
Asia Pacific	(20)	(4)	(1)	—	—	(25)
Total change in deferred revenues	<u>\$ (298)</u>	<u>\$ (148)</u>	<u>\$ (17)</u>	<u>\$ 14</u>	<u>\$ —</u>	<u>\$ (449)</u>
Segment net revenues:						
Americas	\$ 2,248	\$ 797	\$ 1,653	\$ —	\$ (55)	\$ 4,643
EMEA (1)	896	573	660	563	(31)	2,661
Asia Pacific	334	457	267	—	(8)	1,050
Total segment net revenues	<u>\$ 3,478</u>	<u>\$ 1,827</u>	<u>\$ 2,580</u>	<u>\$ 563</u>	<u>\$ (94)</u>	<u>\$ 8,354</u>

Year Ended December 31, 2020						
	Activision	Blizzard	King	Non-reportable segments	Elimination of intersegment revenues (2)	Total
Net revenues by geographic region:						
Americas	\$ 2,316	\$ 794	\$ 1,384	\$ —	\$ (60)	\$ 4,434
EMEA (1)	1,061	550	568	538	(37)	2,680
Asia Pacific	312	459	215	—	(14)	972
Total consolidated net revenues	<u>\$ 3,689</u>	<u>\$ 1,803</u>	<u>\$ 2,167</u>	<u>\$ 538</u>	<u>\$ (111)</u>	<u>\$ 8,086</u>
Change in deferred revenues:						
Americas	\$ 228	\$ 58	\$ (1)	\$ —	\$ —	\$ 285
EMEA (1)	36	43	(1)	(19)	—	59
Asia Pacific	(11)	1	(1)	—	—	(11)
Total change in deferred revenues	<u>\$ 253</u>	<u>\$ 102</u>	<u>\$ (3)</u>	<u>\$ (19)</u>	<u>\$ —</u>	<u>\$ 333</u>
Segment net revenues:						
Americas	\$ 2,544	\$ 852	\$ 1,383	\$ —	\$ (60)	\$ 4,719
EMEA (1)	1,097	593	567	519	(37)	2,739
Asia Pacific	301	460	214	—	(14)	961
Total segment net revenues	<u>\$ 3,942</u>	<u>\$ 1,905</u>	<u>\$ 2,164</u>	<u>\$ 519</u>	<u>\$ (111)</u>	<u>\$ 8,419</u>

Year Ended December 31, 2019						
	Activision	Blizzard	King	Non-reportable segments	Elimination of intersegment revenues (2)	Total
Net revenues by geographic region:						
Americas	\$ 1,286	\$ 822	\$ 1,254	\$ —	\$ (21)	\$ 3,341
EMEA (1)	691	543	557	464	(16)	2,239
Asia Pacific	210	487	218	—	(6)	909
Total consolidated net revenues	<u>\$ 2,187</u>	<u>\$ 1,852</u>	<u>\$ 2,029</u>	<u>\$ 464</u>	<u>\$ (43)</u>	<u>\$ 6,489</u>
Change in deferred revenues:						
Americas	\$ 16	\$ (62)	\$ 2	\$ —	\$ —	\$ (44)
EMEA (1)	12	(57)	—	(2)	—	(47)
Asia Pacific	4	(14)	—	—	—	(10)
Total change in deferred revenues	<u>\$ 32</u>	<u>\$ (133)</u>	<u>\$ 2</u>	<u>\$ (2)</u>	<u>\$ —</u>	<u>\$ (101)</u>
Segment net revenues:						
Americas	\$ 1,302	\$ 760	\$ 1,256	\$ —	\$ (21)	\$ 3,297
EMEA (1)	703	486	557	462	(16)	2,192
Asia Pacific	214	473	218	—	(6)	899
Total segment net revenues	<u>\$ 2,219</u>	<u>\$ 1,719</u>	<u>\$ 2,031</u>	<u>\$ 462</u>	<u>\$ (43)</u>	<u>\$ 6,388</u>

(1) “EMEA” consists of the Europe, Middle East, and Africa geographic regions.

(2) Intersegment revenues reflect licensing and service fees charged between segments.

The Company’s net revenues in the U.S. were 49%, 48%, and 46% of consolidated net revenues for the years ended December 31, 2021, 2020, and 2019, respectively. The Company’s net revenues in the United Kingdom (“U.K.”) were 11%, 12%, and 12% of consolidated net revenues for the years ended December 31, 2021, 2020, and 2019, respectively. No other country’s net revenues exceeded 10% of consolidated net revenues for the years ended December 31, 2021, 2020, or 2019.

Net revenues by platform, including a reconciliation to each of our reportable segment's net revenues, were as follows (amounts in millions):

	Year Ended December 31, 2021					
	Activision	Blizzard	King	Non-reportable segments	Elimination of intersegment revenues (3)	Total
Net revenues by platform:						
Console	\$ 2,502	\$ 135	\$ —	\$ —	\$ —	\$ 2,637
PC	660	1,673	84	—	(94)	2,323
Mobile and ancillary (1)	574	95	2,513	—	—	3,182
Other (2)	40	72	—	549	—	661
Total consolidated net revenues	<u>\$ 3,776</u>	<u>\$ 1,975</u>	<u>\$ 2,597</u>	<u>\$ 549</u>	<u>\$ (94)</u>	<u>\$ 8,803</u>
Change in deferred revenues:						
Console	\$ (248)	\$ (6)	\$ —	\$ —	\$ —	\$ (254)
PC	(82)	(145)	(1)	—	—	(228)
Mobile and ancillary (1)	32	3	(16)	—	—	19
Other (2)	—	—	—	14	—	14
Total change in deferred revenues	<u>\$ (298)</u>	<u>\$ (148)</u>	<u>\$ (17)</u>	<u>\$ 14</u>	<u>\$ —</u>	<u>\$ (449)</u>
Segment net revenues:						
Console	\$ 2,254	\$ 129	\$ —	\$ —	\$ —	\$ 2,383
PC	578	1,528	83	—	(94)	2,095
Mobile and ancillary (1)	606	98	2,497	—	—	3,201
Other (2)	40	72	—	563	—	675
Total segment net revenues	<u>\$ 3,478</u>	<u>\$ 1,827</u>	<u>\$ 2,580</u>	<u>\$ 563</u>	<u>\$ (94)</u>	<u>\$ 8,354</u>

Year Ended December 31, 2020

	Activision	Blizzard	King	Non-reportable segments	Elimination of intersegment revenues (3)	Total
Net revenues by platform:						
Console	\$ 2,668	\$ 116	\$ —	\$ —	\$ —	\$ 2,784
PC	582	1,489	96	—	(111)	2,056
Mobile and ancillary (1)	382	106	2,071	—	—	2,559
Other (2)	57	92	—	538	—	687
Total consolidated net revenues	<u>\$ 3,689</u>	<u>\$ 1,803</u>	<u>\$ 2,167</u>	<u>\$ 538</u>	<u>\$ (111)</u>	<u>\$ 8,086</u>
Change in deferred revenues:						
Console	\$ 140	\$ (8)	\$ —	\$ —	\$ —	\$ 132
PC	64	115	—	—	—	179
Mobile and ancillary (1)	49	(5)	(3)	—	—	41
Other (2)	—	—	—	(19)	—	(19)
Total change in deferred revenues	<u>\$ 253</u>	<u>\$ 102</u>	<u>\$ (3)</u>	<u>\$ (19)</u>	<u>\$ —</u>	<u>\$ 333</u>
Segment net revenues:						
Console	\$ 2,808	\$ 108	\$ —	\$ —	\$ —	\$ 2,916
PC	646	1,604	96	—	(111)	2,235
Mobile and ancillary (1)	431	101	2,068	—	—	2,600
Other (2)	57	92	—	519	—	668
Total segment net revenues	<u>\$ 3,942</u>	<u>\$ 1,905</u>	<u>\$ 2,164</u>	<u>\$ 519</u>	<u>\$ (111)</u>	<u>\$ 8,419</u>

Year Ended December 31, 2019

	Activision	Blizzard	King	Non-reportable segments	Elimination of intersegment revenues (3)	Total
Net revenues by platform:						
Console	\$ 1,783	\$ 137	\$ —	\$ —	\$ —	\$ 1,920
PC	298	1,346	117	—	(43)	1,718
Mobile and ancillary (1)	103	188	1,912	—	—	2,203
Other (2)	3	181	—	464	—	648
Total consolidated net revenues	<u>\$ 2,187</u>	<u>\$ 1,852</u>	<u>\$ 2,029</u>	<u>\$ 464</u>	<u>\$ (43)</u>	<u>\$ 6,489</u>
Change in deferred revenues:						
Console	\$ (36)	\$ (18)	\$ —	\$ —	\$ —	\$ (54)
PC	57	(110)	—	—	—	(53)
Mobile and ancillary (1)	11	(5)	2	—	—	8
Other (2)	—	—	—	(2)	—	(2)
Total change in deferred revenues	<u>\$ 32</u>	<u>\$ (133)</u>	<u>\$ 2</u>	<u>\$ (2)</u>	<u>\$ —</u>	<u>\$ (101)</u>
Segment net revenues:						
Console	\$ 1,747	\$ 119	\$ —	\$ —	\$ —	\$ 1,866
PC	355	1,236	117	—	(43)	1,665
Mobile and ancillary (1)	114	183	1,914	—	—	2,211
Other (2)	3	181	—	462	—	646
Total segment net revenues	<u>\$ 2,219</u>	<u>\$ 1,719</u>	<u>\$ 2,031</u>	<u>\$ 462</u>	<u>\$ (43)</u>	<u>\$ 6,388</u>

- (1) Net revenues from “Mobile and ancillary” include revenues from mobile devices, as well as non-platform specific game-related revenues, such as standalone sales of physical merchandise and accessories.
- (2) Net revenues from “Other” primarily includes revenues from our Distribution business, the Overwatch League, and the Call of Duty League.
- (3) Intersegment revenues reflect licensing and service fees charged between segments.

Long-lived assets by geographic region were as follows (amounts in millions):

	At December 31,		
	2021	2020	2019
Long-lived assets* by geographic region:			
Americas	\$ 264	\$ 270	\$ 322
EMEA	122	166	142
Asia Pacific	20	17	21
Total long-lived assets by geographic region	\$ 406	\$ 453	\$ 485

* The only long-lived assets that we classify by region are our long-term tangible fixed assets, which consist of property, plant, and equipment assets and lease right-of-use assets. All other long-term assets are not allocated by location.

For information regarding significant customers, see “Concentration of Credit Risk” in [Note 2](#).

16. Share-Based Payments

Activision Blizzard Equity Incentive Plans

On June 5, 2014, the Activision Blizzard, Inc. 2014 Incentive Plan (the “2014 Plan”) became effective. Under the 2014 Plan, the Compensation Committee of our Board of Directors is authorized to provide share-based compensation in the form of stock options, share appreciation rights, restricted stock, restricted stock units, performance shares, and other performance- or value-based awards structured by the Compensation Committee within parameters set forth in the 2014 Plan. As of the effective date of the 2014 Plan, we had ceased making awards under our prior equity incentive plans (collectively, the “Prior Plans”), although such plans remain in effect to the extent that they continue to govern outstanding awards.

While the Compensation Committee has broad discretion to create equity incentives, our current share-based compensation program generally utilizes a combination of options and restricted stock units. The majority of our options have time-based vesting schedules, generally vesting annually over a period of three years to five years, and expire 10 years from the grant date. In addition, under the terms of the 2014 Plan, the exercise price for the options must be equal to or greater than the closing price per share of our common stock on the date the award is granted, as reported on Nasdaq. Restricted stock units have time-based vesting schedules, generally vesting in their entirety on an anniversary of the date of grant, or vest annually over a period of three years to five years, and may also be contingent on the achievement of specified performance measures, including those which are market-based. Achievement against such performance measures typically results in vesting of amounts that are different than the target shares at grant based on over- or under-achievement against the performance targets. Typically, performance-based RSUs provide for vesting up to 125% of the grant date target shares if performance targets are sufficiently overachieved (and will be cancelled without the vesting of any shares if the threshold level of performance measures is not met), but in certain instances some of our unvested performance-based RSUs can vest up to 250% of the grant date target amount based on achievement against the performance targets.

As of the date it was approved by our shareholders, there were 46 million shares available for issuance under the 2014 Plan. The number of shares of our common stock reserved for issuance under the 2014 Plan has been, and may be further, increased from time to time by: (1) the number of shares relating to awards outstanding under any Prior Plan that: (i) expire, or are forfeited, terminated or canceled, without the issuance of shares; (ii) are settled in cash in lieu of shares; or (iii) are exchanged, prior to the issuance of shares of our common stock, for awards not involving our common stock; (2) if the exercise price of any option outstanding under any Prior Plans is, or the tax withholding requirements with respect to any award outstanding under any Prior Plans are, satisfied by withholding shares otherwise then deliverable in respect of the award or the actual or constructive transfer to the Company of shares already owned, the number of shares equal to the withheld or transferred shares; and (3) if a share appreciation right is exercised and settled in shares, a number of shares equal to the difference between the total number of shares with respect to which the award is exercised and the number of shares actually issued or transferred. As of December 31, 2021, we had approximately 13 million shares of our common stock reserved for future issuance under the 2014 Plan. Shares issued in connection with awards made under the 2014 Plan are generally issued as new stock issuances.

Fair Value Valuation Assumptions

Valuation of Stock Options

The fair value of stock options granted are principally estimated using a binomial-lattice model. The inputs in our binomial-lattice model include expected stock price volatility, risk-free interest rate, dividend yield, contractual term, and vesting schedule, as well as measures of employees' cancellation, exercise, and post-vesting termination behavior.

The following table presents the weighted-average assumptions, weighted average grant date fair value, and the range of expected stock price volatility:

	Employee Stock Options		
	For the Years Ended December 31,		
	2021	2020	2019
Expected life (in years)	7.61	7.70	7.85
Volatility	31.06 %	30.89 %	30.00 %
Risk free interest rate	1.29 %	0.70 %	1.90 %
Dividend yield	0.51 %	0.53 %	0.76 %
Weighted-average grant date fair value	\$ 30.65	\$ 25.93	\$ 17.12
Stock price volatility range:			
Low	31.00 %	30.00 %	30.00 %
High	35.00 %	39.00 %	38.17 %

Expected life

The expected life of employee stock options is a derived output of the binomial-lattice model and represents the weighted-average period the stock options are expected to remain outstanding. A binomial-lattice model assumes that employees will exercise their options when the stock price equals or exceeds an exercise multiple. The exercise multiple is based on historical employee exercise behaviors.

Volatility

To estimate volatility for the binomial-lattice model, we consider the implied volatility of exchange-traded options on our stock to estimate short-term volatility, the historical volatility of our common shares during the option's contractual term to estimate long-term volatility, and a statistical model to estimate the transition from short-term volatility to long-term volatility.

Risk-free interest rate

As is the case for volatility, the risk-free interest rate is assumed to change during the option's contractual term. The risk-free interest rate, which is based on U.S. Treasury yield curves, reflects the expected movement in the interest rate from one time period to the next.

Dividend yield

The expected dividend yield assumption is based on our historical and expected future amount of dividend payouts.

Share-based compensation expense recognized is based on awards ultimately expected to vest and therefore has been reduced for estimated forfeitures. Forfeitures are estimated at the time of grant based on historical experience and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Valuation of Restricted Stock Units ("RSUs")

The fair value of the Company's RSU awards granted are generally based upon the closing price of the Company's common stock on the date of grant reduced by the present value of dividends expected to be paid on our common stock prior to vesting. We also grant market-based RSU awards, from time to time, the fair value of which is determined using a Monte Carlo simulation. Such market-based RSU awards include performance conditions based on our own stock price and may also include performance conditions that compare our stock price performance to an index, such as the S&P 500 Total Shareholder Return index. The valuation assumptions utilized in the Monte Carlo model are generally consistent with the inputs discussed in the valuation of stock options above. The weighted average risk free interest rate, volatility, and dividend yield utilized in the Monte Carlo model for market-based RSU awards in 2020 were 0.11%, 37.39%, and 0.47%, respectively.

On December 14, 2021, we granted approximately 1.6 million RSU awards which were valued at approximately \$70.00 per share rather than the closing share price on the date of grant of \$59.52. None of these awards were granted to named executive officers of the Company. While these grants were not made in contemplation of the Company's recent announcement of the merger agreement (see Note 23) entered into with Microsoft, in light of the proximity to when the Company became aware of a potential merger, and date of the merger agreement, the Company has determined the fair value for these awards should consider potential subsequent value appreciation that would be expected from the market upon announcement of the merger. In determining the adjustment to the closing share price to estimate the fair value of these awards, the Company considered various factors such as, observable share prices before and after announcement of a merger in recent transactions, the offer price range known at time of the grants being made, the final merger per share consideration, the actual increase in share price seen after announcement of the merger, industry practices in applying liquidity discounts and probability of the merger being entered into. The awards vest over their requisite service period and do not provide for any accelerated vesting or other features as a result of entering into or upon closing of the merger.

Accuracy of Fair Value Estimates

We developed the assumptions used in the models above, including measures of employees' exercise and post-vesting termination behavior. Our ability to accurately estimate the fair value of share-based payment awards at the grant date depends upon the accuracy of the model and our ability to accurately forecast model inputs for as long as 10 years into the future. Although the fair value of employee stock options is determined using an option-pricing model, the estimates that are produced by this model may not be indicative of the fair value observed between a willing buyer and a willing seller as there are not current active markets for the trading of employee stock options and other share-based instruments.

Stock Option Activity

Stock option activity is as follows:

	Number of shares (in thousands)	Weighted-average exercise price per stock option	Weighted-average remaining contractual term (in years)	Aggregate intrinsic value (in millions)
Outstanding stock options at December 31, 2020	11,297	\$ 53.84		
Granted	754	92.56		
Exercised	(1,954)	45.84		
Forfeited	(866)	65.23		
Expired	(98)	45.15		
Outstanding stock options at December 31, 2021	9,133	\$ 57.77	7.04	\$ 125
Vested and expected to vest at December 31, 2021	8,798	\$ 56.96	6.98	\$ 124
Exercisable at December 31, 2021	5,711	\$ 48.90	6.26	\$ 107

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (i.e., the difference between our closing stock price on the last trading day of the period and the exercise price, times the number of shares for options where the closing stock price is greater than the exercise price) that would have been received by the option holders had all option holders exercised their options on that date. This amount changes based on the market value of our stock. The total intrinsic value of options actually exercised was \$88 million, \$174 million, and \$80 million for the years ended December 31, 2021, 2020, and 2019, respectively. The total grant date fair value of options that vested during the years ended December 31, 2021, 2020, and 2019 was \$57 million, \$62 million, and \$94 million, respectively.

At December 31, 2021, \$32 million of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted-average period of 1.14 years.

RSU Activity

We grant RSUs, which represent the right to receive shares of our common stock. Vesting for RSUs is generally contingent upon the holder's continued employment with us and may be subject to other conditions (which may include the satisfaction of a performance measure). Also, certain of our performance-based RSUs, including those that are market-based, include a range of shares that may be released at vesting, which are above or below the targeted number of RSUs based on actual performance relative to the performance measure. If the vesting conditions are not met, unvested RSUs will be forfeited. Upon vesting of the RSUs, we may withhold shares otherwise deliverable to satisfy tax withholding requirements.

The following table summarizes our RSU activity with performance-based RSUs, including those with market conditions, presented at 100% of the target level shares that may potentially vest (amounts in thousands, except per share data):

	Number of shares	Weighted-average grant date fair value per RSU
Unvested RSUs at December 31, 2020	7,102	\$ 82.50
Granted	10,856	77.17
Vested	(3,187)	96.58
Forfeited	(1,513)	75.73
Unvested RSUs at December 31, 2021	13,258	\$ 75.51

Certain of our performance-based RSUs did not have an accounting grant date as of December 31, 2021, as for each such grant there is not a mutual understanding between the Company and the employee of the performance terms. Generally, these performance terms relate to operating income performance for future years, the goals for which have yet to be set. As of December 31, 2021, based on the target potential shares that could be earned, there were 2.0 million performance-based RSUs outstanding for which the accounting grant date had not been set, of which 1.3 million were 2021 grants. Accordingly, no grant date fair value was established and the weighted average grant date fair values calculated above excludes these RSUs.

At December 31, 2021, approximately \$505 million of total unrecognized compensation cost was related to RSUs and is expected to be recognized over a weighted-average period of 1.79 years. Of the total unrecognized compensation cost, \$62 million was related to performance-based RSUs, which is expected to be recognized over a weighted-average period of 1.00 year. The total grant date fair value of RSUs that vested during the years ended December 31, 2021, 2020, and 2019 was \$306 million, \$82 million, and \$147 million, respectively.

The income tax benefit from stock option exercises and RSU vestings was \$70 million, \$61 million, and \$47 million for the years ended December 31, 2021, 2020, and 2019, respectively.

Share-Based Compensation Expense

The following table sets forth the total share-based compensation expense included in our consolidated statements of operations (amounts in millions):

	For the Years Ended December 31,		
	2021	2020	2019
Cost of revenues—product sales: Software royalties, amortization, and intellectual property licenses	\$ 17	\$ 14	\$ 19
Cost of revenues—in-game, subscription, and other: Game Operations and Distribution Costs	7	1	1
Cost of revenues—in-game, subscription, and other: Software royalties, amortization, and intellectual property licenses	—	—	1
Product development	211	42	53
Sales and marketing	44	21	10
General and administrative	229	140	82
Share-based compensation expense before income taxes	508	218	166
Income tax benefit	(36)	(28)	(29)
Total share-based compensation expense, net of income tax benefit	<u>\$ 472</u>	<u>\$ 190</u>	<u>\$ 137</u>

Share-based compensation expense for the year ended December 31, 2021 includes \$194 million, inclusive of \$20 million of expense that was capitalized as part of software development, for liability awards accounted for under ASC 718. The liability awards primarily relate to recent changes to the Company's compensation payments for 2021 for which the Company determined to settle amounts not yet paid as of December 31, 2021 under its annual performance plans in stock as opposed to cash and further to provide such incentives, to eligible employees, at no less than target performance without regard to whether target performance was achieved.

17. Restructuring

During 2019, we began implementing a plan aimed at refocusing our resources on our largest opportunities and removing unnecessary levels of complexity from certain parts of our business. We have been:

- increasing our investment in development for our largest, internally-owned franchises—across upfront releases, in-game content, mobile, and geographic expansion;
- reducing certain non-development and administrative-related costs across our business; and
- integrating our global and regional sales and “go-to-market,” partnerships, and sponsorship capabilities across the business, which we believe will enable us to provide better opportunities for talent and greater expertise and scale on behalf of our business units.

We have substantially completed all actions under our plan and have accrued for these costs accordingly. The remaining activity under the plan is primarily related to cash outlays to be made to impacted personnel.

The following table summarizes accrued restructuring and related costs included in “Accrued expenses and other liabilities” and “Other liabilities” in our consolidated balance sheet and the cumulative charges incurred (amounts in millions):

	Severance and employee related costs	Facilities and related costs	Other costs	Total
Balance at December 31, 2019	\$ 32	\$ —	\$ 3	\$ 35
Costs charged to expense	76	6	5	87
Cash payments	(20)	—	(5)	(25)
Non-cash charge adjustment (1)	—	(6)	—	(6)
Balance at December 31, 2020	\$ 88	\$ —	\$ 3	\$ 91
Costs charged to expense	36	16	27	79
Cash payments	(55)	—	(6)	(61)
Non-cash charge adjustment (1)	(5)	(16)	(3)	(24)
Balance at December 31, 2021	\$ 64	\$ —	\$ 21	\$ 85
Cumulative charges incurred through December 31, 2021	\$ 188	\$ 51	\$ 59	\$ 298

- (1) Adjustments primarily relate to non-cash charges included in “Costs charged to expense” for write-down of assets for our lease facilities, inclusive of lease right-of-use assets and associated fixed assets, that were vacated.

Total restructuring and related costs by segment are (amounts in millions):

	Years Ended		
	December 31, 2021	December 31, 2020	December 31, 2019
Activision	\$ 2	\$ 13	\$ 19
Blizzard	70	71	68
King	1	(1)	20
Other segments (1)	6	4	25
Total	\$ 79	\$ 87	\$ 132

- (1) Includes charges outside of our reportable segments, including charges for our corporate and administrative functions.

During the years ended December 31, 2021 and 2020, we incurred additional restructuring charges and adjustments that are not included in the plan discussed above. Such amounts were not material.

We have substantially completed our accruals for all actions under the plan. The charges associated with the plan primarily relate to severance and employee-related costs (approximately 62% of the aggregate charge), facilities and related costs (approximately 17% of the aggregate charge), and other costs (approximately 21% of the aggregate charge), including charges for restructuring-related fees and the write-down of assets. A substantial majority (approximately 77%) of the total pre-tax charge associated with the restructuring is expected to be paid in cash using amounts on hand, and such cash outlays are largely expected to be completed within the next 12 months. We do not expect to realize significant net savings in our total operating expenses as a result of our plan, as cost reductions in our selling, general, and administrative activities are expected to be offset by increased investment in product development.

The total charges incurred through December 31, 2021, which represent our total expected pre-tax restructuring charges related to the plan, by segment, inclusive of amounts already incurred and inclusive of certain inventory write-downs in prior years, are presented below (amounts in millions):

	Total charges incurred through December 31, 2021	
Activision	\$	34
Blizzard		214
King		21
Other segments (1)		34
Total	\$	303

(1) Includes charges outside of our reportable segments, including charges for our corporate and administrative functions.

18. Interest and Other Expense (Income), Net

Interest and other expense (income), net is comprised of the following (amounts in millions):

	For the Years Ended December 31,					
	2021		2020		2019	
Interest income	\$	(5)	\$	(21)	\$	(79)
Interest expense from debt and amortization of debt discount and deferred financing costs		108		99		90
Realized and unrealized loss (gain) on equity investment (Note 10)		(28)		(3)		(38)
Other expense (income), net		20		12		1
Interest and other expense (income), net	\$	95	\$	87	\$	(26)

19. Income Taxes

Domestic and foreign income (loss) before income taxes and details of the income tax expense (benefit) are as follows (amounts in millions):

	For the Years Ended December 31,		
	2021	2020	2019
Income before income tax expense:			
Domestic	\$ 1,451	\$ 1,160	\$ 328
Foreign	1,713	1,456	1,305
	<u>\$ 3,164</u>	<u>\$ 2,616</u>	<u>\$ 1,633</u>
Income tax expense (benefit):			
Current:			
Federal	\$ 189	\$ 206	\$ 136
State	35	92	24
Foreign	229	218	323
Total current	<u>453</u>	<u>516</u>	<u>483</u>
Deferred:			
Federal	73	(84)	781
State	12	(10)	(16)
Foreign	(73)	(3)	(1,118)
Total deferred	<u>12</u>	<u>(97)</u>	<u>(353)</u>
Income tax expense	<u>\$ 465</u>	<u>\$ 419</u>	<u>\$ 130</u>

The items accounting for the difference between income taxes computed at the U.S. federal statutory income tax rate and the income tax expense (benefit) at the effective tax rate for each of the years are as follows (amounts in millions):

	For the Years Ended December 31,					
	2021		2020		2019	
Federal income tax provision at statutory rate	\$ 664	21 %	\$ 549	21 %	\$ 343	21 %
State taxes, net of federal benefit	67	2	43	2	21	1
Research and development credits	(81)	(2)	(70)	(3)	(38)	(2)
Foreign earnings taxed at different rates	(120)	(4)	(93)	(4)	(118)	(7)
Foreign-derived intangible income	(50)	(1)	(40)	(2)	(1)	—
Change in tax reserves	43	1	60	2	96	6
Audit settlements	—	—	—	—	54	3
Change in Tax Legislation	(53)	(2)	(23)	(1)	—	—
Change in valuation allowance	11	—	35	2	11	—
Intra-entity IP Transfer	—	—	(31)	(1)	(230)	(14)
Other	(16)	—	(11)	—	(8)	—
Income tax expense	<u>\$ 465</u>	<u>15 %</u>	<u>\$ 419</u>	<u>16 %</u>	<u>\$ 130</u>	<u>8 %</u>

The Company's tax rate is affected by the tax rates in the jurisdictions in which the Company operates, some of which have a statutory tax rate less than the U.S. rate and the relative amount of income earned in each jurisdiction.

In October 2019, we completed an intra-entity transfer of certain intellectual property rights to one of our subsidiaries in the U.K., aligning the ownership of these rights with our evolving business. The transfer did not result in a taxable gain; however, our U.K. subsidiary received a step-up in tax basis based on the fair value of the transferred intellectual property rights. Such fair value was determined based on our expectations of future cash flows, long-term growth rates, and discount rates. We recorded a one-time benefit of \$230 million in the quarter ended December 31, 2019 for the recognition of a \$1.1 billion deferred tax asset in the U.K. related to the amortizable tax basis in the transferred intellectual property, net of uncertain tax positions and a valuation allowance, partially offset by a related \$920 million deferred tax liability for U.S. taxes on foreign earnings. The U.K. amortizable tax basis will be recovered over a period of three years to 25 years and the related deferred tax asset was measured using the enacted U.K. corporate tax rates for the years in which the amortization will be realized. We recorded a valuation allowance of \$110 million in 2019 for the portion of the deferred tax asset for which it is more-likely-than-not that a benefit will not be realized. During the year ended December 31, 2021, we recognized a one-time net benefit of \$53 million from remeasuring this deferred tax asset due to the enactment of a change in the UK corporate tax rate. We will update the measurement and realizability analysis going forward and record the impact from any change in determination in the period of the change.

During the year ended December 31, 2020, we completed an intra-entity transfer of certain intellectual property rights to the U.S. to better align the profits related to these rights with our evolving business activities. As a result, a significant portion of these earnings began qualifying for preferential treatment as foreign-derived intangible income during 2020. The transfer resulted in a one-time benefit of \$31 million in connection with the remeasurement of a U.S. deferred tax asset related to foreign earnings.

Income tax expense for 2021 reflects the impact of certain tax elections and comparable changes the Company intends to include in its 2021 income tax returns and related statutory filings. To take these actions, the Merger Agreement requires Microsoft's approval (which may not be unreasonably withheld, conditioned, or delayed), subject to certain exceptions. Failure to obtain this approval could have an adverse effect on our income tax expense.

Deferred income taxes reflect the net tax effects of temporary differences between the amounts of assets and liabilities for accounting purposes and the amounts used for income tax purposes. The components of the net deferred tax assets (liabilities) are as follows (amounts in millions):

	As of December 31,	
	2021	2020
Deferred tax assets:		
Deferred revenue	\$ 210	\$ 274
Tax attributes carryforwards	143	123
Share-based compensation	46	51
Intangibles	1,458	1,287
Capitalized software development expenses	—	21
Other	141	160
Deferred tax assets	1,998	1,916
Valuation allowance	(278)	(228)
Deferred tax assets, net of valuation allowance	1,720	1,688
Deferred tax liabilities:		
Intangibles	(158)	(147)
Capitalized software development expenses	(10)	—
U.S. deferred taxes on foreign earnings	(603)	(577)
Other	(78)	(63)
Deferred tax liabilities	(849)	(787)
Net deferred tax assets	\$ 871	\$ 901

As of December 31, 2021, we had gross tax credit carryforwards of \$263 million for state purposes. The tax credit carryforwards are included in deferred tax assets net of unrealized tax benefits that would apply upon the realization of uncertain tax positions. In addition, we had foreign net operating loss carryforwards of \$11 million at December 31, 2021, most of which carry forward indefinitely.

We evaluate deferred tax assets each period for recoverability. We record a valuation allowance for assets that do not meet the threshold of “more likely than not” to be realized in the future. To make that determination, we evaluate the likelihood of realization based on the weight of all positive and negative evidence available. As of December 31, 2021 and December 31, 2020, we maintained a valuation allowance related to our California research and development credit carryforwards of \$118 million and \$107 million, respectively. We will reassess this determination quarterly and record a tax benefit if and when future evidence allows for a partial or full release of this valuation allowance.

In addition, we remeasured the U.K. deferred tax asset related to previously transferred intellectual property rights and corresponding U.S. deferred tax liability due to the change in the U.K.’s corporate income tax rate during 2021. As of December 31, 2021, the U.K. deferred tax asset net of valuation allowance is \$1.2 billion and the corresponding U.S. deferred tax liability is \$989 million.

Activision Blizzard’s tax years after 2008 remain open to examination by certain major taxing jurisdictions to which we are subject. The Internal Revenue Service is currently examining our federal tax returns for the 2012 through 2019 tax years. In addition, King’s pre-acquisition tax returns remain open in various jurisdictions, primarily as a result of transfer pricing matters. We anticipate resolving King’s transfer pricing for both pre- and post-acquisition tax years through a collaborative multilateral process with the tax authorities in the relevant jurisdictions, which include the U.K. and Sweden. While the outcome of this process remains uncertain, it could result in an agreement that changes the allocation of profits and losses between these and other relevant jurisdictions or a failure to reach an agreement that results in unilateral adjustments to the amount and timing of taxable income in the jurisdictions in which King operates.

In addition, certain of our subsidiaries are under examination or investigation, or may be subject to examination or investigation, by tax authorities in various jurisdictions. These proceedings may lead to adjustments or proposed adjustments to our taxes or provisions for uncertain tax positions. Such proceedings may have a material adverse effect on the Company’s consolidated financial position, liquidity, or results of operations in the earlier of the period or periods in which the matters are resolved and in which appropriate tax provisions are taken into account in our financial statements. If we were to receive a materially adverse assessment from a taxing jurisdiction, we would plan to vigorously contest it and consider all of our options, including the pursuit of judicial remedies.

As of December 31, 2021, we had \$1.3 billion of gross unrecognized tax benefits, \$784 million of which would affect our effective tax rate, if recognized. A reconciliation of total gross unrecognized tax benefits is as follows (amounts in millions):

	For the Years Ended December 31,		
	2021	2020	2019
Unrecognized tax benefits balance at January 1	\$ 1,166	\$ 1,037	\$ 926
Gross increase for tax positions taken during a prior year	98	97	151
Gross decrease for tax positions taken during a prior year	(18)	(1)	(168)
Gross increase for tax positions taken during the current year	52	38	291
Settlement with taxing authorities	(6)	(3)	(163)
Lapse of statute of limitations	(3)	(2)	—
Unrecognized tax benefits balance at December 31	<u>\$ 1,289</u>	<u>\$ 1,166</u>	<u>\$ 1,037</u>

As of December 31, 2021, 2020, and 2019, we had approximately \$102 million, \$93 million, and \$72 million, respectively, of accrued interest and penalties related to uncertain tax positions. For the years ended December 31, 2021, 2020, and 2019, we recorded \$11 million, \$19 million, and \$14 million, respectively, of interest expense related to uncertain tax positions.

The final resolution of the Company's global tax disputes is uncertain. There is significant judgment required in the analysis of disputes, including the probability determination and estimation of the potential exposure. Based on current information, in the opinion of the Company's management, the ultimate resolution of these matters is not expected to have a material adverse effect on the Company's consolidated financial position, liquidity or results of operations, except as noted above.

20. Computation of Basic/Diluted Earnings Per Common Share

The following table sets forth the computation of basic and diluted earnings per common share (amounts in millions, except per share data):

	For the Years Ended December 31,		
	2021	2020	2019
Numerator:			
Consolidated net income	\$ 2,699	\$ 2,197	\$ 1,503
Denominator:			
Denominator for basic earnings per common share—weighted-average common shares outstanding	777	771	767
Effect of dilutive stock options and awards under the treasury stock method	7	7	4
Denominator for diluted earnings per common share—weighted-average common shares outstanding plus dilutive common shares under the treasury stock method	784	778	771
Basic earnings per common share	\$ 3.47	\$ 2.85	\$ 1.96
Diluted earnings per common share	\$ 3.44	\$ 2.82	\$ 1.95

The vesting of certain of our employee-related restricted stock units is contingent upon the satisfaction of predefined performance measures. The shares underlying these equity awards are included in the weighted-average dilutive common shares only if the performance measures are met as of the end of the reporting period. Additionally, potential common shares are not included in the denominator of the diluted earnings per common share calculation when the inclusion of such shares would be anti-dilutive.

Weighted-average shares excluded from the computation of diluted earnings per share were as follows (amounts in millions):

	For the For the Years Ended December 31,		
	2021	2020	2019
Restricted stock units with performance measures not yet met	2	2	2
Anti-dilutive employee stock options	2	1	6

21. Capital Transactions

Repurchase Programs

On January 27, 2021, our Board of Directors authorized a stock repurchase program under which we are authorized to repurchase up to \$4 billion of our common stock during the two-year period from February 14, 2021 until the earlier of February 13, 2023 and a determination by the Board of Directors to discontinue the repurchase program. As of December 31, 2021, we had not repurchased any shares under this program and are restricted from making any such repurchases during the period between the execution of the Merger Agreement with Microsoft and the effective time of the Merger Agreement.

Dividends

On February 3, 2022, our Board of Directors declared a cash dividend of \$0.47 per common share. Such dividend is payable on May 6, 2022 to shareholders of record at the close of business on April 15, 2022.

On February 4, 2021, our Board of Directors declared a cash dividend of \$0.47 per common share. On May 6, 2021, we made an aggregate cash dividend payment of \$365 million to shareholders of record at the close of business on April 15, 2021.

On February 6, 2020, our Board of Directors declared a cash dividend of \$0.41 per common share. On May 6, 2020, we made an aggregate cash dividend payment of \$316 million to shareholders of record at the close of business on April 15, 2020.

On February 12, 2019, our Board of Directors declared a cash dividend of \$0.37 per common share. On May 9, 2019, we made an aggregate cash dividend payment of \$283 million to shareholders of record at the close of business on March 28, 2019.

22. Commitments and Contingencies

Commitments and Obligations

In the normal course of business, we enter into contractual arrangements with third parties for non-cancelable operating lease agreements for our offices, for the development of products which may include obtaining rights to intellectual property, and for hosting services to support our games and our administrative functions. Under these agreements, we commit to provide specified payments to a lessor, developer, or hosting provider, as the case may be, based upon contractual arrangements. The payments to third-party developers are generally conditioned upon the achievement by the developers of contractually specified development milestones. Further, these payments to third-party developers typically are deemed to be advances and, as such, are recoupable against future royalties earned by the developer based on sales of the related game. Additionally, we also enter into arrangements in which we commit to spend specified amounts for marketing to support and promote our content and services. Assuming all contractual provisions are met, the total future minimum commitments for these and other contractual arrangements in place at December 31, 2021, are scheduled to be paid as follows (amounts in millions):

	Contractual Obligations (1)				
	Facility and Equipment Leases	Developer and Hosting	Marketing	Long-Term Debt Obligations (2)	Total
For the years ending December 31,					
2022	\$ 86	\$ 149	\$ 167	\$ 105	\$ 507
2023	81	104	115	105	405
2024	64	12	—	105	181
2025	43	—	—	105	148
2026	21	—	—	955	976
Thereafter	15	—	—	4,102	4,117
Total	<u>\$ 310</u>	<u>\$ 265</u>	<u>\$ 282</u>	<u>\$ 5,477</u>	<u>\$ 6,334</u>

- (1) We have omitted uncertain income tax liabilities from this table due to the inherent uncertainty regarding the timing of the potential issue resolution of the underlying matters. Specifically, either (a) the underlying positions have not been fully developed under audit to quantify at this time or (b) the years relating to the matters for certain jurisdictions are not currently under audit. At December 31, 2021, we had \$483 million of net unrecognized tax benefits included in "Other liabilities," in our consolidated balance sheet.

Additionally, at December 31, 2021, we have a remaining net Transition Tax liability of \$142 million associated with the U.S. Tax Reform Act. The remaining Transition Tax liability is payable over the next five years and is not reflected in our Contractual Obligations table above.

- (2) Long-term debt obligations represent our obligations related to the contractual principal repayments and interest payments for our outstanding unsecured notes, which are subject to fixed interest rates, as of December 31, 2021. There was no outstanding balance under our Revolver as of December 31, 2021. We have calculated the expected interest obligation based on the outstanding principal balance and interest rate applicable at December 31, 2021. Refer to Note 13 for additional information on our debt obligations.

Legal Proceedings

We are party to routine claims, suits, investigations, audits, and other proceedings arising from the ordinary course of business, including with respect to intellectual property rights, contractual claims, labor and employment matters, regulatory matters, tax matters, unclaimed property matters, compliance matters, and collection matters. In the opinion of management, such routine claims and lawsuits are not significant, and we do not expect them to have a material adverse effect on our business, financial condition, results of operations, or liquidity. We are also party to the proceedings set forth below.

Pending EEOC Settlement

In September 2021, we entered into a proposed consent decree with the U.S. Equal Employment Opportunity Commission (the “EEOC”) to settle claims regarding certain employment practices. The consent decree is subject to approval by the United States District Court, Central District of California, and, among other things, provides for the creation of an \$18 million settlement fund for eligible claimants; upgrading Company policies, practices, and training to further prevent and eliminate harassment and discrimination in its workplaces, including implementing an expanded performance review system with a new equal opportunity focus; and providing ongoing oversight and review of the Company’s training programs, investigation policies, disciplinary framework and compliance by appointing a third-party equal opportunity consultant whose findings will be regularly reported to our Board of Directors as well as the EEOC. There can be no assurance that the consent decree will be approved by the court. The California Department of Fair Employment and Housing (the “DFEH”) filed a motion to intervene in the matter, seeking to object to the consent decree, including the amount of the settlement fund; that motion was denied. The DFEH filed a notice of appeal of the order denying the DFEH’s motion to intervene. The DFEH filed a motion to stay the matter pending appeal; that motion was denied.

Other Pending Employment-Related Matters

On July 20, 2021, the DFEH filed a complaint (the “DFEH Matter”) in the Los Angeles County Superior Court of the State of California against Activision Blizzard, Blizzard Entertainment and Activision Publishing (together, the “Defendants”) alleging violations of the California Fair Employment and Housing Act and the California Equal Pay Act. The DFEH filed a First Amended Complaint in the DFEH Matter on August 23, 2021. The Defendants moved to dismiss the First Amended Complaint; the motion was heard on February 15, 2022. The Defendants’ motion was denied in part and granted in part, with the DFEH having leave to further amend with respect to the granted portion. In addition, the Company’s Board of Directors recently received notice of an investigation by the DFEH and investigatory subpoenas.

On August 3, 2021, a putative class action was filed in the United States District Court, Central District of California, entitled *Gary Cheng v. Activision Blizzard, Inc., et al.*, Case No. 2:21-cv-06240-PA-JEM. Plaintiffs purport to represent a class of Activision shareholders who purchased stock between February 28, 2017 and November 16, 2021, and assert claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) against the Company and five current or former officers. Beginning on August 6, 2021, three putative shareholder derivative actions were filed in California Superior Court, County of Los Angeles, and those cases have now been consolidated in an action entitled *York County on Behalf of County of York Retirement Fund v. Robert A. Kotick, et al.*, Case No. 21STCV28949. On November 15, 2021, a putative shareholder derivative action was filed in the United States District Court, Central District of California, entitled *Luke Kahnert v. Robert A. Kotick, et al.*, Case No. 2:21-cv-08968-PA-JEM. The putative derivative actions collectively assert claims on the Company’s behalf against thirteen current or former officers and directors for breach of fiduciary duty, corporate waste, unjust enrichment, misappropriation, contribution, and alleged violation of Section 14(a) of the Exchange Act based on allegations similar to those in the DFEH Matter and in the securities class action. The Company is named as a nominal defendant. In addition, the plaintiffs in the *Kahnert* action have sought leave to amend their complaint to assert putative class claims for breach of fiduciary duty against the Company’s directors in connection with the proposed acquisition by Microsoft, along with an aiding and abetting claim against Microsoft.

The Company is cooperating with an investigation by the U.S. Securities and Exchange Commission (the “SEC”) regarding disclosures on employment matters and related issues including responding to subpoenas from the SEC. The SEC has also issued subpoenas to a number of current and former executives and other employees in connection with this matter.

We are unable to predict the impact of the above matters on our business, financial condition, results of operations, or liquidity at this time.

Legal Proceedings Regarding the Merger

On February 24, 2022, one complaint was filed in the United States District Court for the Southern District of New York and one complaint was filed in the United States District Court for the Central District of California, each against the Company and its directors: *Stein v. Activision Blizzard, Inc. et al.*, No. 1:22-cv-01560 (S.D.N.Y.); and *Watson v. Activision Blizzard, Inc. et al.*, No. 2:22-cv-01268 (C.D. Cal.). The complaints each assert violations of Section 14(a) and Section 20(a) of the Exchange Act and allege that the preliminary proxy statement filed in connection with the proposed transaction between the Company and Microsoft omitted certain purportedly material information which rendered the preliminary proxy statement incomplete and misleading. Specifically, the complaints allege that the preliminary proxy statement failed to disclose material information regarding the sales process, the Company's projections and the financial analyses of the Company's financial advisor. Each complaint seeks, among other things, an order to enjoin the transaction unless and until additional disclosures are issued; and, if the transaction closes, damages. It is possible additional lawsuits against the Company, our Board of Directors or the Company's officers may be filed prior to the consummation of the transaction.

Letters of Credit

As described in [Note 13](#), a portion of our Revolver can be used to issue letters of credit of up to \$50 million, subject to the availability of the Revolver. At December 31, 2021, we did not have any letters of credit issued or outstanding under the Revolver.

23. Subsequent Events

Merger Agreement

On January 18, 2022, we entered into an Agreement and Plan of Merger (the "Merger Agreement") with Microsoft and Anchorage Merger Sub Inc. ("Merger Sub"), a wholly owned subsidiary of Microsoft, in which we agreed to be acquired for \$95.00 in cash per issued and outstanding share of our common stock, par value \$0.000001 per share (the "Shares") in an all-cash transaction. Pursuant to the terms of the Merger Agreement, our acquisition will be accomplished through the merger of Merger Sub with and into the Company (the "Merger"), with the Company surviving the Merger as a wholly owned subsidiary of Microsoft.

Pursuant to the terms of the Merger Agreement, and subject to the terms and conditions set forth therein, at the effective time of the Merger (the "Effective Time"), each Share (other than Shares (1) held by the Company as treasury stock (excluding certain Shares held by a wholly owned subsidiary of the Company, which shares will remain outstanding and unaffected by the Merger), (2) owned by Microsoft or Merger Sub, (3) owned by any direct or indirect wholly owned subsidiary of Microsoft or Merger Sub or (4) held by stockholders who have neither voted in favor of adoption of the Merger Agreement nor consented thereto in writing and who have properly and validly exercised their statutory rights of appraisal in respect of such Shares in accordance with Section 262 of the Delaware General Corporation Law, in each case immediately prior to the Effective Time) issued and outstanding immediately prior to the Effective Time will be cancelled and automatically converted into the right to receive \$95.00 in cash, without interest. We have agreed to various customary covenants and agreements, including, among others, agreements to conduct our business in the ordinary course during the period between the execution of the Merger Agreement and the Effective Time. We do not believe these restrictions will prevent us from meeting our debt service obligations, ongoing costs of operations, working capital needs or capital expenditure requirements.

If the Merger Agreement is terminated under certain specified circumstances, we or Microsoft will be required to pay a termination. We will be required to pay Microsoft a termination fee of approximately \$2.27 billion under specified circumstances, including termination of the Merger Agreement in connection with our entry into an agreement with respect to a Superior Proposal (as defined in the Merger Agreement) prior to us receiving stockholder approval of the Merger, or termination by Microsoft upon a Company Board Recommendation Change (as defined in the Merger Agreement), in each case, if certain other conditions are met. Microsoft will be required to pay us a reverse termination fee under specified circumstances, including termination of the Merger Agreement due to a permanent injunction arising from Antitrust Laws (as defined in the Merger Agreement) when we are not then in material breach of any provision of the Merger Agreement and if certain other conditions are met, in an amount equal to (1) \$2.0 billion if the termination notice is provided prior to January 18, 2023, (2) \$2.5 billion if the termination notice is provided after January 18, 2023, and prior to April 18, 2023, or (3) \$3.0 billion if the termination notice is provided at any time after April 18, 2023.

The consummation of the Merger is subject to customary closing conditions, including, among others, (1) the approval and adoption of the Merger Agreement by our stockholders, (2) the absence of any court order or law prohibiting (or seeking to prohibit) the consummation of the Merger, (3) the termination or expiration of any applicable waiting period or periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (as amended) and specified approvals under certain other antitrust and foreign investment laws, subject to certain limitations, (4) compliance by us and Microsoft in all material respects with our respective obligations under the Merger Agreement, and (5) subject to specified exceptions and qualifications for materiality, the accuracy of representations and warranties made by us and Microsoft, respectively, as of the signing date and the closing date.

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

(Amounts in millions)

Col. A Description	Col. B Balance at Beginning of Period	Col. C Additions(A)	Col. D Deductions(B)	Col. E Balance at End of Period
At December 31, 2021				
Allowances for sales returns and price protection and other allowances	\$ 63	\$ 3	\$ (49)	\$ 17
Valuation allowance for deferred tax assets	\$ 228	\$ 52	\$ (2)	\$ 278
At December 31, 2020				
Allowances for sales returns and price protection and other allowances	\$ 118	\$ (29)	\$ (26)	\$ 63
Valuation allowance for deferred tax assets	\$ 181	\$ 49	\$ (2)	\$ 228
At December 31, 2019				
Allowances for sales returns and price protection and other allowances	\$ 186	\$ 11	\$ (79)	\$ 118
Valuation allowance for deferred tax assets	\$ 61	\$ 127	\$ (7)	\$ 181

(A) Includes increases and reversals of allowances for sales returns, price protection, and valuation allowance for deferred tax assets due to normal reserving terms.

(B) Includes actual write-offs and utilization of allowances for sales returns, price protection, and releases of income tax valuation allowances and foreign currency translation and other adjustments.

EXHIBIT INDEX

Pursuant to the rules and regulations of the SEC, the Company has filed certain agreements as exhibits to this Annual Report on Form 10-K. These agreements may contain representations and warranties by the parties. These representations and warranties have been made solely for the benefit of the other party or parties to such agreements and (1) may have been qualified by disclosures made to such other party or parties, (2) were made only as of the date of such agreements or such other date(s) as may be specified in such agreements and are subject to more recent developments, which may not be fully reflected in the Company's public disclosure, (3) may reflect the allocation of risk among the parties to such agreements, and (4) may apply materiality standards different from what may be viewed as material to investors. Accordingly, these representations and warranties may not describe the Company's actual state of affairs at the date hereof and should not be relied upon.

Exhibit Number	Exhibit
2.1	<u>Agreement and Plan of Merger, dated as of January 18, 2022, by and among Microsoft Corporation, Anchorage Merger Sub Inc. and Activision Blizzard, Inc. (incorporated by reference to Exhibit 2.1 of the Company's Form 8-K, filed January 19, 2022).</u>
3.1	<u>Third Amended and Restated Certificate of Incorporation of Activision Blizzard, Inc., dated June 5, 2014 (incorporated by reference to Exhibit 3.1 of the Company's Form 8-K, filed June 6, 2014).</u>
3.2	<u>Fifth Amended and Restated Bylaws of Activision Blizzard, Inc., adopted as of January 17, 2022 (incorporated by reference to Exhibit 3.1 of the Company's Form 8-K, filed January 19, 2022).</u>
4.1	<u>Indenture, dated as of September 19, 2016, among Activision Blizzard, Inc., the guarantors named therein and Wells Fargo Bank, National Association, as trustee, with respect to the Company's 2.300% Unsecured Senior Notes due 2021 and the Company's 3.400% Unsecured Senior Notes due 2026 (incorporated by reference to Exhibit 4.1 of the Company's Form 8-K, filed September 19, 2016).</u>
4.2	<u>Base Indenture, dated as of May 26, 2017, between Activision Blizzard, Inc. and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 of the Company's Form 8-K, filed May 26, 2017).</u>
4.3	<u>First Supplemental Indenture, dated as of May 26, 2017, between Activision Blizzard, Inc. and Wells Fargo Bank, National Association, as trustee, with respect to the Company's 2.600% Unsecured Senior Notes due 2022, the Company's 3.400% Unsecured Senior Notes due September 2027 and the Company's 4.500% Unsecured Senior Notes due 2047 (incorporated by reference to Exhibit 4.2 of the Company's Form 8-K, filed May 26, 2017).</u>
4.4	<u>Second Supplemental Indenture, dated August 10, 2020, between Activision Blizzard, Inc. and Wells Fargo Bank, National Association, as trustee, with respect to the Company's 1.350% Unsecured Senior Notes due 2030, and the Company's 2.500% Unsecured Senior Notes Due 2050 (incorporated by reference to Exhibit 4.2 of the Company's Form 8-K, filed August 10, 2020).</u>
4.5	<u>Form of certificate for the Company's 3.400% Unsecured Senior Notes due 2026 (incorporated by reference to Exhibit 4.1 of the Company's Form 8-K, filed September 19, 2016).</u>
4.6	<u>Form of certificate for the Company's 3.400% Unsecured Senior Notes due 2027 (incorporated by reference to Exhibit 4.2 of the Company's Form 8-K, filed May 26, 2017).</u>
4.7	<u>Form of certificate for the Company's 1.350% Unsecured Senior Notes due 2030 (incorporated by reference to Exhibit 4.2 of the Company's Form 8-K, filed August 10, 2020).</u>
4.8	<u>Form of certificate for the Company's 4.500% Unsecured Senior Notes due 2047 (incorporated by reference to Exhibit 4.2 of the Company's Form 8-K, filed May 26, 2017).</u>
4.9	<u>Form of certificate for the Company's 2.500% Unsecured Senior Notes Due 2050 (incorporated by reference to Exhibit 4.2 of the Company's Form 8-K, filed August 10, 2020).</u>
4.10	<u>Description of Securities.</u>
10.1*	<u>Activision Blizzard, Inc. Amended and Restated 2008 Incentive Plan, as amended and restated on June 7, 2012 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed June 12, 2012).</u>
10.2*	<u>Amended and Restated Activision Blizzard, Inc. 2014 Incentive Plan (incorporated by reference to Exhibit 10.1 of the Company's Form 10-Q filed May 4, 2017).</u>
10.3*	<u>Activision Blizzard, Inc. KDE Equity Incentive Plan, amended as of November 1, 2016 (incorporated by reference to Exhibit 10.14 of the Company's Form 10-K for the year ended December 31, 2016).</u>
10.4*	<u>Form of Notice of Stock Option Award for grants to unaffiliated directors pursuant to the Activision Blizzard, Inc. 2008 Incentive Plan (effective as of November 12, 2008) (incorporated by reference to Exhibit 10.44 of the Company's Form 10-K for the year ended December 31, 2008).</u>
10.5*	<u>Form of Notice of Stock Option Award for grants to unaffiliated directors pursuant to the Activision Blizzard, Inc. 2008 Incentive Plan (effective as of March 6, 2013) (incorporated by reference to Exhibit 10.5 of the Company's Form 10-Q for the quarter ended March 31, 2013).</u>

Exhibit Number	Exhibit
10.6*	<u>Form of Notice of Restricted Share Unit Award for grants to persons other than non-affiliated directors pursuant to the Activision Blizzard, Inc. 2014 Incentive Plan (effective as of July 29, 2014). (incorporated by reference to Exhibit 10.1 of the Company's Form 10-Q for the quarter ended September 30, 2014).</u>
10.7*	<u>Form of Notice of Restricted Share Unit Award for grants to non-affiliated directors pursuant to the Activision Blizzard, Inc. 2014 Incentive Plan (effective as of July 29, 2014). (incorporated by reference to Exhibit 10.2 of the Company's Form 10-Q for the quarter ended September 30, 2014).</u>
10.8*	<u>Form of Notice of Stock Option Award for grants pursuant to the Activision Blizzard, Inc. 2014 Incentive Plan (effective as of March 2, 2017). (incorporated by reference to Exhibit 10.2 of the Company's Form 10-Q for the quarter ended March 31, 2017).</u>
10.9*	<u>Form of Notice of Performance-Vesting Restricted Share Unit Award for grants pursuant to the Activision Blizzard, Inc. 2014 Incentive Plan (effective as of March 2, 2017). (incorporated by reference to Exhibit 10.3 of the Company's Form 10-Q for the quarter ended March 31, 2017).</u>
10.10*	<u>Form of Notice of Stock Option Award for grants pursuant to the Activision Blizzard, Inc. 2014 Incentive Plan (effective as of October 26, 2018). (incorporated by reference to Exhibit 10.21 of the Company's Form 10-K for the year ended December 31, 2018).</u>
10.11*	<u>Form of Notice of Stock Option Award for grants pursuant to the Activision Blizzard, Inc. 2014 Incentive Plan (effective as of November 4, 2019). (incorporated by reference to Exhibit 10.22 to the Company's Form 10-K for the year ended December 31, 2019).</u>
10.12*	<u>Form of Notice of Performance-Vesting Restricted Share Unit Award for grants pursuant to the Activision Blizzard, Inc. 2014 Incentive Plan (effective as of November 4, 2019). (incorporated by reference to Exhibit 10.23 to the Company's Form 10-K for the year ended December 31, 2019).</u>
10.13*	<u>Form of Notice of Stock Option Awards for grants pursuant to the Activision Blizzard, Inc. 2014 Incentive Plan (effective as of November 18, 2020). (incorporated by reference to Exhibit 10.24 of the Company's Form 10-K for the year ended December 31, 2020).</u>
10.14*	<u>Form of Notice of Performance-Vesting Restricted Share Unit Award for grants pursuant to the Activision Blizzard, Inc. 2014 Incentive Plan (effective as of December 4, 2020). (incorporated by reference to Exhibit 10.25 of the Company's Form 10-K for the year ended December 31, 2020).</u>
10.15*	<u>Form of Notice of Stock Option Awards for grants pursuant to the Activision Blizzard, Inc. 2014 Incentive Plan (effective as of October 29, 2021).</u>
10.16*	<u>Form of Notice of Restricted Share Unit Award for grants to persons other than non-affiliated directors pursuant to the Activision Blizzard, Inc. 2014 Incentive Plan (effective as of October 29, 2021).</u>
10.17*	<u>Form of Notice of Restricted Share Unit Award for grants to non-affiliated directors pursuant to the Activision Blizzard, Inc. 2014 Incentive Plan (effective as of October 29, 2021).</u>
10.18*	<u>Form of Notice of Performance-Vesting Restricted Share unit Award for grants pursuant to the Activision Blizzard, Inc. 2014 Incentive Plan (effective as of October 29, 2021).</u>
10.19*	<u>Amended and Restated CEO Recognition Program (incorporated by reference to Exhibit 10.6 of the Company's Form 10-Q for the quarter ended June 30, 2014).</u>
10.20*	<u>Activision Blizzard, Inc. Corporate Annual Incentive Plan (incorporated by reference to Exhibit 10.1 of the Company's Form 10-Q for the quarter ended September 30, 2015).</u>
10.21*	<u>Employment Agreement, dated as of October 1, 2016, between Robert A. Kotick and the Company (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K, filed November 25, 2016).</u>
10.22*	<u>Extension Amendment, dated as of April 28, 2021, between Robert A. Kotick and the Company (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed April 29, 2021).</u>
10.23*	<u>Form of Notice of 2018 Stock Option Award to Robert A. Kotick (incorporated by reference to Exhibit 10.27 of the Company's Form 10-K for the year ended December 31, 2018).</u>
10.24*	<u>Form of Notice of 2019 Stock Option Award to Robert A. Kotick (incorporated by reference to Exhibit 10.31 to the Company's Form 10-K for the year ended December 31, 2019).</u>
10.25*	<u>Corrected Employment Agreement, dated as of April 1, 2021, between Activision Blizzard, Inc. and Armin Zerza (incorporated by reference to Exhibit 10.1 of the Company's Form 10-Q for the quarter ended September 30, 2021).</u>
10.26*	<u>Employment Agreement, dated as of February 25, 2019, between Dennis Durkin and the Company (incorporated by reference to Exhibit 10.24 of the Company's Form 10-K for the year ended December 31, 2018).</u>
10.27*	<u>Employment Agreement, dated March 9, 2020, between Activision Blizzard, Inc. and Daniel Alegre (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K, filed March 11, 2020).</u>
10.28*	<u>Employment Agreement, dated as of February 1, 2021, between Activision Blizzard, Inc. and Brian Bulatao.</u>
10.29*	<u>Employment Agreement, dated as of May 17, 2021, between Activision Blizzard, Inc. and Grant Dixon.</u>

Exhibit Number	Exhibit
10.30*	<u>Employment Agreement, dated as of July 24, 2019, between Claudine Naughton and the Company (incorporated by reference to Exhibit 10.33 of the Company's Form 10-K for the year ended December 31, 2019).</u>
10.31*	<u>Separation Agreement with Reaffirmation between Claudine Naughton and Activision Blizzard, Inc. dated September 10, 2021 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed September 14, 2021).</u>
10.32*	<u>Employment Agreement, dated as of November 1, 2016, between Chris B. Walther and the Company (incorporated by reference to Exhibit 10.2 of the Company's Form 10-Q for the quarter ended March 31, 2019).</u>
10.33*	<u>Non-Affiliated Director Compensation Program and Stock Ownership Guidelines, as amended and restated as of December 3, 2021.</u>
10.34	<u>Credit Agreement, dated as of October 11, 2013, among the Company, as borrower, certain subsidiaries of the Company, as guarantors, a group of lenders, Bank of America, N.A., as administrative agent and collateral agent for the lenders, J.P. Morgan Securities LLC, as syndication agent, Bank of America Merrill Lynch and J.P. Morgan Securities LLC, as joint lead arrangers and joint bookrunners, and Goldman Sachs & Co., HSBC Securities (USA) Inc., Mitsubishi UFJ Securities (USA), Inc., Mizuho Securities USA Inc., RBC Capital Markets, SunTrust Bank and U.S. Bank National Association, as co-documentation agents (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K, filed October 18, 2013).</u>
10.35	<u>First Amendment to the Credit Agreement, dated as of October 11, 2013, by and among Activision Blizzard, Inc., the guarantors from time to time party thereto, the lenders from time to time party thereto, Bank of America, N.A., as administrative agent and collateral agent, and the several other agents party thereto (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K, filed November 3, 2015).</u>
10.36	<u>Second Amendment to the Credit Agreement, dated as of October 11, 2013, by and among Activision Blizzard, Inc., the guarantors from time to time party thereto, the lenders from time to time party thereto, Bank of America, N.A., as administrative agent and collateral agent, and the several other agents party thereto (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K, filed November 17, 2015).</u>
10.37	<u>Third Amendment to the Credit Agreement, dated as of October 11, 2013, by and among Activision Blizzard, Inc., the guarantors from time to time party thereto, the lenders from time to time party thereto, Bank of America, N.A., as administrative agent and collateral agent, and the several other agents party thereto (incorporated by reference to Exhibit 10.1 of the Company's form 8-K, filed December 14, 2015).</u>
10.38	<u>Fourth Amendment to the Credit Agreement, dated as of October 11, 2013, by and among Activision Blizzard, Inc., the guarantors from time to time party thereto, the lenders from time to time party thereto, Bank of America, N.A., as administrative agent and collateral agent, and the several other agents party thereto (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K, filed April 1, 2016).</u>
10.39	<u>Fifth Amendment to the Credit Agreement, dated as of October 11, 2013, by and among Activision Blizzard, Inc., the guarantors from time to time party thereto, the lenders from time to time party thereto, Bank of America, N.A., as administrative agent and collateral agent, and the several other agents party thereto (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K, filed August 24, 2016).</u>
10.40	<u>Sixth Amendment to the Credit Agreement, dated as of October 11, 2013, by and among Activision Blizzard, Inc., the guarantors from time to time party thereto, the lenders from time to time party thereto, Bank of America, N.A., as administrative agent and collateral agent, and the several other agents party thereto (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K, filed February 6, 2017).</u>
10.41	<u>Seventh Amendment to the Credit Agreement, dated as of October 11, 2013, by and among Activision Blizzard, Inc., the guarantors from time to time party thereto, the lenders from time to time party thereto, Bank of America, N.A., as administrative agent and collateral agent, and the several other agents party thereto (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K, filed August 29, 2018).</u>
21.1	<u>Subsidiaries of the Company.</u>
23.1	<u>Consent of Independent Registered Public Accounting Firm (PricewaterhouseCoopers LLP).</u>
24.1	<u>Power of Attorney of each Executive Officer and Director signing this report (included in the signature page hereto).</u>
31.1	<u>Certification of Robert A. Kotick pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2	<u>Certification of Armin Zerza pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1	<u>Certification of Robert A. Kotick pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2	<u>Certification of Armin Zerza pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS	Inline XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.

Exhibit Number	Exhibit
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document.
101.LAB	Inline XBRL Taxonomy Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Indicates a management contract or compensatory plan, contract or arrangement in which a director or executive officer of the Company participates.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 25, 2022

ACTIVISION BLIZZARD, INC.

By: /s/ ROBERT A. KOTICK
Robert A. Kotick
Director and Chief Executive Officer of Activision Blizzard, Inc.
(Principal Executive Officer)

POWER OF ATTORNEY

Each individual whose signature appears below constitutes and appoints Robert A. Kotick and Armin Zerza and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or his, her, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: <u>/s/ ROBERT A. KOTICK</u> (Robert A. Kotick)	Director, Chief Executive Officer (Principal Executive Officer)	February 25, 2
By: <u>/s/ ARMIN ZERZA</u> (Armin Zerza)	Chief Financial Officer (Principal Financial Officer)	February 25, 2
By: <u>/s/ JESSE YANG</u> (Jesse Yang)	Chief Accounting Officer (Principal Accounting Officer)	February 25, 2
By: <u>/s/ REVETA BOWERS</u> (Reveta Bowers)	Director	February 25, 2
By: <u>/s/ ROBERT J. CORTI</u> (Robert J. Corti)	Director	February 25, 2
By: <u>/s/ HENDRIK J. HARTONG III</u> (Hendrik J. Hartong III)	Director	February 25, 2
By: <u>/s/ BRIAN G. KELLY</u> (Brian G. Kelly)	Chairman of the Board and Director	February 25, 2
By: <u>/s/ BARRY MEYER</u> (Barry Meyer)	Director	February 25, 2
By: <u>/s/ ROBERT J. MORGADO</u> (Robert J. Morgado)	Director	February 25, 2
By: <u>/s/ PETER NOLAN</u> (Peter Nolan)	Director	February 25, 2
By: <u>/s/ DAWN OSTROFF</u> (Dawn Ostroff)	Director	February 25, 2
By: <u>/s/ CASEY WASSERMAN</u> (Casey Wasserman)	Director	February 25, 2

**DESCRIPTION OF THE REGISTRANT'S
SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE
ACT OF 1934**

DESCRIPTION OF CAPITAL STOCK

The following description of the capital stock of Activision Blizzard, Inc. (the "Company," "us," "we," or "our") is a summary and does not purport to be complete. It is subject to, and qualified in its entirety by, reference to our Amended and Restated Certificate of Incorporation ("Certificate of Incorporation") and our Amended and Restated Bylaws ("Bylaws"), each of which are incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this exhibit is a part.

Authorized Shares

Under our Certificate of Incorporation, our authorized capital stock consists of 2,405,000,000 shares of capital stock, consisting of 2,400,000,000 shares of common stock, par value \$0.000001 per share, and 5,000,000 shares of preferred stock, par value \$0.000001 per share. The number of authorized shares of any class or classes of our capital stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority in voting power of our outstanding capital stock entitled to vote thereon, irrespective of the provisions of Section 242(b)(2) of the Delaware General Corporation Law (the "DGCL"). We may not authorize the issuance of any class, or series thereof, of nonvoting equity shares. Our common stock is registered under Section 12(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Voting Rights

Holders of our common stock are entitled to one vote per share on all matters voted on by the stockholders, including in connection with the election of directors, as provided by law. Holders of our common stock do not have cumulative voting rights. Except as otherwise required by the DGCL or our Certificate of Incorporation and Bylaws, action requiring stockholder approval may be taken by a vote of the holders of a majority of the voting power of the shares of stock of the Company present in person or by proxy and entitled to vote on the relevant matter at a meeting at which a quorum is present.

Dividend Rights

After satisfaction of any dividend rights of holders of preferred stock and subject to applicable law, holders of common stock are entitled to receive dividends, if any, as may be declared from time to time by our board of directors in its discretion.

Liquidation and Other Rights

Upon our voluntary or involuntary liquidation, distribution or winding up, the holders of our common stock will be entitled to receive ratably all of our remaining assets that are legally available for distribution, if any, after the payment of all debts and other liabilities and subject to the prior rights of any outstanding preferred stock.

Holders of our common stock have no preemptive, subscription, redemption, conversion or exchange rights and no sinking fund provisions.

All outstanding shares of our common stock are duly authorized, validly issued, fully paid and non-assessable. Additional shares of common stock may be issued, as authorized by our Board from time to time, without stockholder approval, except for any stockholder approval required by The Nasdaq Global Select Market.

The rights, preferences and privileges of holders of common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock that we may designate and issue in the future.

Preferred Stock

Our board of directors has been authorized to provide for the issuance of up to 5,000,000 shares of our preferred stock from time to time in one or more series without the approval of stockholders. With respect to each series of our preferred stock, our board of directors has the authority to fix or alter the dividend rights, dividend rate, conversion rights, voting rights, rights and terms of redemption, including sinking fund provisions, the redemption price or prices, and the liquidation preferences of any wholly unissued class or series of Preferred Stock, and the number of shares constituting any such series and the designation thereof, or any of them.

Anti-Takeover Effects of Provisions of our Certificate of Incorporation and Bylaws

Some provisions of Delaware law, our Certificate of Incorporation and our Bylaws could delay or discourage some transactions involving an actual or potential change in control of us or our management and may limit the ability of our stockholders to remove current management or approve transactions that our stockholders may deem to be in their best interests. These provisions:

- allow our board of directors to issue any authorized but unissued shares of common stock without approval of stockholders;
- authorize our board of directors to establish one or more series of preferred stock, the terms of which can be determined by our board of directors at the time of issuance;
- provide an advanced written notice procedure with respect to stockholder proposals and the nomination of candidates for election as directors, other than nominations made by or at the direction of our board of directors, subject to the rights of stockholders to request inclusion of proposals in our proxy statement pursuant to Rule 14a-8 under the Exchange Act (or any successor provision of law);
- state that special meetings of our stockholders may be called only by the Chairman of our board of directors, our Chief Executive Officer, our President, or at the written request of a majority of our board of directors;
- allow our directors, and not our stockholders, to fill vacancies on our board of directors, including vacancies resulting from removal or enlargement of our board of directors; and
- grant our board of directors the authority to alter, amend, change, add to, repeal, rescind or make new Bylaws without a stockholder assent or vote; provided, however, that such authority of our board of directors is subject to the power of the stockholders to alter, amend, change, add to, repeal, rescind or make new Bylaws by the affirmative vote of the holders of at least a majority of the voting power of the outstanding shares entitled to vote thereon.

Delaware Anti-takeover Law

The Company is subject to Section 203 of the DGCL, which is an anti-takeover law. In general, Section 203 prevents a publicly-held Delaware corporation from engaging in a "business combination" with any "interested stockholder" for a period of three years following the date that the person became an interested stockholder unless (1) our board of directors approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder, (2) at least two-thirds of the outstanding shares not owned by that interested stockholder approve the business combination, or (3) upon becoming an interested stockholder, that stockholder owned at least 85% of the outstanding shares, excluding those held by officers, directors and some employee stock plans. In general, a "business combination" includes, among other things, a merger or consolidation involving us and the "interested stockholder" and the sale of more than 10% of our assets. In general, an "interested stockholder" is any entity or person beneficially owning 15% or more of our outstanding voting stock and any entity or person affiliated with or controlling or controlled by such entity or person.

A Delaware corporation may "opt out" of these provisions with an express provision in its original certificate of incorporation or an express provision in its certificate of incorporation or bylaws resulting from a stockholders' amendment approved by at least a majority of the outstanding voting shares. We have not opted out of these provisions.

Exclusive Forum Provision

Unless the Company consents in writing to the selection of an alternative forum, the sole and exclusive forum for certain legal actions involving the Company will be the Court of Chancery of the State of Delaware. If the Court of Chancery of the State of Delaware lacks subject matter jurisdiction over such action or proceeding, the sole and exclusive forum for such action or proceeding shall be another state or federal court located within the State of Delaware or, if no court of the State of Delaware has jurisdiction, then the United States District Court for the District of Delaware. Unless the Company consents in writing to the selection of an alternative forum, the federal district courts of the United States of America will be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act of 1933, as amended and the rules and regulations promulgated thereunder.

**ACTIVISION BLIZZARD, INC.
2014 INCENTIVE PLAN**

NOTICE OF STOCK OPTION AWARD

You have been awarded an option to purchase Common Shares of Activision Blizzard, Inc. (the “Company”), as follows:

- Your name:
- Total number of Shares purchasable upon exercise of the Stock Option awarded:
- Exercise Price: US\$ per Share
- Date of Grant:
- Expiration Date:
- Grant ID:
- Your Award of the Stock Option is governed by the terms and conditions set forth in:
 - this Notice of Stock Option Award;
 - the Stock Option Award Terms attached hereto as Exhibit A;
 - the Appendix attached hereto as Exhibit B, which may include special terms and conditions relating to your country of work and/or residence (the “Appendix”); and
 - the Company’s 2014 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- *Schedule for Vesting:* Except as otherwise provided pursuant to the Stock Option Award Terms attached hereto as Exhibit A, as supplemented, modified, or replaced by the special terms and conditions, if any, set forth under your country of work and/or residence in the Appendix attached hereto as Exhibit B (together, the “Award Terms”), the Stock Option awarded to you shall vest and become exercisable as follows, provided you remain continuously employed by the Company or one of its Subsidiaries through the applicable vesting date:

Date of Vesting	No. of Shares Vesting at Vesting Date
<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>

- ***Please sign and return to the Company this Notice of Stock Option Award, which bears an original signature on behalf of the Company. You are urged to do so promptly.***

- ***Please return the signed Notice of Stock Option Award to the Company at:***

Activision Blizzard, Inc.
3100 Ocean Park Boulevard
Santa Monica, CA 90405
Attn: Stock Plan Administration

- The Stock Option is not intended to be an “incentive stock option,” as such term is defined in Section 422 of the Internal Revenue Code of 1986, as amended from time to time.
- Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Award Terms.
- ***By accepting the Award, you agree that the definition of “Cause” set forth in the Award Terms and, if the Appendix for the United States of America is applicable to you and/or your Award, the definition of “Employment Violation” set forth therein, shall supersede any such definitions in the award terms applicable to any other outstanding equity awards granted to you by the Company and shall apply to such awards as if set forth in those award terms.***
- ***By accepting the Award, you agree to be bound by the terms and conditions set forth in the 2014 Incentive Plan, this Notice of Stock Option Award and the Award Terms. If you do not accept the Award by the first scheduled vesting date and you do not indicate your intention to decline the Award, your Award will be automatically accepted on your behalf and you will be deemed to have accepted the terms and conditions set forth in the 2014 Incentive Plan, this Notice of Stock Option Award and the Award Terms.***

You should retain the enclosed duplicate copy of this Notice of Stock Option Award for your records.

ACTIVISION BLIZZARD, INC.

Julie Hodges
Chief People Officer

Date: _____

ACCEPTED AND AGREED:

[Name of Holder]

Date: _____

EXHIBIT A

ACTIVISION BLIZZARD, INC. 2014 INCENTIVE PLAN

STOCK OPTION AWARD TERMS

1. **Definitions.**

(a) For purposes of these Award Terms, the following terms shall have the meanings set forth below:

“Award” means the award described on the Grant Notice.

“Cause” (i) shall have the meaning given to such term in any employment agreement, service contract or offer letter between the Holder and any entity in the Company Group in effect at the time of the determination or (ii) if the Holder is not then party to any agreement or offer letter with any entity in the Company Group or any such agreement or offer letter does not contain a definition of “cause,” shall mean a good faith determination by the Company that the Holder (A) engaged in misconduct or gross negligence in the performance of his or her duties or willfully and continuously failed or refused to perform any duties reasonably requested in the course of his or her employment; (B) engaged in fraud, dishonesty, or any other conduct that causes, or has the potential to cause, harm to any entity in the Company Group, including its business reputation or financial condition; (C) violated any lawful directives or policies of the Company Group or any applicable laws, rules or regulations; (D) materially breached his or her employment agreement, service contract, proprietary information agreement or confidentiality agreement with any entity in the Company Group; (E) was convicted of, or pled guilty or no contest to, a felony or crime involving dishonesty or moral turpitude; or (F) breached his or her fiduciary duties to the Company Group. Without limiting the generality of the foregoing, “cause” under clauses (i) and (ii) of the preceding sentence shall also mean a good faith belief by the Company, after investigation, that the Holder has engaged in harassment based on any legally protected category or has retaliated against anyone for reporting a concern or potential misconduct in good faith.

“Common Shares” means the shares of common stock, par value \$0.000001 per share, of the Company or any security into which such Common Shares may be changed by reason of any transaction or event of the type referred to in Section 9 hereof.

“Company” means Activision Blizzard, Inc. and any successor thereto.

“Company Group” means the Company and its Subsidiaries.

“Company-Sponsored Equity Account” means an account that is created with the Equity Account Administrator in connection with the administration of the Company’s equity plans and programs, including the Plan.

“Date of Grant” means the Date of Grant of the Award set forth on the Grant Notice.

“Disability” shall mean (i) the Holder is receiving benefits under any long-term disability plan of the Company Group then in effect or (ii) if the Holder is an employee who works and/or resides in the U.S. and is then party to an agreement or offer letter with any entity in the Company Group which contains a definition of “disability” or otherwise provides a method for determining whether the Holder is disabled, shall have the meaning given to such term in, or otherwise be determined in accordance with, such employment agreement or offer letter.

“Employer” means the Subsidiary of the Company which employs the Holder.

“Equity Account Administrator” means the brokerage firm utilized by the Company from time to time to create and administer accounts for participants in the Company’s equity plans and programs, including the Plan.

“Exercise Price” means the Exercise Price set forth on the Grant Notice.

“Exercise Rules and Regulations” means (i) (A) for employees who work and/or reside in the U.S., the Securities Act or any comparable U.S. federal securities law and all applicable state securities laws, and (B) for employees who work and/or reside outside the U.S., any laws applicable to the Holder which subject him or her to insider trading restrictions and/or market abuse laws or otherwise affect his or her ability to accept, acquire, sell, attempt to sell or otherwise dispose of Common Shares, rights to Common Shares (*e.g.*, Stock Options) or rights linked to the value of Common Shares during such times as he or she is considered to have “inside information” regarding the Company, (ii) the requirements of any securities exchange, securities association, market system or quotation system on which Common Shares are then traded or quoted, (iii) any restrictions on transfer imposed by the Company’s certificate of incorporation or bylaws, and (iv) any policy or procedure the Company has adopted with respect to the trading of its securities, in each case as in effect on the date of the intended transaction.

“Expiration Date” means the Expiration Date set forth on the Grant Notice.

“Grant Notice” means the Notice of Stock Option Award to which the Award Terms are attached.

“Holder” means the recipient of the Award named on the Grant Notice.

“Option” means the Stock Option to purchase Common Shares awarded to the Holder on the terms and conditions described in the Grant Notice and these Award Terms.

“Plan” means the Activision Blizzard, Inc. 2014 Incentive Plan, as amended from time to time.

“Section 409A” means Section 409A of the Code and the guidance and regulations promulgated thereunder.

“Securities Act” means the U.S. Securities Act of 1933, as amended.

“Shares” means the Common Shares purchasable upon exercise of the Stock Option.

“U.S.” means the United States of America.

“Withholding Taxes” means any taxes, including, but not limited to, income tax, social insurance (*e.g.*, U.S. social security and Medicare), payroll tax, state and local income taxes, fringe benefits tax, and payment on account, required or permitted under any applicable law to be withheld from amounts otherwise payable to the Holder.

(b) Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Plan.

2. Expiration. The Stock Option shall expire on the Expiration Date and, after such expiration, shall no longer be exercisable.

3. Vesting and Exercise.

(a) Vesting Schedule. Except as otherwise set forth in these Award Terms, the Stock Option shall vest, and thereupon become exercisable, in accordance with the “Schedule for Vesting” set forth on the Grant Notice.

(b) Exercisable Only by the Holder. Except as otherwise permitted under the Plan or Section 11 hereof, the Stock Option may be exercised during the Holder’s lifetime only by the Holder or, in the event of the Holder’s legal incapacity to do so, by the Holder’s guardian or legal representative acting on behalf of the Holder in a fiduciary capacity under court supervision and/or applicable law.

(c) Procedure for Exercise. The Stock Option may be exercised by the Holder as to all or any of the Shares as to which the Stock Option has vested (i) by following the procedures for exercise established by the Equity Account Administrator and posted on the Equity Account Administrator’s website from time to time or (ii) with the Company’s consent, by giving the Company written notice of exercise, in such form as may be prescribed by the Company from time to time, specifying the number of Shares to be purchased.

(d) Payment of Exercise Price. To be valid, any exercise of the Stock Option must be accompanied by full payment of the aggregate Exercise Price of the Shares being purchased. The Company shall determine the method or methods the Holder may use to make such payment, which may include any of the following: (i) by bank check or certified check or wire transfer of immediately available funds, (ii) if securities of the Company of the same class as the Shares are then traded or quoted on a national securities exchange, the Nasdaq Stock Market, Inc. or a national quotation system sponsored by the National Association of Securities Dealers, Inc., through the delivery of irrevocable written instructions, in a form acceptable to the Company, to the Equity Account Administrator (or, with the Company’s consent, such other brokerage firm as may be requested by the person exercising the Stock Option) to sell some or all of the Shares being purchased upon such exercise and to thereafter deliver promptly to the Company from the proceeds of such sale an amount in cash equal to the aggregate Exercise Price of the Shares being purchased, (iii) through the withholding of Shares otherwise deliverable upon exercise, (iv) for U.S. taxpayers only, by tendering previously owned Common Shares (valued at their Market Value per Share as of the date of tender), or (v) any combination of (i), (ii), (iii) or (for U.S. employees only) (iv) above or any other manner permitted pursuant to the Plan.

(e) No Fractional Shares. In no event may the Stock Option be exercised for a fraction of a Share.

(f) No Adjustment for Dividends or Other Rights. No adjustment shall be made for cash dividends or other rights for which the record date is prior to the date as of which the issuance or transfer of Shares to the person entitled thereto has been evidenced on the books and records of the Company pursuant to clause (ii) of Section 3(g) hereof following exercise of the Stock Option.

(g) Issuance and Delivery of Shares. As soon as practicable (and, in any event, within 30 days) after the valid exercise of the Stock Option, the Company shall (i) effect the issuance or transfer of the Shares purchased upon such exercise, (ii) cause the issuance or transfer of such Shares to be evidenced on the books and records of the Company, and (iii) cause such Shares to be delivered to a Company-Sponsored Equity Account in the name of the person entitled to such Shares (or, with the Company’s consent, such other brokerage account as may be requested by such person); provided, however, that, in the event such Shares are subject to a legend as set forth in Section 14 hereof, the Company shall instead cause a certificate evidencing such Shares and bearing such legend to be delivered to the person entitled thereto.

(h) Partial Exercise. If the Stock Option shall have been exercised with respect to less than all of the Shares purchasable upon exercise of the Stock Option, the Company shall make a notation in its books and records to reflect the partial exercise of the Stock Option and the number of Shares that thereafter remain available for purchase upon exercise of the Stock Option.

4. Termination of Employment.

(a) Cause. Unless the Committee determines otherwise, in the event that (a) the Holder's employment is terminated by any entity in the Company Group for Cause or (b) if the Holder terminates his or her employment with the Company Group in breach of an employment agreement with any entity in the Company Group, as of the date of such termination of employment the Stock Option shall (i) cease to vest, if not then fully vested, (ii) no longer be exercisable, whether or not vested, and (iii) be immediately cancelled.

(b) Death or Disability. Unless the Committee determines otherwise, in the event that the Holder dies while employed by any entity in the Company Group or the Holder's employment with any entity in the Company Group is terminated due to the Holder's Disability, the Stock Option shall (i) cease to vest as of the date of the Holder's death or the first date of the Holder's Disability (as determined by the Committee), as the case may be, and (ii) to the extent vested as of the date of the Holder's death or the first date of the Holder's Disability, as the case may be, remain exercisable in accordance with these Award Terms until the earlier of (A) the first anniversary of the date of the Holder's death or termination of employment, as the case may be, and (B) the Expiration Date, after which the Stock Option shall no longer be exercisable and shall be immediately cancelled. To the extent not vested as of the date of the Holder's death or the first date of the Holder's Disability, as the case may be, the Stock Option shall be immediately cancelled and shall no longer be exercisable.

(c) Other. Unless the Committee determines otherwise, in the event that the Holder's employment is terminated for any reason not addressed by Section 4(a) or 4(b) hereof, the Stock Option shall (i) cease to vest as of the date of such termination of employment and (ii) to the extent vested as of the date of such termination of employment, be exercisable in accordance with these Award Terms until the earlier of (A) (i) in the case of a termination by the Holder, the 30th day after the date of such termination of employment or (ii) in the case of a termination by the Company Group, the 90th day after the date of such termination of employment (or, in either case, if the Holder is prohibited from exercising the Stock Option during some or all of the 30-day or 90-day period, as the case may be, following such termination date because such exercise would not be in compliance with the Exercise Rules and Regulations, whatever later date may be determined in accordance with a Committee-approved policy) and (B) the Expiration Date, after which the Stock Option shall no longer be exercisable and shall be immediately cancelled. To the extent not vested as of the date of such termination of service, the Stock Option shall be immediately cancelled and shall no longer be exercisable.

5. Tax Withholding.

(a) Regardless of any action the Company or the Employer takes with respect to any Withholding Taxes related to the Holder's participation in the Plan and legally applicable to the Holder, the Holder acknowledges that the ultimate liability for all Withholding Taxes is and remains the Holder's responsibility and may exceed the amount, if any, actually withheld by the Company or the Employer. The Holder further acknowledges that the Company and/or the Employer (A) make no representations or undertakings regarding the treatment of any Withholding Taxes in connection with any aspect of the Stock Option, including, without limitation, the grant, vesting or exercise of the Stock Option, the subsequent sale of Shares acquired pursuant to such exercise and the receipt of any dividends; and (B) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Stock Option to reduce or eliminate the Holder's liability for Withholding Taxes or achieve any particular tax result. Further, if the Holder is or becomes subject to tax in more than one jurisdiction, the Holder acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Withholding Taxes in more than one jurisdiction. The Company shall have no obligation to deliver any Shares upon exercise of the Stock Option unless and until all Withholding Taxes contemplated by this Section 5 have been satisfied.

(b) Prior to any relevant taxable or tax withholding event, as applicable, the Holder agrees to make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Withholding Taxes resulting from the exercise (in whole or in part) of the Stock Option, the issuance or transfer of any Shares upon exercise of the Stock Option or otherwise in connection with the Award at the time such Withholding Taxes become due. In this regard, the Holder authorizes the Company and/or the Employer, or their respective agents, to satisfy any applicable withholding obligations with regard to all Withholding Taxes by one or a combination of the following: (i) by delivery to the Company of a bank check or certified check or wire transfer of immediately available funds; (ii) if securities of the Company of the same class as the Shares are then traded or quoted on a national securities exchange, the Nasdaq Stock Market, Inc. or a national quotation system sponsored by the National Association of Securities Dealers, Inc., through the delivery of irrevocable written instructions, in a form acceptable to the Company, to the Equity Account Administrator (or, with the Company's consent, such other brokerage firm as may be requested by the person exercising the Stock Option) to sell some or all of the Shares being purchased upon such exercise and to thereafter deliver promptly to the Company from the proceeds of such sale an amount in cash equal to the aggregate amount of such Withholding Taxes; (iii) through the withholding of Shares otherwise deliverable upon exercise; or (iv) by any combination of (i), (ii) or (iii) above. Further, any entity in the Company Group shall have the right to require the Holder to satisfy any Withholding Taxes contemplated by this Section 5 by any of the aforementioned methods or by withholding from the Holder's wages or other cash compensation.

(c) The Company Group may withhold or account for Withholding Taxes contemplated by this Section 5 by reference to applicable withholding rates, including minimum or maximum applicable statutory rates in the Holder's jurisdiction(s) of employment and/or residency, and if the Company Group withholds more than the amount necessary to satisfy the liability, the Holder may receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent Shares. If the Company Group withholds less than the amount necessary to satisfy the liability, the Holder may be required to pay any additional Withholding Taxes directly to the applicable tax authority or to the Company and/or the Employer. If the obligation for Withholding Taxes is satisfied by withholding in Shares, for tax purposes the Holder will be deemed to have been issued the full number of Shares, notwithstanding that a number of the Shares is held back solely for the purpose of paying the Withholding Taxes. No fractional Shares will be withheld or issued pursuant to the exercise of the Stock Option and the issuance of Withholding Taxes thereunder.

6. Deemed Agreement. By accepting the Award, the Holder is deemed to be bound by the terms and conditions set forth in the Plan, the Grant Notice and these Award Terms.

7. Reservation of Shares. The Company shall at all times reserve for issuance or delivery upon exercise of the Stock Option such number of Common Shares as shall be required for issuance or delivery upon exercise thereof.

8. Committee Discretion. Except as may otherwise be provided in the Plan, the Committee shall have sole discretion to (a) interpret any provision of the Plan, the Grant Notice and these Award Terms, (b) make any determinations necessary or advisable for the administration of the Plan and the Award, and (c) waive any conditions or rights of the Company under the Award, the Grant Notice or these Award Terms. Without intending to limit the generality or effect of the foregoing, any decision or determination to be made by the Committee pursuant to these Award Terms, including whether to grant or withhold any consent, shall be made by the Committee in its sole and absolute discretion, subject only to the terms of the Plan. Subject to the terms of the Plan, the Committee may amend the terms of the Award prospectively or retroactively; however, no such amendment may materially and adversely affect the rights of the Holder taken as a whole without the Holder's consent. Without intending to limit the generality or effect of the foregoing, the Committee may amend the terms of the Award (i) in recognition of unusual or nonrecurring events (including, without limitation, events described in Section 9 hereof) affecting any entity in the Company Group or any of the Company's other affiliates or the financial statements of any entity in the Company Group or any of the Company's other affiliates, (ii) in response to changes in applicable laws, regulations or accounting principles and interpretations thereof, or (iii) to prevent the Award from becoming subject to Section 409A.

9. Adjustments. Notwithstanding anything to the contrary contained herein, pursuant to Section 12 of the Plan, the Committee will make or provide for such adjustments to the Award as are equitably required to prevent dilution or enlargement of the rights of the Holder that otherwise would result from (a) any stock dividend, extraordinary dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, (b) any change of control, merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, or issuance of rights or warrants to purchase securities, or (c) any other corporate transaction or event having an effect similar to any of the foregoing. Moreover, in the event of any such transaction or event, the Committee, in its discretion, may provide in substitution for the Award such alternative consideration (including, without limitation, cash), if any, as it may determine to be equitable in the circumstances and may require in connection therewith the surrender of the Award.

10. Registration and Listing. Notwithstanding anything to the contrary contained herein, the Stock Option may not be exercised, and the Stock Option and Shares purchasable upon exercise of the Stock Option may not be purchased, sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered in any way, unless such transaction is in compliance with all Exercise Rules and Regulations. The Company is under no obligation to register, qualify or list, or maintain the registration, qualification or listing of the Stock Option or Shares with the U.S. Securities and Exchange Commission, any state securities commission or any securities exchange, securities association, market system or quotation system to effect such compliance. The Holder shall make such representations and furnish such information as may be appropriate to permit the Company, in light of the then existence or non-existence of an effective registration statement under the Securities Act, relating to the Stock Option or Shares, to issue or transfer the Stock Option or Shares in compliance with the provisions of that or any comparable federal securities law and all applicable state securities laws. The Company shall have the right, but not the obligation, to register the issuance or resale of the Stock Option or Shares under the Securities Act or any comparable federal securities law or applicable state securities law.

11. Transferability. Subject to the terms of the Plan, and only with the Company's consent, the Holder may transfer all or part of the Stock Option for estate planning purposes or pursuant to a domestic relations order (or a comparable order under applicable local law); provided, however, that any transferee shall be bound by all of the terms and conditions of the Plan, the Grant Notice and these Award Terms and shall execute an agreement in form and substance satisfactory to the Company in connection with such transfer; and provided further that the Holder will remain bound by the terms and conditions of the Plan, the Grant Notice and these Award Terms. Except as otherwise permitted under the Plan or this Section 11, the Stock Option shall not be transferable by the Holder other than by will or the laws of descent and distribution.

12. Compliance with Applicable Laws and Regulations and Company Policies and Procedures.

(a) The Holder is responsible for complying with (i) any federal, state, and local tax, social insurance, national insurance contributions, payroll tax, payment on account or other tax liabilities applicable to the Holder in connection with the Award and (ii) all Exercise Rules and Regulations.

(b) The Award is subject to the terms and conditions of any policy requiring or permitting the Company to recover any gains realized by the Holder in connection with the Award, including, without limitation, the Policy on Recoupment of Performance-Based Compensation Related to Certain Financial Restatements.

(c) If and when the Holder is an "executive officer" of the Company within the meaning of the Executive Stock Ownership Guidelines, the Award will be subject to the terms and conditions of the Executive Stock Ownership Guidelines and the limitations contained therein on the ability of the Holder to transfer any Vested Shares.

13. Section 409A. As the Exercise Price is equal to the fair market value of a Share on the Date of Grant, payments contemplated with respect to the Award are intended to be exempt from Section 409A, and all provisions of the Plan, the Grant Notice and these Award Terms shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A. Notwithstanding the foregoing, (a) nothing in the Plan, the Grant Notice and these Award Terms shall guarantee that the Award is not subject to taxes or penalties under Section 409A and (b) if any provision of the Plan, the Grant Notice or these Award Terms would, in the reasonable, good faith judgment of the Company, result or likely result in the imposition on the Holder or any other person of taxes, interest or penalties under Section 409A, the Committee may, in its sole discretion, modify the terms of the Plan, the Grant Notice or these Award Terms, without the consent of the Holder, in the manner that the Committee may reasonably and in good faith determine to be necessary or advisable to avoid the imposition of such taxes, interest or penalties; provided, however, that this Section 13 does not create an obligation on the part of the Committee or the Company to make any such modification, and in no event shall the Company be liable for the payment of or gross up in connection with any taxes, interest or penalties owed by the Holder pursuant to Section 409A.

14. Legend. The Company may, if determined by it based on the advice of counsel to be appropriate, cause any certificate evidencing Shares to bear a legend substantially as follows:

"THE SECURITIES REPRESENTED HEREBY MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE 'ACT'), OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT."

15. No Right to Employment. Nothing contained in the Grant Notice or these Award Terms shall create a right to employment or be interpreted as forming and employment or service

contract with the Company, the Employer or any other entity in the Company Group and shall not interfere with the ability of the Employer to retire, request the resignation of or terminate the Holder's employment or service relationship at any time.

16. No Rights as Stockholder. No holder of the Stock Option shall, by virtue of the Grant Notice or these Award Terms, be entitled to any right of a stockholder of the Company, either at law or in equity, and the rights of any such holder are limited to those expressed, and are not enforceable against the Company except to the extent set forth, in the Plan, the Grant Notice or these Award Terms.

17. Severability. In the event that one or more of the provisions of these Award Terms shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

18. Venue and Governing Law.

(a) For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by the grant of the Stock Option or these Award Terms, the parties submit and consent to the exclusive jurisdiction of the State of California and agree that such litigation shall be conducted only in the courts of Los Angeles County, California, or the federal courts of the United States for the Central District of California and no other courts, regardless of where the grant of the Stock Option is made and/or to be performed; provided, however, that if the parties have entered into another agreement providing for a different venue or forum (e.g., a dispute resolution agreement), then the terms of such agreement will control for purposes of this provision.

(b) To the extent that U.S. federal law does not otherwise control, the validity, interpretation, performance and enforcement of the Grant Notice and these Award Terms shall be governed by the laws of the State of Delaware, without giving effect to principles of conflicts of laws thereof.

19. Successors and Assigns. The provisions of the Grant Notice and these Award Terms shall be binding upon and inure to the benefit of the Company, its successors and assigns, and the Holder and, to the extent applicable, the Holder's permitted assigns under Section 3(b) hereof and the Holder's estate or beneficiaries as determined by will or the laws of descent and distribution.

20. Delivery of Notices and Other Documents.

(a) Any notice or other document which the Holder may be required or permitted to deliver to the Company pursuant to or in connection with the Grant Notice or these Award Terms shall be in writing, and may be delivered personally or by mail, postage prepaid, or overnight courier, addressed to the Company, at its office at 3100 Ocean Park Boulevard, Santa Monica, California 90405, U.S.A., Attn: Stock Plan Administration, or such other address as the Company by notice to the Holder may designate in writing from time to time. Notices shall be effective upon delivery.

(b) Any notice or other document which the Company may be required or permitted to deliver to the Holder pursuant to or in connection with the Grant Notice or these Award Terms shall be in writing, and may be delivered personally or by mail, postage prepaid, or overnight courier, addressed to the Holder at the address shown on any employment agreement, service contract or offer letter between the Holder and any entity in the Company Group in effect at the time, or such other address as the Holder by notice to the Company may designate in writing from time to time. The Company may also, in its sole discretion, deliver any such document to the Holder electronically via an e-mail to the Holder at his or her Company-

provided email address or through a notice delivered to such e-mail address that such document is available on a website established and maintained on behalf of the Company or a third party designated by the Company, including, without limitation, the Equity Account Administrator. Notices shall be effective upon delivery.

21. Conflict with Plan. In the event of any conflict between the terms the Grant Notice or these Award Terms and the terms of the Plan, the terms of the Plan shall control.

22. Appendix. Notwithstanding anything to the contrary contained herein, the Stock Option shall be subject to any additional terms and conditions set forth in the Appendix for the Holder's country of work and/or residence, which constitute a part of these Award Terms. Moreover, if the Holder relocates his or her work and/or residence to one of the countries included in the Appendix, the additional terms and conditions for such country will apply to the Holder, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with applicable local law or facilitate the administration of the Plan.

23. Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Holder's participation in the Plan, on the Stock Option and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with applicable local law or facilitate the administration of the Plan, and to require the Holder to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

24. Waiver. The Holder acknowledges that a waiver by the Company of a breach of any provision of these Award Terms shall not operate or be construed as a waiver of any other provision of these Award Terms, or of any subsequent breach by the Holder or any other holder of an equity award from the Company.

EXHIBIT B

APPENDIX

TO

ACTIVISION BLIZZARD, INC. 2014 INCENTIVE PLAN

STOCK OPTION AWARD TERMS

ADDITIONAL TERMS AND CONDITIONS BY COUNTRY

Capitalized terms used but not defined herein shall have the meanings given to such terms in the Plan or the Award Terms, as the case may be.

TERMS AND CONDITIONS

This Appendix includes special terms and conditions applicable to Holders who work and/or reside in the countries covered by the Appendix. These terms and conditions are in addition to or, if so indicated, in place of, the terms and conditions set forth in the Award Terms.

If the Holder is a citizen or resident of a country other than the one in which he or she is currently residing and/or working, transferred or transfers employment and/or residency after the Stock Option was granted or is considered a resident of another country for local law purposes (*i.e.*, the Holder is a “mobile employee”), the Company shall have the sole discretion to determine to what extent the special terms and conditions shall apply to the Holder.

NOTIFICATIONS

This Appendix also includes notifications relating to exchange control and other issues of which the Holder should be aware with respect to his or her participation in the Plan. The information is based on the exchange control, securities and other laws in effect in the countries to which this Appendix refers as of October 2021. Such laws are often complex and change frequently. As a result, the Company strongly recommends that the Holder not rely on the notifications herein as the only source of information relating to the consequences of participation in the Plan because the information may be out of date at the time Shares are purchased upon exercise of the Stock Option or Shares purchased under the Plan are sold.

In addition, the notifications are general in nature and may not apply to the particular situation of the Holder, and the Company is not in a position to assure the Holder of any particular result. Accordingly, each Holder should seek appropriate professional advice as to how the relevant laws in his or her country may apply to his or her situation. Finally, if the Holder is a mobile employee, the information contained herein may not be applicable to the Holder in the same manner.

GENERAL PROVISIONS APPLICABLE TO ALL HOLDERS WHO WORK AND/OR RESIDE OUTSIDE THE U.S.

Nature of Grant. By accepting the Stock Option, the Holder acknowledges, understands, and agrees that:

- (1) the Plan is established voluntarily by the Company, it is discretionary in nature, and it may be modified, amended, suspended or terminated by the Company at any time, unless otherwise provided in the Plan and/or these Award Terms;
- (2) the grant of the Stock Option is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of rights to purchase Common Shares, or benefits in lieu of grants of rights to purchase Common Shares, even if grants of rights to purchase Common Shares have been granted in the past;
- (3) all decisions with respect to future grants of rights to purchase Common Shares, if any, will be at the sole discretion of the Company;
- (4) the Holder's participation in the Plan is voluntary;
- (5) the grant of the Stock Option and any Shares acquired under the Plan and the income in respect of and the value of the same are extraordinary items that do not constitute compensation of any kind for services of any kind rendered to the Company or the Employer, and which are outside the scope of the employment agreement or service contract between the Holder and the Company, the Employer or any other entity in the Company Group, if any;
- (6) the Stock Option and any Shares acquired under the Plan and the income in respect of and the value of the same are not intended to replace any pension rights or compensation;
- (7) the Stock Option and any Shares acquired under the Plan, and the income in respect of and the value of the same, are not part of normal or expected compensation or salary for any purpose, including, without limitation, the calculation of any severance, resignation, termination, redundancy, dismissal, end of service payment, bonus, long-service award, leave-related payment, holiday pay, pension or retirement or welfare benefit or similar payments;
- (8) the Stock Option grant and the Holder's participation in the Plan will not be interpreted to form an employment or service contract or relationship with the Company and, furthermore, the Stock Option grant will not be interpreted to form an employment agreement or service contract or relationship with any other company in the Company Group;
- (9) the future value of the underlying Shares is unknown and cannot be predicted with certainty;
- (10) if the underlying Shares do not increase in value, the Stock Option will have no value;
- (11) if the Holder exercises the Stock Option and obtains Shares, the value of those Shares acquired upon exercise may increase or decrease in value, even below the Exercise Price;

- (12) unless otherwise agreed with the Company, the Stock Option and the Shares subject to the Stock Option, and the income and value of same, are not granted as consideration for, or in connection with, the service the Holder may provide as a director of any entity of Company Group;
- (13) no claim or entitlement to compensation or damages shall arise from forfeiture of the Stock Option resulting from termination of the Holder's continuous service with the Company or the Employer (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction in which the Holder is employed or the terms of the employment agreement or service contract between the Holder and the Company, the Employer or any other entity in the Company Group, if any);
- (14) unless the Committee determines otherwise, in the event of the termination of the Holder's continuous service (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction in which the Holder is employed or the terms of the employment agreement or service contract between the Holder and the Company, the Employer or any other entity in the Company Group, if any), the Holder's right to receive or vest in the Stock Option under the Plan, if any, will terminate effective as of the date that the Holder is no longer actively employed and will not be extended by any notice period mandated under local law (*e.g.*, active employment would not include a period of "garden leave" or similar period pursuant to local law); furthermore, in the event of the termination of the Holder's continuous service (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction in which the Holder is employed or the terms of the Holder's employment agreement or service contract, if any), the Holder's right to exercise the Stock Option after termination of the Holder's continuous service, if any, will be measured by the date of termination of the Holder's active employment and will not be extended by any notice period mandated under local law; the Committee shall have the exclusive discretion to determine when the Holder is no longer actively employed for purposes of the Holder's Stock Option grant (including whether the Holder may still be considered actively employed while on a leave of absence);
- (15) the Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Holder's participation in the Plan, or the Holder's acquisition or sale of the underlying Shares;
- (16) the Holder should consult with the Holder's own personal tax, legal and financial advisors regarding the Holder's participation in the Plan before taking any action related to the Plan;
- (17) unless otherwise provided in the Plan or by the Company in its discretion, the Stock Option and the benefits evidenced by these Award Terms do not create any entitlement to have the Stock Option or any such benefits transferred to, or assumed by, another company, nor be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares; and
- (18) neither the Company, the Employer nor any other entity in the Company Group shall be liable for any foreign exchange rate fluctuation between the Holder's local currency and the United States Dollar that may affect the value of the Stock Option or of any amounts due to the Holder pursuant to the exercise of the Stock Option or the subsequent sale of any Shares acquired upon exercise.

Foreign Asset/Account Reporting Requirements. The Holder acknowledges that there may be certain foreign asset and/or account reporting requirements which may affect the Holder's ability to acquire or hold Shares acquired under the Plan or cash received from participating in the Plan (including from any dividends paid on Shares acquired under the Plan) in a brokerage or bank account outside the Holder's country of work and/or residence. The Holder may be required to report such accounts, assets or transactions to the tax or other authorities in his or her country. The Holder also may be required to repatriate sale proceeds or other funds received as a result of the Holder's participation in the Plan to his or her country through a designated bank or broker within a certain time after receipt. The Holder acknowledges that it is his or her responsibility to be compliant with such regulations, and the Holder is advised to consult his or her personal legal advisor for any details.

Language. The Holder acknowledges that he or she is sufficiently proficient in English, or has consulted with an advisor who is sufficiently proficient in English, to understand the terms and conditions of these Award Terms. Furthermore, if the Grant Notice, these Award Terms or any other document related to the Plan has been translated into a language other than English and the meaning of the translated version is different than the English version then, by accepting the Award, the Holder acknowledges that the English version will control.

DATA PRIVACY INFORMATION AND CONSENT

The following provision applies to Holders who work and/or reside outside the European Economic Area.

Data Collection and Usage. The Holder hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Holder's personal data as described in the Grant Notice and these Award Terms by and among, as applicable, the Employer or any other entity in the Company Group for the exclusive purpose of implementing, administering and managing the Holder's participation in the Plan.

Data Processing. The Holder understands that the Company and the Employer may hold certain personal information about the Holder, including, without limitation, the Holder's name, home address, email address and telephone number, date of birth, social insurance, passport or other identification number, salary, nationality, job title, any directorships held in any entity in the Company Group, any Shares owned, details of all options or any other entitlement to Shares or equivalent benefits awarded, canceled, purchased, exercised, vested, unvested or outstanding in the Holder's favor (the "Data"), for the purpose of implementing, administering and managing the Plan.

Stock Plan Administration, Data Transfer, Retention and Data Subject Rights. The Holder understands that the Data will be transferred to the Equity Account Administrator, which is assisting the Company with the implementation, administration and management of the Plan. The Holder understands that the recipients of the Data may be located in the Holder's country of work and/or residence, or elsewhere, and that any recipient's country may have different data privacy laws and protections than the Holder's country of work and/or residence. The Holder understands that the Holder may request a list with the names and addresses of any potential recipients of the Data by contacting the Holder's local human resources representative. The Holder authorizes the Company, the Equity Account Administrator and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purpose of implementing, administering and managing the Holder's participation in the Plan. The Holder understands that Data will be held only as long as is necessary to implement, administer and manage the Holder's participation in the Plan. The Holder understands that the Holder may, at any time, view the Data, request additional

information about the storage and processing of the Data, require any necessary amendments to the Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Holder's local human resources representative. Further, the Holder understands that he or she is providing the consents herein on a purely voluntary basis. If the Holder does not consent, or if the Holder later seeks to revoke his or her consent, his or her employment status or service with the Employer will not be affected; the only consequence of refusing or withdrawing the Holder's consent is that the Company would not be able to grant the Holder Stock Options or other equity awards or administer or maintain such awards. Therefore, the Holder understands that refusal or withdrawal of consent may affect the Holder's ability to participate in the Plan. For more information on the consequences of the Holder's refusal to consent or withdrawal of consent, the Holder understands that the Holder may contact the Holder's local human resources representative.

The following provision applies to Holders who work and/or reside in the European Economic Area (including Switzerland and the United Kingdom).

Data Collection and Usage. Pursuant to applicable data protection laws, the Holder is hereby notified that the Company collects, processes, uses and transfers certain personally-identifiable information about the Holder for the exclusive legitimate purpose of granting Stock Options and implementing, administering and managing the Holder's participation in the Plan. Specifics of the data processing are described below.

Controller. The Company is the controller responsible for the processing of the Holder's personal data in connection with the Plan.

Personal Data subject to Processing. The Company collects, processes and uses the following types of personal data about the Holder: name, home address and telephone number, email address, date of birth, social insurance, passport number or other identification number, salary, nationality, job title, any shares of stock or directorships held in any entity in the Company Group, details of all Stock Options or any other entitlement to Shares awarded, canceled, settled, vested, unvested or outstanding in the Holder's favor, which the Company receives from the Holder or the Employer ("Personal Data"), for the purpose of implementing, administering and managing the Plan.

Purposes and Legal Bases of Processing. The Company processes the Personal Data for the purpose of performing its contractual obligations under the Award Terms, granting Stock Options, implementing, administering and managing the Holder's participation in the Plan and facilitating compliance with applicable tax and securities law. The legal basis for the processing of the Personal Data by the Company and the third-party service providers described below is the necessity of the data processing for the Company to perform its contractual obligations under the Award Terms and for the Company's legitimate business interests of managing the Plan and generally administering employee equity awards.

Stock Plan Administration Service Providers. The Company transfers Personal Data to the Equity Account Administrator, an independent stock plan administrator with operations, relevant to the Company, in the United States, which assists the Company with the implementation, administration and management of the Plan. In the future, the Company may select a different service provider and may share Personal Data with such service providers. The Holder will be asked to agree on separate terms and data processing practices with the service provider, which is a condition of the Holder's ability to participate in the Plan. The Holder's Personal Data will only be accessible by those individuals requiring access to it for purposes of implementing, administering and operating the Holder's participation in the Plan. The Holder understands that the Holder may request a list with the names and addresses of any potential recipients of Personal Data by contacting the Holder's local human resources representative.

International Data Transfers. The Company and its service providers, including, without limitation, the Equity Account Administrator, operate, relevant to the Company, in the United States, which means that it will be necessary for Personal Data to be transferred to, and processed in, the United States, for the performance of the contractual obligations under the Award Terms. The Holder understands that the Holder may request a list with the names and addresses of any potential recipients of the Data by contacting the Holder's local human resources representative.

The Holder understands and acknowledges that the United States is not subject to an unlimited adequacy finding by the European Commission and that the Holder's Personal Data may not have an equivalent level of protection as compared to the Holder's country of work and/or residence. To provide appropriate safeguards for the protection of the Holder's Personal Data, the Personal Data is transferred to the Company based on data transfer and processing agreements implementing the EU Standard Contractual Clauses. The Holder may request a copy of the safeguards used to protect his or her Personal Data by contacting the Company at: employeeprivacy@activision.com.

Data Retention. The Company will use the Personal Data only as long as necessary to implement, administer and manage the Holder's participation in the Plan, or as required to comply with legal or regulatory obligations, including tax and securities laws. This period may extend beyond the Holder's termination of employment with the Employer. When the Company no longer needs the Personal Data, the Company will remove it from its systems to the fullest extent reasonably practicable. If the Company keeps data longer, it would be to satisfy legal or regulatory obligations and the Company's legal basis would be relevant laws or regulations.

Holder's Rights. To the extent provided by law, the Holder has the right to (i) inquire whether and what kind of Personal Data the Company holds about the Holder and how it is processed, and to access or request copies of such Personal Data, (ii) request the correction or supplementation of Personal Data that is inaccurate, incomplete or out-of-date in light of the purposes underlying the processing, (iii) obtain the erasure of Personal Data no longer necessary for the purposes underlying the processing or processed in non-compliance with applicable legal requirements, (iv) request the Company to restrict the processing of Personal Data in certain situations where the Holder feels its processing is inappropriate, (v) object, in certain circumstances, to the processing of Personal Data for legitimate interests, (vi) request portability of Personal Data that the Holder has actively or passively provided to the Company, where the processing of such Personal Data is based on consent or a contractual agreement with the Holder and is carried out by automated means, or (vii) lodge a complaint with the competent local data protection authority. To receive additional information regarding the Holder's rights, raise any other questions regarding the practices described in the Award Terms or to exercise his or her rights, the Holder should contact the Company at: employeeprivacy@activision.com.

Contractual Requirement. The Holder's provision of Personal Data and its processing as described above is a contractual requirement and a condition to the Holder's ability to participate in the Plan. The Holder understands that, as a consequence of the Holder's refusing to provide Personal Data, the Company may not be able to allow the Holder to participate in the Plan, grant Stock Options to the Holder or administer or maintain such Stock Options. However, the Holder's participation in the Plan and his or her acceptance of the Award Terms are purely voluntary. While the Holder will not receive Stock Options if he or she decides against participating in the Plan or providing Personal Data as described above, the Holder's career and salary will not be affected in any way. For more information on the consequences of the refusal to provide Personal Data, the Holder may contact the Company at: employeeprivacy@activision.com.

Appendix for Australia
Additional terms and Conditions of the
Activision Blizzard, Inc.
2014 Incentive Plan
Stock Option Award Terms

NOTIFICATIONS

Securities Law Notification. If the Holder exercises the Stock Option and subsequently offers the Shares purchased upon exercise for sale to a person or entity resident in Australia, the offer may be subject to disclosure requirements under Australian law and the Holder should obtain legal advice regarding any applicable disclosure obligations prior to making any such offer.

Exchange Control Notification. Exchange control reporting is required for cash transactions exceeding A\$10,000 and all international fund transfers. The Australian bank assisting with the transaction will file the report for the Holder. If there is no Australian bank involved in the transfer, the Holder will be required to file the report him/herself.

Tax Information. The Plan is a plan to which subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies (subject to conditions therein).

Appendix for Brazil
Additional terms and Conditions of the
Activision Blizzard, Inc.
2014 Incentive Plan
Stock Option Award Terms

TERMS AND CONDITIONS

Compliance with Law. By accepting the Stock Option, the Holder acknowledges that he or she agrees to comply with applicable Brazilian laws and to pay any and all applicable taxes associated with the Holder's participation in the Plan, including the exercise of the Stock Option, the receipt of any dividends, and the sale of any Shares acquired under the Plan.

Nature of Company Stock Option Grants. By accepting the Stock Option, the Holder agrees that (1) he or she is making an investment decision and (2) the value of the underlying Shares is not fixed and may increase or decrease in value over time without compensation to the Holder.

NOTIFICATIONS

Exchange Control Notification. If the Holder is resident or domiciled in Brazil, he or she will be required to submit a declaration of assets and rights held outside of Brazil to the Central Bank of Brazil if the aggregate value of such assets and rights equals or exceeds US\$1,000,000. Assets and rights that must be reported include any Shares acquired under the Plan.

Tax on Financial Transaction (IOF). Payments to foreign countries (including the payment of the Exercise Price) and repatriation of funds into Brazil and the conversion between BRL and US\$ associated with such fund transfers may be subject to the Tax on Financial Transactions. It is the Holder's responsibility to comply with any applicable Tax on Financial Transactions arising from the Holder's participation in the Plan. The Holder should consult with his or her personal tax advisor for additional details.

**Appendix for Canada
Additional terms and Conditions of the
Activision Blizzard, Inc.
2014 Incentive Plan
Stock Option Award Terms**

TERMS AND CONDITIONS

Form of Payment. The Holder is prohibited from surrendering Shares that he or she already owns or attesting to the ownership of Shares to pay the Exercise Price or any Withholding Taxes in connection with the Stock Option.

Termination of Employment. Notwithstanding anything to the contrary in Section 4(c) of the Award Terms, unless the Committee determines otherwise, in the event of the termination of the Holder's continuous service (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction in which the Holder is employed or the terms of the Holder's employment agreement or service contract, if any), vesting will terminate and the period remaining to exercise the Stock Option will be measured effective as of the date that is the earliest of: (1) the date the Holder's employment or service with the Company Group is terminated, (2) the date the Holder receives notice of termination of employment or service from the Employer or any other entity in the Company Group, and (3) the date the Holder is no longer actively employed or rendering services to the Company Group, regardless of any notice period or period of pay in lieu of such notice required under local law (including, but not limited to, statutory law, regulatory law and/or common law). In the event the date the Holder is no longer actively employed or rendering services cannot be reasonably determined under the Award Terms and/or the Plan, the Committee shall have the exclusive discretion to determine when the Holder is no longer actively employed for purposes of the Stock Option (including whether the Holder may still be considered actively employed while on a leave of absence).

Notwithstanding the foregoing, if applicable employment standards legislation explicitly requires continued entitlement to vesting during a statutory notice period, the Holder's right to vest in the Stock Options under the Plan, if any, will terminate effective as of the last day of the Holder's minimum statutory notice period, but the Holder will not earn or be entitled to pro-rated vesting if the vesting date falls after the end of the Holder's statutory notice period, nor will the Holder be entitled to any compensation for lost vesting.

The following provisions will apply to Holders who are residents of Quebec:

Language Acknowledgement. The parties acknowledge that it is their express wish that the Award Terms, including this Appendix, as well as all documents, notices, and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Consentement relatif à la langue utilisée: *Les parties reconnaissent avoir exigé la rédaction en anglais de cette annexe, la convention afférente, ainsi que de tous documents, avis donnés et procédures judiciaires, exécutés, donnés ou intentés en vertu de, ou liés directement ou indirectement aux présentes.*

Data Privacy Notice and Consent. This provision supplements the "Data Privacy Information and Consent for Holders outside the European Economic Area" Section of the Appendix:

The Holder hereby authorizes the Company and the Company's representatives to discuss with and obtain all relevant information from all personnel, professional or not, involved in the

administration and operation of the Plan. The Holder further authorizes the Company Group, Equity Account Administrator and any other broker(s) designated by the Company to disclose and discuss the Plan with their respective advisors. The Holder further authorizes the Company Group to record such information and to keep such information in the Holder's employee file.

NOTIFICATIONS

Securities Law Notification. The Holder is permitted to sell any Shares acquired under the Plan through the Equity Account Administrator, provided that the resale of Shares acquired under the Plan takes place outside of Canada through the facilities of a stock exchange on which the Shares are listed. The Shares are currently listed on the Nasdaq.

Foreign Asset/Account Reporting Notification. Foreign specified property (including Shares) held by Canadian residents must be reported annually on Form T1135 (Foreign Income Verification Statement) if the total value of such foreign specified property exceeds C\$100,000 at any time during the year. Foreign specified property includes any Shares acquired under the Plan and may include the Stock Option. The Stock Option must be reported—generally at a nil cost—if the C\$100,000 cost threshold is exceeded because of other foreign specified property the Holder holds. If Shares are acquired, their cost generally is the adjusted cost base (“ACB”) of the Shares. The ACB would normally equal the fair market value of the Shares at exercise, but if the Holder owns other shares of the Company's common stock, this ACB may have to be averaged with the ACB of those other shares. If due, the form must be filed by April 30th of the following year. The Holder should speak with a personal tax advisor to determine the scope of foreign property that must be considered for purposes of this requirement.

Appendix for China

Additional terms and Conditions of the Activision Blizzard, Inc. 2014 Incentive Plan Stock Option Award Terms

NOTIFICATIONS

Exchange Control Notification. The Holder understands, acknowledges and agrees that certain exchange control restrictions may apply to the Holder's participation in the Plan, including to the remittance of funds out of China to pay the Exercise Price and the remittance into China of any sale proceeds or dividends paid on any Shares acquired under the Plan. The Holder understands that it is his or her sole responsibility to comply with applicable exchange control restrictions in China.

Appendix for Denmark
Additional terms and Conditions of the
Activision Blizzard, Inc.
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Nature of Grant. This provision supplements the “Nature of Grant” Section of the Appendix:

By participating in the Plan, the Holder acknowledges that he or she understands and agrees that the grant of the Option relates to future services to be performed and is not a bonus or compensation for past services.

Stock Option Act. The Holder acknowledges that they have received an “Employer Statement” in Danish which sets forth additional terms of the Stock Options, to the extent that the Danish Stock Option Act applies to the Stock Options.

NOTIFICATIONS

Foreign Asset/Account Reporting Information. Danish tax payers that have an account holding Common Shares or an account holding cash outside Denmark must report those accounts to the Danish Tax Administration. The form which should be used in this respect may be obtained from a local bank.

Appendix for France

Additional terms and Conditions of the Activision Blizzard, Inc. 2014 Incentive Plan Stock Option Award Terms

TERMS AND CONDITIONS

Stock Option Not Tax-Qualified. The Holder understands that the Stock Option is not intended to be French tax-qualified.

Language Consent. By accepting the Award, the Holder confirms that he or she has read and understood the documents relating to the Stock Option (the Grant Notice, the Plan, and the Award Terms, including this Appendix) which were provided in the English language. The Holder accepts the terms of these documents accordingly.

Consentement relatif à la langue utilisée: En acceptant l'Attribution, le Titulaire confirme qu'il ou qu'elle a lu et compris les documents afférents à l'Option (la Notification d'Attribution, le Plan et les Termes de l'Attribution, ainsi que la présente Annexe) qui sont produits en langue anglaise. Le Titulaire accepte les termes de ces documents en connaissance de cause.

NOTIFICATIONS

Foreign Asset/Account Reporting Notification. If the Holder retains Shares acquired under the Plan outside of France or maintains a foreign bank account, the Holder is required to report such to the French tax authorities when filing his or her annual tax return. Further, French residents with foreign account balances exceeding €1,000,000 may have additional monthly reporting obligations.

Appendix for Germany
Additional terms and Conditions of the
Activision Blizzard, Inc.
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NOTIFICATIONS

Exchange Control Notification. Cross-border payments in excess of €12,500 must be reported monthly to the German Federal Bank. No report is required for payments less than €12,500. In case of payments in connection with securities (including proceeds realized upon the sale of Shares), the report must be made by the 5th day of the month following the month in which the payment was received. Effective from September 2013, the report must be filed electronically. The form of report (“*Allgemeine Meldeportal Statistik*”) can be accessed via the *Bundesbank*’s website (www.bundesbank.de) and is available in both German and English. The Holder is responsible for satisfying the reporting obligation.

Foreign Asset/Account Reporting Information. If the Holder’s acquisition of Shares under the Plan leads to a “qualified participation” at any point during the calendar year, the Holder will need to report the acquisition of such shares when the Holder files his or her tax return for the relevant year. A qualified participation is attained if (1) the value of the Stock acquired exceeds €150,000 or (2) the shares of Stock held exceed 10% of the Company’s total common stock. However, provided the Shares are listed on a recognized stock exchange (*e.g.*, the Nasdaq Stock Market) and the Holder owns less than 1% of the Company, this requirement will not apply. The Holder should consult with his or her personal tax advisor to ensure the Holder complies with applicable reporting obligations.

Appendix for Hong Kong
Additional terms and Conditions of the
Activision Blizzard, Inc.
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TERMS AND CONDITIONS

Sale Restriction. Any Shares received at exercise are accepted as a personal investment. Notwithstanding anything contrary in the Agreement or the Plan, in the event the Stock Option vests and Shares are issued to the Holder or his or her legal representatives or estate within six months of the Date of Grant, the Holder agrees that the Holder or his or her legal representatives or estate will not offer to the public or otherwise dispose of any Shares acquired prior to the six-month anniversary of the Date of Grant.

NOTIFICATIONS

Securities Warning. The contents of this document have not been reviewed by any regulatory authority in Hong Kong. The Holder is advised to exercise caution in relation to the offer. If the Holder is in any doubt about any of the contents of this document, he or she should obtain independent professional advice. The Stock Options and any Shares acquired upon vesting of the Stock Options do not constitute a public offering of securities under Hong Kong law and are available only to employees of the Company or any Subsidiary or Affiliate. The Plan, the Grant Agreement and other incidental communication materials have not been prepared in accordance with and are not intended to constitute a “prospectus” for a public offering of securities under the applicable securities legislation in Hong Kong. The Stock Options are intended only for the personal use of each eligible employee of the Company or any Subsidiary or Affiliate and may not be distributed to any other person.

Appendix for Hungary
Additional terms and Conditions of the
Activision Blizzard, Inc.
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There are no country-specific provisions.

Appendix for Ireland
Additional terms and Conditions of the
Activision Blizzard, Inc.
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TERMS AND CONDITIONS

Nature of Grant. This provision supplements the “Nature of Grant” Section of the Appendix:

In accepting the grant of the Stock Option, the Holder acknowledges that he or she understands and agrees that the benefits received under the Plan will not be taken into account for any redundancy or unfair dismissal claim.

NOTIFICATIONS

Director Notification Requirements. If the Holder is a director, shadow director or secretary of an Irish Subsidiary and the Holder’s aggregate shareholding interest equals or exceeds 1% of the voting rights of the Company, the Holder must notify the Irish Subsidiary in writing within a certain time period of (i) receiving or disposing of an interest in the Company (*e.g.*, Stock Options, Shares), (ii) becoming aware of the event giving rise to the notification requirement, or (iii) becoming a director or secretary if such an interest exists at the time. This notification requirement also applies with respect to the interests of a spouse or minor children (whose interests will be attributed to the director, shadow director or secretary, as the case may be). The Holder may contact Stock Plan Administration to obtain a sample form that can be used to satisfy this notification requirement.

Appendix for Italy

Additional terms and Conditions of the Activision Blizzard, Inc. 2014 Incentive Plan Stock Option Award Terms

TERMS AND CONDITIONS

Plan Document Acknowledgment. By accepting the Stock Options, the Holder acknowledges that he or she has received a copy of the Plan and the Grant Agreement and has reviewed the Plan and the Grant Agreement, including this Appendix B, in their entirety and fully understands and accepts all provisions of the Plan and the Grant Agreement, including this Appendix B. The Holder acknowledges having read and specifically and expressly approves the following sections of the Grant Agreement: Section 3 (“Vesting Schedule”), Section 4 (“Termination of Employment”), Section 5 (“Taxes Withholding”), Section 15 (“No Right to Employment”), Section 16 (“No Rights as Stockholder”), Section 18 (“Venue and Governing Law”), and “Data Privacy Information and Consent” and “Language” as described in Exhibit B.

NOTIFICATIONS

Foreign Asset / Account Tax Reporting Notification. Italian residents who, at any time during the fiscal year, hold foreign financial assets (such as cash, Shares) which may generate income taxable in Italy are required to report such assets on their annual tax returns or on a special form if no tax return is due. The same reporting duties apply to Italian residents who are beneficial owners of the foreign financial assets pursuant to Italian money laundering provisions, even if they do not directly hold the foreign asset abroad. The Holder is advised to consult his or her personal legal advisor to ensure compliance with applicable reporting requirements.

Foreign Asset Tax Information. Italian residents who, at any time during the fiscal year, hold foreign financial assets (including cash and Shares) which may generate income taxable in Italy are required to report these assets on their annual tax returns (UNICO Form, RW Schedule) for the year during which the assets are held, or on a special form if no tax return is due. These reporting obligations will also apply to Italian residents who are the beneficial owners of foreign financial assets under Italian money laundering provisions.

Appendix for Japan

Additional terms and Conditions of the Activision Blizzard, Inc. 2014 Incentive Plan Stock Option Award Terms

NOTIFICATIONS

Exchange Control Notification. If the Holder is a Japanese resident and acquires Shares valued at more than ¥100,000,000 in a single transaction, the Holder must file a Securities Acquisition Report with the Ministry of Finance through the Bank of Japan within 20 days of the purchase of such Shares.

In addition, if the Holder is a Japanese resident and pays more than ¥30,000,000 in a single transaction for the purchase of Shares upon the exercise of the Stock Option, the Holder must file a Payment Report with the Ministry of Finance through the Bank of Japan by the 20th day of the month following the month in which the payment was made. The precise reporting requirements vary depending on whether or not the relevant payment is made through a bank in Japan.

A Payment Report is required independently from a Securities Acquisition Report. Therefore, if the total amount that the Holder pays upon a one-time transaction for exercising the Stock Option and purchasing Shares exceeds ¥100,000,000, then the Holder must file both a Payment Report and a Securities Acquisition Report.

Foreign Asset/Account Reporting Notification. The Holder will be required to report details of any assets (including any Shares acquired under the Plan) held outside of Japan as of December 31st of each year, to the extent such assets have a total net fair market value exceeding ¥50,000,000. Such report will be due by March 15th of the following year. The Holder should consult with his or her personal tax advisor as to whether the reporting obligation applies to the Holder and whether the Holder will be required to report details of any outstanding Stock Options or Shares held by the Holder in the report.

Appendix for Korea

Additional terms and Conditions of the Activision Blizzard, Inc. 2014 Incentive Plan Stock Option Award Terms

NOTIFICATIONS

Foreign Asset/Account Reporting Notification. Korean residents must declare all foreign financial accounts (*e.g.*, non-Korean bank accounts, brokerage accounts, etc.) to the Korean tax authority and file a report with respect to such accounts if the value of such accounts exceeds KRW 500 million (or an equivalent amount in foreign currency). The Holder should consult with his or her personal tax advisor to determine how to value the Holder's foreign accounts for purposes of this reporting requirement and whether the Holder is required to file a report with respect to such accounts.

Appendix for Luxembourg
Additional terms and Conditions of the
Activision Blizzard, Inc.
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There are no country-specific provisions.

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Global Option Grant Award Agreement for Employees (as of October 2021)

**Appendix for Mexico
Additional terms and Conditions of the
Activision Blizzard, Inc.
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TERMS AND CONDITIONS

Acknowledgement of the Award Terms. By accepting the Stock Option, the Holder acknowledges that he or she has received a copy of the Plan and the Award Terms, including this Appendix, which he or she has reviewed. The Holder further acknowledges that he or she accepts all the provisions of the Plan and the Award Terms, including this Appendix. The Holder also acknowledges that he or she has read and specifically and expressly approves the terms and conditions set forth in the “Nature of Grant” Section of the Appendix, which clearly provide as follows:

- (1) The Holder’s participation in the Plan does not constitute an acquired right;
- (2) The Plan and the Holder’s participation in it are offered by the Company on a wholly discretionary basis;
- (3) The Holder’s participation in the Plan is voluntary; and
- (4) The Company and any entity in the Company Group are not responsible for any decrease in the value of any Shares acquired upon settlement of the Stock Option.

Labor Law Acknowledgement and Policy Statement. By accepting the Stock Option, the Holder acknowledges that the Company, with registered offices at 3100 Ocean Park Boulevard, Santa Monica, California 90405, U.S.A., is solely responsible for the administration of the Plan. The Holder further acknowledges that his or her participation in the Plan, the grant of the Stock Option and any acquisition of Shares under the Plan do not constitute an employment relationship between the Holder and the Company because the Holder is participating in the Plan on a wholly commercial basis and his or her sole employer is Actibliz Mexico S. de RL de CV, Tihuatlan 41,602, San Jerónimo Aculco, Federal District, México (“Activision-Mexico”). Based on the foregoing, the Holder expressly acknowledges that the Plan and the benefits that he or she may derive from participation in the Plan do not establish any rights between the Holder and his or her employer, Activision-Mexico, and do not form part of the employment conditions and/or benefits provided by Activision-Mexico, and any modification of the Plan or its termination shall not constitute a change or impairment of the terms and conditions of the Holder’s employment.

The Holder further understands that his or her participation in the Plan is the result of a unilateral and discretionary decision of the Company and, therefore, the Company reserves the absolute right to amend and/or discontinue the Holder’s participation in the Plan at any time, without any liability to the Holder.

Finally, the Holder hereby declares that he or she does not reserve to him or herself any action or right to bring any claim against the Company for any compensation or damages regarding any provision of the Plan or the benefits derived under the Plan, and that he or she therefore grants a full and broad release to the Company, its Subsidiaries, affiliates, branches, representation offices, shareholders, officers, agents or legal representatives, with respect to any claim that may arise.

SPANISH TRANSLATION

Reconocimiento de los terminos del otorgamiento de acciones. Al aceptar las Opciones Acciones, el Tenedor reconoce que ha recibido una copia del Plan y de los Términos del Otorgamiento de acciones, incluyendo este anexo, los cuales ha revisado. El Tenedor también reconoce que acepta los términos del Plan y del Otorgamiento de Acciones, incluyendo este anexo. Así mismo el Tenedor reconoce que ha leído y expresamente aprueba los términos y condiciones establecidas en la cláusula 1 de los Términos Generales para Tenedores fuera de los Estados Unidos, las cuales claramente establecen lo siguiente:

- (1) La participación del Tenedor en el Plan no constituye un derecho adquirido
- (2) El plan y la participación del Tenedor en dicho Plan son ofrecidos por la Empresa en forma totalmente discrecional.
- (3) La participación del Tenedor en el Plan es voluntaria; y
- (4) La Empresa y cualquier empresa del Grupo de Empresas no son responsables por la reducción en el valor de las acciones comunes que sean adquiridas en virtud de las Opciones Accionarias.

Política de Ley Laboral y Reconocimiento. Al aceptar las Opciones Accionarias, el Tenedor expresamente reconoce que la Empresa, con domicilio ubicado en 310 Ocean Park Boulevard, Santa Mónica, California, 90405 U.S.A., es el único responsable para la administración de Plan y que su participación en los Plan y adquisición de acciones no constituye una relación de trabajo entre la Empresa y el Tenedor, toda vez que su participación en el Plan es totalmente en base a una relación comercial entre mi único patrón Actibliz Mexico S. de RL de CV, Tihuatlan 41,602, San Jerónimo Aculco, Federal District, México ("Activision Mexico") Derivado de lo anterior, el Tenedor expresamente reconoce que el Plan y beneficios que pudieran derivar de su participación en el Plan no establecen derechos entre mi único patrón Activision Mexico y el suscrito, no forman parte de mis condiciones y/o prestaciones de trabajo otorgadas por Activision Mexico y cualquier modificación del Plan o su terminación no constituye un cambio o detrimento en los términos y condiciones de mi relación de trabajo.

Asimismo, el Tenedor entiende que su participación en el Plan es resultado de una decisión unilateral y discrecional de la Empresa, por lo tanto la Empresa se reserva el derecho absoluto de modificar y/o discontinuar la participación de usted en cualquier momento y sin responsabilidad alguna frente al Tenedor.

Finalmente, en este acto el Tenedor declara que no se reserva acción o derecho alguno para presentar cualquier reclamación en contra de la Empresa por cualquier compensación o daño en relación con cualquier disposición del Plan o de los beneficios derivados del Plan y, por lo tanto, usted otorga el más amplio y total finiquito a la Empresa, sus afiliadas, sucursales, oficinas de representación, accionistas, funcionarios, agentes o representantes en relación con cualquier reclamación que pudiera surgir.

NOTIFICATIONS

Securities Law Notification. The Stock Option and the Common Shares offered under the Plan have not been registered with the National Register of Securities maintained by the Mexican National Banking and Securities Commission and cannot be offered or sold publicly in Mexico. In addition, the Plan, the Award Terms and any other document relating to the Stock Option may not be publicly distributed in Mexico. These materials are addressed to the Holder only because of the Holder's existing relationship with the Company and the Employer and these materials should not be reproduced or copied in any form. The offer contained in these materials does not constitute a public offering of securities but rather constitutes a private placement of securities addressed specifically to individuals who are present employees of Activision Mexico made in accordance with the provisions of the Mexican Securities Market Law, and any rights under such offering shall not be assigned or transferred.

Appendix for the Netherlands

**Additional terms and Conditions of the
Activision Blizzard, Inc.
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TERMS AND CONDITIONS

Nature of Grant. This provision supplements the “Nature of Grant” Section of the Appendix:

In accepting the grant of the Stock Option, the Holder acknowledges that the Stock Option granted under the Plan is intended as an incentive for the Holder to remain employed with the Employer and is not intended as remuneration for labor performed.

Appendix for New Zealand
Additional terms and Conditions of the
Activision Blizzard, Inc.
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NOTIFICATIONS

Securities Law Notification. Warning: This is an offer of rights to receive Shares upon exercise of the Stock Option subject to the terms of the Plan and the Award Terms. Stock Options give the Holder a stake in the ownership of the Company. The Holder may receive a return if dividends are paid on the Shares.

If the Company runs into financial difficulties and is wound up, the Holder will be paid only after all creditors and holders of preferred shares have been paid. The Holder may lose some or all of their investment.

New Zealand law normally requires people who offer financial products to give information to investors before they invest. This information is designed to help investors to make an informed decision.

The usual rules do not apply to this offer because it is made under an employee share purchase scheme. As a result, the Holder may not be given all the information usually required. The Holder will also have fewer other legal protections for this investment.

The Holder should ask questions, read all documents carefully, and seek independent financial advice before committing to participate in the Plan.

In addition, the Holder is hereby notified that the Company's most recent Annual Report on Form 10-K, the Plan and the Plan prospectus are available for review on the Company intranet site at Finance - The Hub (activisionblizzard.com). The Company's most recent Annual Report can also be found at: <https://investor.activision.com/#ir-reports-filings>. And your Award Terms can be found in your E*Trade account at www.etrade.com by navigating to My Account/Plan Elections.

As noted above, the Holder should carefully read the materials provided before making a decision whether to participate in the Plan. The Holder is also encouraged to contact their personal tax advisor for specific information concerning the Holder's personal tax situation with regard to Plan participation.

Appendix for Poland

Additional terms and Conditions of the Activision Blizzard, Inc. 2014 Incentive Plan Stock Option Award Terms

NOTIFICATIONS

Foreign Asset/Account Reporting Notification. Polish residents holding foreign securities (including Shares acquired under the Plan) and maintaining accounts abroad must report information to the National Bank of Poland on transactions and balances of the securities and cash deposited in such accounts if the value of such transactions or balances exceeds PLN 7,000,000. If required, the reports must be filed on a quarterly basis on special forms available on the website of the National Bank of Poland.

Exchange Control Notification. If the Holder transfers funds into Poland in excess of a certain threshold (currently €15,000, unless the transfer of funds is considered to be connected with the business activity of an entrepreneur, in which case a lower threshold may apply) in connection with the sale of Shares under the Plan, the funds must be transferred via a bank account held at a bank in Poland. The Holder is required to retain the documents connected with a foreign exchange transaction for a period of five (5) years, as measured from the end of the tax year in which such transaction occurred.

Appendix for Portugal
Additional terms and Conditions of the
Activision Blizzard, Inc.
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TERMS AND CONDITIONS

Language Consent. The Holder hereby expressly declares that he or she has full knowledge of the English language and has read, understood and fully accepted and agreed with the terms and conditions established in the Plan and Award Terms.

Consentimento sobre Língua

O Empregado Contratado, pelo presente instrumento, declara expressamente que domina a língua inglesa e que leu, compreendeu e livremente aceitou e concordou com os termos e condições estabelecidos no Plano e no Acordo de Atribuição.

Appendix for Romania
Additional terms and Conditions of the
Activision Blizzard, Inc.
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Exchange Control Notification. The Holder is generally not required to seek authorization from the National Bank of Romania to participate in the Plan or to open and operate a foreign bank account to receive any proceeds under the Plan. However, if the Holder acquires 10% or more of the registered capital of a non-resident company, the Holder must file a report with the National Bank of Romania ("NBR") within 30 days from the date such ownership is reached. This is a statutory requirement, but it does not trigger the payment of fees to NBR.

Appendix for Russia
Additional terms and Conditions of the
Activision Blizzard, Inc.
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NOTIFICATIONS

Securities Law Information. The Employer is not in any way involved in the offer of Stock Options or administration of the Plan. These materials do not constitute advertising or an offering of securities in Russia nor do they constitute placement of the Shares in Russia. The issuance of Shares pursuant to the Stock Options described herein has not and will not be registered in Russia and hence, the Shares described herein may not be admitted or used for offering, placement or public circulation in Russia.

Data Privacy Notice and Consent. This section replaces the Data Privacy and Consent provision of Exhibit B.

The Holder hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of his or her personal data as described in the Award Terms by and among, as applicable, the Employer, the Company and its Affiliates for the exclusive purpose of implementing, administering and managing his or her participation in the Plan.

The Holder understands that the Company, any Affiliate and/or the Employer may hold certain personal data about the Holder, including, but not limited to, the Holder's name, home address and telephone number, email address, date of birth, social insurance, passport or other identification number, salary, nationality, job title, any Shares of stock or directorships held in the Company, details of all Stock Options or any other entitlement to Shares awarded, canceled, vested, unvested or outstanding in his or her favor ("Data"), for the purpose of implementing, administering and managing the Plan.

The Holder understands that Data may be transferred to the Equity Account Administrator or such other stock plan service provider as may be selected by the Company in the future, which is assisting in the implementation, administration and management of the Plan, that the recipients of the Data may be located in his or her country, or elsewhere, and that the recipients' country (*e.g.*, the United States) may have different data privacy laws and protections than his or her country. The Holder understands that the Holder may request a list with the names and addresses of any potential recipients of the Data by contacting the U.S. human resources representative or stock plan services. The Holder authorizes the Company, the Equity Account Administrator and other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing his or her participation in the Plan, including any requisite transfer of such Data as may be required to a broker, escrow agent or other third party with whom the Shares received upon vesting of the Stock Options may be deposited. The Holder understands that Data will be held only as long as is necessary to implement, administer and manage the Holder's participation in the Plan.

The Holder understands that the Holder may, at any time, view Data, request information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case and without cost, by contacting in writing the U.S. human resources representative. The Holder understands that refusal or withdrawal, rescission

or termination of consent may affect his or her ability to participate in the Plan. For more information on the consequences of the Holder's refusal to consent or withdrawal of consent, the Holder understands that Holder may contact the U.S. human resources representative or stock plan services.

U.S. Transaction. Any Shares issued pursuant to the Stock Options shall be delivered to the Holder through a brokerage account in the U.S. The Holder may hold Shares in his or her brokerage account in the U.S.; however, in no event will Shares issued to the Holder and/or Share certificates or other instruments be delivered to the Holder in Russia. The Holder is not permitted to make any public advertising or announcements regarding the Stock Options or Shares in Russia, or promote these Shares to other Russian legal entities or individuals, and the Holder is not permitted to sell or otherwise dispose of Shares directly to other Russian legal entities or individuals. The Holder is permitted to sell Shares only on the Nasdaq Stock Market and only through a U.S. broker.

Settlement of Stock Options and Sale of Shares. Due to local regulatory requirements, the Company reserves the right to require the immediate sale of any Shares to be issued to the Holder upon vesting of the Stock Options. The Holder agrees that the Company is authorized to instruct its designated broker to assist with any such mandatory sale of the Shares (on his or her behalf pursuant to this authorization) and the Holder expressly authorizes the Company's designated broker to complete the sale of such Shares, if so instructed by the Company. In such case, the Holder acknowledges that the Company's designated broker is under no obligation to arrange for the sale of the Shares at any particular price. Upon the sale of the Shares, the Company agrees to pay Holder the cash proceeds from the sale of the Shares, less any brokerage fees or commissions and subject to any obligation to satisfy Withholding Tax-related items. The Holder may hold the cash proceeds in the brokerage account in the U.S. for an indefinite period of time (*e.g.*, for subsequent reinvestment). The Holder acknowledge that Holder is not aware of any material nonpublic information with respect to the Company or any securities of the Company as of the date of this Agreement.

Exchange Control Information. Under exchange control regulations in Russia, the Holder may be required to repatriate certain cash amounts the Holder receives with respect to the Stock Options to Russia as soon as the Holder intends to use those cash amounts for any purpose, including reinvestment. If the repatriation requirements apply, such funds must initially be credited to the Holder through a foreign currency account at an authorized bank in Russia. After the funds are initially received in Russia, they may be further remitted to foreign banks in accordance with Russian exchange control laws.

Under the Directive of the Russian Central Bank (the "CBR") N 5371-U which came into force on April 17, 2020, there are no restrictions on the transfer of cash into and from accounts opened by Russian currency residents with a foreign financial market institution other than a bank. Accordingly, the repatriation requirement in certain cases may not apply with respect to cash amounts received in an account that is considered by the CBR to be a foreign brokerage account opened with a financial market institution other than a bank. Statutory exceptions to the repatriation requirement also may apply.

Anti-Corruption Notification. Anti-corruption laws prohibit certain public servants, their spouses and their dependent children from owning any foreign source financial instruments (*e.g.*, Shares of foreign companies such as the Company). Accordingly, the Holder should inform the Company if the Holder is covered by these laws because Holder should not hold Shares acquired under the Plan.

Appendix for Singapore
Additional terms and Conditions of the
Activision Blizzard, Inc.
2014 Incentive Plan
Stock Option Award Terms

TERMS AND CONDITIONS

Sale Restriction. The Holder agrees that any Shares acquired pursuant to the Stock Option will not be offered for sale in Singapore prior to the six-month anniversary of the Date of Grant, unless such offer or sale is made pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the Securities and Futures Act (Chapter 289, 2006 Ed.) (“SFA”).

NOTIFICATIONS

Securities Law Notification. The grant of the Stock Option is being made pursuant to the “Qualifying Person exemption” under section 273(1)(f) of the SFA under which it is exempt from the prospectus and registration requirements and is not made with a view to the underlying Shares being subsequently offered for sale to any other party. The Plan has not been and will not be lodged or registered as a prospectus with the Monetary Authority of Singapore.

Director Notification Requirements. If the Holder is a director of a Singapore Subsidiary of the Company, the Holder must notify the Singapore Subsidiary in writing within two business days of: (i) receiving or disposing of an interest (*e.g.*, Stock Options, Shares) in the Company (ii) any change in a previously disclosed interest (*e.g.*, exercise of Stock Options, Shares, etc.) or (iii) becoming a director if such an interest exists at the time. This notification requirement also applies to an associate director and to a shadow director (*i.e.*, an individual who is not on the board of directors but who has sufficient control so that the board of directors acts in accordance with the “directions and instructions” of the individual) of a Singapore Subsidiary or affiliate of the Company. The Holder may contact Stock Plan Administration to obtain a sample form that can be used to satisfy this notification requirement.

Appendix for Spain

Additional terms and Conditions of the Activision Blizzard, Inc. 2014 Incentive Plan Stock Option Award Terms

TERMS AND CONDITIONS

Nature of Grant. This provision supplements the “Nature of Grant” Section of the Appendix:

In accepting the Stock Option, the Holder consents to participate in the Plan and acknowledges having received and read a copy of the Plan.

The Holder understands that the Company has unilaterally, gratuitously and discretionally decided to grant an Option under the Plan to individuals who may be employees of the Company or any other entity in the Company Group throughout the world. The decision is a limited decision that is entered into upon the express assumption and condition that any grant will not bind the Company or any other entity in the Company Group. Consequently, the Holder understands that the Stock Option is granted on the assumption and condition that such Option and any Shares acquired upon exercise of the Stock Option shall not become a part of any employment contract (either with the Company or any other entity in the Company Group) and shall not be considered a mandatory benefit, salary for any purposes (including severance compensation) or any other right whatsoever. In addition, the Holder understands that the Stock Option would not be granted but for the assumptions and conditions referred to above; thus, the Holder acknowledges and freely accepts that should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason, then any grant of the Stock Option shall be null and void.

Further, the vesting of the Stock Options is expressly conditioned on the Holder’s active employment, such that if the Holder’s employment or service terminates for any reason whatsoever, the Stock Options cease vesting immediately effective on the date of termination of employment. This will be the case, for example, even if the Holder (1) is considered to be unfairly dismissed without good cause (i.e., subject to a “*despido improcedente*”); (2) is dismissed for disciplinary or objective reasons or due to a collective dismissal; (3) terminates service due to a change of work location, duties or any other employment or contractual condition; (4) terminates service due to the Company’s or any entity in the Company Group’s unilateral breach of contract; or (5) is terminated from employment for any other reason whatsoever. Consequently, upon the Holder’s termination of employment for any of the above reasons, the Holder may automatically lose any rights to Stock Options that were unvested on the date of termination.

NOTIFICATIONS

Exchange Control Notification. The acquisition, ownership and sale of Shares under the Plan must be declared for statistical purposes to the Spanish *Dirección General de Comercio e Inversiones* (the “DGCI”), the Bureau for Commerce and Investments, which is a department of the Ministry of Economy and Competitiveness. Generally, the declaration must be made each January for Shares owned as of December 31st of the prior year, by means of a D-6 form; however, if the value of the Shares acquired or sold exceeds €1,502,530 (or if the Holder holds 10% or more of the share capital of the Company or such other amount that would entitle the Holder to join the Company’s board of directors), the declaration must be filed also within one month of the acquisition or sale, as applicable.

The Holder is required to declare electronically to the Bank of Spain any securities accounts (including brokerage accounts held abroad), and foreign instruments (including any Shares acquired under the Plan) and any transactions with non-Spanish residents (including any payments of Shares made to the Holder by the Company) depending on the amount of the transactions during the relevant year or the balances in such accounts as of December 31 of the relevant year. Generally, the report is required on an annual basis (by January 20 of each year). The Holder should consult with his or her personal advisor to ensure that the Holder is properly complying with his or her reporting obligations.

Foreign Asset/Account Reporting Notification. If the Holder holds rights or assets (e.g., Shares or cash held in a bank or brokerage account) outside of Spain with a value in excess of €50,000 per type of right or asset (e.g., Shares, cash, etc.) as of December 31 each year, the Holder is required to report certain information regarding such rights and assets on tax form 720. After such rights and/or assets are initially reported, the reporting obligation will only apply for subsequent years if the value of any previously-reported rights or assets increases by more than €20,000. If reporting is required, the reporting must be completed by the following March 31. The Holder should consult his or her personal tax advisor for details regarding this requirement.

Securities Law Notification. The Stock Options described in this document do not qualify as securities under Spanish regulations. No “offer of securities to the public,” within the meaning of Spanish law, has taken place or will take place in the Spanish territory. The Plan, the Award Terms (including this Appendix), and any other documents evidencing the award of Stock Options have not been, nor will they be, registered with the *Comisión Nacional del Mercado de Valores* (Spanish Securities Exchange Commission), and none of those documents constitutes a public offering prospectus.

Appendix for Sweden

Additional terms and Conditions of the Activision Blizzard, Inc. 2014 Incentive Plan Stock Option Award Terms

Authorization to Withhold. This provision supplements Section 5 of the Award Terms:

Without limiting the Company's and the Employer's authority to satisfy their obligations for Withholding Taxes as set forth in Section 5 of the Award Terms, by accepting the Stock Options, the Holder authorizes the Company and/or the Employer to withhold Shares or to sell Shares otherwise deliverable to the Holder upon exercise of the Stock Options to satisfy any Withholding Taxes, regardless of whether the Company and/or the Employer have an obligation to withhold such Withholding Taxes.

Appendix for Taiwan

Additional terms and Conditions of the Activision Blizzard, Inc. 2014 Incentive Plan Stock Option Award Terms

TERMS AND CONDITIONS

Data Privacy Acknowledgement. The Holder hereby acknowledges that he or she has read and understands the terms regarding collection, processing and transfer of Data contained in the “Data Privacy Information and Consent for Holders outside the European Economic Area” Section of the Appendix and, by participating in the Plan, the Holder agrees to such terms. In this regard, upon request of the Company or the Employer, the Holder agrees to provide an executed data privacy consent form to the Employer or the Company (or any other agreements or consents that may be required by the Employer or the Company) that the Company and/or the Employer may deem necessary to obtain under the data privacy laws in the Holder’s country, either now or in the future. The Holder understands that he or she will not be able to participate in the Plan if he or she fails to execute any such consent or agreement.

NOTIFICATIONS

Securities Law Notification. The offer of participation in the Plan is available only for employees of the Company Group. The offer of participation in the Plan is not a public offer of securities by a Taiwanese company.

Exchange Control Notification. The Holder may acquire and remit foreign currency (including proceeds from the sale of Shares or the receipt of any dividends paid on such Shares) into and out of Taiwan up to US\$5,000,000 per year. If the transaction amount is TWD\$500,000 or more in a single transaction, the Holder must submit a Foreign Exchange Transaction Form and provide supporting documentation to the satisfaction of the bank involved in the transaction. The Holder should consult his or her personal advisor to ensure compliance with any applicable exchange control laws in Taiwan.

Appendix for the United Kingdom

**Additional terms and Conditions of the
Activision Blizzard, Inc.
2014 Incentive Plan
Stock Option Award Terms**

TERMS AND CONDITIONS

Tax Withholding and Payment. This section supplements Section 5 of the Award Terms:

Without limitation to Section 5 of the Award Terms, the Holder agrees that the Holder is liable for all Withholding Taxes and hereby covenants to pay all such Withholding Taxes, as and when requested by the Company or the Employer or by Her Majesty's Revenue and Customs ("HMRC") (or any other tax authority or any other relevant authority). The Holder also agrees to indemnify, and keep indemnified, the Company and the Employer against any Withholding Taxes that they are required to pay or withhold or have paid or will pay to HMRC (or any other tax authority or any other relevant authority) on the Holder's behalf.

Appendix for the United States of America

Additional terms and Conditions of the Activision Blizzard, Inc. 2014 Incentive Plan Stock Option Award Terms

1. Definitions.

(a) For U.S. Holders only, the following terms shall have the meanings set forth below:

“Employment Violation” means (1) any material breach by the Holder of his or her employment agreement with any entity in the Company Group for so long as the terms of such employment agreement shall apply to the Holder (with any breach of the post-termination obligations contained therein deemed to be material for purposes of this definition) and (2) a good faith belief by the Company, after investigation, that the Holder has engaged in harassment based on any legally protected category or has retaliated against anyone for reporting a concern or potential misconduct in good faith.

“Look-back Period” means, with respect to any Employment Violation by the Holder, the period beginning on the date which is 12 months prior to the date of such Employment Violation by the Holder and ending on the date of computation of the Recapture Amount with respect to such Employment Violation.

“Recapture Amount” means, with respect to any Employment Violation by the Holder, the gross gain realized or unrealized by the Holder upon all exercises of the Stock Option during the Look-back Period with respect to such Employment Violation, which gain shall be calculated as the sum of:

(i) if the Company and/or the Employer has satisfied any Withholding Taxes resulting from the exercise (in whole or in part) of the Stock Option, the issuance or transfer of any Shares upon exercise of the Stock Option or otherwise in connection with the Award during the Look-back Period by selling Shares on the Holder’s behalf or withholding Shares otherwise deliverable, the amount of the Withholding Taxes so satisfied; plus

(ii) if the Holder has exercised any portion of the Stock Option during such Look-back Period and sold any of the Shares acquired on exercise thereafter, an amount equal to (A) the sum of the sales price for all such Shares sold minus (B) the aggregate Exercise Price for such Shares; plus

(iii) if the Holder has exercised any portion of the Stock Option during such Look-back Period and not sold all of the Shares acquired on exercise thereafter, an amount equal to the product of (A) the greatest of the following, minus the Exercise Price: (1) the Market Value per Share of Common Shares on the date of exercise, (2) the arithmetic average of the per share closing sales prices of Common Shares as reported on Nasdaq for the 30 trading day period ending on the trading day immediately preceding the date of the Company’s written notice of its exercise of its rights under Section 3 hereof, or (3) the arithmetic average of the per share closing sales prices of Common Shares as reported on Nasdaq for the 30 trading day period ending on the trading day immediately preceding the date of computation times (B) the number of Shares as to which the Stock Option was exercised and which were not sold.

2. Conflict with Employment Agreement or Plan. In the event of any conflict between the terms of any employment agreement, service contract or offer letter between the Holder and any entity in the Company Group in effect at the time and the terms of the Grant Notice or these Award Terms, the terms of the Grant Notice or these Award Terms, as the case may be, shall control. In the event of any conflict between the terms of any employment agreement, service contract or offer letter between the Holder and any entity in the Company Group in effect at the time and the terms of the Plan, the terms of the Plan shall control.

3. Employment Violation. The terms of this Section 3 shall apply to the Stock Option if the Holder is or becomes subject to an employment agreement with any entity in the Company Group. In the event of an Employment Violation, the Company shall have the right to require (a) the termination and cancellation of the Stock Option, whether vested or unvested, and (b) payment by the Holder to the Company of the Recapture Amount with respect to such Employment Violation; provided, however, that, in lieu of payment by the Holder to the Company of the Recapture Amount, the Holder, in his or her discretion, may tender to the Company the Shares acquired upon exercise of the Stock Option during the Look-back Period with respect to such Employment Violation (without any consideration from the Company in exchange therefor). Any such termination of the Stock Option and payment of the Recapture Amount, as the case may be, shall be in addition to, and not in lieu of, any other right or remedy available to the Company arising out of or in connection with such Employment Violation, including, without limitation, the right to terminate the Holder's employment if not already terminated and to seek injunctive relief and additional monetary damages.

ACTIVISION BLIZZARD, INC.

2014 INCENTIVE PLAN

NOTICE OF RESTRICTED SHARE UNIT AWARD

You have been awarded Restricted Share Units of Activision Blizzard, Inc. (the “Company”), as follows:

- Your name: []
- Total number of Restricted Share Units awarded: []
- Date of Grant: []
- Grant ID: []
- Your Award of Restricted Share Units is governed by the terms and conditions set forth in:
 - this Notice of Restricted Share Unit Award;
 - the Restricted Share Unit Award Terms attached hereto as Exhibit A (the “Award Terms”); and
 - the Company’s 2014 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- *Schedule for Vesting*¹:

Except as otherwise provided under the Award Terms, the Restricted Share Units awarded to you will vest as follows, provided you continuously serve as a member of the Board through the applicable vesting date:

Schedule for Vesting		
Date of Vesting	No. of Restricted Share Units Vesting at Vesting Date	Cumulative No. of Restricted Share Units Vested at Vesting Date
[Three months after Date of Grant]	[]	[]
[Six months after Date of Grant]	[]	[]
[Nine months after Date of Grant]	[]	[]
[First anniversary of Date of Grant]	[]	[]

- ***Please sign and return to the Company this Notice of Restricted Share Unit Award, which bears an original signature on behalf of the Company. You are urged to do so promptly.***

¹ Revise as needed to reflect the vesting terms of the grant.

- ***Please return the signed Notice of Restricted Share Unit Award to the Company at:***

Activision Blizzard, Inc.
3100 Ocean Park Boulevard
Santa Monica, CA 90405
Attn: Stock Plan Administration

- ***By accepting the Award, you are deemed to be bound by the terms and conditions set forth in the 2014 Incentive Plan, this Notice of Restricted Share Unit Award and the Award Terms.***

You should retain the enclosed duplicate copy of this Notice of Restricted Share Unit Award for your records.

Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Award Terms.

ACTIVISION BLIZZARD, INC.

Julie Hodges
Chief People Officer

Date: _____

ACCEPTED AND AGREED:

[Name of Holder]

Date: _____

EXHIBIT A
ACTIVISION BLIZZARD, INC.
2014 INCENTIVE PLAN
RESTRICTED SHARE UNIT AWARD TERMS

1. Definitions.

(a) For purposes of these Award Terms, the following terms shall have the meanings set forth below:

“Award” means the award described on the Grant Notice.

“Common Shares” means the shares of common stock, par value \$0.000001 per share, of the Company or any security into which such Common Shares may be changed by reason of any transaction or event of the type referred to in Section 10 hereof.

“Company” means Activision Blizzard, Inc. and any successor thereto.

“Company Group” means the Company and its subsidiaries.

“Company-Sponsored Equity Account” means an account that is created with the Equity Account Administrator in connection with the administration of the Company’s equity plans and programs, including the Plan.

“Date of Grant” means the Date of Grant of the Award set forth on the Grant Notice.

“Disability” means “permanent and total disability” as defined in Section 22(e)(3) of the Code, as interpreted by the Company (with such interpretation to be final, conclusive and binding for purposes of these Award Terms).

“Equity Account Administrator” means the brokerage firm utilized by the Company from time to time to create and administer accounts for participants in the Company’s equity plans and programs, including the Plan.

“Exercise Rules and Regulations” means (i) the Securities Act or any comparable federal securities law and all applicable state securities laws, (ii) the requirements of any securities exchange, securities association, market system or quotation system on which Common Shares are then traded or quoted, (iii) any restrictions on transfer imposed by the Company’s certificate of incorporation or bylaws, and (iv) any policy or procedure the Company has adopted with respect to the trading of its securities, in each case as in effect on the date of the intended transaction.

“Grantee” means the recipient of the Award named on the Grant Notice.

“Grant Notice” means the Notice of Restricted Share Unit Award to which these Award Terms are attached as Exhibit A.

“Plan” means the Activision Blizzard, Inc. 2014 Incentive Plan, as amended from time to time.

“Restricted Share Units” means units subject to the Award, which represent the conditional right to receive Common Shares in accordance with the Grant Notice and these Award Terms, unless and until such units become vested or are forfeited to the Company in accordance with the Grant Notice and these Award Terms.

“Section 409A” means Section 409A of the Code and the guidance and regulations promulgated thereunder.

“Securities Act” means the Securities Act of 1933, as amended.

“Separation from Service” means “separation from service” within the meaning of Section 409A.

“Vested Shares” means the Common Shares to which the holder of the Restricted Share Units becomes entitled upon vesting thereof in accordance with Section 2 or 3 hereof.

“Withholding Taxes” means any taxes, including, but not limited to, social security and Medicare taxes and federal, state and local income taxes, required under any applicable law to be withheld from amounts otherwise payable to Grantee.

(b) Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Plan.

2. Vesting. Except as otherwise set forth in these Award Terms, the Restricted Share Units shall vest in accordance with the “Schedule for Vesting” set forth on the Grant Notice. Each Restricted Share Unit, upon vesting thereof, shall entitle the holder thereof to receive one Common Share (subject to adjustment pursuant to Section 10 hereof).

3. Termination of Service.

(a) Death or Disability. Unless the Committee determines otherwise, in the event that Grantee incurs a Separation from Service due to his or her death or Disability, the Restricted Share Units shall immediately vest as of the date of such Separation from Service.

(b) Change of Control. Unless the Committee determines otherwise, in the event that Grantee incurs a Separation from Service pursuant to the terms of any business combination or similar transaction involving the Company, the Restricted Share Units shall immediately vest as of the date of such Separation from Service.

(c) Other. Unless the Committee determines otherwise, in the event that Grantee incurs a Separation from Service for any reason not addressed by Section 4(a) or 4(b) hereof, as of the date of such Separation from Service all Restricted Share Units shall cease to vest and, with the exception of any Vested Shares that have yet to settle pursuant to Section 8 hereof, shall immediately be forfeited to the Company without payment of consideration by the Company.

4. Tax Withholding. The Company shall have the right to require Grantee to satisfy any Withholding Taxes resulting from the vesting of any Restricted Share Units, the issuance or transfer of any Vested Shares or otherwise in connection with the Award at the time such Withholding Taxes become due. The Company shall determine the method or methods Grantee may use to satisfy any Withholding Taxes contemplated by this Section 4, which may include any of the following: (a) by delivery to the Company of a bank check or certified check or wire transfer of immediately available funds; (b) through the delivery of irrevocable written

instructions, in a form acceptable to the Company, that the Company withhold Vested Shares otherwise then deliverable having a value equal to the aggregate amount of the Withholding Taxes (valued in the same manner used in computing the amount of such Withholding Taxes); (c) if securities of the Company of the same class as the Vested Shares are then traded or quoted on a national securities exchange, the Nasdaq Stock Market, Inc. or a national quotation system sponsored by the National Association of Securities Dealers, Inc., through the delivery of irrevocable written instructions, in a form acceptable to the Company, to the Equity Account Administrator (or, with the Company's consent, such other brokerage firm as may be requested by the Grantee) to sell some or all of the Vested Shares and to thereafter deliver promptly to the Company from the proceeds of such sale an amount in cash equal to the aggregate amount of such Withholding Taxes; or (d) by any combination of (a), (b) and (c) above. Notwithstanding anything to the contrary contained herein, any entity in the Company Group shall have the right to ensure that all Withholding Taxes contemplated by this Section 4 are satisfied by (i) withholding from any compensation paid to Grantee, (ii) withholding Vested Shares otherwise then deliverable (in which case Grantee will be deemed to have been issued the full number of Vested Shares), and (iii) arranging for the sale, on Grantee's behalf, of Vested Shares otherwise then deliverable. The Company shall have no obligation to deliver any Vested Shares unless and until all Withholding Taxes contemplated by this Section 4 have been satisfied.

5. **Deemed Agreement.** By accepting the Award, Grantee is deemed to be bound by the terms and conditions set forth in the Plan, the Grant Notice and these Award Terms.

6. **Reservation of Shares.** The Company shall at all times reserve for issuance or delivery upon vesting of the Restricted Share Units such number of Common Shares as shall be required for issuance or delivery upon vesting thereof.

7. **Dividend Equivalents.** The holder of the Restricted Share Units shall not be entitled to receive any payment, payment-in-kind or any equivalent with regard to any cash or other dividends that are declared and paid on Common Shares.

8. **Receipt and Delivery.** As soon as administratively practicable (and, in any event, within 30 days) after any Restricted Share Units vest, the Company shall (a) effect the issuance or transfer of the resulting Vested Shares, (b) cause the issuance or transfer of such Vested Shares to be evidenced on the books and records of the Company, and (c) cause such Vested Shares to be delivered to a Company-Sponsored Equity Account in the name of the person entitled to such Vested Shares (or, with the Company's consent, such other brokerage account as may be requested by such person); provided, however, that, in the event such Vested Shares are subject to a legend as set forth in Section 15 hereof, the Company shall instead cause a certificate evidencing such Vested Shares and bearing such legend to be delivered to the person entitled thereto.

9. **Committee Discretion.** Except as may otherwise be provided in the Plan, the Committee shall have sole discretion to (a) interpret any provision of the Plan, the Grant Notice and these Award Terms, (b) make any determinations necessary or advisable for the administration of the Plan and the Award, and (c) waive any conditions or rights of the Company under the Award, the Grant Notice or these Award Terms. Without intending to limit the generality or effect of the foregoing, any decision or determination to be made by the Committee pursuant to these Award Terms, including whether to grant or withhold any consent, shall be made by the Committee in its sole and absolute discretion, subject only to the terms of the Plan. Subject to the terms of the Plan, the Committee may amend the terms of the Award prospectively or retroactively; however, no such amendment may materially and adversely affect the rights of Grantee taken as a whole without Grantee's consent. Without intending to limit the generality or effect of the foregoing, the Committee may amend the terms of the Award (i) in recognition of unusual or nonrecurring events (including, without limitation, events described in Section 10

hereof) affecting any entity in the Company Group or any of the Company's other affiliates or the financial statements of any entity in the Company Group or any of the Company's other affiliates, (ii) in response to changes in applicable laws, regulations or accounting principles and interpretations thereof, or (iii) to prevent the Award from becoming subject to any adverse consequences under Section 409A.

10. Adjustments. Notwithstanding anything to the contrary contained herein, pursuant to Section 12 of the Plan, the Committee will make or provide for such adjustments to the Award as are equitably required to prevent dilution or enlargement of the rights of Grantee that otherwise would result from (a) any stock dividend, extraordinary dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, (b) any change of control, merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, or issuance of rights or warrants to purchase securities, or (c) any other corporate transaction or event having an effect similar to any of the foregoing. Moreover, in the event of any such transaction or event, the Committee, in its discretion, may provide in substitution for the Award such alternative consideration (including, without limitation, cash), if any, as it may determine to be equitable in the circumstances and may require in connection therewith the surrender of the Award.

11. Registration and Listing. Notwithstanding anything to the contrary contained herein, the Company shall not be obligated to issue or transfer any Restricted Share Units or Vested Shares, and no Restricted Share Units or Vested Shares may be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered in any way, unless such transaction is in compliance with all Exercise Rules and Regulations. The Company is under no obligation to register, qualify or list, or maintain the registration, qualification or listing of, Restricted Share Units or Vested Shares with the SEC, any state securities commission or any securities exchange, securities association, market system or quotation system to effect such compliance. Grantee shall make such representations and furnish such information as may be appropriate to permit the Company, in light of the then existence or non-existence of an effective registration statement under the Securities Act relating to Restricted Share Units or Vested Shares, to issue or transfer Restricted Share Units or Vested Shares in compliance with the provisions of that or any comparable federal securities law and all applicable state securities laws. The Company shall have the right, but not the obligation, to register the issuance or transfer of Restricted Share Units or Vested Shares or resale of Restricted Share Units or Vested Shares under the Securities Act or any comparable federal securities law or applicable state securities law.

12. Transferability. Subject to the terms of the Plan and only with the Company's consent, Grantee may transfer Restricted Share Units for estate planning purposes or pursuant to a domestic relations order; provided, however, that any transferee shall be bound by all of the terms and conditions of the Plan, the Grant Notice and these Award Terms and shall execute an agreement in form and substance satisfactory to the Company in connection with such transfer; and provided, further that Grantee will remain bound by the terms and conditions of the Plan, the Grant Notice and these Award Terms. Except as otherwise permitted under the Plan or this Section 12, the Restricted Share Units shall not be transferable by Grantee other than by will or the laws of descent and distribution.

13. Compliance with Applicable Laws and Regulations and Company Policies and Procedures.

(a) Grantee is responsible for complying with (i) any federal, state and local taxation laws applicable to Grantee in connection with the Award and (ii) all Exercise Rules and Regulations.

(b) The Award is subject to the terms and conditions any policy requiring or permitting the Company to recover any gains realized by Grantee in connection with the Award.

14. Section 409A.

(a) Payments contemplated with respect to the Award are intended to comply with Section 409A, and all provisions of the Plan, the Grant Notice and these Award Terms shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A. Notwithstanding the foregoing, (i) nothing in the Plan, the Grant Notice and these Award Terms shall guarantee that the Award is not subject to taxes or penalties under Section 409A and (ii) if any provision of the Plan, the Grant Notice or these Award Terms would, in the reasonable, good faith judgment of the Company, result or likely result in the imposition on Grantee or any other person of taxes, interest or penalties under Section 409A, the Committee may, in its sole discretion, modify the terms of the Plan, the Grant Notice or these Award Terms, without the consent of Grantee, in the manner that the Committee may reasonably and in good faith determine to be necessary or advisable to avoid the imposition of such taxes, interest or penalties; provided, however, that this Section 14 does not create an obligation on the part of the Committee or the Company to make any such modification, and in no event shall the Company be liable for the payment of or gross up in connection with any taxes, interest or penalties owed by Grantee pursuant to Section 409A.

(b) Neither Grantee nor any of Grantee's creditors or beneficiaries shall have the right to subject any deferred compensation (within the meaning of Section 409A) payable with respect to the Award to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A, any deferred compensation (within the meaning of Section 409A) payable to Grantee or for Grantee's benefit with respect to the Award may not be reduced by, or offset against, any amount owing by Grantee to the Company.

(c) Notwithstanding anything to the contrary contained herein, if (i) the Committee determines in good faith that the Restricted Share Units are deferred compensation for purposes of Section 409A, (ii) Grantee is a "specified employee" (as defined in Section 409A) and (iii) a delay in the issuance or transfer of Vested Shares to Grantee or his or her estate or beneficiaries hereunder by reason of Grantee's Separation from Service with any entity in the Company Group is required to avoid tax penalties under Section 409A but is not already provided for by this Award, the Company shall cause the issuance or transfer of such Vested Shares to Grantee or Grantee's estate or beneficiary upon the earlier of (A) the date that is the first business day following the date that is six months after the date of Grantee's Separation from Service or (B) Grantee's death.

15. Legend. The Company may, if determined by it based on the advice of counsel to be appropriate, cause any certificate evidencing Vested Shares to bear a legend substantially as follows:

“THE SECURITIES REPRESENTED HEREBY MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE ‘ACT’), OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT.”

16. No Right to Continued Service. Nothing contained in the Grant Notice or these Award Terms shall be construed to confer upon Grantee any right to continued service on the Board or derogate from any right of the Company or its stockholders remove Grantee from the Board at any time, with or without cause.

17. No Rights as Stockholder. No holder of Restricted Share Units shall, by virtue of the Grant Notice or these Award Terms, be entitled to any right of a stockholder of the Company, either at law or in equity, and the rights of any such holder are limited to those expressed, and are not enforceable against the Company except to the extent set forth in the Plan, the Grant Notice or these Award Terms.

18. Severability. In the event that one or more of the provisions of these Award Terms shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

19. Venue and Governing Law.

(a) For purposes of litigating any dispute that arises directly or indirectly from the Grant Notice or these Award Terms, the parties submit and consent to the exclusive jurisdiction of the State of California and agree that such litigation shall be conducted only in the courts of Los Angeles County, California or the federal courts of the United States for the Central District of California, regardless of where the grant of the Restricted Share Units is made and/or to be performed; provided, however, that if the parties have entered into another agreement providing for a different venue or forum (e.g., a dispute resolution agreement), then the terms of such agreement will control for purposes of this provision.

(b) To the extent that federal law does not otherwise control, the validity, interpretation, performance and enforcement of the Grant Notice and these Award Terms shall be governed by the laws of the State of Delaware, without giving effect to principles of conflicts of laws thereof.

20. Successors and Assigns. The provisions of the Grant Notice and these Award Terms shall be binding upon and inure to the benefit of the Company, its successors and assigns, and Grantee and, to the extent applicable, Grantee’s permitted assigns under Section 12 hereof and Grantee’s estate or beneficiaries as determined by will or the laws of descent and distribution.

21. Notices.

(a) Any notice or other document which Grantee may be required or permitted to deliver to the Company pursuant to or in connection with the Grant Notice or these

Award Terms shall be in writing, and may be delivered personally or by mail, postage prepaid, or overnight courier, addressed to the Company, at its office at 3100 Ocean Park Boulevard, Santa Monica, California 90405, Attn: Stock Plan Administration, or such other address as the Company by notice to Grantee may designate in writing from time to time. Notices shall be effective upon delivery.

(b) Any notice or other document which the Company may be required or permitted to deliver to Grantee pursuant to or in connection with the Grant Notice or these Award Terms shall be in writing, and may be delivered personally or by mail, postage prepaid, or overnight courier, addressed to Grantee at the address shown on the records of the Company, or such other address as Grantee by notice to the Company may designate in writing from time to time. The Company may also, in its sole discretion, deliver any such document to Grantee electronically via an e-mail to Grantee at his or her Company-provided email address or through a notice delivered to such e-mail address that such document is available on a website established and maintained on behalf of the Company or a third party designated by the Company, including, without limitation, the Equity Account Administrator. Notices shall be effective upon delivery.

22. Conflict with Plan. In the event of any conflict between the terms of any the Grant Notice or these Award Terms and the terms of the Plan, the terms of the Plan shall control.

23. Imposition of Other Requirements. The Company reserves the right to impose other requirements on Grantee's participation in the Plan, on the Restricted Share Units and on any Common Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require Grantee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

24. Waiver. Grantee acknowledges that a waiver by the Company of a breach of any provision of these Award Terms shall not operate or be construed as a waiver of any other provision of these Award Terms, or of any subsequent breach by Grantee or any other grantee of an equity award from the Company.

**ACTIVISION BLIZZARD, INC.
2014 INCENTIVE PLAN**

NOTICE OF RESTRICTED SHARE UNIT AWARD

You have been awarded Restricted Share Units of Activision Blizzard, Inc. (the “Company”), as follows:

- Your name:
- Total number of Restricted Share Units awarded:
- Date of Grant:
- Grant ID:
- Your Award of Restricted Share Units is governed by the terms and conditions set forth in:
 - this Notice of Restricted Share Unit Award;
 - the Restricted Share Unit Award Terms attached hereto as Exhibit A;
 - the Appendix attached hereto as Exhibit B, which may include special terms and conditions relating to your country of work and/or residence (the “Appendix”); and
 - the Company’s 2014 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- Your Award of Restricted Share Units has been made in connection with your employment agreement with the Company or one of its Subsidiaries as a material inducement to your entering into or renewing employment with such entity pursuant to such agreement and is also governed by any applicable terms and conditions set forth in such agreement.
- *Schedule for Vesting:* Except as otherwise provided pursuant to the Restricted Share Unit Award Terms attached hereto as Exhibit A, as supplemented, modified, or replaced by the special terms and conditions, if any, set forth under your country of work and/or residence in the Appendix attached hereto as Exhibit B (together, the “Award Terms”), , the Restricted Share Units shall vest shall vest and become exercisable as follows, provided you remain continuously employed by the Company or one of its Subsidiaries through the applicable vesting date:

Date of Vesting	No. of Shares Vesting at Vesting Date
December 15, 2020	<input type="text"/>
March 15, 2024	<input type="text"/>

- *Please sign and return to the Company this Notice of Restricted Share Unit Award, which bears an original signature on behalf of the Company. You are urged to do so promptly.*
- *Please return the signed Notice of Restricted Share Unit Award to the Company at:*

Activision Blizzard, Inc.
3100 Ocean Park Boulevard
Santa Monica, CA 90405
Attn: Stock Plan Administration

- Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Award Terms.
- *By accepting the Award, you agree that the definition of “Cause” set forth in the Award Terms and, if the Appendix for the United States of America is applicable to you and/or your Award, the definition of “Employment Violation” set forth therein, shall supersede any such definitions in the award terms applicable to any other outstanding equity awards granted to you by the Company and shall apply to such awards as if set forth in those award terms.*
- *By accepting the Award, you agree to be bound by the terms and conditions set forth in the 2014 Incentive Plan, this Notice of Restricted Share Unit Award and the Award Terms. If you do not accept the Award by the first scheduled vesting date and you do not indicate your intention to decline the Award, your Award will be automatically accepted on your behalf and you will be deemed to have accepted the terms and conditions set forth in the 2014 Incentive Plan, this Notice of Restricted Share Unit Award and the Award Terms.*

You should retain the enclosed duplicate copy of this Notice of Restricted Share Unit Award for your records.

ACTIVISION BLIZZARD, INC.

Julie Hodges
Chief People Officer

Date: _____

ACCEPTED AND AGREED:

[Name of Grantee]

Date: _____

EXHIBIT A

ACTIVISION BLIZZARD, INC. 2014 INCENTIVE PLAN

RESTRICTED SHARE UNIT AWARD TERMS

1. **Definitions.**

(a) For purposes of these Award Terms, the following terms shall have the meanings set forth below:

“Award” means the award described on the Grant Notice.

“Cause” (i) shall have the meaning given to such term in any employment agreement, service contract or offer letter between Grantee and any entity in the Company Group in effect at the time of the determination or (ii) if Grantee is not then party to any agreement or offer letter with any entity in the Company Group or any such agreement or offer letter does not contain a definition of “cause,” shall mean a good faith determination by the Company that Grantee (A) engaged in misconduct or gross negligence in the performance of his or her duties or willfully and continuously failed or refused to perform any duties reasonably requested in the course of his or her employment; (B) engaged in fraud, dishonesty, or any other conduct that causes, or has the potential to cause, harm to any entity in the Company Group, including its business reputation or financial condition; (C) violated any lawful directives or policies of the Company Group or any applicable laws, rules or regulations; (D) materially breached his or her employment agreement, service contract, proprietary information agreement or confidentiality agreement with any entity in the Company Group; (E) was convicted of, or pled guilty or no contest to, a felony or crime involving dishonesty or moral turpitude; or (F) breached his or her fiduciary duties to the Company Group. Without limiting the generality of the foregoing, “cause” under clauses (i) and (ii) of the preceding sentence shall also mean a good faith belief by the Company, after investigation, that Grantee has engaged in harassment based on any legally protected category or has retaliated against anyone for reporting a concern or potential misconduct in good faith.

“Common Shares” means the shares of common stock, par value \$0.000001 per share, of the Company or any security into which such Common Shares may be changed by reason of any transaction or event of the type referred to in Section 10 hereof.

“Company” means Activision Blizzard, Inc. and any successor thereto.

“Company Group” means the Company and its Subsidiaries.

“Company-Sponsored Equity Account” means an account that is created with the Equity Account Administrator in connection with the administration of the Company’s equity plans and programs, including the Plan.

“Date of Grant” means the Date of Grant of the Award set forth on the Grant Notice.

“Employer” means the Subsidiary of the Company which employs Grantee.

“Equity Account Administrator” means the brokerage firm utilized by the Company from time to time to create and administer accounts for participants in the Company’s equity plans and programs, including the Plan.

“Exercise Rules and Regulations” means (i) (A) for employees who work and/or reside in the U.S., the Securities Act or any comparable U.S. federal securities law and all applicable state securities laws, and (B) for employees who work and/or reside outside the U.S., any laws applicable to Grantee which subject him or her to insider trading restrictions and/or market abuse laws or otherwise affect his or her ability to accept, acquire, sell, attempt to sell or otherwise dispose of Common Shares, rights to Common Shares (*e.g.*, Restricted Share Units) or rights linked to the value of Common Shares during such times as he or she is considered to have “inside information” regarding the Company, (ii) the requirements of any securities exchange, securities association, market system or quotation system on which Common Shares are then traded or quoted, (iii) any restrictions on transfer imposed by the Company’s certificate of incorporation or bylaws, and (iv) any policy or procedure the Company has adopted with respect to the trading of its securities, in each case as in effect on the date of the intended transaction.

“Grantee” means the recipient of the Award named on the Grant Notice.

“Grant Notice” means the Notice of Restricted Share Unit Award to which these Award Terms are attached.

“Plan” means the Activision Blizzard, Inc. 2014 Incentive Plan, as amended from time to time.

“Restricted Share Units” means units subject to the Award, which represent the conditional right to receive Common Shares in accordance with the Grant Notice and these Award Terms, unless and until such units become vested or are forfeited to the Company in accordance with the Grant Notice and these Award Terms.

“Section 409A” means Section 409A of the Code and the guidance and regulations promulgated thereunder.

“Securities Act” means the U.S. Securities Act of 1933, as amended.

“Vested Shares” means the Common Shares to which the holder of the Restricted Share Units becomes entitled upon vesting thereof in accordance with Section 2 or 3 hereof.

“U.S.” means the United States of America.

“Withholding Taxes” means any taxes, including, but not limited to, income tax, social insurance (*e.g.*, U.S. social security and Medicare), payroll tax, state and local income taxes, fringe benefits tax, and payment on account, required or permitted under any applicable law to be withheld from amounts otherwise payable to Grantee.

(b) Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Plan.

2. Vesting. Except as otherwise set forth in these Award Terms, the Restricted Share Units shall vest in accordance with the “Schedule for Vesting” set forth on the Grant

Notice. Each Restricted Share Unit, upon vesting thereof, shall entitle the holder thereof to receive one Common Share (subject to adjustment pursuant to Section 10 hereof).

3. Termination of Employment.

(a) Cause. In the event that Grantee's employment is terminated by any entity in the Company Group for Cause, as of the date of such termination of employment all Restricted Share Units shall cease to vest and any outstanding Restricted Share Units and Vested Shares that have yet to settle pursuant to Section 8 hereof, shall immediately be forfeited to the Company without payment of consideration by the Company.

(b) Other. Unless the Committee determines otherwise, in the event that Grantee's employment is terminated for any reason other than for Cause, as of the date of such termination of employment all Restricted Share Units shall cease to vest and, with the exception of any Vested Shares that have yet to settle pursuant to Section 8 hereof, shall immediately be forfeited to the Company without payment of consideration by the Company.

4. Tax Withholding.

(a) Regardless of any action the Company or the Employer takes with respect to any Withholding Taxes related to Grantee's participation in the Plan and legally applicable to Grantee, Grantee acknowledges that the ultimate liability for all Withholding Taxes is and remains Grantee's responsibility and may exceed the amount, if any, actually withheld by the Company or the Employer. Grantee further acknowledges that the Company and/or the Employer (A) make no representations or undertakings regarding the treatment of any Withholding Taxes in connection with any aspect of the Restricted Share Units, including, without limitation, the grant, vesting or payment of the Award, the subsequent sale of Vested Shares acquired, and the receipt of any dividends; and (B) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Restricted Share Units to reduce or eliminate Grantee's liability for Withholding Taxes or achieve any particular tax result. Further, if Grantee is or becomes subject to tax in more than one jurisdiction, Grantee acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Withholding Taxes in more than one jurisdiction. The Company shall have no obligation to deliver any Vested Shares unless and until all Withholding Taxes contemplated by this Section 4 have been satisfied.

(b) Prior to any relevant taxable or tax withholding event, as applicable, Grantee agrees to make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Withholding Taxes resulting from the vesting of any Restricted Share Units, the issuance or transfer of any Vested Shares or otherwise in connection with the Award at the time such Withholding Taxes become due. In this regard, Grantee authorizes the Company and/or the Employer, or their respective agents to satisfy any applicable withholding obligations with regard to all Withholding Taxes by one or a combination of the following: (i) by delivery to the Company of a bank check or certified check or wire transfer of immediately available funds; (ii) through the delivery of irrevocable written instructions, in a form acceptable to the Company, that the Company withhold Vested Shares otherwise then deliverable having a value equal to the aggregate amount of the Withholding Taxes (valued in the same manner used in computing the amount of such Withholding Taxes); (iii) arranging for the sale, on Grantee's behalf, of Vested Shares otherwise then deliverable to Grantee (valued in the same manner used in computing the amount of such Withholding Taxes); or (iv) by any combination of (i), (ii) or (iii) above. Further, any entity in the Company Group shall have the right to require Grantee to satisfy any Withholding Taxes contemplated by this Section 4 by any of the aforementioned methods or by withholding from Grantee's wages or other cash compensation.

(c) The Company Group may withhold or account for Withholding Taxes contemplated by this Section 4 by reference to applicable withholding rates, including minimum or maximum applicable statutory rates in Grantee's jurisdiction(s) of employment and/or residency, and if the Company Group withholds more than the amount necessary to satisfy the liability, Grantee may receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent Shares. If the Company Group withholds less than the amount necessary to satisfy the liability, Grantee may be required to pay any additional Withholding Taxes directly to the applicable tax authority or to the Company and/or the Employer. If the obligation for Withholding Taxes is satisfied by withholding in Shares, for tax purposes, Grantee will be deemed to have been issued the full number of Vested Shares underlying the Restricted Share Units, notwithstanding that a number of the Shares is held back solely for the purpose of paying the Withholding Taxes. No fractional Shares will be withheld or issued pursuant to the settlement of the Restricted Share Units and the Withholding Taxes thereunder.

5. **Deemed Agreement.** By accepting the Award, Grantee is deemed to be bound by the terms and conditions set forth in the Plan, the Grant Notice and these Award Terms.

6. **Reservation of Shares.** The Company shall at all times reserve for issuance or delivery upon vesting of the Restricted Share Units such number of Common Shares as shall be required for issuance or delivery upon vesting thereof.

7. **Dividend Equivalents.** The holder of the Restricted Share Units shall not be entitled to receive any payment, payment-in-kind or any equivalent with regard to any cash or other dividends that are declared and paid on Common Shares.

8. **Receipt and Delivery.** As soon as administratively practicable (and, in any event, within 30 days) after any Restricted Share Units vest, the Company shall (a) effect the issuance or transfer of the resulting Vested Shares, (b) cause the issuance or transfer of such Vested Shares to be evidenced on the books and records of the Company, and (c) cause such Vested Shares to be delivered to a Company-Sponsored Equity Account in the name of the person entitled to such Vested Shares (or, with the Company's consent, such other brokerage account as may be requested by such person); provided, however, that, in the event such Vested Shares are subject to a legend as set forth in Section 15 hereof, the Company shall instead cause a certificate evidencing such Vested Shares and bearing such legend to be delivered to the person entitled thereto.

9. **Committee Discretion.** Except as may otherwise be provided in the Plan, the Committee shall have sole discretion to (a) interpret any provision of the Plan, the Grant Notice and these Award Terms, (b) make any determinations necessary or advisable for the administration of the Plan and the Award, and (c) waive any conditions or rights of the Company under the Award, the Grant Notice or these Award Terms. Without intending to limit the generality or effect of the foregoing, any decision or determination to be made by the Committee pursuant to these Award Terms, including whether to grant or withhold any consent, shall be made by the Committee in its sole and absolute discretion, subject only to the terms of the Plan. Subject to the terms of the Plan, the Committee may amend the terms of the Award prospectively or retroactively; however, no such amendment may materially and adversely affect the rights of Grantee taken as a whole without Grantee's consent. Without intending to limit the generality or effect of the foregoing, the Committee may amend the terms of the Award (i) in recognition of unusual or nonrecurring events (including, without limitation, events described in Section 10 hereof) affecting any entity in the Company Group or any of the Company's other affiliates or the financial statements of any entity in the Company Group or any of the Company's other affiliates, (ii) in response to changes in applicable laws, regulations or accounting principles and

interpretations thereof, or (iii) to prevent the Award from becoming subject to any adverse consequences under Section 409A.

10. Adjustments. Notwithstanding anything to the contrary contained herein, pursuant to Section 12 of the Plan, the Committee will make or provide for such adjustments to the Award as are equitably required to prevent dilution or enlargement of the rights of Grantee that otherwise would result from (a) any stock dividend, extraordinary dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, (b) any change of control, merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, or issuance of rights or warrants to purchase securities, or (c) any other corporate transaction or event having an effect similar to any of the foregoing. Moreover, in the event of any such transaction or event, the Committee, in its discretion, may provide in substitution for the Award such alternative consideration (including, without limitation, cash), if any, as it may determine to be equitable in the circumstances and may require in connection therewith the surrender of the Award.

11. Registration and Listing. Notwithstanding anything to the contrary contained herein, the Company shall not be obligated to issue or transfer any Restricted Share Units or Vested Shares, and no Restricted Share Units or Vested Shares may be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered in any way, unless such transaction is in compliance with all Exercise Rules and Regulations. The Company is under no obligation to register, qualify or list, or maintain the registration, qualification or listing of, Restricted Share Units or Vested Shares with the U.S. Securities and Exchange Commission, any state securities commission or any securities exchange, securities association, market system or quotation system to effect such compliance. Grantee shall make such representations and furnish such information as may be appropriate to permit the Company, in light of the then existence or non-existence of an effective registration statement under the Securities Act relating to Restricted Share Units or Vested Shares, to issue or transfer Restricted Share Units or Vested Shares in compliance with the provisions of that or any comparable federal securities law and all applicable state securities laws. The Company shall have the right, but not the obligation, to register the issuance or transfer of Restricted Share Units or Vested Shares or resale of Restricted Share Units or Vested Shares under the Securities Act or any comparable federal securities law or applicable state securities law.

12. Transferability. Subject to the terms of the Plan, and only with the Company's consent, Grantee may transfer Restricted Share Units for estate planning purposes or pursuant to a domestic relations order (or a comparable order under applicable local law); provided, however, that any transferee shall be bound by all of the terms and conditions of the Plan, the Grant Notice and these Award Terms and shall execute an agreement in form and substance satisfactory to the Company in connection with such transfer; and provided, further that Grantee will remain bound by the terms and conditions of the Plan, the Grant Notice and these Award Terms. Except as otherwise permitted under the Plan or this Section 12, the Restricted Share Units shall not be transferable by Grantee other than by will or the laws of descent and distribution.

13. Compliance with Applicable Laws and Regulations and Company Policies and Procedures.

(a) Grantee is responsible for complying with (i) any federal, state, and local tax, social insurance, national insurance contributions, payroll tax, payment on account or other tax liabilities applicable to Grantee in connection with the Award and (ii) all Exercise Rules and Regulations.

(b) The Award is subject to the terms and conditions of any policy requiring or permitting the Company to recover any gains realized by Grantee in connection with the Award, including, without limitation, the Policy on Recoupment of Performance-Based Compensation Related to Certain Financial Restatements.

(c) If and when Grantee is an “executive officer” of the Company within the meaning of the Executive Stock Ownership Guidelines, the Award will be subject to the terms and conditions of the Executive Stock Ownership Guidelines and the limitations contained therein on the ability of Grantee to transfer any Vested Shares.

14. Section 409A.

(a) Payments contemplated with respect to the Award are intended to comply with Section 409A, and all provisions of the Plan, the Grant Notice and these Award Terms shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A. Notwithstanding the foregoing, (i) nothing in the Plan, the Grant Notice and these Award Terms shall guarantee that the Award is not subject to taxes or penalties under Section 409A and (ii) if any provision of the Plan, the Grant Notice or these Award Terms would, in the reasonable, good faith judgment of the Company, result or likely result in the imposition on Grantee or any other person of taxes, interest or penalties under Section 409A, the Committee may, in its sole discretion, modify the terms of the Plan, the Grant Notice or these Award Terms, without the consent of Grantee, in the manner that the Committee may reasonably and in good faith determine to be necessary or advisable to avoid the imposition of such taxes, interest or penalties; provided, however, that this Section 14 does not create an obligation on the part of the Committee or the Company to make any such modification, and in no event shall the Company be liable for the payment of or gross up in connection with any taxes, interest or penalties owed by Grantee pursuant to Section 409A.

(b) Neither Grantee nor any of Grantee’s creditors or beneficiaries shall have the right to subject any deferred compensation (within the meaning of Section 409A) payable with respect to the Award to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A, any deferred compensation (within the meaning of Section 409A) payable to Grantee or for Grantee’s benefit with respect to the Award may not be reduced by, or offset against, any amount owing by Grantee to the Company.

(c) Notwithstanding anything to the contrary contained herein, if (i) the Committee determines in good faith that the Restricted Share Units do not qualify for the “short-term deferral exception” under Section 409A, (ii) Grantee is a “specified employee” (as defined in Section 409A) and (iii) a delay in the issuance or transfer of Vested Shares to Grantee or his or her estate or beneficiaries hereunder by reason of Grantee’s “separation from service” (as defined in Section 409A) with any entity in the Company Group is required to avoid tax penalties under Section 409A but is not already provided for by this Award, the Company shall cause the issuance or transfer of such Vested Shares to Grantee or Grantee’s estate or beneficiary upon the earlier of (A) the date that is the first business day following the date that is six months after the date of Grantee’s separation from service and (B) Grantee’s death.

15. Legend. The Company may, if determined by it based on the advice of counsel to be appropriate, cause any certificate evidencing Vested Shares to bear a legend substantially as follows:

“THE SECURITIES REPRESENTED HEREBY MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE ‘ACT’), OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT.”

16. No Right to Employment. Nothing contained in the Grant Notice or these Award Terms shall create a right to employment or be interpreted as forming an employment or service contract with the Company, the Employer or any other entity in the Company Group and shall not interfere with the ability of the Employer to retire, request the resignation of or terminate Grantee’s employment or service relationship at any time.

17. No Rights as Stockholder. No holder of Restricted Share Units shall, by virtue of the Grant Notice or these Award Terms, be entitled to any right of a stockholder of the Company, either at law or in equity, and the rights of any such holder are limited to those expressed, and are not enforceable against the Company except to the extent set forth in the Plan, the Grant Notice or these Award Terms.

18. Severability. In the event that one or more of the provisions of these Award Terms shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

19. Venue and Governing Law.

(a) For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by the grant of the Restricted Share Units or these Award Terms, the parties submit and consent to the exclusive jurisdiction of the State of California and agree that such litigation shall be conducted only in the courts of Los Angeles County, California or the federal courts of the U.S. for the Central District of California and no other courts, regardless of where the grant of the Restricted Share Units is made and/or to be performed; provided, however, that if the parties have entered into another agreement providing for a different venue or forum (e.g., a dispute resolution agreement), then the terms of such agreement will control for purposes of this provision.

(b) To the extent that U.S. federal law does not otherwise control, the validity, interpretation, performance and enforcement of the Grant Notice and these Award Terms shall be governed by the laws of the State of Delaware, without giving effect to principles of conflicts of laws thereof.

20. Successors and Assigns. The provisions of the Grant Notice and these Award Terms shall be binding upon and inure to the benefit of the Company, its successors and assigns, and Grantee and, to the extent applicable, Grantee’s permitted assigns under Section 12 hereof

and Grantee's estate or beneficiaries as determined by will or the laws of descent and distribution.

21. Delivery of Notices and Other Documents.

(a) Any notice or other document which Grantee may be required or permitted to deliver to the Company pursuant to or in connection with the Grant Notice or these Award Terms shall be in writing, and may be delivered personally or by mail, postage prepaid, or overnight courier, addressed to the Company, at its office at 3100 Ocean Park Boulevard, Santa Monica, California 90405, U.S.A. Attn: Stock Plan Administration, or such other address as the Company by notice to Grantee may designate in writing from time to time. Notices shall be effective upon delivery.

(b) Any notice or other document which the Company may be required or permitted to deliver to Grantee pursuant to or in connection with the Grant Notice or these Award Terms shall be in writing, and may be delivered personally or by mail, postage prepaid, or overnight courier, addressed to Grantee at the address shown on any employment agreement, service contract or offer letter between Grantee and any entity in the Company Group in effect at the time, or such other address as Grantee by notice to the Company may designate in writing from time to time. The Company may also, in its sole discretion, deliver any such document to Grantee electronically via an e-mail to Grantee at his or her Company-provided email address or through a notice delivered to such e-mail address that such document is available on a website established and maintained on behalf of the Company or a third party designated by the Company, including, without limitation, the Equity Account Administrator. Notices shall be effective upon delivery.

22. Conflict with Plan. In the event of any conflict between the terms the Grant Notice or these Award Terms and the terms of the Plan, the terms of the Plan shall control.

23. Appendix. Notwithstanding anything to the contrary contained herein, the Restricted Share Units shall be subject to any additional terms and conditions set forth in the Appendix for Grantee's country of work and/or residence, both of which constitute a part of these Award Terms. Moreover, if Grantee relocates his or her work and/or residence to one of the countries included in the Appendix, the additional terms and conditions for such country will apply to Grantee, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with applicable local law or facilitate the administration of the Plan.

24. Imposition of Other Requirements. The Company reserves the right to impose other requirements on Grantee's participation in the Plan, on the Restricted Share Units and on any Common Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with applicable local law or facilitate the administration of the Plan, and to require Grantee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

25. Waiver. Grantee acknowledges that a waiver by the Company of a breach of any provision of these Award Terms shall not operate or be construed as a waiver of any other provision of these Award Terms, or of any subsequent breach by Grantee or any other grantee of an equity award from the Company.

EXHIBIT B

APPENDIX

TO

ACTIVISION BLIZZARD, INC. 2014 INCENTIVE PLAN

RESTRICTED SHARE UNIT AWARD TERMS

ADDITIONAL TERMS AND CONDITIONS BY COUNTRY

Capitalized terms used but not defined herein shall have the meanings given to such terms in the Plan or the Award Terms, as the case may be.

TERMS AND CONDITIONS

This Appendix includes special terms and conditions applicable to Grantees who work and/or reside in the countries covered by the Appendix. These terms and conditions are in addition to or, if so indicated, in place of, the terms and conditions set forth in the Award Terms.

If Grantee is a citizen or resident of a country other than the one in which he or she is currently residing and/or working, transferred or transfers employment and/or residency after the Restricted Share Units were granted or is considered a resident of another country for local law purposes (*i.e.*, Grantee is a “mobile employee”), the Company shall have the sole discretion to determine to what extent the special terms and conditions shall apply to Grantee.

NOTIFICATIONS

This Appendix also includes notifications relating to exchange control and other issues of which Grantee should be aware with respect to his or her participation in the Plan. The information is based on the exchange control, securities and other laws in effect in the countries to which this Appendix refers as of October 2021. Such laws are often complex and change frequently. As a result, the Company strongly recommends that Grantee not rely on the notifications herein as the only source of information relating to the consequences of participation in the Plan because the information may be out of date at the time Grantee vests in the Restricted Share Units or Vested Shares acquired under the Plan are sold.

In addition, the notifications are general in nature and may not apply to the particular situation of Grantee, and the Company is not in a position to assure Grantee of any particular result. Accordingly, Grantee should seek appropriate professional advice as to how the relevant laws in his or her country may apply to his or her situation. Finally, if Grantee is a mobile employee, the information contained herein may not be applicable to Grantee in the same manner.

GENERAL PROVISIONS APPLICABLE TO ALL GRANTEEES WHO WORK AND/OR RESIDE OUTSIDE THE U.S.

Nature of Grant. By accepting the Award, Grantee acknowledges, understands, and agrees that:

(1) the Plan is established voluntarily by the Company, it is discretionary in nature, and it may be modified, amended, suspended or terminated by the Company at any time, unless otherwise provided in the Plan and/or these Award Terms;

(2) the grant of the Restricted Share Units is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of rights to receive Common Shares, or benefits in lieu of rights to receive Common Shares, even if rights to receive Common Shares have been granted in the past;

(3) all decisions with respect to future grants of rights to receive Common Shares, if any, will be at the sole discretion of the Company;

(4) Grantee's participation in the Plan is voluntary;

(5) the grant of the Restricted Share Units and any Common Shares underlying the Restricted Share Units, and the income in respect of and the value of the same, are extraordinary items that do not constitute compensation of any kind for services of any kind rendered to the Company or the Employer, and are outside the scope of the employment agreement or service contract between Grantee and the Company, the Employer or any other entity in the Company Group, if any;

(6) the Restricted Share Units and any Common Shares underlying the Restricted Share Units, and the income in respect of and the value of the same, are not intended to replace any pension rights or compensation;

(7) the Restricted Share Units and any Common Shares underlying the Restricted Share Units, and the income in respect of and the value of the same, are not part of normal or expected compensation or salary for any purpose, including, without limitation, the calculation of any severance, resignation, termination, redundancy, dismissal, end of service payment, bonus, long-service award, leave-related payment, holiday pay, pension or retirement or welfare benefit or similar payments;

(8) the Restricted Share Unit grant and Grantee's participation in the Plan will not be interpreted to form an employment or service contract or relationship with the Company and, furthermore, the Restricted Share Unit grant will not be interpreted to form an employment agreement or service contract or relationship with any other company in the Company Group;

(9) the future value of the underlying Common Shares is unknown and cannot be predicted with certainty;

(10) unless otherwise agreed with the Company, the Restricted Share Units and the Common Shares subject to the Restricted Share Units, and the income and value of same, are not granted as consideration for, or in connection with, the service Grantee may provide as a director of any entity of Company Group;

(11) no claim or entitlement to compensation or damages shall arise from forfeiture of the Restricted Share Units resulting from termination of Grantee's continuous service with the Company or the Employer (for any reason whatsoever and whether or not later found to be invalid or in breach of employment laws in the jurisdiction in which Grantee is employed or the terms of the employment agreement or service contract between Grantee and the Company, the Employer or any other entity in the Company Group, if any);

(12) unless the Committee determines otherwise, in the event of the termination of Grantee's continuous service (for any reason whatsoever and whether or not later found to be invalid or in breach of employment laws in the jurisdiction in which Grantee is employed or the terms of the employment agreement or service contract between Grantee and the Company, the Employer or any other entity in the Company Group, if any), Grantee's right to receive or vest in the

Restricted Share Units under the Plan, if any, will terminate effective as of the date that Grantee is no longer actively employed and will not be extended by any notice period mandated under local law (*e.g.*, active employment would not include a period of “garden leave” or similar period pursuant to local law); the Committee shall have the exclusive discretion to determine when Grantee is no longer actively employed for purposes of Grantee’s Restricted Share Unit grant (including whether Grantee may still be considered actively employed while on a leave of absence);

(13) the Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Grantee’s participation in the Plan, or Grantee’s acquisition or sale of the underlying Common Shares;

(14) Grantee should consult with Grantee’s own personal tax, legal and financial advisors regarding Grantee’s participation in the Plan before taking any action related to the Plan;

(15) unless otherwise provided in the Plan or by the Company in its discretion, the Restricted Share Units and the benefits evidenced by these Award Terms do not create any entitlement to have the Restricted Share Units or any such benefits transferred to, or assumed by, another company, nor be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Common Shares; and

(16) neither the Company, the Employer nor any other entity in the Company Group shall be liable for any foreign exchange rate fluctuation between Grantee’s local currency and the United States Dollar that may affect the value of the Restricted Share Units or of any amounts due to Grantee pursuant to the settlement of the Restricted Share Units or the subsequent sale of any Common Shares acquired upon settlement.

Foreign Asset/Account Reporting Requirements. Grantee acknowledges that there may be certain foreign asset and/or account reporting requirements which may affect Grantee’s ability to acquire or hold Common Shares acquired under the Plan or cash received from participating in the Plan (including from any dividends paid on Common Shares acquired under the Plan) in a brokerage or bank account outside Grantee’s country of work and/or residence. Grantee may be required to report such accounts, assets or transactions to the tax or other authorities in his or her country. Grantee also may be required to repatriate sale proceeds or other funds received as a result of Grantee participation in the Plan to his or her country through a designated bank or broker within a certain time after receipt. Grantee acknowledges that it is his or her responsibility to be compliant with such regulations, and Grantee is advised to consult his or her personal legal advisor for any details.

Language. Grantee acknowledges that he or she is sufficiently proficient in English, or has consulted with an advisor who is sufficiently proficient in English, to understand the terms and conditions of these Award Terms. Furthermore, if the Grant Notice, these Award Terms or any other document related to the Plan has been translated into a language other than English and the meaning of the translated version is different than the English version then, by accepting the Award, Grantee acknowledges that the English version will control.

DATA PRIVACY INFORMATION AND CONSENT

The following provision applies to Grantees who work and/or reside outside the European Economic Area.

Data Collection and Usage. Grantee hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of Grantee’s personal data as described in the Grant Notice and these Award Terms by and among, as applicable, the Employer or any

other entity in the Company Group for the exclusive purpose of implementing, administering and managing Grantee's participation in the Plan.

Data Processing. Grantee understands that the Company and the Employer may hold certain personal information about Grantee, including, without limitation, Grantee's name, home address, email address and telephone number, date of birth, social insurance, passport or other identification number, salary, nationality, job title, any directorships held in any entity in the Company Group, any Common Shares owned, details of all Restricted Share Units or any other entitlement to the Common Shares or equivalent benefits awarded, canceled, purchased, exercised, vested, unvested or outstanding in Grantee's favor (the "Data"), for the purpose of implementing, administering and managing the Plan.

Stock Plan Administration, Data Transfer, Retention and Data Subject Rights. Grantee understands that the Data will be transferred to the Equity Account Administrator, which is assisting the Company with the implementation, administration and management of the Plan. Grantee understands that the recipients of the Data may be located in Grantee's country of work and/or residence, or elsewhere, and that any recipient's country may have different data privacy laws and protections than Grantee's country of work and/or residence. Grantee understands that Grantee may request a list with the names and addresses of any potential recipients of the Data by contacting Grantee's local human resources representative. Grantee authorizes the Company, the Equity Account Administrator and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purpose of implementing, administering and managing Grantee's participation in the Plan. Grantee understands that the Data will be held only as long as is necessary to implement, administer and manage Grantee's participation in the Plan. Grantee understands that Grantee may, at any time, view Data, request additional information about the storage and processing of the Data, require any necessary amendments to the Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing Grantee's local human resources representative. Further, Grantee understands that he or she is providing the consents herein on a purely voluntary basis. If Grantee does not consent, or if Grantee later seeks to revoke his or her consent, his or her employment status or service with the Employer will not be affected; the only consequence of refusing or withdrawing Grantee's consent is that the Company would not be able to grant Restricted Share Units or other equity awards to Grantee or administer or maintain such awards. Therefore, Grantee understands that refusal or withdrawal of consent may affect Grantee's ability to participate in the Plan. For more information on the consequences of Grantee's refusal to consent or withdrawal of consent, Grantee understands that Grantee may contact Grantee's local human resources representative.

The following provision applies to Grantees who work and/or reside in the European Economic Area (including Switzerland and the United Kingdom).

Data Collection and Usage. Pursuant to applicable data protection laws, Grantee is hereby notified that the Company collects, processes, uses and transfers certain personally-identifiable information about Grantee for the exclusive legitimate purpose of granting Restricted Share Units and implementing, administering and managing Grantee's participation in the Plan. Specifics of the data processing are described below.

Controller. The Company is the controller responsible for the processing of Grantee's personal data in connection with the Plan.

Personal Data Subject to Processing. The Company collects, processes and uses the following types of personal data about Grantee: name, home address and telephone number, email address, date of birth, social insurance, passport number or other identification number, salary,

nationality, job title, any shares of stock or directorships held in any entity in the Company Group, details of all Restricted Share Units or any other entitlement to Common Shares awarded, canceled, settled, vested, unvested or outstanding in Grantee's favor, which the Company receives from Grantee or the Employer ("Personal Data"), for the purpose of implementing, administering and managing the Plan.

Purposes and Legal Bases of Processing. The Company processes the Personal Data for the purpose of performing its contractual obligations under the Award Terms, granting Restricted Share Units, implementing, administering and managing Grantee's participation in the Plan and facilitating compliance with applicable tax and securities law. The legal basis for the processing of the Personal Data by the Company and the third-party service providers described below is the necessity of the data processing for the Company to perform its contractual obligations under the Award Terms and for the Company's legitimate business interests of managing the Plan and generally administering employee equity awards.

Stock Plan Administration Service Providers. The Company transfers Personal Data to the Equity Account Administrator, an independent stock plan administrator with operations, relevant to the Company, in the United States, which assists the Company with the implementation, administration and management of the Plan. In the future, the Company may select a different service provider and may share Personal Data with such service providers. Grantee will be asked to agree on separate terms and data processing practices with the service provider, which is a condition of Grantee's ability to participate in the Plan. Grantee's Personal Data will only be accessible by those individuals requiring access to it for purposes of implementing, administering and operating Grantee's participation in the Plan. Grantee understands that Grantee may request a list with the names and addresses of any potential recipients of Personal Data by contacting Grantee's local human resources representative.

International Data Transfers. The Company and its service providers, including, without limitation, the Equity Account Administrator, operate, relevant to the Company, in the United States, which means that it will be necessary for Personal Data to be transferred to, and processed in the United States, for the performance of the contractual obligations under the Award Terms. Grantee understands that Grantee may request a list with the names and addresses of any potential recipients of the Data by contacting Grantee's local human resources representative.

Grantee understands and acknowledges that the United States is not subject to an unlimited adequacy finding by the European Commission and that Grantee's Personal Data may not have an equivalent level of protection as compared to Grantee's country of work and/or residence. To provide appropriate safeguards for the protection of Grantee's Personal Data, the Personal Data is transferred to the Company based on data transfer and processing agreements implementing the EU Standard Contractual Clauses. Grantee may request a copy of the safeguards used to protect his or her Personal Data by contacting the Company at: employeeprivacy@activision.com.

Data Retention. The Company will use the Personal Data only as long as necessary to implement, administer and manage Grantee's participation in the Plan, or as required to comply with legal or regulatory obligations, including tax and securities laws. This period may extend beyond Grantee's termination of employment with the Employer. When the Company no longer needs the Personal Data, the Company will remove it from its systems to the fullest extent reasonably practicable. If the Company keeps data longer, it would be to satisfy legal or regulatory obligations and the Company's legal basis would be relevant laws or regulations.

Grantee's Rights. To the extent provided by law, Grantee has the right to (i) inquire whether and what kind of Personal Data the Company holds about Grantee and how it is processed, and

to access or request copies of such Personal Data, (ii) request the correction or supplementation of Personal Data that is inaccurate, incomplete or out-of-date in light of the purposes underlying the processing, (iii) obtain the erasure of Personal Data no longer necessary for the purposes underlying the processing or processed in non-compliance with applicable legal requirements, (iv) request the Company to restrict the processing of Personal Data in certain situations where Grantee feels its processing is inappropriate, (v) object, in certain circumstances, to the processing of Personal Data for legitimate interests, (vi) request portability of Personal Data that Grantee has actively or passively provided to the Company, where the processing of such Personal Data is based on consent or a contractual agreement with Grantee and is carried out by automated means, or (vii) lodge a complaint with the competent local data protection authority. To receive additional information regarding Grantee's rights, raise any other questions regarding the practices described in the Award Terms or to exercise his or her rights, Grantee should contact the Company at: employeeprivacy@activision.com.

Contractual Requirement. Grantee's provision of Personal Data and its processing as described above is a contractual requirement and a condition to Grantee's ability to participate in the Plan. Grantee understands that, as a consequence of Grantee's refusing to provide Personal Data, the Company may not be able to allow Grantee to participate in the Plan, grant Restricted Share Units to Grantee or administer or maintain such Restricted Share Units. However, Grantee's participation in the Plan and his or her acceptance of the Award Terms are purely voluntary. While Grantee will not receive Restricted Share Units if he or she decides against participating in the Plan or providing Personal Data as described above, Grantee's career and salary will not be affected in any way. For more information on the consequences of the refusal to provide Personal Data, Grantee may contact the Company at: employeeprivacy@activision.com.

Appendix for Australia
Additional terms and Conditions of the
Activision Blizzard, Inc.
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NOTIFICATIONS

Australia Offer Document. The grant of Restricted Share Units under the Plan is intended to comply with the provisions of the Corporations Act 2001, ASIC Regulatory Guide 49 and ASIC Class Order CO 14/1000. Additional details are set forth in the Australia Offer Document, which is provided with the Award Terms.

Tax Information. The Plan is a plan to which subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies (subject to conditions therein).

Appendix for Belgium

Additional terms and Conditions of the Activision Blizzard, Inc. 2014 Incentive Plan Restricted Share Unit Award Terms

NOTIFICATIONS

Foreign Asset/Account Reporting Notification. Grantee is required to report any bank accounts opened and maintained outside Belgium on his or her annual tax return. In a separate report, Grantee may be required to provide the National Bank of Belgium with certain details regarding such foreign accounts (including the account number, bank name and country in which any such account was opened). This report, as well as additional information on how to complete it, can be found on the website of the National Bank of Belgium, www.nbb.be, under *Kredietcentrales / Centrales des crédits* caption. Grantee should consult with his or her personal tax advisor to determine his or her personal reporting obligations.

Annual Securities Accounts Tax. If the value of securities held in a Belgian or foreign securities account exceeds EUR 1 million, a new “annual securities accounts tax” applies. Belgian residents should consult with their personal tax advisor regarding the new tax.

Stock Exchange Tax. A stock exchange tax applies to transactions executed by a Belgian resident through a non-Belgian financial intermediary, such as a U.S. broker. The stock exchange tax will likely apply when Common Shares acquired upon vesting of the Restricted Share Units are sold. Grantee should consult with his or her personal tax advisor for additional details on his or her obligations with respect to the stock exchange tax.

Appendix for Brazil
Additional terms and Conditions of the
Activision Blizzard, Inc.
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TERMS AND CONDITIONS

Compliance with Law. By accepting the Restricted Share Units, Grantee acknowledges that he or she agrees to comply with applicable Brazilian laws and to pay any and all applicable taxes associated with Grantee's participation in the Plan.

Nature of Company Restricted Share Unit Grants. By accepting the Restricted Share Units, Grantee agrees that (1) he or she is making an investment decision and (2) the value of the underlying Common Shares is not fixed and may increase or decrease in value over time without compensation to Grantee.

NOTIFICATIONS

Exchange Control Notification. If Grantee is resident or domiciled in Brazil, he or she will be required to submit a declaration of assets and rights held outside of Brazil to the Central Bank of Brazil if the aggregate value of such assets and rights equals or exceeds US\$1,000,000. Assets and rights that must be reported include the Common Shares.

Tax on Financial Transaction (IOF). Payments to foreign countries (including the payment of the exercise price) and repatriation of funds into Brazil and the conversion between BRL and US\$ associated with such fund transfers may be subject to the Tax on Financial Transactions. It is Grantee's responsibility to comply with any applicable Tax on Financial Transactions arising from Grantee's participation in the Plan. Grantee should consult with his or her personal tax advisor for additional details.

Appendix for Canada

Additional terms and Conditions of the Activision Blizzard, Inc. 2014 Incentive Plan Restricted Share Unit Award Terms

TERMS AND CONDITIONS

Restricted Share Units Payable Only in Common Shares. The grant of Restricted Share Units does not provide any right for Grantee to receive a cash payment, and the Restricted Share Units are payable in Common Shares only.

Termination of Employment. Notwithstanding anything to the contrary in Section 3(b) of the Award Terms, unless the Committee determines otherwise, in the event of the termination of Grantee's continuous service (for any reason whatsoever, and whether or not later found to be invalid or in breach of employment laws in the jurisdiction in which Grantee is employed or the terms of Grantee's employment agreement or service contract, if any), Grantee's right to receive or vest in the Restricted Share Units under the Plan, if any, will terminate as of the date is the earliest of: (1) the date Grantee's employment or service with the Company Group is terminated, (2) the date Grantee receives notice of termination of employment or service from the Employer or any other entity in the Company Group, and (3) the date Grantee is no longer actively employed or rendering services to the Company Group, regardless of any notice period or period of pay in lieu of such notice required under local law (including, but not limited to, statutory law, regulatory law and/or common law). In the event the date Grantee is no longer actively employed or rendering services cannot be reasonably determined under the Award Terms and/or the Plan, the Committee shall have the exclusive discretion to determine when Grantee is no longer actively employed for purposes of the Restricted Share Units (including whether Grantee may still be considered actively employed while on a leave of absence).

Notwithstanding the foregoing, if applicable employment standards legislation explicitly requires continued entitlement to vesting during a statutory notice period, Grantee's right to vest in the Restricted Share Units under the Plan, if any, will terminate effective as of the last day of Grantee's minimum statutory notice period, but Grantee will not earn or be entitled to pro-rated vesting if the vesting date falls after the end of Grantee's statutory notice period, nor will Grantee be entitled to any compensation for lost vesting.

The following provisions will apply to Grantees who are residents of Quebec:

Language Acknowledgment. The parties acknowledge that it is their express wish that the Award Terms, including this Appendix, as well as all documents, notices, and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Consentement relatif à la langue utilisée: *Les parties reconnaissent avoir exigé la rédaction en anglais de cette annexe, la convention afférente, ainsi que de tous documents, avis donnés et procédures judiciaires exécutés, donnés ou intentés en vertu de, ou liés directement ou indirectement aux présentes.*

Data Privacy Notice and Consent. This provision supplements the "Data Privacy Information and Consent for Grantees outside the European Economic Area" Section of the Appendix:

Grantee hereby authorizes the Company and the Company's representatives to discuss with and obtain all relevant information from all personnel, professional or not, involved in the administration and operation of the Plan. Grantee further authorizes the Company Group, Equity Account Administrator and any other broker(s) designated by the Company to disclose and discuss the Plan with their respective advisors. Grantee further authorizes the Company Group to record such information and to keep such information Grantee's employee file.

NOTIFICATIONS

Securities Law Notification. Grantee is permitted to sell Common Shares acquired under the Plan through the Equity Account Administrator, provided that the resale of Common Shares acquired under the Plan takes place outside of Canada through the facilities of a stock exchange on which the Common Shares are listed. The Common Shares are currently listed on the Nasdaq.

Foreign Asset/Account Reporting Notification. Foreign specified property held by Canadian residents must be reported annually on Form T1135 (Foreign Income Verification Statement) if the total value of such foreign specified property exceeds C\$100,000 at any time during the year. Foreign specified property includes Common Shares acquired under the Plan and may include the Restricted Share Units. The Restricted Share Units must be reported—generally at a nil cost—if the C\$100,000 cost threshold is exceeded because of other foreign specified property Grantee holds. If Common Shares are acquired, their cost generally is the adjusted cost base ("ACB") of the Common Shares. The ACB would normally equal the fair market value of the Common Shares at vesting, but if Grantee owns other shares of the Company's common stock, this ACB may have to be averaged with the ACB of those other shares. If due, the form must be filed by April 30th of the following year. Grantee should speak with a personal tax advisor to determine the scope of foreign property that must be considered for purposes of this requirement.

Appendix for China

Additional terms and Conditions of the Activision Blizzard, Inc. 2014 Incentive Plan Restricted Share Unit Award Terms

Exchange Control Notification. Grantee understands, acknowledges and agrees that certain exchange control restrictions may apply to Grantee's participation in the Plan, including to the remittance of funds into China of any sale proceeds or dividends paid on Common Shares acquired under the Plan. Grantee understands that it is his or her sole responsibility to comply with applicable exchange control restrictions in China.

Appendix for Denmark
Additional terms and Conditions of the
Activision Blizzard, Inc.
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TERMS AND CONDITIONS

Nature of Grant. This provision supplements the “Nature of Grant” Section of the Appendix:

By participating in the Plan, Grantee acknowledges that he or she understands and agrees that the grant of the Restricted Share Units relates to future services to be performed and is not a bonus or compensation for past services.

Stock Option Act. Grantee acknowledges that he or she has received an “Employer Statement” in Danish which sets forth additional terms of the Restricted Share Units, to the extent that the Danish Stock Option Act applies to the Restricted Share Units.

NOTIFICATIONS

Foreign Asset/Account Reporting Information. Danish tax payers that have an account holding Common Shares or an account holding cash outside Denmark must report those accounts to the Danish Tax Administration. The form which should be used in this respect may be obtained from a local bank.

Appendix for France

Additional terms and Conditions of the Activision Blizzard, Inc. 2014 Incentive Plan Restricted Share Unit Award Terms

TERMS AND CONDITIONS

Restricted Share Units Not Tax-Qualified. Grantee understands that these Restricted Share Units are not intended to be French tax-qualified.

Language Consent. By accepting the Award, Grantee confirms that he or she has read and understood the documents relating to the Restricted Share Units (the Grant Notice, the Plan, and the Award Terms, including this Appendix) which were provided in the English language. Grantee accepts the terms of these documents accordingly.

Consentement relatif à la langue utilisée: *En acceptant l'Attribution, le Bénéficiaire confirme qu'il ou qu'elle a lu et compris les documents afférents aux Attributions Gratuites d'Actions (la Notification d'Attribution, le Plan et les Termes de l'Attribution, ainsi que la présente Annexe) qui sont produits en langue anglaise. Le Bénéficiaire accepte les termes de ces documents en connaissance de cause.*

NOTIFICATIONS

Foreign Asset/Account Reporting Notification. If Grantee retains Common Shares acquired under the Plan outside of France or maintains a foreign bank account, Grantee is required to report such to the French tax authorities when filing his or her annual tax return. Further, French residents with foreign account balances exceeding €1,000,000 may have additional monthly reporting obligations.

Appendix for Germany
Additional terms and Conditions of the
Activision Blizzard, Inc.
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NOTIFICATIONS

Exchange Control Notification. Cross-border payments in excess of €12,500 must be reported monthly to the German Federal Bank. No report is required for payments less than €12,500. In case of payments in connection with securities (including proceeds realized upon the sale of Common Shares), the report must be made by the 5th day of the month following the month in which the payment was received. Effective from September 2013, the report must be filed electronically. The form of report ("*Allgemeine Meldeportal Statistik*") can be accessed via the *Bundesbank's* website (www.bundesbank.de) and is available in both German and English. Grantee is responsible for satisfying the reporting obligation.

Foreign Asset/Account Reporting Information. If Grantee's acquisition of Common Shares under the Plan leads to a "qualified participation" at any point during the calendar year, Grantee will need to report the acquisition of such shares when Grantee files his or her tax return for the relevant year. A qualified participation is attained if (1) the value of the Common Shares acquired exceeds €150,000 or (2) the Common Shares held exceed 10% of the Company's total common stock. However, provided the Common Shares are listed on a recognized stock exchange (*e.g.*, the Nasdaq Stock Market) and Grantee owns less than 1% of the Company, this requirement will not apply. Grantee should consult with his or her personal tax advisor to ensure Grantee complies with applicable reporting obligations.

Appendix for Hong Kong
Additional terms and Conditions of the
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TERMS AND CONDITIONS

Sale Restriction. Any Shares received at vesting are accepted as a personal investment. Notwithstanding anything contrary in the Agreement or the Plan, in the event the Restricted Share Units vest and Shares are issued to Grantee or his or her legal representatives or estate within six months of the Date of Grant, Grantee agrees that Grantee or his or her legal representatives or estate will not offer to the public or otherwise dispose of any Shares acquired prior to the six-month anniversary of the Date of Grant.

Payout of Restricted Share Units in Shares Only. Restricted Share Units granted to Employees resident in Hong Kong shall be paid in Shares only. In no event shall any of such Restricted Share Units be paid in cash, notwithstanding any discretion contained in the Plan to the contrary.

NOTIFICATIONS

Securities Warning. The contents of this document have not been reviewed by any regulatory authority in Hong Kong. Grantee is advised to exercise caution in relation to the offer. If Grantee is in any doubt about any of the contents of this document, he or she should obtain independent professional advice. The Restricted Share Units and Shares acquired upon vesting of the Restricted Share Units do not constitute a public offering of securities under Hong Kong law and are available only to employees of the Company or any Subsidiary or Affiliate. The Plan, the Grant Agreement and other incidental communication materials have not been prepared in accordance with and are not intended to constitute a “prospectus” for a public offering of securities under the applicable securities legislation in Hong Kong. The Restricted Share Units are intended only for the personal use of each eligible employee of the Company or any Subsidiary or Affiliate and may not be distributed to any other person.

Appendix for Hungary
Additional terms and Conditions of the
Activision Blizzard, Inc.
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There are no country-specific provisions.

Appendix for Ireland
Additional terms and Conditions of the
Activision Blizzard, Inc.
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TERMS AND CONDITIONS

Nature of Grant. This provision supplements the “Nature of Grant” of Grant Section of the Appendix:

In accepting the grant of the Restricted Share Units, Grantee acknowledges that he or she understands and agrees that the benefits received under the Plan will not be taken into account for any redundancy or unfair dismissal claim.

NOTIFICATIONS

Director Notification Requirements. If Grantee is a director, shadow director or secretary of an Irish Subsidiary and Grantee’s aggregate shareholding interest equals or exceeds 1% of the voting rights of the Company, Grantee must notify the Irish Subsidiary in writing within a certain time period of (i) receiving or disposing of an interest in the Company (e.g., Restricted Share Units, Common Shares), (ii) becoming aware of the event giving rise to the notification requirement, or (iii) becoming a director or secretary if such an interest exists at the time. This notification requirement also applies with respect to the interests of a spouse or minor children (whose interests will be attributed to the director, shadow director or secretary, as the case may be). Grantee may contact Stock Plan Administration to obtain a sample form that can be used to satisfy this notification requirement.

Appendix for Italy

Additional terms and Conditions of the Activision Blizzard, Inc. 2014 Incentive Plan Restricted Share Unit Award Terms

TERMS AND CONDITIONS

Plan Document Acknowledgment. By accepting the Restricted Share Units, Grantee acknowledges that he or she has received a copy of the Plan and the Grant Agreement and has reviewed the Plan and the Grant Agreement, including this Appendix B, in their entirety and fully understands and accepts all provisions of the Plan and the Grant Agreement, including this Appendix B. Grantee acknowledges having read and specifically and expressly approves the following sections of the Grant Agreement: “Vesting Schedule” as described in the Grant Notice, Section 3 (“Termination of Employment”), Section 4 (“Taxes Withholding”), Section 16 (“No Right to Employment”), Section 17 (“No Rights as Stockholder”), Section 19 (“Venue and Governing Law”), and “Data Privacy Information and Consent” and “Language” as described in Exhibit B.

NOTIFICATIONS

Foreign Asset / Account Tax Reporting Notification. Italian residents who, at any time during the fiscal year, hold foreign financial assets (such as cash, Shares) which may generate income taxable in Italy are required to report such assets on their annual tax returns or on a special form if no tax return is due. The same reporting duties apply to Italian residents who are beneficial owners of the foreign financial assets pursuant to Italian money laundering provisions, even if they do not directly hold the foreign asset abroad. Grantee is advised to consult his or her personal legal advisor to ensure compliance with applicable reporting requirements.

Foreign Asset Tax Information. Italian residents who, at any time during the fiscal year, hold foreign financial assets (including cash and Shares) which may generate income taxable in Italy are required to report these assets on their annual tax returns (UNICO Form, RW Schedule) for the year during which the assets are held, or on a special form if no tax return is due. These reporting obligations will also apply to Italian residents who are the beneficial owners of foreign financial assets under Italian money laundering provisions.

Appendix for Japan

Additional terms and Conditions of the Activision Blizzard, Inc. 2014 Incentive Plan Restricted Share Unit Award Terms

NOTIFICATIONS

Foreign Asset/Account Reporting Notification. Grantee will be required to report details of any assets (including any Common Shares acquired under the Plan) held outside of Japan as of December 31st of each year, to the extent such assets have a total net fair market value exceeding ¥50,000,000. Such report will be due by March 15th of the following year. Grantee should consult with his or her personal tax advisor as to whether the reporting obligation applies to Grantee and whether Grantee will be required to report details of any outstanding Restricted Share Units or Common Shares held by Grantee in the report.

Appendix for Korea
Additional terms and Conditions of the
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2014 Incentive Plan
Restricted Share Unit Award Terms

NOTIFICATIONS

Foreign Asset/Account Reporting Notification. Korean residents must declare all foreign financial accounts (e.g., non-Korean bank accounts, brokerage accounts, etc.) to the Korean tax authority and file a report with respect to such accounts if the value of such accounts exceeds KRW 500 million (or an equivalent amount in foreign currency). Grantee should consult with his or her personal tax advisor to determine how to value Grantee's foreign accounts for purposes of this reporting requirement and whether Grantee is required to file a report with respect to such accounts.

Appendix for Luxembourg
Additional terms and Conditions of the
Activision Blizzard, Inc.
2014 Incentive Plan
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There are no country-specific provisions.

Appendix for Malta

Additional terms and Conditions of the Activision Blizzard, Inc. 2014 Incentive Plan Restricted Share Unit Award Terms

NOTIFICATIONS

Securities Law Notification. Neither the Company nor the Plan is registered in Malta and no investment services will be carried out in or from within Malta. The Plan will not be marketed in Malta and the Company is exempt from any investment service license requirements.

Appendix for Mexico

Additional terms and Conditions of the Activision Blizzard, Inc. 2014 Incentive Plan Restricted Share Unit Award Terms

TERMS AND CONDITIONS

Acknowledgement of the Award Terms. By accepting the Restricted Share Units, Grantee acknowledges that he or she has received a copy of the Plan and the Award Terms, including this Appendix, which he or she has reviewed. Grantee further acknowledges that he or she accepts all the provisions of the Plan and the Award Terms, including this Appendix. Grantee also acknowledges that he or she has read and specifically and expressly approves the terms and conditions set forth in “Nature of Grant” Section of the Appendix, which clearly provide as follows:

- (1) Grantee’s participation in the Plan does not constitute an acquired right;
- (2) The Plan and Grantee’s participation in it are offered by the Company on a wholly discretionary basis;
- (3) Grantee’s participation in the Plan is voluntary; and
- (4) The Company and any entity in the Company Group are not responsible for any decrease in the value of any Common Shares acquired upon settlement of the Restricted Share Units.

Labor Law Acknowledgement and Policy Statement. By accepting the Restricted Share Units, Grantee acknowledges that the Company with registered offices at 3100 Ocean Park Boulevard, Santa Monica, California 90405, U.S.A., is solely responsible for the administration of the Plan. Grantee further acknowledges that his or her participation in the Plan, the grant of Restricted Share Units and any acquisition of Common Shares under the Plan do not constitute an employment relationship between Grantee and the Company because Grantee is participating in the Plan on a wholly commercial basis and his or her sole employer is Activision Mexico S. de RL de CV, Tihuatlan 41,602, San Jerónimo Aculco, Federal District, México (“Activision-Mexico”). Based on the foregoing, Grantee expressly acknowledges that the Plan and the benefits that he or she may derive from participation in the Plan do not establish any rights between Grantee and his or her employer, Activision-Mexico, and do not form part of the employment conditions and/or benefits provided by Activision-Mexico, and any modification of the Plan or its termination shall not constitute a change or impairment of the terms and conditions of Grantee’s employment.

Grantee further understands that his or her participation in the Plan is the result of a unilateral and discretionary decision of the Company and, therefore, the Company reserves the absolute right to amend and/or discontinue Grantee’s participation in the Plan at any time, without any liability to Grantee.

Finally, Grantee hereby declares that he or she does not reserve to him or herself any action or right to bring any claim against the Company for any compensation or damages regarding any provision of the Plan or the benefits derived under the Plan, and that he or she therefore grants a full and broad release to the Company, its Subsidiaries, affiliates, branches, representation

offices, shareholders, officers, agents or legal representatives, with respect to any claim that may arise.

SPANISH TRANSLATION

Reconocimiento de los terminos del otorgamiento de acciones. Al aceptar las Unidades de Acciones Restringidas, el Receptor reconoce que ha recibido una copia del Plan y de los Términos del Otorgamiento de acciones, incluyendo este anexo, los cuales ha revisado. El Receptor también reconoce que acepta los términos del Plan y del Otorgamiento de Acciones, incluyendo este anexo. Así mismo el Receptor reconoce que ha leído y expresamente aprueba los términos y condiciones establecidas en la cláusula 1 del los Términos Generales para Receptores fuera de los Estados Unidos, las cuales claramente establecen lo siguiente:

(1) La participación del Receptor en el Plan no constituye un derecho adquirido

(2) El plan y la participación del Receptor en dicho Plan son ofrecidos por la Empresa en forma totalmente discrecional.

(3) La participación del Receptor en el Plan es voluntaria; y

(4) La Empresa y cualquier empresa del Grupo de Empresas no son responsables por la reducción en el valor de las acciones comunes que sean adquiridas en virtud de las Unidades de Acciones Restringidas.

Política de Ley Laboral y Reconocimiento. Al aceptar el otorgamiento de adquisición de acciones y/o Restricted Share Units, el Receptor reconoce que la Empresa, con domicilio ubicado en 310 Ocean Park Boulevard, Santa Mónica, California, 90405 U.S.A., es el único responsable para la administración de Plan y que su participación en los Plan y adquisición de acciones no constituye una relación de trabajo entre la Empresa y el Receptor, toda vez que su participación en el Plan es totalmente en base a una relación comercial entre mi único patrón Actibliz Mexico S. de RL de CV, Tihuatlan 41,602, San Jerónimo Aculco, Federal District, México ("Activision Mexico") Derivado de lo anterior, el Receptor expresamente reconoce que el Plan y beneficios que pudieran derivar de su participación en el Plan no establece derechos entre su único patrón Activision Mexico y el suscrito, no forman parte de sus condiciones y/o prestaciones de trabajo otorgadas por Activision Mexico y cualquier modificación del Plan o su terminación no constituye un cambio o detrimento en los términos y condiciones de su relación de trabajo.

Asimismo, el Receptor entiende que su participación en el Plan es resultado de una decisión unilateral y discrecional de la Empresa, por lo tanto la Empresa se reserva el derecho absoluto de modificar y/o discontinuar la participación de usted en cualquier momento y sin responsabilidad alguna frente al Receptor.

Finalmente, en este acto el Receptor declara que no se reserva acción o derecho alguno para presentar cualquier reclamación en contra de la Empresa por cualquier compensación o daño en relación con cualquier disposición del Plan o de los beneficios derivados del Plan y, por lo tanto, el Receptor otorga el más amplio y total finiquito a la Empresa, sus afiliadas, sucursales, oficinas de representación, accionistas, funcionarios, agentes o representantes en relación con cualquier reclamación que pudiera surgir.

NOTIFICATIONS

Securities Law Notification. The Restricted Share Units and the Common Shares offered under the Plan have not been registered with the National Register of Securities maintained by the Mexican National Banking and Securities Commission and cannot be offered or sold publicly in Mexico. In addition, the Plan, the Award Terms and any other document relating to the Restricted Share Units may not be publicly distributed in Mexico. These materials are addressed to Grantee only because of Grantee's existing relationship with the Company and the Employer and these materials should not be reproduced or copied in any form. The offer contained in these materials does not constitute a public offering of securities but rather constitutes a private placement of securities addressed specifically to individuals who are present employees of Activision Mexico made in accordance with the provisions of the Mexican Securities Market Law, and any rights under such offering shall not be assigned or transferred.

Appendix for the Netherlands
Additional terms and Conditions of the
Activision Blizzard, Inc.
2014 Incentive Plan
Restricted Share Unit Award Terms

TERMS AND CONDITIONS

Nature of Grant. This provision supplements the “Nature of Grant” Section of the Appendix:

In accepting the grant of the Restricted Share Units, Grantee acknowledges that the Restricted Share Units granted under the Plan are intended as an incentive for Grantee to remain employed with the Employer and are not intended as remuneration for labor performed.

Appendix for New Zealand
Additional terms and Conditions of the
Activision Blizzard, Inc.
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NOTIFICATIONS

Securities Law Notification. Warning: This is an offer of rights to receive Shares upon vesting of the Restricted Share Units subject to the terms of the Plan and the Award Terms. Restricted Share Units give Grantee a stake in the ownership of the Company. Grantee may receive a return if dividends are paid on the Shares.

If the Company runs into financial difficulties and is wound up, Grantee will be paid only after all creditors and holders of preferred shares have been paid. Grantee may lose some or all of their investment.

New Zealand law normally requires people who offer financial products to give information to investors before they invest. This information is designed to help investors to make an informed decision.

The usual rules do not apply to this offer because it is made under an employee share purchase scheme. As a result, Grantee may not be given all the information usually required. Grantee will also have fewer other legal protections for this investment.

Grantee should ask questions, read all documents carefully, and seek independent financial advice before committing to participate in the Plan.

In addition, the Holder is hereby notified that the Company's most recent Annual Report on Form 10-K, the Plan and the Plan prospectus are available for review on the Company intranet site at Finance - The Hub (activisionblizzard.com). The Company's most recent Annual Report can also be found at: <https://investor.activision.com/#ir-reports-filings>. And your Award Terms can be found in your E*Trade account at www.etrade.com by navigating to My Account/Plan Elections.

As noted above, Grantee should carefully read the materials provided before making a decision whether to participate in the Plan. Grantee is also encouraged to contact their personal tax advisor for specific information concerning Grantee's personal tax situation with regard to Plan participation.

Appendix for Poland
Additional terms and Conditions of the
Activision Blizzard, Inc.
2014 Incentive Plan
Restricted Share Unit Award Terms

NOTIFICATIONS

Foreign Asset/Accounting Reporting Notification. Polish residents holding foreign securities (including Common Shares acquired under the Plan) and maintaining accounts abroad must report information to the National Bank of Poland on transactions and balances of the securities and cash deposited in such accounts if the value of such transactions or balances exceeds PLN 7,000,000. If required, the reports must be filed on a quarterly basis on special forms available on the website of the National Bank of Poland.

Exchange Control Notification. If Grantee transfers funds into Poland in excess of a certain threshold (currently €15,000, unless the transfer of funds is considered to be connected with the business activity of an entrepreneur, in which case a lower threshold may apply) in connection with the sale of Common Shares under the Plan, the funds must be transferred via a bank account held at a bank in Poland. Grantee is required to retain the documents connected with a foreign exchange transaction for a period of five (5) years, as measured from the end of the tax year in which such transaction occurred.

Appendix for Portugal
Additional terms and Conditions of the
Activision Blizzard, Inc.
2014 Incentive Plan
Restricted Share Unit Award Terms

TERMS AND CONDITIONS

Language Consent. Grantee hereby expressly declares that he or she has full knowledge of the English language and has read, understood and fully accepted and agreed with the terms and conditions established in the Plan and Award Terms.

Consentimento sobre Língua

O Empregado Contratado, pelo presente instrumento, declara expressamente que domina a língua inglesa e que leu, compreendeu e livremente aceitou e concordou com os termos e condições estabelecidos no Plano e no Acordo de Atribuição.

NOTIFICATIONS

Exchange Control Notification. If Grantee holds Shares upon vesting of the Restricted Share Units, the acquisition of Shares should be reported to the Banco de Portugal for statistical purposes. If the Shares are deposited with a commercial bank or financial intermediary in Portugal, such bank or financial intermediary will submit the report on Grantee's behalf. If the Shares are not deposited with a commercial bank or financial intermediary in Portugal, Grantee is responsible for submitting the report to the Banco de Portugal.

Appendix for Romania
Additional terms and Conditions of the
Activision Blizzard, Inc.
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NOTIFICATIONS

Exchange Control Notification. Grantee is generally not required to seek authorization from the National Bank of Romania to participate in the Plan or to open and operate a foreign bank account to receive any proceeds under the Plan. However, if Grantee acquires 10% or more of the registered capital of a non-resident company, Grantee must file a report with the National Bank of Romania (“NBR”) within 30 days from the date such ownership is reached. This is a statutory requirement, but it does not trigger the payment of fees to NBR.

Appendix for Russia
Additional terms and Conditions of the
Activision Blizzard, Inc.
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NOTIFICATIONS

Securities Law Information. The Employer is not in any way involved in the offer of Restricted Share Units or administration of the Plan. These materials do not constitute advertising or an offering of securities in Russia nor do they constitute placement of the Shares in Russia. The issuance of Shares pursuant to the Restricted Share Units described herein has not and will not be registered in Russia and hence, the Shares described herein may not be admitted or used for offering, placement or public circulation in Russia.

Data Privacy Notice and Consent. This section replaces the Data Privacy and Consent provision in Exhibit B.

Grantee hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of his or her personal data as described in the Award Terms by and among, as applicable, the Employer, the Company and its Affiliates for the exclusive purpose of implementing, administering and managing Grantee's participation in the Plan.

Grantee understands that the Company, any Affiliate and/or the Employer may hold certain personal data about Grantee, including, but not limited to, Grantee's name, home address and telephone number, email address, date of birth, social insurance, passport or other identification number, salary, nationality, job title, any Shares of stock or directorships held in the Company, details of all Restricted Share Units or any other entitlement to Shares awarded, canceled, vested, unvested or outstanding in his or her favor ("Data"), for the purpose of implementing, administering and managing the Plan.

Grantee understands that Data may be transferred to the Equity Account Administrator or such other stock plan service provider as may be selected by the Company in the future, which is assisting in the implementation, administration and management of the Plan, that the recipients of the Data may be located in Grantee's country, or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than Grantee's country. Grantee understands that Grantee may request a list with the names and addresses of any potential recipients of the Data by contacting the U.S. human resources representative or stock plan services. Grantee authorizes the Company, the Equity Account Administrator and other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing Grantee's participation in the Plan, including any requisite transfer of such Data as may be required to a broker, escrow agent or other third party with whom the Shares received upon vesting of the Restricted Share Units may be deposited. Grantee understands that Data will be held only as long as is necessary to implement, administer and manage his or her participation in the Plan.

Grantee understands that Grantee may, at any time, view Data, request information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case and without cost, by contacting in writing the U.S. human

resources representative. Grantee understands that refusal or withdrawal, rescission or termination of consent may affect his or her ability to participate in the Plan. For more information on the consequences of Grantee's refusal to consent or withdrawal of consent, Grantee understands that Grantee may contact the U.S. human resources representative or stock plan services.

U.S. Transaction. Any Shares issued pursuant to the Restricted Share Units shall be delivered to Grantee through a brokerage account in the U.S. Grantee may hold Shares in his or her brokerage account in the U.S.; however, in no event will Shares issued to Grantee and/or Share certificates or other instruments be delivered to Grantee in Russia. Grantee is not permitted to make any public advertising or announcements regarding the Restricted Share Units or Shares in Russia, or promote these Shares to other Russian legal entities or individuals, and Grantee is not permitted to sell or otherwise dispose of Shares directly to other Russian legal entities or individuals. Grantee is permitted to sell Shares only on the Nasdaq Stock Market and only through a U.S. broker.

Settlement of Restricted Share Units and Sale of Shares. Due to local regulatory requirements, the Company reserves the right to require the immediate sale of any Shares to be issued to Grantee upon vesting of the Restricted Share Units. Grantee agrees that the Company is authorized to instruct its designated broker to assist with any such mandatory sale of the Shares (on his or her behalf pursuant to this authorization) and Grantee expressly authorizes the Company's designated broker to complete the sale of such Shares, if so instructed by the Company. In such case, Grantee acknowledges that the Company's designated broker is under no obligation to arrange for the sale of the Shares at any particular price. Upon the sale of the Shares, the Company agrees to pay Grantee the cash proceeds from the sale of the Shares, less any brokerage fees or commissions and subject to any obligation to satisfy Withholding Tax-related items. Grantee may hold the cash proceeds in the brokerage account in the U.S. for an indefinite period of time (e.g., for subsequent reinvestment). Grantee acknowledges that Grantee is not aware of any material nonpublic information with respect to the Company or any securities of the Company as of the date of this Agreement.

Exchange Control Information. Under exchange control regulations in Russia, Grantee may be required to repatriate certain cash amounts that Grantee receives with respect to the Restricted Share Units to Russia as soon as Grantee intends to use those cash amounts for any purpose, including reinvestment. If the repatriation requirements apply, such funds must initially be credited to Grantee through a foreign currency account at an authorized bank in Russia. After the funds are initially received in Russia, they may be further remitted to foreign banks in accordance with Russian exchange control laws.

Under the Directive of the Russian Central Bank (the "CBR") N 5371-U which came into force on April 17, 2020, there are no restrictions on the transfer of cash into and from accounts opened by Russian currency residents with a foreign financial market institution other than a bank. Accordingly, the repatriation requirement in certain cases may not apply with respect to cash amounts received in an account that is considered by the CBR to be a foreign brokerage account opened with a financial market institution other than a bank. Statutory exceptions to the repatriation requirement also may apply.

Anti-Corruption Notification. Anti-corruption laws prohibit certain public servants, their spouses and their dependent children from owning any foreign source financial instruments (e.g., Shares of foreign companies such as the Company). Accordingly, Grantee should inform the Company if Grantee is covered by these laws because Grantee should not hold Shares acquired under the Plan.

Appendix for Singapore
Additional terms and Conditions of the
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TERMS AND CONDITIONS

Sale Restriction. Grantee agrees that any Common Shares acquired pursuant to the Restricted Share Units will not be offered for sale in Singapore prior to the six-month anniversary of the Date of Grant, unless such sale or offer is made pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the Securities and Futures Act (Chapter 289, 2006 Ed.) (“SFA”).

NOTIFICATIONS

Securities Law Notification. The grant of the Restricted Share Units is being made pursuant to the “Qualifying Person exemption” under section 273(1)(f) of the SFA under which it is exempt from the prospectus and registration requirements and is not made with a view to the underlying Common Shares being subsequently offered for sale to any other party. The Plan has not been and will not be lodged or registered as a prospectus with the Monetary Authority of Singapore.

Director Notification Requirements. If Grantee is a director of a Singapore Subsidiary of the Company, Grantee must notify the Singapore Subsidiary in writing within two business days of receiving or disposing of an interest (e.g., Restricted Share Units, Common Shares) in the Company or within two business days of becoming a director if such an interest exists at the time. This notification requirement also applies to an associate director and to a shadow director (i.e., an individual who is not on the board of directors but who has sufficient control so that the board of directors acts in accordance with the “directions and instructions” of the individual) of a Singapore Subsidiary or affiliate of the Company. Grantee may contact Stock Plan Administration to obtain a sample form that can be used to satisfy this notification requirement.

Appendix for Spain

Additional terms and Conditions of the Activision Blizzard, Inc. 2014 Incentive Plan Restricted Share Unit Award Terms

TERMS AND CONDITIONS

Nature of Grant. This provision supplements the “Nature of Grant” Section of the Appendix:

In accepting the Restricted Share Units, Grantee consents to participate in the Plan and acknowledges having received and read a copy of the Plan.

Grantee understands that the Company has unilaterally, gratuitously and discretionally decided to grant Restricted Share Units under the Plan to individuals who may be employees of the Company or any other entity in the Company Group throughout the world. The decision is a limited decision that is entered into upon the express assumption and condition that any grant will not bind the Company or any other entity in the Company Group. Consequently, Grantee understands that the Restricted Share Units are granted on the assumption and condition that such Restricted Share Units and any Common Shares acquired under the Plan shall not become a part of any employment contract (either with the Company or any other entity in the Company Group) and shall not be considered a mandatory benefit, salary for any purposes (including severance compensation) or any other right whatsoever. In addition, Grantee understands that the Restricted Share Units would not be granted but for the assumptions and conditions referred to above; thus, Grantee acknowledges and freely accepts that should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason, then any grant of the Restricted Share Units shall be null and void.

Further, the vesting of the Restricted Share Units is expressly conditioned on Grantee’s active employment, such that if Grantee’s employment or service terminates for any reason whatsoever, the Restricted Share Units cease vesting immediately effective on the date of termination of employment. This will be the case, for example, even if Grantee (1) is considered to be unfairly dismissed without good cause (*i.e.*, subject to a “*despido improcedente*”); (2) is dismissed for disciplinary or objective reasons or due to a collective dismissal; (3) terminates service due to a change of work location, duties or any other employment or contractual condition; (4) terminates service due to the Company’s or any entity in the Company Group’s unilateral breach of contract; or (5) is terminated from employment for any other reason whatsoever. Consequently, upon Grantee’s termination of employment for any of the above reasons, Grantee may automatically lose any rights to Restricted Share Units that were unvested on the date of termination.

NOTIFICATIONS

Exchange Control Notification. The acquisition, ownership and sale of Common Shares under the Plan must be declared for statistical purposes to the Spanish *Dirección General de Comercio e Inversiones* (the “DGCI”), the Bureau for Commerce and Investments, which is a department of the Ministry of Economy and Competitiveness. Generally, the declaration must be made each January for Common Shares owned as of December 31st of the prior year, by means of a D-6 form; however, if the value of the Common Shares acquired or sold exceeds €1,502,530 (or if Grantee holds 10% or more of the share capital of the Company or such other amount that would entitle Grantee to join the Company’s board of directors), the declaration must be filed also within one month of the acquisition or sale, as applicable.

Grantee is required to declare electronically to the Bank of Spain any securities accounts (including brokerage accounts held abroad), foreign instruments (including any Common Shares acquired under the Plan) and any transactions with non-Spanish residents (including any payments of Common Shares made to Grantee by the Company), depending on the amount of the transactions during the relevant year or the balances in such accounts as of December 31st of the relevant year. Generally, the report is required on an annual basis (by January 20 of each year). Grantee should consult with his or her personal advisor to ensure that Grantee is properly complying with his or her reporting obligations.

Foreign Asset/Account Reporting Notification. If Grantee holds rights or assets (e.g., Common Shares or cash held in a bank or brokerage account) outside of Spain with a value in excess of €50,000 per type of right or asset (e.g., Common Shares, cash, etc.) as of December 31 each year, Grantee is required to report certain information regarding such rights and assets on tax form 720. After such rights and/or assets are initially reported, the reporting obligation will only apply for subsequent years if the value of any previously-reported rights or assets increases by more than €20,000. If reporting is required, the reporting must be completed by the following March 31. Grantee should consult his or her personal tax advisor for details regarding this requirement.

Securities Law Notification. The Restricted Share Units described in this document do not qualify as securities under Spanish regulations. No “offer of securities to the public,” within the meaning of Spanish law, has taken place or will take place in the Spanish territory. The Plan, the Award Terms (including this Appendix), and any other documents evidencing the award of Restricted Share Units have not been, nor will they be, registered with the *Comisión Nacional del Mercado de Valores* (Spanish Securities Exchange Commission), and none of those documents constitutes a public offering prospectus.

Appendix for Sweden

Additional terms and Conditions of the Activision Blizzard, Inc. 2014 Incentive Plan Restricted Share Unit Award Terms

Authorization to Withhold. This provision supplements Section 4 of the Award Terms:

Without limiting the Company's and the Employer's authority to satisfy their obligations for Withholding Taxes as set forth in Section 4 of the Award Terms, by accepting the Restricted Share Units, Grantee authorizes the Company and/or the Employer to withhold Common Shares or to sell Common Shares otherwise deliverable to Grantee upon vesting of the Restricted Share Units to satisfy any Withholding Taxes, regardless of whether the Company and/or the Employer have an obligation to withhold such Withholding Taxes.

Appendix for Taiwan

Additional terms and Conditions of the Activision Blizzard, Inc. 2014 Incentive Plan Restricted Share Unit Award Terms

TERMS AND CONDITIONS

Data Privacy Acknowledgement. Grantee hereby acknowledges that he or she has read and understands the terms regarding collection, processing and transfer of Data contained in the “Data Privacy Information and Consent for Grantees outside the European Economic Area” Section of the Appendix and, by participating in the Plan, Grantee agrees to such terms. In this regard, upon request of the Company or the Employer, Grantee agrees to provide an executed data privacy consent form to the Employer or the Company (or any other agreements or consents that may be required by the Employer or the Company) that the Company and/or the Employer may deem necessary to obtain under the data privacy laws in Grantee’s country, either now or in the future. Grantee understands that he or she will not be able to participate in the Plan if he or she fails to execute any such consent or agreement.

NOTIFICATIONS

Securities Law Notification. The offer of participation in the Plan is available only for employees of the Company Group. The offer of participation in the Plan is not a public offer of securities by a Taiwanese company.

Exchange Control Notification. Grantee may acquire and remit foreign currency (including proceeds from the sale of Common Shares or the receipt of any dividends paid on such Common Shares) into and out of Taiwan up to US\$5,000,000 per year. If the transaction amount is TWD\$500,000 or more in a single transaction, Grantee must submit a Foreign Exchange Transaction Form and provide supporting documentation to the satisfaction of the bank involved in the transaction. Grantee should consult his or her personal advisor to ensure compliance with any applicable exchange control laws in Taiwan.

Appendix for the United Kingdom

**Additional terms and Conditions of the
Activision Blizzard, Inc.
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TERMS AND CONDITIONS

Tax Withholding and Payment. This section supplements Section 4 of the Award Terms:

Without limitation to Section 4 of the Award Terms, Grantee agrees that Grantee is liable for all Withholding Taxes and hereby covenants to pay all such Withholding Taxes, as and when requested by the Company or the Employer or by Her Majesty's Revenue and Customs ("HMRC") (or any other tax authority or any other relevant authority). Grantee also agrees to indemnify and keep indemnified the Company and the Employer against any Withholding Taxes that they are required to pay or withhold or have paid or will pay to HMRC (or any other tax authority or any other relevant authority) on Grantee's behalf.

Appendix for the United States of America

Additional terms and Conditions of the Activision Blizzard, Inc. 2014 Incentive Plan Restricted Share Unit Award Terms

1. Definitions.

(a) For U.S. Grantees only, the following terms shall have the meanings set forth below:

“Employment Violation” means (1) any material breach by Grantee of his or her employment agreement with any entity in the Company Group for so long as the terms of such employment agreement shall apply to Grantee (with any breach of the post-termination obligations contained therein deemed to be material for purposes of this definition) and (2) a good faith belief by the Company, after investigation, that Grantee has engaged in harassment based on any legally protected category or has retaliated against anyone for reporting a concern or potential misconduct in good faith.

“Look-back Period” means, with respect to any Employment Violation by Grantee, the period beginning on the date which is 12 months prior to the date of such Employment Violation by Grantee and ending on the date of computation of the Recapture Amount with respect to such Employment Violation.

“Recapture Amount” means, with respect to any Employment Violation by Grantee, the gross gain realized or unrealized by Grantee upon all vesting of Restricted Share Units or delivery or transfer of Vested Shares during the Look-back Period with respect to such Employment Violation, which gain shall be calculated as the sum of:

(i) if the Company and/or the Employer has satisfied any Withholding Taxes resulting from the vesting of any Restricted Share Units, the issuance or transfer of any Vested Shares or otherwise in connection with the Award during the Look-back Period by withholding Vested Shares or selling Vested Shares on Grantee’s behalf, the amount of the Withholding Taxes so satisfied; plus

(ii) if Grantee has received Vested Shares during such Look-back Period and sold any such Vested Shares, an amount equal to the sum of the sales price for all such Vested Shares; plus

(iii) if Grantee has received Vested Shares during such Look-back Period and not sold all such Vested Shares, an amount equal to the product of (A) the greatest of the following: (1) the Market Value per Share of Common Shares on the date such Vested Shares were issued or transferred to Grantee, (2) the arithmetic average of the per share closing sales prices of Common Shares as reported on Nasdaq for the 30 trading day period ending on the trading day immediately preceding the date of the Company’s written notice of its exercise of its rights under Section 3 hereof, or (3) the arithmetic average of the per share closing sales prices of Common Shares as reported on Nasdaq for the 30 trading day period ending on the trading day immediately preceding the date of computation, times (B) the number of such Vested Shares which were not sold; plus

2. Conflict with Employment Agreement or Plan. In the event of any conflict between the terms of any employment agreement, service contract or offer letter between Grantee and any entity in the Company Group in effect at the time and the terms of the Grant Notice or these Award Terms, the terms of the Grant Notice or these Award Terms, as the case may be, shall control. In the event of any conflict between the terms of any employment agreement, service contract or offer letter between Grantee and any entity in the Company Group in effect at the time and the terms of the Plan, the terms of the Plan shall control.

3. Employment Violation. The terms of this Section 3 shall apply to the Restricted Share Units if Grantee is or becomes subject to an employment agreement with any entity in the Company Group. In the event of an Employment Violation, the Company shall have the right to require (a) the forfeiture by Grantee to the Company of any outstanding Restricted Share Units or Vested Shares which have yet to settle pursuant to Section 8 of Exhibit A and (b) payment by Grantee to the Company of the Recapture Amount with respect to such Employment Violation; provided, however, that, in lieu of payment by Grantee to the Company of the Recapture Amount, Grantee, in his or her discretion, may tender to the Company the Vested Shares acquired during the Look-back Period with respect to such Employment Violation (without any consideration from the Company in exchange therefor). Any such forfeiture of Restricted Share Units and payment of the Recapture Amount, as the case may be, shall be in addition to, and not in lieu of, any other right or remedy available to the Company arising out of or in connection with such Employment Violation, including, without limitation, the right to terminate Grantee's employment if not already terminated and to seek injunctive relief and additional monetary damages.

ACTIVISION BLIZZARD, INC.
2014 INCENTIVE PLAN

NOTICE OF PERFORMANCE-VESTING RESTRICTED SHARE UNIT AWARD

You have been awarded Restricted Share Units of Activision Blizzard, Inc. (the “Company”), as follows:

- Your name:
- Total number of Restricted Share Units awarded:
- Date of Grant:
- Grant ID:
- Your Award of Restricted Share Units is governed by the terms and conditions set forth in:
 - this Notice of Performance-Vesting Restricted Share Unit Award;
 - the Performance-Vesting Restricted Share Unit Award Terms attached hereto as Exhibit A;
 - the Appendix attached hereto as Exhibit B, which may include special terms and conditions relating to your country of work and/or residence (the “Appendix”); and
 - the Company’s 2014 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- *Schedule for Vesting*: Except as otherwise provided pursuant to the Performance-Vesting Restricted Share Unit Award Terms attached hereto as Exhibit A, as supplemented, modified, or replaced by the special terms and conditions, if any, set forth under your country of work and/or residence in the Appendix attached hereto as Exhibit B (together, the “Award Terms”), the Performance-Vesting Restricted Share Units shall vest in accordance with the Performance-Vesting Restricted Share Unit Vesting Schedule attached hereto as Exhibit C (the “Vesting Schedule”).
- Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Award Terms.

- *By accepting the Award, you agree that the definition of “Cause” set forth in the Award Terms and, if the Appendix for the United States of America is applicable to you and/or your Award, the definition of “Employment Violation” set forth therein, shall supersede any such definitions in the award terms applicable to any other outstanding equity awards granted to you by the Company and shall apply to such awards as if set forth in those award terms.*
- *By accepting the Award, you agree to be bound by the terms and conditions set forth in the 2014 Incentive Plan, this Notice of Performance-Vesting Restricted Share Unit Award and the Award Terms. If you do not accept the Award by the first scheduled vesting date and you do not indicate your intention to decline the Award, your Award will be automatically accepted on your behalf and you will be deemed to have accepted the terms and conditions set forth in the 2014 Incentive Plan, this Notice of Performance-Vesting Restricted Share Unit Award and the Award Terms.*

EXHIBIT A

ACTIVISION BLIZZARD, INC. 2014 INCENTIVE PLAN

PERFORMANCE-VESTING RESTRICTED SHARE UNIT AWARD TERMS

1. Definitions.

(a) For purposes of these Award Terms, the following terms shall have the meanings set forth below:

“Award” means the award described on the Grant Notice.

“Cause” (i) shall have the meaning given to such term in any employment agreement, service contract or offer letter between Grantee and any entity in the Company Group in effect at the time of the determination or (ii) if Grantee is not then party to any agreement or offer letter with any entity in the Company Group or any such agreement or offer letter does not contain a definition of “cause,” shall mean a good faith determination by the Company that Grantee (A) engaged in misconduct or gross negligence in the performance of his or her duties or willfully and continuously failed or refused to perform any duties reasonably requested in the course of his or her employment; (B) engaged in fraud, dishonesty, or any other conduct that causes, or has the potential to cause, harm to any entity in the Company Group, including its business reputation or financial condition; (C) violated any lawful directives or policies of the Company Group or any applicable laws, rules or regulations; (D) materially breached his or her employment agreement, service contract, proprietary information agreement or confidentiality agreement with any entity in the Company Group; (E) was convicted of, or pled guilty or no contest to, a felony or crime involving dishonesty or moral turpitude; or (F) breached his or her fiduciary duties to the Company Group. Without limiting the generality of the foregoing, “cause” under clauses (i) and (ii) of the preceding sentence shall also mean a good faith belief by the Company, after investigation, that Grantee has engaged in harassment based on any legally protected category or has retaliated against anyone for reporting a concern or potential misconduct in good faith.

“Common Shares” means the shares of common stock, par value \$0.000001 per share, of the Company or any security into which such Common Shares may be changed by reason of any transaction or event of the type referred to in Section 10 hereof.

“Company” means Activision Blizzard, Inc. and any successor thereto.

“Company Group” means the Company and its Subsidiaries.

“Company-Sponsored Equity Account” means an account that is created with the Equity Account Administrator in connection with the administration of the Company’s equity plans and programs, including the Plan.

“Date of Grant” means the Date of Grant of the Award set forth on the Grant Notice.

“Employer” means the Subsidiary of the Company which employs Grantee.

“Equity Account Administrator” means the brokerage firm utilized by the Company from time to time to create and administer accounts for participants in the Company’s equity plans and programs, including the Plan.

“Exercise Rules and Regulations” means (i) (A) for employees who work and/or reside in the U.S., the Securities Act or any comparable U.S. federal securities law and all applicable state securities laws, and (B) for employees who work and/or reside outside the U.S., any laws applicable to Grantee which subject him or her to insider trading restrictions and/or market abuse laws or otherwise affect his or her ability to accept, acquire, sell, attempt to sell or otherwise dispose of Common Shares, rights to Common Shares (e.g., Restricted Share Units) or rights linked to the value of Common Shares during such times as he or she is considered to have “inside information” regarding the Company, (ii) the requirements of any securities exchange, securities association, market system or quotation system on which Common Shares are then traded or quoted, (iii) any restrictions on transfer imposed by the Company’s certificate of incorporation or bylaws, and (iv) any policy or procedure the Company has adopted with respect to the trading of its securities, in each case as in effect on the date of the intended transaction.

“Grantee” means the recipient of the Award named on the Grant Notice.

“Grant Notice” means the Notice of Performance-Vesting Restricted Share Unit Award to which these Award Terms are attached.

“Plan” means the Activision Blizzard, Inc. 2014 Incentive Plan, as amended from time to time.

“Restricted Share Units” means units subject to the Award, which represent the conditional right to receive Common Shares in accordance with the Grant Notice and these Award Terms, unless and until such units become vested or are forfeited to the Company in accordance with the Grant Notice and these Award Terms.

“Section 409A” means Section 409A of the Code and the guidance and regulations promulgated thereunder.

“Securities Act” means the U.S. Securities Act of 1933, as amended.

“Vested Shares” means the Common Shares to which the holder of the Restricted Share Units becomes entitled upon vesting thereof in accordance with Section 2 or 3 hereof.

“U.S.” means the United States of America.

“**Withholding Taxes**” means any taxes, including, but not limited to, income tax, social insurance (*e.g.*, U.S. social security and Medicare), payroll tax, state and local income taxes, fringe benefits tax, and payment on account, required or permitted under any applicable law to be withheld from amounts otherwise payable to Grantee.

(b) Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Plan.

2. Vesting. Except as otherwise set forth in these Award Terms, the Restricted Share Units shall vest in accordance with the Vesting Schedule. Each Restricted Share Unit, upon vesting thereof, shall entitle the holder thereof to receive one Common Share (subject to adjustment pursuant to Section 10 hereof).

3. Termination of Employment.

(a) Cause. In the event that Grantee’s employment is terminated by any entity in the Company Group for Cause, as of the date of such termination of employment all Restricted Share Units shall cease to vest and any outstanding Restricted Share Units and Vested Shares that have yet to settle pursuant to Section 8 hereof, shall immediately be forfeited to the Company without payment of consideration by the Company.

(b) Other. Unless the Committee determines otherwise, in the event that Grantee’s employment is terminated for any reason other than for Cause, as of the date of such termination of employment all Restricted Share Units shall cease to vest and, with the exception of any Vested Shares that have yet to settle pursuant to Section 8 hereof, shall immediately be forfeited to the Company without payment of consideration by the Company.

4. Tax Withholding.

(a) Regardless of any action the Company or the Employer takes with respect to any Withholding Taxes related to Grantee’s participation in the Plan and legally applicable to Grantee, Grantee acknowledges that the ultimate liability for all Withholding Taxes is and remains Grantee’s responsibility and may exceed the amount, if any, actually withheld by the Company or the Employer. Grantee further acknowledges that the Company and/or the Employer (A) make no representations or undertakings regarding the treatment of any Withholding Taxes in connection with any aspect of the Restricted Share Units, including, without limitation, the grant, vesting or payment of the Award, the subsequent sale of Vested Shares acquired, and the receipt of any dividends; and (B) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Restricted Share Units to reduce or eliminate Grantee’s liability for Withholding Taxes or achieve any particular tax result. Further, if Grantee is or becomes subject to tax in more than one jurisdiction, Grantee acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Withholding Taxes in more than one jurisdiction. The Company shall have no obligation to deliver any Vested Shares unless and until all Withholding Taxes contemplated by this Section 4 have been satisfied.

(b) Prior to any relevant taxable or tax withholding event, as applicable, Grantee agrees to make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Withholding Taxes resulting from the vesting of any Restricted Share Units, the issuance or transfer of any Vested Shares or otherwise in connection with the Award at the time such Withholding Taxes become due. In this regard, Grantee authorizes the Company and/or the Employer, or their respective agents to satisfy any applicable withholding obligations with regard

to all Withholding Taxes by one or a combination of the following: (i) by delivery to the Company of a bank check or certified check or wire transfer of immediately available funds; (ii) through the delivery of irrevocable written instructions, in a form acceptable to the Company, that the Company withhold Vested Shares otherwise then deliverable having a value equal to the aggregate amount of the Withholding Taxes (valued in the same manner used in computing the amount of such Withholding Taxes); (iii) arranging for the sale, on Grantee's behalf, of Vested Shares otherwise then deliverable to Grantee (valued in the same manner used in computing the amount of such Withholding Taxes); or (iv) by any combination of (i), (ii) or (iii) above. Further, any entity in the Company Group shall have the right to require Grantee to satisfy any Withholding Taxes contemplated by this Section 4 by any of the aforementioned methods or by withholding from Grantee's wages or other cash compensation.

(c) The Company Group may withhold or account for Withholding Taxes contemplated by this Section 4 by reference to applicable withholding rates, including minimum or maximum applicable statutory rates in Grantee's jurisdiction(s) of employment and/or residency, and if the Company Group withholds more than the amount necessary to satisfy the liability, Grantee may receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent Shares. If the Company Group withholds less than the amount necessary to satisfy the liability, Grantee may be required to pay any additional Withholding Taxes directly to the applicable tax authority or to the Company and/or the Employer. If the obligation for Withholding Taxes is satisfied by withholding in Shares, for tax purposes, Grantee will be deemed to have been issued the full number of Vested Shares underlying the Restricted Share Units, notwithstanding that a number of the Shares is held back solely for the purpose of paying the Withholding Taxes. No fractional Shares will be withheld or issued pursuant to the settlement of the Restricted Share Units and the Withholding Taxes thereunder.

5. **Deemed Agreement.** By accepting the Award, Grantee is deemed to be bound by the terms and conditions set forth in the Plan, the Grant Notice and these Award Terms.

6. **Reservation of Shares.** The Company shall at all times reserve for issuance or delivery upon vesting of the Restricted Share Units such number of Common Shares as shall be required for issuance or delivery upon vesting thereof.

7. **Dividend Equivalents.** The holder of the Restricted Share Units shall not be entitled to receive any payment, payment-in-kind or any equivalent with regard to any cash or other dividends that are declared and paid on Common Shares.

8. **Receipt and Delivery.** As soon as administratively practicable (and, in any event, within 30 days) after any Restricted Share Units vest, the Company shall (a) effect the issuance or transfer of the resulting Vested Shares, (b) cause the issuance or transfer of such Vested Shares to be evidenced on the books and records of the Company, and (c) cause such Vested Shares to be delivered to a Company-Sponsored Equity Account in the name of the person entitled to such Vested Shares (or, with the Company's consent, such other brokerage account as may be requested by such person); provided, however, that, in the event such Vested Shares are subject to a legend as set forth in Section 15 hereof, the Company shall instead cause a certificate evidencing such Vested Shares and bearing such legend to be delivered to the person entitled thereto.

9. **Committee Discretion.** Except as may otherwise be provided in the Plan, the Committee shall have sole discretion to (a) interpret any provision of the Plan, the Grant Notice and these Award Terms, (b) make any determinations necessary or advisable for the administration of the Plan and the Award, and (c) waive any conditions or rights of the Company under the Award, the Grant Notice or these Award Terms. Without intending to limit the generality or effect of the foregoing, any decision or determination to be made by the Committee

pursuant to these Award Terms, including whether to grant or withhold any consent, shall be made by the Committee in its sole and absolute discretion, subject only to the terms of the Plan. Subject to the terms of the Plan, the Committee may amend the terms of the Award prospectively or retroactively; however, no such amendment may materially and adversely affect the rights of Grantee taken as a whole without Grantee's consent. Without intending to limit the generality or effect of the foregoing, the Committee may amend the terms of the Award (i) in recognition of unusual or nonrecurring events (including, without limitation, events described in Section 10 hereof) affecting any entity in the Company Group or any of the Company's other affiliates or the financial statements of any entity in the Company Group or any of the Company's other affiliates, (ii) in response to changes in applicable laws, regulations or accounting principles and interpretations thereof, or (iii) to prevent the Award from becoming subject to any adverse consequences under Section 409A.

10. Adjustments. Notwithstanding anything to the contrary contained herein, pursuant to Section 12 of the Plan, the Committee will make or provide for such adjustments to the Award as are equitably required to prevent dilution or enlargement of the rights of Grantee that otherwise would result from (a) any stock dividend, extraordinary dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, (b) any change of control, merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, or issuance of rights or warrants to purchase securities, or (c) any other corporate transaction or event having an effect similar to any of the foregoing. Moreover, in the event of any such transaction or event, the Committee, in its discretion, may provide in substitution for the Award such alternative consideration (including, without limitation, cash), if any, as it may determine to be equitable in the circumstances and may require in connection therewith the surrender of the Award.

11. Registration and Listing. Notwithstanding anything to the contrary contained herein, the Company shall not be obligated to issue or transfer any Restricted Share Units or Vested Shares, and no Restricted Share Units or Vested Shares may be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered in any way, unless such transaction is in compliance with all Exercise Rules and Regulations. The Company is under no obligation to register, qualify or list, or maintain the registration, qualification or listing of, Restricted Share Units or Vested Shares with the U.S. Securities and Exchange Commission, any state securities commission or any securities exchange, securities association, market system or quotation system to effect such compliance. Grantee shall make such representations and furnish such information as may be appropriate to permit the Company, in light of the then existence or non-existence of an effective registration statement under the Securities Act relating to Restricted Share Units or Vested Shares, to issue or transfer Restricted Share Units or Vested Shares in compliance with the provisions of that or any comparable federal securities law and all applicable state securities laws. The Company shall have the right, but not the obligation, to register the issuance or transfer of Restricted Share Units or Vested Shares or resale of Restricted Share Units or Vested Shares under the Securities Act or any comparable federal securities law or applicable state securities law.

12. Transferability. Subject to the terms of the Plan, and only with the Company's consent, Grantee may transfer Restricted Share Units for estate planning purposes or pursuant to a domestic relations order (or a comparable order under applicable local law); provided, however, that any transferee shall be bound by all of the terms and conditions of the Plan, the Grant Notice and these Award Terms and shall execute an agreement in form and substance satisfactory to the Company in connection with such transfer; and provided, further that Grantee will remain bound by the terms and conditions of the Plan, the Grant Notice and these Award Terms. Except as otherwise permitted under the Plan or this Section 12, the Restricted Share

Units shall not be transferable by Grantee other than by will or the laws of descent and distribution.

13. Compliance with Applicable Laws and Regulations and Company Policies and Procedures.

(a) Grantee is responsible for complying with (i) any federal, state, and local tax, social insurance, national insurance contributions, payroll tax, payment on account or other tax liabilities applicable to Grantee in connection with the Award and (ii) all Exercise Rules and Regulations.

(b) The Award is subject to the terms and conditions of any policy requiring or permitting the Company to recover any gains realized by Grantee in connection with the Award, including, without limitation, the Policy on Recoupment of Performance-Based Compensation Related to Certain Financial Restatements.

(c) If and when Grantee is an “executive officer” of the Company within the meaning of the Executive Stock Ownership Guidelines, the Award will be subject to the terms and conditions of the Executive Stock Ownership Guidelines and the limitations contained therein on the ability of Grantee to transfer any Vested Shares.

14. Section 409A.

(a) Payments contemplated with respect to the Award are intended to comply with Section 409A, and all provisions of the Plan, the Grant Notice and these Award Terms shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A. Notwithstanding the foregoing, (i) nothing in the Plan, the Grant Notice and these Award Terms shall guarantee that the Award is not subject to taxes or penalties under Section 409A and (ii) if any provision of the Plan, the Grant Notice or these Award Terms would, in the reasonable, good faith judgment of the Company, result or likely result in the imposition on Grantee or any other person of taxes, interest or penalties under Section 409A, the Committee may, in its sole discretion, modify the terms of the Plan, the Grant Notice or these Award Terms, without the consent of Grantee, in the manner that the Committee may reasonably and in good faith determine to be necessary or advisable to avoid the imposition of such taxes, interest or penalties; provided, however, that this Section 14 does not create an obligation on the part of the Committee or the Company to make any such modification, and in no event shall the Company be liable for the payment of or gross up in connection with any taxes, interest or penalties owed by Grantee pursuant to Section 409A.

(b) Neither Grantee nor any of Grantee’s creditors or beneficiaries shall have the right to subject any deferred compensation (within the meaning of Section 409A) payable with respect to the Award to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A, any deferred compensation (within the meaning of Section 409A) payable to Grantee or for Grantee’s benefit with respect to the Award may not be reduced by, or offset against, any amount owing by Grantee to the Company.

(c) Notwithstanding anything to the contrary contained herein, if (i) the Committee determines in good faith that the Restricted Share Units do not qualify for the “short-term deferral exception” under Section 409A, (ii) Grantee is a “specified employee” (as defined in Section 409A) and (iii) a delay in the issuance or transfer of Vested Shares to Grantee or his or her estate or beneficiaries hereunder by reason of Grantee’s “separation from service” (as defined in Section 409A) with any entity in the Company Group is required to avoid tax penalties under Section 409A but is not already provided for by this Award, the Company shall cause the

issuance or transfer of such Vested Shares to Grantee or Grantee's estate or beneficiary upon the earlier of (A) the date that is the first business day following the date that is six months after the date of Grantee's separation from service and (B) Grantee's death.

15. Legend. The Company may, if determined by it based on the advice of counsel to be appropriate, cause any certificate evidencing Vested Shares to bear a legend substantially as follows:

“THE SECURITIES REPRESENTED HEREBY MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE ‘ACT’), OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT.”

16. No Right to Employment. Nothing contained in the Grant Notice or these Award Terms shall create a right to employment or be interpreted as forming an employment or service contract with the Company, the Employer or any other entity in the Company Group and shall not interfere with the ability of the Employer to retire, request the resignation of or terminate Grantee's employment or service relationship at any time.

17. No Rights as Stockholder. No holder of Restricted Share Units shall, by virtue of the Grant Notice or these Award Terms, be entitled to any right of a stockholder of the Company, either at law or in equity, and the rights of any such holder are limited to those expressed, and are not enforceable against the Company except to the extent set forth in the Plan, the Grant Notice or these Award Terms.

18. Severability. In the event that one or more of the provisions of these Award Terms shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

19. Venue and Governing Law.

(a) For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by the grant of the Restricted Share Units or these Award Terms, the parties submit and consent to the exclusive jurisdiction of the State of California and agree that such litigation shall be conducted only in the courts of Los Angeles County, California or the federal courts of the U.S. for the Central District of California and no other courts, regardless of where the grant of the Restricted Share Units is made and/or to be performed; provided, however, that if the parties have entered into another agreement providing for a different venue or forum (e.g., a dispute resolution agreement), then the terms of such agreement will control for purposes of this provision.

(b) To the extent that U.S. federal law does not otherwise control, the validity, interpretation, performance and enforcement of the Grant Notice and these Award Terms shall be governed by the laws of the State of Delaware, without giving effect to principles of conflicts of laws thereof.

20. Successors and Assigns. The provisions of the Grant Notice and these Award Terms shall be binding upon and inure to the benefit of the Company, its successors and assigns, and Grantee and, to the extent applicable, Grantee's permitted assigns under Section 12 hereof and Grantee's estate or beneficiaries as determined by will or the laws of descent and distribution.

21. Delivery of Notices and Other Documents.

(a) Any notice or other document which Grantee may be required or permitted to deliver to the Company pursuant to or in connection with the Grant Notice or these Award Terms shall be in writing, and may be delivered personally or by mail, postage prepaid, or overnight courier, addressed to the Company, at its office at 3100 Ocean Park Boulevard, Santa Monica, California 90405, U.S.A. Attn: Stock Plan Administration, or such other address as the Company by notice to Grantee may designate in writing from time to time. Notices shall be effective upon delivery.

(b) Any notice or other document which the Company may be required or permitted to deliver to Grantee pursuant to or in connection with the Grant Notice or these Award Terms shall be in writing, and may be delivered personally or by mail, postage prepaid, or overnight courier, addressed to Grantee at the address shown on any employment agreement, service contract or offer letter between Grantee and any entity in the Company Group in effect at the time, or such other address as Grantee by notice to the Company may designate in writing from time to time. The Company may also, in its sole discretion, deliver any such document to Grantee electronically via an e-mail to Grantee at his or her Company-provided email address or through a notice delivered to such e-mail address that such document is available on a website established and maintained on behalf of the Company or a third party designated by the Company, including, without limitation, the Equity Account Administrator. Notices shall be effective upon delivery.

22. Conflict with Plan. In the event of any conflict between the terms the Grant Notice or these Award Terms and the terms of the Plan, the terms of the Plan shall control.

23. Appendix. Notwithstanding anything to the contrary contained herein, the Restricted Share Units shall be subject to any additional terms and conditions set forth in the Appendix for Grantee's country of work and/or residence, both of which constitute a part of these Award Terms. Moreover, if Grantee relocates his or her work and/or residence to one of the countries included in the Appendix, the additional terms and conditions for such country will apply to Grantee, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with applicable local law or facilitate the administration of the Plan.

24. Imposition of Other Requirements. The Company reserves the right to impose other requirements on Grantee's participation in the Plan, on the Restricted Share Units and on any Common Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with applicable local law or facilitate the administration of the Plan, and to require Grantee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

25. Waiver. Grantee acknowledges that a waiver by the Company of a breach of any provision of these Award Terms shall not operate or be construed as a waiver of any other provision of these Award Terms, or of any subsequent breach by Grantee or any other grantee of an equity award from the Company.

EXHIBIT B

APPENDIX

TO

ACTIVISION BLIZZARD, INC. 2014 INCENTIVE PLAN

PERFORMANCE-VESTING RESTRICTED SHARE UNIT AWARD TERMS

ADDITIONAL TERMS AND CONDITIONS BY COUNTRY

Capitalized terms used but not defined herein shall have the meanings given to such terms in the Plan or the Award Terms, as the case may be.

TERMS AND CONDITIONS

This Appendix includes special terms and conditions applicable to Grantees who work and/or reside in the countries covered by the Appendix. These terms and conditions are in addition to or, if so indicated, in place of, the terms and conditions set forth in the Award Terms.

If Grantee is a citizen or resident of a country other than the one in which he or she is currently residing and/or working, transferred or transfers employment and/or residency after the Restricted Share Units were granted or is considered a resident of another country for local law purposes (*i.e.*, Grantee is a “mobile employee”), the Company shall have the sole discretion to determine to what extent the special terms and conditions shall apply to Grantee.

NOTIFICATIONS

This Appendix also includes notifications relating to exchange control and other issues of which Grantee should be aware with respect to his or her participation in the Plan. The information is based on the exchange control, securities and other laws in effect in the countries to which this Appendix refers as of October 2021. Such laws are often complex and change frequently. As a result, the Company strongly recommends that Grantee not rely on the notifications herein as the only source of information relating to the consequences of participation in the Plan because the information may be out of date at the time Grantee vests in the Restricted Share Units or Vested Shares acquired under the Plan are sold.

In addition, the notifications are general in nature and may not apply to the particular situation of Grantee, and the Company is not in a position to assure Grantee of any particular result. Accordingly, Grantee should seek appropriate professional advice as to how the relevant laws in his or her country may apply to his or her situation. Finally, if Grantee is a mobile employee, the information contained herein may not be applicable to Grantee in the same manner.

GENERAL PROVISIONS APPLICABLE TO ALL GRANTEEES WHO WORK AND/OR RESIDE OUTSIDE THE U.S.

Nature of Grant. By accepting the Award, Grantee acknowledges, understands, and agrees that:

(1) the Plan is established voluntarily by the Company, it is discretionary in nature, and it may be modified, amended, suspended or terminated by the Company at any time, unless otherwise provided in the Plan and/or these Award Terms;

(2) the grant of the Restricted Share Units is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of rights to receive Common Shares, or benefits in lieu of rights to receive Common Shares, even if rights to receive Common Shares have been granted in the past;

(3) all decisions with respect to future grants of rights to receive Common Shares, if any, will be at the sole discretion of the Company;

(4) Grantee's participation in the Plan is voluntary;

(5) the grant of the Restricted Share Units and any Common Shares underlying the Restricted Share Units, and the income in respect of and the value of the same, are extraordinary items that do not constitute compensation of any kind for services of any kind rendered to the Company or the Employer, and are outside the scope of the employment agreement or service contract between Grantee and the Company, the Employer or any other entity in the Company Group, if any;

(6) the Restricted Share Units and any Common Shares underlying the Restricted Share Units, and the income in respect of and the value of the same, are not intended to replace any pension rights or compensation;

(7) the Restricted Share Units and any Common Shares underlying the Restricted Share Units, and the income in respect of and the value of the same, are not part of normal or expected compensation or salary for any purpose, including, without limitation, the calculation of any severance, resignation, termination, redundancy, dismissal, end of service payment, bonus, long-service award, leave-related payment, holiday pay, pension or retirement or welfare benefit or similar payments;

(8) the Restricted Share Unit grant and Grantee's participation in the Plan will not be interpreted to form an employment or service contract or relationship with the Company and, furthermore, the Restricted Share Unit grant will not be interpreted to form an employment agreement or service contract or relationship with any other company in the Company Group;

(9) the future value of the underlying Common Shares is unknown and cannot be predicted with certainty;

(10) unless otherwise agreed with the Company, the Restricted Share Units and the Common Shares subject to the Restricted Share Units, and the income and value of same, are not granted as consideration for, or in connection with, the service Grantee may provide as a director of any entity of Company Group;

(11) no claim or entitlement to compensation or damages shall arise from forfeiture of the Restricted Share Units resulting from termination of Grantee's continuous service with the Company or the Employer (for any reason whatsoever and whether or not later found to be invalid or in breach of employment laws in the jurisdiction in which Grantee is employed or the terms of the employment agreement or service contract between Grantee and the Company, the Employer or any other entity in the Company Group, if any);

(12) unless the Committee determines otherwise, in the event of the termination of Grantee's continuous service (for any reason whatsoever and whether or not later found to be invalid or in breach of employment laws in the jurisdiction in which Grantee is employed or the terms of the employment agreement or service contract between Grantee and the Company, the Employer or any other entity in the Company Group, if any), Grantee's right to receive or vest in the

Restricted Share Units under the Plan, if any, will terminate effective as of the date that Grantee is no longer actively employed and will not be extended by any notice period mandated under local law (*e.g.*, active employment would not include a period of “garden leave” or similar period pursuant to local law); the Committee shall have the exclusive discretion to determine when Grantee is no longer actively employed for purposes of Grantee’s Restricted Share Unit grant (including whether Grantee may still be considered actively employed while on a leave of absence);

(13) the Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Grantee’s participation in the Plan, or Grantee’s acquisition or sale of the underlying Common Shares;

(14) Grantee should consult with Grantee’s own personal tax, legal and financial advisors regarding Grantee’s participation in the Plan before taking any action related to the Plan;

(15) unless otherwise provided in the Plan or by the Company in its discretion, the Restricted Share Units and the benefits evidenced by these Award Terms do not create any entitlement to have the Restricted Share Units or any such benefits transferred to, or assumed by, another company, nor be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Common Shares; and

(16) neither the Company, the Employer nor any other entity in the Company Group shall be liable for any foreign exchange rate fluctuation between Grantee’s local currency and the United States Dollar that may affect the value of the Restricted Share Units or of any amounts due to Grantee pursuant to the settlement of the Restricted Share Units or the subsequent sale of any Common Shares acquired upon settlement.

Foreign Asset/Account Reporting Requirements. Grantee acknowledges that there may be certain foreign asset and/or account reporting requirements which may affect Grantee’s ability to acquire or hold Common Shares acquired under the Plan or cash received from participating in the Plan (including from any dividends paid on Common Shares acquired under the Plan) in a brokerage or bank account outside Grantee’s country of work and/or residence. Grantee may be required to report such accounts, assets or transactions to the tax or other authorities in his or her country. Grantee also may be required to repatriate sale proceeds or other funds received as a result of Grantee participation in the Plan to his or her country through a designated bank or broker within a certain time after receipt. Grantee acknowledges that it is his or her responsibility to be compliant with such regulations, and Grantee is advised to consult his or her personal legal advisor for any details.

Language. Grantee acknowledges that he or she is sufficiently proficient in English, or has consulted with an advisor who is sufficiently proficient in English, to understand the terms and conditions of these Award Terms. Furthermore, if the Grant Notice, these Award Terms or any other document related to the Plan has been translated into a language other than English and the meaning of the translated version is different than the English version then, by accepting the Award, Grantee acknowledges that the English version will control.

DATA PRIVACY INFORMATION AND CONSENT

The following provision applies to Grantees who work and/or reside outside the European Economic Area.

Data Collection and Usage. Grantee hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of Grantee’s personal data as described in the Grant Notice and these Award Terms by and among, as applicable, the Employer or any

other entity in the Company Group for the exclusive purpose of implementing, administering and managing Grantee's participation in the Plan.

Data Processing. Grantee understands that the Company and the Employer may hold certain personal information about Grantee, including, without limitation, Grantee's name, home address, email address and telephone number, date of birth, social insurance, passport or other identification number, salary, nationality, job title, any directorships held in any entity in the Company Group, any Common Shares owned, details of all Restricted Share Units or any other entitlement to the Common Shares or equivalent benefits awarded, canceled, purchased, exercised, vested, unvested or outstanding in Grantee's favor (the "Data"), for the purpose of implementing, administering and managing the Plan.

Stock Plan Administration, Data Transfer, Retention and Data Subject Rights. Grantee understands that the Data will be transferred to the Equity Account Administrator, which is assisting the Company with the implementation, administration and management of the Plan. Grantee understands that the recipients of the Data may be located in Grantee's country of work and/or residence, or elsewhere, and that any recipient's country may have different data privacy laws and protections than Grantee's country of work and/or residence. Grantee understands that Grantee may request a list with the names and addresses of any potential recipients of the Data by contacting Grantee's local human resources representative. Grantee authorizes the Company, the Equity Account Administrator and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purpose of implementing, administering and managing Grantee's participation in the Plan. Grantee understands that the Data will be held only as long as is necessary to implement, administer and manage Grantee's participation in the Plan. Grantee understands that Grantee may, at any time, view Data, request additional information about the storage and processing of the Data, require any necessary amendments to the Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing Grantee's local human resources representative. Further, Grantee understands that he or she is providing the consents herein on a purely voluntary basis. If Grantee does not consent, or if Grantee later seeks to revoke his or her consent, his or her employment status or service with the Employer will not be affected; the only consequence of refusing or withdrawing Grantee's consent is that the Company would not be able to grant Restricted Share Units or other equity awards to Grantee or administer or maintain such awards. Therefore, Grantee understands that refusal or withdrawal of consent may affect Grantee's ability to participate in the Plan. For more information on the consequences of Grantee's refusal to consent or withdrawal of consent, Grantee understands that Grantee may contact Grantee's local human resources representative.

The following provision applies to Grantees who work and/or reside in the European Economic Area (including Switzerland and the United Kingdom).

Data Collection and Usage. Pursuant to applicable data protection laws, Grantee is hereby notified that the Company collects, processes, uses and transfers certain personally-identifiable information about Grantee for the exclusive legitimate purpose of granting Restricted Share Units and implementing, administering and managing Grantee's participation in the Plan. Specifics of the data processing are described below.

Controller. The Company is the controller responsible for the processing of Grantee's personal data in connection with the Plan.

Personal Data Subject to Processing. The Company collects, processes and uses the following types of personal data about Grantee: name, home address and telephone number, email address, date of birth, social insurance, passport number or other identification number, salary,

nationality, job title, any shares of stock or directorships held in any entity in the Company Group, details of all Restricted Share Units or any other entitlement to Common Shares awarded, canceled, settled, vested, unvested or outstanding in Grantee's favor, which the Company receives from Grantee or the Employer ("Personal Data"), for the purpose of implementing, administering and managing the Plan.

Purposes and Legal Bases of Processing. The Company processes the Personal Data for the purpose of performing its contractual obligations under the Award Terms, granting Restricted Share Units, implementing, administering and managing Grantee's participation in the Plan and facilitating compliance with applicable tax and securities law. The legal basis for the processing of the Personal Data by the Company and the third-party service providers described below is the necessity of the data processing for the Company to perform its contractual obligations under the Award Terms and for the Company's legitimate business interests of managing the Plan and generally administering employee equity awards.

Stock Plan Administration Service Providers. The Company transfers Personal Data to the Equity Account Administrator, an independent stock plan administrator with operations, relevant to the Company, in the United States, which assists the Company with the implementation, administration and management of the Plan. In the future, the Company may select a different service provider and may share Personal Data with such service providers. Grantee will be asked to agree on separate terms and data processing practices with the service provider, which is a condition of Grantee's ability to participate in the Plan. Grantee's Personal Data will only be accessible by those individuals requiring access to it for purposes of implementing, administering and operating Grantee's participation in the Plan. Grantee understands that Grantee may request a list with the names and addresses of any potential recipients of Personal Data by contacting Grantee's local human resources representative.

International Data Transfers. The Company and its service providers, including, without limitation, the Equity Account Administrator, operate, relevant to the Company, in the United States, which means that it will be necessary for Personal Data to be transferred to, and processed in the United States, for the performance of the contractual obligations under the Award Terms. Grantee understands that Grantee may request a list with the names and addresses of any potential recipients of the Data by contacting Grantee's local human resources representative.

Grantee understands and acknowledges that the United States is not subject to an unlimited adequacy finding by the European Commission and that Grantee's Personal Data may not have an equivalent level of protection as compared to Grantee's country of work and/or residence. To provide appropriate safeguards for the protection of Grantee's Personal Data, the Personal Data is transferred to the Company based on data transfer and processing agreements implementing the EU Standard Contractual Clauses. Grantee may request a copy of the safeguards used to protect his or her Personal Data by contacting the Company at: employeeprivacy@activision.com.

Data Retention. The Company will use the Personal Data only as long as necessary to implement, administer and manage Grantee's participation in the Plan, or as required to comply with legal or regulatory obligations, including tax and securities laws. This period may extend beyond Grantee's termination of employment with the Employer. When the Company no longer needs the Personal Data, the Company will remove it from its systems to the fullest extent reasonably practicable. If the Company keeps data longer, it would be to satisfy legal or regulatory obligations and the Company's legal basis would be relevant laws or regulations.

Grantee's Rights. To the extent provided by law, Grantee has the right to (i) inquire whether and what kind of Personal Data the Company holds about Grantee and how it is processed, and to access or request copies of such Personal Data, (ii) request the correction or supplementation of Personal Data that is inaccurate, incomplete or out-of-date in light of the purposes underlying the processing, (iii) obtain the erasure of Personal Data no longer necessary for the purposes underlying the processing or processed in non-compliance with applicable legal requirements, (iv) request the Company to restrict the processing of Personal Data in certain situations where Grantee feels its processing is inappropriate, (v) object, in certain circumstances, to the processing of Personal Data for legitimate interests, (vi) request portability of Personal Data that Grantee has actively or passively provided to the Company, where the processing of such Personal Data is based on consent or a contractual agreement with Grantee and is carried out by automated means, or (vii) lodge a complaint with the competent local data protection authority. To receive additional information regarding Grantee's rights, raise any other questions regarding the practices described in the Award Terms or to exercise his or her rights, Grantee should contact the Company at: employeeprivacy@activision.com.

Contractual Requirement. Grantee's provision of Personal Data and its processing as described above is a contractual requirement and a condition to Grantee's ability to participate in the Plan. Grantee understands that, as a consequence of Grantee's refusing to provide Personal Data, the Company may not be able to allow Grantee to participate in the Plan, grant Restricted Share Units to Grantee or administer or maintain such Restricted Share Units. However, Grantee's participation in the Plan and his or her acceptance of the Award Terms are purely voluntary. While Grantee will not receive Restricted Share Units if he or she decides against participating in the Plan or providing Personal Data as described above, Grantee's career and salary will not be affected in any way. For more information on the consequences of the refusal to provide Personal Data, Grantee may contact the Company at: employeeprivacy@activision.com.

Appendix for Australia
Additional terms and Conditions of the
Activision Blizzard, Inc.
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NOTIFICATIONS

Australia Offer Document. The grant of Restricted Share Units under the Plan is intended to comply with the provisions of the Corporations Act 2001, ASIC Regulatory Guide 49 and ASIC Class Order CO 14/1000. Additional details are set forth in the Australia Offer Document, which is provided with the Award Terms.

Tax Information. The Plan is a plan to which subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies (subject to conditions therein).

Appendix for Belgium
Additional terms and Conditions of the
Activision Blizzard, Inc.
2014 Incentive Plan
Performance-vesting Restricted Share Unit Award Terms

NOTIFICATIONS

Foreign Asset/Account Reporting Notification. Grantee is required to report any bank accounts opened and maintained outside Belgium on his or her annual tax return. In a separate report, Grantee may be required to provide the National Bank of Belgium with certain details regarding such foreign accounts (including the account number, bank name and country in which any such account was opened). This report, as well as additional information on how to complete it, can be found on the website of the National Bank of Belgium, www.nbb.be, under *Kredietcentrales / Centrales des crédits* caption. Grantee should consult with his or her personal tax advisor to determine his or her personal reporting obligations.

Annual Securities Accounts Tax. If the value of securities held in a Belgian or foreign securities account exceeds EUR 1 million, a new “annual securities accounts tax” applies. Belgian residents should consult with their personal tax advisor regarding the new tax.

Stock Exchange Tax. A stock exchange tax applies to transactions executed by a Belgian resident through a non-Belgian financial intermediary, such as a U.S. broker. The stock exchange tax will likely apply when Common Shares acquired upon vesting of the Restricted Share Units are sold. Grantee should consult with his or her personal tax advisor for additional details on his or her obligations with respect to the stock exchange tax.

Appendix for Brazil
Additional terms and Conditions of the
Activision Blizzard, Inc.
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TERMS AND CONDITIONS

Compliance with Law. By accepting the Restricted Share Units, Grantee acknowledges that he or she agrees to comply with applicable Brazilian laws and to pay any and all applicable taxes associated with Grantee's participation in the Plan.

Nature of Company Restricted Share Unit Grants. By accepting the Restricted Share Units, Grantee agrees that (1) he or she is making an investment decision and (2) the value of the underlying Common Shares is not fixed and may increase or decrease in value over time without compensation to Grantee.

NOTIFICATIONS

Exchange Control Notification. If Grantee is resident or domiciled in Brazil, he or she will be required to submit a declaration of assets and rights held outside of Brazil to the Central Bank of Brazil if the aggregate value of such assets and rights equals or exceeds US\$1,000,000. Assets and rights that must be reported include the Common Shares.

Tax on Financial Transaction (IOF). Payments to foreign countries (including the payment of the exercise price) and repatriation of funds into Brazil and the conversion between BRL and US\$ associated with such fund transfers may be subject to the Tax on Financial Transactions. It is Grantee's responsibility to comply with any applicable Tax on Financial Transactions arising from Grantee's participation in the Plan. Grantee should consult with his or her personal tax advisor for additional details.

Appendix for Canada

Additional terms and Conditions of the Activision Blizzard, Inc. 2014 Incentive Plan Performance-vesting Restricted Share Unit Award Terms

TERMS AND CONDITIONS

Restricted Share Units Payable Only in Common Shares. The grant of Restricted Share Units does not provide any right for Grantee to receive a cash payment, and the Restricted Share Units are payable in Common Shares only.

Termination of Employment. Notwithstanding anything to the contrary in Section 3(b) of the Award Terms, unless the Committee determines otherwise, in the event of the termination of Grantee's continuous service (for any reason whatsoever, and whether or not later found to be invalid or in breach of employment laws in the jurisdiction in which Grantee is employed or the terms of Grantee's employment agreement or service contract, if any), Grantee's right to receive or vest in the Restricted Share Units under the Plan, if any, will terminate as of the date is the earliest of: (1) the date Grantee's employment or service with the Company Group is terminated, (2) the date Grantee receives notice of termination of employment or service from the Employer or any other entity in the Company Group, and (3) the date Grantee is no longer actively employed or rendering services to the Company Group, regardless of any notice period or period of pay in lieu of such notice required under local law (including, but not limited to, statutory law, regulatory law and/or common law). In the event the date Grantee is no longer actively employed or rendering services cannot be reasonably determined under the Award Terms and/or the Plan, the Committee shall have the exclusive discretion to determine when Grantee is no longer actively employed for purposes of the Restricted Share Units (including whether Grantee may still be considered actively employed while on a leave of absence).

Notwithstanding the foregoing, if applicable employment standards legislation explicitly requires continued entitlement to vesting during a statutory notice period, Grantee's right to vest in the Restricted Share Units under the Plan, if any, will terminate effective as of the last day of Grantee's minimum statutory notice period, but Grantee will not earn or be entitled to pro-rated vesting if the vesting date falls after the end of Grantee's statutory notice period, nor will Grantee be entitled to any compensation for lost vesting.

The following provisions will apply to Grantees who are residents of Quebec:

Language Acknowledgment. The parties acknowledge that it is their express wish that the Award Terms, including this Appendix, as well as all documents, notices, and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Consentement relatif à la langue utilisée: *Les parties reconnaissent avoir exigé la rédaction en anglais de cette annexe, la convention afférente, ainsi que de tous documents, avis donnés et procédures judiciaires exécutés, donnés ou intentés en vertu de, ou liés directement ou indirectement aux présentes.*

Data Privacy Notice and Consent. This provision supplements the "Data Privacy Information and Consent for Grantees outside the European Economic Area" Section of the Appendix:

Grantee hereby authorizes the Company and the Company's representatives to discuss with and obtain all relevant information from all personnel, professional or not, involved in the administration and operation of the Plan. Grantee further authorizes the Company Group, Equity Account Administrator and any other broker(s) designated by the Company to disclose and discuss the Plan with their respective advisors. Grantee further authorizes the Company Group to record such information and to keep such information Grantee's employee file.

NOTIFICATIONS

Securities Law Notification. Grantee is permitted to sell Common Shares acquired under the Plan through the Equity Account Administrator, provided that the resale of Common Shares acquired under the Plan takes place outside of Canada through the facilities of a stock exchange on which the Common Shares are listed. The Common Shares are currently listed on the Nasdaq.

Foreign Asset/Account Reporting Notification. Foreign specified property held by Canadian residents must be reported annually on Form T1135 (Foreign Income Verification Statement) if the total value of such foreign specified property exceeds C\$100,000 at any time during the year. Foreign specified property includes Common Shares acquired under the Plan and may include the Restricted Share Units. The Restricted Share Units must be reported—generally at a nil cost—if the C\$100,000 cost threshold is exceeded because of other foreign specified property Grantee holds. If Common Shares are acquired, their cost generally is the adjusted cost base ("ACB") of the Common Shares. The ACB would normally equal the fair market value of the Common Shares at vesting, but if Grantee owns other shares of the Company's common stock, this ACB may have to be averaged with the ACB of those other shares. If due, the form must be filed by April 30th of the following year. Grantee should speak with a personal tax advisor to determine the scope of foreign property that must be considered for purposes of this requirement.

Appendix for China

Additional terms and Conditions of the Activision Blizzard, Inc. 2014 Incentive Plan Performance-vesting Restricted Share Unit Award Terms

NOTIFICATIONS

Exchange Control Notification. Grantee understands, acknowledges and agrees that certain exchange control restrictions may apply to Grantee's participation in the Plan, including to the remittance of funds into China of any sale proceeds or dividends paid on Common Shares acquired under the Plan. Grantee understands that it is his or her sole responsibility to comply with applicable exchange control restrictions in China.

Appendix for Denmark
Additional terms and Conditions of the
Activision Blizzard, Inc.
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TERMS AND CONDITIONS

Nature of Grant. This provision supplements the “Nature of Grant” Section of the Appendix:

By participating in the Plan, Grantee acknowledges that he or she understands and agrees that the grant of the Restricted Share Units relates to future services to be performed and is not a bonus or compensation for past services.

Stock Option Act. Grantee acknowledges that he or she has received an “Employer Statement” in Danish which sets forth additional terms of the Restricted Share Units, to the extent that the Danish Stock Option Act applies to the Restricted Share Units.

NOTIFICATIONS

Foreign Asset/Account Reporting Information. Danish tax payers that have an account holding Common Shares or an account holding cash outside Denmark must report those accounts to the Danish Tax Administration. The form which should be used in this respect may be obtained from a local bank.

Appendix for France

Additional terms and Conditions of the Activision Blizzard, Inc. 2014 Incentive Plan Performance-vesting Restricted Share Unit Award Terms

TERMS AND CONDITIONS

Restricted Share Units Not Tax-Qualified. Grantee understands that these Restricted Share Units are not intended to be French tax-qualified.

Language Consent. By accepting the Award, Grantee confirms that he or she has read and understood the documents relating to the Restricted Share Units (the Grant Notice, the Plan, and the Award Terms, including this Appendix) which were provided in the English language. Grantee accepts the terms of these documents accordingly.

Consentement relatif à la langue utilisée: *En acceptant l'Attribution, le Bénéficiaire confirme qu'il ou qu'elle a lu et compris les documents afférents aux Attributions Gratuites d'Actions (la Notification d'Attribution, le Plan et les Termes de l'Attribution, ainsi que la présente Annexe) qui sont produits en langue anglaise. Le Bénéficiaire accepte les termes de ces documents en connaissance de cause.*

NOTIFICATIONS

Foreign Asset/Account Reporting Notification. If Grantee retains Common Shares acquired under the Plan outside of France or maintains a foreign bank account, Grantee is required to report such to the French tax authorities when filing his or her annual tax return. Further, French residents with foreign account balances exceeding €1,000,000 may have additional monthly reporting obligations.

Appendix for Germany
Additional terms and Conditions of the
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NOTIFICATIONS

Exchange Control Notification. Cross-border payments in excess of €12,500 must be reported monthly to the German Federal Bank. No report is required for payments less than €12,500. In case of payments in connection with securities (including proceeds realized upon the sale of Common Shares), the report must be made by the 5th day of the month following the month in which the payment was received. Effective from September 2013, the report must be filed electronically. The form of report ("*Allgemeine Meldeportal Statistik*") can be accessed via the *Bundesbank's* website (www.bundesbank.de) and is available in both German and English. Grantee is responsible for satisfying the reporting obligation.

Foreign Asset/Account Reporting Information. If Grantee's acquisition of Common Shares under the Plan leads to a "qualified participation" at any point during the calendar year, Grantee will need to report the acquisition of such shares when Grantee files his or her tax return for the relevant year. A qualified participation is attained if (1) the value of the Common Shares acquired exceeds €150,000 or (2) the Common Shares held exceed 10% of the Company's total common stock. However, provided the Common Shares are listed on a recognized stock exchange (*e.g.*, the Nasdaq Stock Market) and Grantee owns less than 1% of the Company, this requirement will not apply. Grantee should consult with his or her personal tax advisor to ensure Grantee complies with applicable reporting obligations.

Appendix for Hong Kong

Additional terms and Conditions of the Activision Blizzard, Inc. 2014 Incentive Plan Performance-vesting Restricted Share Unit Award Terms

TERMS AND CONDITIONS

Sale Restriction. Any Shares received at vesting are accepted as a personal investment. Notwithstanding anything contrary in the Agreement or the Plan, in the event the Restricted Share Units vest and Shares are issued to Grantee or his or her legal representatives or estate within six months of the Date of Grant, Grantee agrees that Grantee or his or her legal representatives or estate will not offer to the public or otherwise dispose of any Shares acquired prior to the six-month anniversary of the Date of Grant.

Payout of Restricted Share Units in Shares Only. Restricted Share Units granted to Employees resident in Hong Kong shall be paid in Shares only. In no event shall any of such Restricted Share Units be paid in cash, notwithstanding any discretion contained in the Plan to the contrary.

NOTIFICATIONS

Securities Warning. The contents of this document have not been reviewed by any regulatory authority in Hong Kong. Grantee is advised to exercise caution in relation to the offer. If Grantee is in any doubt about any of the contents of this document, he or she should obtain independent professional advice. The Restricted Share Units and Shares acquired upon vesting of the Restricted Share Units do not constitute a public offering of securities under Hong Kong law and are available only to employees of the Company or any Subsidiary or Affiliate. The Plan, the Grant Agreement and other incidental communication materials have not been prepared in accordance with and are not intended to constitute a “prospectus” for a public offering of securities under the applicable securities legislation in Hong Kong. The Restricted Share Units are intended only for the personal use of each eligible employee of the Company or any Subsidiary or Affiliate and may not be distributed to any other person.

Appendix for Hungary
Additional terms and Conditions of the
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There are no country-specific provisions.

Appendix for Ireland
Additional terms and Conditions of the
Activision Blizzard, Inc.
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TERMS AND CONDITIONS

Nature of Grant. This provision supplements the “Nature of Grant” of Grant Section of the Appendix:

In accepting the grant of the Restricted Share Units, Grantee acknowledges that he or she understands and agrees that the benefits received under the Plan will not be taken into account for any redundancy or unfair dismissal claim.

NOTIFICATIONS

Director Notification Requirements. If Grantee is a director, shadow director or secretary of an Irish Subsidiary and Grantee’s aggregate shareholding interest equals or exceeds 1% of the voting rights of the Company, Grantee must notify the Irish Subsidiary in writing within a certain time period of (i) receiving or disposing of an interest in the Company (e.g., Restricted Share Units, Common Shares), (ii) becoming aware of the event giving rise to the notification requirement, or (iii) becoming a director or secretary if such an interest exists at the time. This notification requirement also applies with respect to the interests of a spouse or minor children (whose interests will be attributed to the director, shadow director or secretary, as the case may be). Grantee may contact Stock Plan Administration to obtain a sample form that can be used to satisfy this notification requirement.

Appendix for Italy

Additional terms and Conditions of the Activision Blizzard, Inc. 2014 Incentive Plan Performance-vesting Restricted Share Unit Award Terms

TERMS AND CONDITIONS

Plan Document Acknowledgment. By accepting the Restricted Share Units, Grantee acknowledges that he or she has received a copy of the Plan and the Grant Agreement and has reviewed the Plan and the Grant Agreement, including this Appendix B, in their entirety and fully understands and accepts all provisions of the Plan and the Grant Agreement, including this Appendix B. Grantee acknowledges having read and specifically and expressly approves the following sections of the Grant Agreement: “Vesting Schedule” as described in the Grant Notice, Section 3 (“Termination of Employment”), Section 4 (“Taxes Withholding”), Section 16 (“No Right to Employment”), Section 17 (“No Rights as Stockholder”), Section 19 (“Venue and Governing Law”), and “Data Privacy Information and Consent” and “Language” as described in Exhibit B.

NOTIFICATIONS

Foreign Asset / Account Tax Reporting Notification. Italian residents who, at any time during the fiscal year, hold foreign financial assets (such as cash, Shares) which may generate income taxable in Italy are required to report such assets on their annual tax returns or on a special form if no tax return is due. The same reporting duties apply to Italian residents who are beneficial owners of the foreign financial assets pursuant to Italian money laundering provisions, even if they do not directly hold the foreign asset abroad. Grantee is advised to consult his or her personal legal advisor to ensure compliance with applicable reporting requirements.

Foreign Asset Tax Information. Italian residents who, at any time during the fiscal year, hold foreign financial assets (including cash and Shares) which may generate income taxable in Italy are required to report these assets on their annual tax returns (UNICO Form, RW Schedule) for the year during which the assets are held, or on a special form if no tax return is due. These reporting obligations will also apply to Italian residents who are the beneficial owners of foreign financial assets under Italian money laundering provisions.

Appendix for Japan

Additional terms and Conditions of the Activision Blizzard, Inc. 2014 Incentive Plan Performance-vesting Restricted Share Unit Award Terms

NOTIFICATIONS

Foreign Asset/Account Reporting Notification. Grantee will be required to report details of any assets (including any Common Shares acquired under the Plan) held outside of Japan as of December 31st of each year, to the extent such assets have a total net fair market value exceeding ¥50,000,000. Such report will be due by March 15th of the following year. Grantee should consult with his or her personal tax advisor as to whether the reporting obligation applies to Grantee and whether Grantee will be required to report details of any outstanding Restricted Share Units or Common Shares held by Grantee in the report.

Appendix for Korea

Additional terms and Conditions of the Activision Blizzard, Inc. 2014 Incentive Plan Performance-vesting Restricted Share Unit Award Terms

NOTIFICATIONS

Foreign Asset/Account Reporting Notification. Korean residents must declare all foreign financial accounts (e.g., non-Korean bank accounts, brokerage accounts, etc.) to the Korean tax authority and file a report with respect to such accounts if the value of such accounts exceeds KRW 500 million (or an equivalent amount in foreign currency). Grantee should consult with his or her personal tax advisor to determine how to value Grantee's foreign accounts for purposes of this reporting requirement and whether Grantee is required to file a report with respect to such accounts.

Appendix for Luxembourg
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There are no country-specific provisions.

Appendix for Malta

**Additional terms and Conditions of the
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NOTIFICATIONS

Securities Law Notification. Neither the Company nor the Plan is registered in Malta and no investment services will be carried out in or from within Malta. The Plan will not be marketed in Malta and the Company is exempt from any investment service license requirements.

Appendix for Mexico

Additional terms and Conditions of the Activision Blizzard, Inc. 2014 Incentive Plan Performance-vesting Restricted Share Unit Award Terms

TERMS AND CONDITIONS

Acknowledgement of the Award Terms. By accepting the Restricted Share Units, Grantee acknowledges that he or she has received a copy of the Plan and the Award Terms, including this Appendix, which he or she has reviewed. Grantee further acknowledges that he or she accepts all the provisions of the Plan and the Award Terms, including this Appendix. Grantee also acknowledges that he or she has read and specifically and expressly approves the terms and conditions set forth in “Nature of Grant” Section of the Appendix, which clearly provide as follows:

- (1) Grantee’s participation in the Plan does not constitute an acquired right;
- (2) The Plan and Grantee’s participation in it are offered by the Company on a wholly discretionary basis;
- (3) Grantee’s participation in the Plan is voluntary; and
- (4) The Company and any entity in the Company Group are not responsible for any decrease in the value of any Common Shares acquired upon settlement of the Restricted Share Units.

Labor Law Acknowledgement and Policy Statement. By accepting the Restricted Share Units, Grantee acknowledges that the Company with registered offices at 3100 Ocean Park Boulevard, Santa Monica, California 90405, U.S.A., is solely responsible for the administration of the Plan. Grantee further acknowledges that his or her participation in the Plan, the grant of Restricted Share Units and any acquisition of Common Shares under the Plan do not constitute an employment relationship between Grantee and the Company because Grantee is participating in the Plan on a wholly commercial basis and his or her sole employer is Activision Mexico S. de RL de CV, Tihuatlan 41,602, San Jerónimo Aculco, Federal District, México (“Activision-Mexico”). Based on the foregoing, Grantee expressly acknowledges that the Plan and the benefits that he or she may derive from participation in the Plan do not establish any rights between Grantee and his or her employer, Activision-Mexico, and do not form part of the employment conditions and/or benefits provided by Activision-Mexico, and any modification of the Plan or its termination shall not constitute a change or impairment of the terms and conditions of Grantee’s employment.

Grantee further understands that his or her participation in the Plan is the result of a unilateral and discretionary decision of the Company and, therefore, the Company reserves the absolute right to amend and/or discontinue Grantee’s participation in the Plan at any time, without any liability to Grantee.

Finally, Grantee hereby declares that he or she does not reserve to him or herself any action or right to bring any claim against the Company for any compensation or damages regarding any provision of the Plan or the benefits derived under the Plan, and that he or she therefore grants a full and broad release to the Company, its Subsidiaries, affiliates, branches, representation offices, shareholders, officers, agents or legal representatives, with respect to any claim that may arise.

SPANISH TRANSLATION

Reconocimiento de los terminos del otorgamiento de acciones. Al aceptar las Unidades de Acciones Restringidas, el Receptor reconoce que ha recibido una copia del Plan y de los Términos del Otorgamiento de acciones, incluyendo este anexo, los cuales ha revisado. El Receptor también reconoce que acepta los términos del Plan y del Otorgamiento de Acciones, incluyendo este anexo. Así mismo el Receptor reconoce que ha leído y expresamente aprueba los términos y condiciones establecidas en la cláusula 1 del los Términos Generales para Receptores fuera de los Estados Unidos, las cuales claramente establecen lo siguiente:

(1) La participación del Receptor en el Plan no constituye un derecho adquirido

(2) El plan y la participación del Receptor en dicho Plan son ofrecidos por la Empresa en forma totalmente discrecional.

(3) La participación del Receptor en el Plan es voluntaria; y

(4) La Empresa y cualquier empresa del Grupo de Empresas no son responsables por la reducción en el valor de las acciones comunes que sean adquiridas en virtud de las Unidades de Acciones Restringidas.

Política de Ley Laboral y Reconocimiento. Al aceptar el otorgamiento de adquisición de acciones y/o Restricted Share Units, el Receptor reconoce que la Empresa, con domicilio ubicado en 310 Ocean Park Boulevard, Santa Mónica, California, 90405 U.S.A., es el único responsable para la administración de Plan y que su participación en los Plan y adquisición de acciones no constituye una relación de trabajo entre la Empresa y el Receptor, toda vez que su participación en el Plan es totalmente en base a una relación comercial entre mi único patrón Actibliz Mexico S. de RL de CV, Tihuatlan 41,602, San Jerónimo Aculco, Federal District, México (“Activision Mexico”) Derivado de lo anterior, el Receptor expresamente reconoce que el Plan y beneficios que pudieran derivar de su participación en el Plan no establece derechos entre su único patrón Activision Mexico y el suscrito, no forman parte de sus condiciones y/o prestaciones de trabajo otorgadas por Activision Mexico y cualquier modificación del Plan o su terminación no constituye un cambio o detrimento en los términos y condiciones de su relación de trabajo.

Asimismo, el Receptor entiende que su participación en el Plan es resultado de una decisión unilateral y discrecional de la Empresa, por lo tanto la Empresa se reserva el derecho absoluto de modificar y/o discontinuar la participación de usted en cualquier momento y sin responsabilidad alguna frente al Receptor.

Finalmente, en este acto el Receptor declara que no se reserva acción o derecho alguno para presentar cualquier reclamación en contra de la Empresa por cualquier compensación o daño en relación con cualquier disposición del Plan o de los beneficios derivados del Plan y, por lo tanto, el Receptor otorga el más amplio y total finiquito a la Empresa, sus afiliadas, sucursales, oficinas de representación, accionistas, funcionarios, agentes o representantes en relación con cualquier reclamación que pudiera surgir.

NOTIFICATIONS

Securities Law Notification. The Restricted Share Units and the Common Shares offered under the Plan have not been registered with the National Register of Securities maintained by the Mexican National Banking and Securities Commission and cannot be offered or sold publicly in Mexico. In addition, the Plan, the Award Terms and any other document relating to the Restricted Share Units may not be publicly distributed in Mexico. These materials are addressed to Grantee only because of Grantee's existing relationship with the Company and the Employer and these materials should not be reproduced or copied in any form. The offer contained in these materials does not constitute a public offering of securities but rather constitutes a private placement of securities addressed specifically to individuals who are present employees of Activision Mexico made in accordance with the provisions of the Mexican Securities Market Law, and any rights under such offering shall not be assigned or transferred.

Appendix for the Netherlands

**Additional terms and Conditions of the
Activision Blizzard, Inc.
2014 Incentive Plan
Performance-vesting Restricted Share Unit Award Terms**

TERMS AND CONDITIONS

Nature of Grant. This provision supplements the “Nature of Grant” Section of the Appendix:

In accepting the grant of the Restricted Share Units, Grantee acknowledges that the Restricted Share Units granted under the Plan are intended as an incentive for Grantee to remain employed with the Employer and are not intended as remuneration for labor performed.

Appendix for New Zealand
Additional terms and Conditions of the
Activision Blizzard, Inc.
2014 Incentive Plan
Performance-vesting Restricted Share Unit Award Terms

NOTIFICATIONS

Securities Law Notification. Warning: This is an offer of rights to receive Shares upon vesting of the Restricted Share Units subject to the terms of the Plan and the Award Terms. Restricted Share Units give Grantee a stake in the ownership of the Company. Grantee may receive a return if dividends are paid on the Shares.

If the Company runs into financial difficulties and is wound up, Grantee will be paid only after all creditors and holders of preferred shares have been paid. Grantee may lose some or all of their investment.

New Zealand law normally requires people who offer financial products to give information to investors before they invest. This information is designed to help investors to make an informed decision.

The usual rules do not apply to this offer because it is made under an employee share purchase scheme. As a result, Grantee may not be given all the information usually required. Grantee will also have fewer other legal protections for this investment.

Grantee should ask questions, read all documents carefully, and seek independent financial advice before committing to participate in the Plan.

In addition, the Holder is hereby notified that the Company's most recent Annual Report on Form 10-K, the Plan and the Plan prospectus are available for review on the Company intranet site at Finance - The Hub (activisionblizzard.com). The Company's most recent Annual Report can also be found at: <https://investor.activision.com/#ir-reports-filings>. And your Award Terms can be found in your E*Trade account at www.etrade.com by navigating to My Account/Plan Elections.

As noted above, Grantee should carefully read the materials provided before making a decision whether to participate in the Plan. Grantee is also encouraged to contact their personal tax advisor for specific information concerning Grantee's personal tax situation with regard to Plan participation.

Appendix for Poland

Additional terms and Conditions of the Activision Blizzard, Inc. 2014 Incentive Plan Performance-vesting Restricted Share Unit Award Terms

NOTIFICATIONS

Foreign Asset/Accounting Reporting Notification. Polish residents holding foreign securities (including Common Shares acquired under the Plan) and maintaining accounts abroad must report information to the National Bank of Poland on transactions and balances of the securities and cash deposited in such accounts if the value of such transactions or balances exceeds PLN 7,000,000. If required, the reports must be filed on a quarterly basis on special forms available on the website of the National Bank of Poland.

Exchange Control Notification. If Grantee transfers funds into Poland in excess of a certain threshold (currently €15,000, unless the transfer of funds is considered to be connected with the business activity of an entrepreneur, in which case a lower threshold may apply) in connection with the sale of Common Shares under the Plan, the funds must be transferred via a bank account held at a bank in Poland. Grantee is required to retain the documents connected with a foreign exchange transaction for a period of five (5) years, as measured from the end of the tax year in which such transaction occurred.

Appendix for Portugal

Additional terms and Conditions of the Activision Blizzard, Inc. 2014 Incentive Plan Performance-vesting Restricted Share Unit Award Terms

TERMS AND CONDITIONS

Language Consent. Grantee hereby expressly declares that he or she has full knowledge of the English language and has read, understood and fully accepted and agreed with the terms and conditions established in the Plan and Award Terms.

Consentimento sobre Língua

O Empregado Contratado, pelo presente instrumento, declara expressamente que domina a língua inglesa e que leu, compreendeu e livremente aceitou e concordou com os termos e condições estabelecidos no Plano e no Acordo de Atribuição.

NOTIFICATIONS

Exchange Control Notification. If Grantee holds Shares upon vesting of the Restricted Share Units, the acquisition of Shares should be reported to the Banco de Portugal for statistical purposes. If the Shares are deposited with a commercial bank or financial intermediary in Portugal, such bank or financial intermediary will submit the report on Grantee's behalf. If the Shares are not deposited with a commercial bank or financial intermediary in Portugal, Grantee is responsible for submitting the report to the Banco de Portugal.

Appendix for Romania
Additional terms and Conditions of the
Activision Blizzard, Inc.
2014 Incentive Plan
Performance-vesting Restricted Share Unit Award Terms

NOTIFICATIONS

Exchange Control Notification. Grantee is generally not required to seek authorization from the National Bank of Romania to participate in the Plan or to open and operate a foreign bank account to receive any proceeds under the Plan. However, if Grantee acquires 10% or more of the registered capital of a non-resident company, Grantee must file a report with the National Bank of Romania (“NBR”) within 30 days from the date such ownership is reached. This is a statutory requirement, but it does not trigger the payment of fees to NBR.

Appendix for Russia

Additional terms and Conditions of the Activision Blizzard, Inc. 2014 Incentive Plan Performance-vesting Restricted Share Unit Award Terms

NOTIFICATIONS

Securities Law Information. The Employer is not in any way involved in the offer of Restricted Share Units or administration of the Plan. These materials do not constitute advertising or an offering of securities in Russia nor do they constitute placement of the Shares in Russia. The issuance of Shares pursuant to the Restricted Share Units described herein has not and will not be registered in Russia and hence, the Shares described herein may not be admitted or used for offering, placement or public circulation in Russia.

Data Privacy Notice and Consent. This section replaces the Data Privacy and Consent provision in Exhibit B.

Grantee hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of his or her personal data as described in the Award Terms by and among, as applicable, the Employer, the Company and its Affiliates for the exclusive purpose of implementing, administering and managing Grantee's participation in the Plan.

Grantee understands that the Company, any Affiliate and/or the Employer may hold certain personal data about Grantee, including, but not limited to, Grantee's name, home address and telephone number, email address, date of birth, social insurance, passport or other identification number, salary, nationality, job title, any Shares of stock or directorships held in the Company, details of all Restricted Share Units or any other entitlement to Shares awarded, canceled, vested, unvested or outstanding in his or her favor ("Data"), for the purpose of implementing, administering and managing the Plan.

Grantee understands that Data may be transferred to the Equity Account Administrator or such other stock plan service provider as may be selected by the Company in the future, which is assisting in the implementation, administration and management of the Plan, that the recipients of the Data may be located in Grantee's country, or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than Grantee's country. Grantee understands that Grantee may request a list with the names and addresses of any potential recipients of the Data by contacting the U.S. human resources representative or stock plan services. Grantee authorizes the Company, the Equity Account Administrator and other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing Grantee's participation in the Plan, including any requisite transfer of such Data as may be required to a broker, escrow agent or other third party with whom the Shares received upon vesting of the Restricted Share Units may be deposited. Grantee understands that Data will be held only as long as is necessary to implement, administer and manage his or her participation in the Plan.

Grantee understands that Grantee may, at any time, view Data, request information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case and without cost, by contacting in writing the U.S. human resources representative. Grantee understands that refusal or withdrawal, rescission or termination of consent may affect his or her ability to participate in the Plan. For more

information on the consequences of Grantee's refusal to consent or withdrawal of consent, Grantee understands that Grantee may contact the U.S. human resources representative or stock plan services.

U.S. Transaction. Any Shares issued pursuant to the Restricted Share Units shall be delivered to Grantee through a brokerage account in the U.S. Grantee may hold Shares in his or her brokerage account in the U.S.; however, in no event will Shares issued to Grantee and/or Share certificates or other instruments be delivered to Grantee in Russia. Grantee is not permitted to make any public advertising or announcements regarding the Restricted Share Units or Shares in Russia, or promote these Shares to other Russian legal entities or individuals, and Grantee is not permitted to sell or otherwise dispose of Shares directly to other Russian legal entities or individuals. Grantee is permitted to sell Shares only on the Nasdaq Stock Market and only through a U.S. broker.

Settlement of Restricted Share Units and Sale of Shares. Due to local regulatory requirements, the Company reserves the right to require the immediate sale of any Shares to be issued to Grantee upon vesting of the Restricted Share Units. Grantee agrees that the Company is authorized to instruct its designated broker to assist with any such mandatory sale of the Shares (on his or her behalf pursuant to this authorization) and Grantee expressly authorizes the Company's designated broker to complete the sale of such Shares, if so instructed by the Company. In such case, Grantee acknowledges that the Company's designated broker is under no obligation to arrange for the sale of the Shares at any particular price. Upon the sale of the Shares, the Company agrees to pay Grantee the cash proceeds from the sale of the Shares, less any brokerage fees or commissions and subject to any obligation to satisfy Withholding Tax-related items. Grantee may hold the cash proceeds in the brokerage account in the U.S. for an indefinite period of time (*e.g.*, for subsequent reinvestment). Grantee acknowledges that Grantee is not aware of any material nonpublic information with respect to the Company or any securities of the Company as of the date of this Agreement.

Exchange Control Information. Under exchange control regulations in Russia, Grantee may be required to repatriate certain cash amounts that Grantee receives with respect to the Restricted Share Units to Russia as soon as Grantee intends to use those cash amounts for any purpose, including reinvestment. If the repatriation requirements apply, such funds must initially be credited to Grantee through a foreign currency account at an authorized bank in Russia. After the funds are initially received in Russia, they may be further remitted to foreign banks in accordance with Russian exchange control laws.

Under the Directive of the Russian Central Bank (the "CBR") N 5371-U which came into force on April 17, 2020, there are no restrictions on the transfer of cash into and from accounts opened by Russian currency residents with a foreign financial market institution other than a bank. Accordingly, the repatriation requirement in certain cases may not apply with respect to cash amounts received in an account that is considered by the CBR to be a foreign brokerage account opened with a financial market institution other than a bank. Statutory exceptions to the repatriation requirement also may apply.

Anti-Corruption Notification. Anti-corruption laws prohibit certain public servants, their spouses and their dependent children from owning any foreign source financial instruments (*e.g.*, Shares of foreign companies such as the Company). Accordingly, Grantee should inform the Company if Grantee is covered by these laws because Grantee should not hold Shares acquired under the Plan.

Appendix for Singapore
Additional terms and Conditions of the
Activision Blizzard, Inc.
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TERMS AND CONDITIONS

Sale Restriction. Grantee agrees that any Common Shares acquired pursuant to the Restricted Share Units will not be offered for sale in Singapore prior to the six-month anniversary of the Date of Grant, unless such sale or offer is made pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the Securities and Futures Act (Chapter 289, 2006 Ed.) (“SFA”).

NOTIFICATIONS

Securities Law Notification. The grant of the Restricted Share Units is being made pursuant to the “Qualifying Person exemption” under section 273(1)(f) of the SFA under which it is exempt from the prospectus and registration requirements and is not made with a view to the underlying Common Shares being subsequently offered for sale to any other party. The Plan has not been and will not be lodged or registered as a prospectus with the Monetary Authority of Singapore.

Director Notification Requirements. If Grantee is a director of a Singapore Subsidiary of the Company, Grantee must notify the Singapore Subsidiary in writing within two business days of receiving or disposing of an interest (e.g., Restricted Share Units, Common Shares) in the Company or within two business days of becoming a director if such an interest exists at the time. This notification requirement also applies to an associate director and to a shadow director (i.e., an individual who is not on the board of directors but who has sufficient control so that the board of directors acts in accordance with the “directions and instructions” of the individual) of a Singapore Subsidiary or affiliate of the Company. Grantee may contact Stock Plan Administration to obtain a sample form that can be used to satisfy this notification requirement.

Appendix for Spain

Additional terms and Conditions of the Activision Blizzard, Inc. 2014 Incentive Plan Performance-vesting Restricted Share Unit Award Terms

TERMS AND CONDITIONS

Nature of Grant. This provision supplements the “Nature of Grant” Section of the Appendix:

In accepting the Restricted Share Units, Grantee consents to participate in the Plan and acknowledges having received and read a copy of the Plan.

Grantee understands that the Company has unilaterally, gratuitously and discretionally decided to grant Restricted Share Units under the Plan to individuals who may be employees of the Company or any other entity in the Company Group throughout the world. The decision is a limited decision that is entered into upon the express assumption and condition that any grant will not bind the Company or any other entity in the Company Group. Consequently, Grantee understands that the Restricted Share Units are granted on the assumption and condition that such Restricted Share Units and any Common Shares acquired under the Plan shall not become a part of any employment contract (either with the Company or any other entity in the Company Group) and shall not be considered a mandatory benefit, salary for any purposes (including severance compensation) or any other right whatsoever. In addition, Grantee understands that the Restricted Share Units would not be granted but for the assumptions and conditions referred to above; thus, Grantee acknowledges and freely accepts that should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason, then any grant of the Restricted Share Units shall be null and void.

Further, the vesting of the Restricted Share Units is expressly conditioned on Grantee’s active employment, such that if Grantee’s employment or service terminates for any reason whatsoever, the Restricted Share Units cease vesting immediately effective on the date of termination of employment. This will be the case, for example, even if Grantee (1) is considered to be unfairly dismissed without good cause (*i.e.*, subject to a “*despido improcedente*”); (2) is dismissed for disciplinary or objective reasons or due to a collective dismissal; (3) terminates service due to a change of work location, duties or any other employment or contractual condition; (4) terminates service due to the Company’s or any entity in the Company Group’s unilateral breach of contract; or (5) is terminated from employment for any other reason whatsoever. Consequently, upon Grantee’s termination of employment for any of the above reasons, Grantee may automatically lose any rights to Restricted Share Units that were unvested on the date of termination.

NOTIFICATIONS

Exchange Control Notification. The acquisition, ownership and sale of Common Shares under the Plan must be declared for statistical purposes to the Spanish *Dirección General de Comercio e Inversiones* (the “DGCI”), the Bureau for Commerce and Investments, which is a department of the Ministry of Economy and Competitiveness. Generally, the declaration must be made each January for Common Shares owned as of December 31st of the prior year, by means of a D-6 form; however, if the value of the Common Shares acquired or sold exceeds €1,502,530 (or if Grantee holds 10% or more of the share capital of the Company or such other amount that would entitle Grantee to join the Company’s board of directors), the declaration must be filed also within one month of the acquisition or sale, as applicable.

Grantee is required to declare electronically to the Bank of Spain any securities accounts (including brokerage accounts held abroad), foreign instruments (including any Common Shares acquired under the Plan) and any transactions with non-Spanish residents (including any payments of Common Shares made to Grantee by the Company), depending on the amount of the transactions during the relevant year or the balances in such accounts as of December 31st of the relevant year. Generally, the report is required on an annual basis (by January 20 of each year). Grantee should consult with his or her personal advisor to ensure that Grantee is properly complying with his or her reporting obligations.

Foreign Asset/Account Reporting Notification. If Grantee holds rights or assets (e.g., Common Shares or cash held in a bank or brokerage account) outside of Spain with a value in excess of €50,000 per type of right or asset (e.g., Common Shares, cash, etc.) as of December 31 each year, Grantee is required to report certain information regarding such rights and assets on tax form 720. After such rights and/or assets are initially reported, the reporting obligation will only apply for subsequent years if the value of any previously-reported rights or assets increases by more than €20,000. If reporting is required, the reporting must be completed by the following March 31. Grantee should consult his or her personal tax advisor for details regarding this requirement.

Securities Law Notification. The Restricted Share Units described in this document do not qualify as securities under Spanish regulations. No “offer of securities to the public,” within the meaning of Spanish law, has taken place or will take place in the Spanish territory. The Plan, the Award Terms (including this Appendix), and any other documents evidencing the award of Restricted Share Units have not been, nor will they be, registered with the *Comisión Nacional del Mercado de Valores* (Spanish Securities Exchange Commission), and none of those documents constitutes a public offering prospectus.

Appendix for Sweden

Additional terms and Conditions of the Activision Blizzard, Inc. 2014 Incentive Plan Performance-vesting Restricted Share Unit Award Terms

TERMS AND CONDITIONS

Authorization to Withhold. This provision supplements Section 4 of the Award Terms:

Without limiting the Company's and the Employer's authority to satisfy their obligations for Withholding Taxes as set forth in Section 4 of the Award Terms, by accepting the Restricted Share Units, Grantee authorizes the Company and/or the Employer to withhold Common Shares or to sell Common Shares otherwise deliverable to Grantee upon vesting of the Restricted Share Units to satisfy any Withholding Taxes, regardless of whether the Company and/or the Employer have an obligation to withhold such Withholding Taxes.

Appendix for Taiwan

Additional terms and Conditions of the Activision Blizzard, Inc. 2014 Incentive Plan Performance-vesting Restricted Share Unit Award Terms

TERMS AND CONDITIONS

Data Privacy Acknowledgement. Grantee hereby acknowledges that he or she has read and understands the terms regarding collection, processing and transfer of Data contained in the “Data Privacy Information and Consent for Grantees outside the European Economic Area” Section of the Appendix and, by participating in the Plan, Grantee agrees to such terms. In this regard, upon request of the Company or the Employer, Grantee agrees to provide an executed data privacy consent form to the Employer or the Company (or any other agreements or consents that may be required by the Employer or the Company) that the Company and/or the Employer may deem necessary to obtain under the data privacy laws in Grantee’s country, either now or in the future. Grantee understands that he or she will not be able to participate in the Plan if he or she fails to execute any such consent or agreement.

NOTIFICATIONS

Securities Law Notification. The offer of participation in the Plan is available only for employees of the Company Group. The offer of participation in the Plan is not a public offer of securities by a Taiwanese company.

Exchange Control Notification. Grantee may acquire and remit foreign currency (including proceeds from the sale of Common Shares or the receipt of any dividends paid on such Common Shares) into and out of Taiwan up to US\$5,000,000 per year. If the transaction amount is TWD\$500,000 or more in a single transaction, Grantee must submit a Foreign Exchange Transaction Form and provide supporting documentation to the satisfaction of the bank involved in the transaction. Grantee should consult his or her personal advisor to ensure compliance with any applicable exchange control laws in Taiwan.

Appendix for the United Kingdom

Additional terms and Conditions of the Activision Blizzard, Inc. 2014 Incentive Plan Performance-vesting Restricted Share Unit Award Terms

TERMS AND CONDITIONS

Tax Withholding and Payment. This section supplements Section 4 of the Award Terms:

Without limitation to Section 4 of the Award Terms, Grantee agrees that Grantee is liable for all Withholding Taxes and hereby covenants to pay all such Withholding Taxes, as and when requested by the Company or the Employer or by Her Majesty's Revenue and Customs ("HMRC") (or any other tax authority or any other relevant authority). Grantee also agrees to indemnify and keep indemnified the Company and the Employer against any Withholding Taxes that they are required to pay or withhold or have paid or will pay to HMRC (or any other tax authority or any other relevant authority) on Grantee's behalf.

Appendix for the United States of America

Additional terms and Conditions of the Activision Blizzard, Inc. 2014 Incentive Plan Performance-vesting Restricted Share Unit Award Terms

TERMS AND CONDITIONS

1. Definitions.

(a) For U.S. Grantees only, the following terms shall have the meanings set forth below:

“Employment Violation” means (1) any material breach by Grantee of his or her employment agreement with any entity in the Company Group for so long as the terms of such employment agreement shall apply to Grantee (with any breach of the post-termination obligations contained therein deemed to be material for purposes of this definition) and (2) a good faith belief by the Company, after investigation, that Grantee has engaged in harassment based on any legally protected category or has retaliated against anyone for reporting a concern or potential misconduct in good faith.

“Look-back Period” means, with respect to any Employment Violation by Grantee, the period beginning on the date which is 12 months prior to the date of such Employment Violation by Grantee and ending on the date of computation of the Recapture Amount with respect to such Employment Violation.

“Recapture Amount” means, with respect to any Employment Violation by Grantee, the gross gain realized or unrealized by Grantee upon all vesting of Restricted Share Units or delivery or transfer of Vested Shares during the Look-back Period with respect to such Employment Violation, which gain shall be calculated as the sum of:

(i) if the Company and/or the Employer has satisfied any Withholding Taxes resulting from the vesting of any Restricted Share Units, the issuance or transfer of any Vested Shares or otherwise in connection with the Award during the Look-back Period by withholding Vested Shares or selling Vested Shares on Grantee’s behalf, the amount of the Withholding Taxes so satisfied; plus

(ii) if Grantee has received Vested Shares during such Look-back Period and sold any such Vested Shares, an amount equal to the sum of the sales price for all such Vested Shares; plus

(iii) if Grantee has received Vested Shares during such Look-back Period and not sold all such Vested Shares, an amount equal to the product of (A) the greatest of the following: (1) the Market Value per Share of Common Shares on the date such Vested Shares were issued or transferred to Grantee, (2) the arithmetic average of the per share closing sales prices of Common Shares as reported on Nasdaq for the 30 trading day period ending on the trading day immediately preceding the date of the Company’s written notice of its exercise of its rights under Section 3 hereof, or (3) the arithmetic average of the per share closing sales prices of Common Shares as reported on Nasdaq for the 30 trading day period ending on the trading day immediately preceding the date of computation, times (B) the number of such Vested Shares which were not sold; plus

2. Conflict with Employment Agreement or Plan. In the event of any conflict between the terms of any employment agreement, service contract or offer letter between Grantee and any entity in the Company Group in effect at the time and the terms of the Grant Notice or these Award Terms, the terms of the Grant Notice or these Award Terms, as the case may be, shall control. In the event of any conflict between the terms of any employment agreement, service contract or offer letter between Grantee and any entity in the Company Group in effect at the time and the terms of the Plan, the terms of the Plan shall control.

3. Employment Violation. The terms of this Section 3 shall apply to the Restricted Share Units if Grantee is or becomes subject to an employment agreement with any entity in the Company Group. In the event of an Employment Violation, the Company shall have the right to require (a) the forfeiture by Grantee to the Company of any outstanding Restricted Share Units or Vested Shares which have yet to settle pursuant to Section 8 of Exhibit A and (b) payment by Grantee to the Company of the Recapture Amount with respect to such Employment Violation; provided, however, that, in lieu of payment by Grantee to the Company of the Recapture Amount, Grantee, in his or her discretion, may tender to the Company the Vested Shares acquired during the Look-back Period with respect to such Employment Violation (without any consideration from the Company in exchange therefor). Any such forfeiture of Restricted Share Units and payment of the Recapture Amount, as the case may be, shall be in addition to, and not in lieu of, any other right or remedy available to the Company arising out of or in connection with such Employment Violation, including, without limitation, the right to terminate Grantee's employment if not already terminated and to seek injunctive relief and additional monetary damages.

EXHIBIT C

ACTIVISION BLIZZARD, INC.

2014 INCENTIVE PLAN

ACTIVISION BLIZZARD, INC.

2014 INCENTIVE PLAN

PERFORMANCE-VESTING RESTRICTED SHARE UNIT VESTING SCHEDULE

Except as otherwise provided under the Award Terms, the Restricted Share Units awarded to you will vest in full on or prior to March 30, 2025, provided you remain continuously employed by the Company or one of its Subsidiaries through such date, as follows:

No. of Restricted Share Units Vesting at Vesting Date	If, and Only If, the Committee Determines that the Following Has Occurred
The number of Restricted Share Units awarded as set forth in the Grant Notice adjusted by the Performance Factor, rounded to the nearest whole number	The sum of the Company's Non-GAAP OI for 2022, 2023 and 2024 is at least 90% of the Objective

For purposes of this Vesting Schedule the following terms shall have the meanings set forth below:

“Non-GAAP OI” means non-GAAP operating income, calculated using the same accounting policies and otherwise in a manner consistent with the calculation of such measurement in the long-range strategic plan that was presented to the Board for the three-year period consisting of 2022, 2023 and 2024. Moreover, for the purposes of this Award, consistent with historic executive compensation practices, non-GAAP OI currently excludes the impact of any extraordinary transaction (defined as a non-recurring corporate transaction or legal expense matter which results in expenses exceeding \$10 million). Any proposed changes to the accounting policies, or the manner of calculation, that would affect Non-GAAP OI for purposes of this Award may be approved by the Committee in its sole discretion.

“Objective” means the non-GAAP OI objective established by the Committee for the three-year period consisting of 2022, 2023 and 2024.

“Performance Factor” is calculated as a percentage based on the sum of the Company's Non-GAAP OI for 2022, 2023 and 2024 divided by the Objective (i.e., Actual Non-GAAP OI for three-year period / Objective = Performance Factor). The Performance Factor is then applied as follows:

- (i) If the Performance Factor is above 100%, for every 1% difference above 100% the Annual Target Amount is increased by 1%, up to a maximum increase of 25%, with linear interpolation between points, and

(ii) If the Performance Factor is below 100%, for every 1% difference below 100% the Annual Target Amount is decreased by 5%, with linear interpolation between points.

For the sake of clarity: (1) if the Company's aggregate Non-GAAP OI for the three-year period from 2022 to 2024 is \$1,100,000 and the Objective is \$1,000,000, then the Performance Factor will be 110%; and (2) if the Company's aggregate Non-GAAP OI for the three-year period from 2022 to 2024 is \$950,000 and the Objective is \$1,000,000, then the Performance Factor will be 75%.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") amends and restates in its entirety the employment agreement entered into by Activision Blizzard, Inc. ("Activision Blizzard" or "Employer") and Brian Bulatao ("you") with an effective date of February 1, 2021. Activision Blizzard and Employer includes Activision Blizzard, Inc.'s subsidiaries, as appropriate and are collectively referred to as the "Activision Blizzard Group." This Agreement shall be deemed effective as of February 1, 2021.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and the mutual promises set forth in this Agreement, the Employer and you hereby agree as follows:

1. Term of Employment

(a) The term of your employment under this Agreement (the "Term") shall commence on February 1, 2021 (the "Effective Date") and shall end on March 31, 2023 (the "Expiration Date") (or such earlier date on which your employment is terminated under Section 9). The Employer shall have the option to extend the Term by up to one year by notifying you in writing of its intent to do so at least six (6) months prior to the original Expiration Date. The final date of any such extended Term shall thereafter be referred to as the "Expiration Date" for purposes of this Agreement and the Term shall end on such date (or such earlier date on which your employment is terminated). Except as set forth in Section 11(s), upon the Expiration Date (or such earlier date on which your employment is terminated) all obligations and rights under this Agreement shall immediately lapse.

(b) You and the Employer each agree to provide the other with at least six (6) months' notice of any intent not to continue your employment following the Expiration Date. If your employment continues beyond the Expiration Date, you shall remain an at-will employee whose employment may be terminated by either party to this Agreement at any time for any reason.

2. Compensation

(a) Subject to the provisions of this Agreement, in full consideration for all rights and services provided by you under this Agreement, during the Term you shall receive only the compensation set forth in this Section 2.

(b) Commencing on the Effective Date, you shall receive an annual base salary ("Base Salary") of \$1,000,000, which shall be paid in accordance with the Employer's payroll policies. Your Base Salary shall be reviewed periodically at the same time as similarly situated executives of the Employer and may be increased (but not decreased) by an amount determined by the Employer, in its sole and absolute discretion.

(c) Beginning with respect to 2021, you will be eligible to receive an annual discretionary bonus (the "Annual Bonus"). The target amount of your Annual Bonus will be 100% of your Base Salary and may be delivered in cash or equity or some combination thereof. Your target Annual Bonus target mix will be 40% cash and 60% equity. In all instances, the actual amount and the form (e.g. cash and/or equity) of the Annual Bonus, if any, shall be determined by

the Employer, in its sole and absolute discretion, and may be based on, among other things, your Base Salary, the portion of the year falling in the Term (e.g. a partial bonus with respect to your service during 2021 determined in a manner consistent with similarly situated executives of the Employer who served during a portion of the year), your overall performance and the performance of the Employer. The cash and equity portion of the Annual Bonus, if any, will be paid at the same time as the cash and equity portion of the bonuses for that year are generally paid to other executives, but in no event earlier than the first day of the first month, or later than the 15th day of the third month, of the year following the year to which the Annual Bonus relates, and will be subject to applicable taxes and withholdings, as applicable. In all instances, you must remain continuously employed by the Activision Blizzard Group through the date on which the cash and equity portions of the Annual Bonus, if any, are paid to be eligible to receive such Annual Bonus.

(d) At the next regularly scheduled meeting of the Compensation Committee of the Board of Directors for Activision Blizzard (the "**Compensation Committee**") that includes equity granting on the agenda and occurs after the Effective Date, the 2021 Equity Awards (as defined below) shall be presented for approval; once approved they shall be granted in the first open trading window thereafter. Activision Blizzard will grant to you equity awards with a total target grant value of approximately \$7,000,000 as follows:

1. Activision Blizzard shall grant to you non-qualified stock options to purchase shares of Activision Blizzard's common stock ("**Shares**") with a total grant value of approximately \$1,500,000 (the "**2021 Options**"). The actual number of stock options awarded to you on the grant date shall be determined based on the official closing price of Activision Blizzard's common stock on the effective date of the grant, as reported by NASDAQ (the "**Grant Date Price**"), and an applicable binomial factor selected by the Employer and determined using the same methodology used with respect to similarly situated executives of the Employer. The number of stock options awarded shall be rounded to the nearest whole number, and Activision Blizzard retains the discretion to modify the methodology for such calculations as needed, so long as such methodology is the same with respect to similarly situated executives of the Employer. The 2021 Options shall be awarded with an exercise price that is equal to the Grant Date Price. Finally, one-third of the 2021 Options shall be eligible to vest as further described below on March 30, 2022, one-third of the 2021 Options shall be eligible to vest on March 30, 2023 and one-third of the 2021 Options shall be eligible to vest on March 30, 2024, in each case, subject to your remaining employed by Activision Blizzard through the applicable vesting date.

i. One third of the 2021 Options (the "**First Tranche 2021 Options**") shall be eligible to vest on March 30, 2022, if, and only if, the Compensation Committee determines that the non-GAAP operating income (calculated in the same manner as the 2021 AOP OI Objective (as defined below)) for 2021 for Activision Blizzard ("**2021 AOP OI**") is 50% or more of the annual operating plan operating income objective established by the Compensation Committee for 2021 (the "**2021 AOP OI Objective**").

If the 2021 AOP OI is less than 50% of the 2021 AOP OI Objective, then the First Tranche 2021 Options will not vest and shall be forfeited.

ii. One-third of the 2021 Options (the "**Second Tranche 2021 Options**") shall be eligible to vest on March 30, 2023, if, and only if, the Compensation Committee determines that the non-GAAP operating income (calculated in the same manner as the 2022 AOP OI Objective (as defined below)) for 2022 for Activision Blizzard ("**2022 AOP OI**") is 50% or more of the annual operating

plan operating income objective established by the Compensation Committee for 2022 (the "**2022 AOP OI Objective**").

If the 2022 AOP OI is less than 50% of the 2022 AOP OI Objective, then the Second Tranche 2021 Options will not vest and shall be forfeited.

iii. One-third of the 2021 Options (the "**Third Tranche 2021 Options**") shall be eligible to vest on March 30, 2024, if, and only if, the Compensation Committee determines that the non-GAAP operating income (calculated in the same manner as the 2023 AOP OI Objective (as defined below)) for 2023 for Activision Blizzard ("**2023 AOP OI**") is 50% or more of the annual operating plan operating income objective established by the Compensation Committee for 2023 (the "**2023 AOP OI Objective**").

If the 2023 AOP OI is less than 50% of the 2023 AOP OI Objective, then the Third Tranche 2021 Options will not vest and shall be forfeited.

2. Activision Blizzard shall grant to you performance-vesting restricted share units, which represent the conditional right to receive Shares (the "**2021 Performance Share Units**"), with a target value at the time of grant of approximately \$2,500,000 (the "**2021 Target PSU Grant Value**"). The actual number of 2021 Performance Share Units awarded to you on the grant date shall be equal to the 2021 Target PSU Grant Value divided by the Grant Date Price (it being recognized that if the maximum performance objectives are met for all of the 2021 Performance Share Units, the value of the Shares received upon vesting for all of the 2021 Performance Share Units would have been \$5,000,000 at the time of grant of the 2021 Performance Share Units, representing 200% of the 2021 Target PSU Grant Value). The number of 2021 Performance Share Units awarded shall be rounded to the nearest whole number and shall be determined by the Compensation Committee in its sole discretion, and Activision Blizzard retains the discretion to modify the methodology for such calculations as needed, so long as such methodology is the same used with respect to similarly situated executives of the Employer. Subject to your remaining employed by Activision Blizzard through the applicable vesting dates, the actual number of Shares that shall be received on each of the applicable vesting dates is determined as follows:

i. One-third of the 2021 Performance Share Units (the "**First Tranche 2021 Performance Share Units**") shall be eligible to vest on March 30, 2022, if, and only if, the Compensation Committee determines that the non-GAAP operating income (calculated in the same manner as the 2021 AOP OI Objective (as defined above)) for 2021 AOP OI is 90% or more of the 2021 AOP OI Objective.

If the 2021 AOP OI is less than 90% of the 2021 AOP OI Objective, then the First Tranche 2021 Performance Share Units will not vest and shall be forfeited.

If the 2021 AOP OI is 90% or more of the 2021 AOP OI Objective, then the number of Shares that shall be received with regard to the First Tranche 2021 Performance Share Units on the applicable vesting date shall be equal to the product of (i) the number of First Tranche 2021 Performance Share Units; and (ii) the ratio of the 2021 AOP OI to the 2021 AOP OI Objective, up to a maximum of 200%.

ii. One-third of the 2021 Performance Share Units (the "**Second Tranche 2021 Performance Share Units**") shall be eligible to vest on March 30, 2023, if, and only if, the Compensation Committee determines that the non-GAAP operating income (calculated in the same manner as the 2022 AOP OI Objective (as defined above)) for 2022 AOP OI is 90% or more of the 2022 AOP OI Objective.

If the 2022 AOP OI is less than 90% of the 2022 AOP OI Objective, then the Second Tranche 2021 Performance Share Units will not vest and shall be forfeited.

If the 2022 AOP OI is 90% or more of the 2022 AOP OI Objective, then the number of Shares that shall be received with regard to the Second Tranche 2021 Performance Share Units on the applicable vesting date shall be equal to the product of (i) the number of Second Tranche 2021 Performance Share Units; and (ii) the ratio of the 2022 AOP OI to the 2022 AOP OI Objective, up to a maximum of 200%.

iii. One-third of the 2021 Performance Share Units (the "**Third Tranche 2021 Performance Share Units**") shall be eligible to vest on March 30, 2024, if, and only if, the Compensation Committee determines that the non-GAAP operating income (calculated in the same manner as the 2023 AOP OI Objective (as defined above)) for 2023 AOP OI is 90% or more of the 2023 AOP OI Objective.

If the 2023 AOP OI is less than 90% of the 2023 AOP OI Objective, then the Third Tranche 2021 Performance Share Units will not vest and shall be forfeited.

If the 2023 AOP OI is 90% or more of the 2023 AOP OI Objective, then the number of Shares that shall be received with regard to the Third Tranche 2021 Performance Share Units on the applicable vesting date shall be equal to the product of (i) the number of Third Tranche 2021 Performance Share Units; and (ii) the ratio of the 2023 AOP OI to the 2023 AOP OI Objective, up to a maximum of 200%.

3. Activision Blizzard shall grant to you performance-vesting restricted share units, which represent the conditional right to receive Shares (the "**2021 EPS Performance Share Units**"), with a target value at the time of grant of approximately \$1,000,000 (the "**2021 EPS Target PSU Grant Value**"). The actual number of 2021 EPS Performance Share Units awarded to you on the grant date shall be equal to the 2021 EPS Target PSU Grant Value divided by the Grant Date Price (it being recognized that if the maximum performance objectives are met for all of the 2021 EPS Performance Share Units, the value of the Shares received upon vesting for all of the 2021 EPS Performance Share Units would have been \$2,000,000 at the time of grant of the 2021 EPS Performance Share Units, representing the maximum percentage (which in this case shall be 200%)) of the 2021 EPS Target PSU Grant Value. The number of 2021 EPS Performance Share Units awarded shall be rounded to the nearest whole number and shall be determined by the Compensation Committee in its sole discretion, and Activision Blizzard retains the discretion to modify the methodology for such calculations as needed, so long as the such methodology is the same used with respect to similarly-situated executives of the Employer. Subject to your remaining employed by Activision Blizzard through the applicable vesting dates, the actual number of Shares that shall be received on each of the applicable vesting dates is determined as follows:

i. One-third of the 2021 EPS Performance Share Units (the "**First Tranche 2021 EPS Performance Share Units**") shall vest on March 30, 2022, if, and only if, the Compensation Committee determines that Activision Blizzard's earnings per Share ("**EPS**") (calculated in the same manner as the 2021 AOP EPS Objective (as defined below)) for 2021 EPS is 100% or more of the annual operating plan EPS objective established by the Compensation Committee for 2021 (the "**2021 AOP EPS Objective**").

If the 2021 EPS is less than 100% of the 2021 AOP EPS Objective, then the First Tranche 2021 EPS Performance Share Units will not vest and shall be forfeited.

If the 2021 EPS is 100% or more of the 2021 AOP EPS Objective, then the number of Shares that shall be received with regard to the First Tranche 2021 EPS Performance Share Units on the applicable vesting date shall be equal to the product of (1) the number of First Tranche 2021 EPS Performance Share Units; and (2) the ratio of the 2021 EPS to the 2021 AOP EPS Objective, up to a maximum of 200%.

ii. One-third of the 2021 EPS Performance Share Units (the "**Second Tranche 2021 EPS Performance Share Units**") shall vest on March 30, 2023, if, and only if, the Compensation Committee determines that the EPS (calculated in the same manner as the 2022 AOP EPS Objective (as defined below)) for 2022 EPS is 100% or more of the annual operating plan EPS objective established by the Compensation Committee for 2022 (the "**2022 AOP EPS Objective**").

If the 2022 EPS is less than 100% of the 2022 AOP EPS Objective, then the Second Tranche 2021 EPS Performance Share Units will not vest and shall be forfeited.

If the 2022 EPS is 100% or more of the 2022 AOP EPS Objective, then the number of Shares that shall be received with regard to the Second Tranche 2021 EPS Performance Share Units on the applicable vesting date shall be equal to the product of (1) the number of Second Tranche 2021 EPS Performance Share Units; and (2) the ratio of the 2022 EPS to the 2022 AOP EPS Objective, up to a maximum of 200%.

iii. One-third of the 2021 EPS Performance Share Units (the ***“Third Tranche 2021 EPS Performance Share Units”***) shall vest on March 30, 2024, if, and only if, the Compensation Committee determines that the EPS (calculated in the same manner as the 2023 AOP EPS Objective (as defined below)) for 2023 EPS is 100% or more of the annual operating plan EPS objective established by the Compensation Committee for 2023 (the ***“2023 AOP EPS Objective”***).

If the 2023 EPS is less than 100% of the 2023 AOP EPS Objective, then the Third Tranche 2021 EPS Performance Share Units will not vest and shall be forfeited.

If the 2023 EPS is 100% or more of the 2023 AOP EPS Objective, then the number of Shares that shall be received with regard to the Third Tranche 2021 EPS Performance Share Units on the applicable vesting date shall be equal to the product of (1) the number of Third Tranche 2021 EPS Performance Share Units; and (2) the ratio of the 2023 EPS to the 2023 AOP EPS Objective, up to a maximum of 200%.

4. Activision Blizzard shall grant to you performance-vesting restricted share units, which represent the conditional right to receive Shares (the ***“2021 TSR Performance Share Units”***), with a target value at the time of grant of approximately \$1,000,000 (the ***“2021 TSR Target PSU Grant Value”***). The actual number of 2021 TSR Performance Share Units awarded to you on the grant dates shall be equal to the 2021 TSR Target PSU Grant Value divided by the Grant Date Price (it being recognized that if the minimum performance objectives are met for all of the 2021 TSR Performance Share Units, the value of the Shares received upon vesting for all of the 2021 TSR Performance Share Units would have been \$1,000,000 at the time of grant of the 2021 TSR Performance Share Units). The number of 2021 TSR Performance Share Units awarded shall be rounded to the nearest whole number and shall be determined by the Compensation Committee in its sole discretion, and Activision Blizzard retains the discretion to modify the methodology for such calculations as needed, so long as the such methodology is the same used with respect to similarly-situated executives of the Employer. Subject to your remaining employed by Activision Blizzard through the applicable vesting date, the actual number of Shares that shall be received on the applicable vesting dates is determined as follows:

Each 2021 TSR Performance Share Units Tranche shall vest on the dates set forth below, if: (A) the Compensation Committee determines that the TSR Performance during the relevant TSR Performance Measurement Period is ten percent (10%) or more and (B) the Company TSR during the relevant TSR Performance Measurement Period is greater than zero.

If the TSR Performance during the relevant TSR Performance Measurement Period is less than 10% or if the Company TSR is not greater than zero in any given performance measurement period, then relevant allocation (e.g., the 2021 TSR Tranche, the 2022 TSR Tranche, the 2023 TSR Tranche or the 3-Year TSR Tranche) of the 2021 TSR Performance Share Units will not vest and shall be forfeited.

Vesting Date	Percentage of 2021 TSR Performance Share Units	3. TSR Performance Measurement Period	Tranche
March 30, 2022	16.67%	Effective Date through December 31, 2021	4. <i>“2021 TSR Tranche”</i>
March 30, 2023	16.67%	January 1, 2022-December 31, 2022	5. <i>“2022 TSR Tranche”</i>
March 30, 2024	16.66%	January 1, 2023-December 31, 2023	6. <i>“2023 TSR Tranche”</i>
March 30, 2024	50%	Effective date through December 31, 2023	7. <i>“3-Year TSR Tranche”</i>

For purposes of this Section 2(d)(4), the following terms shall have the meaning set forth below:

"Company TSR" for the relevant TSR Performance Measurement Period, means the rate of return on the Shares, assuming the reinvestment of dividends (stock price appreciation assuming dividend reinvestments, with such dividend reinvestments calculated based on same-day reinvestment into the Shares on the ex-dividend date) determined by reference to the increase or decrease, as the case may be, between the average of Activision Blizzard's closing stock price per Share as reported by NASDAQ for the thirty days leading up to, and inclusive of, the TSR Performance Measurement Period's start date and the thirty days leading up to, and inclusive of, the period's end date.

"S&P 500 TSR" means the rate of return on the S&P 500 Total Return Index, determined by reference to the increase or decrease, as the case may be, between the average of the closing value of the S&P Total Return Index for the thirty NASDAQ trading days leading up to, and inclusive of, the TSR Performance Measurement Period's start date and the thirty trading days leading up to, and inclusive of, the period's end date.

"TSR Performance" means Company TSR minus S&P 500 TSR.

"TSR Performance Measurement Period" means the period of time during which performance will be measured for the 2021 TSR Tranche, the 2022 TSR Tranche, the 2023 TSR Tranche and the 3-Year TSR Tranche as set forth above.

"S&P 500 Total Return Index" means the index of this name promulgated by S&P Dow Jones Indices, and reflects the stock price performance of the constituent companies in the index together with the assumed reinvestment of dividends (or, in the event that the S&P 500 Total Return Index is discontinued or, in the opinion of the Compensation Committee, materially changed prior to December 31, 2023, a substantially equivalent replacement index chosen by the Compensation Committee in its sole and absolute discretion to determine how the calculations related to the index will be conducted, consistent with the methodology of the S&P 500 Total Return Index).

5. Activision Blizzard shall grant to you an annual equity grant of performance-vesting restricted share units ("**LRP Equity Award**"), pursuant to the following target guidelines: i) performance objectives contingent upon cumulative non- GAAP operating income performance as compared to Activision Blizzard's three-year plan non-GAAP operating income, each calculated using the same methodology; ii) a target value at date of grant of \$1,000,000; and iii) the formula for vesting of the total number of performance share units being equal to the product of: (a) the target number of performance share units and (b) the percentage of achievement, which shall be calculated by dividing the operating income achieved for calendar years 2021, 2022, and 2023 ("**LRP OI**") by the operating income performance objective as approved by the Compensation Committee for calendar years 2021, 2022, and 2023 ("**LRP Objective**"), with a minimum ratio of 90% and a maximum ratio of 125%. Subject to your remaining employed by Activision Blizzard through the applicable vesting dates, the actual number of Shares that shall be received on each of the applicable vesting dates is determined as follows:

The LRP Award shall vest on March 30, 2024, if, and only if, the Compensation Committee determines that Activision Blizzard's LRP OI is 90% or more of the LRP Objective. If the LRP OI is less than 90% of the LRP Objective, then the LRP Equity Award will not vest and shall be forfeited. If the LRP OI is 90% or more of the LRP Objective, then the number of Shares that shall be received with regard to the LRP Equity Award on the applicable vesting date shall be equal to the product of (1) the target number of performance share units subject to the LRP Equity Award; and (2) the ratio of the LRP OI to the LRP Objective, up to a maximum of 125%.

6. Prior to the vesting of any portion of the 2021 Options, 2021 Performance Share Units or the LRP Equity Award, as provided for in this Section 2(d), Activision Blizzard, in its sole discretion, may adjust the performance objective for the relevant fiscal year(s) by substituting the OI and AOP OI objective or LRP OI and LRP Objective of one or more new, different or additional business units or activities for that of the original business unit or activity stated herein or by prorating or otherwise combining the OI and AOP OI objective or LRP OI and LRP Objective of the applicable business units or activities, or by substituting one or more other objectives or elements contained in the AOP for the OI and AOP OI objectives or the long range plan for the LRP OI and LRP Objective or elements in each case for purposes of determining whether or not the conditions of the unvested 2021 Options, 2021 Performance Share Units or the LRP Equity Award have been satisfied. The Employer agrees that it will in good faith engage in meaningful consultation with you prior to implementing any such change.

Collectively, the options and equity grants provided for in Section 2(d) shall be referred to as the "**2021 Equity Awards**." You acknowledge that the grant of 2021 Equity Awards pursuant to this Section 2(d) is expressly conditioned upon approval by the Compensation Committee and that the Compensation Committee has discretion to approve or disapprove the grants and/or to determine and make modifications to the terms of the grants. The 2021 Equity Awards shall be subject to all terms of the equity incentive plan pursuant to which they are granted (the "**Incentive Plan**") and Activision Blizzard's standard forms of award agreement and in the event that Activision Blizzard determines that you are an "Executive Officer" within the meaning of the Executive Ownership Guidelines of Activision Blizzard, the Employer's Executive Stock Ownership Guidelines (including, but not limited to, all of the limitations on equity awards described therein) which are attached as Exhibit D, will apply. In the event of a conflict between this Agreement and the terms of the Incentive Plan or award agreements, or the Executive Stock Ownership Guidelines, the Incentive Plan or the award agreements or the Executive Stock Ownership Guidelines, as applicable, shall govern.

(a) The Employer will provide you with a sign-on bonus in the amount of \$1,000,000 (less applicable taxes and withholdings), in part, to cover your relocation to the Santa Monica, California area, to the extent necessary. \$500,000 of the \$1,000,000 sign-on bonus will be paid within 30 days after the Effective Date and \$500,000 of which will be paid within 30 days after the first anniversary of the Effective Date. This \$1,000,000 sign-on bonus will not be fully earned by you unless you remain continuously employed by the Employer until December 31, 2022. Specifically, should your employment with the Employer terminate other than pursuant to Section 9(b), 9(c), 9(d) or 9(e) on or prior to December 31, 2021, you agree to repay the Employer \$500,000 within 60 days of the termination of your employment and you will not be entitled to any remaining portion of the sign-on bonus. Should your employment with the Employer terminate other than pursuant to Section 9(b), 9(c), 9(d) or 9(e) at any point after December 31, 2021, but prior to December 31, 2022, you agree to repay the Employer \$500,000 of the sign-on bonus within 60 days of the termination of your employment. If you remain employed by Activision Blizzard through the second anniversary of the Effective Date, the sign-on bonus shall be fully earned as of such date such that if your employment subsequently terminates for any reason you will not have to repay any portion of the sign-on bonus. The fact that you are receiving this sign-on bonus and the terms under which you will be required to repay the sign-on bonus in no way affects your other obligations under this Agreement.

3. Title; Location

You shall serve as Chief Administrative Officer. Your principal place of business initially shall be Activision Blizzard's offices in Santa Monica, California. You may elect to reside more than fifty (50) miles from the Santa Monica office and telecommute, provided you secure the Employer's consent and until such time, if ever, that the Employer determines that telecommuting and/or residing in such location negatively impacts your ability to satisfactorily perform your duties. If you choose to reside beyond fifty (50) miles from your assigned principal place of business, you acknowledge and agree that: (i) you will be required to travel from time to time for business reasons (including, but not limited to, regular travel to the Employer's offices in Santa Monica); (ii) the Employer will pay the reasonable costs of any mandated travel to Activision Blizzard's offices in Santa Monica for Board of Director ("Board") -approved business reasons up to a maximum amount to be determined by the Compensation Committee or the Board; and (iii) Section 9(c) shall not apply. The Employer understands that you are currently a resident of the State of Texas, currently plan to maintain residency in Texas and, subject to the terms of this paragraph, approves of your telecommuting from Texas.

4. Duties

You shall report directly to the Chief Executive Officer (or such other executive of Activision Blizzard as may be determined from time to time by it in its sole and absolute discretion). You shall have such duties commensurate with your position as may be assigned to you from time to time by the Chief Executive Officer of the Employer (or, as applicable, such other executive designated by the Employer). You are also required to read, review and observe all of Activision Blizzard's policies, procedures, rules and regulations in effect from time to time during the Term that apply to employees of the Employer, including, without limitation, the Code of Conduct, as amended from time to time. You shall devote your full-time working time to the performance of your duties hereunder, shall faithfully serve the Employer, shall in all respects conform to and comply with the lawful directions and instructions given to you by the Chief Executive Officer of the Employer (or such other executive of Activision Blizzard as may be determined from time to time by the Employer in its sole and absolute discretion) and shall use your best efforts to promote and serve the interests of the Employer. Further, you shall at all times place the Employer's interests above your own, not take any actions that would conflict with the Employer's interests and shall perform all your duties for the Employer with the highest duty of care. Further, you shall not, directly or indirectly, render services of any kind to any other person or organization, whether on your own behalf or on behalf of others, without the written consent of the Chief Executive Officer of the Employer or otherwise engage in activities that would interfere with your faithful and diligent performance of your duties hereunder.

5. Expenses

To the extent you incur necessary and reasonable travel or other business expenses in the course of your employment, you shall be reimbursed for such expenses, upon presentation of written documentation in accordance with the Employer's policies in effect from time to time.

6. Other Benefits

(a) You shall be eligible to participate in all health, welfare, retirement, pension, life insurance, disability, perquisite and similar plans, programs and arrangements generally available to executives of the Employer from time to time during the Term, subject to the then-prevailing terms, conditions and eligibility requirements of each such plan, program, or arrangement. In addition to the foregoing benefits, Employer will provide you during the Term, at Employer's expense, with a supplemental term life insurance policies covering your life with a face amount of \$2,500,000 through a carrier of Employer's choice (the "**Target Face Amount**"), subject to your insurability, as applicable. If it is determined that you are insurable at a higher cost than a healthy individual of like age, the face amount of such insurance coverage will be reduced to the maximum face amount of coverage that may be obtained for the cost of coverage of the Target Face Amount for such healthy individual.

(b) You expressly agree and acknowledge that, after the Expiration Date (or such earlier date on which your employment is terminated), you shall not be entitled to any additional

benefits, except as specifically provided in this Agreement and the benefit plans in which you participate during the Term, and subject in each case to the then-prevailing terms, conditions, and eligibility requirements of each such plan.

7. Vacation and Paid Holidays

(a) You will generally be entitled to paid vacation days in accordance with the normal vacation policies of the Employer in effect from time to time; provided, however, that you will be entitled to accrue no less than twenty (20) paid vacation days per year unless your vacation balance exceeds the Employer's then-current maximum.

(b) You shall be entitled to all paid holidays allowed by the Employer to its full-time employees in the United States.

8. Protection of the Employer's Interests

(a) Duty of Loyalty. During the Term, you will owe a "Duty of Loyalty" to the Employer, which includes, but is not limited to, you not competing in any manner, whether directly or indirectly, as a principal, employee, agent, owner, or otherwise, with any entity in Activision Blizzard; provided, however, that nothing in this Section 8(a) will limit your right to own up to five percent (5%) of any of the debt or equity securities of any business organization that is then required to file reports with the Securities and Exchange Commission pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended.

(b) Property of Activision Blizzard. All rights worldwide with respect to any and all intellectual or other property of any nature produced, created or suggested by you, whether on your own time or during normal business hours or not, alone or with others, during the term of your employment or resulting from your services which (i) relate in any manner at the time of conception or reduction to practice to the actual or demonstrably anticipated business of Activision Blizzard, (ii) result from or are suggested by any task assigned to you or any work performed by you on behalf of Activision Blizzard, (iii) were created using the time or resources of Activision Blizzard, or (iv) are based on any property owned or idea conceived by Activision Blizzard, shall be deemed to be a work made for hire and shall be the sole and exclusive property of Activision Blizzard. To the extent that any such intellectual or other property does not fully qualify to be a work made for hire you hereby irrevocably assign and transfer worldwide all rights in such intellectual or other property. You agree to execute, acknowledge and deliver to the Employer, at the Employer's request, such further documents, including, without limitation, copyright and patent assignments, as the Employer finds appropriate to evidence Activision Blizzard's rights in such property. Your agreement to assign to Activision Blizzard any of your rights as set forth in this Section 8(b) shall not apply to any invention that qualifies fully under the provisions of California Labor Code Section 2870, where no equipment, supplies, facility or trade secret information of Activision Blizzard was used, where the invention was developed entirely upon your own time, where the invention does not relate to Activision Blizzard's business, and where the invention does not result from any work performed by you for Activision Blizzard.

(c) Covenant Not to Shop. Other than during the final six (6) months of the Term, you shall not negotiate for employment with any entity or person outside of Activision Blizzard. During any such search process and thereafter you shall remain strictly subject to your continuing obligations under this Agreement, including, without limitation, your Duty of Loyalty, compliance with Activision Blizzard's policies and your confidentiality obligations.

(d) Confidentiality. You acknowledge, and the Employer agrees, that during your employment you will have access to and become informed of confidential and proprietary information concerning Activision Blizzard. During your employment and at all times following the termination of your employment, confidential or proprietary information of Activision Blizzard shall not be used by you or disclosed or made available by you to any person except as required in the course of your employment with Activision Blizzard or as otherwise provided for in the Employee Confidential Information Agreement attached as Exhibit A hereto (the "Confidential Information Agreement"). Upon the termination of your employment (or at any time on the Employer's request), you shall return to Activision Blizzard all such information that exists, whether in electronic, written, or other form (and all copies or extracts thereof) under your control and shall not retain such information in any form, including without limitation on any devices, disks, cloud storage, or other media. You agree to advise the Employer of the location of any such materials and information and to cooperate fully with any instructions by the Employer concerning the retrieval of any such materials and other actions that the Employer determines to be appropriate to prevent your continued access to such materials and information. You acknowledge and agree that, because your duties will provide you with access to personal and private information of the Chairman, Chief Executive Officer and Lead Director (and their entities), you will sign and deliver a Non-Disclosure Agreement prior to the Effective Date. Without limiting the generality of the foregoing, you acknowledge signing and delivering to the Employer the Confidential Information Agreement as of the Effective Date and you agree that all terms and conditions contained in such agreement, and all of your obligations and commitments provided for in such agreement, shall be deemed, and hereby are, incorporated into this Agreement as if set forth in full herein.

(e) Return of Property and Resignation from Office. You acknowledge that, upon termination of your employment for any reason whatsoever (or at any time on the Employer's request), you will promptly deliver to Activision Blizzard or surrender to Activision Blizzard's representative all property of Activision Blizzard, including, without limitation, all documents and other materials (and all copies thereof) relating to Activision Blizzard's business, all identification and access cards, all contact lists and third party business cards however and wherever preserved, and any equipment provided by Activision Blizzard, including, without limitation, computers, telephones, personal digital assistants, memory cards and similar devices that you possess or have in your custody or under your control. You will cooperate with Activision Blizzard by participating in interviews to share any knowledge you may have regarding Activision Blizzard's intellectual or other property with personnel designated by Activision Blizzard. You also agree to resign from any office held by you within Activision Blizzard immediately upon termination of your employment for any reason whatsoever (or at any time on the Employer's request) and you irrevocably appoint any person designated as Activision Blizzard's representative at that time as your delegate to effect such resignation.

(f) Covenant Not to Solicit.

- (i) During your employment, you shall not, at any time or for any reason, either alone or jointly, with or on behalf of others, whether as principal, partner, agent, representative, equity holder, director, employee, consultant or

otherwise, directly or indirectly: (a) offer employment to, or solicit the employment or engagement of, or otherwise entice away from the employment or engagement of Activision Blizzard, either for your own account or for any other person, firm or company, any person employed or otherwise engaged by Activision Blizzard, whether or not such person would commit any breach of a contract by reason of his or her leaving the service of Activision Blizzard; (b) solicit, induce or entice any client, customer, contractor, licensor, agent, supplier, partner or other business relationship of Activision Blizzard to terminate, discontinue, renegotiate or otherwise cease or modify its relationship with Activision Blizzard, (c) assist others to engage in the acts contemplated by Sections 8(f)(i)(a) or (b) or (d) engage in any subterfuge to attempt to circumvent the application of this Section.

- (ii) For a period of two (2) years following the termination of your employment for any reason whatsoever, you shall not, at any time or for any reason, either alone or jointly, with or on behalf of others, whether as principal, partner, agent, representative, equity holder, director, employee, consultant or otherwise, directly or indirectly (a) solicit the employment or engagement of, either for your own account or for any other person, firm or company, any person employed or otherwise engaged by Activision Blizzard, whether or not such person would commit any breach of a contract by reason of his or her leaving the service of Activision Blizzard; (b) assist others to engage in the acts contemplated by Section 8(f)(ii)(a); or (c) engage in any subterfuge to attempt to circumvent the application of this Section.
- (iii) During your employment and at all times following the termination of your employment for any reason whatsoever, you shall not, at any time or for any reason, use the confidential or trade secret information of Activision Blizzard or any other unlawful means to directly or indirectly solicit, induce or entice any client, customer, contractor, licensor, agent, supplier, partner or other business relationship of Activision Blizzard to terminate, discontinue, renegotiate or otherwise cease or modify its relationship with Activision Blizzard.
- (iv) You expressly acknowledge and agree that the restrictions contained in this Section 8(f) are reasonably tailored to protect Activision Blizzard's confidential information and trade secrets and to ensure that you do not violate your Duty of Loyalty or any other fiduciary duty to the Employer, and are reasonable in all circumstances in scope, duration and all other respects. The provisions of this Section 8(f) shall survive the expiration or earlier termination of this Agreement and shall remain and continue in effect if your employment becomes at-will as provided in Paragraph 1(b).

9. Termination of Employment

- (a) By the Employer for Cause.

- (i) At any time during the Term, the Employer may terminate your employment for "Cause," which shall mean a reasonable and good-faith determination by the Employer that you (i) engaged in gross negligence in the performance of your duties or willfully and continuously failed or refused to perform any duties reasonably requested in the course of your employment; (ii) engaged in fraud, dishonesty, or any other serious misconduct that causes or has the potential to cause, harm to Activision Blizzard, including its business or reputation; (iii) materially violated any applicable lawful directives or policies of Activision Blizzard or any applicable laws, rules or regulations applicable to your employment with Activision Blizzard; (iv) materially breached this Agreement; (v) materially breached any proprietary information or confidentiality agreement with Activision Blizzard; (vi) were convicted of, or pled guilty or no contest to, a felony or crime involving dishonesty or moral turpitude; or (vii) materially breached your fiduciary duties to Activision Blizzard.
- (ii) In the case of any termination for Cause that is curable without any residual damage (financial or otherwise) to Activision Blizzard Group, the Employer shall give you at least thirty (30) days written notice of its intent to terminate your employment; provided, that in no event shall any termination pursuant to clause (vi) of the definition of Cause be deemed curable. The notice shall specify (x) the effective date of your termination and (y) the particular acts or circumstances that constitute Cause for such termination. You shall be given the opportunity within fifteen (15) days after receiving the notice to explain why Cause does not exist or to cure any basis for Cause (other than a termination pursuant to clause (vi) of the definition thereof). Within fifteen (15) days after any such explanation or cure, the Employer will make its final determination regarding whether Cause exists and deliver such determination to you in writing. If the final decision is that Cause exists and no cure has occurred, your employment with the Employer shall be terminated for Cause as of the date of termination specified in the original notice. If the final decision is that Cause does not exist or a cure has occurred, your employment with the Employer shall not be terminated for Cause at that time.
- (iii) If your employment terminates for any reason other than a termination by the Employer for Cause, at a time when the Employer had Cause to terminate you (or would have had Cause if it then knew all relevant facts) under clauses (i), (ii), (v), (vi) or (vii) of the definition of Cause, your termination shall be treated as a termination by the Employer for Cause.

(b) By the Employer Without Cause. The Employer may terminate your employment without Cause at any time during the Term and such termination shall not be deemed a breach by the Employer of any term of this Agreement or any other duty or obligation, expressed or implied, which the Employer may owe to you pursuant to any principle or provision of law.

(c) By You If Your Principal Place of Business Is Relocated Without Your Consent. At any time during the Term, subject to Section 3, you may terminate your employment if,

without your written agreement or other voluntary action on your part, the Employer reassigns your principal place of business to a location that is more than fifty (50) miles from your then- current principal place of business and that reassignment materially and adversely affects your commute; provided, however, that you must (i) provide the Employer with written notice of your intent to terminate your employment under this Section 9(c) and a description of the event you believe gives you the right to do so within thirty (30) days after the initial existence of the event and (ii) the Employer shall have ninety (90) days after you provide the notice described above to cure any such default (the "Cure Period"). You will have five (5) days following the end of the Cure Period to terminate your employment, if the Employer does not cure, after which your ability to terminate your employment under this Section 9(c) will no longer exist.

(d) Death. In the event of your death during the Term, your employment shall terminate immediately as of the date of your death.

(e) Disability. In the event that you are or become "disabled," the Employer shall, to the extent permitted by applicable law, have the right to terminate your employment. For purposes of this Agreement, "disabled" shall mean that either (i) you have a physical or mental impairment that renders you unable to perform the duties required of you under this Agreement, even with the Employer providing you a reasonable accommodation, as determined by a physician mutually acceptable to you and the Employer or (ii) you are receiving benefits under any long-term disability plan of the Employer then in effect. You shall cooperate and make yourself available for any medical examination requested by the Employer with respect to any determination of whether you are disabled within ten (10) days of such a request. Without limiting the generality of the foregoing, to the extent provided by the Employer's policies and practices then in effect, you shall not receive any Base Salary during any period in which you are disabled; provided, however, that nothing in this Section 9(e) shall impact any right you may have to any payments under the Employer's short-term and long-term disability plans, if any.

10. Termination of Obligations and Severance Payments

(a) General. Upon the termination of your employment pursuant to Section 9, your rights and the Employer's obligations to you under this Agreement shall immediately terminate except as provided in this Section 10 and Section 11(s), and you (or your heirs or estate, as applicable) shall be entitled to receive any amounts or benefits set forth below (subject in all cases to Sections 10(g), 11(q) and 11(r)). The payments and benefits provided pursuant to this Section 10 are (x) in lieu of any severance or income continuation protection under any plan of Activision Blizzard that may now or hereafter exist and (y) deemed to satisfy and be in full and final settlement of all obligations of Activision Blizzard to you under this Agreement. You shall have no further right to receive any other compensation benefits following your termination of employment for any reason except as set forth in this Section 10.

For the purposes of this Agreement, the following terms shall have the following meanings:

"Basic Severance" shall mean payment of (1) any Base Salary earned but unpaid as of the Termination Date; (2) any business expenses incurred but not reimbursed under Section 5 as of the Termination Date; and (3) payment in lieu of any vacation accrued under Section 7 but unused as of the Termination Date.

"Bonus Severance" shall mean payment of:

- (i) an amount equal to the Annual Bonus that the Employer determines, in its sole discretion, you would have received (if any) in accordance with Section 2(c) for any year that ended prior to the Termination Date had you remained employed through the date such bonus would have been otherwise been paid (in the event that your Termination Date occurs before such bonus would have been paid) provided, however, that in the exercise of discretion, to the extent any other similarly-situated executive has the same objective bonus measurements or metrics, the Employer will evaluate your achievement of such objective measurements or metrics in a manner consistent with such other similarly-situated executive; and
- (ii) an amount equal to the Annual Bonus that the Employer determines, in its sole discretion, you would have received (if any) in accordance with Section 2(c) for the year in which your Termination Date occurs had you had remained employed through the date such bonus would have been paid, multiplied by a fraction, the numerator of which is the number corresponding to the calendar month in which the Termination Date occurs and the denominator of which is 12, where, for purposes of calculating the amount of such bonus, any goals will be measured by actual performance; provided, however, that in the exercise of discretion, to the extent any other similarly-situated executive has the same objective bonus measurements or metrics, the Employer will evaluate your achievement of such objective measurements or metrics in a manner consistent with such other similarly-situated executive.

"Termination Date" shall mean the effective date of your termination of employment pursuant to Sections 9(a)-(e).

"Total Severance Limit" shall mean the maximum total value of any severance payments and benefits that you will be due from the Employer in any scenario, which maximum total value shall be equal to your prior year's target compensation, as determined by the Compensation Committee, notwithstanding anything to the contrary in this Agreement; provided, however, that if the AOP OI Objective for the calendar year preceding the calendar year in which your Termination Date occurred (the "Measurement Year") was 100% or more of the annual operating plan operating income objective established by the Board for such Measurement Year, the Employer's Chief Executive Officer may, in his or her sole discretion, increase the Total Severance Limit.

(b) Death. In the event your employment is terminated under Section 9(d), and subject to the Total Severance Limit:

- (i) Basic Severance. Your heirs or estate, as the case may be, shall receive payment of the Basic Severance in a lump sum within thirty (30) days following the Termination Date unless a different payment date is prescribed by an applicable compensation, incentive or benefit plan, in which case payment shall be made in accordance with such plan;

- (ii) Lump Sum Payment of Two Times Base Salary. Your heirs or estate, as the case may be, shall receive payment of an amount equal to two (2) times the Base Salary (at the rate in effect as of the Termination Date) in a lump sum within thirty (30) days following the Termination Date; provided, however, that this amount shall be reduced by any payments to which you become entitled upon death under any Employer-sponsored plan other than the \$2,500,000 life insurance policy;
- (iii) Bonus Severance. Your heirs or estate, as the case may be, shall receive payment of the Bonus Severance in a lump sum no later than the 15th day of the third month of the year following the year to which the underlying amount relates; and
- (iv) Impact on Equity Awards. All outstanding equity awards shall cease to vest. All vested equity shall be handled in accordance with the applicable incentive plans and award agreements. Any equity awards that are not vested as of your Termination Date will be cancelled immediately.

(c) Termination by the Employer Without Cause, by You if Your Principal Place of Business Is Relocated Without Your Consent or by the Employer if You Become Disabled. In the event the Employer terminates your employment under Section 9(b), you terminate your employment under Section 9(c) or the Employer terminates your employment under Section 9(e) and subject to the Total Severance Limit:

- (i) Basic Severance. You or your legal representative, as the case may be, shall receive payment of the Basic Severance in a lump sum within thirty (30) days following the Termination Date unless a different payment date is prescribed by an applicable compensation, incentive or benefit plan, in which case payment shall be made in accordance with such plan;
- (ii) Salary Continuation. You or your legal representative, as the case may be, shall receive the payment of an amount equal to the Base Salary (at the rate in effect on the Termination Date) that you would have received had you remained employed through the Expiration Date, which amount shall be paid in equal installments commencing on the first payroll date following the 60th day following the Termination Date in accordance with the Employer's payroll practices as in effect from time to time, provided that the first such payment shall include any installments relating to the 60 day period following the Termination Date; provided, however, that, to the extent doing so will not result in the imposition of additional taxes under Section 409A ("Section 409A") of the Internal Revenue Code of 1986, as amended and the rules and regulations promulgated thereunder (the "Code"), this amount shall be reduced by any payments which you have received or to which you become entitled under any Employer-sponsored long-term disability plan;
- (iii) Bonus Severance. You or your legal representative, as the case may be, shall receive payment of the Bonus Severance in a lump sum no later than the 15th day of the third month of the year following the year to which the underlying amount relates; and

- (iv) Impact on Equity Awards. All outstanding equity awards shall cease to vest. All vested equity shall be handled in accordance with the applicable incentive plans and award agreements. Any equity awards that are not vested as of your Termination Date will be cancelled immediately.
- (v) Severance Conditioned Upon Release. Payments and benefits described in Sections 10(c)(ii) and (c)(iii) are conditioned upon your or your legal representative's execution of a waiver and release in a form prepared by the Employer and that release becoming effective and irrevocable in its entirety within 60 days of the Termination Date. Unless otherwise provided by the Employer, if the release referenced above does not become effective and irrevocable on or prior to the 60th day following the Termination Date, you shall not be entitled to any payments under this Section 10(c) other than the Basic Severance.

(d) Termination by the Employer Without Cause 9(b), by You if Your Principal Place of Business Is Relocated Without Your Consent 9(c), by the Employer if Because of Your Death 9(d) or You Become Disabled 9(e). If and only if your employment is terminated pursuant to Section 9(b), 9(c), 9(d) or 9(e), in addition to any payments and benefits described in Section 10(c)(ii) and 10(c)(iii) you may be due, you will also receive, subject to the Total Severance Limit:

(i) Additional Severance.

- a. You or your legal representative, as the case may be, shall receive payment of \$950,000, if and only if, (i) your Termination Date is after December 31, 2021 but before March 31, 2022, and (ii) the Compensation Committee determines, in its sole discretion, that Activision Blizzard's 2021 AOP OI is 90% or greater than the 2021 AOP OI Objective;
- b. You or your legal representative, as the case may be, shall receive payment of \$950,000, if and only if, (i) your Termination Date is after December 31, 2022 but before March 30, 2023, and (ii) the Compensation Committee determines, in its sole discretion, that Activision Blizzard's 2022 AOP OI is 90% or greater than the 2022 AOP OI Objective; and
- c. You or your legal representative, as the case may be, shall receive payment of \$950,000, if and only if, (i) your Termination Date is after December 31, 2023 but before March 30, 2024, and (ii) the Compensation Committee determines, in its sole discretion, that Activision Blizzard's 2023 AOP OI is 90% or greater than the 2023 AOP OI Objective.

All amounts owed pursuant to this Section 10(d)(i) will be paid within 30 days after the date the Compensation Committee determines that the applicable OI conditions have been achieved (if any), provided that this is no sooner than the 60th day following the Termination Date, and will be subject to applicable taxes and withholdings.

- (ii) PSU Termination Consideration. Notwithstanding the foregoing, but subject to the Total Severance Limit, in the event that (a) your Termination Date occurs after the completion of one or more applicable performance periods (i.e. fiscal years 2021, 2022, 2023), (b) the Compensation Committee determines that the applicable performance objective(s) (i.e. 2021 AOP OI Objective, 2022 AOP OI Objective or 2023 AOP OI Objective) have been achieved for a performance period completed prior to your Termination Date, and (c) the applicable tranche (i.e. the First Tranche 2021 Performance Share Units, the Second Tranche 2021 Performance Share Units, or the Third Tranche 2021 Performance Share Units) has not vested as of the Termination Date, then an amount to be calculated as provided for below in Paragraph 10(d)(iii) shall be paid to you (the "**PSU Termination Consideration**"). This amount shall be paid within 30 days after the date the Compensation Committee determines that the applicable performance objective(s) (i.e. 2021 AOP OI Objective, 2022 AOP OI Objective and/or 2023 AOP OI Objective) have been achieved (if any), provided that this is no sooner than the 60th day following the Termination Date and no later than December 31 of the year in which the Termination Date occurs, and will be subject to applicable taxes and withholdings.
- (iii) The formula for determining the PSU Termination Consideration for each applicable tranche of cancelled 2021 Performance Share Units, if any, (i.e. the First Tranche 2021 Performance Share Units, the Second Tranche 2021 Performance Share Units or the Third Tranche 2021 Performance Share Units) is as follows: multiply the Grant Date Price by the product of the number of performance share units for the applicable tranche by the ratio, as determined by the Compensation Committee, in its discretion, of the non- GAAP operating income for the applicable time period to the AOP OI Objective for the applicable fiscal year (e.g. the performance objective for the applicable fiscal year) or applicable time period, up to the applicable maximum percentage.
- (iv) Severance Conditioned Upon Release. Payments and benefits described in Sections 10(d) are conditioned upon your or your legal representative's execution of a waiver and release in a form prepared by the Employer and that release becoming effective and irrevocable in its entirety within 60 days of the Termination Date. Unless otherwise provided by the Employer, if the release referenced above does not become effective and irrevocable on or prior to the 60th day following the Termination Date, you shall not be entitled to any payments under this Section 10(d).

(e) Termination by the Employer For Cause. In the event your employment is terminated by the Employer under Section 9(a), then:

- (i) Basic Severance. You shall receive payment of the Basic Severance in a lump sum within thirty (30) days following the Termination Date unless a different payment date is prescribed by an applicable compensation, incentive or benefit plan, in which case payment shall be made in accordance with such plan; and
- (ii) Impact on Equity Awards. All outstanding equity awards shall cease to vest and, whether or not vested, shall no longer be exercisable and shall be cancelled immediately.

(f) Termination on the Expiration Date. In the event your employment terminates on the Expiration Date, then:

- (i) Basic Severance. You shall receive payment of the Basic Severance in a lump sum within thirty (30) days following the Termination Date unless a different payment date is prescribed by an applicable compensation, incentive or benefit plan, in which case payment shall be made in accordance with such plan;
- (ii) Bonus Severance. You shall receive payment of the Bonus Severance in a lump sum no later than the 15th day of the third month of the year following the year to which the underlying amount relates; and
- (iii) Impact on Equity Awards. All outstanding equity awards shall cease to vest. All vested equity shall be handled in accordance with the applicable incentive plans and award agreements. Any equity awards that are not vested as of your Termination Date will be cancelled immediately.

(g) Breach of Post-termination Obligations or Subsequent Employment.

- (i) Breach of Post-termination Obligations. In the event that you breach any of your obligations under Section 8, the Employer's obligation, if any, to make payments and provide benefits under Section 10 (other than payment of the Basic Severance) shall immediately and permanently cease and you shall not be entitled to any such payments or benefits.
- (ii) Subsequent Employment or Services. Notwithstanding anything to the contrary contained herein, you shall receive any payments and benefits to which you may be entitled under Section 10 (other than payment of the Basic Severance) only for the time period that you do not obtain subsequent employment, self-employment or provide services for compensation to any type of entity. This provision shall apply if you provide services of any kind for compensation, whether as principal, owner, partner, agent, shareholder, director, employee, consultant, advisor or otherwise, to any person, company, venture or other person or business entity, unless: (a) the Chief Executive Officer consents, in writing, to such post-employment activities; or (b) the activity or service was approved by the Chief Executive Officer in writing pursuant to Section 4 of this Agreement as of your Termination Date. If, at any time, you obtain subsequent employment or provide

services as set forth in the prior sentence, you must promptly notify the Employer. Any payments and benefits to which you may be entitled under Section 10 (other than payment of the Basic Severance) shall: (a) cease as of the date you commenced such employment or provision of services; or (b) if the activity was pre-approved by the Chief Executive Officer, may be offset by whatever amount you earned during the relevant period from the approved employment or services, at the Chief Executive Officer's discretion. Such discretion will be exercised in a manner consistent with similarly situated executives.

11. General Provisions

(a) Entire Agreement. This Agreement, together with the Confidential Information Agreement, the Activision Blizzard Dispute Resolution Agreement (the "Dispute Resolution Agreement", as referenced in Section 11(k) below), and the New Employee Letter and Certification (as defined in Section 11(d)), supersede all prior or contemporaneous agreements and statements, whether written or oral, concerning the terms of your employment with Activision Blizzard, and no amendment or modification of these agreements shall be binding unless it is set forth in a writing signed by both the Employer and you. You acknowledge that in entering into this Agreement, you are not relying on any promises or representations (whether oral or written) other than those set forth in the agreements referenced in this Section. To the extent that this Agreement conflicts with any of the Employer's policies, procedures, rules or regulations, this Agreement shall supersede the other policies, procedures, rules or regulations.

(b) Use of Employee's Name and Likeness. You hereby irrevocably grant Activision Blizzard the right, but not the obligation, to use your name or likeness in any product made by Activision Blizzard or for any publicity or advertising purpose in any medium now known or hereafter existing.

(c) Assignment. This Agreement and the rights and obligations hereunder shall not be assignable or transferable by you without the prior written consent of the Employer. The Employer may assign this Agreement or all or any part of its rights and obligations under this Agreement at any time and following such assignment all references to the Employer shall be deemed to refer to such assignee and the Employer shall thereafter have no obligation under this Agreement.

(d) No Conflict with Prior Agreements. You represent to the Employer that neither your commencement of employment under this Agreement nor the performance of your duties under this Agreement conflicts or will conflict with any contractual or legal commitment on your part to any third party, nor does it or will it violate or interfere with any rights of any third party and you will notify us prior to your execution of this Agreement if you may be subject to or have executed any contracts, offer letters or any other documents that contain any unexpired post termination restrictions such as a non-competition or non-solicitation agreement. If you have acquired any confidential or proprietary information in the course of your prior employment or otherwise in connection with your provision of services to any entity outside Activision Blizzard, during the Term you will fully comply with any duties to such entity then-applicable to you not to disclose or otherwise use such information. Without limiting the generality of the foregoing, you acknowledge signing and delivering to the Employer the New Employee Letter and Certification attached as Exhibit C hereto (the "**New Employee Letter and Certification**") as of the Effective Date and you agree that all terms and conditions contained in such agreement, and all of your obligations and commitments provided for in such agreement, shall be deemed, and hereby are, incorporated into this Agreement as if set forth in full herein. You further acknowledge and agree that any misrepresentation to the Employer of any of the provisions contained in this Section 11(d) constitutes a material breach of this Agreement pursuant to Section 9(a)(i) of this Agreement.

(e) Successors. This Agreement shall be binding on and inure to the benefit of the Employer and its successors and assigns, including successors by merger and operation of law. This Agreement shall also be binding on and inure to the benefit of you and your heirs, executors, administrators and legal representatives.

(f) Waiver. No waiver by you or the Employer at any time of any breach by the other party of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No waiver of any provision of this Agreement shall be implied from any course of dealing between or among the parties hereto or from any failure by any party hereto to assert its rights hereunder on any occasion or series of occasions.

(g) Expiration. This Agreement does not constitute a commitment of the Employer with regard to your employment, express or implied, other than to the extent expressly provided for herein. Upon the Expiration Date, or, if earlier, the termination of this Agreement pursuant to Section 9, neither the Employer nor you shall have any obligation to the other with respect to your continued employment. Your obligations under Section 8 shall continue following the Expiration Date or termination of this Agreement.

(h) Taxation. The Employer may withhold from any payments made under the Agreement all federal, state, city or other applicable taxes or amounts as shall be required or permitted pursuant to any law, governmental regulation or ruling or agreement with you.

(i) Immigration and Background Check. In accordance with the Immigration Reform and Control Act of 1986, employment under this Agreement is conditioned upon satisfactory proof of your identity and legal ability to work in the United States. In addition, this contract of employment is conditioned upon your successful completion of a background check (as determined by the Employer in its discretion). Honesty during the hiring process and throughout an employee's tenure is required, and any suspected misrepresentations, falsifications or material omissions, no matter when discovered by the Employer, may result in disqualification from any or continued employment. Accordingly, you acknowledge and agree that pursuant to the conditions articulated in this Section 11(i) that failure to provide proof of your identity and legal ability to work in the United States pursuant to U.S. law or failure to successfully complete the Employer's background check process shall constitute a material breach of this Agreement pursuant to Section 9(a)(i) of this Agreement.

(j) Choice of Law. Except to the extent governed by federal law, this Agreement shall be governed by and construed in accordance with the laws of the state in which you were employed by the Employer, without regard to conflict of law principles.

(k) Arbitration. Except as otherwise provided in this Agreement, and the Non-Disclosure Agreement referenced above, both parties agree that any dispute or controversy between them will be settled by final and binding arbitration pursuant to the terms of the Dispute Resolution Agreement (attached hereto as Exhibit B).

(l) Severability. It is expressly agreed by the parties that each of the provisions included in Section 8(f) is separate, distinct, and severable from the other and remaining provisions of Section 8(f), and that the invalidity or unenforceability of any Section 8(f) provision shall not affect the validity or enforceability of any other provision or provisions of this Agreement. If any provision of this Agreement is held to be illegal, invalid or unenforceable under, or would require the commission of any act contrary to, existing or future laws effective during the Term, such provisions shall be fully severable, the Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this Agreement, and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance from this Agreement. Furthermore, in lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as part of this Agreement a legal and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

(m) Services Unique. You recognize that the services being performed by you under this Agreement are of a special, unique, unusual, extraordinary and intellectual character giving them a peculiar value, the loss of which cannot be reasonably or adequately compensated for in damages in the event of a breach of this Agreement by you.

(n) Injunctive Relief. In the event of a breach of or threatened breach of the provisions of this Agreement regarding the exclusivity of your services and the provisions of Section 8, you agree that any remedy at law would be inadequate. Accordingly, you agree that the Employer is entitled to obtain injunctive relief for such breaches or threatened breaches in any court of competent jurisdiction. The injunctive relief provided for in Exhibit B and this Section 11(n) is in addition to, and is not in limitation of, any and all other remedies at law or in equity otherwise available to the applicable party. The parties agree to waive the requirement of posting a bond in connection with a court or arbitrator's issuance of an injunction.

(o) Remedies Cumulative. The remedies in this Agreement are not exclusive, and the parties shall have the right to pursue any other legal or equitable remedies to enforce the terms of this Agreement.

(p) Headings. The headings set forth herein are included solely for the purpose of identification and shall not be used for the purpose of construing the meaning of the provisions of this Agreement.

(q) Section 409A. To the extent applicable, it is intended that the Agreement comply with the provisions of Section 409A. The Agreement will be administered and interpreted in a manner consistent with this intent, and any provision that would cause the Agreement to fail to satisfy Section 409A will have no force and effect until amended to comply therewith (which amendment may be retroactive to the extent permitted by Section 409A). Notwithstanding anything contained herein to the contrary, to the extent any payment under this Agreement is subject to Section 409A, you shall not be considered to have terminated employment with the

Employer for purposes of the Agreement and no payments shall be due to you under the Agreement which are payable upon your termination of employment unless you would be considered to have incurred a "separation from service" from the Employer within the meaning of Section 409A. To the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to the Agreement during the six-month period immediately following your termination of employment shall instead be paid on the first business day after the date that is six months following your termination of employment (or upon your death, if earlier). In addition, for purposes of the Agreement, each amount to be paid or benefit to be provided to you pursuant to the Agreement shall be construed as a separate identified payment for purposes of Section 409A. With respect to expenses eligible for reimbursement under the terms of the Agreement, (i) the amount of such expenses eligible for reimbursement in any taxable year shall not affect the expenses eligible for reimbursement in another taxable year and (ii) any reimbursements of such expenses shall be made no later than the end of the calendar year following the calendar year in which the related expenses were incurred, except, in each case, to the extent that the right to reimbursement does not provide for a "deferral of compensation" within the meaning of Section 409A; provided, however that with respect to any reimbursements for any taxes to which you become entitled under the terms of the Agreement, the payment of such reimbursements shall be made by the Employer no later than the end of the calendar year following the calendar year in which you remit the related taxes.

(r) Section 280G and Section 162(m). Notwithstanding anything herein to the contrary, in the event that you receive any payments or distributions, whether payable, distributed or distributable pursuant to the terms of this Agreement or otherwise, that constitute "parachute payments" within the meaning of Section 280G of the Code, and the net after-tax amount of the parachute payment is less than the net after-tax amount if the aggregate payment to be made to you were three times your "base amount" (as defined in Section 280G(b)(3) of the Code), less \$1.00, then the aggregate of the amounts constituting the parachute payment shall be reduced to an amount that will equal three times your base amount, less \$1.00. To the extent the aggregate of the amounts constituting the parachute payments are required to be so reduced, the amounts provided under Section 10 of this Agreement shall be reduced (if necessary, to zero) with amounts that are payable first reduced first; provided, however, that, in all events the payments provided under Section 10 of this Agreement which are not subject to Section 409A shall be reduced first. Similarly, you agree that no payments or distributions, whether payable, distributed or distributable pursuant to the terms of this Agreement or otherwise, shall be made to you if the Employer reasonably anticipates that Section 162(m) of the Code would prevent the Employer from receiving a deduction for such payment. If, however, any payment is not made pursuant to the previous sentence, the Employer shall make such payment as soon as practicable in the first calendar year that it reasonably determines that it can do so and still receive a deduction for such payment. The determinations to be made with respect to this Section 11(r) shall be made by a certified public accounting firm designated by the Employer.

(s) Survivability. The provisions of Sections 2(e), 8, 10, 11 and 12, as well as Exhibits A through D, shall survive the termination or expiration of this Agreement.

(t) Counterparts and Electronic Signature. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which shall constitute one and the same document. The Agreement may be executed by facsimile or other

electronic method. If electronic methods are used by the parties to execute this Agreement, the parties agree that the place of sending and receiving this Agreement shall be in the State of California.

(u) Legal Counsel. You acknowledge that you have been given the opportunity to consult with legal counsel or any other advisor of your own choosing regarding this Agreement. The Employer shall pay the reasonable costs and expenses of such legal counsel in connection with your onboarding. You understand and agree that any attorney retained by the Employer or any member of management who has discussed any term or condition of this Agreement with you or your advisor is only acting on behalf of the Employer and not on your behalf.

(v) Right to Negotiate. You hereby acknowledge that you have been given the opportunity to participate in the negotiation of the terms of this Agreement. You acknowledge and confirm that you have read this Agreement and fully understand its terms and contents, and that you are entering into this agreement voluntarily, with sufficient time to consider the terms and conditions of this Agreement.

(w) No Broker. You have given no indication, representation or commitment of any nature to any broker, finder, agent or other third party to the effect that any fees or commissions of any nature are, or under any circumstances might be, payable by Activision Blizzard in connection with your employment under this Agreement.

12. Indemnification

The Employer agrees that it shall indemnify and hold you harmless to the fullest extent permitted by Delaware law from and against any and all third-party liabilities, costs and claims, and all expenses actually and reasonably incurred by you in connection therewith by reason of the fact that you are or were employed by Activision Blizzard, including, without limitation, all costs and expenses actually and reasonably incurred by you in defense of litigation arising out of your employment hereunder.

13. Notices

All notices which either party is required or may desire to give the other shall be in writing and given either personally, via email, or by United States mail or Federal Express, and addressed to the party to be given notice at the applicable addresses as follows:

To the Employer: Activision Blizzard, Inc.

3100 Ocean Park Boulevard

Santa Monica, California 90405

Attention: Chief Legal Officer

By email:

EmploymentAgreements@activision.com

To You: Brian Bulatao

(to the last known address on file)

Either party may by written notice designate a different address for giving of notices. The date of mailing of any such notices shall be deemed to be the date on which such notice is given.

ACCEPTED AND AGREED TO:

This Agreement may be executed by electronic signatures (including the delivery of signed documents in PDF or TIF format or by means of Adobe or other electronic signature platforms). By clicking "agree" (if electronic) or signing below, I understand that I am entering into and binding myself to this Agreement.

Employer:

Employee:

ACTIVISION BLIZZARD, INC.

By: /s/ Claudine Naughton
Claudine Naughton
Chief People Officer

By: /s/ Brian Bulatao
Brian Bulatao

Date: July 9, 2021

Date: February 28, 2021

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this “**Agreement**”) is entered into as of the date signed by the Employer, between Activision Blizzard, Inc. (the “**Employer**” or “**Activision Blizzard**” and, together with its subsidiaries, the “**Activision Blizzard Group**”), and Grant Dixon (“**you**”).

1. Term of Employment

(a) The term of your employment under this Agreement (the “**Term**”) shall commence on June 14, 2021 (the “**Effective Date**”) and shall end on June 30, 2024 (the “**Expiration Date**”) (or such earlier date on which your employment is terminated under Section 9). The Employer shall have the option to extend the Term by one (1) additional year, in its sole and absolute discretion, by notifying you in writing of its intent to do so at least six (6) months prior to the original Expiration Date. The final date of any such extended Term shall thereafter be referred to as the “Expiration Date” for purposes of this Agreement and the Term shall end on such date (or such earlier date on which your employment is terminated under Section 9). Except as set forth in Section 11(s), upon the Expiration Date (or such earlier date on which your employment is terminated) all obligations of the Employer and all of your rights and obligations under this Agreement shall immediately lapse.

(b) You and the Employer each agree to provide the other with at least six (6) months’ prior notice of any intent not to continue your employment following the Expiration Date. If your employment continues beyond the Expiration Date, you shall remain an at-will employee whose employment may be terminated by either party to this Agreement at any time for any reason.

2. Compensation

(a) Subject to the provisions of this Agreement, in full consideration for all rights and services provided by you under this Agreement, during the Term you shall receive only the compensation set forth in this Section 2.

(b) Commencing on the Effective Date, you shall receive an annual base salary (“**Base Salary**”) of seven hundred fifty thousand dollars (\$750,000), which shall be paid in accordance with the Employer’s payroll policies. Your Base Salary shall be reviewed periodically at the same time as similarly situated executives of the Employer and may be increased by an amount determined by the Employer, in its sole and absolute discretion.

(c) Beginning with respect to calendar year 2021, you will be eligible to receive an annual discretionary bonus (the “**Annual Bonus**”). The target amount of your Annual Bonus will be seventy-five percent (75%) of your Base Salary on the Effective Date (and as in effect at the beginning of each year thereafter) and may be delivered in cash or equity or any combination thereof. In all instances, the actual amount and the form (e.g., cash and/or equity) of the Annual Bonus, if any, shall be determined by the Compensation Committee of the Board of Directors for Activision Blizzard (the “**Compensation Committee**”), in its sole and absolute discretion, and may be based on, among other things, your Base Salary, the portion of the year falling in the Term (e.g., a partial bonus with respect to your service during calendar year 2021 or any other calendar year determined in a manner consistent with similarly situated executives of the Employer who served during a portion of the year), your overall performance and the performance of the Employer. The cash and equity portion of the Annual Bonus, if any, will be paid at the same time as the cash and equity portion of the bonuses for that year are generally

paid to other executives, but in no event earlier than the first day of the first month, or later than the fifteenth (15th) day of the third month, of the year following the year to which the Annual Bonus relates. In all instances, you must remain continuously employed by the Activision Blizzard Group through the date on which the cash and equity portions of the Annual Bonus, if any, are paid, granted, or delivered to you, for you to be eligible to receive such Annual Bonus.

(d) At the next regularly scheduled meeting of the Compensation Committee that includes equity granting on the agenda and occurs after the Effective Date, the 2021 Contract Equity Awards (as defined below) shall be presented for approval; once approved, they shall be granted in the first open trading window thereafter. Activision Blizzard will grant to you equity awards as follows:

(i) Activision Blizzard shall grant to you time-based vesting restricted share units (“RSUs”), which represent the conditional right to receive shares of Activision Blizzard’s common stock (“Shares”), with a value at the time of grant of approximately two million dollars (\$2,000,000) (“**2021 RSUs**”). The actual number of RSUs awarded to you on the grant date shall be determined based on the Grant Date Price, and an applicable factor selected by the Employer and determined using the same methodology used with respect to similarly situated executives of the Employer. The number of RSUs awarded shall be rounded to the nearest whole number and shall be determined by the Compensation Committee in its sole and absolute discretion, and Activision Blizzard retains the discretion to modify the methodology for such calculations as needed, so long as such methodology is the same with respect to similarly situated executives of the Employer. The 2021 RSUs shall be eligible to vest on June 29, 2024, subject to your remaining employed by Activision Blizzard through that date and otherwise satisfying the terms of the award.

(ii) Commencing with the Employer’s 2021 annual grant process and not more than once per fiscal year during the Term, Activision Blizzard shall grant to you performance vesting restricted share units (“**PSUs**”), which represent the conditional right to receive Shares with performance objectives contingent upon cumulative performance for three full fiscal years (“**Annual 3-Year PSUs**”), with a target value at the time of grant of approximately one million dollars (\$1,000,000) (“**Annual Target 3-Year PSU Grant Value**”). The first Annual 3-Year PSU granted to you shall be for the 2021, 2022 and 2023 performance cycle, and shall vest on June 29, 2024. The actual number of Annual 3-Year PSUs awarded to you on the grant date shall be equal to the Annual Target 3-Year PSU Grant Value divided by the Grant Date Price (it being recognized that if the maximum performance objectives are met for any of the Annual 3-Year PSUs, the value of the Shares received upon vesting for such the Annual 3-Year PSU would have been approximately one million two hundred fifty thousand dollars (\$1,250,000) at the time of grant, representing approximately one hundred twenty five percent (125%) of the Annual Target 3-Year PSU Grant Value). The number of Annual 3-Year PSUs awarded shall be rounded to the nearest whole number and shall be determined by the Compensation Committee in its sole and absolute discretion, and Activision Blizzard retains the discretion to modify the methodology for such calculations as needed, so long as such methodology is the same used with respect to similarly situated executives of the Employer. Subject to your remaining employed by Activision Blizzard through each applicable vesting date and otherwise satisfying the terms of the award, the actual number of each Annual 3-Year PSU award shall be eligible to vest no later than the June 29th following the end of the relevant three-year performance period if, and only if, the Compensation Committee determines that Activision Blizzard’s annual OI (defined below) is ninety percent (90%) or more of the OI Objective (defined below) for the same performance period and the number of Shares delivered will be calculated based on the OI Performance Curve (defined below).

(iii) Activision Blizzard shall grant to you a one-time award of PSUs (“**2021 Long Term Equity**”), with a target value at the time of the grant of approximately six million dollars (\$6,000,000) (“**Target 2021 Long Term Equity Grant Value**”). The actual number of PSUs awarded to you on the grant date shall be equal to the Target 2021 Long Term Equity Grant Value divided by the Grant Date Price (it being recognized that if the maximum performance objectives are met for all of the 2021 Long Term Equity, the value of the Shares received upon vesting for all of the 2021 Long Term Equity would have been approximately seven million five hundred thousand dollars (\$7,500,000) at the time of grant, representing approximately one hundred twenty five percent (125%) of the Target 2021 Long Term Equity Grant Value). The number of 2021 Long Term Equity PSUs awarded shall be rounded to the nearest whole number and shall be determined by the Compensation Committee in its sole and absolute discretion, and Activision Blizzard retains the discretion to modify the methodology for such calculations as needed, so long as such methodology is the same used with respect to similarly situated executives of the Employer. Subject to your remaining employed by Activision Blizzard through each applicable vesting date and otherwise satisfying the terms of the award, the 2021 Long Term Equity award shall vest as follows:

a. One half (1/2) shall be divided into four tranches (of one-third (1/3rd), one-third (1/3rd), one-sixth (1/6th), and one-sixth (1/6th)) over four 1-year performance measurement periods (January 1, 2021 through December 31, 2021 (one-third (1/3rd)), January 1, 2022 through December 31, 2022 (one-third (1/3rd)), January 1, 2023 through December 31, 2023 (one-sixth (1/6th)), and January 1, 2024 through December 31, 2024 (one-sixth (1/6th))); each tranche will be eligible to vest no later than the June 29th following the end of the relevant one-year performance measurement period, if, and only if, the Compensation Committee determines that Activision Blizzard’s OI is ninety percent (90%) or more of the relevant OI Objective for the relevant performance period and the number of shares delivered will be subject to the OI Performance Curve.

b. One half (1/2) shall be divided into four tranches (of one-third (1/3rd), one-third (1/3rd), one-sixth (1/6th), and one-sixth (1/6th)) over four 1-year performance measurement periods (January 1, 2021 through December 31, 2021 (one-third (1/3rd)), January 1, 2022 through December 31, 2022 (one-third (1/3rd)), January 1, 2023 through December 31, 2023 (one-sixth (1/6th)), and January 1, 2024 through December 31, 2024 (one-sixth (1/6th))); each tranche will be eligible to vest no later than the June 29th following the end of the relevant one-year performance measurement period, if, and only if, the Compensation Committee determines that EPS (defined below) for the same performance period is ninety percent (90%) or more of the annual EPS Objective (defined below), and the number of shares delivered will be calculated based on the EPS Performance Curve (defined below).

(iv) For purposes of this Section 2(d) the following terms shall have the meaning set forth below:

“**EPS**” for the relevant performance period means Activision Blizzard’s earnings per Share as determined by the Compensation Committee and calculated in the same manner as the relevant performance measurement period’s EPS Objective.

“**EPS Objective**” means the operating plan EPS objective established by the Compensation Committee for the relevant performance measurement period.

“EPS Performance Curve” means and shall be determined as follows:

- a. If the EPS for the relevant performance measurement period is less than ninety percent (90%) of the EPS Objective for the same period, then the relevant PSUs will not vest and shall be forfeited.
- b. If EPS is ninety percent (90%) of the EPS Objective for the relevant performance measurement period, then fifty percent (50%) of the relevant tranche shall vest; if EPS is one hundred percent (100%) of the relevant EPS Objective for the relevant performance period, then one hundred percent (100%) of the relevant tranche shall vest; and if EPS is between ninety and one hundred percent (90–100%) of the relevant EPS Objective for the relevant performance period, then the vesting for that tranche will be established via straight line interpolation between those two numbers (e.g., if the EPS is ninety two percent (92%) of the relevant EPS Objective for the relevant performance period, then sixty percent (60%) of the relevant tranche shall vest).
- c. If EPS is one hundred percent (100%) of the relevant EPS Objective for the relevant performance period, then one hundred percent (100%) of the relevant tranche shall vest; if EPS is one hundred twenty five percent (125%) of the relevant EPS Objective for the relevant performance period, then one hundred twenty five percent (125%) of the relevant tranche shall vest; and if EPS is between one hundred and one hundred twenty five percent (100-125%) of the relevant EPS Objective for the relevant performance period, then the vesting for that tranche will be established via straight line interpolation between those two numbers (e.g., if the EPS is one hundred two percent (102%) of the relevant EPS Objective for the relevant performance period, then one hundred two percent (102%) of the relevant tranche shall vest).
- d. In no circumstance will any of the EPS PSU tranches vest at any percentage above one hundred twenty five percent (125%).

“Grant Date Price” means the official closing price of Activision Blizzard’s common stock on the effective date of the grant, as reported by NASDAQ.

“OI” means Activision Blizzard’s operating income for the relevant performance measurement period as determined by the Compensation Committee and calculated in the same manner as the relevant performance measurement period’s OI Objective

“OI Objective” means the operating plan OI objective established by the Compensation Committee for the relevant performance measurement period.

“OI Performance Curve” means and shall be determined as follows:

- a. If the OI for the relevant performance measurement period is less than ninety percent (90%) of the OI Objective for the same period, then the relevant PSUs will not vest and shall be forfeited.
- b. If OI is ninety percent (90%) of the relevant OI Objective for the relevant performance period, then fifty percent (50%) of the relevant tranche shall vest; if OI is one hundred percent (100%) of the relevant OI Objective for the relevant performance period, then one hundred percent (100%) of the relevant tranche shall vest; and if OI is between ninety and one hundred percent (90–100%) of the relevant OI Objective for the relevant performance period, then the vesting for that tranche will be established via straight line interpolation between those two numbers (e.g., if OI is ninety two percent (92%) of the relevant OI Objective for the relevant performance period, then sixty percent (60%) of the relevant tranche shall vest).
- c. If OI is one hundred percent (100%) of the relevant OI Objective for the relevant performance period, then one hundred percent (100%) of the relevant tranche shall vest; if OI is one hundred twenty five percent (125%) of the relevant OI Objective for the relevant performance period, then one hundred twenty five percent (125%) of the relevant tranche shall vest; and if OI is between one hundred and one hundred twenty five percent (100–125%) of the relevant OI Objective for the relevant performance period, then the vesting for that tranche will be established via straight line interpolation between those two numbers (e.g., if the OI is one hundred two percent (102%) of the relevant OI Objective for the relevant performance period, then one hundred two percent (102%) of the relevant tranche shall vest).
- d. In no circumstance will any of the OI PSU tranches vest at any percentage above one hundred twenty five percent (125%).

(v) Prior to the vesting of any portion of the OI PSUs as provided for in this Section 2(d), Activision Blizzard, in its sole and absolute discretion, may adjust the performance objective for the relevant fiscal year(s) by substituting the OI and OI objective of one or more new, different or additional business units or activities for that of the original business unit or activity stated herein or by prorating or otherwise combining the OI and OI objective, or by substituting one or more other objectives or elements contained in the operating plan for the OI and OI objectives or elements, in each case for purposes of determining whether or not the conditions of the relevant unvested PSUs have been satisfied. The Employer agrees that it will in good faith engage in meaningful consultation with you prior to implementing any such change.

(vi) Collectively, the options and equity grants provided for in this Section 2(d) shall be referred to as the “**2021 Contract Equity Awards**.” You acknowledge that the grant of 2021 Contract Equity Awards pursuant to this Section 2(d) is expressly conditioned upon approval by the Compensation Committee and that the Compensation Committee has sole and absolute discretion to approve or disapprove the grants and/or to determine and make modifications to the terms of the grants. The actual amount, performance objectives, and vesting schedule, for the 2021 Contract Equity Awards will be determined by the Compensation Committee, which has discretion to approve or disapprove all equity incentive awards and to determine and/or make modification to the terms of such awards. The 2021 Contract Equity Awards shall be subject to all terms of the equity incentive plan pursuant to which they are granted (the “**Incentive Plan**”), Activision Blizzard’s standard forms of award agreement and, in the event that Activision Blizzard determines that you are an Executive Officer (as defined by the Securities Exchange Act of 1934, as amended) of Activision Blizzard, the Employer’s Executive Stock Ownership Guidelines (including, but not limited to, all of the limitations on equity awards described therein); in the event of a conflict between this Agreement and the terms of the Incentive Plan or award agreements, the Incentive Plan or the award agreements, as applicable, shall govern. In addition, such annual awards, if and when approved by the Compensation Committee, shall be in addition to any previous equity incentive awards made to you.

(vii) You acknowledge and understand that Activision Blizzard’s performance-oriented pay practices target compensation no greater than the median of its group of peer companies. If Activision Blizzard exceeds its target performance measurements for the relevant performance period, then, at the sole and absolute discretion of the Chief Executive Officer with the approval of the Compensation Committee, Activision Blizzard may increase your compensation for the relevant performance period up to the average compensation earned by similarly situated executives of Activision Blizzard’s peer companies, adjusted for tenure, role and any other discretionary criteria to be determined by the Chief Executive Officer. In addition, if the Employer extends the Term by one additional year pursuant to Section 1(a), the Compensation Committee will review your overall compensation at that time.

(viii) Within three (3) weeks of the Effective Date, the Employer will provide you with a sign on bonus in the amount of one million seven hundred fifty thousand dollars (\$1,750,000) (less applicable taxes and withholdings) (“**Long Term Commitment Bonus**”). This Long Term Commitment Bonus will not be fully earned by you until you have completed three years of continuous employment under this Agreement. Should your employment terminate pursuant to Section 9(a), or you resign in breach of Section 9(c) prior to June 29, 2024, you will not have fully earned the Long Term Commitment Bonus and accordingly you agree to repay the Employer the Long Term Commitment Bonus within 60 days of the termination of your employment as follows: for such a termination prior to June 29, 2022, you will repay 100%; for such a termination between June 30, 2022 and June 29, 2023, you will repay 66%; and, for such a termination between June 30, 2023 and June 29, 2024, you will repay 33%. If you remain employed by the Activision Blizzard Group continuously through June 29, 2024, the Long Term Commitment Bonus shall be fully earned as of that date such that if your employment subsequently terminates for any reason you will not have to repay any portion thereof. If you do not repay the Long Term Commitment Bonus or any portion of the bonus due upon demand by the Employer, you will be liable for the attorney’s fees and costs incurred by the Employer in having to collect such sums from you. The fact that you are receiving this Long Term Commitment Bonus and the terms under which you will be required to repay it in no way affect your other obligations under this Agreement.

(e) In connection with your relocation to the Los Angeles area, you shall be entitled to the relocation benefits set forth in, and determined in accordance with and otherwise subject to the terms and conditions of, the “**Relocation Summary**” attached hereto as Exhibit D. Notwithstanding anything to the contrary in this Agreement or in the Relocation Summary, should your employment with the Employer terminate other than pursuant to Section 9(b), 9(c), 9(d) or 9(e) prior to the first anniversary of the Effective Date, you agree to repay the Employer 100% of any relocation expenses for which you were reimbursed by the Employer within 60 days of the termination of your employment.

3. Title; Location

You shall serve as the Chief Legal Officer of Activision Blizzard. Your principal place of business initially shall be Activision Blizzard’s office in Santa Monica, California. While you transition into your role, you may reside more than fifty (50) miles from the Santa Monica office and telecommute, or physically commute to Santa Monica at your own expense (other than those expenses provided for in the “**Relocation Summary**” attached hereto as Exhibit D), until August 1, 2022, unless the Company earlier determines in its sole discretion that telecommuting, commuting from, and/or residing in such location negatively impacts your ability to satisfactorily perform your duties. During this transition time, you will be required to travel from time to time for business reasons (including, but not limited to, regular travel to the Employer’s offices in Santa Monica).

4. Duties

You shall report directly to the Chief Executive Officer of the Employer (or such other executive of the Activision Blizzard Group as may be determined from time to time by it in its sole and absolute discretion) and shall have such duties commensurate with your position as may be assigned to you from time to time by the Chief Executive Officer (or, as applicable, such other executive designated by the Employer). As with all senior executives, your duties, responsibilities and title are subject to adjustment. You are also required to read, review and observe all of the Activision Blizzard Group’s policies, procedures, rules and regulations in effect from time to time during the Term that apply to employees of the Employer, including, without limitation, the Code of Conduct, as amended from time to time. You shall commit yourself to a diverse and inclusive work environment. You shall devote your full-time working time to the performance of your duties hereunder, shall faithfully serve the Employer, shall in all respects conform to and comply with the lawful directions and instructions given to you by the Chief Executive Officer (or such other executive of the Activision Blizzard Group as may be determined from time to time by the Employer in its sole and absolute discretion) and shall use your best efforts to promote and serve the interests of the Activision Blizzard Group. Further, you shall at all times place the Employer’s interests above your own, not take any actions that would conflict with the Employer’s interests and shall perform all your duties for the Employer with the highest duty of care. Further, you shall not, directly or indirectly, render services of any kind to any other person or organization, whether on your own behalf or on behalf of others, without the prior written consent of the Chief Executive Officer or otherwise engage in activities that would interfere with your faithful and diligent performance of your duties hereunder.

5. Expenses

Except to the extent provided herein, to the extent you incur necessary and reasonable travel or other business expenses in the course of your employment, you shall be reimbursed for such expenses, upon presentation of written documentation in accordance with the Employer’s policies in effect from time to time.

6. Other Benefits

(a) You shall be eligible to participate in all health, welfare, retirement, pension, life insurance, disability, perquisite and similar plans, programs and arrangements generally available to executives of the Employer from time to time during the Term, subject to the then-prevailing terms, conditions and eligibility requirements of each such plan, program, or arrangement. In addition to the foregoing benefits, Employer will provide you during the Term, at Employer's expense, with a supplemental term life insurance policy with a face amount of \$2,000,000 through a carrier of Employer's choice (the "**Target Face Amount**"), subject to your insurability ("**\$2,000,000 Life Insurance Policy**"). If it is determined that you are insurable at a higher cost than a healthy individual of like age, the face amount of such insurance coverage will be reduced to the maximum face amount of coverage that may be obtained for the cost of coverage of the Target Face Amount for such healthy individual.

(b) You expressly agree and acknowledge that, after the Expiration Date (or such earlier date on which your employment is terminated), you shall not be entitled to any additional benefits, except as specifically provided in this Agreement and the benefit plans in which you participate during the Term, and subject in each case to the then-prevailing terms, conditions, and eligibility requirements of each such plan.

7. Vacation and Paid Holidays

(a) You will generally be entitled to paid vacation days in accordance with the normal vacation policies of the Employer in effect from time to time; provided, however, that you will be entitled to accrue no less than twenty (20) paid vacation days per year unless your vacation balance exceeds the Employer's then-current maximum.

(b) You shall be entitled to all paid holidays allowed by the Employer to its full-time employees in the United States.

8. Protection of the Employer's Interests

(a) **Duty of Loyalty.** During the Term, you will owe a "**Duty of Loyalty**" to the Employer, which includes, but is not limited to, you not competing in any manner, whether directly or indirectly, as a principal, employee, agent, owner, or otherwise, with any entity in the Activision Blizzard Group; provided, however, that nothing in this Section 8(a) will limit your right to own up to five percent (5%) of any of the debt or equity securities of any business organization that is then required to file reports with the Securities and Exchange Commission pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended.

(b) **Property of the Activision Blizzard Group.** All rights worldwide with respect to any and all intellectual or other property of any nature produced, created or suggested by you, whether on your own time or not, alone or with others, during the term of your employment or resulting from your services which (i) relate in any manner at the time of conception or reduction to practice to the actual or demonstrably anticipated business of the Activision Blizzard Group, (ii) result from or are suggested by any task assigned to you or any work performed by you on behalf of the Activision Blizzard Group, (iii) were created using the time or resources of the Activision Blizzard Group, or (iv) are based on any property owned or idea conceived by the Activision Blizzard Group, shall be deemed to be a work made for hire and shall be the sole and exclusive property of the Activision Blizzard Group. You agree to execute, acknowledge and deliver to the Employer, at the Employer's request, such further documents, including copyright and patent assignments, as the Employer finds appropriate to evidence the Activision Blizzard Group's rights in such property. Your agreement to assign to the Activision Blizzard Group any of your rights as set forth in this Section 8(b) shall not apply to any invention that qualifies fully

under the provisions of California Labor Code Section 2870, where no equipment, supplies, facility or trade secret information of the Activision Blizzard Group was used, where the invention was developed entirely upon your own time, where the invention does not relate to the Activision Blizzard Group's business, and where the invention does not result from any work performed by you for the Activision Blizzard Group.

(c) **Covenant Not to Shop.** Other than during the final six (6) months of the Term, you shall not negotiate for employment with any entity or person outside of Activision Blizzard. During any such search process and thereafter you shall remain strictly subject to your continuing obligations under this Agreement, including, without limitation, your Duty of Loyalty, compliance with Activision Blizzard's policies and your confidentiality obligations.

(d) **Confidentiality.** You acknowledge, and the Employer agrees, that during your employment you will have access to and become informed of confidential and proprietary information concerning Activision Blizzard. During your employment and at all times following the termination of your employment, confidential or proprietary information of Activision Blizzard shall not be used by you or disclosed or made available by you to any person except as required in the course of your employment with Activision Blizzard or as otherwise provided for in the Employee Confidential Information Agreement attached as Exhibit A hereto (the "**Confidential Information Agreement**"). Upon the termination of your employment (or at any time on the Employer's request), you shall return to Activision Blizzard all such information that exists, whether in electronic, written, or other form (and all copies or extracts thereof) under your control and shall not retain such information in any form, including without limitation on any devices, disks, cloud storage, or other media. You agree to advise the Employer of the location of any such materials and information and to cooperate fully with any instructions by the Employer concerning the retrieval of any such materials and other actions that the Employer determines to be appropriate to prevent your continued access to such materials and information. You acknowledge and agree that, because your duties will provide you with access to personal and private information of the Chairman, Chief Executive Officer and Lead Director (and their entities), you will sign and deliver a Non-Disclosure Agreement prior to the Effective Date. Without limiting the generality of the foregoing, you acknowledge signing and delivering to the Employer the Confidential Information Agreement as of the Effective Date and you agree that all terms and conditions contained in such agreement, and all of your obligations and commitments provided for in such agreement, shall be deemed, and hereby are, incorporated into this Agreement as if set forth in full herein.

(e) **Return of Property and Resignation from Office.** You acknowledge that, upon termination of your employment for any reason whatsoever (or at any time on the Employer's request), you will promptly deliver to the Activision Blizzard Group or surrender to the Activision Blizzard Group's representative all property of any entity in the Activision Blizzard Group, including, without limitation, all documents and other materials (and all copies thereof) relating to the Activision Blizzard Group's business, all identification and access cards, all contact lists and third party business cards however and wherever preserved, and any equipment provided by any member in the Activision Blizzard Group, including, without limitation, computers, telephones, personal digital assistants, memory cards and similar devices that you possess or have in your custody or under your control. You will cooperate with the Activision Blizzard Group by participating in interviews to share any knowledge you may have regarding the Activision Blizzard Group's intellectual or other property with personnel designated by the Activision Blizzard Group. You also agree to resign from any office held by you within the Activision Blizzard Group immediately upon termination of your employment for any reason whatsoever (or at any time on the Employer's request); you irrevocably appoint any person designated as the Activision Blizzard Group's representative at that time as your delegate to effect such resignation.

(f) **Covenant Not to Solicit.**

(i) During your employment, you shall not, at any time or for any reason, either alone or jointly, with or on behalf of others, whether as principal, partner, agent, representative, equity holder, director, employee, consultant or otherwise, directly or indirectly: (a) offer employment to, or solicit the employment or engagement of, or otherwise entice away from the employment or engagement of Activision Blizzard, either for your own account or for any other person, firm or company, any person employed or otherwise engaged by Activision Blizzard, whether or not such person would commit any breach of a contract by reason of his or her leaving the service of Activision Blizzard; (b) solicit, induce or entice any client, customer, contractor, licensor, agent, supplier, partner or other business relationship of Activision Blizzard to terminate, discontinue, renegotiate or otherwise cease or modify its relationship with Activision Blizzard; (c) assist others to engage in the acts contemplated by Sections 8(f)(i)(a) or (b); or (d) engage in any subterfuge to attempt to circumvent the application of this Section.

(ii) For a period of two (2) years following the termination of your employment for any reason whatsoever, you shall not, at any time or for any reason, either alone or jointly, with or on behalf of others, whether as principal, partner, agent, representative, equity holder, director, employee, consultant or otherwise, directly or indirectly (a) solicit the employment or engagement of, either for your own account or for any other person, firm or company, any person employed or otherwise engaged by Activision Blizzard, whether or not such person would commit any breach of a contract by reason of his or her leaving the service of Activision Blizzard; (b) assist others to engage in the acts contemplated by Section 8(f)(ii)(a); or (c) engage in any subterfuge to attempt to circumvent the application of this Section.

(iii) During your employment and at all times following the termination of your employment for any reason whatsoever, you shall not, at any time or for any reason, use the confidential or trade secret information of Activision Blizzard or any other unlawful means to directly or indirectly solicit, induce or entice any client, customer, contractor, licensor, agent, supplier, partner or other business relationship of Activision Blizzard to terminate, discontinue, renegotiate or otherwise cease or modify its relationship with Activision Blizzard.

(iv) You expressly acknowledge and agree that the restrictions contained in this Section 8(f) are reasonably tailored to protect Activision Blizzard's confidential information and trade secrets and to ensure that you do not violate your Duty of Loyalty or any other fiduciary duty to the Employer, and are reasonable in all circumstances in scope, duration and all other respects. The provisions of this Section 8(f) shall survive the expiration or earlier termination of this Agreement and shall remain and continue in effect if your employment becomes at-will as provided in Section 1(b).

9. Termination of Employment

(a) By the Employer for Cause.

(i) At any time during the Term, the Employer may terminate your employment for "**Cause**," which shall mean a reasonable and good-faith determination by the Employer that you (i) engaged in gross negligence in the performance of your duties or wilfully and continuously failed or refused to perform any duties reasonably requested in the course of your employment; (ii) engaged in fraud, dishonesty, or any other serious misconduct that causes or has the potential to cause harm to any entity in the Activision Blizzard Group, including its business or reputation; (iii) materially violated any lawful directives or policies of the Activision Blizzard Group or any laws, rules or regulations applicable to your employment with the Activision Blizzard Group; (iv) materially breached this Agreement or any other agreement to which you are a party with any members of Activision Blizzard Group; (v) materially breached

any proprietary information or confidentiality agreement with any member of Activision Blizzard Group; (vi) were convicted of, or pled guilty or no contest to, a felony or crime involving dishonesty or moral turpitude; (vii) materially breached your fiduciary duties to the Activision Blizzard; or (viii) may not lawfully work for the Employer at your assigned principal place of business.

(ii) In the case of any termination for Cause that is curable without any residual damage (financial or otherwise) to Activision Blizzard Group, the Employer shall give you at least thirty (30) days written notice of its intent to terminate your employment; provided, that in no event shall any termination pursuant to clause (vi) of the definition of Cause be deemed curable. The notice shall specify (x) the effective date of your termination and (y) the particular acts or circumstances that constitute Cause for such termination. You shall be given the opportunity within fifteen (15) days after receiving the notice to explain why Cause does not exist or to cure any basis for Cause (other than a termination pursuant to clause (vi) of the definition thereof). Within fifteen (15) days after any such explanation or cure, the Employer will make its final determination regarding whether Cause exists and deliver such determination to you in writing. If the final decision is that Cause exists and no cure has occurred, your employment with the Employer shall be terminated for Cause as of the date of termination specified in the original notice. If the final decision is that Cause does not exist or a cure has occurred, your employment with the Employer shall not be terminated for Cause at that time.

(iii) If your employment terminates for any reason other than a termination by the Employer for Cause, at a time when the Employer had Cause to terminate you (or would have had Cause if it then knew all relevant facts) under clauses (i), (ii), (v), (vi) or (vii) of the definition of Cause, your termination shall be treated as a termination by the Employer for Cause.

(b) **By the Employer Without Cause.** The Employer may terminate your employment without Cause at any time during the Term and such termination shall not be deemed a breach by the Employer of any term of this Agreement or any other duty or obligation, expressed or implied, which the Employer may owe to you pursuant to any principle or provision of law.

(c) **By You If Your Principal Place of Business Is Relocated Without Your Consent.** At any time during the Term, you may terminate your employment if, without your written agreement or other voluntary action on your part, the Employer reassigns your principal place of business to a location that is more than fifty (50) miles from your principal place of business as of the Effective Date and that materially and adversely affects your commute; provided, however, that you must (i) provide the Employer with written notice of your intent to terminate your employment under this Section 9(c) and a description of the event you believe gives you the right to do so within thirty (30) days after the initial existence of the event and (ii) the Employer shall have ninety (90) days after you provide the notice described above to cure any such default (the “**Cure Period**”). You will have five (5) days following the end of the Cure Period to terminate your employment, if the Employer does not cure, after which your ability to terminate your employment under this Section 9(c) will no longer exist. You agree that if you resign for any other reason that it will constitute a material breach of this Agreement.

(d) **Death.** In the event of your death during the Term, your employment shall terminate immediately as of the date of your death.

(e) **Disability.** In the event that you are or become “**disabled**,” the Employer shall, to the extent permitted by applicable law, have the right to terminate your employment. For purposes of this Agreement, “disabled” shall mean that either (i) you have a physical or mental impairment that renders you unable to perform the duties required of you under this Agreement,

even with the Employer providing you a reasonable accommodation, as determined by a physician mutually acceptable to you and the Employer or (ii) you are receiving benefits under any long-term disability plan of the Employer then in effect. You shall cooperate and make yourself available for any medical examination requested by the Employer with respect to any determination of whether you are disabled within ten (10) days of such a request. Without limiting the generality of the foregoing, to the extent provided by the Employer's policies and practices then in effect, you shall not receive any Base Salary during any period in which you are disabled; provided, however, that nothing in this Section 9(e) shall impact any right you may have to any payments under the Employer's short-term and long-term disability plans, if any.

10. Termination of Obligations and Severance Payments

(a) **General.** Upon the termination of your employment pursuant to Section 9, your rights and the Employer's obligations to you under this Agreement shall immediately terminate except as provided in this Section 10 and Section 11(s), and you (or your heirs or estate, as applicable) shall be entitled to receive any amounts or benefits set forth below (subject in all cases to Sections 10(e), 11(q) and 11(r)). The payments and benefits provided pursuant to this Section 10 are (x) in lieu of any severance or income continuation protection under any plan of the Activision Blizzard Group that may now or hereafter exist and (y) deemed to satisfy and be in full and final settlement of all obligations of the Activision Blizzard Group to you under this Agreement. You shall have no further right to receive any other compensation benefits following your termination of employment for any reason except as set forth in this Section 10.

For the purposes of this Agreement, the following terms shall have the following meanings:

"Basic Severance" shall mean payment of (1) any Base Salary earned but unpaid as of the Termination Date; (2) any business expenses incurred but not reimbursed under Section 5 as of the Termination Date; and (3) payment in lieu of any vacation accrued under Section 7 but unused as of the Termination Date.

"Bonus Severance" shall mean payment of:

- (i) an amount equal to the Annual Bonus that the Employer determines, in its sole and absolute discretion, you would have received (if any) in accordance with Section 2(c) for any year that ended prior to the Termination Date had you remained employed through the date such bonus would have otherwise been paid (in the event that your Termination Date occurs before such bonus would have been paid) provided, however, that in the exercise of discretion, to the extent any other similarly situated executive has the same objective bonus measurements or metrics, the Employer will evaluate your achievement of such objective measurements or metrics in a manner consistent with such other similarly situated executive; and
- (ii) an amount equal to the Annual Bonus that the Employer determines, in its sole and absolute discretion, you would have received (if any) in accordance with Section 2(c) for the year in which your Termination Date occurs had you remained employed through the date such bonus would have been paid, multiplied by a fraction, the numerator of which is the number corresponding to the calendar month in which the Termination Date occurs and the denominator of which is 12, where, for purposes of calculating the amount of such bonus, any goals will be measured by actual performance; provided, however, that in the exercise of discretion,

to the extent any other similarly situated executive has the same objective bonus measurements or metrics, the Employer will evaluate your achievement of such objective measurements or metrics in a manner consistent with such other similarly situated executive.

“Termination Date” shall mean the effective date of your termination of employment pursuant to Sections 9(a)-(e).

“Total Severance Limit” shall mean the maximum total value of any severance payments and benefits that you will be due from the Employer in any scenario, which maximum total value shall be equal to your prior year’s target compensation, as determined by the Compensation Committee, notwithstanding anything to the contrary in this Agreement; provided, however, that if the AOP Objective for the calendar year preceding the calendar year in which your Termination Date occurred (the **“Measurement Year”**) was 100% or more of the annual operating plan operating income objective established by the Board for such Measurement Year, the Employer’s Chief Executive Officer may, in the Chief Executive Officer’s sole and absolute discretion, increase the Total Severance Limit.

(b) **Death.** In the event your employment is terminated under Section 9(d), and subject to the Total Severance Limit:

- (i) Basic Severance. Your heirs or estate, as the case may be, shall receive payment of the Basic Severance in a lump sum within thirty (30) days following the Termination Date unless a different payment date is prescribed by an applicable compensation, incentive or benefit plan, in which case payment shall be made in accordance with such plan;
- (ii) Lump Sum Payment of Two Times Base Salary. Your heirs or estate, as the case may be, shall receive payment of an amount equal to two (2) times the Base Salary (at the rate in effect as of the Termination Date) in a lump sum within thirty (30) days following the Termination Date; provided, however, that this amount shall be reduced by any payments to which you become entitled upon death under any Employer-sponsored plan other than the \$2,000,000 Life Insurance Policy as defined in Section 6(a);
- (iii) Bonus Severance. Your heirs or estate, as the case may be, shall receive payment of the Bonus Severance in a lump sum no later than the 15th day of the third month of the year following the year to which the underlying amount relates; and
- (iv) Impact on Equity Awards. All outstanding equity awards shall cease to vest. All vested equity shall be handled in accordance with the applicable incentive plans and award agreements. Any equity awards that are not vested as of your Termination Date will be cancelled immediately.

(c) **Termination by the Employer Without Cause, by You if Your Principal Place of Business Is Relocated Without Your Consent or by the Employer if You Become Disabled.** In the event the Employer terminates your employment under Section 9(b), you terminate your employment under Section 9(c) or the Employer terminates your employment under Section 9(e) and subject to the Total Severance Limit:

- (i) Basic Severance. You or your legal representative, as the case may be, shall receive payment of the Basic Severance in a lump sum within thirty

(30) days following the Termination Date unless a different payment date is prescribed by an applicable compensation, incentive or benefit plan, in which case payment shall be made in accordance with such plan;

- (ii) Salary Continuation. You or your legal representative, as the case may be, shall receive the payment of an amount equal to the Base Salary (at the rate in effect on the Termination Date) that you would have received had you remained employed through the Expiration Date, which amount shall be paid in equal installments commencing on the first payroll date following the 60th day following the Termination Date in accordance with the Employer's payroll practices as in effect from time to time, provided that the first such payment shall include any installments relating to the 60 day period following the Termination Date; provided, however, that, to the extent doing so will not result in the imposition of additional taxes under Section 409A ("**Section 409A**") of the Internal Revenue Code of 1986, as amended and the rules and regulations promulgated thereunder (the "**Code**"), this amount shall be reduced by any payments which you have received or to which you become entitled under any Employer-sponsored long-term disability plan;
- (iii) Bonus Severance. You or your legal representative, as the case may be, shall receive payment of the Bonus Severance in a lump sum no later than the 15th day of the third month of the year following the year to which the underlying amount relates; and
- (iv) Impact on Equity Awards. All outstanding equity awards shall cease to vest. All vested equity shall be handled in accordance with the applicable incentive plans and award agreements. Any equity awards that are not vested as of your Termination Date will be cancelled immediately.
- (v) Severance Conditioned Upon Release. Payments and benefits described in Sections 10(c)(ii) and (c)(iii) are conditioned upon your or your legal representative's execution of a waiver and release in a form prepared and provided to you by the Employer within thirty-two (32) days after the Termination Date, and that release becoming effective and irrevocable in its entirety within sixty (60) days of the Termination Date. Unless otherwise provided by the Employer, if the release referenced above does not become effective and irrevocable on or prior to the sixtieth (60th) day following the Termination Date, you shall not be entitled to any payments under this Section 10(c) other than the Basic Severance.

(d) **Termination by the Employer Without Cause (Section 9(b)), by You if Your Principal Place of Business Is Relocated Without Your Consent (Section 9(c)), by the Employer if Because of Your Death (Section 9(d)) or You Become Disabled (Section 9(e)).** If and only if your employment is terminated pursuant to Section 9(b), 9(c), 9(d) or 9(e), in addition to any payments and benefits described in Section 10(c)(ii) and 10(c)(iii) you (or your legal representative) may be due, you will also receive, subject to the Total Severance Limit:

- (i) Additional Severance.
 - a. You or your legal representative, as the case may be, shall receive payment of \$750,000, if, and only if, (i) your Termination Date is after December 31, 2021, but before June 29, 2022, and (ii) the Compensation Committee determines, in its sole and absolute

discretion, that Activision Blizzard's 2021 OI is 90% or greater than the 2021 OI Objective;

b. You or your legal representative, as the case may be, shall receive payment of \$750,000, if, and only if, (i) your Termination Date is after December 31, 2022, but before June 29, 2023, and (ii) the Compensation Committee determines, in its sole and absolute discretion, that Activision Blizzard's 2022 OI is 90% or greater than the 2022 OI Objective; and

All amounts owed pursuant to this Section 10(d)(i) will be paid within thirty (30) days after the date the Compensation Committee determines that the applicable OI conditions have been achieved (if any), provided that this is no sooner than the 60th day following the Termination Date, and will be subject to applicable taxes and withholdings.

- (ii) PSU Termination Consideration. Notwithstanding the foregoing, but subject to the Total Severance Limit, in the event that (a) your Termination Date occurs after the completion of one or more applicable performance periods, (b) the Compensation Committee determines that the applicable OI performance objective(s) have been achieved for a performance period completed prior to your Termination Date, and (c) the applicable tranche has not vested as of the Termination Date, then an amount to be calculated as provided for below in Section 10(d)(iii) shall be paid to you (the "**PSU Termination Consideration**"). This amount shall be paid within 30 days after the date the Compensation Committee determines that the applicable OI performance objective(s) have been achieved (if any), provided that this is no sooner than the sixtieth (60th) day following the Termination Date and no later than December 31 of the year in which the Termination Date occurs, and will be subject to applicable taxes and withholdings.
- (iii) The formula for determining the PSU Termination Consideration for each applicable tranche of cancelled PSUs, if any, is as follows: multiply the Grant Date Price by the product of the number of performance share units for the applicable tranche by the ratio, as determined by the Compensation Committee, in its sole and absolute discretion, of the non-GAAP operating income for the applicable time period to the OI Objective for the applicable fiscal year (e.g., the performance objective for the applicable fiscal year) or applicable time period, up to the applicable maximum percentage.
- (iv) Severance Conditioned Upon Release. Payments and benefits described in this Section 10(d) are conditioned upon your or your legal representative's execution of a waiver and release in a form prepared and provided to you by the Employer within thirty-two (32) days after the Termination Date, and that release becoming effective and irrevocable in its entirety within sixty (60) days of the Termination Date. Unless otherwise provided by the Employer, if the release referenced above does not become effective and irrevocable on or prior to the sixtieth (60th) day following the Termination Date, you shall not be entitled to any payments under this Section 10(d).

(e) **Termination by the Employer For Cause**. In the event your employment is terminated by the Employer under Section 9(a), then:

- (i) Basic Severance. You shall receive payment of the Basic Severance in a lump sum within thirty (30) days following the Termination Date unless a different payment date is prescribed by an applicable compensation, incentive or benefit plan, in which case payment shall be made in accordance with such plan; and
 - (ii) Impact on Equity Awards. All outstanding equity awards shall cease to vest and, whether or not vested, shall no longer be exercisable and shall be cancelled immediately.
- (f) **Termination on the Expiration Date**. In the event your employment terminates on the Expiration Date, then:
 - (i) Basic Severance. You shall receive payment of the Basic Severance in a lump sum within thirty (30) days following the Termination Date unless a different payment date is prescribed by an applicable compensation, incentive or benefit plan, in which case payment shall be made in accordance with such plan;
 - (ii) Bonus Severance. You shall receive payment of the Bonus Severance in a lump sum no later than the fifteenth (15th) day of the third month of the year following the year to which the underlying amount relates; and
 - (iii) Impact on Equity Awards. All outstanding equity awards shall cease to vest. All vested equity shall be handled in accordance with the applicable incentive plans and award agreements. Any equity awards that are not vested as of your Termination Date will be cancelled immediately.
- (g) **Breach of Post-termination Obligations or Subsequent Employment**.
 - (i) Breach of Post-termination Obligations. In the event that you breach any of your obligations under Section 8, the Employer's obligation, if any, to make payments and provide benefits under Section 10 (other than payment of the Basic Severance) shall immediately and permanently cease and you shall not be entitled to any such payments or benefits.
 - (ii) Subsequent Employment or Services. Notwithstanding anything to the contrary contained herein, you shall receive any payments and benefits to which you may be entitled under Section 10 (other than payment of the Basic Severance) only for the time period that you do not obtain subsequent employment and/or provide services of any kind for compensation, whether as principal, owner, partner, agent, shareholder, director, employee, consultant, advisor or otherwise, to any person, company, venture or other person or business entity. If, at any time, you obtain subsequent employment or provide services as set forth in the prior sentence, you must promptly notify the Employer and payments and benefits to which you may be entitled under Section 10 (other than payment of the Basic Severance) shall cease as of the date you commenced such employment or provision of services.

11. General Provisions

- (a) **Entire Agreement**. This Agreement, together with the Confidential Information Agreement and the Activision Blizzard Group Dispute Resolution Agreement (the "***Dispute***

Resolution Agreement", as referenced in Section 11(k) below), supersede all prior or contemporaneous agreements and statements, whether written or oral, concerning the terms of your employment with the Activision Blizzard, and no amendment or modification of these agreements shall be binding unless it is set forth in a writing signed by both the Employer and you. You acknowledge that in entering into this Agreement, you are not relying on any promises or representations (whether oral or written) other than those set forth in the agreements referenced in this Section. To the extent that this Agreement conflicts with any of the Employer's policies, procedures, rules or regulations, this Agreement shall supersede the other policies, procedures, rules or regulations.

(b) **Use of Employee's Name and Likeness.** You hereby irrevocably grant each member of the Activision Blizzard Group the right, but not the obligation, to use your name or likeness in any product made by the Activision Blizzard Group or for any publicity or advertising purpose in any medium now known or hereafter existing.

(c) **Assignment.** This Agreement and the rights and obligations hereunder shall not be assignable or transferable by you without the prior written consent of the Employer. The Employer may assign this Agreement or all or any part of its rights and obligations under this Agreement at any time and following such assignment all references to the Employer shall be deemed to refer to such assignee and the Employer shall thereafter have no obligation under this Agreement.

(d) **No Conflict with Prior Agreements.** You represent to the Employer that neither your commencement of employment under this Agreement nor the performance of your duties under this Agreement conflicts or will conflict with any contractual or legal commitment on your part to any third party, nor does it or will it violate or interfere with any rights of any third party and you will notify us prior to your execution of this Agreement if you may be subject to or have executed any contracts, offer letters or any other documents that contain any unexpired post termination restrictions such as a non-competition or non-solicitation agreement. If you have acquired any confidential or proprietary information in the course of your prior employment or otherwise in connection with your provision of services to any entity outside the Activision Blizzard Group, during the Term you will fully comply with any duties to such entity then-applicable to you not to disclose or otherwise use such information. Without limiting the generality of the foregoing, you acknowledge signing and delivering to the Employer the New Employee Letter and Certification attached as Exhibit C hereto (the "**New Employee Letter and Certification**") as of the Effective Date and you agree that all terms and conditions contained in such agreement, and all of your obligations and commitments provided for in such agreement, shall be deemed, and hereby are, incorporated into this Agreement as if set forth in full herein. You further acknowledge and agree that any misrepresentation to the Activision Blizzard Group of any of the provisions contained in this Section 11(d) constitutes a material breach of this Agreement pursuant to Section 9(a)(i) of this Agreement.

(e) **Successors.** This Agreement shall be binding on and inure to the benefit of the Employer and its successors and assigns, including successors by merger and operation of law. This Agreement shall also be binding on and inure to the benefit of you and your heirs, executors, administrators and legal representatives.

(f) **Waiver.** No waiver by you or the Employer at any time of any breach by the other party of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No waiver of any provision of this Agreement shall be implied from any course of dealing between or among the parties hereto or from any failure by any party hereto to assert its rights hereunder on any occasion or series of occasions.

(g) **Expiration.** This Agreement does not constitute a commitment of the Employer with regard to your employment, express or implied, other than to the extent expressly provided for herein. Upon the Expiration Date, or, if earlier, the termination of this Agreement pursuant to Section 9, the Employer shall not have any obligations with respect to your continued employment.

(h) **Taxation.** The Employer may withhold from any payments made under the Agreement all federal, state, city or other applicable taxes or amounts as shall be required or permitted pursuant to any law, governmental regulation or ruling or agreement with you.

(i) **Immigration.** In accordance with the Immigration Reform and Control Act of 1986, employment under this Agreement is conditioned upon satisfactory proof of your identity and legal ability to work in the United States.

(j) **Choice of Law.** Except to the extent governed by federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of California or whatever other state in which you were last employed by the Employer, without regard to conflict of law principles.

(k) **Arbitration.** Except as otherwise provided in this Agreement and the Non-Disclosure Agreement referenced above, both parties agree that any dispute or controversy between them will be settled by final and binding arbitration pursuant to the terms of the Dispute Resolution Agreement (attached hereto as Exhibit B).

(l) **Severability.** It is expressly agreed by the parties that each of the provisions included in Section 8(f) is separate, distinct, and severable from the other and remaining provisions of Section 8(f), and that the invalidity or unenforceability of any Section 8(f) provision shall not affect the validity or enforceability of any other provision or provisions of this Agreement. If any provision of this Agreement is held to be illegal, invalid or unenforceable under, or would require the commission of any act contrary to, existing or future laws effective during the Term, such provisions shall be fully severable, the Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this Agreement, and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance from this Agreement. Furthermore, in lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as part of this Agreement a legal and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

(m) **Services Unique.** You recognize that the services being performed by you under this Agreement are of a special, unique, unusual, extraordinary and intellectual character giving them a peculiar value, the loss of which cannot be reasonably or adequately compensated for in damages in the event of a breach of this Agreement by you.

(n) **Injunctive Relief.** In the event of a breach of or threatened breach of the provisions of this Agreement regarding the exclusivity of your services and the provisions of Section 8, you agree that any remedy at law would be inadequate. Accordingly, you agree that the Employer is entitled to obtain injunctive relief for such breaches or threatened breaches in any court of competent jurisdiction. The injunctive relief provided for in Exhibit B and this Section 11(n) is in addition to, and is not in limitation of, any and all other remedies at law or in equity otherwise available to the applicable party. The parties agree to waive the requirement of posting a bond in connection with a court or arbitrator's issuance of an injunction.

(o) **Remedies Cumulative.** The remedies in this Agreement are not exclusive, and the parties shall have the right to pursue any other legal or equitable remedies to enforce the terms of this Agreement.

(p) **Headings.** The headings set forth herein are included solely for the purpose of identification and shall not be used for the purpose of construing the meaning of the provisions of this Agreement.

(q) **Section 409A.** To the extent applicable, it is intended that the Agreement comply with the provisions of Section 409A. The Agreement will be administered and interpreted in a manner consistent with this intent, and any provision that would cause the Agreement to fail to satisfy Section 409A will have no force and effect until amended to comply therewith (which amendment may be retroactive to the extent permitted by Section 409A). Notwithstanding anything contained herein to the contrary, to the extent any payment under this Agreement is subject to Section 409A, you shall not be considered to have terminated employment with the Employer for purposes of the Agreement and no payments shall be due to you under the Agreement which are payable upon your termination of employment unless you would be considered to have incurred a “separation from service” from the Employer within the meaning of Section 409A. To the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to the Agreement during the six-month period immediately following your termination of employment shall instead be paid on the first business day after the date that is six months following your termination of employment (or upon your death, if earlier). In addition, for purposes of the Agreement, each amount to be paid or benefit to be provided to you pursuant to the Agreement shall be construed as a separate identified payment for purposes of Section 409A. With respect to expenses eligible for reimbursement under the terms of the Agreement, (i) the amount of such expenses eligible for reimbursement in any taxable year shall not affect the expenses eligible for reimbursement in another taxable year and (ii) any reimbursements of such expenses shall be made no later than the end of the calendar year following the calendar year in which the related expenses were incurred, except, in each case, to the extent that the right to reimbursement does not provide for a “deferral of compensation” within the meaning of Section 409A; provided, however, that with respect to any reimbursements for any taxes to which you become entitled under the terms of the Agreement, the payment of such reimbursements shall be made by the Employer no later than the end of the calendar year following the calendar year in which you remit the related taxes.

(r) **Section 280G.** Notwithstanding anything herein to the contrary, in the event that you receive any payments or distributions, whether payable, distributed or distributable pursuant to the terms of this Agreement or otherwise, that constitute “parachute payments” within the meaning of Section 280G of the Code, and the net after-tax amount of the parachute payment is less than the net after-tax amount if the aggregate payment to be made to you were three times your “base amount” (as defined in Section 280G(b)(3) of the Code), less \$1.00, then the aggregate of the amounts constituting the parachute payment shall be reduced to an amount that will equal three times your base amount, less \$1.00. To the extent the aggregate of the amounts constituting the parachute payments are required to be so reduced, the amounts provided under Section 10 of this Agreement shall be reduced (if necessary, to zero) with amounts that are payable reduced first; provided, however, that in all events the payments provided under Section 10 of this Agreement which are not subject to Section 409A shall be reduced first. The determinations to be made with respect to this Section 11(r) shall be made by a certified public accounting firm designated by the Employer.

(s) **Survivability.** The provisions of Sections 8, 10, 11, and 12, as well as Exhibits A and B, shall survive the termination or expiration of this Agreement.

(t) **Counterparts and Electronic Signature.** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which shall constitute one and the same document. The Agreement may be executed by facsimile or other electronic method. If electronic methods are used by the parties to execute this Agreement, the parties agree that the place of sending and receiving this Agreement shall be in the State of California.

(u) **Legal Counsel.** You acknowledge that you have been given the opportunity to consult with legal counsel or any other advisor of your own choosing regarding this Agreement. The Employer shall pay the reasonable costs and expenses of such legal counsel (up to no more than \$25,000) in connection with your onboarding. You understand and agree that any attorney retained by the Employer, the Activision Blizzard Group or any member of management who has discussed any term or condition of this Agreement with you or your advisor is only acting on behalf of the Employer and not on your behalf.

(v) **Right to Negotiate.** You hereby acknowledge that you have been given the opportunity to participate in the negotiation of the terms of this Agreement. You acknowledge and confirm that you have read this Agreement and fully understand its terms and contents, and that you are entering into this agreement voluntarily, with sufficient time to consider the terms and conditions of this Agreement.

(w) **No Broker.** You have given no indication, representation or commitment of any nature to any broker, finder, agent or other third party to the effect that any fees or commissions of any nature are, or under any circumstances might be, payable by the Activision Blizzard Group in connection with your employment under this Agreement.

12. Indemnification

The Employer agrees that it shall indemnify and hold you harmless to the fullest extent permitted by Delaware law from and against any and all third-party liabilities, costs and claims, and all expenses actually and reasonably incurred by you in connection therewith by reason of the fact that you are or were employed by Activision Blizzard, including, without limitation, all costs and expenses actually and reasonably incurred by you in defense of litigation arising out of your employment hereunder.

13. Notices

All notices which either party is required or may desire to give the other shall be in writing and given either personally or by depositing the same in the United States mail addressed to the party to be given notice as follows:

To the Employer: Activision Blizzard, Inc.
3100 Ocean Park Boulevard
Santa Monica, California 90405
Attention: Chief Legal Officer

To You: Grant Dixon
(to be sent to the last known home
address on file with Human Resources)

Either party may by written notice designate a different address for giving of notices. The date of mailing of any such notices shall be deemed to be the date on which such notice is given.

[Signature Page Follows]

ACCEPTED AND AGREED TO:

Employer:

ACTIVISION BLIZZARD, INC.

By: /s/ FRANCES TOWNSEND

Frances Townsend

EVP Corporate Affairs

Date: May 17, 2021

Employee:

By: /s/ GRANT DIXTON

Grant Dixon

Date: May 17, 2021

Exhibit 10.33

As adopted by the Board on
December 3, 2021, effective as of November 22, 2021



**Non-Affiliated Director Compensation Program
and
Stock Ownership Guidelines**

Non-Affiliated Director	For purposes of this program, a “ <i>Non-Affiliated Director</i> ” is any director of the Company that is not also an employee of the Company or any of its subsidiaries.
Cash Compensation	<p><u>Annual Retainers</u></p> <ul style="list-style-type: none"> • Board Member \$90,000 • Chair of the Board \$150,000 • Lead Independent Director \$50,000 • Chair of the Audit Committee \$40,000 • Chair of the Workplace Responsibility Committee \$40,000 • Chair of the Compensation Committee \$40,000 • Chair of the Nominating and Corporate Governance Committee \$30,000 • Audit Committee Member (other than the Chair) \$11,000 • Workplace Responsibility Committee Member (other than the Chair) \$11,000 • Compensation Committee Member (other than the Chair) \$5,500 • Nominating and Corporate Governance Committee Member (other than the Chair) \$5,500 <p><u>Special Assignment Fees</u></p> <ul style="list-style-type: none"> • Per day for special assignments required in connection with board duties (including, without limitation, litigation-related matters, but excluding days on which a director is required to travel to attend meetings) \$5,500 <p><u>Payment Terms</u></p> <ul style="list-style-type: none"> • All cash retainers will generally be paid in arrears in equal quarterly installments no later than the 60th day following the last date of the applicable quarter; <i>provided, however</i>, that in no event shall fees be paid later than the date that is 2½ months following the last date of the Company’s fiscal year for which the retainer relates. • Special Assignment Fees will generally be paid in arrears in equal quarterly installments no later than the 60th day following the last date of the applicable quarter; <i>provided, however</i>, that in no event shall fees be paid later than the date that is 2½ months following the last date of the Company’s fiscal year for which the retainer relates. • Fees will be prorated for partial years of service, with partial months of service credited for full months.

Restricted Stock Units	<p><u>New Appointment/Election RSU Grant</u></p> <ul style="list-style-type: none"> Each newly elected or appointed Non-Affiliated Director will receive a grant of RSUs with a grant date value of \$250,000 (the exact number of RSUs to be determined by dividing \$250,000 by the NASDAQ Official Closing Price of the Company's stock on the date of grant) upon initial election or appointment to the Board. If a Non-Affiliated Director is newly elected or appointed at any time other than at the Board meeting immediately following the annual meeting of shareholders, then the \$250,000 grant date value will be pro-rated by reference to the expected amount of time from the date of such appointment or election until the Company's next annual meeting of stockholders. <p><u>Annual RSU Grant</u></p> <ul style="list-style-type: none"> Each Non-Affiliated Director will receive an annual grant of RSUs with a grant date value of \$250,000 (the exact number of RSUs to be determined by dividing \$250,000 by the NASDAQ Official Closing Price of the Company's stock on the date of grant) upon re-election to the Board. <p><u>Grant Date</u></p> <ul style="list-style-type: none"> RSU grants will be approved by the Board promptly following election, appointment or re-election to the Board and will be made three business days following the date of the Board's approval of such grant. <p><u>Vesting</u></p> <ul style="list-style-type: none"> All RSUs will vest ratably on a quarterly basis over the one-year period from the date of grant. A director must be in continuous active service on each applicable vesting date. Vesting will accelerate on the date of a director's cessation of service due to death or Disability. <p><u>Change of Control</u></p> <ul style="list-style-type: none"> In the event that the director ceases to serve as a member of the Board of Directors pursuant to the terms of any business combination or similar transaction involving the Company, the RSUs will immediately vest as of the date on which the business combination or similar transaction is consummated. <p><u>Dividend Equivalents</u></p> <ul style="list-style-type: none"> The RSUs will not be entitled to receive any payment, payment-in-kind or any equivalent with regard to any cash or other dividends that are declared and paid on the Company's common stock. <p><u>Award Agreement</u></p> <ul style="list-style-type: none"> RSUs will be granted pursuant to the Company's 2014 Incentive Plan and will be subject to the terms of the applicable Non-Affiliated Director stock RSU agreement as in effect at the time of grant.
Expenses	Directors receive reimbursement of business and travel expenses from time to time in accordance with Company policy.
Other Benefits	As determined by the Board from time-to-time.
Affiliated Directors	Directors who are employees of the Company or any of its subsidiaries will not be entitled to compensation as a director.

Plan Administration	The human resources and the legal departments will administer the Non-Affiliated Directors' compensation program.
Non-Affiliated Director Stock Ownership Guidelines	<ul style="list-style-type: none"> Each Non-Affiliated Director is required, within four years following his or her first election to the Board, to beneficially own (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended) shares of the Company's common stock (including any restricted shares of common stock or restricted share units payable in shares of the Company's common stock) having an aggregate value at least equal to five times the amount of the annual cash Board retainer that we then pay such director for regular service on the Board. For purposes of determining compliance with the share ownership guidelines, the aggregate value of the shares owned by the director is calculated as of January 2nd of each applicable year (or if such date is not a trading date, the next trading date) based on the higher of: <ul style="list-style-type: none"> the NASDAQ Official Closing Price of the Company's common stock on that day; and the NASDAQ Official Closing Price of the Company's common stock on the date of grant (or if such date is not a trading date, the next trading date), for any shares awarded to the director by the Company, and the actual cost to the director, for any other shares (e.g., with respect to shares acquired through the exercise of stock options, the exercise price). Non-Affiliated Directors are subject to these guidelines for as long as they continue to serve on the Board.

MAJOR SUBSIDIARIES OF THE REGISTRANT AT DECEMBER 31, 2021

Name of Subsidiary	State or Other Jurisdiction of Incorporation or Organization
Activision Blizzard International B.V.	Netherlands
Activision Blizzard Media Limited	United Kingdom
Activision Blizzard UK Limited	United Kingdom
Activision Publishing, Inc.	U.S.-Delaware
Infinity Ward, Inc.	U.S.-Delaware
Blizzard Entertainment, Inc.	U.S.-Delaware
Blizzard Entertainment SAS	France
King.com (US), LLC	U.S.-Delaware
King.com Limited	Malta
Midasplayer AB	Sweden
Midasplayer.com Limited	United Kingdom

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-233617) and Form S-8 (No. 333-153661, 333-165123, 333-167428, 333-196956, 333-209825 and 333-209864) of Activision Blizzard, Inc. of our report dated February 25, 2022 relating to the financial statements and financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Los Angeles, California
February 25, 2022

CERTIFICATION

I, Robert A. Kotick, certify that:

1. I have reviewed this Annual Report on Form 10-K of Activision Blizzard, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2022

/s/ ROBERT A. KOTICK

Robert A. Kotick
Chief Executive Officer and
Principal Executive Officer of
Activision Blizzard, Inc.

CERTIFICATION

I, Armin Zerza, certify that:

1. I have reviewed this Annual Report on Form 10-K of Activision Blizzard, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2022

/s/ ARMIN ZERZA

Armin Zerza

Chief Financial Officer and Principal Financial Officer of
Activision Blizzard, Inc.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Activision Blizzard, Inc. (the "Company") on Form 10-K for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert A. Kotick, Chief Executive Officer and Principal Executive Officer of the Company, certify, to my knowledge, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 25, 2022

/s/ ROBERT A. KOTICK

Robert A. Kotick
*Chief Executive Officer and
Principal Executive Officer of
Activision Blizzard, Inc.*

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Activision Blizzard, Inc. (the "Company") on Form 10-K for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Armin Zerza, Chief Financial Officer and Principal Financial Officer of the Company, certify, to my knowledge, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 25, 2022

/s/ ARMIN ZERZA

Armin Zerza

*Chief Financial Officer and Principal Financial Officer of
Activision Blizzard, Inc.*

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.