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

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Quarterly Period Ended September 30, 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.)
N/A	**N/A**
(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

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, 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	☒	Non-accelerated Filer	☐	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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of the registrant's Common Stock outstanding at October 26, 2021 was 778,888,584.

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES

Table of Contents

CAUTIONARY STATEMENT

This Quarterly Report on Form 10-Q 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 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. Such factors include, but are not limited to: the ongoing global impact of a novel strain of coronavirus which emerged in December 2019 ("COVID-19") (including, without limitation, the potential for significant short- and long-term global unemployment and economic weakness and a resulting impact on global discretionary spending; potential strain on the retailers, distributors, and manufacturers who sell our physical products to customers and the platform providers on whose networks and consoles certain of our games are available; effects on our ability to release our content in a timely manner; effects on the operations of our professional esports leagues; the impact of large-scale intervention by the Federal Reserve and other central banks around the world, including the impact on interest rates; increased demand for our games due to stay-at-home orders and curtailment of other forms of entertainment, which may not be sustained and is likely to fluctuate as stay-at-home orders are reduced, lifted and/or reinstated; macroeconomic impacts arising from the long duration of the COVID-19 pandemic, including labor shortages and supply chain disruptions; and volatility in foreign exchange rates); our ability to consistently deliver popular, high-quality titles in a timely manner, which has been made more difficult as a result of the COVID-19 pandemic; competition; concentration of revenue among a small number of franchises; our ability to satisfy the expectations of consumers with respect to our brands, games, services, and/or business practices; our ability to attract, retain, and motivate skilled personnel; rapid changes in technology and industry standards; increasing importance of revenues derived from digital distribution channels; risks associated with the retail sales business model; the continued growth in the scope and complexity of our business; substantial influence of third-party platform providers over our products and costs; success and availability of video game consoles manufactured by third parties, including our ability to predict the consoles that will be most successful in the marketplace and develop commercially-successful products for those consoles; risks associated with the free-to-play business model, including our dependence on a relatively small number of consumers for a significant portion of revenues and profits from any given game; our ability to realize the expected benefits of, and effectively implement and manage, our restructuring actions; difficulties in integrating acquired businesses or otherwise realizing the anticipated benefits of strategic transactions; the seasonality in the sale of our products; risks relating to behavior of our distributors, retailers, development, and licensing partners, or other affiliated third parties that may harm our brands or business operations; risks associated with our use of open source software; risks and uncertainties of conducting business outside the United States (the "U.S."), including the recently enacted Chinese regulation that further limits the number of hours per week children under the age of 18 can play video games; risks associated with undisclosed content or features that may result in consumers' refusal to buy or retailers' refusal to sell our products; risks associated with objectionable consumer- or other third-party-created content; reliance on servers and networks to distribute and operate our games and our proprietary online gaming service; data breaches and other cybersecurity risks; significant disruption during our live events; risks related to the impacts of catastrophic events, including the susceptibility of some of our primary operating locations to earthquakes; provisions in our corporate documents that may make it more difficult for any person to acquire control of our company; risks and costs associated with legal proceedings, including the impact of the complaint filed by the California Department of Fair Employment and Housing alleging violations of the California Fair Employment and Housing Act and the California Equal Pay Act and separate investigations and complaints by other parties and regulators related to certain employment practices and related disclosures; court approval of our settlement agreement with the Equal Employment Opportunity Commission ("EEOC") and successful implementation of the requirements of the agreement with the EEOC; intellectual property claims; increasing regulation in key territories; regulation relating to the Internet, including potential harm from laws impacting "net neutrality"; regulation concerning data privacy, including China's recently passed Personal Information Protection Law; scrutiny regarding the appropriateness of our games' content, including ratings assigned by third parties; changes in tax rates or exposure to additional tax liabilities, as well as the outcome of current or future tax disputes; fluctuations in currency exchange rates; impacts of changes in financial accounting standards; insolvency or business failure of any of our business partners, which has been magnified as a result of the COVID-19 pandemic; risks associated with our reliance on discretionary spending; and the other factors identified in "Risk Factors" included in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2020 and Part II, Item 1A of this Quarterly Report on Form 10-Q for the quarter ended September 30, 2021.

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 Quarterly Report on Form 10-Q 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 Quarterly Report on Form 10-Q refer to U.S. dollars unless otherwise explicitly stated to the contrary.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

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

	At September 30, 2021	At December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 9,718	$ 8,647
Accounts receivable, net of allowances of $36 and $83, at September 30, 2021 and December 31, 2020, respectively	585	1,052
Software development	227	352
Other current assets	681	514
Total current assets	11,211	10,565
Software development	349	160
Property and equipment, net	171	209
Deferred income taxes, net	1,400	1,318
Other assets	632	641
Intangible assets, net	449	451
Goodwill	9,765	9,765
Total assets	$ 23,977	$ 23,109
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 248	$ 295
Deferred revenues	844	1,689
Accrued expenses and other liabilities	924	1,116
Total current liabilities	2,016	3,100
Long-term debt, net	3,607	3,605
Deferred income taxes, net	433	418
Other liabilities	971	949
Total liabilities	7,027	8,072
Commitments and contingencies (Note 17)		
Shareholders' equity:		
Common stock, $0.000001 par value, 2,400,000,000 shares authorized, 1,207,443,667 and 1,202,906,087 shares issued at September 30, 2021 and December 31, 2020, respectively	—	—
Additional paid-in capital	11,640	11,531
Less: Treasury stock, at cost, 428,676,471 shares at September 30, 2021 and December 31, 2020	(5,563)	(5,563)
Retained earnings	11,460	9,691
Accumulated other comprehensive loss	(587)	(622)
Total shareholders' equity	16,950	15,037
Total liabilities and shareholders' equity	$ 23,977	$ 23,109

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

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Net revenues				
Product sales	$ 423	$ 408	$ 1,666	$ 1,484
In-game, subscription, and other revenues	1,647	1,546	4,974	4,190
Total net revenues	2,070	1,954	6,640	5,674
Costs and expenses				
Cost of revenues—product sales:				
Product costs	120	101	375	357
Software royalties, amortization, and intellectual property licenses	72	37	272	152
Cost of revenues—in-game, subscription, and other:				
Game operations and distribution costs	307	290	925	819
Software royalties, amortization, and intellectual property licenses	28	41	87	115
Product development	329	274	1,016	802
Sales and marketing	244	238	727	722
General and administrative	143	186	614	529
Restructuring and related costs	3	9	46	39
Total costs and expenses	1,246	1,176	4,062	3,535
Operating income	824	778	2,578	2,139
Interest and other expense (income), net (Note 13)	65	25	52	55
Loss on extinguishment of debt	—	31	—	31
Income before income tax expense	759	722	2,526	2,053
Income tax expense	120	118	391	365
Net income	$ 639	$ 604	$ 2,135	$ 1,688
Earnings per common share				
Basic	$ 0.82	$ 0.78	$ 2.75	$ 2.19
Diluted	$ 0.82	$ 0.78	$ 2.72	$ 2.17
Weighted-average number of shares outstanding				
Basic	778	772	777	771
Diluted	783	779	784	777

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

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	**2020**	**2021**	**2020**
Net income	$ 639	$ 604	$ 2,135	$ 1,688
Other comprehensive income (loss):				
Foreign currency translation adjustments, net of tax	(14)	21	(8)	11
Unrealized gains (losses) on forward contracts designated as hedges, net of tax	14	(18)	40	(26)
Unrealized gains (losses) on available-for-sale securities, net of tax	6	(2)	3	1
Total other comprehensive income (loss)	$ 6	$ 1	$ 35	$ (14)
Comprehensive income	$ 645	$ 605	$ 2,170	$ 1,674

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

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

	For the Nine Months Ended September 30,	
	2021	**2020**
Cash flows from operating activities:		
Net income	$ 2,135	$ 1,688
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes	(82)	(13)
Non-cash operating lease cost	46	48
Depreciation and amortization	88	152
Amortization of capitalized software development costs and intellectual property licenses (1)	256	141
Share-based compensation expense (2)	259	138
Realized and unrealized gain on equity investment (Note 6)	(36)	(3)
Other	(3)	15
Changes in operating assets and liabilities:		
Accounts receivable, net	462	225
Software development and intellectual property licenses	(303)	(300)
Other assets	(88)	(179)
Deferred revenues	(818)	(322)
Accounts payable	(46)	(71)
Accrued expenses and other liabilities	(117)	(407)
Net cash provided by operating activities	1,753	1,112
Cash flows from investing activities:		
Proceeds from maturities of available-for-sale investments	120	36
Proceeds from sale of available-for-sale investments	66	—
Purchases of available-for-sale investments	(248)	(158)
Capital expenditures	(59)	(56)
Other investing activities	20	—
Net cash used in investing activities	(101)	(178)
Cash flows from financing activities:		
Proceeds from issuance of common stock to employees	78	114
Tax payment related to net share settlements on restricted stock units	(246)	(41)
Dividends paid	(365)	(316)
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	(533)	653
Effect of foreign exchange rate changes on cash and cash equivalents	(35)	32
Net increase (decrease) in cash and cash equivalents and restricted cash	1,084	1,619
Cash and cash equivalents and restricted cash at beginning of period	8,652	5,798
Cash and cash equivalents and restricted cash at end of period	$ 9,736	$ 7,417

(1) Excludes deferral and amortization of share-based compensation expense.
(2) Includes the net effects of capitalization, deferral, and amortization of share-based compensation expense.

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

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the Three and Nine Months Ended September 30, 2021
(Unaudited)
(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, 2020	**1,203**	**$ —**	**(429)**	**$ (5,563)**	**$ 11,531**	**$ 9,691**	**$ (622)**	**$ 15,037**
Components of comprehensive income:								
Net income	—	—	—	—	—	619	—	619
Other comprehensive income (loss)	—	—	—	—	—	—	22	22
Issuance of common stock pursuant to employee stock options	1	—	—	—	33	—	—	33
Issuance of common stock pursuant to restricted stock units	4	—	—	—	—	—	—	—
Restricted stock surrendered for employees' tax liability	(2)	—	—	—	(165)	—	—	(165)
Share-based compensation expense related to employee stock options and restricted stock units	—	—	—	—	150	—	—	150
Dividends ($0.47 per common share)	—	—	—	—	—	(365)	—	(365)
Balance at March 31, 2021	**1,206**	**$ —**	**(429)**	**$ (5,563)**	**$ 11,549**	**$ 9,945**	**$ (600)**	**$ 15,331**
Components of comprehensive income:								
Net income	—	—	—	—	—	876	—	876
Other comprehensive income (loss)	—	—	—	—	—	—	7	7
Issuance of common stock pursuant to employee stock options	—	—	—	—	33	—	—	33
Restricted stock surrendered for employees' tax liability	—	—	—	—	(7)	—	—	(7)
Share-based compensation expense related to employee stock options and restricted stock units	—	—	—	—	46	—	—	46
Balance at June 30, 2021	**1,206**	**$ —**	**(429)**	**$ (5,563)**	**$ 11,621**	**$ 10,821**	**$ (593)**	**$ 16,286**
Components of comprehensive income:								
Net income	—	—	—	—	—	639	—	639
Other comprehensive income (loss)	—	—	—	—	—	—	6	6
Issuance of common stock pursuant to employee stock options	—	—	—	—	12	—	—	12
Issuance of common stock pursuant to restricted stock units	2	—	—	—	—	—	—	—
Restricted stock surrendered for employees' tax liability	(1)	—	—	—	(73)	—	—	(73)
Share-based compensation expense related to employee stock options and restricted stock units	—	—	—	—	80	—	—	80
Balance at September 30, 2021	**1,207**	**$ —**	**(429)**	**$ (5,563)**	**$ 11,640**	**$ 11,460**	**$ (587)**	**$ 16,950**

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

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the Three and Nine Months Ended September 30, 2020
(Unaudited)
(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, 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	—	—	—	—	—	505	—	505
Other comprehensive income (loss)	—	—	—	—	—	—	(9)	(9)
Issuance of common stock pursuant to employee stock options	1	—	—	—	27	—	—	27
Issuance of common stock pursuant to restricted stock units	1	—	—	—	—	—	—	—
Restricted stock surrendered for employees' tax liability	—	—	—	—	(31)	—	—	(31)
Share-based compensation expense related to employee stock options and restricted stock units	—	—	—	—	43	—	—	43
Dividends ($0.41 per common share)	—	—	—	—	—	(316)	—	(316)
Balance at March 31, 2020	**1,199**	**$ —**	**(429)**	**$ (5,563)**	**$ 11,213**	**$ 7,999**	**$ (628)**	**$ 13,021**
Components of comprehensive income:								
Net income	—	—	—	—	—	580	—	580
Other comprehensive income (loss)	—	—	—	—	—	—	(6)	(6)
Issuance of common stock pursuant to employee stock options	1	—	—	—	44	—	—	44
Restricted stock surrendered for employees' tax liability	—	—	—	—	(3)	—	—	(3)
Share-based compensation expense related to employee stock options and restricted stock units	—	—	—	—	46	—	—	46
Balance at June 30, 2020	**1,200**	**$ —**	**(429)**	**$ (5,563)**	**$ 11,300**	**$ 8,579**	**$ (634)**	**$ 13,682**
Components of comprehensive income:								
Net income	—	—	—	—	—	604	—	604
Other comprehensive income (loss)	—	—	—	—	—	—	1	1
Issuance of common stock pursuant to employee stock options	1	—	—	—	43	—	—	43
Restricted stock surrendered for employees' tax liability	—	—	—	—	(6)	—	—	(6)
Share-based compensation expense related to employee stock options and restricted stock units	—	—	—	—	58	—	—	58
Balance at September 30, 2020	**1,201**	**$ —**	**(429)**	**$ (5,563)**	**$ 11,395**	**$ 9,183**	**$ (633)**	**$ 14,382**

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

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Description of Business and Basis of Consolidation and Presentation

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 service, 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: World of Warcraft®, a subscription-based massive multi-player online role-playing franchise; Hearthstone®, an online collectible card franchise 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 the mobile platform. 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.

Basis of Consolidation and Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission and accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim reporting. Accordingly, certain notes or other information that are normally required by U.S. GAAP have been condensed or omitted if they substantially duplicate the disclosures contained in our annual audited consolidated financial statements. Additionally, the year-end condensed consolidated balance sheet data was derived from audited financial statements but does not include all disclosures required by U.S. GAAP. Accordingly, the unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2020.

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Generally, making these estimates and developing our assumptions requires consideration of forecasted information, which, in context of the COVID-19 pandemic and the ongoing recovery, involves additional uncertainty. While there was no material impact to our estimates in the current period, in future periods, facts and circumstances could change and impact our estimates. Additionally, actual results could differ from these estimates and assumptions. In the opinion of management, all adjustments considered necessary for the fair statement of our financial position and results of operations in accordance with U.S. GAAP (consisting of normal recurring adjustments) have been included in the accompanying unaudited condensed consolidated financial statements.

The accompanying condensed consolidated financial statements include the accounts and operations of the Company. All intercompany accounts and transactions have been eliminated.

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

2. 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 intraperiod 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 condensed consolidated financial statements.

3. Software Development and Intellectual Property Licenses

Our total capitalized software development costs of $576 million and $512 million, as of September 30, 2021 and December 31, 2020, respectively, primarily relate to internal development costs. As of both September 30, 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 Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Amortization of capitalized software development costs and intellectual property licenses	$ 71	$ 37	$ 270	$ 149

4. Intangible Assets, Net

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

	At September 30, 2021			
	Estimated useful lives	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	(64)	16
Total definite-lived intangible assets (1)		$ 1,234	$ (1,218)	$ 16
Acquired indefinite-lived intangible assets:				
Activision trademark	Indefinite			$ 386
Acquired trade names	Indefinite			47
Total indefinite-lived intangible assets				$ 433
Total intangible assets, net				$ 449

(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.

	At December 31, 2020			
	Estimated useful lives	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		$ 1,828	$ (1,810)	$ 18
Acquired indefinite-lived intangible assets:				
Activision trademark	Indefinite			$ 386
Acquired trade names	Indefinite			47
Total indefinite-lived intangible assets				$ 433
Total intangible assets, net				$ 451

Amortization expense of our intangible assets was $2 million and $8 million for the three and nine months ended September 30, 2021, respectively. Amortization expense of our intangible assets was $16 million and $62 million for the three and nine months ended September 30, 2020, respectively.

5. Goodwill

The carrying amount of goodwill by reportable segment at both September 30, 2021 and December 31, 2020, was as follows (amounts in millions):

	Activision	Blizzard	King	Total
Goodwill	$ 6,899	$ 190	$ 2,676	$ 9,765

6. 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 September 30, 2021 Using			
	As of September 30, 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	$ 9,422	$ 9,422	$ —	$ —	Cash and cash equivalents
Foreign government treasury bills	29	29	—	—	Cash and cash equivalents
U.S. treasuries and government agency securities	224	224	—	—	Other current assets
Equity securities	58	58	—	—	Other current assets
Foreign currency forward contracts designated as hedges	15	—	15	—	Other current assets & Other assets
Foreign currency forward contracts not designated as hedges	6	—	6	—	Other current assets
Total	$ 9,754	$ 9,733	$ 21	$ —	
Financial Liabilities:					
Foreign currency forward contracts designated as hedges	$ (3)	$ —	$ (3)	$ —	Accrued expenses and other liabilities

	As of December 31, 2020	Fair Value Measurements at December 31, 2020 Using: 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	$ 8,543	$ 8,543	$ —	$ —	
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	$ (26)	$ —	$ (26)	$ —	

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 14 months or less as of September 30, 2021, are as follows (amounts in millions):

	As of September 30, 2021		As of December 31, 2020	
	Notional amount	Fair value gain (loss)	Notional amount	Fair value gain (loss)
Foreign Currency:				
Buy USD, Sell EUR	$ 700	$ 12	$ 542	$ (24)

For the three and nine months ended September 30, 2021 and September 30, 2020, 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 September 30, 2021		As of December 31, 2020	
	Notional amount	Fair value gain (loss)	Notional amount	Fair value gain (loss)
Foreign Currency:				
Buy USD, Sell EUR	$ 68	$ 3	$ —	$ —
Buy USD, Sell GBP	$ 144	$ 3	$ 116	$ (2)

For the three and nine months ended September 30, 2021 and September 30, 2020, 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 September 30, 2021, the carrying value of the investment was $58 million and was classified within “Other current assets” in our condensed consolidated balance sheets. The realized and unrealized gains were recorded within “Interest and other expense (income), net” in our condensed consolidated statement of operations (refer to Note 13) for the three and nine months ended September 30, 2021.

7. 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 September 30, 2021 and December 31, 2020, were $0.9 billion and $1.7 billion, respectively. For the nine months ended September 30, 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 three and nine months ended September 30, 2021, $87 million and $1.7 billion of revenues, respectively, were recognized that were included in the deferred revenues balance at December 31, 2020. During the three and nine months ended September 30, 2020, $54 million and $1.3 billion of revenues, respectively, were recognized that were included in the deferred revenues balance at December 31, 2019.

As of September 30, 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, $0.2 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.

8. Debt

Credit Facilities

As of September 30, 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 and we were in compliance with the terms of the Credit Agreement as of September 30, 2021.

Refer to Note 13 contained in our Annual Report on Form 10-K for the year ended December 31, 2020 for further details regarding the Credit Agreement and its key terms.

Unsecured Senior Notes

As of September 30, 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):

				At September 30, 2021		At December 31, 2020	
Unsecured Senior Notes	**Interest Rate**	**Semi-Annual Interest Payments Due On**	**Maturity**	**Principal**	**Fair Value (Level 2)**	**Principal**	**Fair Value (Level 2)**
2026 Notes	3.40%	Mar. 15 & Sept. 15	Sept. 2026	$ 850	$ 927	$ 850	$ 970
2027 Notes	3.40%	Jun. 15 & Dec. 15	Jun. 2027	400	439	400	454
2030 Notes	1.35%	Mar. 15 & Sept. 15	Sept. 2030	500	466	500	490
2047 Notes	4.50%	Jun. 15 & Dec. 15	Jun. 2047	400	492	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				$ 3,650		$ 3,650	
Unamortized discount and deferred financing costs				(43)		(45)	
Total net carrying amount				$ 3,607		$ 3,605	

We were in compliance with the terms of the notes outstanding as of September 30, 2021. As of September 30, 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.

Refer to Note 13 contained in our Annual Report on Form 10-K for the year ended December 31, 2020 for further details regarding key terms under our indentures that govern our outstanding notes.

9. Accumulated Other Comprehensive Income (Loss)

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

	For the Nine Months Ended September 30, 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	(8)	—	27	19
Amounts reclassified from accumulated other comprehensive income (loss) into earnings	—	3	13	16
Balance at September 30, 2021	$ (597)	$ (2)	$ 12	$ (587)

	For the Nine Months Ended September 30, 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	13	—	(19)	(6)
Amounts reclassified from accumulated other comprehensive income (loss) into earnings	(2)	1	(7)	(8)
Balance at September 30, 2020	$ (613)	$ (2)	$ (18)	$ (633)

10. 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; 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.

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 for the three months ended September 30, 2021 and 2020, are presented below (amounts in millions):

	Three Months Ended September 30, 2021			
	Activision	Blizzard	King	Total
Segment Revenues				
Net revenues from external customers	$ 641	$ 478	$ 652	$ 1,771
Intersegment net revenues (1)	—	15	—	15
Segment net revenues	$ 641	$ 493	$ 652	$ 1,786
Segment operating income	$ 244	$ 188	$ 303	$ 735

	Three Months Ended September 30, 2020			
	Activision	Blizzard	King	Total
Segment Revenues				
Net revenues from external customers	$ 773	$ 393	$ 536	$ 1,702
Intersegment net revenues (1)	—	18	—	18
Segment net revenues	$ 773	$ 411	$ 536	$ 1,720
Segment operating income	$ 345	$ 133	$ 248	$ 726

Information on reportable segment net revenues and operating income for the nine months ended September 30, 2021 and 2020, are presented below (amounts in millions):

	Nine Months Ended September 30, 2021			
	Activision	Blizzard	King	Total
Segment Revenues				
Net revenues from external customers	$ 2,321	$ 1,347	$ 1,896	$ 5,564
Intersegment net revenues (1)	—	62	—	62
Segment net revenues	$ 2,321	$ 1,409	$ 1,896	$ 5,626
Segment operating income	$ 1,049	$ 537	$ 755	$ 2,341

	Nine Months Ended September 30, 2020			
	Activision	Blizzard	King	Total
Segment Revenues				
Net revenues from external customers	$ 2,285	$ 1,264	$ 1,587	$ 5,136
Intersegment net revenues (1)	—	62	—	62
Segment net revenues	$ 2,285	$ 1,326	$ 1,587	$ 5,198
Segment operating income	$ 1,088	$ 533	$ 615	$ 2,236

(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):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Reconciliation to consolidated net revenues:				
Segment net revenues	$ 1,786	$ 1,720	$ 5,626	$ 5,198
Revenues from non-reportable segments (1)	109	65	303	232
Net effect from recognition (deferral) of deferred net revenues (2)	190	187	773	306
Elimination of intersegment revenues (3)	(15)	(18)	(62)	(62)
Consolidated net revenues	$ 2,070	$ 1,954	$ 6,640	$ 5,674
Reconciliation to consolidated income before income tax expense:				
Segment operating income	$ 735	$ 726	$ 2,341	$ 2,236
Operating income (loss) from non-reportable segments (1)	4	(20)	(12)	(27)
Net effect from recognition (deferral) of deferred net revenues and related cost of revenues (2)	154	150	562	169
Share-based compensation expense	(64)	(53)	(259)	(138)
Amortization of intangible assets	(2)	(16)	(8)	(62)
Restructuring and related costs (Note 12)	(3)	(9)	(46)	(39)
Consolidated operating income	824	778	2,578	2,139
Interest and other expense (income), net	65	25	52	55
Loss on extinguishment of debt	—	31	—	31
Consolidated income before income tax expense	$ 759	$ 722	$ 2,526	$ 2,053

(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.

Net revenues by distribution channel, including a reconciliation to each of our reportable segment's revenues, for the three months ended September 30, 2021 and 2020, were as follows (amounts in millions):

	Three Months Ended September 30, 2021					
	Activision	**Blizzard**	**King**	**Non-reportable segments**	**Elimination of intersegment revenues (3)**	**Total**
Net revenues by distribution channel:						
Digital online channels (1)	$ 723	$ 493	$ 651	$ —	$ (15)	$ 1,852
Retail channels	63	6	—	—	—	69
Other (2)	8	33	—	108	—	149
Total consolidated net revenues	$ 794	$ 532	$ 651	$ 108	$ (15)	$ 2,070
Change in deferred revenues:						
Digital online channels (1)	$ (128)	$ (37)	$ 1	$ —	$ —	$ (164)
Retail channels	(25)	(2)	—	—	—	(27)
Other (2)	—	—	—	1	—	1
Total change in deferred revenues	$ (153)	$ (39)	$ 1	$ 1	$ —	$ (190)
Segment net revenues:						
Digital online channels (1)	$ 595	$ 456	$ 652	$ —	$ (15)	$ 1,688
Retail channels	38	4	—	—	—	42
Other (2)	8	33	—	109	—	150
Total segment net revenues	$ 641	$ 493	$ 652	$ 109	$ (15)	$ 1,880

	Three Months Ended September 30, 2020					
	Activision	Blizzard	King	Non-reportable segments	Elimination of intersegment revenues (3)	Total
Net revenues by distribution channel:						
Digital online channels (1)	$ 826	$ 405	$ 540	$ —	$ (18)	$ 1,753
Retail channels	110	7	—	—	—	117
Other (2)	8	11	—	65	—	84
Total consolidated net revenues	$ 944	$ 423	$ 540	$ 65	$ (18)	$ 1,954
Change in deferred revenues:						
Digital online channels (1)	$ (130)	$ (14)	$ (4)	$ —	$ —	$ (148)
Retail channels	(41)	2	—	—	—	(39)
Other (2)	—	—	—	—	—	—
Total change in deferred revenues	$ (171)	$ (12)	$ (4)	$ —	$ —	$ (187)
Segment net revenues:						
Digital online channels (1)	$ 696	$ 391	$ 536	$ —	$ (18)	$ 1,605
Retail channels	69	9	—	—	—	78
Other (2)	8	11	—	65	—	84
Total segment net revenues	$ 773	$ 411	$ 536	$ 65	$ (18)	$ 1,767

Net revenues by distribution channel, including a reconciliation to each of our reportable segment's revenues, for the nine months ended September 30, 2021 and 2020, were as follows (amounts in millions):

	Nine Months Ended September 30, 2021					
	Activision	Blizzard	King	Non-reportable segments	Elimination of intersegment revenues (3)	Total
Net revenues by distribution channel:						
Digital online channels (1)	$ 2,625	$ 1,426	$ 1,894	$ —	$ (62)	$ 5,883
Retail channels	334	20	—	—	—	354
Other (2)	38	71	—	294	—	403
Total consolidated net revenues	$ 2,997	$ 1,517	$ 1,894	$ 294	$ (62)	$ 6,640
Change in deferred revenues:						
Digital online channels (1)	$ (491)	$ (101)	$ 2	$ —	$ —	$ (590)
Retail channels	(185)	(7)	—	—	—	(192)
Other (2)	—	—	—	9	—	9
Total change in deferred revenues	$ (676)	$ (108)	$ 2	$ 9	$ —	$ (773)
Segment net revenues:						
Digital online channels (1)	$ 2,134	$ 1,325	$ 1,896	$ —	$ (62)	$ 5,293
Retail channels	149	13	—	—	—	162
Other (2)	38	71	—	303	—	412
Total segment net revenues	$ 2,321	$ 1,409	$ 1,896	$ 303	$ (62)	$ 5,867

	Nine Months Ended September 30, 2020					
	Activision	Blizzard	King	Non-reportable segments	Elimination of intersegment revenues (3)	Total
Net revenues by distribution channel:						
Digital online channels (1)	$ 2,054	$ 1,203	$ 1,587	$ —	$ (62)	$ 4,782
Retail channels	485	23	1	—	—	509
Other (2)	55	87	—	241	—	383
Total consolidated net revenues	$ 2,594	$ 1,313	$ 1,588	$ 241	$ (62)	$ 5,674
Change in deferred revenues:						
Digital online channels (1)	$ (16)	$ 16	$ (1)	$ —	$ —	$ (1)
Retail channels	(293)	(2)	—	—	—	(295)
Other (2)	—	(1)	—	(9)	—	(10)
Total change in deferred revenues	$ (309)	$ 13	$ (1)	$ (9)	$ —	$ (306)
Segment net revenues:						
Digital online channels (1)	$ 2,038	$ 1,219	$ 1,586	$ —	$ (62)	$ 4,781
Retail channels	192	21	1	—	—	214
Other (2)	55	86	—	232	—	373
Total segment net revenues	$ 2,285	$ 1,326	$ 1,587	$ 232	$ (62)	$ 5,368

(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, for the three months ended September 30, 2021 and 2020, were as follows (amounts in millions):

	Three Months Ended September 30, 2021					
	Activision	**Blizzard**	**King**	**Non-reportable segments**	**Elimination of intersegment revenues (2)**	**Total**
Net revenues by geographic region:						
Americas	$ 515	$ 243	$ 417	$ —	$ (9)	$ 1,166
EMEA (1)	187	166	163	108	(5)	619
Asia Pacific	92	123	71	—	(1)	285
Total consolidated net revenues	$ 794	$ 532	$ 651	$ 108	$ (15)	$ 2,070
Change in deferred revenues:						
Americas	$ (110)	$ (27)	$ 1	$ —	$ —	$ (136)
EMEA (1)	(42)	(22)	—	1	—	(63)
Asia Pacific	(1)	10	—	—	—	9
Total change in deferred revenues	$ (153)	$ (39)	$ 1	$ 1	$ —	$ (190)
Segment net revenues:						
Americas	$ 405	$ 216	$ 418	$ —	$ (9)	$ 1,030
EMEA (1)	145	144	163	109	(5)	556
Asia Pacific	91	133	71	—	(1)	294
Total segment net revenues	$ 641	$ 493	$ 652	$ 109	$ (15)	$ 1,880

	Three Months Ended September 30, 2020					
	Activision	**Blizzard**	**King**	**Non-reportable segments**	**Elimination of intersegment revenues (2)**	**Total**
Net revenues by geographic region:						
Americas	$ 595	$ 192	$ 350	$ —	$ (10)	$ 1,127
EMEA (1)	263	131	136	65	(6)	589
Asia Pacific	86	100	54	—	(2)	238
Total consolidated net revenues	$ 944	$ 423	$ 540	$ 65	$ (18)	$ 1,954
Change in deferred revenues:						
Americas	$ (77)	$ (4)	$ (4)	$ —	$ (1)	$ (86)
EMEA (1)	(68)	(8)	—	—	1	(75)
Asia Pacific	(26)	—	—	—	—	(26)
Total change in deferred revenues	$ (171)	$ (12)	$ (4)	$ —	$ —	$ (187)
Segment net revenues:						
Americas	$ 518	$ 188	$ 346	$ —	$ (11)	$ 1,041
EMEA (1)	195	123	136	65	(5)	514
Asia Pacific	60	100	54	—	(2)	212
Total segment net revenues	$ 773	$ 411	$ 536	$ 65	$ (18)	$ 1,767

Net revenues by geographic region, including a reconciliation to each of our reportable segment's net revenues, for the nine months ended September 30, 2021 and 2020, were as follows (amounts in millions):

	Nine Months Ended September 30, 2021					
	Activision	Blizzard	King	Non-reportable segments	Elimination of intersegment revenues (2)	Total
Net revenues by geographic region:						
Americas	$ 1,942	$ 698	$ 1,215	$ —	$ (36)	$ 3,819
EMEA (1)	780	507	485	294	(21)	2,045
Asia Pacific	275	312	194	—	(5)	776
Total consolidated net revenues	$ 2,997	$ 1,517	$ 1,894	$ 294	$ (62)	$ 6,640
Change in deferred revenues:						
Americas	$ (420)	$ (57)	$ 2	$ —	$ —	$ (475)
EMEA (1)	(213)	(55)	(1)	9	—	(260)
Asia Pacific	(43)	4	1	—	—	(38)
Total change in deferred revenues	$ (676)	$ (108)	$ 2	$ 9	$ —	$ (773)
Segment net revenues:						
Americas	$ 1,522	$ 641	$ 1,217	$ —	$ (36)	$ 3,344
EMEA (1)	567	452	484	303	(21)	1,785
Asia Pacific	232	316	195	—	(5)	738
Total segment net revenues	$ 2,321	$ 1,409	$ 1,896	$ 303	$ (62)	$ 5,867

	Nine Months Ended September 30, 2020					
	Activision	Blizzard	King	Non-reportable segments	Elimination of intersegment revenues (2)	Total
Net revenues by geographic region:						
Americas	$ 1,615	$ 580	$ 1,024	$ —	$ (31)	$ 3,188
EMEA (1)	750	393	407	241	(21)	1,770
Asia Pacific	229	340	157	—	(10)	716
Total consolidated net revenues	$ 2,594	$ 1,313	$ 1,588	$ 241	$ (62)	$ 5,674
Change in deferred revenues:						
Americas	$ (124)	$ 18	$ —	$ —	$ —	$ (106)
EMEA (1)	(146)	(3)	(1)	(9)	—	(159)
Asia Pacific	(39)	(2)	—	—	—	(41)
Total change in deferred revenues	$ (309)	$ 13	$ (1)	$ (9)	$ —	$ (306)
Segment net revenues:						
Americas	$ 1,491	$ 598	$ 1,024	$ —	$ (31)	$ 3,082
EMEA (1)	604	390	406	232	(21)	1,611
Asia Pacific	190	338	157	—	(10)	675
Total segment net revenues	$ 2,285	$ 1,326	$ 1,587	$ 232	$ (62)	$ 5,368

(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% and 50% of consolidated net revenues for the three months ended September 30, 2021 and 2020, respectively. The Company's net revenues in the United Kingdom ("U.K.") were 10% and 9% of consolidated net revenues for the three months ended September 30, 2021 and 2020, respectively. No other country's net revenues exceeded 10% of consolidated net revenues for either the three months ended September 30, 2021 or 2020.

The Company's net revenues in the U.S. were 50% of consolidated net revenues for both the nine months ended September 30, 2021 and 2020. The Company's net revenues in the U.K. were 10% of consolidated net revenues for both the nine months ended September 30, 2021 and 2020. No other country's net revenues exceeded 10% of consolidated net revenues for either the nine months ended September 30, 2021 or 2020.

Net revenues by platform, including a reconciliation to each of our reportable segment's net revenues, for the three months ended September 30, 2021 and 2020, were as follows (amounts in millions):

	Three Months Ended September 30, 2021					
	Activision	Blizzard	King	Non-reportable segments	Elimination of intersegment revenues (3)	Total
Net revenues by platform:						
Console	$ 480	$ 43	$ —	$ —	$ —	$ 523
PC	140	434	19	—	(15)	578
Mobile and ancillary (1)	166	22	632	—	—	820
Other (2)	8	33	—	108	—	149
Total consolidated net revenues	$ 794	$ 532	$ 651	$ 108	$ (15)	$ 2,070
Change in deferred revenues:						
Console	$ (119)	$ 5	$ —	$ —	$ —	$ (114)
PC	(33)	(47)	—	—	—	(80)
Mobile and ancillary (1)	(1)	3	1	—	—	3
Other (2)	—	—	—	1	—	1
Total change in deferred revenues	$ (153)	$ (39)	$ 1	$ 1	$ —	$ (190)
Segment net revenues:						
Console	$ 361	$ 48	$ —	$ —	$ —	$ 409
PC	107	387	19	—	(15)	498
Mobile and ancillary (1)	165	25	633	—	—	823
Other (2)	8	33	—	109	—	150
Total segment net revenues	$ 641	$ 493	$ 652	$ 109	$ (15)	$ 1,880

	Three Months Ended September 30, 2020					
	Activision	Blizzard	King	Non-reportable segments	Elimination of intersegment revenues (3)	Total
Net revenues by platform:						
Console	$ 664	$ 31	$ —	$ —	$ —	$ 695
PC	152	357	23	—	(18)	514
Mobile and ancillary (1)	120	24	517	—	—	661
Other (2)	8	11	—	65	—	84
Total consolidated net revenues	$ 944	$ 423	$ 540	$ 65	$ (18)	$ 1,954
Change in deferred revenues:						
Console	$ (125)	$ (4)	$ —	$ —	$ —	$ (129)
PC	(35)	(9)	(1)	—	—	(45)
Mobile and ancillary (1)	(11)	1	(3)	—	—	(13)
Other (2)	—	—	—	—	—	—
Total change in deferred revenues	$ (171)	$ (12)	$ (4)	$ —	$ —	$ (187)
Segment net revenues:						
Console	$ 539	$ 27	$ —	$ —	$ —	$ 566
PC	117	348	22	—	(18)	469
Mobile and ancillary (1)	109	25	514	—	—	648
Other (2)	8	11	—	65	—	84
Total segment net revenues	$ 773	$ 411	$ 536	$ 65	$ (18)	$ 1,767

Net revenues by platform, including a reconciliation to each of our reportable segment's net revenues, for the nine months ended September 30, 2021 and 2020, were as follows (amounts in millions):

	Nine Months Ended September 30, 2021					
	Activision	Blizzard	King	Non-reportable segments	Elimination of intersegment revenues (3)	Total
Net revenues by platform:						
Console	$ 1,971	$ 90	$ —	$ —	$ —	$ 2,061
PC	532	1,293	64	—	(62)	1,827
Mobile and ancillary (1)	456	63	1,830	—	—	2,349
Other (2)	38	71	—	294	—	403
Total consolidated net revenues	$ 2,997	$ 1,517	$ 1,894	$ 294	$ (62)	$ 6,640
Change in deferred revenues:						
Console	$ (530)	$ —	$ —	$ —	$ —	$ (530)
PC	(145)	(108)	—	—	—	(253)
Mobile and ancillary (1)	(1)	—	2	—	—	1
Other (2)	—	—	—	9	—	9
Total change in deferred revenues	$ (676)	$ (108)	$ 2	$ 9	$ —	$ (773)
Segment net revenues:						
Console	$ 1,441	$ 90	$ —	$ —	$ —	$ 1,531
PC	387	1,185	64	—	(62)	1,574
Mobile and ancillary (1)	455	63	1,832	—	—	2,350
Other (2)	38	71	—	303	—	412
Total segment net revenues	$ 2,321	$ 1,409	$ 1,896	$ 303	$ (62)	$ 5,867

	Nine Months Ended September 30, 2020					
	Activision	Blizzard	King	Non-reportable segments	Elimination of intersegment revenues (3)	Total
Net revenues by platform:						
Console	$ 1,855	$ 89	$ —	$ —	$ —	$ 1,944
PC	423	1,060	73	—	(62)	1,494
Mobile and ancillary (1)	261	77	1,515	—	—	1,853
Other (2)	55	87	—	241	—	383
Total consolidated net revenues	$ 2,594	$ 1,313	$ 1,588	$ 241	$ (62)	$ 5,674
Change in deferred revenues:						
Console	$ (295)	$ (6)	$ —	$ —	$ —	$ (301)
PC	(50)	24	(1)	—	—	(27)
Mobile and ancillary (1)	36	(4)	—	—	—	32
Other (2)	—	(1)	—	(9)	—	(10)
Total change in deferred revenues	$ (309)	$ 13	$ (1)	$ (9)	$ —	$ (306)
Segment net revenues:						
Console	$ 1,560	$ 83	$ —	$ —	$ —	$ 1,643
PC	373	1,084	72	—	(62)	1,467
Mobile and ancillary (1)	297	73	1,515	—	—	1,885
Other (2)	55	86	—	232	—	373
Total segment net revenues	$ 2,285	$ 1,326	$ 1,587	$ 232	$ (62)	$ 5,368

(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 September 30, 2021	At December 31, 2020
Long-lived assets* by geographic region:		
Americas	$ 273	$ 270
EMEA	131	166
Asia Pacific	17	17
Total long-lived assets by geographic region	$ 421	$ 453

* 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.

11. Share-Based Payments

Fair Value 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.

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.

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	(1,677)	46.27		
Forfeited	(700)	63.58		
Expired	(18)	56.58		
Outstanding stock options at September 30, 2021	9,656	$ 57.47	7.18	$ 211
Vested and expected to vest at September 30, 2021	9,260	$ 56.62	7.10	$ 208
Exercisable at September 30, 2021	5,015	$ 45.46	6.00	$ 160

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.

At September 30, 2021, $44 million of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted-average period of 1.10 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	4,657	95.05
Vested	(3,177)	96.63
Forfeited	(1,085)	72.94
Unvested RSUs at September 30, 2021	7,497	$ 86.71

At September 30, 2021, approximately $351 million of total unrecognized compensation cost was related to RSUs and is expected to be recognized over a weighted-average period of 1.56 years. Of the total unrecognized compensation cost, $108 million was related to performance-based RSUs, which is expected to be recognized over a weighted-average period of 1.20 years.

12. 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.

To date, substantially all actions under our plan have been accrued for, with remaining activity primarily being 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 condensed 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, 2020	$ 88	$ —	$ 3	$ 91
Costs charged to expense	24	1	2	27
Cash payments	(9)	—	(1)	(10)
Non-cash charge adjustment	(2)	(1)	(1)	(4)
Balance at March 31, 2021	$ 101	$ —	$ 3	$ 104
Costs charged to expense	3	12	2	17
Cash payments	(11)	—	(2)	(13)
Non-cash charge adjustment	—	(12)	—	(12)
Balance at June 30, 2021	$ 93	$ —	$ 3	$ 96
Costs charged to expense	1	2	1	4
Cash payments	(17)	—	(1)	(18)
Non-cash charge adjustment	(1)	(2)	—	(3)
Balance at September 30, 2021	$ 76	$ —	$ 3	$ 79
Cumulative charges incurred through September 30, 2021	$ 180	$ 50	$ 37	$ 267

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Activision	$ —	$ 1	$ 1	$ 5
Blizzard	4	7	42	30
King	—	1	1	(1)
Other segments (1)	—	—	4	2
Total	$ 4	$ 9	$ 48	$ 36

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

During the three and nine months ended September 30, 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 65% of the aggregate charge), facilities and related costs (approximately 20% of the aggregate charge), and other costs (approximately 15% of the aggregate charge), including charges for restructuring-related fees and the write-down of assets. A substantial majority (approximately 75%) 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 September 30, 2021, and 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 September 30, 2021	Total charges expected as of September 30, 2021
Activision	$ 33	$ 33
Blizzard	186	187
King	20	20
Other segments (1)	33	35
Total	$ 272	$ 275

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

13. Interest and Other Expense (Income), Net

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Interest income	$ (1)	$ (1)	$ (4)	$ (20)
Interest expense from debt and amortization of debt discount and deferred financing costs	27	27	81	72
Realized and unrealized loss (gain) on equity investment (Note 6)	36	(3)	(35)	(3)
Other expense (income), net	3	2	10	6
Interest and other expense (income), net	$ 65	$ 25	$ 52	$ 55

14. Income Taxes

We account for our provision for income taxes in accordance with ASC 740, *Income Taxes*, which requires an estimate of the annual effective tax rate for the full year to be applied to the interim period, taking into account year-to-date amounts and projected results for the full year. The provision for income taxes represents federal, foreign, state, and local income taxes. Our effective tax rate could be different from the statutory U.S. income tax rate due to: the effect of state and local income taxes; tax rates that apply to our foreign income (including U.S. tax on foreign income); research and development credits; and certain nondeductible expenses. Our effective tax rate could fluctuate significantly from quarter to quarter based on recurring and nonrecurring factors including, but not limited to: variations in the estimated and actual level of pre-tax income or loss by jurisdiction; changes in enacted tax laws and regulations, and interpretations thereof, including with respect to tax credits and state and local income taxes; developments in tax audits and other matters; recognition of excess tax benefits and tax deficiencies from share-based payments; and certain nondeductible expenses. Changes in judgment from the evaluation of new information resulting in the recognition, derecognition, or remeasurement of a tax position taken in a prior annual period are recognized separately in the quarter of the change.

The income tax expense of $120 million for the three months ended September 30, 2021, reflects an effective tax rate of 16%, which is comparable to the effective tax rate of 16% for the three months ended September 30, 2020 due to lower U.S. taxes on foreign earnings in the current year offset by the impact of discrete tax benefits from remeasurement of deferred tax assets in the prior year period.

The income tax expense of $391 million for the nine months ended September 30, 2021, reflects an effective tax rate of 15%, which is lower than the effective tax rate of 18% for the nine months ended September 30, 2020. The decrease is primarily due to lower U.S. taxes on foreign earnings.

The effective tax rates of 16% and 15% for the three and nine months ended September 30, 2021, respectively, are lower than the U.S. statutory rate of 21%, primarily due to lower U.S. taxes on foreign earnings and the recognition of excess tax benefits from share-based payments. In addition, a discrete tax benefit was recognized from the remeasurement of a deferred tax asset as a result of a change in the U.K. tax rate for the nine months ended September 30, 2021.

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. We also have several state and non-U.S. audits pending. 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.

We regularly assess the likelihood of adverse outcomes resulting from these examinations and monitor the progress of ongoing discussions with tax authorities in determining the appropriateness of our tax provisions. 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.

15. 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 Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Numerator:				
Consolidated net income	$ 639	$ 604	$ 2,135	$ 1,688
Denominator:				
Denominator for basic earnings per common share—weighted-average common shares outstanding	778	772	777	771
Effect of dilutive stock options and awards under the treasury stock method	5	7	7	6
Denominator for diluted earnings per common share—weighted-average common shares outstanding plus dilutive common shares under the treasury stock method	783	779	784	777
Basic earnings per common share	$ 0.82	$ 0.78	$ 2.75	$ 2.19
Diluted earnings per common share	$ 0.82	$ 0.78	$ 2.72	$ 2.17

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 Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Restricted stock units with performance measures not yet met	3	3	3	2
Anti-dilutive employee stock options	2	—	2	1

16. 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 September 30, 2021, we had not repurchased any shares under this program.

Dividends

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.

17. Commitments and Contingencies

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 (" 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. The California Department of Fair Employment and Housing ("DFEH") has filed a motion to intervene in the matter, seeking to object to the consent decree, including the amount of the settlement fund, and that motion is pending. There can be no assurance that the consent decree will be approved by the Court.

Other Pending Employment-Related Matters

On July 20, 2021, the DFEH filed a complaint ("DFEH Complaint") in the Los Angeles County Superior Court of the State of California against Activision Blizzard, Blizzard Entertainment and Activision Publishing alleging violations of the California Fair Employment and Housing Act and the California Equal Pay Act.

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. Plaintiff purports to represent a class of Activision shareholders who purchased stock between August 4, 2016 and July 27, 2021, and asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 against the Company and three 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. The actions assert claims on the Company's behalf against eleven current or former officers and directors for breach of fiduciary duty, corporate waste and unjust enrichment based on allegations similar to those in the DFEH Complaint and in the securities class action. The Company is named as a nominal defendant.

The Company is cooperating with an investigation by the U.S. Securities and Exchange Commission ("SEC") regarding disclosures on employment matters and related issues including responding to a subpoena 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.

Item 2. 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, 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 service, 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: World of Warcraft®, a subscription-based massive multi-player online role-playing franchise; Hearthstone®, an online collectible card franchise 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 the mobile platform. 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 in some regions since the stay-at-home orders were originally enacted early in 2020, and it is uncertain at this time 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. 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 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Quarterly Report on Form 10-Q.

The full extent of the impact of the COVID-19 pandemic 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 our Annual Report on Form 10-K for the year ended December 31, 2020 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.

Other

As described in Note 17 to the notes to the condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, in July 2021, the California Department of Fair Employment and Housing ("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, and the Company is separately awaiting court approval of a consent decree with the U.S. Equal Employment Opportunity Commission ("EEOC") settling claims against the Company regarding certain employment practices. Subsequently, 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. 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. If we experience significantly reduced productivity, significant continued loss of sponsors, advertisers or players, or other negative consequences relating to these matters, our business could be materially adversely impacted. We are carefully monitoring all aspects of our business for such impacts and continue to take actions to address such concerns.

Business Results and Highlights

Financial Results

For the three months ended September 30, 2021:

- consolidated net revenues increased 6% to $2.1 billion and consolidated operating income increased 6% to $824 million, as compared to consolidated net revenues of $2.0 billion and consolidated operating income of $778 million for the three months ended September 30, 2020; and

- diluted earnings per common share increased 5% to $0.82, as compared to $0.78 for the three months ended September 30, 2020.

For the nine months ended September 30, 2021:

- consolidated net revenues increased 17% to $6.6 billion and consolidated operating income increased 21% to $2.6 billion, as compared to consolidated net revenues of $5.7 billion and consolidated operating income of $2.1 billion in 2020;

- diluted earnings per common share increased 25% to $2.72, as compared to $2.17 in 2020; and

- cash flows from operating activities were approximately $1.8 billion, an increase of 58%, as compared to $1.1 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 three months ended September 30, 2021, include a net effect of $190 million and $154 million, respectively, from the recognition of deferred net revenues and related cost of revenues. Net revenues and operating income for the nine months ended September 30, 2021, include a net effect of $773 million and $562 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 Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Point-in-time (1)	14 %	12 %	11 %	12 %
Over-time and other (2)	86 %	88 %	89 %	88 %

(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.

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 Three Months Ended September 30,			For the Nine Months Ended September 30,		
	2021	**2020**	**Increase (Decrease)**	**2021**	**2020**	**Increase (Decrease)**
Net bookings	$ 1,880	$ 1,767	$ 113	$ 5,867	$ 5,368	$ 499
In-game net bookings	$ 1,198	$ 1,200	$ (2)	$ 3,859	$ 3,529	$ 330

Q3 2021 vs. Q3 2020

Net bookings

The increase in net bookings for the three months ended September 30, 2021, as compared to the three months ended September 30, 2020, was primarily due to:

- a $116 million increase in King net bookings, driven by higher net bookings from in-game player purchases and advertising, primarily in the Candy Crush franchise; and
- a $82 million increase in Blizzard net bookings, driven by higher net bookings from *Diablo® II: Resurrected*™, which was released in September 2021 and is a remastered version of the original action role-playing game title *Diablo II.*

The increase in net bookings was partially offset by a $132 million decrease in Activision net bookings, driven by lower net bookings from (1) *Call of Duty: Black Ops Cold War* (which was released in November 2020, and when referred to herein, is inclusive of *Call of Duty: Warzone*™ following the release of *Call of Duty: Black Ops Cold War* Season 1 content on December 16, 2020), as compared to *Call of Duty: Modern Warfare®* (which was released in October 2019, and when referred to herein, is inclusive of *Call of Duty: Warzone* from its release in March 2020 through December 16, 2020), and (2) *Tony Hawk's*™ *Pro Skater*™ *1 + 2*, which was released in September 2020, partially offset by higher net bookings from *Call of Duty: Modern Warfare*, as compared to *Call of Duty: Black Ops 4*, which was released in October 2018.

In-game net bookings

In-game net bookings for the three months ended September 30, 2021, were comparable to those for the three months ended September 30, 2020, as an $87 million decrease in Activision in-game net bookings, driven by lower in-game net bookings from *Call of Duty: Black Ops Cold War*, as compared to *Call of Duty: Modern Warfare*, was largely offset by a $75 million increase in King in-game net bookings, driven by the Candy Crush franchise.

YTD Q3 2021 vs. YTD Q3 2020

Net bookings

The increase in net bookings for the nine months ended September 30, 2021, as compared to the nine months ended September 30, 2020, was primarily due to:

- a $309 million increase in King net bookings, driven by higher net bookings from in-game player purchases and advertising, primarily in the Candy Crush franchise;
- a $83 million increase in Blizzard net bookings, driven by higher net bookings from *Diablo II: Resurrected*; and
- a $36 million increase in Activision net bookings, driven by higher net bookings from (1) *Call of Duty: Modern Warfare*, as compared to *Call of Duty: Black Ops 4*, and (2) *Call of Duty: Mobile*, which was released in October 2019, partially offset by lower net bookings from *Call of Duty: Black Ops Cold War*, as compared to *Call of Duty: Modern Warfare.*

In-game net bookings

The increase in in-game net bookings for the nine months ended September 30, 2021, as compared to the nine months ended September 30, 2020, was primarily due to:

- a $196 million increase in King in-game net bookings, driven by the Candy Crush franchise; and
- a $76 million increase in Activision in-game net bookings, driven by higher in-game net bookings from (1) *Call of Duty: Mobile* and (2) *Call of Duty: Modern Warfare*, as compared to *Call of Duty: Black Ops 4*, partially offset by lower in-game net bookings from *Call of Duty: Black Ops Cold War*, as compared to *Call of Duty: Modern Warfare*.

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):

	September 30, 2021	**June 30, 2021**	**March 31, 2021**	**December 31, 2020**	**September 30, 2020**
Activision	119	127	150	128	111
Blizzard	26	26	27	29	30
King	245	255	258	240	249
Total	390	408	435	397	390

Average MAUs decreased by 18 million, or 4%, for the three months ended September 30, 2021, as compared to the three months ended June 30, 2021. The decrease was primarily due to (1) lower average MAUs for King, primarily driven by *Crash Bandicoot: On the Run!*™, which was released in March 2021, and (2) lower average MAUs for Activision, primarily driven by the Call of Duty franchise.

Average MAUs for the three months ended September 30, 2021 are comparable to those for the three months ended September 30, 2020, as the increase in average MAUs for Activision, driven by *Call of Duty: Mobile* due to the December 2020 launch in China, was largely offset by lower average MAUs for Blizzard and King driven by decreases in various franchises and titles.

Management’s Overview of Business Trends

Management’s overview of business trends are described in 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 (the “2020 Form 10-K”). Management has not identified any material changes or new business trends to those previously disclosed in our 2020 Form 10-K, except as set forth below.

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.

Updates to Upcoming Content Releases

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 next year from the release of these two titles. Additionally, as previously announced, Blizzard’s mobile title based on the Diablo franchise, *Diablo Immortal*™, which was anticipated to release in the second half of 2021, is anticipated to release in 2022 as game testing revealed additional opportunities the team is going to pursue which are expected to make the title more engaging for a wider audience.

Consolidated Statements of Operations Data

The following table sets forth condensed 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 Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2021		2020		2021		2020	
Net revenues								
Product sales	$ 423	20 %	$ 408	21 %	$ 1,666	25 %	$ 1,484	26 %
In-game, subscription, and other revenues	1,647	80	1,546	79	4,974	75	4,190	74
Total net revenues	2,070	100	1,954	100	6,640	100	5,674	100
Costs and expenses								
Cost of revenues—product sales:								
Product costs	120	28	101	25	375	23	357	24
Software royalties, amortization, and intellectual property licenses	72	17	37	9	272	16	152	10
Cost of revenues—in-game, subscription, and other:								
Game operations and distribution costs	307	19	290	19	925	19	819	20
Software royalties, amortization, and intellectual property licenses	28	2	41	3	87	2	115	3
Product development	329	16	274	14	1,016	15	802	14
Sales and marketing	244	12	238	12	727	11	722	13
General and administrative	143	7	186	10	614	9	529	9
Restructuring and related costs	3	—	9	—	46	1	39	1
Total costs and expenses	1,246	60	1,176	60	4,062	61	3,535	62
Operating income	824	40	778	40	2,578	39	2,139	38
Interest and other expense (income), net	65	3	25	1	52	1	55	1
Loss on extinguishment of debt (1)	—	—	31	2	—	—	31	1
Income before income tax expense	759	37	722	37	2,526	38	2,053	36
Income tax expense	120	6	118	6	391	6	365	6
Net income	$ 639	31 %	$ 604	31 %	$ 2,135	32 %	$ 1,688	30 %

(1) Represents the loss on extinguishment of debt we recognized in connection with our debt financing activities during the three months ended September 30, 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 Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2021	2020	Increase (Decrease)	% Change	2021	2020	Increase (Decrease)	% Change
Consolidated net revenues	$ 2,070	$ 1,954	$ 116	6 %	$ 6,640	$ 5,674	$ 966	17 %
In-game net revenues (1)	$ 1,316	$ 1,283	$ 33	3 %	$ 4,058	$ 3,331	$ 727	22 %

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

Q3 2021 vs. Q3 2020

Consolidated net revenues

The increase in consolidated net revenues for the three months ended September 30, 2021, as compared to the three months ended September 30, 2020, was primarily driven by an increase in revenues of $249 million due to higher revenues from:

- in-game player purchases and advertising in the Candy Crush franchise;
- *Diablo II: Resurrected*, which was released in September 2021; and
- *Call of Duty: Modern Warfare*, which was released in October 2019, as compared to *Call of Duty: Black Ops 4*, which was released in October 2018.

This increase was partially offset by a decrease in revenues of $203 million due to lower revenues from:

- *Call of Duty: Black Ops Cold War*, which was released in November 2020, as compared to *Call of Duty: Modern Warfare*; and
- *Tony Hawk's Pro Skater 1 + 2*, which was released in September 2020.

The remaining net increase in revenues of $70 million was driven by various other franchises and titles.

In-game net revenues

The increase in in-game net revenues for the three months ended September 30, 2021, as compared to the three months ended September 30, 2020, was primarily driven by an increase in in-game net revenues of $112 million due to higher in-game net revenues from:

- the Candy Crush franchise; and
- *Call of Duty: Mobile*, which was released in October 2019.

This increase was offset by a decrease in in-game net revenues of $97 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 increase in in-game net revenues of $18 million was driven by various other franchises and titles.

YTD Q3 2021 vs. YTD Q3 2020

Consolidated net revenues

The increase in consolidated net revenues for the nine months ended September 30, 2021, as compared to the nine months ended September 30, 2020, was primarily driven by an increase in revenues of $1.1 billion due to higher revenues from:

- *Call of Duty: Modern Warfare*, as compared to *Call of Duty: Black Ops 4*;
- the Candy Crush franchise;
- *World of Warcraft*, which includes the release of *World of Warcraft: Shadowlands* in November 2020 and *World of Warcraft: Burning Crusade™ Classic* in June 2021; and
- *Call of Duty: Mobile.*

The increase was partially offset by a net decrease in revenues of $119 million, driven by various other franchises and titles.

In-game net revenues

The increase in in-game net revenues for the nine months ended September 30, 2021, as compared to the nine months ended September 30, 2020, was primarily driven by an increase in in-game net revenues of $830 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.*

The increase was partially offset by a net decrease in in-game net revenues of $103 million, driven by various other franchises and titles.

Foreign Exchange Impact

Changes in foreign exchange rates had a positive impact of approximately $19 million and $181 million on our consolidated net revenues for the three and nine months ended September 30, 2021, respectively, as compared to the same periods in 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.

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; 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.

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 are presented below (amounts in millions):

	For the Three Months Ended September 30, 2021				Increase / (decrease)			
	Activision	Blizzard	King	Total	Activision	Blizzard	King	Total
Segment Revenues								
Net revenues from external customers	$ 641	$ 478	$ 652	$ 1,771	$ (132)	$ 85	$ 116	$ 69
Intersegment net revenues (1)	—	15	—	15	—	(3)	—	(3)
Segment net revenues	$ 641	$ 493	$ 652	$ 1,786	$ (132)	$ 82	$ 116	$ 66
Segment operating income	$ 244	$ 188	$ 303	$ 735	$ (101)	$ 55	$ 55	$ 9

	For the Three Months Ended September 30, 2020			
	Activision	Blizzard	King	Total
Segment Revenues				
Net revenues from external customers	$ 773	$ 393	$ 536	$ 1,702
Intersegment net revenues (1)	—	18	—	18
Segment net revenues	$ 773	$ 411	$ 536	$ 1,720
Segment operating income	$ 345	$ 133	$ 248	$ 726

	For the Nine Months Ended September 30, 2021				Increase / (decrease)			
	Activision	Blizzard	King	Total	Activision	Blizzard	King	Total
Segment Revenues								
Net revenues from external customers	$ 2,321	$ 1,347	$ 1,896	$ 5,564	$ 36	$ 83	$ 309	$ 428
Intersegment net revenues (1)	—	62	—	62	—	—	—	—
Segment net revenues	$ 2,321	$ 1,409	$ 1,896	$ 5,626	$ 36	$ 83	$ 309	$ 428
Segment operating income	$ 1,049	$ 537	$ 755	$ 2,341	$ (39)	$ 4	$ 140	$ 105

	For the Nine Months Ended September 30, 2020			
	Activision	Blizzard	King	Total
Segment Revenues				
Net revenues from external customers	$ 2,285	$ 1,264	$ 1,587	$ 5,136
Intersegment net revenues (1)	—	62	—	62
Segment net revenues	$ 2,285	$ 1,326	$ 1,587	$ 5,198
Segment operating income	$ 1,088	$ 533	$ 615	$ 2,236

(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 Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Reconciliation to consolidated net revenues:				
Segment net revenues	$ 1,786	$ 1,720	$ 5,626	$ 5,198
Revenues from non-reportable segments (1)	109	65	303	232
Net effect from recognition (deferral) of deferred net revenues (2)	190	187	773	306
Elimination of intersegment revenues (3)	(15)	(18)	(62)	(62)
Consolidated net revenues	$ 2,070	$ 1,954	$ 6,640	$ 5,674
Reconciliation to consolidated income before income tax expense:				
Segment operating income	$ 735	$ 726	$ 2,341	$ 2,236
Operating income (loss) from non-reportable segments (1)	4	(20)	(12)	(27)
Net effect from recognition (deferral) of deferred net revenues and related cost of revenues (2)	154	150	562	169
Share-based compensation expense	(64)	(53)	(259)	(138)
Amortization of intangible assets	(2)	(16)	(8)	(62)
Restructuring and related costs (Note 12)	(3)	(9)	(46)	(39)
Consolidated operating income	824	778	2,578	2,139
Interest and other expense (income), net	65	25	52	55
Loss on extinguishment of debt	—	31	—	31
Consolidated income before income tax expense	$ 759	$ 722	$ 2,526	$ 2,053

(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.

Segment Results

Q3 2021 vs. Q3 2020

Activision

The decrease in Activision's segment net revenues and operating income for the three months ended September 30, 2021, as compared to the three months ended September 30, 2020, was primarily due to lower revenues from:

- *Call of Duty: Black Ops Cold War*, which was released in November 2020, as compared to *Call of Duty: Modern Warfare*, which was released in October 2019; and
- *Tony Hawk's Pro Skater 1 + 2*, which was released in September 2020.

In addition, the decrease in Activision's segment operating income was driven by higher product development costs, driven by increased costs to support the Call of Duty franchise.

These decreases to segment net revenues and operating income were partially offset by higher revenues from:

- *Call of Duty: Modern Warfare*, as compared to *Call of Duty: Black Ops 4*, which was released in October 2018; and
- *Call of Duty: Mobile*, which was released in October 2019.

In addition, the decrease in Activision's segment operating income was partially offset by lower sales and marketing costs due to the timing of product releases.

Blizzard

The increase in Blizzard's segment net revenues and operating income for the three months ended September 30, 2021, as compared to the three months ended September 30, 2020, was primarily due to higher revenues from:

- *Diablo II: Resurrected*, which was released in September 2021; and
- the Overwatch League, as the prior-year period was negatively impacted from actions taken to support team owners as a result of the COVID-19 pandemic, with no similar actions taken in the current year.

This increase to segment net revenues and operating income was partially offset by lower revenues from *World of Warcraft*.

In addition, the increase in Blizzard's segment operating income was partially offset by higher cost of revenues driven by software amortization and royalties for *Diablo II: Resurrected.*

King

The increase in King's segment net revenues and operating income for the three months ended September 30, 2021, as compared to the three months ended September 30, 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 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 to support its franchises; and

- higher service provider fees, primarily digital storefront fees, driven by the higher revenues from in-game player purchases.

YTD Q3 2021 vs. YTD Q3 2020

Activision

The increase in Activision's segment net revenues for the nine months ended September 30, 2021, as compared to the nine months ended September 30, 2020, was primarily due to higher revenues from:

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

This increase to segment net revenues was partially offset by lower revenues from *Call of Duty: Black Ops Cold War*, as compared to *Call of Duty: Modern Warfare.*

The decrease in Activision's segment operating income, despite the increase in segment net revenues, was driven by higher product development costs, driven by increased costs to support the Call of Duty franchise. This decrease to segment operating income was partially offset by lower sales and marketing costs for the Call of Duty franchise and for *Tony Hawk's Pro Skater 1 + 2* and *Crash™ Bandicoot 4: It's About Time™*, both of which were released in 2020.

Blizzard

The increase in Blizzard's segment net revenues and operating income for the nine months ended September 30, 2021, as compared to the nine months ended September 30, 2020, was primarily due to higher revenues from:

- *Diablo II: Resurrected*, which was released in September 2021; and
- *World of Warcraft.*

The increase in Blizzard's segment operating income from the above was largely offset by:

- higher product development costs to support game development efforts; and
- higher cost of revenues driven by software amortization and royalties for *Diablo II: Resurrected.*

King

The increase in King's segment net revenues and operating income for the nine months ended September 30, 2021, as compared to the nine months ended September 30, 2020, was primarily due to higher revenues from in-game player purchases and advertising, primarily in the Candy Crush franchise.

The increase in King's segment operating income from the above was partially offset by:

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

Foreign Exchange Impact

Changes in foreign exchange rates had a positive impact of $10 million and $124 million on Activision Blizzard's segment net revenues for the three and nine months ended September 30, 2021, respectively, as compared to the same periods in 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 Three Months Ended September 30,			For the Nine Months Ended September 30,		
	2021	2020	Increase/ (decrease)	2021	2020	Increase/ (decrease)
Net revenues by distribution channel:						
Digital online channels (1)	$ 1,852	$ 1,753	$ 99	$ 5,883	$ 4,782	$ 1,101
Retail channels	69	117	(48)	354	509	(155)
Other (2)	149	84	65	403	383	20
Total consolidated net revenues	$ 2,070	$ 1,954	$ 116	$ 6,640	$ 5,674	$ 966

(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.

Q3 2021 vs. Q3 2020

Digital Online Channel Net Revenues

The increase in net revenues from digital online channels for the three months ended September 30, 2021, as compared to the three months ended September 30, 2020, was primarily due to higher revenues from:

- in-game player purchases and advertising in the Candy Crush franchise;
- *Diablo II: Resurrected*, which was released in September 2021; and
- *Call of Duty: Modern Warfare*, which was released in October 2019, as compared to *Call of Duty: Black Ops 4*, which was released in October 2018.

The increase was partially offset by lower revenues from *Call of Duty: Black Ops Cold War*, which was released in November 2020, as compared to *Call of Duty: Modern Warfare*.

Retail Channel Net Revenues

The decrease in net revenues from retail channels for the three months ended September 30, 2021, as compared to the three months ended September 30, 2020, was primarily due to lower revenues from *Tony Hawk’s Pro Skater 1 + 2*, which was released in September 2020.

YTD Q3 2021 vs. YTD Q3 2020

Digital Online Channel Net Revenues

The increase in net revenues from digital online channels for the nine months ended September 30, 2021, as compared to the nine months ended September 30, 2020, was primarily due to higher revenues from:

- *Call of Duty: Modern Warfare*, as compared to *Call of Duty: Black Ops 4*;
- in-game player purchases and advertising in the Candy Crush franchise;

- *World of Warcraft*, which includes the release of *World of Warcraft: Shadowlands* in November 2020 and *World of Warcraft: Burning Crusade Classic™* in June 2021;
- *Call of Duty: Mobile*; and
- *Call of Duty: Black Ops Cold War*, as compared to *Call of Duty: Modern Warfare.*

Retail Channel Net Revenues

The decrease in net revenues from retail channels for the nine months ended September 30, 2021, as compared to the nine months ended September 30, 2020, was primarily due to lower revenues from:

- *Call of Duty: Black Ops Cold War*, as compared to *Call of Duty: Modern Warfare*; and
- *Crash™ Team Racing Nitro-Fueled*, released in June 2019.

Net Revenues by Platform

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

	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
	2021	2020	Increase/ (decrease)	2021	2020	Increase/ (decrease)
Net revenues by platform:						
Console	$ 523	$ 695	$ (172)	$ 2,061	$ 1,944	$ 117
PC	578	514	64	1,827	1,494	333
Mobile and ancillary (1)	820	661	159	2,349	1,853	496
Other (2)	149	84	65	403	383	20
Total consolidated net revenues	$ 2,070	$ 1,954	$ 116	$ 6,640	$ 5,674	$ 966

(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.

Q3 2021 vs. Q3 2020

Console

The decrease in net revenues from the console platform for the three months ended September 30, 2021, as compared to the three months ended September 30, 2020, was primarily due to lower revenues from:

- *Call of Duty: Black Ops Cold War*, which was released in November 2020, as compared to *Call of Duty: Modern Warfare*, which was released in October 2019; and
- *Tony Hawk’s Pro Skater 1 + 2*, which was released in September 2020.

The decrease was partly offset by higher revenues from *Call of Duty: Modern Warfare*, as compared to *Call of Duty: Black Ops 4*, which was released in October 2018.

PC

The increase in net revenues from the PC platform for the three months ended September 30, 2021, as compared to the three months ended September 30, 2020, was primarily due to higher revenues from:

- *Diablo II: Resurrected*, which was released in September 2021;
- *Call of Duty: Modern Warfare*, as compared to *Call of Duty: Black Ops 4*; and
- *World of Warcraft*, which includes the release of *World of Warcraft: Shadowlands* in November 2020 and *World of Warcraft: Burning Crusade Classic* in June 2021.

The increase was partially offset by lower revenues from *Call of Duty: Black Ops Cold War*, as compared to *Call of Duty: Modern Warfare*.

Mobile and Ancillary

The increase in net revenues from mobile and ancillary for the three months ended September 30, 2021, as compared to the three months ended September 30, 2020, was primarily due to higher revenues from:

- in-game player purchases and advertising in the Candy Crush franchise; and
- *Call of Duty: Mobile*, which was released in October 2019.

YTD Q3 2021 vs. YTD Q3 2020

Console

The increase in net revenues from the console platform for the nine months ended September 30, 2021, as compared to the nine months ended September 30, 2020, was primarily due to 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 nine months ended September 30, 2021, as compared to the nine months ended September 30, 2020, was primarily due to higher revenues from:

- *World of Warcraft*; 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 nine months ended September 30, 2021, as compared to the nine months ended September 30, 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:

	Three Months Ended September 30, 2021	% of associated net revenues	Three Months Ended September 30, 2020	% of associated net revenues	Increase (Decrease)
Cost of revenues—product sales:					
Product costs	$ 120	28 %	$ 101	25 %	$ 19
Software royalties, amortization, and intellectual property licenses	72	17	37	9	35
Cost of revenues—in-game, subscription, and other:					
Game operations and distribution costs	307	19	290	19	17
Software royalties, amortization, and intellectual property licenses	28	2	41	3	(13)
Total cost of revenues	$ 527	25 %	$ 469	24 %	$ 58

	Nine Months Ended September 30, 2021	% of associated net revenues	Nine Months Ended September 30, 2020	% of associated net revenues	Increase (Decrease)
Cost of revenues—product sales:					
Product costs	$ 375	23 %	$ 357	24 %	$ 18
Software royalties, amortization, and intellectual property licenses	272	16	152	10	120
Cost of revenues—in-game, subscription, and other:					
Game operations and distribution costs	925	19	819	20	106
Software royalties, amortization, and intellectual property licenses	87	2	115	3	(28)
Total cost of revenues	$ 1,659	25 %	$ 1,443	25 %	$ 216

Cost of Revenues—Product Sales:

Q3 2021 vs. Q3 2020

The increase in product costs for the three months ended September 30, 2021, as compared to the three months ended September 30, 2020, was driven by a $35 million increase in product costs from our Distribution business, as a result of higher revenues.

The increase in software royalties, amortization, and intellectual property licenses related to product sales for the three months ended September 30, 2021, as compared to the three months ended September 30, 2020, was primarily due to a $56 million increase in software amortization and royalties from Blizzard, driven by higher software amortization and royalties from (1) *Diablo II: Resurrected*, which was released in September 2021, and (2) *World of Warcraft*, given the release of *World of Warcraft: Shadowlands* in November 2020, with no comparable amortization in the prior year.

YTD Q3 2021 vs. YTD Q3 2020

The increase in product costs for the nine months ended September 30, 2021, as compared to the nine months ended September 30, 2020, was driven by a $71 million increase in product costs from our Distribution business, partially offset by lower product costs as a result of lower retail channel revenues.

The increase in software royalties, amortization, and intellectual property licenses related to product sales for the nine months ended September 30, 2021, as compared to the nine months ended September 30, 2020, was primarily due to:

- a $110 million increase in software amortization and royalties from Blizzard, driven by higher software amortization and royalties from (1) *World of Warcraft*, given the release of *World of Warcraft: Shadowlands* in November 2020, with no comparable amortization in the prior year, and (2) *Diablo II: Resurrected*; and

- a $10 million increase software amortization and royalties from Activision, driven by higher software amortization and royalties from *Call of Duty: Black Ops Cold War*, which was released in November 2020, as compared to *Call of Duty: Modern Warfare*, partially offset by lower software amortization and royalties from *Tony Hawk's Pro Skater 1 + 2*, which was released in September 2020.

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

Q3 2021 vs. Q3 2020

The increase in game operations and distribution costs for the three months ended September 30, 2021, as compared to the three months ended September 30, 2020, was primarily due to a $28 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.

Software royalties, amortization, and intellectual property licenses related to in-game, subscription, and other revenues for the three months ended September 30, 2021 are comparable to those for the three months ended September 30, 2020.

YTD Q3 2021 vs. YTD Q3 2020

The increase in game operations and distribution costs for the nine months ended September 30, 2021, as compared to the nine months ended September 30, 2020, was primarily due to a $98 million increase in service provider fees, such as digital storefront fees 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 nine months ended September 30, 2021, as compared to the nine months ended September 30, 2020, was primarily due to a decrease of $49 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 $28 million, driven by *Call of Duty: Mobile*, which was released in October 2019.

Product Development (amounts in millions)

	September 30, 2021	% of consolidated net revenues	September 30, 2020	% of consolidated net revenues	Increase (Decrease)
Three Months Ended	$ 329	16 %	$ 274	14 %	$ 55
Nine Months Ended	$ 1,016	15 %	$ 802	14 %	$ 214

Q3 2021 vs. Q3 2020

The increase in product development costs for the three months ended September 30, 2021, as compared to the three months ended September 30, 2020, was primarily due to higher development spending of $72 million, driven by increased personnel costs and outside developer fees to support our franchises.

YTD Q3 2021 vs. YTD Q3 2020

The increase in product development costs for the nine months ended September 30, 2021, as compared to the nine months ended September 30, 2020, was primarily due to higher development spending of $230 million, driven by increased personnel costs and outside developer fees to support our franchises.

Sales and Marketing (amounts in millions)

	September 30, 2021	% of consolidated net revenues	September 30, 2020	% of consolidated net revenues	Increase (Decrease)
Three Months Ended	$ 244	12 %	$ 238	12 %	$ 6
Nine Months Ended	$ 727	11 %	$ 722	13 %	$ 5

Q3 2021 vs. Q3 2020

Sales and marketing expenses for the three months ended September 30, 2021, were comparable to the three months ended September 30, 2020, as higher sales and marketing costs for the Candy Crush franchise were largely offset by lower sales and marketing costs for prior year releases of *Tony Hawk's Pro Skater 1 + 2* and *Crash Bandicoot™ 4: It's About Time™*.

YTD Q3 2021 vs. YTD Q3 2020

Sales and marketing expenses for the nine months ended September 30, 2021, as compared to the nine months ended September 30, 2020, were comparable, as higher sales and marketing costs for the Candy Crush franchise and *World of Warcraft* were offset by lower sales and marketing costs for the Call of Duty franchise and lower personnel-related costs.

General and Administrative (amounts in millions)

	September 30, 2021	% of consolidated net revenues	September 30, 2020	% of consolidated net revenues	Increase (Decrease)
Three Months Ended	$ 143	7 %	$ 186	10 %	$ (43)
Nine Months Ended	$ 614	9 %	$ 529	9 %	$ 85

Q3 2021 vs. Q3 2020

The decrease in general and administrative expenses for the three months ended September 30, 2021, as compared to the three months ended September 30, 2020, was due to (1) higher insurance claim proceeds of $20 million 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; and (2) a decrease in personnel costs of $18 million as a result of lower share-based compensation.

YTD Q3 2021 vs. YTD Q3 2020

The increase in general and administrative expenses for the nine months ended September 30, 2021, as compared to the nine months ended September 30, 2020, was primarily due to a $71 million increase in personnel costs as a result of higher share-based compensation.

Restructuring and related costs (amounts in millions)

	September 30, 2021	% of consolidated net revenues	September 30, 2020	% of consolidated net revenues	Increase (Decrease)
Three Months Ended	$ 3	— %	$ 9	— %	$ (6)
Nine Months Ended	$ 46	1 %	$ 39	1 %	$ 7

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, and will continue focusing on these goals as we execute against 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 12 of the notes to the condensed consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q for further discussion.

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

	September 30, 2021	% of consolidated net revenues	September 30, 2020	% of consolidated net revenues	Increase (Decrease)
Three Months Ended	$ 65	3 %	$ 25	1 %	$ 40
Nine Months Ended	$ 52	1 %	$ 55	1 %	$ (3)

Q3 2021 vs. Q3 2020

The increase in interest and other expense (income), net, for the three months ended September 30, 2021, as compared to the three months ended September 30, 2020, was primarily due to a $39 million loss recorded on an equity investment. Refer to Note 6 of the notes to the condensed consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q for further discussion.

YTD Q3 2021 vs. YTD Q3 2020

Interest and other expense (income), net, for the nine months ended September 30, 2021, was comparable to the nine months ended September 30, 2020, with a $32 million increase in gains on equity investments being offset by:

- a $16 million decrease in interest income as a result of lower interest rates; and
- a $10 million increase in interest expense on our debt obligations as a result of a higher average debt outstanding in 2021, when compared to the prior year period, as a result of our debt financing activities during the three months ended September 30, 2020.

Income Tax Expense (amounts in millions)

	September 30, 2021	% of Pretax income	September 30, 2020	% of Pretax income	Increase (Decrease)
Three Months Ended	$ 120	16 %	$ 118	16 %	$ 2
Nine Months Ended	$ 391	15 %	$ 365	18 %	$ 26

The income tax expense of $120 million for the three months ended September 30, 2021 reflects an effective tax rate of 16%, which is comparable to the effective tax rate of 16% for the three months ended September 30, 2020 due to lower U.S. taxes on foreign earnings in the current year offset by the impact of discrete tax benefits from remeasurement of deferred tax assets in the prior year period.

The income tax expense of $391 million for the nine months ended September 30, 2021 reflects an effective tax rate of 15%, which is lower than the effective tax rate of 18% for the nine months ended September 30, 2020. The decrease is primarily due to lower U.S. taxes on foreign earnings.

The effective tax rate of 16% and 15% for the three and nine months ended September 30, 2021, respectively, are lower than the U.S. statutory rate of 21%, primarily due to lower U.S. tax on foreign earnings and the recognition of excess tax benefits from share-based payments. In addition, a discrete tax benefit was recognized from the remeasurement of a deferred tax asset as a result of a change in the U.K. tax rate for the nine months ended September 30, 2021.

Further information about our income taxes is provided in Note 14 of the notes to the condensed consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q.

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 $10.0 billion, our access to capital, and the availability of our $1.5 billion revolving credit facility, will be sufficient to finance our operational and financing requirements for at least the next 12 months. Our primary sources of liquidity, which are available to us to fund our operations and other cash outflows such as potential dividend payments or share repurchases and scheduled debt maturities (the next of which is in 2026), include our cash and cash equivalents, short-term investments, and cash flows provided by operating activities.

As of September 30, 2021, the amount of cash and cash equivalents held outside of the U.S. by our foreign subsidiaries was $3.3 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, share repurchases, and other structural changes. These transactions may result in future cash proceeds or payments.

Sources of Liquidity (amounts in millions)

	September 30, 2021	December 31, 2020	Increase (Decrease)
Cash and cash equivalents	$ 9,718	$ 8,647	$ 1,071
Short-term investments	300	170	130
	$ 10,018	$ 8,817	$ 1,201
Percentage of total assets	42 %	38 %	

	For the Nine Months Ended September 30,		
	2021	2020	Increase (Decrease)
Net cash provided by operating activities	$ 1,753	$ 1,112	$ 641
Net cash used in investing activities	(101)	(178)	77
Net cash (used in) provide by financing activities	(533)	653	(1,186)
Effect of foreign exchange rate changes	(35)	32	(67)
Net increase in cash and cash equivalents and restricted cash	$ 1,084	$ 1,619	$ (535)

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 typically 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 nine months ended September 30, 2021, was $1.8 billion, as compared to $1.1 billion for the nine months ended September 30, 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, in addition to 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 nine months ended September 30, 2021, was $101 million, as compared to $178 million for the nine months ended September 30, 2020. The decrease in cash used in investing activities was primarily due to the net purchases of available-for-sale investments of $62 million for the nine months ended September 30, 2021, as compared to net purchases of $122 million in the prior-year period.

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 nine months ended September 30, 2021, was $533 million, as compared to net cash provided by financing activities of $653 million for the nine months ended September 30, 2020. The increase in cash used in financing activities was primarily due to:

- net debt proceeds of $896 million received for the nine months ended September 30, 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 in the current year;
- 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 nine months ended September 30, 2021, as compared to $41 million in the prior-year period; and
- higher dividends paid, with $365 million of dividend payments for the nine months ended September 30, 2021, as compared to $316 million for the prior-year period.

Effect of Foreign Exchange Rate Changes

Changes in foreign exchange rates had a negative impact of $35 million and a positive impact of $32 million on our cash and cash equivalents for the nine months ended September 30, 2021 and September 30, 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 September 30, 2021 and December 31, 2020, our total outstanding debt 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 September 30, 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	(43)	(45)
Total net carrying amount	$ 3,607	$ 3,605

Refer to Note 8 of the notes to the condensed consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q for further disclosures regarding our debt obligations.

Dividends

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.

Off-balance Sheet Arrangements

At each of September 30, 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

Our condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. These accounting principles require us to make certain estimates, judgments, and assumptions. We believe that the estimates, judgments, and assumptions upon which we rely are reasonable based upon information available to us at the time that they are made. These estimates, judgments, and assumptions can affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the periods presented. To the extent there are material differences between these estimates, judgments, or assumptions and actual results, our financial statements will be affected. The accounting policies that reflect our more significant estimates, judgments, and assumptions, and which we believe are the most critical to aid in fully understanding and evaluating our reported financial results, include the following:

- Revenue Recognition;
- Income Taxes; and
- Software Development Costs.

During the nine months ended September 30, 2021, there were no significant changes to the above critical accounting policies and estimates. Refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2020, for a more complete discussion of our critical accounting policies and estimates.

Recently Issued Accounting Pronouncements

For a detailed discussion of all relevant recently issued accounting pronouncements, see Note 2 of the notes to the condensed consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q.

Item 3. 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 United States, 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 6 of the notes to the condensed consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q for disclosures regarding our foreign currency forward contracts.

In the absence of hedging activities for the nine months ended September 30, 2021, a hypothetical adverse foreign currency exchange rate movement of 10% would have resulted in a theoretical decline of our net income of approximately $124 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 September 30, 2021, our cash and cash equivalents were comprised primarily of money market funds.

As of September 30, 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 4. 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 Securities Exchange Act of 1934 (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 Securities and Exchange Commission’s rules and forms and (2) accumulated and communicated to 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 September 30, 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 September 30, 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.

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 fiscal quarter ended September 30, 2021. Based on this evaluation, the principal executive officer and principal financial officer concluded that, at September 30, 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.

PART II. OTHER INFORMATION

Item 1. 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 ("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. The California Department of Fair Employment and Housing ("DFEH") has filed a motion to intervene in the matter, seeking to object to the consent decree, including the amount of the settlement fund, and that motion is pending. There can be no assurance that the consent decree will be approved by the Court.

Other Pending Employment-Related Matters

On July 20, 2021, the DFEH filed a complaint ("DFEH Complaint") in the Los Angeles County Superior Court of the State of California against Activision Blizzard, Blizzard Entertainment, and Activision Publishing alleging violations of the California Fair Employment and Housing Act and the California Equal Pay Act.

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. Plaintiff purports to represent a class of Activision shareholders who purchased stock between August 4, 2016 and July 27, 2021, and asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 against the Company and three 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. The actions assert claims on the Company's behalf against eleven current or former officers and directors for breach of fiduciary duty, corporate waste and unjust enrichment based on allegations similar to those in the DFEH Complaint and in the securities class action. The Company is named as a nominal defendant.

The Company is cooperating with an investigation by the U.S. Securities and Exchange Commission ("SEC") regarding disclosures on employment matters and related issues including responding to a subpoena 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.

Item 1A. Risk Factors

Various risks associated with our business are described in Part I, Item 1A, “Risk Factors,” of our Annual Report on Form 10-K for the year ended December 31, 2020 (the “2020 Form 10-K”).

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in “Risk Factors” in the 2020 Form 10-K, any of which could materially affect our business, reputation, financial condition, results of operations, income, revenue, profitability, cash flows, liquidity, or stock price. The ongoing global COVID-19 pandemic has heightened, and in some cases manifested, certain of the risks we normally face in operating our business, including those disclosed in the 2020 Form 10-K.

We have updated certain risk factors included in our 2020 Form 10-K, as set forth below.

Business and Industry Risks

If we do not consistently deliver popular, high-quality content in a timely manner, if we are not successful in meaningfully expanding our franchises further on the mobile platform, or if consumers prefer products from our competitors, 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. Our competitors include very large corporations with significantly greater financial, marketing and product development resources than we have and many smaller competitors, particularly on the mobile platform. 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. Further, 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 enhancements to those games, if our marketing fails to resonate with our consumers, if we are not successful in meaningfully expanding our franchises further on the mobile platform, 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 downloadable content to our business amplifies these risks, as downloadable content for poorly-received games typically generates lower-than-expected sales. The increased demand for consistent enhancements to our products also requires a greater allocation of financial resources to those products.

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, if our games or services, such as our proprietary online gaming service, 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. Our games with online features are also frequently updated, increasing the risk that a game may contain significant errors, or “bugs.” 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. As another example, we are subject to legal proceedings regarding our employment practices, as described in Note 17 of the notes to the condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, 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. All of this may negatively impact our business.

Further, delays in product releases or disruptions following the commercial release of one or more new products could negatively impact our business and reputation and could cause our results of operations to be materially different from expectations. 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.

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.

If we do not continue to 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, including in some cases, external developers, particularly personnel with the specialized skills needed to create and sell the high-quality, well-received content upon which our business is substantially dependent. 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.

We have observed labor shortages, increasing competition for talent and increasing attrition. We are experiencing difficulties in attracting and retaining skilled personnel. 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.

Regulatory and Legal Risks

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.

As described in this Quarterly Report on Form 10-Q, we are currently subject to pending legal proceedings regarding employment practices and in September 2021, we reached an agreement with the EEOC to settle claims regarding certain employment practices, which remains subject to approval by the United States District Court for the Central District of California. See Note 17 of the notes to the condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional details on these matters. These matters have negatively impacted our public reputation, diverted management attention, caused us to incur additional expenses, and we could be subject to additional, similar legal proceedings in the future. These matters have adversely affected the Company as noted above and we face continuing risks related to these matters.

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.

Item 6. Exhibits

EXHIBIT INDEX

Exhibit Number	Exhibit
3.1	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).
3.2	Fourth Amended and Restated Bylaws of Activision Blizzard, Inc., adopted as of February 1, 2018 (incorporated by reference to Exhibit 3.1 of the Company's Form 8-K/A, filed March 21, 2018).
10.1*	Corrected Employment Agreement, dated as of April 1, 2021 and corrected as of August 13, 2021, between Activision Blizzard, Inc. and Armin Zerza.
10.2*	Separation Agreement with Reaffirmation, dated September 10, 2021, between Activision Blizzard, Inc. and Claudine Naughton (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K, filed September 14, 2021).
31.1	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.
31.2	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.
32.1	Certification of Robert A. Kotick pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Armin Zerza pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	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	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase 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.

SIGNATURE

Pursuant to the requirements 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: November 2, 2021

ACTIVISION BLIZZARD, INC.

/s/ ARMIN ZERZA
Armin Zerza
Chief Financial Officer and Principal Financial Officer
of Activision Blizzard, Inc.

/s/ JESSE YANG
Jesse Yang
Chief Accounting Officer and Principal Accounting Officer
of Activision Blizzard, Inc.

Exhibit 10.1*

CORRECTED EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "***Agreement***") was entered into on April 1, 2021, between Activision Blizzard, Inc. (the "***Employer***" or "***Activision Blizzard***" and, together with its subsidiaries, the "***Activision Blizzard Group***"), and Armin Zerza ("***you***") and was corrected as of the date signed by both you and the Employer.

RECITAL

WHEREAS, the Employer and you are parties to an employment agreement dated as of June 23, 2015, which will expire on March 31, 2022 ("***Old Employment Agreement***");

WHEREAS, upon the date that you become the Chief Financial Officer of Activision Blizzard (which shall occur on a date mutually agreed between you and the Chief Executive Officer), you will cease to be the EVP, AB Chief Commercial Officer & Blizzard COO for Activision Blizzard ("***Promotion Date***");

WHEREAS, the Employer desires to employ you on different terms and conditions after March 31, 2021, and you desire to be so employed by the Employer, on the terms and subject to the conditions set forth in this Agreement;

WHEREAS, the Employer and you agree that this Agreement will supersede all of the Employer's obligations under the Old Employment Agreement in their entirety, except as otherwise specifically provided herein; and,

WHEREAS, 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 of the Board of Directors for Activision Blizzard (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.

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, incorporating the Recitals as a part of this Agreement:

1. Term of Employment

(a) The term of your employment under this Agreement (the "***Term***") shall commence on April 1, 2021 (the "***Effective Date***") and shall end on March 31, 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 year, in its sole and absolute discretion, by notifying you in writing of its intent to do so no later than the original Expiration Date. If prior to April 1, 2025, the Employer determines that you have received or will receive by March 31, 2025, in the aggregate, at least twice the value of your target compensation under this Agreement in cash compensation and equity compensation (valued on the higher of (a) the closing price of the Employer’s common stock price on the date of vesting or (b) the closing price of the Employer’s common stock price as of March 24, 2025), the Employer shall have the option to extend the Term by up to one year (through March 31, 2026) by notifying you in writing of its intent to do so no later than 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 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 April 1, 2021, you shall receive an annual base salary (“***Base Salary***”) of eight hundred thousand dollars ($800,000), 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 one hundred fifty percent (150%) of your Base Salary as in effect at the beginning of each year 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, 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 a one-time non-qualified stock options to purchase shares of Activision Blizzard's common stock ("***Shares***") with a total grant value of approximately four million dollars ($4,000,000) (the "***2021 Options***"). The actual number of stock options awarded to you on the grant date shall be determined based on 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 per share that is equal to the Grant Date Price. Finally, one-half of the 2021 Options shall be eligible to vest on March 31, 2024 and one-half of the 2021 Options shall be eligible to vest on March 31, 2025, subject to your remaining employed by Activision Blizzard through each applicable vesting date.

(ii) Activision Blizzard shall grant you a sign on bonus with a target value of one million dollars ($1,000,000) (less required taxes and withholdings, if paid in cash) ("***Long Term Commitment Bonus***"). The Long Term Commitment Bonus may be delivered in cash or time-based vesting restricted share units or any combination thereof and is subject to your remaining continuously employed through March 31, 2024. The actual form (e.g., cash and/or equity) of the Long Term Commitment Bonus, shall be determined by the Compensation Committee, in its sole and absolute discretion. This Long Term Commitment Bonus will not be fully earned by you until you have completed three years of continuous employment under this Agreement; accordingly, it will not be fully earned or fully vested unless you remain employed through March 31, 2024, rendering it subject to recapture. Specifically, if your employment terminates pursuant to Section 9(a), or you resign in breach of Section 9(b), before the Long Term Commitment Bonus is fully earned, you agree to return to the Employer the value of the cash and/or Shares delivered to you under this Long Term Commitment Bonus provision within thirty (30) days of the termination of your employment as follows: for a termination prior to March 31, 2022, you will repay 100% of the value; for a termination between April 1, 2022 and March 31, 2023, you will repay 66%; for a termination between April 1, 2023 and March 30, 2024, you will repay 33%. For the purposes of any recapture or repayment of Shares delivered as part of the Long Term Commitment Bonus, if any, the Share value will be calculated using the closing share price on the date the Shares originally were delivered to you. If you remain employed by the Activision Blizzard Group continuously through March 31, 2024, the Long Term Commitment Bonus shall be fully earned and vested 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 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.

(iii) Commencing with the Employer's 2021 annual grant process and not more than once per fiscal year during the Term, Activision Blizzard annually shall grant to you performance-vesting restricted share units ("***PSUs***"), which represent the conditional right to receive Shares (the "***Annual PSUs***"), with a target value at the time of grant of approximately one million eight hundred seventy six thousand dollars ($1,876,000) (the "***Annual Target PSU Grant Value***"). The actual number of Annual PSUs awarded to you on each grant date shall be equal to the Annual 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 Annual PSUs, the value of the Shares received upon vesting for all of the Annual PSUs would have been approximately two million three hundred forty five thousand dollars ($2,345,000) at the time of grant, representing approximately one hundred twenty five percent (125%) of the Annual Target PSU Grant Value). The number of Annual 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, the actual number of each Annual PSU award shall vest as follows:

a. Twenty five percent (25%) of the Annual PSUs will be divided equally into three tranches over three 1-fiscal year performance measurement periods. Each tranche will be eligible to vest the March 31st following the end of the relevant fiscal year, if, and only if, the Compensation Committee determines that Activision Blizzard's annual OI is ninety percent (90%) or more of the OI Objective for the same performance period and the number of Shares delivered will be calculated based on the OI Performance Curve.

b. Twenty five percent (25%) of the Annual PSUs will be divided equally into three tranches over three 1-fiscal year performance measurement periods. Each tranche will be eligible to vest the March 31st following the end of the relevant fiscal year, if, and only if, the Compensation Committee determines the TSR Performance for the relevant performance measurement period is ninety percent (90%) or more of the annual TSR target established for the same performance period and the number of shares delivered will be calculated based on the TSR Performance Curve.

c. Fifty percent (50%) of the Annual PSUs will be divided equally into three tranches over three 1-fiscal year performance measurement periods. Each tranche will be eligible to vest the March 31st following the end of the relevant fiscal year, if, and only if, the Compensation Committee determines that EPS for the same performance period is ninety percent (90%) or more of the annual EPS Objective, and the number of shares delivered will be calculated based on the EPS Performance Curve.

(iv) 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 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 five hundred thousand dollars ($1,500,000) ("***Annual Target 3-Year PSU Grant Value***"). 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 two million three hundred forty five thousand dollars ($2,345,000) 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, the actual number of each Annual 3-Year PSU award shall vest as follows:

a. Twenty-five percent (25%) will be eligible to vest no later than the March 31st following the end of the relevant three-year performance period, if, and only if, the Compensation Committee determines that Activision Blizzard's cumulative annual 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 calculated based on the OI Performance Curve.

b. Twenty five percent (25%) will be eligible to vest no later than the March 31st following the end of the relevant three-year performance period if, and only if, the Compensation Committee determines the TSR Performance for the relevant performance measurement period is ninety percent (90%) or more of the three-year TSR target established for the relevant performance period and the number of shares delivered will be calculated based on the TSR Performance Curve.

c. Fifty percent (50%) will be eligible to vest no later than the March 31st following the end of relevant three-year performance period, if, and only if, the Compensation Committee determines that cumulative EPS for the relevant performance measurement period is ninety percent (90%) or more of the relevant three-year EPS Objective, and the number of shares delivered will be calculated based on the EPS Performance Curve.

(v) 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, the 2021 Long Term Equity award shall vest as follows:

a. Sixty percent (60%) shall be divided equally into two tranches over two 3-year performance measurement periods (January 1, 2021 through December 31, 2023 and January 1, 2022 through December 31, 2024); each tranche will be eligible to vest no later than the March 31st following the end of the relevant three-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. Forty percent (40%) shall be divided equally into two tranches over two 3-year performance measurement periods (January 1, 2021 through December 31, 2023 and January 1, 2022 through December 31, 2024); each tranche will be eligible to vest no later than the March 31st following the end of the relevant three-year performance measurement period, if, and only if, the TSR Performance for the relevant performance measurement period is ninety percent (90%) or more of the three-year TSR target established for the relevant performance period and the number of shares delivered will be calculated based on the TSR Performance Curve.

(vi) 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).

a. In no circumstance will any of the OI PSU tranches vest at any percentage above one hundred twenty five percent (125%).

"***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 (30) NASDAQ trading days leading up to, and inclusive of, the TSR Performance measurement period's start date and the thirty (30) trading days leading up to, and inclusive of, the period's end date.

"**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, the end of the relevant performance period, a substantially equivalent replacement index chosen by the Compensation Committee in its sole and absolute discretion; provided, however, that if the Compensation Committee determines that a substantially equivalent replacement index is not available, the Compensation Committee shall have 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).

"***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 (30) days leading up to, and inclusive of, the TSR Performance measurement period's start date and the thirty (30) days leading up to, and inclusive of, the period's end date.

"TSR Performance" means TSR minus S&P 500 TSR.

"***TSR Performance Curve***" means and shall be determined as follows:

a. "If the TSR Performance for the relevant performance measurement period is less than ninety percent (90%) of the TSR target established for the same period, TSR Performance during the relevant performance measurement period is less than ten percent (10%) or TSR is not greater than zero, then the relevant PSUs for that performance measurement period will not vest and shall be forfeited.

b. If TSR Performance is ninety percent (90%) of the TSR target established for the relevant performance period, then fifty percent (50%) of the relevant tranche shall vest; if TSR Performance is one hundred percent (100%) of the relevant TSR target established for the relevant performance period, then one hundred percent (100%) of the relevant tranche shall vest; and if TSR Performance is between ninety and one hundred percent (90-100%) of the relevant TSR target established 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 TSR Performance is ninety two percent (92%) of the relevant TSR target for the relevant performance period, then sixty (60%) of the relevant tranche shall vest).

c. If TSR Performance is one hundred percent (100%) of the relevant TSR target set for the relevant performance period, then one hundred percent (100%) of the relevant tranche shall vest; if TSR Performance is one hundred twenty five percent (125%) of the relevant TSR target for the relevant performance period, then 125% percent of the relevant tranche shall vest; and if TSR Performance is between one hundred and one hundred twenty five percent (100-125%) of the relevant TSR target 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 TSR Performance is one hundred two percent (102%) of the relevant TSR target established 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 TSR PSU tranches vest at any percentage above one hundred twenty five percent (125%.)

(vii) 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.

(viii) 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.

(ix) If, pursuant to Section 1(a), the Employer exercises its two 1-year options and extends the Term through March 31, 2026, then commencing April 1, 2025 your base bonus and target equity awards will be no less than the median base bonus and target equity awarded to similarly situated executives of Activision Blizzard's peer companies for the prior year based on available information provided by the Compensation Committee's advisors, adjusted for tenure, role and any other discretionary criteria to be determined by the Chief Executive Officer in the Chief Executive Officer's sole and absolute discretion with the approval of the Compensation Committee. If Activision Blizzard achieves performance in the top 25th percentile of its peer companies in fiscal year 2025 or later, the Chief Executive Officer in the Chief Executive Officer's sole and absolute discretion with the approval of the Compensation Committee will have the right to increase your compensation up to the average compensation for Chief Financial Officers in the top 25th percentile of Activision Blizzard's peer companies, adjusted based on criteria determined by the Chief Executive Officer in the Chief Executive Officer's sole and absolute discretion.

3. Title; Location

You shall serve in your current positions until the Promotion Date, from which time you shall serve as Chief Financial Officer of Activision Blizzard. Your principal place of business shall be Activision Blizzard's office in Santa Monica, California; provided, however, that you acknowledge and agree that you will be required to travel from time to time for business reasons.

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 direct reports of the Chief Executive Officers, 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**

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 covering your life with a face amount of $2,000,000 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 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) and you irrevocably appoint any person designated as the Activision Blizzard Group's representative at that time as your delegate to effect such resignation.

(f) **Resignation of Positions Held Prior To Effective Date.** You agree and represent that you will irrevocably resign as of the Effective Date, or such earlier date as requested by the Employer, from any and all officer and other positions you then hold with any member of the Activision Blizzard Group, whose members include, but are not limited to, Activision Blizzard Holdings I, Inc., Activision Blizzard Holdings II, Inc., Activision Blizzard Shared Services, Inc., Activision Productions, Inc., Activision Publishing Minneapolis, Inc., Activision Testing & Verification, Inc., Activision Texas, Inc., Central Technology East, Inc., Infinity Ward, Inc., Interactive Associates, Inc., Shiny Coin, LLC, Sledgehammer Games, Inc., Toys for Bob, Inc., Treyarch Corporation, Vicarious Visions, Inc., Major League Gaming Corp., Inc., Activision Blizzard Media, LLC, Activision Entertainment Holdings, Inc., Amber Holding Subsidiary Co., High Moon Studios, LLC, Iron Fang, LLC, King.com, Inc., King.com, LLC, King.com Games, LLC, Ominata, Inc., Powder Monkey Games LLC, and Z2 Live, Inc. You irrevocably appoint any person designated as Activision Blizzard's representative at that time as your delegate to effect such resignation. You expressly agree and understand that you will no longer be authorized and agree not to sign any documents on behalf of any member of the Activision Blizzard Group as of the earlier of (i) the date when you are notified that you are no longer an authorized signatory with respect to any role you may hold or have held with a member of the Activision Blizzard Group, which includes, but is not limited to, the aforementioned entities and (ii) the Expiration Date.

(g) **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(g)(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(g)(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(g) 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(g) 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. <u>Termination of Employment</u>

(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 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) you 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 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 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;

(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 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 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 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 $950,000, if, and only if, (i) your Termination Date is after December 31, 2022, but before March 31, 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

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 31, 2024, and (ii) the Compensation Committee determines, in its sole and absolute discretion, that Activision Blizzard's 2023 OI is 90% or greater than the 2023 OI Objective.

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 by the Employer 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. 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.

(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(g) is separate, distinct, and severable from the other and remaining provisions of Section 8(g), and that the invalidity or unenforceability of any Section 8(g) 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 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 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. 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. <u>Notices</u>

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:	Armin Zerza (to be sent to 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.

ACCEPTED AND AGREED TO:

Employer:		**Employee:**	
Activision Blizzard, Inc.			
By:	/s/ CLAUDINE NAUGHTON Claudine Naughton Chief People Officer	By:	/s/ ARMIN ZERZA Armin Zerza
Date:	August 13, 2021	Date:	August 12, 2021

Exhibit 31.1

CERTIFICATION

I, Robert A. Kotick, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: November 2, 2021

/s/ ROBERT A. KOTICK

Robert A. Kotick
Chief Executive Officer and
Principal Executive Officer of
Activision Blizzard, Inc.

Exhibit 31.2

CERTIFICATION

I, Armin Zerza, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: November 2, 2021

/s/ ARMIN ZERZA

Armin Zerza
Chief Financial Officer and Principal Financial Officer of
Activision Blizzard, Inc.

Exhibit 32.1

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 Quarterly Report of Activision Blizzard, Inc. (the “Company”) on Form 10-Q for the period ended September 30, 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: November 2, 2021

/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.

Exhibit 32.2

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 Quarterly Report of Activision Blizzard, Inc. (the “Company”) on Form 10-Q for the period ended September 30, 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: November 2, 2021

/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.