

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark one)

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

For the Quarterly Period Ended June 30, 2010

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

(State or other jurisdiction of
incorporation or organization)

95-4803544

(I.R.S. Employer Identification No.)

3100 Ocean Park Boulevard, Santa Monica, CA
(Address of principal executive offices)

90405
(Zip Code)

(310) 255-2000

(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

Large Accelerated Filer

Accelerated Filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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 July 30, 2010 was 1,224,397,305.

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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 fact 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 relating to product releases; (3) statements of future economic performance; and (4) statements of assumptions underlying such statements. We generally use words such as "anticipate," "believe," "could," "estimate," "expect," "forecast," "future," "intend," "may," "outlook," "plan," "positioned," "potential," "project," "remain," "scheduled," "set to," "subject to," "to be," "upcoming," "will," and other similar expressions to help identify forward-looking statements. Forward-looking statements are subject to business and economic risk, reflect management's current expectations, estimates and projections about our business, and are inherently uncertain and difficult to predict. Our actual results could differ materially. The forward-looking statements contained herein speak only at the date on which this Quarterly Report on Form 10-Q was first filed. Risks and uncertainties that may affect our future results include, but are not limited to, sales levels of Activision Blizzard's titles, shifts in consumer spending trends, the impact of the current macroeconomic environment, the seasonal and cyclical nature of the interactive game market, any further difficulties related to World of Warcraft in China, Activision Blizzard's ability to predict consumer preferences among competing hardware platforms, declines in software pricing, product returns and price protection, product delays, retail acceptance of Activision Blizzard's products, adoption rate and availability of new hardware (including peripherals) and related software, industry competition, including from used games, and from other forms of entertainment, litigation risks and associated costs, rapid changes in technology, industry standards, business models, including online and used games and consumer preferences including interest in specific genres such as music, first-person action and massively multiplayer online games, protection of proprietary rights, maintenance of relationships with key personnel, customers, licensees, licensors, vendors, and third-party developers, including the ability to attract, retain and develop key personnel and developers that can create high quality "hit" titles, counterparty risks relating to customers, licensees, licensors and manufacturers, domestic and international economic, financial and political conditions and policies, foreign exchange rates and tax rates, and the identification of suitable future acquisition opportunities, and potential challenges associated with geographic expansion, and the other factors identified in "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2009. The forward-looking statements contained herein are based upon information available to us as of the date of this Quarterly Report on Form 10-Q and we assume no obligation to update any such forward-looking statements. Forward-looking statements believed to be true when made may ultimately prove to be incorrect. These statements are not guarantees of 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's names, abbreviations thereof, logos, and product and service designators are all either the registered or unregistered trademarks or trade names of Activision Blizzard.

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CONDENSED CONSOLIDATED BALANCE SHEETS**

(Unaudited)

(Amounts in millions, except share data)

	At June 30, 2010	At December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,214	\$ 2,768
Short-term investments	632	477
Accounts receivable, net of allowances of \$201 million and \$317 million at June 30, 2010 and December 31, 2009, respectively	190	739
Inventories	157	241
Software development	219	224
Intellectual property licenses	27	55
Deferred income taxes, net	401	498
Other current assets	128	327
Total current assets	<u>3,968</u>	<u>5,329</u>
Long-term investments	23	23
Software development	30	10
Intellectual property licenses	32	28
Property and equipment, net	160	138
Other assets	13	9
Intangible assets, net	587	618
Trademark and trade names	433	433
Goodwill	7,147	7,154
Total assets	<u>\$ 12,393</u>	<u>\$ 13,742</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 149	\$ 302
Deferred revenues	482	1,426
Accrued expenses and other liabilities	459	779
Total current liabilities	<u>1,090</u>	<u>2,507</u>
Deferred income taxes, net	249	270
Other liabilities	196	209
Total liabilities	<u>1,535</u>	<u>2,986</u>
Commitments and contingencies (Note 12)		
Shareholders' equity:		
Common stock, \$.000001 par value, 2,400,000,000 shares authorized, 1,370,008,534 and 1,364,117,675 shares issued at June 30, 2010 and December 31, 2009, respectively	—	—
Additional paid-in capital	12,260	12,376
Less: Treasury stock, at cost, 146,059,301 and 113,686,498 at June 30, 2010 and December 31, 2009, respectively	(1,584)	(1,235)
Retained earnings (accumulated deficit)	239	(361)
Accumulated other comprehensive loss	(57)	(24)
Total shareholders' equity	<u>10,858</u>	<u>10,756</u>
Total liabilities and shareholders' equity	<u>\$ 12,393</u>	<u>\$ 13,742</u>

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

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited)

(Amounts in millions, except per share data)

For the three months ended June 30,		For the six months ended June 30,	
2010	2009	2010	2009

Net revenues								
Product sales	\$	643	\$	747	\$	1,629	\$	1,437
Subscription, licensing, and other revenues		324		291		646		582
Total net revenues		967		1,038		2,275		2,019
Costs and expenses								
Cost of sales — product costs		235		281		572		577
Cost of sales — software royalties and amortization		51		86		150		158
Cost of sales — intellectual property licenses		29		54		72		118
Cost of sales — massively multi-player online role-playing game (“MMORPG”)		52		51		106		103
Product development		104		123		247		240
Sales and marketing		126		118		182		201
General and administrative		70		92		135		195
Restructuring		—		15		—		30
Total costs and expenses		667		820		1,464		1,622
Operating income		300		218		811		397
Investment and other income, net		1		—		1		10
Income before income tax expense		301		218		812		407
Income tax expense		82		23		212		23
Net income	\$	219	\$	195	\$	600	\$	384
Earnings per common share								
Basic	\$	0.18	\$	0.15	\$	0.48	\$	0.29
Diluted	\$	0.17	\$	0.15	\$	0.47	\$	0.28
Weighted-average shares outstanding								
Basic		1,232		1,289		1,239		1,299
Diluted		1,248		1,332		1,254		1,345
Dividends per common share	\$	—	\$	—	\$	0.15	\$	—

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

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

	For the six months ended June 30,	
	2010	2009
Cash flows from operating activities:		
Net income	\$ 600	\$ 384
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes	81	(119)
Depreciation and amortization	59	129
Gain on auction rate securities (“ARS”) classified as trading securities	(7)	(2)
Loss on ARS rights from UBS	7	2
Amortization and write-off of capitalized software development costs and intellectual property licenses (1)	142	154
Stock-based compensation expense (2)	61	73
Excess tax benefits from stock option exercises	(6)	(56)
Changes in operating assets and liabilities:		
Accounts receivable	525	706
Inventories	78	64
Software development and intellectual property licenses	(158)	(166)
Other assets	224	90
Deferred revenues	(936)	(500)
Accounts payable	(144)	(199)
Accrued expenses and other liabilities	(325)	(351)
Net cash provided by operating activities	201	209
Cash flows from investing activities:		
Proceeds from maturities of investments	188	3

Proceeds from sale of available-for-sale investments	—	2
Payment of contingent consideration	(4)	—
Purchases of short-term investments	(388)	—
Capital expenditures	(39)	(24)
(Increase) decrease in restricted cash	16	(5)
Net cash used in investing activities	(227)	(24)
Cash flows from financing activities:		
Proceeds from issuance of common stock to employees	30	45
Repurchase of common stock	(349)	(542)
Dividends paid	(187)	—
Excess tax benefits from stock option exercises	6	56
Net cash used in financing activities	(500)	(441)
Effect of foreign exchange rate changes on cash and cash equivalents	(28)	26
Net (decrease) increase in cash and cash equivalents	(554)	(230)
Cash and cash equivalents at beginning of period	2,768	2,958
Cash and cash equivalents at end of period	<u>\$ 2,214</u>	<u>\$ 2,728</u>

(1) Excludes deferral and amortization of stock-based compensation expense.

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

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

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ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the Six Months ended June 30, 2010
(Unaudited)
(Amounts in millions)

	Common Stock		Additional Paid-In Capital	Treasury Stock		Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Shares	Amount		Shares	Amount			
Balance at December 31, 2009	1,364	\$ —	\$ 12,376	(114)	\$ (1,235)	\$ (361)	\$ (24)	\$ 10,756
Components of comprehensive income:								
Net income	—	—	—	—	—	600	—	600
Foreign currency translation adjustment	—	—	—	—	—	—	(33)	(33)
Total comprehensive income	—	—	—	—	—	—	—	567
Issuance of common stock pursuant to employee stock options and restricted stock rights	6	—	30	—	—	—	—	30
Stock-based compensation expense related to employee stock options and restricted stock rights	—	—	43	—	—	—	—	43
Dividends (\$0.15 per common share)	—	—	(189)	—	—	—	—	(189)
Shares repurchased	—	—	—	(32)	(349)	—	—	(349)
Balance at June 30, 2010	<u>1,370</u>	<u>\$ —</u>	<u>\$ 12,260</u>	<u>(146)</u>	<u>\$ (1,584)</u>	<u>\$ 239</u>	<u>\$ (57)</u>	<u>\$ 10,858</u>

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

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

1. Description of Business and Business Combination

Description of Business

Activision Blizzard, Inc. is a worldwide online, personal computer (“PC”), console, handheld and mobile game publisher. The terms “Activision Blizzard,” the “Company,” “we,” “us,” and “our” are used to refer collectively to Activision Blizzard, Inc. and its subsidiaries.

In 2008, a business combination (the “Business Combination”) by and among Activision, Inc., Sego Merger Corporation, a wholly-owned subsidiary of Activision, Inc., Vivendi S.A. (“Vivendi”), VGAC LLC, a wholly-owned subsidiary of Vivendi, and Vivendi Games, Inc. (“Vivendi Games”), a

wholly-owned subsidiary of VGAC LLC was consummated. As a result of the consummation of the Business Combination, Activision, Inc. was renamed Activision Blizzard, Inc. ("Activision Blizzard").

The common stock of Activision Blizzard is traded on NASDAQ under the ticker symbol "ATVI." Vivendi owned approximately 59% of Activision Blizzard's outstanding common stock at June 30, 2010.

We maintain significant operations in the United States, Canada, the United Kingdom, France, Germany, Ireland, Italy, Spain, Australia, Sweden, South Korea, China and the Netherlands.

Basis of Consolidation and Presentation

Activision Blizzard prepared the accompanying unaudited condensed consolidated financial statements in accordance with the rules and regulations of the Securities and Exchange Commission for interim reporting. As permitted under those rules and regulations, certain notes or other information that are normally required by accounting principles generally accepted in the United States of America ("U.S. GAAP") have been condensed or omitted if they substantially duplicate the disclosures contained in the annual audited consolidated financial statements. 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, 2009. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation of our financial position and results of operations in accordance with U.S. GAAP have been included.

The accompanying unaudited condensed consolidated financial statements include the accounts and operations of Activision Blizzard. All intercompany accounts and transactions have been eliminated. The condensed consolidated financial statements have been prepared in conformity with U.S. GAAP. 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. Actual results could differ from these estimates and assumptions.

The prior year condensed consolidated statement of cash flows for the period ended June 30, 2009 has been adjusted to correct immaterial errors related to the elimination of intercompany receivables and payables in the consolidated balance sheets at June 30, 2009 and December 31, 2008 (not included herein). The corrections reduced the accounts receivable and accounts payable line items in the June 30, 2009 consolidated balance sheet by \$14 million and reduced the accounts receivable and accounts payable line items in the December 31, 2008 consolidated balance sheet by \$236 million. These corrections correspondingly impacted the change in accounts receivable and accounts payable in the condensed consolidated statement of cash flows for the period ended June 30, 2009 by \$222 million. These corrections had no impact on net income, earnings per share or net cash provided by operating, investing and financing activities.

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

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

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2. Inventories

Our inventories consist of the following (amounts in millions):

	At June 30, 2010	At December 31, 2009
Finished goods	\$ 123	\$ 201
Purchased parts and components	34	40
	<u>\$ 157</u>	<u>\$ 241</u>

3. Intangible assets, net

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

	At June 30, 2010			
	Estimated useful lives	Gross carrying amount	Accumulated amortization	Net carrying amount
Acquired definite-lived intangible assets:				
License agreements	3 - 10 years	\$ 173	\$ (71)	\$ 102
Game engines	2 - 5 years	61	(39)	22
Internally developed franchises	11 - 12 years	574	(118)	456
Favorable leases	1 - 4 years	5	(4)	1
Distribution agreements	4 years	18	(12)	6
Acquired indefinite-lived intangible assets:				
Activision trademark	Indefinite	386	—	386
Acquired trade names	Indefinite	47	—	47
Total		<u>\$ 1,264</u>	<u>\$ (244)</u>	<u>\$ 1,020</u>
	At December 31, 2009			
	Estimated useful lives	Gross carrying amount	Accumulated amortization	Net carrying amount
Acquired definite-lived intangible assets:				
License agreements	3 - 10 years	\$ 173	\$ (65)	\$ 108

Developed software	1 - 2 years	288	(288)	—
Game engines	2 - 5 years	61	(33)	28
Internally developed franchises	11 - 12 years	574	(101)	473
Favorable leases	1 - 4 years	5	(4)	1
Distribution agreements	4 years	18	(10)	8
Other intangibles	0 - 2 years	5	(5)	—
Acquired indefinite-lived intangible assets:				
Activision trademark	Indefinite	386	—	386
Acquired trade names	Indefinite	47	—	47
Total		<u>\$ 1,557</u>	<u>\$ (506)</u>	<u>\$ 1,051</u>

Amortization expense of intangible assets was \$11 million and \$29 million for the three and six months ended June 30, 2010, respectively. Amortization expense of intangible assets was \$41 million and \$90 million for the three and six months ended June 30, 2009, respectively.

The gross carrying amount as of June 30, 2010 and December 31, 2009 in the tables above reflect a new cost basis for license agreements, game engines and internally developed franchises due to impairment charges taken for the year ended December 31, 2009. The new cost basis includes the original gross carrying amount, less accumulated amortization and impairment charges of the impaired assets as of December 31, 2009.

At June 30, 2010, future amortization of definite-lived intangible assets is estimated as follows (amounts in millions):

2010 (remaining six months)	\$ 85
2011	97
2012	87
2013	63
2014	54
Thereafter	201
Total	<u>\$ 587</u>

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4. Income taxes

The income tax expense of \$82 million for the three months ended June 30, 2010 reflects an effective tax rate of 27%. The effective tax rate of 27% for the three months ended June 30, 2010 differs from the statutory rate of 35% primarily due to foreign income taxes provided at lower rates, geographic mix in profitability, recognition of California research and development credits and IRC 199 domestic production deductions. We did not record a tax benefit for federal research credits during the quarter ended June 30, 2010 since as of June 30, 2010, unlike in past years, the federal research credit extension had not yet been signed into law.

For the six months ended June 30, 2010, the tax rate is based on our projected annual effective tax rate for 2010, and also includes certain discrete tax items recorded during the period. Our tax expense of \$212 million for the six months ended June 30, 2010 reflects an effective tax rate of 26% which differs from the effective tax rate of 6% for the six months ended June 30, 2009 primarily due to tax benefits recorded during the prior period related to the release of valuation allowances on foreign net operating losses and the impact of changes to California tax laws.

5. Software development and intellectual property licenses

The following table summarizes the components of our software development and intellectual property licenses (amounts in millions):

	At June 30, 2010	At December 31, 2009
Internally developed software costs	\$ 172	\$ 182
Payments made to third-party software developers	77	52
Total software development costs	<u>\$ 249</u>	<u>\$ 234</u>
Intellectual property licenses	\$ 59	\$ 83

Amortization, write-offs and impairments are comprised of the following (amounts in millions):

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Amortization of capitalized software development costs and intellectual property licenses	\$ 67	\$ 97	\$ 168	\$ 169
Write-offs and impairments	—	—	15	—

6. Comprehensive income and accumulated other comprehensive loss

Comprehensive Income

The components of comprehensive income for the three and six months ended June 30, 2010 and 2009 were as follows (amounts in millions):

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009

Net income	\$	219	\$	195	\$	600	\$	384
Other comprehensive income (loss):								
Foreign currency translation adjustment		(13)		31		(33)		29
Unrealized appreciation (depreciation) on investments, net of taxes		—		1		—		—
Other comprehensive income (loss)		(13)		32		(33)		29
Comprehensive income	\$	206	\$	227	\$	567	\$	413

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The components of accumulated other comprehensive loss at June 30, 2010 and December 31, 2009 were as follows (amounts in millions):

	At June 30, 2010	At December 31, 2009
Foreign currency translation adjustment	\$ (55)	\$ (22)
Unrealized depreciation on investments, net of deferred income taxes of \$(2) for each of June 30, 2010 and December 31, 2009	(2)	(2)
Accumulated other comprehensive loss	\$ (57)	\$ (24)

Income taxes were not provided for foreign currency translation items as these are considered indefinite investments in non-U.S. subsidiaries.

7. Fair value measurements

Fair Value Measurements on a Recurring Basis

Financial Accounting Standards Board (“FASB”) literature regarding fair value measurements for financial and non-financial 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.
- 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. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The table below segregates all assets and liabilities that are measured at fair value on a recurring basis (which means they are so measured at least annually) 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 June 30, 2010 Using				Balance Sheet Classification
	As of June 30, 2010	Quoted Prices in Active Markets for Identical Financial Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Financial assets:					
Money market funds	\$ 1,888	\$ 1,888	\$ —	\$ —	Cash and cash equivalents
U.S. treasuries with original maturities of three months or less	200	200	—	—	Cash and cash equivalents
Mortgage backed securities	1	—	1	—	Short-term investments
U.S. treasuries and government sponsored agency debt securities	615	615	—	—	Short-term investments
ARS held through Morgan Stanley Smith Barney LLC	23	—	—	23	Long-term investments
Foreign exchange contract derivatives	5	—	5	—	Other assets—current
Total financial assets at fair value	\$ 2,732	\$ 2,703	\$ 6	\$ 23	
Financial liabilities:					
Other financial liability	\$ (23)	\$ —	\$ —	\$ (23)	Other liabilities—current
Total financial liabilities at fair value	\$ (23)	\$ —	\$ —	\$ (23)	

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	As of December 31,	Quoted Prices in Active Markets for Identical Financial Instruments	Significant Other Observable Inputs	Significant Unobservable Inputs	Balance Sheet
	2009	(Level 1)	(Level 2)	(Level 3)	Classification
Financial assets:					
Money market funds	\$ 2,304	\$ 2,304	\$ —	\$ —	Cash and cash equivalents
Mortgage backed securities	2	—	2	—	Short-term investments
ARS held through UBS	54	—	—	54	Short-term investments
U.S. government sponsored agency debt securities	389	389	—	—	Short-term investments
ARS held through Morgan Stanley Smith Barney LLC	23	—	—	23	Long-term investments
ARS rights from UBS(a)	7	—	—	7	Other assets—current
Total financial assets at fair value	\$ 2,779	\$ 2,693	\$ 2	\$ 84	
Financial liabilities:					
Other financial liability	\$ (23)	\$ —	\$ —	\$ (23)	Other liabilities—current
Total financial liabilities at fair value	\$ (23)	\$ —	\$ —	\$ (23)	

(a) ARS rights from UBS represent an offer from UBS providing us with the right to require UBS to purchase our ARS held through UBS at par value. To value the ARS rights, we considered the intrinsic value, time value of money, and our assessment of the credit worthiness of UBS. We exercised our ARS rights with UBS on June 30, 2010.

Other financial liability represents the earn-out liability from a previous acquisition. The earn-out liability was recorded at fair value at the date of the Business Combination as it will be settled by a variable number of shares of our common stock based on the average closing price for the five business days immediately preceding issuance of the shares. When estimating the fair value, we considered our projection of revenues from the related titles under the earn-out provisions.

The following table provides a reconciliation of the beginning and ending balances of our financial assets and financial liabilities classified as Level 3 by major categories (amounts in millions) at June 30, 2010:

	Level 3			
	ARS (a)	ARS rights from UBS (b)	Total financial assets at fair value	Other financial liabilities
Balance at January 1, 2010	\$ 77	\$ 7	\$ 84	\$ (23)
Total gains or (losses) (realized/unrealized) included in investment and other income, net	7	(7)	—	—
Purchases or acquired sales, issuances and settlements	(61)	—	(61)	—
Balance at June 30, 2010	\$ 23	\$ —	\$ 23	\$ (23)

The following table provides a reconciliation of the beginning and ending balances of our financial assets and financial liabilities classified as Level 3 by major categories (amounts in millions) at June 30, 2009:

	Level 3			
	ARS (a)	ARS rights from UBS (b)	Total Financial assets at fair value	Other financial liabilities
Balance at January 1, 2009	\$ 78	\$ 10	\$ 88	\$ (31)
Total gains or (losses) (realized/unrealized) included in investment and other income, net	2	(2)	—	—
Balance at June 30, 2009	\$ 80	\$ 8	\$ 88	\$ (31)
The amount of total gains or (losses) for the period included in investment and other income, net attributable to the change in unrealized gains or losses relating to assets and liabilities still held at June 30, 2009	\$ 2	\$ (2)	\$ —	\$ —

(a) Liquidity for these ARS is typically provided by an auction process which allows holders to sell their notes and resets the applicable interest rate at pre-determined intervals, usually every 7 to 35 days. On an industry-wide basis, many auctions have failed, and there is, as yet, no meaningful secondary market for these instruments. Each of the auction rate securities in our investment portfolio at June 30, 2010 has experienced a failed auction and there is no assurance that future auctions for these securities will succeed. An auction failure means that the parties wishing to sell their securities could not be matched with an adequate volume of buyers. In the event that there is a failed auction, the indenture governing the security requires the issuer to pay interest at a contractually defined rate that is generally above market rates for other types of similar instruments. The securities for which auctions have failed will continue to earn interest at the contractual rate and be auctioned every 7 to 35 days until the auction succeeds, the issuer calls the securities or they mature. As a result, our ability to liquidate and fully recover the carrying value of our auction rate securities in the near term may be limited or non-existent.

Consequently, fair value measurements have been estimated using an income-approach model (discounted cash-flow analysis). When estimating the fair value, we consider both observable market data and non-observable factors, including credit quality, duration, insurance wraps, collateral composition, maximum rate formulas, comparable trading instruments, and likelihood of redemption. Significant assumptions used in the analysis include estimates for interest rates, spreads, cash flow timing and amounts, and holding periods of the securities. Assets measured at fair value using significant unobservable inputs (Level 3) represent 1% of our financial assets measured at fair value on a recurring basis.

In June 2010, we sold the remainder of our ARS held with UBS at par and recognized a gain of \$7 million included within investment and other income, net in our condensed consolidated statement of operations for the six months ended June 30, 2010. Unsettled funds of \$36 million from the sale of ARS held with UBS were included within other current assets in our condensed consolidated balance sheet at June 30, 2010 and were received on July 1, 2010.

- (b) ARS rights from UBS represent an offer from UBS providing us with the right to require UBS to purchase our ARS held through UBS at par value. To value the ARS rights, we considered the intrinsic value, time value of money, and our assessment of the credit worthiness of UBS. We exercised our ARS rights with UBS on June 30, 2010 and recorded a loss of \$7 million included within investment and other income in our condensed consolidated statement of operations.

The carrying amount of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses is a reasonable approximation of fair value due to their short-term nature. Our U.S. treasuries and government sponsored agency debt securities and mortgage-backed securities are carried at fair value with fair values estimated based on quoted market prices or estimated based on quoted market prices of financial instruments with similar characteristics.

Foreign Currency Forward Contracts Not Designated as Hedges

We transact business in various currencies other than the U.S. dollar and have significant international sales and expenses denominated in currencies other than the U.S. dollar, subjecting us to currency exchange rate risks. To mitigate our risk from foreign currency fluctuations we periodically enter into currency derivative contracts, principally swaps and forward contracts with maturities of twelve months or less with Vivendi as our principal counterparty. We do not hold or purchase any foreign currency contracts for trading or speculative purposes and we do not designate these forward contracts or swaps as hedging instruments. Accordingly, we report the fair value of these contracts in our condensed consolidated balance sheet with changes in fair value recorded in our condensed consolidated statement of operations. The fair value of foreign currency contracts is estimated based on the prevailing exchange rates of the various hedged currencies as of the end of the period.

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Fair Value Measurements on a Non-Recurring Basis

We measure the fair value of certain assets on a non-recurring basis, generally annually or when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. For the six month period ended June 30, 2010, there were no impairment charges related to assets that are measured on a non-recurring basis.

The table below presents intangible assets that are not subject to recurring fair value measurement at December 31, 2009 (amounts in millions):

	As of December 31, 2009	Fair Value Measurements at Reporting Date Using			Total Losses
		Quoted Prices in Active Markets for Identical Financial Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Non-financial assets:					
Intangible assets, net	\$ 278	\$ —	\$ —	\$ 278	\$ 409
Total non-financial assets at fair value	\$ 278	\$ —	\$ —	\$ 278	\$ 409

In the fourth quarter of fiscal year ending 2009, with the franchise and industry results of the holiday season, our outlook for the console platforms was significantly revised. With the continued economic downturn within our industry in 2009 and the change in the buying habits of casual consumers, we reassessed our overall expectations as of December 31, 2009. We considered these economic changes during our 2010 planning process conducted during the months of November and December, which resulted in a strategy change to focus on fewer title releases in the casual and music genres. As we consider this a triggering event, we updated our future projected revenues streams for certain franchises in the casual games and music genres. We performed recoverability and, where applicable, impairment tests on the related intangible assets in accordance with ASC Subtopic 360-10.

Determining whether impairment has occurred requires various estimates and assumptions, including determining which cash flows are directly related to the potentially impaired asset, the estimated remaining useful life over which cash flows will occur, the amount of these cash flows and the asset's residual value, if any. For intangible assets that did not pass the recoverability test, measurement of an impairment loss requires a determination of fair value, which is based on the best information available. Considering the characteristics of the assets being valued and the availability of information, the Company used the income approach, which presumes that the value of an asset can be estimated by the net economic benefit to be received over the estimated remaining useful life of the asset, discounted to present value. We derived the required cash flow estimates from our historical experience and our internal business plans and applied an appropriate discount rate. Based on this analysis, we recorded impairment charges of \$24 million, \$12 million and \$373 million to license agreements, game engines and internally developed franchises intangible assets, respectively, in the quarter ended December 31, 2009 within our Activision operating segment.

8. Operating segments and geographic region

Our operating segments are consistent with our internal organizational structure, the manner in which our operations are reviewed and managed by our Chief Executive Officer, our Chief Operating Decision Maker ("CODM"), the manner in which operating performance is assessed and resources are

allocated, and the availability of separate financial information. We do not aggregate operating segments.

Currently, we operate under three operating segments:

Activision Publishing, Inc.

Activision Publishing, Inc. (“Activision”) is a leading international publisher of interactive software products and peripherals. Activision develops and publishes video games on various consoles, handheld platforms and the PC platform through internally developed franchises and license agreements. Activision currently offers games that operate on the Sony Computer Entertainment, Inc. (“Sony”) PlayStation 2 (“PS2”), Sony PlayStation 3 (“PS3”), Nintendo Co. Ltd. (“Nintendo”) Wii (“Wii”), and Microsoft Corporation (“Microsoft”) Xbox 360 (“Xbox 360”) console systems; the Sony PlayStation Portable (“PSP”) Nintendo Dual Screen (“NDS”) and Nintendo DSi handheld devices; the PC; and the Apple iPhone and iPad. Our Activision business

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involves the development, marketing, and sale of products through retail channels or digital downloads, by license, or from our affiliate label program with certain third-party publishers. Activision’s products cover diverse game categories including action/adventure, action sports, racing, role-playing, simulation, first-person action, music, and strategy. Activision’s target customer base ranges from casual players to core gamers, and children to adults.

Blizzard Entertainment, Inc.

Blizzard Entertainment, Inc. (“Blizzard”) is a leader in terms of subscriber base and revenues generated in the subscription-based massively multi-player online role-playing game (“MMORPG”) category. Blizzard internally develops and publishes PC-based computer games and maintains its proprietary online-game related service, Battle.net. Our Blizzard business involves the development, marketing, sales and support of role playing action and strategy games. Blizzard also develops, hosts, and supports its online subscription-based games in the MMORPG category. Blizzard is the development studio and publisher best known as the creator of *World of Warcraft* and the multiple award winning *Diablo*, *StarCraft*, and *World of Warcraft* franchises. Blizzard distributes its products and generates revenues worldwide through various means, including: subscription revenues (which consist of fees from individuals playing *World of Warcraft*, prepaid cards and other value added service revenues); retail sales of physical “boxed” products; electronic download sales of PC products; and licensing of software to third-party or related party companies that distribute *World of Warcraft*.

Activision Blizzard Distribution

Activision Blizzard Distribution (“Distribution”) consists of operations in Europe that provide warehousing, logistical, and sales distribution services to third-party publishers of interactive entertainment software, our own publishing operations, and manufacturers of interactive entertainment hardware.

The CODM reviews segment performance exclusive of the impact of the deferred net revenues and related cost of sales, stock-based compensation expense, restructuring expense, amortization of intangible assets and purchase price accounting related adjustments, and integration and transaction costs. Information on the operating segments and reconciliations of total net revenues and total segment income (loss) from operations to consolidated net revenues and operating income for the three and six months ended June 30, 2010 and 2009 are presented below (amounts in millions):

	Three months ended June 30,			
	2010	2009	2010	2009
	Net revenues		Income (loss) from operations	
Activision	\$ 333	\$ 448	\$ (53)	\$ 21
Blizzard	299	290	155	134
Distribution	51	63	(1)	1
Operating segments total	683	801	101	156
Reconciliation to consolidated net revenues / operating income:				
Net effect from deferral of net revenues and related cost of sales	284	237	227	164
Stock-based compensation expense	—	—	(17)	(43)
Restructuring	—	—	(1)	(15)
Amortization of intangible assets and purchase price accounting related adjustments	—	—	(10)	(38)
Integration and transaction costs	—	—	—	(3)
Other*	—	—	—	(3)
Consolidated net revenues / operating income	\$ 967	\$ 1,038	\$ 300	\$ 218

	Six months ended June 30,			
	2010	2009	2010	2009
	Net revenues		Income (loss) from operations	
Activision	\$ 670	\$ 796	\$ (46)	\$ (6)
Blizzard	605	581	313	277
Distribution	122	148	(1)	4
Operating segments total	1,397	1,525	266	275
Reconciliation to consolidated net revenues / operating income:				
Net effect from deferral of net revenues and related cost of sales	878	493	637	331
Stock-based compensation expense	—	—	(60)	(71)
Restructuring	—	—	(4)	(30)
Amortization of intangible assets and purchase price accounting related adjustments	—	—	(28)	(83)
Integration and transaction costs	—	—	—	(17)
Other*	—	1	—	(8)

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Geographic information for the three and six months ended June 30, 2010 and 2009 is based on the location of the selling entity. Net revenues from external customers by geographic region were as follows (amounts in millions):

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Net revenues by geographic region:				
North America	\$ 567	\$ 557	\$ 1,270	\$ 1,081
Europe	337	408	861	800
Asia Pacific	63	73	144	137
Total geographic region net revenues	967	1,038	2,275	2,018
Other*	—	—	—	1
Total consolidated net revenues	\$ 967	\$ 1,038	\$ 2,275	\$ 2,019

Net revenues by platform were as follows (amounts in millions):

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Net revenues by platform:				
MMORPG	\$ 289	\$ 324	\$ 594	\$ 638
Console	507	545	1,346	1,048
Hand-held	39	65	78	97
PC and other	81	41	135	87
Total platform net revenues	916	975	2,153	1,870
Distribution	51	63	122	148
Other*	—	—	—	1
Total consolidated net revenues	\$ 967	\$ 1,038	\$ 2,275	\$ 2,019

*Represents Non-Core activities, which are legacy Vivendi Games' divisions or business units that we have exited, divested or wound down as part of our restructuring and integration efforts as a result of the Business Combination. Prior to July 1, 2009, Non-Core activities were managed as a stand-alone operating segment; however, in light of the minimal activities and insignificance of Non-Core activities, as of that date we ceased their management as a separate operating segment and consequently, we are no longer providing separate operating segment disclosure and have reclassified our prior periods' segment presentation so that it conforms to the current period's presentation.

We did not have any single external customer that accounted for 10% or more of consolidated net revenues for the three and six months ended June 30, 2010. We had one customer, GameStop, that accounted for 10% and 8% of consolidated net revenues for the three and six months ended June 30, 2009, respectively, and 14% of consolidated gross accounts receivable at June 30, 2009.

9. Goodwill

The changes in the carrying amount of goodwill by operating segment for the six months ended June 30, 2010 are as follows (amounts in millions):

	Activision	Blizzard	Distribution	Total
Balance at December 31, 2009	\$ 6,964	\$ 178	\$ 12	\$ 7,154
Tax benefit credited to goodwill	(6)	—	—	(6)
Foreign exchange	(1)	—	—	(1)
Balance at June 30, 2010	\$ 6,957	\$ 178	\$ 12	\$ 7,147

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The tax benefit credited to goodwill represents the tax deduction resulting from the exercise of stock options that were outstanding and vested at the consummation of the Business Combination and included in the purchase price of Activision, Inc. to the extent that the tax deduction did not exceed the fair value of those options. Conversely, to the extent that the tax deduction did exceed the fair value of those options, the tax benefit is credited to additional paid-in capital.

10. 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):

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Numerator:				
Consolidated net income	\$ 219	\$ 195	\$ 600	\$ 384

Less: Distributed earnings to common shareholders	—	—	(187)	—
Less: Distributed earnings to unvested share-based awards that participate in earnings	—	—	(2)	—
Undistributed earnings	219	195	411	384
Less: Undistributed earnings allocated to unvested share-based awards that participate in earnings	(2)	(2)	(3)	(3)
Undistributed earnings allocated to common shareholders	217	193	408	381
Add back: Distributed earnings to common shareholders	—	—	187	—
Numerator for basic and diluted earnings per common share - income available to common shareholders	217	193	595	381

Denominator:

Denominator for basic earnings per common share - weighted-average common shares outstanding	1,232	1,289	1,239	1,299
Effect of potential dilutive common shares under the treasury stock method:				
Employee stock options	16	43	15	46
Denominator for diluted earnings per common share - weighted-average common shares outstanding plus dilutive effect of employee stock options	1,248	1,332	1,254	1,345
Basic earnings per common share	<u>\$ 0.18</u>	<u>\$ 0.15</u>	<u>\$ 0.48</u>	<u>\$ 0.29</u>
Diluted earnings per common share	<u>\$ 0.17</u>	<u>\$ 0.15</u>	<u>\$ 0.47</u>	<u>\$ 0.28</u>

Our unvested restricted stock rights (including restricted stock units, restricted stock awards, and performance share awards) are considered participating securities since these securities have non-forfeitable rights to dividends or dividend equivalents during the contractual period of the award. Since the unvested restricted stock rights are considered participating securities, we are required to use the two-class method in our computation of basic and diluted earnings per common share. For the three and six months ended June 30, 2010 and 2009, we had outstanding unvested restricted stock rights with respect to 10 million shares of common stock on a weighted-average basis.

Potential common shares are not included in the denominator of the diluted earnings per common share calculation when inclusion of such shares would be anti-dilutive. Therefore, options to acquire 23 million shares of common stock were not included in the calculation of diluted earnings per common share for the three and six months ended June 30, 2010 and options to

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acquire 19 million shares of common stock were not included in the calculation of diluted earnings per common share for the three and six months ended June 30, 2009 as the effect of their inclusion would be anti-dilutive.

11. Capital transactions

Repurchase Program

On November 5, 2008, we announced that our Board of Directors authorized a stock repurchase program under which we were able to repurchase up to \$1 billion of our common stock. On July 31, 2009, our Board of Directors authorized an increase of \$250 million to the stock repurchase program bringing the total authorization to \$1.25 billion. On February 10, 2010, we announced that our Board of Directors authorized a new stock repurchase program under which we may repurchase up to \$1 billion of our common stock until the earlier of December 31, 2010 or a determination by our Board of Directors to discontinue the repurchase program.

In January 2010, we settled a \$15 million purchase of 1.3 million shares of our common stock that we had agreed to repurchase in December 2009 pursuant to the \$1.25 billion stock repurchase program, completing that program. During the six months ended June 30, 2010, we repurchased 31 million shares of our common stock for \$334 million pursuant to the new \$1 billion stock repurchase program.

Dividend

On February 10, 2010, Activision Blizzard's Board of Directors declared a cash dividend of \$0.15 per common share payable on April 2, 2010 to shareholders of record at the close of business on February 22, 2010, and on April 2, 2010, we made a cash dividend payment of \$187 million to such shareholders. We intend to make dividend equivalent payments related to this cash dividend to certain holders of restricted stock rights later this year.

12. Commitments and contingencies

At June 30, 2010, we did not have any significant changes to our commitments since December 31, 2009. See Note 18 of the Notes to Consolidated Financial Statements included in Item 8 of the Annual Report on Form 10-K for the year ended December 31, 2009 for more information regarding our commitments.

Legal Proceedings

On February 8, 2008, the Wayne County Employees' Retirement System filed a lawsuit challenging the Business Combination in the Delaware Court of Chancery. The suit is a putative class action filed against the parties to the Business Combination Agreement as well as certain current and former members of our Board of Directors. The plaintiff alleged, among other things, that our current and former directors named therein failed to fulfill their

fiduciary duties with regard to the Business Combination by “surrendering” the negotiating process to “conflicted management,” that those breaches were aided and abetted by Vivendi and those of its subsidiaries named in the complaint, and that the preliminary proxy statement filed by the Company on January 31, 2008 contains certain statements that the plaintiff alleges are false and misleading. The plaintiff sought an order from the court that, among other things, certifies the case as a class action, enjoins the Business Combination, requires the defendants to disclose all material information, declares that the Business Combination is in breach of the directors’ fiduciary duties and therefore unlawful and unenforceable, awards the plaintiff and the putative class damages for all profits and special benefits obtained by the defendant in connection with the Business Combination and tender offer, and awards the plaintiff its cost and expense, including attorney’s fees.

After various initial motions were filed and ruled upon, on May 8, 2008, the plaintiff filed an amended complaint that, among other things, added allegations relating to a revised preliminary proxy statement filed by the Company on April 30, 2008. Additional motions were then filed, including a motion for preliminary injunction filed by the plaintiff and a motion to dismiss filed by Vivendi and its subsidiaries. On June 14, 2008, the plaintiff filed a motion for leave to file a second amended complaint. On June 30, 2008, the court granted Vivendi and its subsidiaries’ motion to dismiss, pursuant to a stipulation with the plaintiff, and on July 1, 2008, denied the plaintiff’s motion for preliminary injunction.

On December 23, 2008, the plaintiff filed an amended motion for leave to file a second amended complaint. The court granted the motion on January 14, 2009 and the second amended complaint was deemed filed on the same date. The second amended complaint asserts claims similar to the ones made in the original complaint, challenging Activision’s Board of Directors’ actions in connection with the negotiation and approval of the Business Combination, as well as disclosures made to our stockholders and certain amendments made to our certificate of incorporation in connection therewith. In addition, the second amended complaint asserts that Activision’s Board of Directors breached its fiduciary duties in approving and recommending those amendments to the certificate of incorporation. Among other things, the plaintiff seeks certification of the action as a class action, a declaration that amendments made to the certificate of incorporation are invalid and unenforceable, a declaration that our directors breached their fiduciary duties, rescission of the Business Combination and related transactions, and damages, interest, fees and costs. On July 24, 2009, the court granted the Company’s motion to dismiss the complaint for failure to state a claim.

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On August 21, 2009, the plaintiff filed a notice of appeal of the court’s dismissal. Appellate briefing has been completed and a hearing on the appeal occurred before a panel of the Delaware Supreme Court on January 13, 2010. The court then scheduled an additional hearing before the entire court, which occurred on March 31, 2010. On May 28, 2010, the court affirmed the lower court’s dismissal. After this report, this matter will no longer be reported in the Company’s filings, since the only outstanding issues relate to the plaintiff’s motion for attorney’s fees.

After concluding an internal human resources inquiry into breaches of contract and insubordination by two senior employees at Infinity Ward, the Company terminated its employment of Jason West and Vince Zampella on March 1, 2010. On March 3, 2010, West and Zampella filed a complaint against the Company in Los Angeles Superior Court for breach of contract and wrongful termination, among other claims. West and Zampella are seeking damages, including punitive damages, in excess of \$36 million and declaratory relief. On April 9, 2010, the Company filed a cross complaint against West and Zampella, asserting claims for breach of contract and fiduciary duty, among other claims. The Company is seeking damages and declaratory relief. The court set a trial date of May 23, 2011. The Company has accrued and will continue to accrue appropriate amounts related to bonuses and other monies allegedly owed in connection with this matter. At present, the Company does not expect this lawsuit to have a material impact on the Company.

In addition, 38 current and former employees of Infinity Ward filed a complaint against the Company in Los Angeles Superior Court on April 27, 2010. An amended complaint was filed on July 8, 2010, which added seven additional plaintiffs. The plaintiffs have asserted claims for breach of contract, violation of the Labor Code of the State of California, conversion and other claims. The plaintiffs claim that the Company failed to pay them bonuses and other compensation allegedly owed to them in an amount at least between \$75 and \$125 million, plus punitive damages. The Company has not yet responded to the amended complaint. A case management conference was held on July 9, 2010. The court set a trial date of May 23, 2011. The Company has accrued and will continue to accrue appropriate amounts related to bonuses and other monies allegedly owed in connection with this matter. The Company does not expect this lawsuit to have a material impact on the Company. During the period from March 3, 2010 through July 30, 2010, approximately 45 employees of Infinity Ward resigned from the Company.

In addition, we are party to other routine claims and suits brought by us and against us in the ordinary course of business, including disputes arising over the ownership of intellectual property rights, contractual claims, employment laws, regulations and relationships, and collection matters. In the opinion of management, after consultation with legal counsel, the outcome of such routine claims and lawsuits will not have a material adverse effect on our business, financial condition, results of operations, or liquidity.

Credit Facilities

Effective July 23, 2010, we terminated our unsecured credit agreement with Vivendi, the lender, which provided for a revolving credit facility of up to \$475 million.

13. Related party transactions

Treasury

Our foreign currency risk management program seeks to reduce risks arising from foreign currency fluctuations. We use derivative financial instruments, primarily currency forward contracts and swaps, with Vivendi as our principal counterparty. The gross notional amount of outstanding foreign exchange swaps was \$369 million at June 30, 2010. The gross notional amount of outstanding foreign exchange swaps was \$120 million at December 31, 2009. A pre-tax net unrealized gain of \$5 million and loss of \$2 million for the three months ended June 30, 2010 and 2009, respectively, resulted from the foreign exchange contracts and swaps with Vivendi and were recognized in the condensed consolidated statements of operations. A pre-tax net unrealized gain of \$4 million and gain of less than \$1 million for the six months ended June 30, 2010 and 2009, respectively, resulted from the foreign exchange contracts and swaps with Vivendi and were recognized in the condensed consolidated statements of operations.

Other

Activision Blizzard has entered into various transactions and agreements, including cash management services, investor agreement, and music royalty agreements with Vivendi and its subsidiaries and affiliates. Effective July 23, 2010, we terminated our unsecured credit agreement with Vivendi, the lender, which provided for a revolving credit facility of up to \$475 million. None of these services, transactions and agreements with Vivendi and its subsidiaries and affiliates is material either individually or in the aggregate to the condensed consolidated financial statements as a whole.

14. Recently issued accounting pronouncements

In October 2009, the FASB issued an update to *Revenue Recognition—Multiple-Deliverable Revenue Arrangements*. This update establishes the accounting and reporting guidance for arrangements including multiple revenue-generating activities. This update provides amendments to the criteria for separating deliverables, measuring and allocating arrangement consideration to one or more units of accounting. The amendments in this update also establish a selling price hierarchy for determining the selling price of a deliverable. Significantly enhanced disclosures are also required to provide information about a vendor's multiple-deliverable revenue arrangements, including information about the nature and terms, significant deliverables, and its performance within arrangements. The amendments also require providing information about the significant judgments made and changes to those judgments and about how the application of the relative selling-price method affects the timing or amount of revenue recognition. The amendments in this update are effective prospectively for revenue arrangements entered into or materially modified in the fiscal years beginning on or after June 15, 2010. Early adoption is permitted. We are currently evaluating the impact, if any, of this new accounting update on our consolidated financial statements.

In October 2009, the FASB issued an update to *Software—Certain Revenue Arrangements That Include Software Elements*. This update changes the accounting model for revenue arrangements that include both tangible products and software elements that are "essential to the functionality," and excludes these products from the scope of current software revenue guidance. The new guidance will include factors to help companies determine which software elements are considered "essential to the functionality." The amendments will now subject software-enabled products to other revenue guidance and disclosure requirements, such as guidance surrounding revenue arrangements with multiple-deliverables. The amendments in this update are effective prospectively for revenue arrangements entered into or materially modified in the fiscal years beginning on or after June 15, 2010 although early adoption is permitted. We are currently evaluating the impact, if any, of this new accounting update on our consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Business Overview

Activision Blizzard, Inc. is a worldwide online, personal computer ("PC"), console, and handheld game publisher. The terms "Activision Blizzard," the "Company," "we," "us," and "our" are used to refer collectively to Activision Blizzard, Inc. and its subsidiaries. We conduct our business through three operating segments: Activision, Blizzard, and Distribution. The current status of significant factors impacting our business environment in 2010 is discussed below. For additional discussion refer to the "Business Overview" section in the Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2009.

Business Highlights

According to The NPD Group with respect to the U.S., and Chartrack and Gfk for Europe, during the three months ended June 30, 2010:

- Call of Duty was the #3 best selling franchise in the U.S.;
- Call of Duty was the #1 best selling first-person action franchise in the U.S.;
- *Call of Duty: Modern Warfare 2* was the #1 best selling first person action title in the U.S.; and
- Activision's *Call of Duty: Modern Warfare 2* and Blizzard's *World of Warcraft: Wrath of the Lich King*, *World of Warcraft: Battle Chest* and *Diablo: Battle Chest* were four of the top-10 PC games in the U.S.

During the six months ended June 30, 2010:

- Call of Duty was the #1 best selling third-party franchise in the U.S. and Europe;
- *Call of Duty: Modern Warfare 2* was the #1 best selling first person action title in the U.S. and Europe; and
- Activision Blizzard was the #2 third-party console and handheld publisher in the U.S.

Additional Highlights

The Company paid a cash dividend of \$0.15 per common share on April 2, 2010 to shareholders of record at the close of business on February 22, 2010.

In addition to *Call of Duty: Modern Warfare 2* map packs, we released *Singularity*, *Transformers: War For Cybertron*, *Blur*, *Shrek Forever After*, *How to Train Your Dragon*, and a selection of casual titles including Cabela's *Monster Buck Hunter* and *Zhu Zhu Pets* during the first six months of 2010.

On April 29, 2010 Bungie, a developer of blockbuster game franchises, and Activision announced an exclusive 10-year alliance to bring Bungie's next big action game universe to market.

Activision Blizzard Upcoming Product Releases

The more notable games, among other titles, upcoming for release include:

Activision Publishing:

- *Call of Duty: Black Ops*;
- *Guitar Hero: Warriors of Rock*;
- *DJ Hero 2*;
- *Tony Hawk: SHRED*;
- *Spider-Man: Shattered Dimensions*;
- *GoldenEye 007*; and
- *Bakugan 2*.

Blizzard:

- *StarCraft II: Wings of Liberty*; and
- *World of Warcraft: Cataclysm*.

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Management's Overview of Business Trends

We provide our products through both the retail channel and through electronically delivered methods. Many of our video games that are available through retailers as physical "boxed" products such as DVDs are also available by direct digital download through the Internet (from websites that we own and others owned by third parties to which we license our products). We also offer downloadable content and add-ons to our products (e.g., map packs and additional songs). Electronically delivered content is generally offered to consumers for a one-time fee. Our subscription based services are also digitally delivered. We continue to focus on and grow our digital download and online revenues. This has become an increasingly important part of our business. For the quarter ended June 30, 2010, our sales through digital online channels grew 23% year-over-year.

Conditions in the retail part of the industry have remained challenging for the first six months of 2010. In the U.S. and Europe, retail sales within the industry experienced combined overall decreases of 16% and 11% for the three and six months ended June 30, 2010, respectively, as compared to the same periods in 2009, according to the NPD Group with respect to the U.S. and Chartrack and Gfk with respect to Europe. The music and casual games genres continue to contract, with consumer demand continuing to concentrate around a few key core titles.

This concentration of retail revenues among key titles has continued as a trend in the overall interactive software industry. According to The NPD Group, the top 10 titles accounted for 26% of the sales in the U.S. video game industry in the six months ended June 30, 2010. Similarly, a significant portion of our revenues has historically been derived from video games based on a few popular franchises and these video games are responsible for a disproportionately high percentage of our profits. We expect that a limited number of popular franchises will continue to produce a disproportionately high percentage of our revenues and profits. For example, our three key franchises of Call of Duty, World of Warcraft, and Guitar Hero, accounted for over 72% of our segment net revenues for the six months ended June 30, 2010. The bulk of these revenues resulted from the Call of Duty and World of Warcraft franchises as a result of the lack of new Guitar Hero releases during the first six months of the year.

Consolidated Statements of Operations Data

The following table sets forth consolidated statements of operations data for the periods indicated in dollars and as a percentage of total net revenues (amounts in millions):

	Three months ended June 30,				Six months ended June 30,				
	2010		2009		2010		2009		
Net revenues:									
Product sales	\$	643	66%	\$	747	72%	\$	1,437	71%
Subscription, licensing, and other revenues		324	34		291	28		582	29
Total net revenues		967	100		1,038	100		2,019	100
Costs and expenses:									
Cost of sales — product costs		235	25		281	27		577	28
Cost of sales — software royalties and amortization		51	5		86	8		158	8
Cost of sales — intellectual property licenses		29	3		54	5		118	6
Cost of sales — MMORPG		52	5		51	5		103	5
Product development		104	11		123	12		240	12
Sales and marketing		126	13		118	11		201	10
General and administrative		70	7		92	9		195	10
Restructuring		—	—		15	2		30	1
Total costs and expenses		667	69		820	79		1,622	80
Operating income		300	31		218	21		397	20
Investment and other income, net		1	—		—	—		10	—
Income before income tax expense		301	31		218	21		407	20

Income tax expense	82	8	23	2	212	9	23	1
Net income	\$ 219	23%	\$ 195	19%	\$ 600	26%	\$ 384	19%

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Operating Segment Results

Our operating segments have been determined in accordance with our internal organizational structure, the manner in which our operations are reviewed and managed by our Chief Executive Officer, who is our Chief Operating Decision Maker (“CODM”), the manner in which operating performance is assessed and resources are allocated, and the availability of separate financial information. We do not aggregate operating segments.

The CODM reviews segment performance exclusive of the impact of the change in deferred net revenues and related cost of sales with respect to certain of the Company’s online-enabled games, stock-based compensation expense, restructuring expense, amortization of intangible assets and purchase price accounting related adjustments, integration and transaction costs, and other. Information on the operating segments and reconciliations of total net revenues and total segment income (loss) from operations to consolidated net revenues and operating income for the three and six months ended June 30, 2010 and 2009 are presented below (amounts in millions):

	Three months ended June 30,			Six months ended June 30,		
	2010	2009	Increase (Decrease)	2010	2009	Increase (Decrease)
Segment net revenues:						
Activision	\$ 333	\$ 448	\$ (115)	\$ 670	\$ 796	\$ (126)
Blizzard	299	290	9	605	581	24
Distribution	51	63	(12)	122	148	(26)
Operating segment net revenue total	683	801	(118)	1,397	1,525	(128)
Reconciliation to consolidated net revenues:						
Net effect from deferral of net revenues	284	237		878	493	
Other*	—	—		—	1	
Consolidated net revenues	\$ 967	\$ 1,038		\$ 2,275	\$ 2,019	
Segment income (loss) from operations:						
Activision	\$ (53)	\$ 21	\$ (74)	\$ (46)	\$ (6)	\$ (40)
Blizzard	155	134	21	313	277	36
Distribution	(1)	1	(2)	(1)	4	(5)
Operating segment income from operations total	101	156	(55)	266	275	(9)
Reconciliation to consolidated operating income:						
Net effect from deferral of net revenues and related cost of sales	227	164		637	331	
Stock-based compensation expense	(17)	(43)		(60)	(71)	
Restructuring	(1)	(15)		(4)	(30)	
Amortization of intangible assets and purchase price accounting related adjustments	(10)	(38)		(28)	(83)	
Integration and transaction costs	—	(3)		—	(17)	
Other*	—	(3)		—	(8)	
Total consolidated operating income	\$ 300	\$ 218		\$ 811	\$ 397	

* Represents Non-Core activities, which are legacy Vivendi Games’ divisions or business units that we have exited, divested or wound down as part of our restructuring and integration efforts as a result of the Business Combination. Prior to July 1, 2009, Non-Core activities were managed as a stand-alone operating segment; however, in light of the minimal activities and insignificance of Non-Core activities, as of that date we ceased their management as a separate operating segment and consequently, we are no longer providing separate operating segment disclosure and have reclassified our prior periods’ segment presentation so that it conforms to the current period’s presentation.

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Segment Net Revenues

Activision

Activision’s net revenues decreased for the three and six months ended June 30, 2010 as compared to the same periods in 2009 primarily due to the release of a greater number of key titles in 2009 versus 2010, and the weaker sales of games in the music and casual games genres. We released two new intellectual properties, *Blur* and *Singularity*, in the second quarter of 2010. While establishing a new intellectual property has always been difficult, the current economic environment and market conditions made it particularly challenging for the quarter ended June 30, 2010. The decrease was partially offset

by the continued strong performance from *Call of Duty: Modern Warfare 2*, which was released in the fourth quarter of 2009, the launch of the *Call of Duty: Modern Warfare 2 Stimulus Package* map pack on Microsoft Xbox Live (“XBLive”) in the first quarter of 2010 and on PlayStation Network (“PSN”) in the second quarter of 2010, and the launch of the *Call of Duty: Modern Warfare 2 Resurgence* map pack on XBLive in the second quarter of 2010.

Blizzard

Blizzard’s net revenues increased for the three and six months ended June 30, 2010 as compared to the same periods in 2009 primarily due to the growth of value added services related to *World of Warcraft*. Value added services consist of transactions such as realm transfers, faction changes, and other character customizations within the *World of Warcraft* game play.

Distribution

Distribution’s net revenues decreased for the three and six months ended June 30, 2010 as compared to the same periods in 2009 primarily due to weakness in the interactive software industry in the United Kingdom (“U.K.”) resulting in lower sales from U.K. independent retailers and warehousing services.

Segment Income (Loss) from Operations

Activision

Activision’s operating income decreased for the three months ended June 30, 2010 as compared to the same period in 2009 primarily due to the release of a greater number of key titles in 2009 versus 2010, and higher product and marketing costs associated with the 2010 new releases. Partially offsetting the decrease in operating income was the continued strong performance from *Call of Duty: Modern Warfare 2* and the related map packs, and the change in business mix with lower cost of sales resulting from proportionately more software sales versus peripheral sales in the music genre.

Activision’s operating loss increased for the six months ended June 30, 2010 as compared to the same period in 2009 primarily due to the release of a greater number of key titles in 2009 versus 2010. Operating loss was further increased by higher product development costs for our slate of future titles. Partially offsetting the increase in operating loss was the continued strong performance from *Call of Duty: Modern Warfare 2*, the launch of the related map packs, the change in business mix with lower cost of sales resulting from proportionately more software sales versus peripheral sales in the music genre, lower marketing expenses due to timing and smaller number of releases in 2010 as compared to 2009.

Blizzard

Blizzard’s operating income increased for the three and six months ended June 30, 2010 as compared to the same periods in 2009 primarily as a result of the increase in value added service revenues.

Consolidated Results

Net Revenues by Geographic Region

The following table details our consolidated net revenues by geographic region for the three months ended June 30, 2010 and 2009 (amounts in millions):

	<u>Three months ended June 30,</u>		<u>Increase (Decrease)</u>
	<u>2010</u>	<u>2009</u>	
Geographic region net revenues:			
North America	\$ 567	\$ 557	\$ 10
Europe	337	408	(71)
Asia Pacific	63	73	(10)
Consolidated net revenues	<u>\$ 967</u>	<u>\$ 1,038</u>	<u>\$ (71)</u>

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The change in deferred revenues by geographic region for the three months ended June 30, 2010 and 2009 was as follows (amounts in millions):

	<u>Three months ended June 30,</u>		<u>Increase (Decrease)</u>
	<u>2010</u>	<u>2009</u>	
Change in deferred revenues by geographic region:			
North America	\$ 192	\$ 165	\$ 27
Europe	79	69	10
Asia Pacific	13	3	10
Total impact on consolidated net revenues	<u>\$ 284</u>	<u>\$ 237</u>	<u>\$ 47</u>

Consolidated net revenues for North America increased primarily due to the success of the *Call of Duty* franchise, in particular *Call of Duty: Modern Warfare 2*, and higher revenues from *World of Warcraft*’s value added services. The increase for North America was partially offset by the impact of the weaker sales of games in the music and casual game genres, and the continuing weakness of the interactive software sales in the retail channel. Consolidated net revenues for Europe and Asia Pacific decreased primarily as a result of the continuing weakness of the interactive software industry, a decrease in sales of games in the music and casual game genres, and unfavorable foreign exchange effects. *Call of Duty* franchise continues to remain strong in those regions and *World of Warcraft*’s value added services continues to demonstrate growth as well. The success of the *Call of Duty* franchise is also the primary reason that more deferred revenue was recognized in all regions during the three months ended June 30, 2010 as compared to the same period in 2009.

The following table details our consolidated net revenues by geographic region for the six months ended June 30, 2010 and 2009 (amounts in millions):

	Six months ended June 30,		Increase (Decrease)
	2010	2009	
Geographic region net revenues:			
North America	\$ 1,270	\$ 1,081	\$ 189
Europe	861	800	61
Asia Pacific	144	137	7
Total geographic region net revenues	2,275	2,018	257
Other	—	1	(1)
Consolidated net revenues	<u>\$ 2,275</u>	<u>\$ 2,019</u>	<u>\$ 256</u>

The change in deferred revenues by geographic region for the six months ended June 30, 2010 and 2009 was as follows (amounts in millions):

	Six months ended June 30,		Increase (Decrease)
	2010	2009	
Change in deferred revenues by geographic region:			
North America	\$ 504	\$ 315	\$ 189
Europe	333	168	165
Asia Pacific	41	10	31
Total change in deferred revenues by geographic region	878	493	385
Other	—	1	(1)
Total impact on consolidated net revenues	<u>\$ 878</u>	<u>\$ 494</u>	<u>\$ 384</u>

Consolidated net revenues increased in all regions for the six months ended June 30, 2010 as compared to the same period in 2009 primarily due to the success of the Call of Duty franchise, in particular *Call of Duty: Modern Warfare 2*, and higher revenues from *World of Warcraft's* value added services. The success of the Call of Duty franchise is also the primary reason that more deferred revenue was recognized during the six months ended June 30, 2010 as compared to the same period in 2009. The increase was partially offset by the impact of the weaker sales of games in the music and casual game genres, and the continuing weakness of the interactive software sales in the retail channel.

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Net Revenues by Platform

The following table details our net revenues by platform and as a percentage of total consolidated net revenues for the three months ended June 30, 2010 and 2009 (amounts in millions):

	Three Months Ended June 30, 2010	% of total consolidated net revenues	Three months ended June 30, 2009	% of total consolidated net revenues	Increase (Decrease)
Platform net revenues:					
MMORPG	\$ 289	30%	\$ 324	31%	\$ (35)
PC and other	81	8	41	4	40
Console					
Sony PlayStation 3	182	19	152	15	30
Sony PlayStation 2	9	1	44	4	(35)
Microsoft Xbox 360	240	24	231	22	9
Nintendo Wii	76	8	118	11	(42)
Total console	507	52	545	52	(38)
Handheld	39	5	65	7	(26)
Total platform net revenues	916	95	975	94	(59)
Distribution	51	5	63	6	(12)
Total consolidated net revenues	<u>\$ 967</u>	<u>100%</u>	<u>\$ 1,038</u>	<u>100%</u>	<u>\$ (71)</u>

The change in deferred revenues by platform for the three months ended June 30, 2010 and 2009 was as follows (amounts in millions):

	Three Months Ended June 30, 2010	2009	Increase (Decrease)
Change in deferred revenues by platform:			
MMORPG	\$ —	\$ 42	\$ (42)
PC and other	35	13	22
Console			
Sony PlayStation 3	90	47	43
Microsoft Xbox 360	119	91	28
Nintendo Wii	40	44	(4)
Total console	249	182	67
Total impact on consolidated net revenues	<u>\$ 284</u>	<u>\$ 237</u>	<u>\$ 47</u>

Net revenues from MMORPG decreased for the three months ended June 30, 2010 as compared to the same period in 2009 primarily as a result of lower deferred and boxed revenue recognized from the *World of Warcraft: Wrath of Lich King* expansion pack, which was released in the fourth quarter of 2008. The decrease was partially offset by higher revenues from *World of Warcraft's* value added services. Net revenues from PC and other, and Sony PlayStation 3 increased for the three months ended June 30, 2010 as compared to the same period in 2009 primarily as a result of the success of the Call of Duty franchise, in particular, *Call of Duty: Modern Warfare 2* and its associated map packs in downloadable content formats. Sony PlayStation 2 platform revenues continue to decline due to the aging lifecycle of the Sony PlayStation 2 platform as consumers are now almost fully transitioned to the current generation platforms. Net revenues from Nintendo Wii and Handheld decreased for the three months ended June 30, 2010 as compared to the same period in 2009 primarily as a result of the impact of the weaker sales of games in the casual game genre. The success of the Call of Duty franchise is also the primary reason that we recognized more deferred revenue during the three months ended June 30, 2010 as compared to the same period in 2009.

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The following table details our net revenues by platform and as a percentage of total consolidated net revenues for the six months ended June 30, 2010 and 2009 (amounts in millions):

	Six Months Ended June 30, 2010	% of total consolidated net revenues	Six months ended June 30, 2009	% of total consolidated net revenues	Increase (Decrease)
Platform net revenues:					
MMORPG	\$ 594	26%	\$ 638	32%	\$ (44)
PC and other	135	7	87	4	48
Console					
Sony PlayStation 3	486	22	283	14	203
Sony PlayStation 2	24	1	84	4	(60)
Microsoft Xbox 360	624	27	429	21	195
Nintendo Wii	212	9	252	13	(40)
Total console	1,346	59	1,048	52	298
Handheld	78	3	97	5	(19)
Total platform net revenues	2,153	95	1,870	93	283
Distribution	122	5	148	7	(26)
Other	—	—	1	—	(1)
Total consolidated net revenues	\$ 2,275	100%	\$ 2,019	100%	\$ 256

The change in deferred revenues by platform for the six months ended June 30, 2010 and 2009 was as follows (amounts in millions):

	Six Months Ended June 30, 2010	2009	Increase (Decrease)
Change in deferred revenues by platform:			
MMORPG	\$ 7	\$ 75	\$ (68)
PC and other	60	30	30
Console			
Sony PlayStation 3	312	118	194
Microsoft Xbox 360	399	183	216
Nintendo Wii	100	87	13
Total console	811	388	423
Other	—	1	(1)
Total impact on consolidated net revenues	\$ 878	\$ 494	\$ 384

Net revenues from Sony PlayStation 3, Microsoft Xbox 360 and PC and other increased for the six months ended June 30, 2010 as compared to the same period in 2009 primarily as a result of the success of the Call of Duty franchise, in particular *Call of Duty: Modern Warfare 2* and its associated map packs. This is also the primary reason that more deferred revenue was recognized during the six months ended June 30, 2010 as compared to the same period in 2009. Net revenues from PlayStation 2, MMORPG and Nintendo Wii decreased for the six months ended June 30, 2010 as compared to the same period in 2009 due to the same reasons described above.

Costs and Expenses

Cost of Sales

The following table details the components of cost of sales in dollars and as a percentage of total consolidated net revenues for the three months ended June 30, 2010 and 2009 (amounts in millions):

	Three months ended June 30, 2010	% of consolidated net revenues	Three months ended June 30, 2009	% of consolidated net revenues	Increase (Decrease)
Product costs	\$ 235	25%	\$ 281	27%	\$ (46)
Software royalties and amortization	51	5	86	8	(35)
Intellectual property licenses	29	3	54	5	(25)

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The following table details the components of cost of sales in dollars and as a percentage of total consolidated net revenues for the six months ended June 30, 2010 and 2009 (amounts in millions):

	Six months ended June 30, 2010	% of consolidated net revenues	Six months ended June 30, 2009	% of consolidated net revenues	Increase (Decrease)
Product costs	\$ 572	25%	\$ 577	28%	\$ (5)
Software royalties and amortization	150	7	158	8	(8)
Intellectual property licenses	72	3	118	6	(46)
MMORPG	106	5	103	5	3

Total cost of sales decreased for the three and six months ended June 30, 2010 as compared to the same periods in 2009 primarily due to:

- The change in business mix with lower revenues, and accordingly, lower product costs, generated from the Distribution segment and lower cost of sales resulting from the shift to selling more software versus peripherals in the music genre;
- Lower software royalties and intellectual property license expenses due to the release of a greater number of key titles in 2009 versus 2010; and
- The decrease in amortization of intangible assets.

The decreases were partially offset by:

- The stronger performance of the Call of Duty franchise; and
- Recognition of more deferred cost of sales, consistent with higher recognized deferred revenues, from the prior quarters during the three months and six months ended June 30, 2010 as compared to the three and six months ended June 30, 2009.

Product Development (amounts in millions)

	June 30, 2010	% of consolidated net revenues	June 30, 2009	% of consolidated net revenues	Increase (Decrease)
Three months ended	\$ 104	11%	\$ 123	12%	\$ (19)
Six months ended	247	11	240	12	7

Product development costs decreased for the three months ended June 30, 2010 as compared to the same period in 2009 as a result of the benefits realized from headcount reductions at certain studios primarily in the first quarter of 2010 to align the Company's resources with its upcoming product slate, and higher capitalization of costs related to upcoming title releases as they reach technological feasibility. The decrease was partially offset by the increased product development expenses for our slate of future titles.

Product development costs increased for the six months ended June 30, 2010 as compared to the same period in 2009. The increase was primarily attributable to the increased product development expenses for our slate of future titles. The increase was partially offset by higher capitalization of costs related to upcoming title releases.

[Table of Contents](#)*Sales and Marketing (amounts in millions)*

	June 30, 2010	% of consolidated net revenues	June 30, 2009	% of consolidated net revenues	Increase (Decrease)
Three months ended	\$ 126	13%	\$ 118	11%	\$ 8
Six months ended	182	8	201	10	(19)

Sales and marketing increased for the three months ended June 30, 2010 as compared to the same period in 2009 as a result of additional marketing expenses related to the new intellectual property release of *Blur* in the quarter ended June 30, 2010, and the continuing marketing support for the *Call of Duty: Modern Warfare 2* map packs.

Sales and marketing decreased for the six months ended June 30, 2010 as compared to the same period in 2009 as a result of a reduction in the number of major title releases and the timing of our releases in 2010 versus 2009.

General and Administrative (amounts in millions)

June 30,	% of consolidated	June 30,	% of consolidated	Increase
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	2010	net revenues	2009	net revenues	(Decrease)
Three months ended	\$ 70	7%	\$ 92	9%	\$ (22)
Six months ended	135	6	195	10	(60)

General and administrative expenses decreased for the three and six months ended June 30, 2010 as compared to the same periods in 2009. The decrease in general and administrative expenses was principally the result of favorable foreign exchange effects, the benefits realized from headcount reductions within certain administrative functions in the first quarter of 2010, and lower stock option expense. Furthermore, for the six months ended June 30, 2010, general and administrative expenses decreased as a result of integration costs incurred in the prior year due to the business combination with Vivendi Games.

Income Tax Expense (amounts in millions)

	June 30, 2010	% of Pretax income	June 30, 2009	% of Pretax income	Increase (Decrease)
Three months ended	\$ 82	27%	\$ 23	11%	\$ 59
Six months ended	212	26	23	6	189

The income tax expense of \$82 million for the three months ended June 30, 2010 reflects an effective tax rate of 27%. The effective tax rate of 27% for the three months ended June 30, 2010 differs from the statutory rate of 35% primarily due to foreign income taxes provided at lower rates, geographic mix in profitability, recognition of California research and development credits and IRC 199 domestic production deductions. The effective tax rate of 27% for the three months ended June 30, 2010 differs from the effective tax rate of 11% for the three months ended June 30, 2009 primarily due to the geographic mix in profitability and recognition of the Federal research and development tax credit. We did not record a tax benefit for federal research credits during the quarter ended June 30, 2010 since as of June 30, 2010, unlike in past years, the federal research credit extension had not yet been signed into law.

For the six months ended June 30, 2010, the tax rate is based on our projected annual effective tax rate for 2010, and also includes certain discrete tax items recorded during the period. Our tax expense of \$212 million for the six months ended June 30, 2010 reflects an effective tax rate of 26% which differs from the effective tax rate of 6% for the six months ended June 30, 2009 primarily due to tax benefits recorded during the prior period related to the release of valuation allowances on foreign net operating losses and the impact of changes to California tax laws.

The overall effective income tax rate for the year could be different from the effective tax rate for the six months ended June 30, 2010 and will be dependent on our profitability for the remainder of the year. In addition, our effective income tax rates for the remainder of 2010 and future periods will depend on a variety of factors, such as changes in the mix of income by tax jurisdiction, applicable accounting rules, applicable tax laws and regulations, rulings and interpretations thereof, developments in tax audit and other matters, and variations in the estimated and actual level of annual pre-tax income or loss. In particular, as described above, we did not record a tax benefit during the quarter ended June 30, 2010 for federal research credits that may be reinstated and extended retroactively.

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Liquidity and Capital Resources

Sources of Liquidity (amounts in millions)

	At June 30, 2010	At December 31, 2009	Increase (Decrease)
Cash and cash equivalents	\$ 2,214	\$ 2,768	\$ (554)
Short-term investments	632	477	155
	<u>\$ 2,846</u>	<u>\$ 3,245</u>	<u>\$ (399)</u>

Percentage of total assets	23%	24%
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	For the six months ended June 30,		Increase (Decrease)
	2010	2009	
Cash flows provided by operating activities	\$ 201	\$ 209	\$ (8)
Cash flows used in investing activities	(227)	(24)	(203)
Cash flows used in financing activities	(500)	(441)	(59)
Effect of foreign exchange rate changes	(28)	26	(54)
Net decrease in cash and cash equivalents	<u>\$ (554)</u>	<u>\$ (230)</u>	<u>\$ (324)</u>

Cash Flows from Operating Activities

For the six months ended June 30, 2010, the primary drivers of cash flows provided by operating activities included the collection of customer receivables generated by the sale of our products and our subscription revenues, partially offset by payments to vendors for the manufacturing, distribution and marketing of our products, payments to third-party developers and intellectual property holders, tax liability, and payments to our workforce.

A significant operating use of our cash relates to our continued focus on customer service for our subscribers, and investment in software development and intellectual property licenses. We expect that we will continue to make significant expenditures in these areas.

Cash Flows from Investing Activities

Cash flows used in investing activities during the six months ended June 30, 2010 reflect that we purchased short-term investments totaling \$388 million, made capital expenditures of \$39 million primarily for property and equipment, and received \$188 million from maturity of investments, the

majority of which consisted of our U.S. treasury and government sponsored agency debt securities.

The primary drivers of cash flows used in investing activities have typically included capital expenditures, acquisitions and the net effect of purchases and sales/maturities of short-term investments.

Cash Flows from Financing Activities

Cash flows used in financing activities primarily reflect payment of a cash dividend of \$187 million and our repurchase of 32 million shares of our common stock for \$349 million under our stock repurchase programs, partially offset by \$30 million of proceeds from issuance of shares of common stock to employees pursuant to stock option exercises.

On November 5, 2008, we announced that our Board of Directors authorized a stock repurchase program under which we were able to repurchase up to \$1 billion of our common stock. On July 31, 2009, our Board of Directors authorized an increase of \$250 million to the stock repurchase program bringing the total authorization to \$1.25 billion. On February 10, 2010, we announced that our Board of Directors authorized a new stock repurchase program under which we may repurchase up to \$1 billion of our common stock until the earlier of December 31, 2010 or a determination by our Board of Directors to discontinue the repurchase program.

In January 2010, we settled a \$15 million purchase of 1.3 million shares of our common stock that we had agreed to repurchase in December 2009 pursuant to the \$1.25 billion stock repurchase program, completing that program. During the six months

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ended June 30, 2010, we repurchased 31 million shares of our common stock for \$334 million pursuant to the new \$1 billion stock repurchase program.

The primary drivers of cash flows used in financing activities have historically related to transactions involving our common stock, including the issuance of shares of common stock to employees and the public and the purchase of treasury shares. We have not utilized debt financing as a source of cash flows. Effective July 23, 2010, we terminated our unsecured credit agreement with Vivendi, the lender, which provided for a revolving credit facility of up to \$475 million.

Other Liquidity and Capital Resources

In addition to cash flows provided by operating activities, our primary source of liquidity was \$2.8 billion of cash and cash equivalents and short-term investments at June 30, 2010. With our cash and cash equivalents and expected cash flows provided by operating activities, we believe that we have sufficient liquidity to meet daily operations in the foreseeable future. We also believe that we have sufficient working capital (\$2.9 billion at June 30, 2010) to finance our operational requirements for at least the next twelve months, including purchases of inventory and equipment, the development, production, marketing and sale of new products, and the provision of customer service for our subscribers, to finance the acquisition of intellectual property rights for future products from third parties, and to fund our stock repurchase program.

Capital Requirements

For the year ending December 31, 2010, we anticipate total capital expenditures of approximately \$140 million. Capital expenditures are expected to be primarily for computer hardware and software purchases and various corporate projects.

Off-balance Sheet Arrangements

At June 30, 2010 and December 31, 2009, Activision Blizzard had no significant relationships with unconsolidated entities or financial parties, such as entities often referred to as structured finance or special purpose entities, which would have been 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 future effect on our financial condition, changes in financial condition, revenues or expenses, results of operation, liquidity, capital expenditures, or capital resources.

Financial Disclosure

We maintain internal control over financial reporting, which generally includes those controls relating to the preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). We also are focused on our "disclosure controls and procedures," which as defined by the Securities and Exchange Commission (the "SEC") are generally those controls and procedures designed to ensure that financial and non-financial information required to be disclosed in our reports filed with the SEC is reported within the time periods specified in the SEC's rules and forms, and that such information is communicated to management, including our principal executive and financial officers, as appropriate, to allow timely decisions regarding required disclosure.

Our Disclosure Committee, which operates under the Board-approved Disclosure Committee Charter and Disclosure Controls & Procedures Policy (posted on our website), includes senior management representatives and assists executive management in its oversight of the accuracy and timeliness of our disclosures, as well as in implementing and evaluating our overall disclosure process. As part of our disclosure process, senior finance and operational representatives from all of our corporate divisions and business units prepare quarterly reports regarding their current quarter operational performance, future trends, subsequent events, internal controls, changes in internal controls and other accounting and disclosure relevant information. These quarterly reports are reviewed by certain key corporate finance executives. These corporate finance representatives also conduct quarterly interviews on a rotating basis with the preparers of selected quarterly reports. The results of the quarterly reports and related interviews are reviewed by the Disclosure Committee. Finance representatives also conduct reviews with our senior management team, our internal and external counsel and other appropriate personnel involved in the disclosure process, as appropriate. Additionally, senior finance and operational representatives provide internal certifications regarding the accuracy of information they provide that is utilized in the preparation of our periodic public reports filed with the SEC. Financial results and other financial information also are reviewed with the Audit Committee of the Board of Directors on a quarterly basis. As required by applicable regulatory requirements, the principal executive and financial officers review and make various certifications regarding the accuracy of our periodic public reports filed with the SEC, our disclosure controls and procedures, and our internal control over financial reporting. With the assistance of the Disclosure Committee, we will continue to assess and monitor, and make refinements to, our disclosure controls and procedures, and our internal control over financial reporting.

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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 (“U.S. GAAP”). 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 these estimates, judgments and assumptions 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
- Allowances for Returns, Price Protection, Doubtful Accounts, and Inventory Obsolescence
- Software Development Costs and Intellectual Property Licenses
- Accounting for Income Taxes
- Fair Value Estimates
- Goodwill and Intangible Assets — Impairment Assessments
- Stock-Based Compensation

During the six months ended June 30, 2010, there were no significant changes in our 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, 2009 for a more complete discussion of our critical accounting policies and estimates.

Recently Issued Accounting Pronouncements

In October 2009, the Financial Accounting Standards Board (“FASB”) issued an update to *Revenue Recognition—Multiple-Deliverable Revenue Arrangements*. This update establishes the accounting and reporting guidance for arrangements including multiple revenue-generating activities. This update provides amendments to the criteria for separating deliverables, measuring and allocating arrangement consideration to one or more units of accounting. The amendments in this update also establish a selling price hierarchy for determining the selling price of a deliverable. Significantly enhanced disclosures are also required to provide information about a vendor’s multiple-deliverable revenue arrangements, including information about the nature and terms, significant deliverables, and its performance within arrangements. The amendments also require providing information about the significant judgments made and changes to those judgments and about how the application of the relative selling-price method affects the timing or amount of revenue recognition. The amendments in this update are effective prospectively for revenue arrangements entered into or materially modified in the fiscal years beginning on or after June 15, 2010. Early adoption is permitted. We are currently evaluating the impact, if any, of this new accounting update on our consolidated financial statements.

In October 2009, the FASB issued an update to *Software—Certain Revenue Arrangements That Include Software Elements*. This update changes the accounting model for revenue arrangements that include both tangible products and software elements that are “essential to the functionality,” and excludes these products from the scope of current software revenue guidance. The new guidance will include factors to help companies determine which software elements are considered “essential to the functionality.” The amendments will now subject software-enabled products to other revenue guidance and disclosure requirements, such as guidance surrounding revenue arrangements with multiple-deliverables. The amendments in this update are effective prospectively for revenue arrangements entered into or materially modified in the fiscal years beginning on or after June 15, 2010. Early adoption is permitted. We are currently evaluating the impact, if any, of this new accounting update on our consolidated financial statements.

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 interest rates, foreign currency exchange rates and market prices.

Interest Rate Risk

Our exposure to market rate risk for changes in interest rates relates primarily to our investment portfolio. We do not use derivative financial instruments to manage interest rate risk in our investment portfolio. Our investment portfolio consists primarily of debt instruments with high credit quality and relatively short average maturities and money market funds that invest in such securities. 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

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securities. At June 30, 2010, our \$2,214 million of cash and cash equivalents were comprised primarily of money market funds. At June 30, 2010, our \$632 million of short-term investments included \$615 million of U.S. treasury and government sponsored agency debt securities, \$1 million of mortgage-backed securities, and \$16 million of restricted cash. We had \$23 million in auction rate securities at fair value classified as long-term investments at June 30, 2010. Most of our investment portfolio is invested in short-term or variable rate securities. Accordingly, we believe that a sharp change in interest rates would not have a material effect on our short-term investment portfolio.

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. Currency volatility is monitored throughout the year. To mitigate our foreign currency exchange rate exposure resulting from our foreign currency denominated monetary assets, liabilities and earnings, we periodically enter into currency derivative contracts, principally swaps and forward contracts with maturities of twelve months or less with Vivendi as our principal counterparty. We expect to continue to use economic hedge programs in the future to reduce foreign exchange-related volatility if it is determined that such hedging activities are appropriate to reduce risk. We do not hold or purchase any foreign currency contracts for trading or speculative purposes. All foreign currency economic hedging transactions are backed, in amount and by maturity, by an identified economic underlying item.

The gross notional amount of outstanding foreign exchange swaps was \$369 million at June 30, 2010. The gross notional amount of outstanding foreign exchange swaps was \$120 million at December 31, 2009. A pre-tax net unrealized gain of \$5 million and loss of \$2 million for the three months ended June 30, 2010, and 2009, respectively, resulted from the foreign exchange contracts and swaps with Vivendi and were recognized in the condensed consolidated statements of operations. A pre-tax net unrealized gain of \$4 million and gain of less than \$1 million for the six months ended June 30, 2010, and 2009, respectively, resulted from the foreign exchange contracts and swaps with Vivendi and were recognized in the condensed consolidated statements of operations.

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 Exchange Act) are designed to reasonably ensure that information required to be disclosed in our reports filed under the Exchange Act is (i) recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and (ii) 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 June 30, 2010, the end of the period covered by this report. Based on this evaluation, the principal executive officer and principal financial officer concluded that, at June 30, 2010, 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 (i) recorded, processed, summarized, and reported on a timely basis, and (ii) accumulated and communicated to 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.

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

The discussion in Note 12 to the Condensed Consolidated Financial Statements regarding legal proceedings is incorporated herein by reference.

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchase of Equity Securities

The following table provides the number of shares purchased and average price paid per share during the quarter ended June 30, 2010, the total number of shares purchased as part of our publicly announced repurchase program, and the approximate dollar value of shares that may yet be purchased under our stock repurchase program at June 30, 2010 (amounts in millions, except the number of shares and per share data).

Period	Total number of shares purchased (1)	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs (1)	Approximate dollar value of shares that may yet be purchased under the plans or programs
April 1, 2010—April 30, 2010	808,100	\$ 11.49	808,100	\$ 899
May 1, 2010—May 31, 2010	15,805,640	10.73	15,805,640	729
June 1, 2010—June 30, 2010	5,939,216	10.70	5,939,216	666
Total	22,552,956	10.75	22,552,956	

(1) Purchases were made pursuant to the stock repurchase program authorized by our Board of Directors and announced on February 10, 2010, pursuant to which we may repurchase up to \$1 billion of our common stock from time to time on the open market or in private transactions, including structured or accelerated transactions, until the earlier of December 31, 2010 or a determination by our Board of Directors to discontinue the repurchase program. We will

determine the timing and amount of repurchases based on our evaluation of market conditions and other factors. We may suspend or discontinue the stock repurchase program at any time.

Item 6. Exhibits

The exhibits listed on the accompanying index to exhibits are hereby incorporated by reference into this Quarterly Report on Form 10-Q.

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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: August 6, 2010

ACTIVISION BLIZZARD, INC.

/s/ Thomas Tippl

Thomas Tippl

Chief Operating Officer and Chief Financial Officer,
Principal Financial and Accounting Officer of
Activision Blizzard, Inc.

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EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Exhibit</u>
3.1	Amended and Restated Certificate of Incorporation of Activision Blizzard, Inc., dated July 9, 2008 (incorporated by reference to Exhibit 3.1 of the Company's Form 8-K, filed July 15, 2008).
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Activision Blizzard, Inc., dated August 15, 2008 (incorporated by reference to Exhibit 3.1 of the Company's Form 8-K, filed August 15, 2008).
3.3	Amended and Restated By-Laws of Activision Blizzard, Inc., as amended and restated as of February 2, 2010 (incorporated by reference to Exhibit 3.1 of the Company's Form 8-K, filed February 5, 2010).
10.1*	Notice of Stock Option Award, dated as of May 10, 2010, to Thomas Tippl.
10.2*	Notice of Restricted Share Unit Award, dated as of May 10, 2010, to Thomas Tippl.
10.3*	Notice of Performance Share Award, dated as of May 10, 2010, to Thomas Tippl.
10.4*	Activision Blizzard, Inc. 2008 Amended and Restated Incentive Plan, as amended and restated as of June 3, 2010.
10.5*	Amended and Restated Non-Affiliated Director Compensation Program and Director Stock Ownership Guidelines, as amended and restated as of June 3, 2010.
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 Thomas Tippl 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 Thomas Tippl pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Label Linkbase Document.
101.PRE	XBRL Taxonomy Presentation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Document.

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

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at June 30, 2010 and December 31, 2009, (ii) Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2010 and June 30, 2009, (iii) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2010 and June 30, 2009; (iv) Condensed Consolidated Statement of Changes in Shareholders' Equity for the six months ended June 30, 2010; and (v) Notes to Condensed Consolidated Financial Statements.

AMENDED AND RESTATED ACTIVISION BLIZZARD, INC.

2008 INCENTIVE PLAN

NOTICE OF STOCK OPTION AWARD

You have been awarded an option to purchase Common Shares of Activision Blizzard, Inc. (the "Company"), as follows:

- Your name: **Thomas Tippl**
- Total number of Shares purchasable upon exercise of the Stock Option awarded: **525,000**
- Exercise Price: **US\$10.89** per Share
- Date of Grant: **May 10, 2010**
- Expiration Date: **May 10, 2020**
- Grant ID: **08003660**
- Your Award of the Stock Option is governed by the terms and conditions set forth in:
 - this Notice of Stock Option Award;
 - the Stock Option Award Terms attached hereto as Exhibit A (the "Award Terms"); and
 - the Company's Amended and Restated 2008 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- Your Stock Option Award has been made in connection with your employment agreement with the Company or one of its subsidiaries or affiliates as a material inducement to your entering into or renewing employment with such entity pursuant to such agreement, and is also governed by any applicable terms and conditions set forth in such agreement.
- *Schedule for Vesting*: Except as otherwise provided under the Award Terms, the Stock Option awarded to you will vest and become exercisable as follows, provided you remain continuously employed by the Company or one of its subsidiaries or affiliates through each such date:

Schedule for Vesting

Date of Vesting	No. of Shares Vesting at Vesting Date	Cumulative No. of Shares Vested at Vesting Date
February 15, 2011	131,250	131,250
February 15, 2012	131,250	262,500
February 15, 2013	131,250	393,750
February 15, 2014	131,250	525,000

- The Stock Option is not intended to be an "incentive stock option," as such term is defined in Section 422 of the Code.
- **Please sign and return to the Company this Notice of Stock Option Award, which bears an original signature on behalf of the Company. You are urged to do so promptly.**
- **Please return the signed Notice of Stock Option Award to the Company at:**

Activision Blizzard, Inc.
 3100 Ocean Park Boulevard
 Santa Monica, CA 90405
 Attn: Stock Plan Administration

You should retain the enclosed duplicate copy of this Notice of Stock Option Award for your records.

Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Award Terms.

ACTIVISION BLIZZARD, INC.

/s/ Ann E Weiser
 Ann E. Weiser
 Chief Human Resources Officer

Date: August 5, 2010

ACCEPTED AND AGREED:

Date: July 30, 2010

EXHIBIT A

AMENDED AND RESTATED ACTIVISION BLIZZARD, INC.

2008 INCENTIVE PLAN

STOCK OPTION AWARD TERMS

1. Definitions.

(a) For purposes of these Award Terms, the following terms shall have the meanings set forth below:

“**Award**” means the award described on the Grant Notice.

“**Cause**” shall have the meaning given to such term in the Employment Agreement.

“**Common Shares**” means the shares of common stock, par value \$0.000001 per share, of the Company or any security into which such Common Shares may be changed by reason of any transaction or event of the type referred to in Section 8 hereof.

“**Company**” means Activision Blizzard, Inc. and any successor thereto.

“**Company Group**” means the Company or any of its subsidiaries or other affiliates.

“**Company-Sponsored Equity Account**” means an account that is created with the Equity Account Administrator in connection with the administration of the Company’s equity plans and programs, including the Plan.

“**Date of Grant**” means the Date of Grant of the Award set forth on the Grant Notice.

“**Disability**” shall have the meaning given to such term in, or otherwise be determined in accordance with, the Employment Agreement.

“**Employment Agreement**” means the employment agreement between the Holder and the Company Group, dated as of September 9, 2005, as amended from time to time.

“**Employment Violation**” means any material breach by the Holder of the Employment Agreement for so long as the terms of the Employment Agreement shall apply to the Holder (with any breach of the post-termination obligations contained therein deemed to be material for purposes of these Award Terms).

“**Equity Account Administrator**” means the brokerage firm utilized by the Company from time to time to create and administer accounts for participants in the Company’s equity plans and programs, including the Plan.

“**Exercise Price**” means the Exercise Price set forth on the Grant Notice.

“**Expiration Date**” means the Expiration Date set forth on the Grant Notice.

“**Grant Notice**” means the Notice of Stock Option Award to which these Award Terms are attached as Exhibit A.

“**Holder**” means the recipient of the Award named on the Grant Notice.

“**Look-back Period**” means, with respect to any Employment Violation by the Holder, the period beginning on the date which is 12 months prior to the date of such Employment Violation by the Holder and ending on the date of computation of the Recapture Amount with respect to such Employment Violation.

“**Option**” means the Stock Option to purchase Common Shares awarded to the Holder on the terms and conditions described in the Grant Notice and these Award Terms.

“**Plan**” means the Amended and Restated Activision Blizzard, Inc. 2008 Incentive Plan, as amended from time to time.

“**Recapture Amount**” means, with respect to any Employment Violation by the Holder, the gross gain realized or unrealized by the Holder upon all exercises of the Stock Option during the Look-back Period with respect to such Employment Violation, which gain shall be calculated as the sum of:

(i) if the Holder has exercised any portion of the Stock Option during such Look-back Period and sold any of the Shares acquired on exercise thereafter, an amount equal to the product of (A) the sales price per Share sold minus the Exercise Price times (B) the number of Shares as to which the Stock Option was exercised and which were sold at such sales price; plus

(ii) if the Holder has exercised any portion of the Stock Option during such Look-back Period and not sold any of the Shares acquired on exercise thereafter, an amount equal to the product of (A) the greatest of the following: (1) the Market Value per Share of Common Shares on the date of exercise, (2) the arithmetic average of the per share closing sales prices of Common Shares as reported on NASDAQ for the 30 trading day period ending on the trading day immediately preceding the date of the Company's written notice of its exercise of its rights under Section 11 hereof, or (3) the arithmetic average of the per share closing sales prices of Common Shares as reported on NASDAQ for the 30 trading day period ending on the trading day immediately preceding the date of computation, minus the Exercise Price, times (B) the number of Shares as to which the Stock Option was exercised and which were not sold.

“**Section 409A**” means Section 409A of the Code and the guidance and regulations promulgated thereunder.

“**Shares**” means the Common Shares purchasable upon exercise of the Stock Option.

“**Term Sheet**” means the Corporate Governance Term Sheet approved by the Delaware Court of Chancery in connection with the settlement of *In re Activision, Inc. Shareholder Derivative Litigation*, C.D. Cal. Case No. CV06-4771 MRP (JTLx); *In re Activision Shareholder Derivative Litigation*, L.A.S.C. Case No. SC090343.

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“**Withholding Taxes**” means any taxes, including, but not limited to, social security and Medicare taxes and federal, state and local income taxes, required to be withheld under any applicable law.

(b) Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Plan.

2. Expiration. The Stock Option shall expire on the Expiration Date and, after such expiration, shall no longer be exercisable.

3. Vesting and Exercise.

(a) Vesting Schedule. Except as otherwise set forth in these Award Terms, the Stock Option shall vest, and thereupon become exercisable, in accordance with the “Schedule for Vesting” set forth on the Grant Notice.

(b) Exercisable Only by the Holder. Except as otherwise permitted under the Plan or Section 10 hereof, the Stock Option may be exercised during the Holder's lifetime only by the Holder or, in the event of the Holder's legal incapacity to do so, by the Holder's guardian or legal representative acting on behalf of the Holder in a fiduciary capacity under state law and/or court supervision.

(c) Procedure for Exercise. The Stock Option may be exercised by the Holder as to all or any of the Shares as to which the Stock Option has vested (i) by following the procedures for exercise established by the Equity Account Administrator and posted on the Equity Account Administrator's website from time to time or (ii) with the Company's consent, by giving the Company written notice of exercise, in such form as may be prescribed by the Company from time to time, specifying the number of Shares to be purchased.

(d) Payment of Exercise Price. To be valid, any exercise of the Stock Option must be accompanied by full payment of the aggregate Exercise Price of the Shares being purchased. The Company shall determine the method or methods the Holder may use to make such payment, which may include any of the following: (i) by bank check or certified check or wire transfer of immediately available funds, (ii) if securities of the Company of the same class as the Shares are then traded or quoted on a national securities exchange, the Nasdaq Stock Market, Inc. or a national quotation system sponsored by the National Association of Securities Dealers, Inc., through the delivery of irrevocable written instructions, in a form acceptable to the Company, to the Equity Account Administrator (or, with the Company's consent, such other brokerage firm as may be requested by the person exercising the Stock Option) to sell some or all of the Shares being purchased upon such exercise and to thereafter deliver promptly to the Company from the proceeds of such sale an amount in cash equal to the aggregate Exercise Price of the Shares being purchased, (iii) by tendering previously owned shares (valued at their Market Value per Share as of the date of tender), (iv) through the withholding of Shares otherwise deliverable upon exercise, or (v) any combination of (i), (ii), (iii) or (iv) above or any other manner permitted pursuant to the Plan.

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(e) No Fractional Shares. In no event may the Stock Option be exercised for a fraction of a Share.

(f) No Adjustment for Dividends or Other Rights. No adjustment shall be made for cash dividends or other rights for which the record date is prior to the date as of which the issuance or transfer of Shares to the person entitled thereto has been evidenced on the books and records of the Company pursuant to clause (ii) of Section 3(g) hereof following exercise of the Stock Option.

(g) Issuance and Delivery of Shares. As soon as practicable (and, in any event, within 30 days) after the valid exercise of the Stock Option, the Company shall (i) effect the issuance or transfer of the Shares purchased upon such exercise, (ii) cause the issuance or transfer of such Shares to be evidenced on the books and records of the Company, and (iii) cause such Shares to be delivered to a Company-Sponsored Equity Account in the name of the person entitled to such Shares (or, with the Company's consent, such other brokerage account as may be requested by such person); provided, however, that, in the event such Shares are subject to a legend as set forth in Section 14 hereof, the Company shall instead cause a certificate evidencing such Shares and bearing such legend to be delivered to the person entitled thereto.

(h) Partial Exercise. If the Stock Option shall have been exercised with respect to less than all of the Shares purchasable upon exercise of the Stock Option, the Company shall make a notation in its books and records to reflect the partial exercise of the Stock Option and the number of Shares that thereafter remain available for purchase upon exercise of the Stock Option.

4. Termination of Employment.

(a) Cause. In the event that the Holder's employment is terminated by the Company or any of its subsidiaries or affiliates for Cause, as of the date of such termination of employment the Stock Option shall (i) cease to vest, if not then fully vested, (ii) no longer be exercisable, whether or not vested, and (iii) be immediately cancelled.

(b) Without Cause or For Good Reason. In the event that the Holder's employment is terminated by the Company or any of its subsidiaries or affiliates without Cause or by the Holder pursuant to Section 9(b) of the Employment Agreement, the provisions of Section 9(f)(ii) of the Employment Agreement, the terms of which are incorporated by reference, *mutatis mutandis*, and shall apply to the Grant Notice and these Award Terms with the same force and effect as if expressly set forth therein or herein, shall govern the disposition of the Stock Option.

(c) Death or Disability. Unless the Committee determines otherwise, in the event that the Holder dies while employed by the Company or any of its subsidiaries or affiliates or the Holder's employment with the Company or any of its subsidiaries or affiliates is terminated due to the Holder's Disability, the Stock Option shall (i) cease to vest as of the date of the Holder's death or the first date of the Holder's Disability (as determined by the Committee), as the case may be, and (ii) to the extent vested as of the date of the Holder's death or the first date of the Holder's Disability, as the case may be, remain exercisable in accordance with these Award Terms until the earlier of (A) the first anniversary of the date of the Holder's death or termination of employment, as the case may be, and (B) the Expiration Date, after which the

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Stock Option shall no longer be exercisable and shall be immediately cancelled. To the extent not vested as of the date of the Holder's death or the first date of the Holder's Disability, as the case may be, the Stock Option shall be immediately cancelled and shall no longer be exercisable.

(d) Other. Unless the Committee determines otherwise, in the event that the Holder's employment is terminated for any reason not addressed by Section 4(a), 4(b) or 4(c) hereof, the Stock Option shall (i) cease to vest, if not then fully vested, (ii) no longer be exercisable, whether or not vested, and (iii) be immediately cancelled.

5. Tax Withholding. The Company shall have the right to require the Holder to satisfy any Withholding Taxes resulting from the exercise (in whole or in part) of the Stock Option, the issuance or transfer of any Shares upon exercise of the Stock Option or otherwise in connection with the Award at the time such Withholding Taxes become due. The Company shall determine the method or methods the Holder may use to satisfy any Withholding Taxes contemplated by this Section 5, which may include any of the following: (a) by delivery to the Company of a bank check or certified check or wire transfer of immediately available funds; (b) if securities of the Company of the same class as the Shares are then traded or quoted on a national securities exchange, the Nasdaq Stock Market, Inc. or a national quotation system sponsored by the National Association of Securities Dealers, Inc., through the delivery of irrevocable written instructions, in a form acceptable to the Company, to the Equity Account Administrator (or, with the Company's consent, such other brokerage firm as may be requested by the person exercising the Stock Option) to sell some or all of the Shares being purchased upon such exercise and to thereafter deliver promptly to the Company from the proceeds of such sale an amount in cash equal to the aggregate amount of such Withholding Taxes; (c) by tendering previously owned shares (valued at their Market Value per Share as of the date of tender); (d) through the withholding of Shares otherwise deliverable upon exercise; or (e) by any combination of (a), (b), (c) or (d) above. Notwithstanding anything to the contrary contained herein, (i) the Company or any of its subsidiaries or affiliates shall have the right to withhold from the Holder's compensation any Withholding Taxes contemplated by this Section 5 and (ii) the Company shall have no obligation to deliver any Shares upon exercise of the Stock Option unless and until all Withholding Taxes contemplated by this Section 5 have been satisfied.

6. Reservation of Shares. The Company shall at all times reserve for issuance or delivery upon exercise of the Stock Option such number of Common Shares as shall be required for issuance or delivery upon exercise thereof.

7. Committee Discretion. Except as may otherwise be provided in the Plan, the Committee shall have sole discretion to (a) interpret any provision of the Plan, the Grant Notice and these Award Terms, (b) make any determinations necessary or advisable for the administration of the Plan and the Award, and (c) waive any conditions or rights of the Company under the Award, the Grant Notice or these Award Terms. Without intending to limit the generality or effect of the foregoing, any decision or determination to be made by the Committee pursuant to these Award Terms, including whether to grant or withhold any consent, shall be made by the Committee in its sole and absolute discretion, subject only to the terms of the Plan. Subject to the terms of the Plan, the Committee may amend the terms of the Award prospectively or retroactively; however, no such amendment may materially and adversely affect the rights of the Holder taken as a whole without the Holder's consent. Without intending to limit the generality or effect of the foregoing, the Committee may amend the terms of the Award (i) in recognition of unusual or nonrecurring events (including, without limitation, events described in

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Section 8 hereof) affecting the Company or any of its subsidiaries or affiliates or the financial statements of the Company or any of its subsidiaries or affiliates, (ii) in response to changes in applicable laws, regulations or accounting principles and interpretations thereof, or (iii) to prevent the Award from becoming subject to Section 409A.

8. Adjustments. Notwithstanding anything to the contrary contained herein, pursuant to Section 12 of the Plan, the Committee will make or provide for such adjustments to the Award as are equitably required to prevent dilution or enlargement of the rights of the Holder that would otherwise result from (a) any stock dividend, extraordinary dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, (b) any change of control, merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, or issuance of rights or warrants to purchase securities, or (c) any other corporate transaction or event having an effect similar to any of the foregoing. Moreover, in the event of any such transaction or event, the Committee, in its discretion, may provide in substitution for the Award such alternative consideration (including, without limitation, cash or other equity awards), if any, as it may determine to be equitable in the circumstances and may require in connection therewith the surrender of the Award.

9. Registration and Listing. Notwithstanding anything to the contrary contained herein, the Stock Option may not be exercised, and the Stock Option and Shares purchasable upon exercise of the Stock Option may not be purchased, sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered in any way, unless such transaction is in compliance with (a) the Securities Act of 1933, as amended, or any comparable federal securities law, and all applicable state securities laws, (b) the requirements of any securities exchange, securities association, market system or quotation system on which securities of the Company of the same class as the Shares are then traded or quoted, (c) any restrictions on transfer imposed by the

Company's certificate of incorporation or bylaws, and (d) any policy or procedure the Company has adopted with respect to the trading of its securities, in each case as in effect on the date of the intended transaction. The Company is under no obligation to register, qualify or list, or maintain the registration, qualification or listing of, the Stock Option or Shares with the SEC, any state securities commission or any securities exchange, securities association, market system or quotation system to effect such compliance. The Holder shall make such representations and furnish such information as may be appropriate to permit the Company, in light of the then existence or non-existence of an effective registration statement under the Securities Act of 1933, as amended, relating to the Stock Option or Shares, to issue or transfer the Stock Option or Shares in compliance with the provisions of that or any comparable federal securities law and all applicable state securities laws. The Company shall have the right, but not the obligation, to register the issuance or resale of the Stock Option or Shares under the Securities Act of 1933, as amended, or any comparable federal securities law or applicable state securities law.

10. Transferability. Except as otherwise permitted under the Plan or this Section 10, the Stock Option shall not be transferable by the Holder other than by will or the laws of descent and distribution. Subject to the terms of the Plan, with the Company's consent, the Holder may transfer all or part of the Stock Option for estate planning purposes or pursuant to a domestic relations order; provided, however, that any transferee shall be bound by all of the terms and conditions of the Plan, the Grant Notice and these Award Terms and shall execute an agreement in form and substance satisfactory to the Company in connection with such transfer; and provided further that the Holder will remain bound by the terms and conditions of the Plan, the Grant Notice and these Award Terms.

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11. Employment Violation. In the event of an Employment Violation, the Company shall have the right to require (i) the termination and cancellation of the Stock Option, whether vested or unvested, and (ii) payment by the Holder to the Company of the Recapture Amount with respect to such Employment Violation; provided, however, that, in lieu of payment by the Holder to the Company of the Recapture Amount, the Holder, in his or her discretion, may tender to the Company the Shares acquired upon exercise of the Stock Option during the Look-back Period with respect to such Employment Violation and the Holder shall not be entitled to receive any consideration from the Company in exchange therefor. Any such termination of the Stock Option and payment of the Recapture Amount, as the case may be, shall be in addition to, and not in lieu of, any other right or remedy available to the Company arising out of or in connection with such Employment Violation, including, without limitation, the right to terminate the Holder's employment if not already terminated and to seek injunctive relief and additional monetary damages.

12. Compliance with Applicable Laws and Regulations and Company Policies and Procedures.

(a) The Holder is responsible for complying with (a) any federal, state and local taxation laws applicable to the Holder in connection with the Award, (b) any federal and state securities laws applicable to the Holder in connection with the Award, (c) the requirements of any securities exchange, securities association, market system or quotation system on which securities of the Company of the same class as the Shares are then traded or quoted, (d) any restrictions on transfer imposed by the Company's certificate of incorporation or bylaws, and (e) any policy or procedure the Company maintains or may adopt with respect to the trading of its securities.

(b) The Award is subject to the terms and conditions of the Term Sheet, and any Company policies or procedures adopted in connection with the Company's implementation of the Term Sheet, including, without limitation, any policy requiring or permitting the Company to recover any gains realized by the Holder in connection with the Award.

13. Section 409A. As the Exercise Price is equal to the fair market value of a Share on the Date of Grant, payments contemplated with respect to the Award are intended to be exempt from Section 409A, and all provisions of the Plan, the Grant Notice and these Award Terms shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A. Notwithstanding the foregoing, (i) nothing in the Plan, the Grant Notice and these Award Terms shall guarantee that the Award is not subject to taxes or penalties under Section 409A and (ii) if any provision of the Plan, the Grant Notice or these Award Terms would, in the reasonable, good faith judgment of the Company, result or likely result in the imposition on the Holder or any other person of taxes, interest or penalties under Section 409A, the Committee may, in its sole discretion, modify the terms of the Plan, the Grant Notice or these Award Terms, without the consent of the Holder, in the manner that the Committee may reasonably and in good faith determine to be necessary or advisable to avoid the imposition of such taxes, interest or penalties; provided, however, that this Section 13 does not create an obligation on the part of the Committee or the Company to make any such modification.

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14. Legend. The Company may, if determined by it based on the advice of counsel to be appropriate, cause any certificate evidencing Shares to bear a legend substantially as follows:

"THE SECURITIES REPRESENTED HEREBY MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT."

15. No Right to Continued Employment. Nothing contained in the Grant Notice or these Award Terms shall be construed to confer upon the Holder any right to be continued in the employ of the Company or any of its subsidiaries or affiliates or derogate from any right of the Company or any of its subsidiaries or affiliates to retire, request the resignation of, or discharge the Holder at any time, with or without Cause.

16. No Rights as Stockholder. No holder of the Stock Option shall, by virtue of the Grant Notice or these Award Terms, be entitled to any right of a stockholder of the Company, either at law or in equity, and the rights of any such holder are limited to those expressed, and are not enforceable against the Company except to the extent set forth, in the Plan, the Grant Notice and these Award Terms.

17. Severability. In the event that one or more of the provisions of these Award Terms shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

18. Governing Law. To the extent that federal law does not otherwise control, the validity, interpretation, performance and enforcement of the Grant Notice and these Award Terms shall be governed by the laws of the State of Delaware, without giving effect to principles of conflicts of laws thereof.

19. Successors and Assigns. The provisions of the Grant Notice and these Award Terms shall be binding upon and inure to the benefit of the Company, its successors and assigns, and the Holder and, to the extent applicable, the Holder's permitted assigns under Section 3(b) hereof and the Holder's estate or beneficiary(ies) as determined by will or the laws of descent and distribution.

20. Notices. Any notice or other document which the Holder or the Company may be required or permitted to deliver to the other pursuant to or in connection with the Grant Notice or these Award Terms shall be in writing, and may be delivered personally or by mail, postage prepaid, or overnight courier, addressed as follows: (a) if to the Company, at its office at 3100 Ocean Park Boulevard, Santa Monica, California 90405, Attn: Stock Plan Administration, or such other address as the Company by notice to the Holder may designate in writing from time to time; and (b) if to the Holder, at the address shown in the Employment Agreement or such other address as the Holder by notice to the Company may designate in writing from time to time. Notices shall be effective upon receipt.

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21. Conflict with Employment Agreement or Plan. In the event of any conflict between the terms of the Employment Agreement and the terms of the Grant Notice or these Award Terms, the terms of the Grant Notice or these Award Terms, as the case may be, shall control. In the event of any conflict between the terms of the Employment Agreement, the Grant Notice or these Award Terms and the terms of the Plan, the terms of the Plan shall control.

22. Deemed Agreement. By accepting the Award, the Holder is deemed to be bound by the terms and conditions set forth in the Plan, the Grant Notice and these Award Terms.

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AMENDED AND RESTATED ACTIVISION BLIZZARD, INC.

2008 INCENTIVE PLAN

NOTICE OF RESTRICTED SHARE UNIT AWARD

You have been awarded Restricted Share Units of Activision Blizzard, Inc. (the "Company"), as follows:

- Your name: **Thomas Tippl**
- Total number of Restricted Share Units awarded: **350,000**
- Date of Grant: **May 10, 2010**
- Grant ID: **08003662**
- Your Award of Restricted Share Units is governed by the terms and conditions set forth in:
 - this Notice of Restricted Share Unit Award;
 - the Restricted Share Unit Award Terms attached hereto as Exhibit A (the "Award Terms"); and
 - the Company's Amended and Restated 2008 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- Your Award of Restricted Share Units has been made in connection with your employment agreement with the Company or one of its subsidiaries or affiliates as a material inducement to your entering into or renewing employment with such entity pursuant to such agreement, and is also governed by any applicable terms and conditions set forth in such agreement.
- *Schedule for Vesting:*

Except as otherwise provided under the Award Terms, the Restricted Share Units awarded to you will vest as follows, provided you remain continuously employed by the Company or one of its subsidiaries or affiliates through each such date:

Schedule for Vesting

<u>Date of Vesting</u>	<u>No. of Restricted Share Units Vesting at Vesting Date</u>	<u>Cumulative No. of Restricted Share Units Vested at Vesting Date</u>
February 15, 2011	87,500	87,500
February 15, 2012	87,500	175,000
February 15, 2013	87,500	262,500
February 15, 2014	87,500	350,000

- *Please sign and return to the Company this Notice of Restricted Share Unit Award, which bears an original signature on behalf of the Company. You are urged to do so promptly.*
- *Please return the signed Notice of Restricted Share Unit Award to the Company at:*

Activision Blizzard, Inc.
3100 Ocean Park Boulevard
Santa Monica, CA 90405
Attn: Stock Plan Administration

You should retain the enclosed duplicate copy of this Notice of Restricted Share Unit Award for your records.

Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Award Terms.

ACTIVISION BLIZZARD, INC.

/s/ Ann E Weiser

Ann E. Weiser
Chief Human Resources Officer

Date: August 5, 2010

ACCEPTED AND AGREED:

/s/ Thomas Tippl
Thomas Tippl

EXHIBIT A

AMENDED AND RESTATED ACTIVISION BLIZZARD, INC.

2008 INCENTIVE PLAN

RESTRICTED SHARE UNIT AWARD TERMS

1. Definitions.

(a) For purposes of these Award Terms, the following terms shall have the meanings set forth below:

“Award” means the award described on the Grant Notice.

“Cause” shall have the meaning given to such term in the Employment Agreement.

“Common Shares” means the shares of common stock, par value \$0.000001 per share, of the Company or any security into which such Common Shares may be changed by reason of any transaction or event of the type referred to in Section 9 hereof.

“Company” means Activision Blizzard, Inc. and any successor thereto.

“Company Group” means the Company or any of its subsidiaries or other affiliates.

“Company-Sponsored Equity Account” means an account that is created with the Equity Account Administrator in connection with the administration of the Company’s equity plans and programs, including the Plan.

“Date of Grant” means the Date of Grant of the Award set forth on the Grant Notice.

“Disability” shall have the meaning given to such term in, or otherwise be determined in accordance with, the Employment Agreement.

“Employment Agreement” means the employment agreement between Grantee and the Company Group, dated as of September 9, 2005, as amended from time to time.

“Employment Violation” means any material breach by Grantee of the Employment Agreement for so long as the terms of the Employment Agreement shall apply to Grantee (with any breach of the post-termination obligations contained therein deemed to be material for purposes of these Award Terms).

“Equity Account Administrator” means the brokerage firm utilized by the Company from time to time to create and administer accounts for participants in the Company’s equity plans and programs, including the Plan.

“Grantee” means the recipient of the Award named on the Grant Notice.

“Grant Notice” means the Notice of Restricted Share Unit Award to which these Award Terms are attached as Exhibit A.

“Look-back Period” means, with respect to any Employment Violation by Grantee, the period beginning on the date which is 12 months prior to the date of such Employment Violation by Grantee and ending on the date of computation of the Recapture Amount with respect to such Employment Violation.

“Plan” means the Amended and Restated Activision Blizzard, Inc. 2008 Incentive Plan, as amended from time to time.

“Recapture Amount” means, with respect to any Employment Violation by Grantee, the gross gain realized or unrealized by Grantee upon all vesting of Restricted Share Units or delivery or transfer of Vested Shares during the Look-back Period with respect to such Employment Violation, which gain shall be calculated as the sum of:

(i) if Grantee has received any Vested Shares during such Look-back Period and sold such Vested Shares, an amount equal to the product of (A) the sales price per Vested Share times (B) the number of such Vested Shares sold at such sales price; plus

(ii) if Grantee has received any Vested Shares during such Look-back Period and not sold such Vested Shares, an amount equal to the product of (A) the greatest of the following: (1) the Market Value per Share of Common Shares on the date such Vested Shares were issued or transferred to Grantee, (2) the arithmetic average of the per share closing sales prices of Common Shares as reported on NASDAQ for the 30 trading day period ending on the trading day immediately preceding the date of the Company’s written notice of its exercise of its rights under Section 12 hereof, or (3) the arithmetic average of the per share closing sales prices of Common Shares as reported on NASDAQ for the 30 trading day period ending on the trading day immediately preceding the date of computation, times (B) the number of such Vested Shares which were not sold.

“Restricted Share Units” means units subject to the Award, which represent the conditional right to receive Common Shares in accordance with the Grant Notice and these Award Terms, unless and until such units become vested or are forfeited to the Company in accordance with the Grant Notice

and these Award Terms.

“**Section 409A**” means Section 409A of the Code and the guidance and regulations promulgated thereunder.

“**Term Sheet**” means the Corporate Governance Term Sheet approved by the Delaware Court of Chancery in connection with the settlement of *In re Activision, Inc. Shareholder Derivative Litigation*, C.D. Cal. Case No. CV06-4771 MRP (JTLx); *In re Activision Shareholder Derivative Litigation*, L.A.S.C. Case No. SC090343.

“**Vested Shares**” means Common Shares to which the holder of the Restricted Share Units becomes entitled upon vesting thereof in accordance with Section 2 or 3 hereof.

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“**Withholding Taxes**” means any taxes, including, but not limited to, social security and Medicare taxes and federal, state and local income taxes, required to be withheld under any applicable law.

(b) Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Plan.

2. Vesting. Except as otherwise set forth in these Award Terms, the Restricted Share Units shall vest in accordance with the “Schedule for Vesting” set forth on the Grant Notice. Each Restricted Share Unit, upon vesting thereof, shall entitle the holder thereof to receive one Common Share (subject to adjustment pursuant to Section 9 hereof).

3. Termination of Employment.

(a) Cause. In the event that Grantee’s employment is terminated by the Company or any of its subsidiaries or affiliates for Cause, the provisions of Section 9(f)(i) of the Employment Agreement, the terms of which are incorporated by reference, *mutatis mutandis*, and shall apply to the Grant Notice and these Award Terms with the same force and effect as if expressly set forth therein or herein, shall govern the disposition of any outstanding Restricted Share Units and Vested Shares that have yet to settle pursuant to Section 7 hereof.

(b) Without Cause or For Good Reason. In the event that Grantee’s employment is terminated by the Company or any of its subsidiaries or affiliates without Cause or by Grantee pursuant to Section 9(b) of the Employment Agreement, the provisions of Section 9(f)(ii) of the Employment Agreement, the terms of which are incorporated by reference, *mutatis mutandis*, shall apply to the Grant Notice and these Award Terms with the same force and effect as if expressly set forth therein or herein, shall govern the disposition of any outstanding Restricted Share Units and Vested Shares that have yet to settle pursuant to Section 7 hereof.

(c) Death or Disability. Unless the Committee determines otherwise, in the event that Grantee dies while employed by the Company or any of its subsidiaries or affiliates or Grantee’s employment with the Company or any of its subsidiaries or affiliates is terminated due to the Holder’s Disability, the provisions of Section 9(f)(iii) of the Employment Agreement, the terms of which are incorporated by reference, *mutatis mutandis*, shall apply to the Grant Notice and these Award Terms with the same force and effect as if expressly set forth therein or herein, shall govern the disposition of any outstanding Restricted Share Units and Vested Shares that have yet to settle pursuant to Section 7 hereof.

(d) Other. Unless the Committee determines otherwise, in the event that Grantee’s employment is terminated for any reason not addressed by Section 4(a), 4(b) or 4(c) hereof, as of the date of such termination of employment all Restricted Share Units shall cease to vest and, with the exception of any Vested Shares that have yet to settle pursuant to Section 7 hereof, shall immediately be forfeited to the Company without payment of consideration by the Company.

4. Tax Withholding. The Company shall have the right to require Grantee to satisfy any Withholding Taxes resulting from the vesting of any Restricted Share Units, the issuance or transfer of any Vested Shares or otherwise in connection with the Award at the time such

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Withholding Taxes become due. The Company shall determine the method or methods Grantee may use to satisfy any Withholding Taxes contemplated by this Section 4, which may include any of the following: (a) by delivery to the Company of a bank check or certified check or wire transfer of immediately available funds; (b) through the delivery of irrevocable written instructions, in a form acceptable to the Company, that the Company withhold Vested Shares otherwise then deliverable having a value equal to the aggregate amount of the Withholding Taxes (valued in the same manner used in computing the amount of such Withholding Taxes); or (c) by any combination of (a) and (b) above. Notwithstanding anything to the contrary contained herein, (i) the Company or any of its subsidiaries or affiliates shall have the right to withhold from Grantee’s compensation any Withholding Taxes contemplated by this Section 4 and (ii) the Company shall have no obligation to deliver any Vested Shares unless and until all Withholding Taxes contemplated by this Section 4 have been satisfied.

5. Reservation of Shares. The Company shall at all times reserve for issuance or delivery upon vesting of the Restricted Share Units such number of Common Shares as shall be required for issuance or delivery upon vesting thereof.

6. Dividend Equivalents. In the event that any cash dividends are declared and paid on Common Shares to which the holder of the Restricted Share Units would be entitled upon vesting thereof, such holder shall be paid, on the payment date for such dividend, the amount that such holder would have received if the Restricted Share Units had vested, and the Common Shares to which such holder was thereupon entitled had been issued and outstanding and held of record by such holder, as of the record date for such dividend; provided, however, that no such dividend equivalents shall be paid if the Restricted Share Units have been forfeited to the Company in accordance with Section 3 hereof prior to payment thereof. Notwithstanding the foregoing, in no event shall any such dividend equivalents be paid later than the 45th day following the year in which the related dividends are paid. For purposes of the time and form of payment requirements of Section 409A, such dividend equivalents shall be treated separately from the Restricted Share Units.

7. Receipt and Delivery. As soon as administratively practicable (and, in any event, within 30 days) after any Restricted Share Units vest, the Company shall (i) effect the issuance or transfer of the resulting Vested Shares, (ii) cause the issuance or transfer of such Vested Shares to be evidenced on the books and records of the Company, and (iii) cause such Vested Shares to be delivered to a Company-Sponsored Equity Account in the name of the person entitled to such Vested Shares (or, with the Company's consent, such other brokerage account as may be requested by such person); provided, however, that, in the event such Vested Shares are subject to a legend as set forth in Section 15 hereof, the Company shall instead cause a certificate evidencing such Vested Shares and bearing such legend to be delivered to the person entitled thereto.

8. Committee Discretion. Except as may otherwise be provided in the Plan, the Committee shall have sole discretion to (a) interpret any provision of the Plan, the Grant Notice and these Award Terms, (b) make any determinations necessary or advisable for the administration of the Plan and the Award, and (c) waive any conditions or rights of the Company under the Award, the Grant Notice or these Award Terms. Without intending to limit the generality or effect of the foregoing, any decision or determination to be made by the Committee

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pursuant to these Award Terms, including whether to grant or withhold any consent, shall be made by the Committee in its sole and absolute discretion, subject only to the terms of the Plan. Subject to the terms of the Plan, the Committee may amend the terms of the Award prospectively or retroactively; however, no such amendment may materially and adversely affect the rights of Grantee taken as a whole without Grantee's consent. Without intending to limit the generality or effect of the foregoing, the Committee may amend the terms of the Award (i) in recognition of unusual or nonrecurring events (including, without limitation, events described in Section 9 hereof) affecting the Company or any of its subsidiaries or affiliates or the financial statements of the Company or any of its subsidiaries or affiliates, (ii) in response to changes in applicable laws, regulations or accounting principles and interpretations thereof, or (iii) to prevent the Award from becoming subject to any adverse consequences under Section 409A.

9. Adjustments. Notwithstanding anything to the contrary contained herein, pursuant to Section 12 of the Plan, the Committee will make or provide for such adjustments to the Award as are equitably required to prevent dilution or enlargement of the rights of Grantee that would otherwise result from (a) any stock dividend, extraordinary dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, (b) any change of control, merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, or issuance of rights or warrants to purchase securities, or (c) any other corporate transaction or event having an effect similar to any of the foregoing. Moreover, in the event of any such transaction or event, the Committee, in its discretion, may provide in substitution for the Award such alternative consideration (including, without limitation, cash or other equity awards), if any, as it may determine to be equitable in the circumstances and may require in connection therewith the surrender of the Award.

10. Registration and Listing. Notwithstanding anything to the contrary contained herein, the Company shall not be obligated to issue or transfer any Restricted Share Units or Vested Shares, and no Restricted Share Units or Vested Shares may be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered in any way, unless such transaction is in compliance with (a) the Securities Act of 1933, as amended, or any comparable federal securities law, and all applicable state securities laws, (b) the requirements of any securities exchange, securities association, market system or quotation system on which securities of the Company of the same class as the securities subject to the Award are then traded or quoted, (c) any restrictions on transfer imposed by the Company's certificate of incorporation or bylaws, and (d) any policy or procedure the Company has adopted with respect to the trading of its securities, in each case as in effect on the date of the intended transaction. The Company is under no obligation to register, qualify or list, or maintain the registration, qualification or listing of, Restricted Share Units or Vested Shares with the SEC, any state securities commission or any securities exchange, securities association, market system or quotation system to effect such compliance. Grantee shall make such representations and furnish such information as may be appropriate to permit the Company, in light of the then existence or non-existence of an effective registration statement under the Securities Act of 1933, as amended, relating to Restricted Share Units or Vested Shares, to issue or transfer Restricted Share Units or Vested Shares in compliance with the provisions of that or any comparable federal securities law and all applicable state securities laws. The Company shall have the right, but not the obligation, to register the issuance or transfer of Restricted Share Units or Vested Shares or resale of Restricted Share Units or Vested Shares under the Securities Act of 1933, as amended, or any comparable federal securities law or applicable state securities law.

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11. Transferability. Except as otherwise permitted under the Plan or this Section 11, the Restricted Share Units shall not be transferable by Grantee other than by will or the laws of descent and distribution. With the Company's consent, Grantee may transfer Restricted Share Units for estate planning purposes or pursuant to a domestic relations order; provided, however, that any transferee shall be bound by all of the terms and conditions of the Plan, the Grant Notice and these Award Terms and shall execute an agreement in form and substance satisfactory to the Company in connection with such transfer; and provided, further that Grantee will remain bound by the terms and conditions of the Plan, the Grant Notice and these Award Terms.

12. Employment Violation. In the event of an Employment Violation, the Company shall have the right to require (i) the forfeiture by Grantee to the Company of any outstanding Restricted Share Units or Vested Shares which have yet to settle pursuant to Section 7 hereof and (ii) payment by Grantee to the Company of the Recapture Amount with respect to such Employment Violation; provided, however, that, in lieu of payment by Grantee to the Company of the Recapture Amount, Grantee, in his or her discretion, may tender to the Company the Vested Shares acquired during the Look-back Period with respect to such Employment Violation and Grantee shall not be entitled to receive any consideration from the Company in exchange therefor. Any such forfeiture of Restricted Share Units and payment of the Recapture Amount, as the case may be, shall be in addition to, and not in lieu of, any other right or remedy available to the Company arising out of or in connection with such Employment Violation, including, without limitation, the right to terminate Grantee's employment if not already terminated and to seek injunctive relief and additional monetary damages.

13. Compliance with Applicable Laws and Regulations and Company Policies and Procedures.

(a) Grantee is responsible for complying with (a) any federal, state and local taxation laws applicable to Grantee in connection with the Award, (b) any federal and state securities laws applicable to Grantee in connection with the Award, (c) the requirements of any securities exchange, securities association, market system or quotation system on which securities of the Company of the same class as the Shares are then traded or quoted, (d) any restrictions on transfer imposed by the Company's certificate of incorporation or bylaws, and (e) any policy or procedure the Company maintains or may adopt with respect to the trading of its securities.

(b) The Award is subject to the terms and conditions of the Term Sheet, and any Company policies or procedures adopted in connection with the Company's implementation of the Term Sheet, including, without limitation, any policy requiring or permitting the Company to recover any gains realized by Grantee in connection with the Award.

14. Section 409A.

(a) Payments contemplated with respect to the Award are intended to comply with Section 409A, and all provisions of the Plan, the Grant Notice and these Award Terms shall

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be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A. Notwithstanding the foregoing, (i) nothing in the Plan, the Grant Notice and these Award Terms shall guarantee that the Award is not subject to taxes or penalties under Section 409A and (ii) if any provision of the Plan, the Grant Notice or these Award Terms would, in the reasonable, good faith judgment of the Company, result or likely result in the imposition on Grantee or any other person of taxes, interest or penalties under Section 409A, the Committee may, in its sole discretion, modify the terms of the Plan, the Grant Notice or these Award Terms, without the consent of Grantee, in the manner that the Committee may reasonably and in good faith determine to be necessary or advisable to avoid the imposition of such taxes, interest or penalties; provided, however, that this Section 14 does not create an obligation on the part of the Committee or the Company to make any such modification.

(b) Neither Grantee nor any of Grantee's creditors or beneficiaries shall have the right to subject any deferred compensation (within the meaning of Section 409A) payable with respect to the Award to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A, any deferred compensation (within the meaning of Section 409A) payable to Grantee or for Grantee's benefit with respect to the Award may not be reduced by, or offset against, any amount owing by Grantee to the Company.

(c) Notwithstanding anything to the contrary contained herein, if (i) the Committee determines in good faith that the Restricted Share Units do not qualify for the "short-term deferral exception" under Section 409A, (ii) Grantee is a "specified employee" (as defined in Section 409A) and (iii) a delay in the issuance or transfer of Vested Shares to Grantee or his or her estate or beneficiaries hereunder by reason of Grantee's "separation from service" (as defined in Section 409A) with the Company or any of its subsidiaries or affiliates is required to avoid tax penalties under Section 409A but is not already provided for by this Award, the Company shall cause the issuance or transfer of such Vested Shares to Grantee or Grantee's estate or beneficiary upon the earlier of (A) the date that is the first business day following the date that is six months after the date of Grantee's separation from service or (B) Grantee's death.

15. Legend. The Company may, if determined by it based on the advice of counsel to be appropriate, cause any certificate evidencing Vested Shares to bear a legend substantially as follows:

"THE SECURITIES REPRESENTED HEREBY MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT."

16. No Right to Continued Employment. Nothing contained in the Grant Notice or these Award Terms shall be construed to confer upon Grantee any right to be continued in the employ of the Company or any of its subsidiaries or affiliates or derogate from any right of the Company or any of its subsidiaries or affiliates to retire, request the resignation of, or discharge Grantee at any time, with or without cause.

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17. No Rights as Stockholder. No holder of Restricted Share Units shall, by virtue of the Grant Notice or these Award Terms, be entitled to any right of a stockholder of the Company, either at law or in equity, and the rights of any such holder are limited to those expressed, and are not enforceable against the Company except to the extent set forth in the Plan, the Grant Notice and these Award Terms.

18. Severability. In the event that one or more of the provisions of these Award Terms shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

19. Governing Law. To the extent that federal law does not otherwise control, the validity, interpretation, performance and enforcement of the Grant Notice and these Award Terms shall be governed by the laws of the State of Delaware, without giving effect to principles of conflicts of laws thereof.

20. Successors and Assigns. The provisions of the Grant Notice and these Award Terms shall be binding upon and inure to the benefit of the Company, its successors and assigns, and Grantee and, to the extent applicable, Grantee's permitted assigns under Section 11 hereof and Grantee's estate or beneficiary(ies) as determined by will or the laws of descent and distribution.

21. Notices. Any notice or other document which Grantee or the Company may be required or permitted to deliver to the other pursuant to or in connection with the Grant Notice or these Award Terms shall be in writing, and may be delivered personally or by mail, postage prepaid, or overnight courier, addressed as follows: (a) if to the Company, at its office at 3100 Ocean Park Boulevard, Santa Monica, California 90405, Attn: Stock Plan Administration, or such other address as the Company by notice to Grantee may designate in writing from time to time; and (b) if to Grantee, at the address shown in the Employment Agreement, or such other address as Grantee by notice to the Company may designate in writing from time to time. Notices shall be effective upon receipt.

22. Conflict with Employment Agreement or Plan. In the event of any conflict between the terms of the Employment Agreement and the terms of the Grant Notice or these Award Terms, the terms of the Grant Notice or these Award Terms, as the case may be, shall control. In the event of any conflict between the terms of the Employment Agreement, the Grant Notice or these Award Terms and the terms of the Plan, the terms of the Plan shall control.

23. Deemed Agreement. By accepting the Award, Grantee is deemed to be bound by the terms and conditions set forth in the Plan, the Grant Notice and these Award Terms.

AMENDED AND RESTATED ACTIVISION BLIZZARD, INC.

2008 INCENTIVE PLAN

NOTICE OF PERFORMANCE SHARE AWARD

You have been awarded Performance Shares of Activision Blizzard, Inc. (the "Company"), as follows:

- Your name: **Thomas Tipl**
- Total number of Performance Shares awarded: **225,000**
- Date of Grant: **May 10, 2010**
- Grant ID: **08003664**
- Your Award of Performance Shares is governed by the terms and conditions set forth in:
 - this Notice of Performance Share Award;
 - the Performance Share Award Terms attached hereto as Exhibit A (the "Award Terms"); and
 - the Company's Amended and Restated 2008 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- Your Award of Performance Shares has been made in connection with your employment agreement with the Company or one of its subsidiaries or affiliates as a material inducement to your entering into or renewing employment with such entity pursuant to such agreement, and is also governed by any applicable terms and conditions set forth in such agreement.
- *Schedule for Lapse of Restrictions:* Except as otherwise provided under the Award Terms, the Restrictions on the Performance Shares awarded to you will lapse in the manner described below:

Restrictions Lapse with Respect to the Following Number of Performance Shares	If, and Only, if the Compensation Committee Determines that the Following Has Occurred	On the Following Date, Provided You Remain Continuously Employed by the Company or One of its Subsidiaries or Affiliates Through Such Date
56,250	Non-GAAP earnings per share of the Company for the year ending December 31, 2010, as reported as such in the press release issued by the Company for that period, are greater than or equal to the non-GAAP earnings per share annual operating plan objectives established by the Board of Directors and approved by the Compensation Committee for 2010	February 15, 2011
56,250	Non-GAAP earnings per share of the Company for the year ending December 31, 2011, as reported as such in the press release issued by the Company for that period, are greater than or equal to the non-GAAP earnings per share annual operating plan objectives established by the Board of Directors and approved by the Compensation Committee for 2011	February 15, 2012
56,250	Non-GAAP earnings per share of the Company for the year ending December 31, 2012, as reported as such in the press release issued by the Company for that period, are greater than or equal to the non-GAAP earnings per share annual operating plan objectives established by the Board of Directors and approved by the Compensation Committee for 2012	February 15, 2013

Restrictions Lapse with Respect to the Following Number of Performance Shares	If, and Only, if the Compensation Committee Determines that the Following Has Occurred	On the Following Date, Provided You Remain Continuously Employed by the Company or One of its Subsidiaries or Affiliates Through Such Date
56,250	Non-GAAP earnings per share of the Company for the year ending December 31, 2013, as reported as such in the press release issued by the Company for that period, are greater than or equal to the non-GAAP earnings per share annual operating plan objectives established by the Board of Directors and approved by the Compensation Committee for 2013	February 15, 2014

Notwithstanding the foregoing, if the Company fails to meet an objective for a year, but the Compensation Committee determines in any subsequent year that the Company has “over-delivered” for that subsequent year or years by an amount which is equal to or greater than the amount by which the Company failed to achieve that or any other prior year’s objective, such that the cumulative non-GAAP earnings per share for all years prior to such determination, in each case as reported in the press release issued by the Company for the relevant year, has met or exceeded the cumulative non-GAAP earnings per share annual operating plan objectives for that or those years, as the case may be, then on February 15th of the year of such determination, if you remain continuously employed by the Company or one of its Subsidiaries or Affiliates through such date, all Restrictions which were previously eligible to lapse in that or those years, as the case may be, will lapse (along with the Restrictions that otherwise lapse in accordance with the schedule set forth above).

- ***Please sign and return to the Company this Notice of Performance Share Award, which bears an original signature on behalf of the Company. You are urged to do so promptly.***
- ***Please return the signed Notice of Performance Share Award to the Company at:***

Activision Blizzard, Inc.
3100 Ocean Park Boulevard
Santa Monica, CA 90405
Attn: Stock Plan Administration

You should retain the enclosed duplicate copy of this Notice of Performance Share Award for your records.

Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Award Terms.

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ACTIVISION BLIZZARD, INC.

/s/ Ann E Weiser
Ann E. Weiser
Chief Human Resources Officer

Date: August 5, 2010

ACCEPTED AND AGREED:

/s/ Thomas Tippl
Thomas Tippl

Date: July 30, 2010

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EXHIBIT A

AMENDED AND RESTATED ACTIVISION BLIZZARD, INC.

2008 INCENTIVE PLAN

RESTRICTED SHARE AWARD TERMS

1. **Definitions.**

(a) For purposes of these Award Terms, the following terms shall have the meanings set forth below:

“**Additional Shares**” means any additional Common Shares issued in respect of Performance Shares in connection with any adjustment pursuant to Section 10 hereof.

“**Award**” means the award described on the Grant Notice.

“**Common Shares**” means the shares of common stock, par value \$0.000001 per share, of the Company or any security into which such Common Shares may be changed by reason of any transaction or event of the type referred to in Section 10 hereof.

“**Company**” means Activision Blizzard, Inc. and any successor thereto.

“**Company Group**” means the Company or any of its subsidiaries or other affiliates.

“**Company-Sponsored Equity Account**” means an account that is created with the Equity Account Administrator in connection with the administration of the Company’s equity plans and programs, including the Plan.

“**Date of Grant**” means the Date of Grant of the Award set forth on the Grant Notice.

“**Employment Agreement**” means the employment agreement between the Holder and the Company Group, dated as of September 9, 2005, as amended from time to time.

“**Employment Violation**” means any material breach by Grantee of his or her employment agreement with the Company or one of its subsidiaries or affiliates for so long as the terms of such employment agreement shall apply to Grantee (with any breach of the post-termination obligations contained therein deemed to be material for purposes of these Award Terms).

“**Equity Account Administrator**” means the brokerage firm utilized by the Company from time to time to create and administer accounts for participants in the Company’s equity plans and programs, including the Plan.

“**Grantee**” means the recipient of the Award named on the Grant Notice.

“**Grant Notice**” means the Notice of Performance Share Award to which these Award Terms are attached as Exhibit A.

“**Look-back Period**” means, with respect to any Employment Violation by Grantee, the period beginning on the date which is 12 months prior to the date of such Employment Violation by Grantee and ending on the date of computation of the Recapture Amount with respect to such Employment Violation.

“**Performance Shares**” means Common Shares subject to the Award (including any Additional Shares) as to which the Restrictions have not lapsed and which have not been forfeited to the Company in accordance with the Grant Notice and these Award Terms.

“**Plan**” means the Amended and Restated Activision Blizzard, Inc. 2008 Incentive Plan, as amended from time to time.

“**Recapture Amount**” means, with respect to any Employment Violation by Grantee, the gross gain realized or unrealized by Grantee upon all lapses of the Restrictions during the Look-back Period with respect to such Employment Violation, which gain shall be calculated as the sum of:

(i) if Grantee has received any Vested Shares during such Look-back Period and sold such Vested Shares, an amount equal to the product of (A) the sales price per Vested Share times (B) the number of such Vested Shares sold at such sales price; plus

(ii) if Grantee has received any Vested Shares during such Look-back Period and not sold such Vested Shares, an amount equal to the product of (A) the greatest of the following: (1) the Market Value per Share of Common Shares on the date the Restrictions lapsed with respect to such Vested Shares, (2) the arithmetic average of the per share closing sales prices of Common Shares as reported on NASDAQ for the 30 trading day period ending on the trading day immediately preceding the date of the Company’s written notice of its exercise of its rights under Section 14 hereof, or (3) the arithmetic average of the per share closing sales prices of Common Shares as reported on NASDAQ for the 30 trading day period ending on the trading day immediately preceding the date of computation, times (B) the number of such Vested Shares which were not sold.

“**Restricted Book Entry**” means a book entry on the Company’s stock register maintained by its transfer agent and registrar, which book entry shall bear a notation regarding the Restrictions as set forth in Section 15(a) hereof and, if appropriate, a notation regarding securities law restrictions as set forth in Section 15(b) hereof.

“**Restrictions**” means the restrictions set forth in Section 2 hereof.

“**Section 409A**” means Section 409A of the Code and the guidance and regulations promulgated thereunder.

“**Term Sheet**” means the Corporate Governance Term Sheet approved by the Delaware Court of Chancery in connection with the settlement of *In re Activision, Inc. Shareholder Derivative Litigation*, C.D. Cal. Case No. CV06-4771 MRP (JTLx); *In re Activision Shareholder Derivative Litigation*, L.A.S.C. Case No. SC090343.

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“**Vested Shares**” means Common Shares subject to the Award (including any Additional Shares) as to which the Restrictions have lapsed in accordance with Section 3 or 4 hereof.

“**Withholding Taxes**” means any taxes, including, but not limited to, social security and Medicare taxes and federal, state and local income taxes, required to be withheld under any applicable law.

(b) Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Plan.

2. Restrictions. None of the Common Shares subject to the Award (including any Additional Shares), or any right or privilege pertaining thereto, may be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered in any way not expressly permitted by these Award Terms, or subjected to execution, attachment or similar process, unless and until such restrictions thereon lapse pursuant to Section 3 or 4 hereof. Any attempt to sell, assign, transfer, pledge, hypothecate or otherwise dispose of or encumber any such Common Shares, or any right or privilege pertaining thereto, in any way not expressly permitted by these Award Terms before such restrictions thereon lapse pursuant to Section 3 or 4 hereof shall be null and void and of no force and effect.

3. Lapse of Restrictions. Except as otherwise set forth in these Award Terms, the Restrictions shall lapse in accordance with the “Schedule for Lapse of Restrictions” set forth on the Grant Notice.

4. Termination of Employment. In the event that Grantee’s employment is terminated for any reason prior to the lapse of all of the Restrictions, as of the date of such termination of employment the remaining Restrictions shall cease to lapse and all Performance Shares shall immediately

be forfeited to the Company without payment of consideration by the Company.

5. Tax Withholding. The Company shall have the right to require Grantee to satisfy any Withholding Taxes resulting from the lapse of the Restrictions or otherwise in connection with the Award at the time such Withholding Taxes become due. The Company shall determine the method or methods Grantee may use to satisfy any Withholding Taxes contemplated by this Section 5, which may include any of the following: (a) by delivery to the Company of a bank check or certified check or wire transfer of immediately available funds; (b) through the delivery of irrevocable written instructions, in a form acceptable to the Company, that the Company withhold Vested Shares otherwise then deliverable having a value equal to the aggregate amount of the Withholding Taxes (valued in the same manner used in computing the amount of such Withholding Taxes); or (c) by any combination of (a) and (b) above. Notwithstanding anything to the contrary contained herein, (i) the Company or any of its subsidiaries or affiliates shall have the right to withhold from Grantee's compensation any Withholding Taxes contemplated by this Section 5 and (ii) the Company shall have no obligation to deliver any Vested Shares unless and until all Withholding Taxes contemplated by this Section 5 have been satisfied.

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6. Voting Rights. The holder of the Performance Shares shall be entitled to the voting privileges associated therewith.

7. Dividends. Any cash dividends declared and paid on the Performance Shares shall be paid to the holder thereof concurrently with the payment of such dividends to all other record holders of Common Shares.

8. Receipt and Delivery; Removal of Restrictions. Performance Shares shall be evidenced by a Restricted Book Entry in the name of the holder of the Performance Shares. Performance Shares shall become Vested Shares at such time as the Restrictions thereon lapse in accordance with the Grant Notice and these Award Terms. As soon as practicable after the Restrictions on any Performance Shares lapse, the Company shall cause the legend regarding the Restrictions set forth in Section 16(a) hereof to be removed from the resulting Vested Shares and cause the resulting Vested Shares to be delivered to a Company-Sponsored Equity Account in the name of the person entitled to such Vested Shares (or, with the Company's consent, such other brokerage account as may be requested by such person); provided, however, that, in the event such Vested Shares are subject to a legend regarding securities law restrictions as set forth in Section 15(b) hereof, the Company shall instead cause a certificate evidencing such Vested Shares and bearing such legend to be delivered to the person entitled thereto.

9. Committee Discretion. Except as may otherwise be provided in the Plan, the Committee shall have sole discretion to (a) interpret any provision of the Plan, the Grant Notice and these Award Terms, (b) make any determinations necessary or advisable for the administration of the Plan and the Award, and (c) waive any conditions or rights of the Company under the Award, the Grant Notice or these Award Terms. Without intending to limit the generality or effect of the foregoing, any decision or determination to be made by the Committee pursuant to these Award Terms, including whether to grant or withhold any consent, shall be made by the Committee in its sole and absolute discretion, subject only to the terms of the Plan. Subject to the terms of the Plan, the Committee may amend the terms of the Award prospectively or retroactively; however, no such amendment may materially and adversely affect the rights of Grantee taken as a whole without Grantee's consent. Without intending to limit the generality or effect of the foregoing, the Committee may amend the terms of the Award (i) in recognition of unusual or nonrecurring events (including, without limitation, events described in Section 10 hereof) affecting the Company or any of its subsidiaries or affiliates or the financial statements of the Company or any of its subsidiaries or affiliates, (ii) in response to changes in applicable laws, regulations or accounting principles and interpretations thereof, or (iii) to prevent the Award from becoming subject to Section 409A.

10. Adjustments. Notwithstanding anything to the contrary contained herein, pursuant to Section 13 of the Plan, the Committee will make or provide for such adjustments to the Award as are equitably required to prevent dilution or enlargement of the rights of Grantee that would otherwise result from (a) any stock dividend, extraordinary dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, (b) any change of control, merger, consolidation, spin-off, split-off, spin-out, split-up,

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reorganization, partial or complete liquidation or other distribution of assets, or issuance of rights or warrants to purchase securities, or (c) any other corporate transaction or event having an effect similar to any of the foregoing. Moreover, in the event of any such transaction or event, the Committee, in its discretion, may provide in substitution for the Award such alternative consideration (including, without limitation, cash or other equity awards), if any, as it may determine to be equitable in the circumstances and may require in connection therewith the surrender of the Award.

11. Compliance with Applicable Laws and Regulations and Company Policies and Procedures.

(a) Grantee is responsible for complying with (a) any federal, state and local taxation laws applicable to Grantee in connection with the Award, (b) any federal and state securities laws applicable to Grantee in connection with the Award, (c) the requirements of any securities exchange, securities association, market system or quotation system on which securities of the Company of the same class as the Shares are then traded or quoted, (d) any restrictions on transfer imposed by the Company's certificate of incorporation or bylaws, and (e) any policy or procedure the Company maintains or may adopt with respect to the trading of its securities.

(b) The Award is subject to the terms and conditions of the Term Sheet, and any Company policies or procedures adopted in connection with the Company's implementation of the Term Sheet, including, without limitation, any policy requiring or permitting the Company to recover any gains realized by Grantee in connection with the Award.

12. Section 409A. Payments contemplated with respect to the Award are intended to be exempt from Section 409A, and all provisions of the Plan, the Grant Notice and these Award Terms shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A. Notwithstanding the foregoing, (i) nothing in the Plan, the Grant Notice and these Award Terms shall guarantee that the Award is not subject to taxes or penalties under Section 409A and (ii) if any provision of the Plan, the Grant Notice or these Award Terms would, in the reasonable, good faith judgment of the Company, result or likely result in the imposition on Grantee or any other person of taxes, interest or penalties under Section 409A, the Committee may, in its sole discretion, modify the terms of the Plan, the Grant Notice or these Award Terms, without the consent of Grantee, in the manner that the Committee may reasonably and in good faith determine to be necessary or advisable to avoid the imposition of such taxes, interest or penalties; provided, however, that this Section 12 does not create an obligation on the part of the Committee or the Company to make any such modification.

13. Registration and Listing. Notwithstanding anything to the contrary contained herein, the Company shall not be obligated to issue or transfer any Performance Shares or Vested Shares, and no Performance Shares or Vested Shares may be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered in any way, unless such transaction is in compliance with (a) the Securities Act of 1933, as amended, or any comparable federal securities law, and all applicable state securities laws, (b) the requirements of any securities exchange, securities association, market system or quotation system on which securities of the Company of the same class as the securities subject to the Award are then traded or quoted, (c) any

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restrictions on transfer imposed by the Company's certificate of incorporation or bylaws, and (d) any policy or procedure the Company has adopted with respect to the trading of its securities, in each case as in effect on the date of the intended transaction. The Company is under no obligation to register, qualify or list, or maintain the registration, qualification or listing of, Performance Shares or Vested Shares with the SEC, any state securities commission or any securities exchange, securities association, market system or quotation system to effect such compliance. Grantee shall make such representations and furnish such information as may be appropriate to permit the Company, in light of the then existence or non-existence of an effective registration statement under the Securities Act of 1933, as amended, relating to Performance Shares or Vested Shares, to issue or transfer Performance Shares or Vested Shares in compliance with the provisions of that or any comparable federal securities law and all applicable state securities laws. The Company shall have the right, but not the obligation, to register the issuance or transfer of Performance Shares or Vested Shares or resale of Performance Shares or Vested Shares under the Securities Act of 1933, as amended, or any comparable federal securities law or applicable state securities law.

14. Transferability. Notwithstanding the Restrictions, with the Company's consent, Grantee may transfer Performance Shares for estate planning purposes or pursuant to a domestic relations order; provided, however, that any transferee shall be bound by all of the terms and conditions of the Plan, the Grant Notice and these Award Terms and shall execute an agreement in form and substance satisfactory to the Company in connection with such transfer; and provided, further that Grantee will remain bound by the terms and conditions of the Plan, the Grant Notice and these Award Terms.

15. Employment Violation. In the event of an Employment Violation, the Company shall have the right to require (a) the forfeiture by Grantee to the Company of any Performance Shares and (b) payment by Grantee to the Company of the Recapture Amount with respect to such Employment Violation; provided, however, that, in lieu of payment by Grantee to the Company of the Recapture Amount, Grantee, in his or her discretion, may tender to the Company the Vested Shares acquired during the Look-back Period with respect to such Employment Violation and Grantee shall not be entitled to receive any consideration from the Company in exchange therefor. Any such forfeiture of Performance Shares and payment of the Recapture Amount, as the case may be, shall be in addition to, and not in lieu of, any other right or remedy available to the Company arising out of or in connection with such Employment Violation, including, without limitation, the right to terminate Grantee's employment if not already terminated and to seek injunctive relief and additional monetary damages.

16. Legends.

(a) Restrictions. The Company shall cause any Restricted Book Entry evidencing the Performance Shares to bear a notation substantially as follows:

"THE SALE OR TRANSFER OF THE SECURITIES REPRESENTED HEREBY, WHETHER VOLUNTARY, INVOLUNTARY OR BY OPERATION OF LAW, IS SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AS SET FORTH IN THE AMENDED AND RESTATED ACTIVISION

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BLIZZARD, INC. 2008 INCENTIVE PLAN (THE "PLAN"), AND IN THE ASSOCIATED NOTICE OF RESTRICTED SHARE AWARD, INCLUDING THE RESTRICTED SHARE AWARD TERMS ATTACHED THERETO (THE "AWARD NOTICE"). A COPY OF THE PLAN AND AWARD NOTICE MAY BE OBTAINED FROM ACTIVISION BLIZZARD, INC."

(b) Securities Laws. The Company may, if determined by it based on the advice of counsel to be appropriate, cause any Restricted Book Entry evidencing Performance Shares or any certificate evidencing Vested Shares to bear a notation or legend, as the case may be, substantially as follows:

"THE SECURITIES REPRESENTED HEREBY MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT."

17. No Right to Continued Employment. Nothing contained in the Grant Notice or these Award Terms shall be construed to confer upon Grantee any right to be continued in the employ of the Company or any of its subsidiaries or affiliates or derogate from any right of the Company or any of its subsidiaries or affiliates to retire, request the resignation of, or discharge Grantee at any time, with or without cause.

18. Severability. In the event that one or more of the provisions of these Award Terms shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

19. Governing Law. To the extent that federal law does not otherwise control, the validity, interpretation, performance and enforcement of the Grant Notice and these Award Terms shall be governed by the laws of the State of Delaware, without giving effect to principles of conflicts of laws thereof.

20. Successors and Assigns. The provisions of the Grant Notice and these Award Terms shall be binding upon and inure to the benefit of the Company, its successors and assigns, and Grantee and, to the extent applicable, Grantee's permitted assigns under Section 14 hereof and Grantee's estate or beneficiary(ies) as determined by will or the laws of descent and distribution.

21. Notices. Any notice or other document which Grantee or the Company may be required or permitted to deliver to the other pursuant to or in connection with the Grant Notice or these Award Terms shall be in writing, and may be delivered personally or by mail, postage prepaid, or overnight courier,

such other address as the Company by notice to Grantee may designate in writing from time to time; and (b) if to Grantee, at the address shown on the Employment Agreement, or such other address as Grantee by notice to the Company may designate in writing from time to time. Notices shall be effective upon receipt.

22. Conflict with Employment Agreement or Plan. In the event of any conflict between the terms of the Employment Agreement and the terms of the Grant Notice or these Award Terms, the terms of the Grant Notice or these Award Terms, as the case may be, shall control. In the event of any conflict between the terms of the Employment Agreement, the Grant Notice or these Award Terms and the terms of the Plan, the terms of the Plan shall control.

23. Deemed Agreement. By accepting the Award, Grantee is deemed to be bound by the terms and conditions set forth in the Plan, the Grant Notice and these Award Terms.

ACTIVISION BLIZZARD, INC.
AMENDED AND RESTATED
2008 INCENTIVE PLAN
(as amended and restated on June 3, 2010)

1. **Purpose.** The purpose of the Amended and Restated Activision Blizzard, Inc. 2008 Incentive Plan is to attract and retain directors, officers and other employees of and consultants to Activision Blizzard, Inc., a Delaware corporation, and its Subsidiaries, and to provide to such persons incentives and rewards for performance.
2. **Definitions.** As used in the Plan:
- (a) **“Award”** means a grant of a Stock Option, SARs, Performance Shares, Performance Units or a Senior Executive Bonus or a grant or sale of Restricted Shares, Restricted Share Units or an award contemplated by Section 10.
- (b) **“Base Price”** means the price per share specified in an Evidence of Award of a Freestanding SAR.
- (c) **“Board”** means the Board of Directors of the Company.
- (d) **“Code”** means the Internal Revenue Code of 1986, as amended from time to time.
- (e) **“Committee”** means the Compensation Committee of the Board or such other committee of the Board responsible for administering the Plan pursuant to Section 11.
- (f) **“Common Shares”** means the shares of common stock, par value \$0.000001 per share, of the Company or any security into which such Common Shares may be changed by reason of any transaction or event of the type referred to in Section 12.
- (g) **“Company”** means Activision Blizzard, Inc., a Delaware corporation, and its successors.
- (h) **“Covered Employee”** means an “executive officer” of the Company within the meaning of Rule 3b-7 promulgated under the Exchange Act (or any successor rule).
- (i) **“Date of Grant”** means the date on which the Committee determines the terms of an Award (including the number of Common Shares to which it pertains, if any) or such later (but not earlier) date as may be specified by the Committee as the date on which such Award becomes effective.
- (j) **“Deferral Period”** means the period of time during which Restricted Share Units are subject to deferral limitations, as provided in Section 7.
- (k) **“Director”** means a member of the Board of Directors of the Company.
- (l) **“Effective Date”** means the date of approval of the Plan by the Company’s stockholders.
- (m) **“Evidence of Award”** means an agreement, certificate, resolution or other type or form of writing or other evidence approved by the Committee that sets forth the terms and conditions of Awards. An Evidence of Award may be in an electronic medium, may be limited to notation on the books and records of the Company and, with the approval of the Committee, need not be signed by a representative of the Company or a Participant.
- (n) **“Exchange Act”** means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder, as such law, rules and regulations may be amended from time to time.
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- (o) **“Exercise Price”** means the purchase price per share payable on exercise of a Stock Option.
- (p) **“Fiscal Year”** means the fiscal year of the Company.
- (q) **“Freestanding SAR”** means a SAR that is not granted in tandem with a Stock Option.
- (r) **“Incentive Stock Option”** means a Stock Option that is intended to qualify as an “incentive stock option” under Section 422 of the Code or any successor provision.
- (s) **“Management Objectives”** means the measurable performance objective or objectives established pursuant to the Plan for Participants who have received grants of Senior Executive Plan Bonuses, or, when so determined by the Committee, Stock Options, SARs, Restricted Shares, Restricted Share Units, Performance Shares, Performance Units and other Awards pursuant to the Plan. Management Objectives may be described in terms of Company-wide objectives or objectives that are related to the performance of the individual Participant or of a Subsidiary, division, department or function within the Company or a Subsidiary. The Committee may provide, in connection with the setting of the Management Objectives, that any evaluation of performance may include or exclude certain items that may occur during any Fiscal Year, including, without limitation, the following: (i) asset write downs; (ii) litigation or claim judgments or settlements; (iii) the effect of changes in tax laws, accounting principles or other laws or provisions affecting reported results; (iv) any reorganization and restructuring programs; (v) extraordinary nonrecurring items as described in Accounting Standards Codification Subtopic 225-20 and/or in management’s discussion and analysis of financial condition and results of operations appearing in the Company’s Annual Report on Form 10-K for the applicable year; (vi) acquisitions or divestitures; and (vii) foreign exchange gains and losses. Without limiting the generality of the foregoing, the Management Objectives applicable to any Award to a Covered Employee which is intended to be deductible under Section 162(m) of the Code will be based on specified levels of, or

relative peer company, performance in any one or more of the following objectives, or any combination thereof, as determined by the Committee in its sole discretion:

- (A) Adjusted net earnings
 - (B) Appreciation in and/or maintenance of the price of Common Shares (or any other publicly-traded securities of the Company), including, without limitation, comparisons with various stock market indices
 - (C) Attainment of strategic and operational initiatives
 - (D) Budget
 - (E) Cash flow (including, without limitation, free cash flow)
 - (F) Cost of capital
 - (G) Cost reduction
 - (H) Earnings and earnings growth (including, without limitation, earnings per share, earnings before taxes, earnings before interest and taxes, and earnings before interest, taxes, depreciation and amortization)
 - (I) Maintenance of internal controls over financial reporting and corporate governance practices
 - (J) Market share
-

- (K) Market value added
- (L) Net income
- (M) Net sales
- (N) Operating profit and operating income
- (O) Pretax income before allocation of corporate overhead and bonus
- (P) Quality
- (Q) Recruitment and development of associates
- (R) Reductions in costs
- (S) Return on assets and return on net assets
- (T) Return on equity
- (U) Return on invested capital
- (V) Sales and sales growth
- (W) Successful acquisition/divestiture
- (X) Total stockholder return and improvement of stockholder return

If the Committee determines that a change in the business, operations, corporate structure or capital structure of the Company, or the manner in which it conducts its business, or other events or circumstances, render previously established Management Objectives unsuitable, the Committee may in its discretion modify such Management Objectives or the related levels of achievement, in whole or in part, as the Committee deems appropriate and equitable, except in the case of a Covered Employee where such action would result in the loss of the otherwise available exemption of the Award under Section 162(m) of the Code. In such case, the Committee will not make any such modification of the Management Objectives or the level or levels of achievement with respect to such Covered Employee.

(t) **“Market Value per Share”** means, as of any particular date, (i) one hundred percent (100%) of the closing price per Common Share as reported on the principal securities exchange, association or quotation system on which Common Shares are then listed or quoted, or (ii) if clause (i) does not apply, the fair market value of a Common Share as determined by the Committee.

(u) **“Optionee”** means the optionee named in an Evidence of Award evidencing an outstanding Stock Option.

(v) **“Participant”** means a person who is selected by the Committee to receive benefits under the Plan and who is at the time an officer, employee, consultant, advisor or director of the Company or of any Subsidiary.

(w) **“Performance Period”** means, in respect of a Performance Share, Performance Unit or Senior Executive Plan Bonus, a period of time established pursuant to Section 8 or Section 9, as the case may be, within which the Management Objectives or, in the case of a Performance Share or Performance Unit, other performance criteria relating to such Award are to be achieved. The Performance Period for a Senior Executive

Plan Bonus will be the Fiscal Year and, unless otherwise expressly provided in the Plan, the Performance Period for all other Awards will be established by the Committee at the time of the Award.

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- (x) **“Performance Share”** means a bookkeeping entry that records the equivalent of one Common Share awarded pursuant to Section 8.
- (y) **“Performance Unit”** means a bookkeeping entry awarded pursuant to Section 8 that records a unit equivalent to \$1.00 or such other value as is determined by the Committee.
- (z) **“Plan”** means this Amended and Restated Activision Blizzard, Inc. 2008 Incentive Plan, as may be amended from time to time.
- (aa) **“Prior Plan”** means any of the following: (i) Activision, Inc. 1998 Incentive Plan, as amended, (ii) Activision, Inc. 1999 Incentive Plan, as amended, (iii) Activision, Inc. 2001 Incentive Plan, as amended, (iv) Activision, Inc. 2002 Incentive Plan, as amended, (v) Activision, Inc. 2002 Executive Incentive Plan, as amended, (vi) Activision, Inc. 2002 Studio Employee Retention Incentive Plan, as amended, (vii) Activision, Inc. 2003 Incentive Plan, as amended, and (viii) Activision, Inc. 2007 Incentive Plan.
- (bb) **“Related SAR”** means a SAR granted pursuant to Section 5 that is granted in tandem with a Stock Option.
- (cc) **“Restricted Shares”** means Common Shares granted or sold pursuant to Section 6 as to which neither the substantial risk of forfeiture nor the prohibition on transfers has expired.
- (dd) **“Restricted Share Unit”** means an award granted pursuant to Section 7 of the right to receive Common Shares or cash at the end of a specified period.
- (ee) **“SAR”** or **“Share Appreciation Right”** means a right granted pursuant to Section 5 to receive a percentage of the Spread upon exercise, and includes both Freestanding SARs and Related SARs.
- (ff) **“Senior Executive Plan Bonus”** means an award of annual incentive compensation made pursuant to and subject to the conditions set forth in Section 9.
- (gg) **“Spread”** means the excess of the Market Value per Share on the date when a SAR is exercised over the Exercise Price or Base Price provided for in the related Stock Option or Freestanding SAR, respectively.
- (hh) **“Stock Option”** means the right to purchase Common Shares upon exercise of an option granted pursuant to Section 4.
- (ii) **“Subsidiary”** means a corporation, company or other entity (i) at least 50 percent of whose outstanding shares or securities (representing the right to vote for the election of directors or other managing authority) are, or (ii) which does not have outstanding shares or securities (as may be the case in a partnership, joint venture or unincorporated association), but at least 50 percent of whose ownership interests representing the right generally to make decisions for such other entity are, now or hereafter, owned or controlled, directly or indirectly, by the Company, except that for purposes of determining whether any person may be a Participant for purposes of any grant of Incentive Stock Options, “Subsidiary” means any corporation in which at the time the Company owns or controls, directly or indirectly, at least 50 percent of the total combined voting power represented by all classes of stock issued by such corporation.
- (jj) **“2007 Plan”** means the Activision, Inc. 2007 Incentive Plan.

3. **Shares Available Under the Plan.**

- (a) Subject to adjustment as provided in Section 12, the number of Common Shares that may be issued or transferred (i) upon the exercise of Stock Options, (ii) in payment of SARs, (iii) as Restricted

Shares, (iv) in payment of Restricted Share Units, (v) in payment of Performance Shares or Performance Units, (vi) in payment of Senior Executive Bonuses, (vii) as or pursuant to Awards contemplated by Section 10, or (viii) in payment of dividend equivalents paid with respect to Awards made under the Plan will not exceed in the aggregate 100,000,000 Common Shares, *plus* the number of Common Shares that were reserved for issuance under the Prior Plans, other than the 2007 Plan, that were not subject to outstanding awards on September 27, 2007, *plus* the number of Common Shares subject to outstanding awards under the Prior Plans, other than the 2007 Plan, on September 27, 2007 that became available for issuance pursuant to the terms of the 2007 Plan prior to the Effective Date, *plus* the number of shares subject to awards made under the 2007 Plan that became available for issuance pursuant to the terms of the 2007 Plan prior to the Effective Date, *minus* the number of shares subject to awards issued under the 2007 Plan prior to the Effective Date, which maximum number will be increased by the following: (A) the number of shares relating to awards outstanding under any Prior Plan as of the Effective Date that (1) expire, or are forfeited, terminated or cancelled, without the issuance of shares, (2) are settled in cash in lieu of shares, or (3) are exchanged prior to the issuance of Common Shares, for awards not involving Common Shares; and (B) if the exercise price of any stock option outstanding under any Prior Plan as of the Effective Date is, or the tax withholding requirements with respect to any award outstanding under any Prior Plan as of the Effective Date are, satisfied by withholding shares otherwise then deliverable in respect of the award or the actual or constructive transfer to the Company of shares already owned, the number of shares equal to the withheld or transferred shares.

- (b) Under the Plan, (i) if all or any portion of an Award expires, or is forfeited, terminated or cancelled, without the issuance of Common Shares, or is settled in cash in lieu of Common Shares, or is exchanged with the Committee’s permission, prior to the issuance of Common Shares, for an Award not involving Common Shares, the number of Common Shares expired, forfeited, terminated or cancelled, or settled or exchanged, as the case may be, will again be available for issuance or transfer under the Plan; (ii) if the Exercise Price of any Stock Option granted under the Plan is, or the tax withholding requirements with respect to any Award granted under the Plan are, satisfied through the withholding by

Company of shares otherwise then deliverable in respect of such Award or actual or constructive transfer to the Company of shares already owned, a number of shares equal to such withheld or transferred shares will again be available for issuance or transfer under the Plan; and (iii) if a SAR is exercised and settled in Common Shares, a number of shares equal to the difference between the total number of shares for which the SAR was exercised and the number of shares actually issued or transferred will again be available for issuance or transfer under the Plan, with the result being that only the number of Common Shares actually issued or transferred upon exercise of the SAR are counted against the maximum number of Common Shares available for issuance or transfer under the Plan. Shares utilized under the Plan may be shares of original issuance or treasury shares or a combination of the foregoing.

- (c) Notwithstanding anything in the Plan to the contrary, and subject to adjustment as provided in Section 12:
- (i) The number of Common Shares actually issued or transferred by the Company upon the exercise of Incentive Stock Options will not exceed that number of shares equal to the sum of 70,000,000 and the number of shares available for grant under the 2007 Plan at the time the 2008 Plan is approved by stockholders in the aggregate.
- (ii) The number of Common Shares actually issued or transferred by the Company as or pursuant to Awards other than Options or SARs will not exceed 50,000,000 in the aggregate, including no more than 20,000,000 in the aggregate as or pursuant to Awards granted under Section 10.
- (iii) The number of shares issuable or transferable in respect of Stock Options and SARs granted to any one Participant in a single Fiscal Year may not exceed 4,000,000 in the aggregate.
- (iv) The number of (A) Restricted Shares granted to any one Participant in a single Fiscal Year and (B) Common Shares issuable or transferable in respect of Restricted Share Units granted to such Participant in such Fiscal Year, may not exceed 2,000,000 in the aggregate.

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- (v) The number of Performance Shares granted to any one Participant in a single Fiscal Year may not exceed 3,000,000 in the aggregate.
 - (vi) The value of Performance Units granted to any one Participant in a single Fiscal Year may not exceed \$6,000,000 in the aggregate (with the value of any such award to be determined as of the date of such award).
 - (vii) The amount of any Senior Executive Plan Bonuses paid to any one Participant for any single Fiscal Year may not exceed \$6,000,000 in the aggregate.
 - (viii) The number of Common Shares issuable or transferable in respect of Awards contemplated by Section 10 granted to any one Participant in a single Fiscal Year may not exceed 3,000,000 in the aggregate. The value of any Awards contemplated by Section 10 that do not involve the issuance or transfer of Common Shares granted to any one Participant in a single Fiscal Year may not exceed \$6,000,000 in the aggregate (with the value of any such award to be determined as of the date of such award).

(d) If a Participant has elected to give up the right to receive compensation in exchange for Common Shares based on fair market value, such Common Shares will not count against the number of shares available in Section 3(a) above.

4. **Stock Options.** The Committee may, from time to time and upon such terms and conditions as it may determine, authorize the grant to Participants of options to purchase Common Shares. Each such grant may utilize any or all of the authorizations, and will be subject to all of the requirements, contained in the following provisions:

- (a) Each grant will specify the number of Common Shares to which it pertains.
- (b) Each grant will specify an Exercise Price per share, which may not be less than the Market Value per Share on the Date of Grant.
- (c) Each grant may specify that the Exercise Price will be payable (i) by bank check or certified check or by wire transfer of immediately available funds, (ii) through the delivery of irrevocable instructions, in form acceptable to the Company, to a brokerage firm approved by the Optionee to sell some or all of the Common Shares being purchased upon such exercise and to thereafter deliver promptly to the Company from the proceeds of such sale an amount in cash equal to the aggregate Exercise Price of the Common Shares being purchased, (iii) by a combination of such methods of payment, or (iv) by such other methods as may be approved by the Committee.
- (d) Successive grants may be made to the same Participant whether or not any Stock Options previously granted to such Participant remain unexercised.
- (e) Each grant will specify the period or periods of continuous employment or other service by the Optionee with the Company or a Subsidiary that is necessary before the Stock Options or installments thereof will become exercisable. A grant of Stock Options may provide for the accelerated vesting and exercisability of all or a portion of such Stock Options in the event of the retirement, death, disability or other termination of the Optionee's service or a change of control of the Company or a Subsidiary (or other similar transaction or event).
- (f) A grant of Stock Options may specify Management Objectives or other performance criteria that must be achieved as a condition to the exercise of such rights or that may result in the accelerated exercisability of such rights.

(g) Stock Options may be (i) options that are intended to qualify under the Code as Incentive Stock Options, (ii) options that are not intended to so qualify, or (iii) combinations of the foregoing.

(h) The exercise of a Stock Option will result in the cancellation on a share- for-share basis of any Related SAR authorized under Section 5.

(i) No Stock Option will be exercisable more than 10 years from the Date of Grant.

(j) Each grant of Stock Options will be evidenced by an Evidence of Award. Each Evidence of Award will be subject to the Plan and will contain such terms and provisions, consistent with the Plan, as the Committee may approve from time to time. In addition, notice of each grant of Stock Options will be given to the Optionee no more than one week after the Date of Grant.

(k) Each Optionee is responsible for complying with all laws and regulations applicable to recipients and holders of Stock Options, including any applicable federal or state securities laws, and any Company policy or procedure that pertains to the trading of the Company's securities. The Company will adopt or maintain policies and procedures to notify Optionees of their obligations under such laws, regulations, policies and procedures and will monitor Optionees' compliance therewith.

5. **SARs.** The Committee may also authorize the grant to any Optionee of Related SARs in respect of Stock Options granted hereunder and the grant to any Participant of Freestanding SARs. A Related SAR will be a right of the Optionee, exercisable by surrender of the related Stock Option, to receive from the Company an amount determined by the Committee, which will be expressed as a percentage of the Spread (not exceeding 100 percent) at the time of exercise. Related SARs must be granted concurrently with the related Stock Option. A Freestanding SAR will be a right of the Participant to receive from the Company an amount determined by the Committee, which will be expressed as a percentage of the Spread (not exceeding 100 percent) at the time of exercise. Each grant of SARs may utilize any or all of the authorizations, and will be subject to all of the requirements, contained in the following provisions:

(a) Each grant will specify the number of Common Shares to which it pertains.

(b) Each grant of Freestanding SARs will specify the Base Price, which may not be less than the Market Value per Share on the Date of Grant.

(c) Upon exercise, each SAR will be payable in Common Shares having an aggregate Market Value per Share equal to the Spread (or the designated percentage of the Spread).

(d) A grant may specify that the amount payable on exercise of a SAR may not exceed a maximum specified by the Committee at the Date of Grant.

(e) A grant may specify waiting periods before exercise and permissible exercise dates or periods.

(f) A grant may specify that the exercisability of a SAR may be conditioned on, or may be accelerated in whole or in part in the event of, the retirement, death, disability or other termination of the Participant's service or a change of control of the Company or a Subsidiary (or other similar transaction or event).

(g) A grant of SARs may specify Management Objectives or other performance criteria that must be achieved as a condition of the exercise of such SARs or that may result in the accelerated exercisability of such SARs.

(h) Each grant of SARs will be evidenced by an Evidence of Award, which Evidence of Award will describe such SARs, identify the related Stock Options (if applicable), and contain such other terms and provisions, consistent with the Plan, as the Committee may approve from time to time.

(i) A grant of Related SARs will provide that such Related SARs may be exercised only at a time when the related Stock Option is also exercisable and at a time when the Spread is positive, and by surrender of the related Stock Option for cancellation. Successive grants of Related SARs may be made to the same Participant regardless of whether any Related SARs previously granted to the Participant remain unexercised.

(j) Successive grants of Freestanding SARs may be made to the same Participant regardless of whether any Freestanding SARs previously granted to the Participant remain unexercised.

(k) No Freestanding SAR granted under the Plan may be exercised more than 10 years from the Date of Grant.

6. **Restricted Shares.** The Committee may also authorize the grant or sale of Restricted Shares to Participants. Each such grant or sale will constitute an immediate transfer of the ownership of Common Shares to the Participant in consideration of the performance of services or other benefit to the Company, entitling such Participant to voting, dividend and other ownership rights, but subject to the substantial risk of forfeiture (within the meaning of Section 83 of the Code) and restrictions on transfer hereinafter referred to. Each such grant or sale may utilize any or all of the authorizations, and will be subject to all of the requirements, contained in the following provisions:

(a) Each grant will specify the number of Common Shares to which it pertains.

(b) Each such grant or sale may be made without additional consideration or in consideration of a payment by the Participant that is less than the Market Value per Share at the Date of Grant.

(c) Each such grant or sale will specify the period or periods of continuous employment or other service by the Participant with the Company or a Subsidiary (or other risk of forfeiture) that must be satisfied before the restrictions described in Section 6(c) will lapse and the Restricted Shares will become vested, and/or may provide that all or a portion of the restrictions on the Restricted Shares will lapse upon the achievement of Management Objectives or other performance criteria (as provided in Section 6(d) below).

(d) Each such grant or sale will provide that, during the period for which the risk of forfeiture continues, the transferability of the Restricted Shares will be prohibited or restricted in the manner and to the extent prescribed by the Committee at the Date of Grant (which restrictions

may include, without limitation, rights of repurchase or first refusal in the Company or provisions subjecting the Restricted Shares to a continuing substantial risk of forfeiture in the hands of any transferee).

(e) A grant of Restricted Shares may specify Management Objectives or other performance criteria that, if achieved, will result in the lapse or early lapse of the restrictions applicable to all or a portion of such Restricted Shares. Each grant may specify in respect of such Management Objectives or other performance criteria a minimum acceptable level of achievement and may set forth a formula for determining the number of Restricted Shares with respect to which restrictions will lapse if performance is at or above the minimum level, but falls short of maximum achievement of the specified Management Objectives or criteria.

(f) Notwithstanding anything to the contrary contained in the Plan, a grant or sale of Restricted Shares may provide for the acceleration in whole or in part of the lapse of the restrictions on the Restricted Shares in the event of the retirement, death, disability or other termination of the Participant's service or a change of control of the Company or a Subsidiary (or other similar transaction or event).

(g) A grant or sale of Restricted Shares may require that any or all dividends or other distributions paid thereon during the period of such restrictions be automatically deferred and reinvested in additional shares of Restricted Shares, which may be subject to the same restrictions as the underlying Award.

(h) Each grant or sale of Restricted Shares will be evidenced by an Evidence of Award and will contain such terms and provisions, consistent with the Plan, as the Committee may approve. Unless otherwise directed by the Committee, all Restricted Shares will be held in custody by the Company or its transfer agent and registrar until all restrictions thereon have lapsed.

7. **Restricted Share Units.** The Committee may also authorize the grant or sale of Restricted Share Units to Participants. Each such grant or sale will constitute the agreement by the Company to deliver Common Shares or cash to the Participant in the future in consideration of the performance of services or other benefit to the Company, but subject to the fulfillment of such conditions (which may include the achievement of Management Objectives or other performance criteria) during the Deferral Period as the Committee may specify. Each such grant or sale may utilize any or all of the authorizations, and will be subject to all of the requirements, contained in the following provisions:

(a) Each grant will specify the number of Common Shares to which it pertains.

(b) Each grant may specify in respect of such Management Objectives or other performance criteria a minimum acceptable level of achievement and may set forth a formula for determining the number of Restricted Share Units which will vest if performance is at or above the minimum level, but falls short of maximum achievement of the specified Management Objectives or criteria.

(c) Each such grant or sale may be made without additional consideration or in consideration of a payment by such Participant that is less than the Market Value per Share at the Date of Grant.

(d) Notwithstanding anything to the contrary contained in the Plan, a grant or sale may provide for the accelerated vesting of Restricted Share Units and the lapse or other modification of the Deferral Period in whole or in part in the event of the retirement, death, disability or other termination of the Participant's service or a change of control of the Company or a Subsidiary (or other similar transaction or event).

(e) During the Deferral Period, the Participant will have no rights of ownership in the Restricted Share Units and will have no right to vote Common Shares underlying the Restricted Share Units, but an Evidence of Award may authorize the payment of dividend equivalents on such Restricted Share Units on either a current or deferred or contingent basis, either in cash or in Common Shares.

(f) Each grant or sale will specify the time and manner of payment of the Restricted Share Units that have been earned. A grant or sale may specify that the amount payable with respect thereto may be paid by the Company in cash, in Common Shares or in any combination thereof and may either grant to the Participant or retain in the Committee the right to elect among those alternatives.

(g) Each grant or sale of Restricted Share Units will be evidenced by an Evidence of Award and will contain such terms and provisions, consistent with the Plan, as the Committee may approve from time to time.

8. **Performance Shares and Performance Units.** The Committee may also authorize the grant of Performance Shares and Performance Units that will become payable to a Participant upon achievement of specified Management Objectives or other performance criteria during the Performance Period. Each such grant may utilize any or all of the authorizations, and will be subject to all of the requirements, contained in the following provisions:

(a) Each grant will specify the number of Performance Shares or Performance Units to which it pertains, which number may be subject to adjustment to reflect changes in compensation or other factors; *provided, however*, that no such adjustment will be made in the case of a Covered Employee where such action would result in the loss of the otherwise available exemption of the Award under Section 162(m) of the Code.

(b) The Performance Period with respect to each Performance Share or Performance Unit will be such period of time as will be determined by the Committee at the Date of Grant, which may be subject to earlier lapse or other modification in the event of the retirement, death, disability or other termination of the Participant's service or a change of control of the Company or a Subsidiary (or other similar transaction or event).

(c) A grant of Performance Shares or Performance Units will specify Management Objectives or other performance criteria which, if achieved, will result in payment or early payment of the Award, and each grant may specify in respect of such specified Management Objectives or other performance criteria a level or levels of achievement and will set forth a formula for determining the number of Performance Shares or Performance Units that will be earned if performance is at or above the minimum level or levels, but falls short of maximum achievement of the specified Management Objectives or criteria.

(d) Each grant will specify the time and manner of payment of Performance Shares or Performance Units that have been earned. A grant may specify that the amount payable with respect thereto may be paid by the Company in cash, in Common Shares or in any combination thereof and may either grant to the Participant or retain in the Committee the right to elect among those alternatives.

(e) A grant of Performance Shares may specify that the amount payable with respect thereto may not exceed a maximum specified by the Committee at the Date of Grant. A grant of Performance Units may specify that the amount payable or the number of Common Shares issued with respect thereto may not exceed maximums specified by the Committee at the Date of Grant.

(f) The Committee may, at the Date of Grant of Performance Shares, provide for the payment of dividend equivalents to the holder thereof on either a current or deferred or contingent basis, either in cash or in Common Shares.

(g) Each grant of Performance Shares or Performance Units will be evidenced by an Evidence of Award and will contain such other terms and provisions, consistent with the Plan, as the Committee may approve from time to time.

9. **Senior Executive Plan Bonuses.** The Committee may from time to time authorize the payment of annual incentive compensation to a Participant who is a Covered Employee, which incentive compensation will become payable upon achievement of specified Management Objectives. Subject to Section 3(b)(vii), Senior Executive Plan Bonuses will be payable upon such terms and conditions as the Committee may determine in accordance with the following provisions:

(a) No later than 90 days after the first day of the Fiscal Year, the Committee will specify the Management Objectives that, if achieved, will result in the payment of a Senior Executive Plan Bonus for such Fiscal Year.

(b) Following the close of the Fiscal Year, the Committee will certify in writing whether the specified Management Objectives have been achieved. Approved minutes of a meeting of the Committee at which such certification is made will be treated as written certification for this purpose. The Committee will also specify the time and manner of payment of a Senior Executive Plan Bonus which becomes payable, which payment may be made in (i) cash, (ii) Common Shares having an aggregate Market Value per Share equal to the aggregate value of the Senior Executive Plan Bonus which has become payable, or (iii) any combination thereof, as determined by the Committee in its discretion at the time of payment.

(c) The Committee may provide that, if a change in control of the Company occurs during a Performance Period, the Senior Executive Plan Bonus payable to each Participant for the Performance Period will be determined at the highest level of achievement of the Management Objectives, without regard to actual performance and without proration for less than a full Performance Period. In such event, the Senior Executive Plan Bonus will be paid at such time following the change in control as the Committee determines in its discretion, but in no event later than 30 days after the date of an event which results in a change in control.

(d) Each grant may be evidenced by an Evidence of Award, which will contain such terms and provisions as the Committee may determine consistent with the Plan, including without limitation provisions relating to the Participant's termination of employment by reason of retirement, death, disability or otherwise.

10. **Other Awards.**

(a) In addition to Stock Options, SARs, Performance Shares, Performance Units, Restricted Shares, Restricted Share Units and Senior Executive Plan Bonuses, the Committee may, subject to limitations under applicable law, make other Awards (i) that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Common Shares or factors that may influence the value of such shares, including, without limitation, convertible or exchangeable debt securities, other rights convertible or exchangeable into Common Shares, purchase rights for Common Shares, (ii) with value and payment contingent upon performance of the Company or specified Subsidiaries or other business units thereof or any other factors designated by the Committee (including, without limitation, achievement of Management Objectives), or (iii) valued by reference to the book value of Common Shares or the value of securities of, or the performance of specified Subsidiaries or other business units of the Company. The Committee will determine the terms and conditions of such Awards. Common Shares delivered pursuant to an Award in the nature of a purchase right granted under this Section 10 will be purchased for such consideration, paid for at such time, by such methods, and in such forms, including, without limitation, cash, Common Shares, other Awards, notes or other property, as the Committee determines.

(b) Cash awards, as an element of or a supplement to any other Award made under the Plan, may also be made pursuant to this Section 10.

(c) The Committee may grant Common Shares as a bonus, or may make other Awards in lieu of obligations of the Company or a Subsidiary to pay cash or deliver other property under the Plan or under other plans or compensatory arrangements, subject to such terms as are determined by the Committee from time to time.

11. **Administration of the Plan.**

(a) The Plan will be administered by the Committee. The composition of the Committee will comply with applicable independence requirements under the rules and regulations of any securities exchange, association or quotation system on which Common Shares are then listed or quoted, and the Board will also consider the advisability of appointing to the Committee members who satisfy the requirements of (i) the definition of the term "non-employee director" used Rule 16b-3 promulgated under the Exchange Act and (ii) the definition of the term "outside director" used in Section 162(m) of the Code.

(b) The Committee may from time to time delegate all or any part of its authority under the Plan to a subcommittee of the Committee or to any other committee of the Board or a subcommittee thereof. To the extent of any such delegation, references in the Plan to the Committee will be deemed to be references to such committee or subcommittee.

(c) Notwithstanding any other provision of the Plan, any Award to a member of the Committee must be approved by the Board to be effective.

(d) The Committee will have sole discretion to (i) interpret any provision of the Plan or an Evidence of Award, (ii) make any determination necessary or advisable for the administration of the Plan and Awards hereunder, and (iii) waive any condition or right of the Company under an Award or discontinue or terminate an Evidence of Award. Without intending to limit the generality or effect of the foregoing, any decision or determination made by the Committee with respect to the Plan or an Award, including whether to grant or withhold any required consent, will be made by the Committee in its sole and absolute discretion, subject to the terms of the Plan. The interpretation and construction by the Committee of any provision of the Plan or of any Evidence of Award and any determination by the Committee pursuant to any provision of the Plan or of any such Evidence of Award will be final and conclusive.

(e) The Committee may delegate to one or more of its members or to one or more officers of the Company, or to one or more agents or advisors, such administrative duties or powers as it may deem advisable, and the Committee, or any person to whom duties or powers have been so delegated, may employ one or more persons to render advice with respect to any responsibility the Committee or such person may have under the Plan. Without limiting the foregoing and subject to applicable law, the Committee may, by resolution, authorize one or more officers of the Company to do one or both of the following on the same basis as the Committee: (i) designate employees to be recipients of Awards under the Plan; and (ii) determine the size of any such Awards; *provided, however*, that (A) the Committee will not delegate such responsibilities to any such officer for Awards to an executive officer or any person subject to Section 162(m) of the Code; (B) the resolution providing for such authorization sets forth the total number of Common Shares such officer(s) may grant; and (C) the officer(s) will report periodically to the Committee regarding the nature and scope of the Awards made pursuant to the authority delegated.

12. **Adjustments.** The Committee will make or provide for such adjustments in the number of Common Shares authorized under Section 3, in the number of Common Shares covered by outstanding Awards, in the Exercise Price of outstanding Stock Options and any amounts payable for Common Shares under other outstanding Awards, in the Base Price of outstanding SARs, and in the kind of shares covered thereby, as is equitably required to prevent dilution or enlargement of the rights of Participants or Optionees that otherwise would result from (a) any stock dividend, extraordinary dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, or (b) any change of control, merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, or issuance of rights or warrants to purchase securities, or (c) any other corporate transaction or event having an effect similar to any of the foregoing. Moreover, in the event of any such transaction or event, the Committee, in its discretion, may provide in substitution for any or all outstanding Awards under the Plan such alternative consideration (including, without limitation, cash), if any, as it may determine to be equitable in the circumstances and may require in connection therewith the surrender of all Awards so replaced. The Committee will also make or provide for such adjustments in the numbers of shares specified in Section 3(c) as the Committee in its sole discretion, exercised in good faith, may determine is appropriate to reflect any transaction or event described in this Section 12; *provided, however*, that any such adjustment to the numbers specified in Sections 3(c)(i) and 3(c)(ii) will be made only if and to the extent that (i) such adjustment would not cause any option intended to qualify as an Incentive Stock Option to fail to so qualify and (ii) such adjustment would not result in negative tax consequences under Section 409A of the Code. Without limiting the generality of the foregoing, in the event that the Company issues warrants or other rights to acquire Common Shares on a pro rata basis to all stockholders, the Committee will make such adjustments in the number of Common Shares authorized under the Plan and in the limits contained herein as it may deem to be equitable, including, without limitation, proportionately increasing the number of authorized Common Shares or any such limit.

13. **Non U.S. Participants.** In order to facilitate the making of any grant or combination of grants under the Plan, the Committee may provide for such special terms for Awards to Participants who are foreign nationals or who are employed by the Company or any Subsidiary outside of the United States of America or who provide services to the Company under an agreement with a foreign nation or agency, as the Committee may consider necessary or appropriate to accommodate differences in local law, tax policy or custom. Moreover, the Committee may approve such supplements to or amendments, restatements or alternative versions of the Plan (including, without limitation, sub-plans) as it may consider necessary or appropriate for such purposes, without thereby affecting the terms of the Plan as in effect for any other purpose, and the Secretary or other appropriate officer of the Company may certify any such document as having been approved and adopted in the same manner as the Plan. No such special terms, supplements, amendments or restatements, however, will include any provisions that are inconsistent with the terms of the Plan as then in effect unless the Plan could have been amended to eliminate such inconsistency without further approval by the stockholders of the Company.

14. **Transferability.**

(a) Except as provided below or as otherwise determined by the Committee, (i) no Award will be transferable by a Participant except by will or the laws of descent and distribution and (ii) Stock

Options and SARs will be exercisable during the Participant's lifetime only by the Participant or, in the event of the Participant's legal incapacity to do so, by the Participant's guardian or legal representative acting on behalf of the Participant in a fiduciary capacity under state law and/or court supervision. With the consent of the Company, which may be granted or withheld in its sole and absolute discretion, a Participant may transfer an Award for estate planning purposes or pursuant to a domestic relations order; *provided* that such transferee will be bound by and subject to all of the terms and conditions of the Plan and the Evidence of Award relating to the Award and executes an agreement satisfactory to the Company evidencing such obligations; and *provided further* that such Participant will remain bound by the terms and conditions of the Plan. Notwithstanding the foregoing, no Stock Option that is intended to be an Incentive Stock Option or any Related SAR granted in tandem therewith may be transferred.

(b) The Committee may specify at the Date of Grant that part or all of the Common Shares that are (i) to be issued or transferred by the Company upon the exercise of Stock Options or SARs, upon the termination of the Deferral Period applicable to Restricted Share Units or upon payment under any grant of Performance Shares, Performance Units or a Senior Executive Plan Bonus or (ii) no longer subject to the substantial risk of forfeiture and restrictions on transfer referred to in Section 6, will be subject to further restrictions on transfer.

15. **Withholding Taxes.** To the extent that the Company or a Subsidiary is required to withhold federal, state, local or foreign taxes in connection with any payment made or benefit realized by a Participant or other person under the Plan, and the amounts available to the Company or Subsidiary for such withholding are insufficient, it will be a condition to the receipt of such payment or the realization of such benefit that the Participant or

such other person make arrangements satisfactory to the Company for payment of the balance of such taxes required to be withheld, which arrangements (in the discretion of the Committee) may include relinquishment of a portion of such benefit.

16. **Compliance with Section 409A of the Code.** To the extent applicable, it is intended that the Plan and any Awards hereunder comply with the provisions of Section 409A of the Code. The Plan and any Awards hereunder will be administered in a manner consistent with this intent, and any provision that would cause the Plan or any Award to fail to satisfy Section 409A of the Code will have no force and effect until amended to comply with Section 409A of the Code (which amendment may be retroactive to the extent permitted by Section 409A of the Code and may be made by the Company without the consent of Participants). Any reference in the Plan to Section 409A of the Code will also include any proposed, temporary or final regulations, or any other guidance, promulgated by the U.S. Department of the Treasury or the Internal Revenue Service.

17. **Amendments.**

(a) The Committee may at any time and from time to time amend or suspend the Plan in whole or in part; *provided, however*, that, if an amendment must be approved by the stockholders of the Company in order to comply with applicable legal requirements or the requirements of the principal securities exchange, association or quotation system on which the Common Shares are then listed or quoted, then such amendment will be subject to stockholder approval and will not be effective unless and until such approval has been obtained. Without intending to limit the generality or effect of the foregoing, if an amendment to the Plan would increase the number of Common Shares that may be issued or transferred upon the exercise of Incentive Stock Options, then such amendment will be subject to stockholder approval and will not be effective unless and until such approval has been obtained.

(b) The Committee will not, without the further approval of the stockholders of the Company, authorize the amendment of any outstanding Stock Option or SAR to reduce the Exercise Price or Base Price. Furthermore, no Stock Option or SAR will be cancelled and replaced with Awards having a lower Exercise Price or Base Price without further approval of the stockholders of the Company. This Section 17(b) is intended to prohibit the repricing of “underwater” Stock Options and SARs and will not be construed to prohibit the adjustments provided for in Section 12.

(c) Subject to Section 17(b) hereof, the Committee may amend the terms of any Award under the Plan prospectively or retroactively, except in the case of a Covered Employee where such action would result in the loss of the otherwise available exemption of the Award under Section 162(m) of the Code. In such case, the Committee will not make any modification of the Management Objectives or the level or levels of achievement with respect to such Covered Employee. Subject to Section 12, no amendment to any Award may materially and adversely affect the rights of any Participant taken as a whole without his or her consent.

(d) If permitted by Section 409A of the Code, in case of termination of employment by reason of the death, disability or normal or early retirement, or in the case of unforeseeable emergency or other special circumstances, of a Participant who holds a Stock Option or SAR not immediately exercisable in full, or any Restricted Shares as to which the risk of forfeiture or the prohibition or restriction on transfer has not lapsed, or any Restricted Share Units as to which the Deferral Period has not been completed, or any Performance Shares or Performance Units which have not been fully earned, or any other Award made pursuant to Section 10 subject to any vesting schedule or transfer restriction, or who holds Common Shares subject to any transfer restriction imposed pursuant to Section 12(b), the Committee may, in its sole discretion, accelerate the time at which such Stock Option, SAR or other Award may be exercised, the time at which such risk of forfeiture or prohibition or restriction on transfer will lapse, the time when such Deferral Period will end, the time at which such Performance Shares or Performance Units will be deemed to have been fully earned or the time when such transfer restriction will terminate, or may waive any other limitation or requirement under any such Award.

(e) The Committee may, in its discretion, terminate the Plan at any time. Termination of the Plan will not affect the rights of Participants or their successors under any Awards outstanding hereunder and not exercised in full on the date of termination.

18. **Governing Law.** The Plan and all Awards and actions taken thereunder will be governed by and construed in accordance with the internal substantive laws of the State of Delaware.

19. **Term of Plan.** The Plan will be effective as of the Effective Date. No Award will be made under the Plan more than 10 years after the Effective Date, but all Awards made on or prior to such date will continue in effect thereafter subject to the terms thereof and of the Plan.

20. **Miscellaneous Provisions.**

(a) The Company will not be required to issue any fractional Common Shares pursuant to the Plan. The Committee may provide for the elimination of fractions or for the settlement of fractions in cash.

(b) The Plan will not confer upon any Participant any right with respect to continuance of employment or other service with the Company or a Subsidiary, nor will it interfere in any way with any right the Company or a Subsidiary would otherwise have to terminate such Participant’s employment or other service at any time. Except as specifically provided by the Committee, the Company will not be liable for the loss of existing or potential profit with respect to an Award hereunder in the event of termination of employment or other relationship, even if the termination is in violation of an obligation of the Company or a Subsidiary to the Participant. The Committee’s making of an Award to a Participant hereunder will not confer upon the Participant any right to receive any other Awards hereunder or under any other plan or arrangement.

(c) Any Evidence of Award may provide for the effect on any Common Shares issued or other payment made with respect to the Award of any conduct of the Participant determined by the Committee to be injurious, detrimental or prejudicial to the Company or any Subsidiary.

(d) Notwithstanding any other provision of the Plan or any Award to the contrary, no Award may be effectuated, through exercise by the holder thereof or otherwise, if the delivery of cash or stock to the holder of such Award pursuant to the terms thereof would be, based on advice of counsel to the

Company, contrary to law or the regulations of any duly constituted authority having jurisdiction over the Plan. Notwithstanding any other provision of the Plan to the contrary, each issuance of Common Shares to a Participant pursuant to the Plan or an Award will be made for such consideration as is required by applicable law to ensure that such Common Shares are validly issued, fully paid and nonassessable upon such issuance.

(e) Absence on leave approved by a duly constituted officer of the Company or a Subsidiary will not be considered interruption or termination of service of any employee for any purposes of the Plan or an Award, except that no Award may be made to an employee while he or she is absent on leave.

(f) No Participant will have any rights as a stockholder with respect to any Common Shares subject to an Award made to him or her under the Plan prior to the date as of which he or she is actually recorded as the holder of such Common Shares upon the stock records of the Company.

(g) The Committee may condition any Award or combination of Awards authorized under the Plan on the surrender or deferral by the Participant of his or her right to receive a cash bonus or other compensation otherwise payable by the Company or a Subsidiary to the Participant.

(h) If any provision of the Plan is or becomes invalid, illegal or unenforceable in any jurisdiction, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision will be construed or deemed amended or limited in scope to conform to applicable laws or, in the discretion of the Committee, will be stricken and the remainder of the Plan will remain in full force and effect.

(i) Each individual who is or has been a member of the Board or a committee appointed by the Board will be indemnified and held harmless by the Company against and from any loss, cost, liability or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid in settlement thereof with the Company's approval, or paid in satisfaction of any judgment in any such action, suit or proceeding against the individual, *provided* the Company is given the opportunity, at its own expense, to handle and defend such claim, action, suit or proceeding before the individual undertakes to handle and defend such claim, action, suit or proceeding on his or her own behalf, unless such loss, cost, liability or expense is a result of such individual's own willful misconduct or except as expressly provided by statute. The foregoing right of indemnification will not be exclusive of any other rights of indemnification to which such individuals may be entitled under the Company's Certificate of Incorporation or Bylaws, as a matter of law or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

Activision Blizzard, Inc.**Non-Affiliated Director Compensation Program and****Stock Ownership Guidelines****Non-Affiliated Director**

For purposes of this program, a “*Non-Affiliated Director*” is any director of the Company that is not also (i) an employee of the Company or any of its subsidiaries or (ii) an employee of a majority shareholder or any of its controlled affiliates.

Cash Compensation**Annual Retainers:**

- Board Member - \$55,000
- Chairman of the Audit Committee - \$27,500
- Chairman of the Compensation Committee - \$22,000
- Chairman of the Nominating and Corporate Governance Committee - \$16,500
- Audit Committee Member - \$11,000
- Compensation Committee Member - \$5,500
- Nominating and Corporate Governance Committee Member - \$5,500

Meeting Fees:

- For each board or committee meeting attended in person or by telephone - \$3,300

Special Assignment Fees

- Per day for special assignments required in connection with board duties (including, without limitation, litigation-related matters, but excluding days on which a director is required to travel to attend meetings) - \$5,500

Payment Terms

- All cash retainers will generally be paid in arrears in equal quarterly installments no later than the 60th day following the last date of the applicable quarter; *provided, however*, that in no event shall fees be paid later than the date that is 2½ months following the last date of the Company’s fiscal year for which the retainer relates.
- Meeting Fees and Special Assignment Fees will generally be paid in arrears in equal quarterly installments no later than the 60th day following the last date of the applicable quarter; *provided, however*, that in no event shall fees be paid later than the date that is 2½ months following the last date of the Company’s fiscal year for which the retainer relates.
- Fees will be prorated for partial years of service, with partial months of service credited for full months.

Stock Options**New Appointment/Election Option Grant**

- Each newly elected or appointed Non-Affiliated Director will receive a grant of 44,000 stock options upon initial election or appointment to the Board.

Annual Option Grant

- Each Non-Affiliated Director will receive an annual grant of 22,000 stock options annually upon re-election to the Board.

Tenth Year Option Grant

- In the year that a Non-Affiliated Director completes ten continuous years of service on the Board, the director will receive a grant of 44,000 stock options.
- The tenth year grant is in lieu of the annual grant for the applicable year.

Grant Date

- Option grants will be made three business days following the date of the first board meeting immediately following the annual meeting of stockholders.
- The exercise price of the options will equal the closing price of the Company's common stock as quoted on the NASDAQ National Market on the date of grant.

Vesting

- All option grants will vest ratably every three months over the one-year period from the date of grant.
- Initial and "Tenth-Year" option grants will vest ratably every three months over the two-year period from the date of grant.
- A director must be in continuous active service on each applicable vesting date and vesting will cease upon a termination of service; *provided, however*, that vesting will accelerate upon a director's death or termination due to Disability (as defined in Section 22(e)(3) of the Internal Revenue Code)

Term

- Options will expire on the 10th anniversary of the date of grant.
- For so long as director remains in continuous service, all options may be exercised by the director through the 10th anniversary of grant.
- Upon a cessation of service for any reason other than for cause, vested options will remain exercisable until the earlier of (i) the 1st anniversary of the date of death or cessation of service and (ii) the 10th anniversary of grant.

Change of Control

- In the event that the director ceases to serve as a member of the Board of Directors pursuant to the terms of any business combination or similar transaction involving the Company, the options will immediately vest and will remain exercisable until the earlier of (i) the 1st anniversary of the date of the director's cessation of service and (ii) the original expiration date.

Award Agreement

- Options will be granted pursuant to the Company's 2008 Incentive Plan and will be subject to the terms of the applicable Non-Affiliated Director stock option agreement as in effect at the time of grant.

Restricted Stock Units

New Appointment/Election RSU Grant

- Each newly elected or appointed Non-Affiliated Director will receive a grant of 22,000 RSUs upon initial election or appointment to the Board.

Annual RSU Grant

- Each Non-Affiliated Director will receive an annual grant of 11,000 RSUs annually upon re-election to the Board.

Tenth Year RSU Grant

- In the year that a Non-Affiliated Director completes 10 continuous years of service on the Board, the director will receive a grant of 22,000 RSUs.
- The tenth year grant is in lieu of the annual grant for the applicable year.

Grant Date

- RSU grants will be made three business days following the date of the first Board meeting immediately following the annual meeting of stockholders.

Vesting

- All annual RSUs will vest ratably every three months over the one-year period from the date of grant.
- Initial and “Tenth-Year” RSU grants will vest ratably every three months over the two-year period from the date of grant.
- A director must be in continuous active service on each applicable vesting date.
- Vesting will accelerate on the date of a director’s cessation of service due to death or Disability.

Settlement

- Vested RSUs will settle for shares of the Company’s common stock no later than 30 days following the 1st anniversary of the grant date.
- 50% percent of the Initial and “Tenth-Year” RSU grants will settle no later than 30 days following each of the 1st and 2nd anniversaries of the date of grant, to the extent vested.

Change of Control

- In the event that the director ceases to serve as a member of the Board of Directors pursuant to the terms of any business combination or similar transaction involving the Company, the RSUs will immediately vest and settle as of the date on which the business combination or similar transaction is consummated.

Dividend Equivalents

- To the extent dividends are paid on the Company’s common stock, dividend equivalents will be paid on RSUs prior to settlement, no later than the 45th date following the last date of the Company’s fiscal year in which the dividends are paid.

Award Agreement

- RSUs will be granted pursuant to the Company’s 2008 Incentive Plan and will be subject to the terms of the applicable Non-Affiliated Director stock RSU agreement as in effect at the time of grant.

accordance with Company policy.

Perquisites

Directors do not receive perquisites.

Affiliated Directors

- Directors who are employees of the Company or any of its subsidiaries will not be entitled to compensation as a director.
- Unless otherwise determined by the Board of Directors or set forth in the Company's bylaws, directors who are employees of a majority shareholder or any of its controlled affiliates will not be entitled to compensation as a director.

Plan Administration

The human resources and the legal departments will administer the Non-Affiliated Directors' compensation program.

Non-Affiliated Director Stock Ownership Guidelines

- Each Non-Affiliated Director is required, within four years following his or her first election to the Board, to own shares of the Company's common stock (including any restricted shares of common stock or restricted share units payable in shares of the Company's common stock) having an aggregate value at least equal to five times the amount of the annual cash Board retainer that we then pay such director for regular service on the Board.
- For purposes of determining compliance with the share ownership guidelines, the aggregate value of the shares owned by the director is calculated as of January 2nd of each applicable year (or if such date is not a trading date, the next trading date) based on the higher of:
 - the closing price of the Company's common stock as quoted on the NASDAQ National Market on that day; and
 - the closing price of the Company's common stock as quoted on the NASDAQ National Market on the date of grant (or if such date is not a trading date, the next trading date), for any shares awarded to the director by the Company, and the actual cost to the director, for any other shares (*e.g.*, with respect to shares acquired through the exercise of stock options, the exercise price).
- Non-Affiliated Directors are subject to these guidelines for as long as they continue to serve on the Board.

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, at 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: August 6, 2010

/s/ Robert A. Kotick

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

CERTIFICATION

I, Thomas Tippl, 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, at 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: August 6, 2010

/s/ Thomas Tippl

Thomas Tippl

Chief Operating Officer and Chief Financial Officer,
Principal Financial and Accounting Officer of
Activision Blizzard, Inc.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Activision Blizzard, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert A. Kotick, President and Chief 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: August 6, 2010

/s/ Robert A. Kotick

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

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Activision Blizzard, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas Tippl, Chief Operating Officer and Chief Financial Officer, Principal Financial and Accounting 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: August 6, 2010

/s/ Thomas Tippl

Thomas Tippl

Chief Operating Officer and Chief Financial Officer,
Principal Financial and Accounting 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.
