

**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 March 31, 2017

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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company
Emerging growth company

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

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 April 27, 2017 was 753,662,407.

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CERTIFICATIONS**Table of Contents****CAUTIONARY STATEMENT**

This Quarterly Report on Form 10-Q contains, or incorporates by reference, certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements consist of any statement other than a recitation of historical facts and include, but are not limited to: (1) projections of revenues, expenses, income or loss, earnings or loss per share, cash flow, or other financial items; (2) statements of our plans and objectives, including those related to releases of products or services; (3) statements of future financial or operating performance; and (4) statements of assumptions underlying such statements. Activision Blizzard, Inc. generally uses words such as "outlook," "forecast," "will," "could," "should," "would," "to be," "plan," "plans," "believes," "may," "might," "expects," "intends," "intends as," "anticipates," "estimates," "future," "positioned," "potential," "project," "remain," "scheduled," "set to," "subject to," "upcoming" and other similar expressions to help identify forward-looking statements. Forward-looking statements are subject to business and economic risks, reflect management's current expectations, estimates and projections about our business, and are inherently uncertain and difficult to predict.

The company cautions that a number of important factors could cause Activision Blizzard, Inc.'s actual future results and other future circumstances to differ materially from those expressed in any forward-looking statements. Such factors include, but are not limited to: the diversion of management time and attention to issues relating to the operations of our acquired or newly started businesses; sales levels of Activision Blizzard, Inc.'s titles, products, and services; concentration of revenue among a small number of titles; Activision Blizzard, Inc.'s ability to predict consumer preferences, including interest in specific genres and preferences among platforms; the amount of our debt and the limitations imposed by the covenants in the agreements governing our debt; the adoption rate and availability of new hardware (including peripherals) and related software; counterparty risks relating to customers, licensees, licensors, and manufacturers; maintenance of relationships with key personnel, customers, financing providers, licensees, licensors, manufacturers, vendors, and third-party developers, including the ability to attract, retain, and develop key personnel and developers that can create high-quality titles, products, and services; risks relating to the expansion into new businesses, including the potential impact on our existing businesses; changing business models within the video game industry, including digital delivery of content and the increased prevalence of free-to-play games; product delays or defects; competition, including from other forms of entertainment; rapid changes in technology and industry standards; possible declines in software pricing; product returns and price protection; the identification of suitable future acquisition opportunities and potential challenges associated with geographic expansion; the seasonal and cyclical nature of the interactive entertainment market; the outcome of current or future tax disputes; litigation risks and associated costs; protection of proprietary rights; shifts in consumer spending trends; capital market risks; the impact of applicable regulations; domestic and international economic, financial, and political conditions and policies; tax rates and foreign exchange rates; the impact of the current macroeconomic environment; and the other factors identified in "Risk Factors" included in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2016.

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

Activision Blizzard, Inc.'s names, abbreviations thereof, logos, and product and service designators are all either the registered or unregistered trademarks or trade names of Activision Blizzard, Inc. All other product or service names are the property of their respective owners.

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Part I. Financial Information

Item 1. Financial Statements

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

	At March 31, 2017	At December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,248	\$ 3,245
Accounts receivable, net of allowances of \$137 and \$261, at March 31, 2017 and December 31, 2016, respectively	344	732
Inventories, net	48	49
Software development	370	412
Other current assets	346	392
Total current assets	4,356	4,830
Software development	74	54
Property and equipment, net	245	258
Deferred income taxes, net	371	283
Other assets	439	401
Intangible assets, net	1,673	1,858
Goodwill	9,763	9,768
Total assets	\$ 16,921	\$ 17,452
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 150	\$ 222
Deferred revenues	1,153	1,628
Accrued expenses and other liabilities	936	806
Total current liabilities	2,239	2,656
Long-term debt, net	4,393	4,887
Deferred income taxes, net	41	44
Other liabilities	812	746
Total liabilities	7,485	8,333
Commitments and contingencies (Note 13)		
Shareholders' equity:		
Common stock, \$0.000001 par value, 2,400,000,000 shares authorized, 1,182,228,464 and 1,174,163,069 shares issued at March 31, 2017 and December 31, 2016, respectively	—	—
Additional paid-in capital	10,555	10,442
Less: Treasury stock, at cost, 428,676,471 shares at March 31, 2017 and December 31, 2016	(5,563)	(5,563)
Retained earnings	5,069	4,869
Accumulated other comprehensive loss	(625)	(629)
Total shareholders' equity	9,436	9,119
Total liabilities and shareholders' equity	\$ 16,921	\$ 17,452

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 OPERATIONS**
(Unaudited)
(Amounts in millions, except per share data)

	2017	2016
Net revenues		
Product sales	\$ 509	\$ 645
Subscription, licensing, and other revenues	<u>1,217</u>	<u>810</u>
Total net revenues	<u>1,726</u>	<u>1,455</u>
Costs and expenses		
Cost of revenues—product sales:		
Product costs	143	169
Software royalties, amortization, and intellectual property licenses	88	128
Cost of revenues—subscription, licensing, and other revenues:		
Game operations and distribution costs	232	142
Software royalties, amortization, and intellectual property licenses	122	52
Product development	225	175
Sales and marketing	246	168
General and administrative	177	160
Total costs and expenses	<u>1,233</u>	<u>994</u>
Operating income	493	461
Interest and other expense (income), net	<u>40</u>	<u>52</u>
Income before income tax expense	453	409
Income tax expense	27	46
Net income	<u>\$ 426</u>	<u>\$ 363</u>
Earnings per common share		
Basic	<u>\$ 0.57</u>	<u>\$ 0.49</u>
Diluted	<u>\$ 0.56</u>	<u>\$ 0.48</u>
Weighted-average number of shares outstanding		
Basic	749	735
Diluted	761	749
Dividends per common share	\$ 0.30	\$ 0.26

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 COMPREHENSIVE INCOME (Unaudited) (Amounts in millions)

	For the Three Months Ended March 31,	
	2017	2016
Net income	\$ 426	\$ 363
Other comprehensive income (loss):		
Foreign currency translation adjustment	19	(5)
Unrealized gains (losses) on forward contracts designated as hedges, net of tax	(15)	(5)
Total other comprehensive income (loss)	<u>\$ 4</u>	<u>\$ (10)</u>
Comprehensive income	<u>\$ 430</u>	<u>\$ 353</u>

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 Three Months Ended March 31,	
	2017	2016
Cash flows from operating activities:		
Net income	\$ 426	\$ 363
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes	(80)	(63)
Provision for inventories	1	11

Depreciation and amortization		224	107
Amortization of capitalized software development costs and intellectual property licenses(1)		89	124
Amortization of debt discount, financing costs, and non-cash write-off due to extinguishment of debt		7	4
Share-based compensation expense(2)		33	34
Other		14	—
Changes in operating assets and liabilities, net of effect from business acquisitions:			
Accounts receivable, net		396	459
Inventories		2	14
Software development and intellectual property licenses		(67)	(104)
Other assets		(3)	83
Deferred revenues		(494)	(508)
Accounts payable		(76)	(184)
Accrued expenses and other liabilities		(61)	(3)
Net cash provided by operating activities		411	337
Cash flows from investing activities:			
Acquisition of King, net of cash acquired (see Note 14)		—	(4,588)
Release of cash in escrow		—	3,561
Capital expenditures		(21)	(27)
Other investing activities		(2)	(14)
Net cash used in investing activities		(23)	(1,068)
Cash flows from financing activities:			
Proceeds from issuance of common stock to employees		109	24
Tax payment related to net share settlements on restricted stock units		(13)	(11)
Proceeds from debt issuances, net of discounts		2,551	2,520
Repayment of long-term debt		(3,051)	(750)
Debt financing costs related to debt issuances		—	(4)
Net cash (used in) provided by financing activities		(404)	1,779
Effect of foreign exchange rate changes on cash and cash equivalents		19	1
Net increase in cash and cash equivalents		3	1,049
Cash and cash equivalents at beginning of period		3,245	1,823
Cash and cash equivalents at end of period		\$ 3,248	\$ 2,872

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

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

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

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ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY For the Three Months Ended March 31, 2017 (Unaudited)

(Amounts and shares in millions, except per share data)

	Common Stock		Treasury Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Shares	Amount	Shares	Amount				
Balance at December 31, 2016	1,174	\$ —	(429)	\$ (5,563)	\$ 10,442	\$ 4,869	\$ (629)	\$ 9,119
Components of comprehensive income:								
Net income	—	—	—	—	—	426	—	426
Other comprehensive income (loss)	—	—	—	—	—	—	4	4
Issuance of common stock pursuant to employee stock options	7	—	—	—	111	—	—	111
Issuance of common stock pursuant to restricted stock units	2	—	—	—	—	—	—	—
Restricted stock surrendered for employees' tax liability	(1)	—	—	—	(29)	—	—	(29)
Share-based compensation expense related to employee stock options and restricted stock rights	—	—	—	—	31	—	—	31
Dividends (\$0.30 per common share)	—	—	—	—	—	(226)	—	(226)
Balance at March 31, 2017	1,182	\$ —	(429)	\$ (5,563)	\$ 10,555	\$ 5,069	\$ (625)	\$ 9,436

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 Basis of Consolidation and Presentation

Activision Blizzard, Inc. is a leading global developer and publisher of interactive entertainment content and services. We develop and distribute content and services across all of the major gaming platforms, including video game consoles, personal computers (“PC”), and mobile devices. The terms “Activision Blizzard,” the “Company,” “we,” “us,” and “our” are used to refer collectively to Activision Blizzard, Inc. and its subsidiaries.

The Company was originally incorporated in California in 1979 and was reincorporated in Delaware in December 1992. We are the result of the 2008 business combination (the “Business Combination”) by and among the Company (then known as Activision, Inc.), Vivendi S.A. (“Vivendi”), and Vivendi Games, Inc. (“Vivendi Games”), an indirect wholly-owned subsidiary of Vivendi. In connection with the consummation of the Business Combination, Activision, Inc., was renamed Activision Blizzard, Inc.

The common stock of Activision Blizzard is traded on The NASDAQ Stock Market under the ticker symbol “ATVI.”

The King Acquisition

On February 23, 2016 (the “King Closing Date”), we acquired King Digital Entertainment, a leading interactive mobile entertainment company (“King”), by purchasing all of its outstanding shares (the “King Acquisition”), as further described in Note 14. Our condensed consolidated financial statements include the operations of King commencing on the King Closing Date.

Our Segments

Based upon our organizational structure, we conduct our business through three reportable segments as follows:

(i) Activision Publishing, Inc.

Activision Publishing, Inc. (“Activision”) is a leading global developer and publisher of interactive software products and entertainment content, particularly in console gaming. Activision primarily delivers content through retail channels or digital downloads, including full-game sales and in-game purchases, as well as licenses of software to third-party or related-party companies that distribute Activision products. Activision develops, markets, and sells products which are principally based on our internally-developed intellectual properties, as well as some licensed properties. Additionally, we have established a long-term alliance with Bungie to publish its game universe, Destiny.

Activision’s key product franchises include: Call of Duty®, a first-person shooter for the console and PC platforms; Destiny, an online universe of first-person action gameplay (which we call a “shared-world shooter”) for console platforms; and Skylanders®, a franchise geared towards children that brings physical toys to life digitally in the game, primarily for console platforms.

(ii) Blizzard Entertainment, Inc.

Blizzard Entertainment, Inc. (“Blizzard”) is a leading global developer and publisher of interactive software products and entertainment content, particularly in PC gaming. Blizzard primarily delivers content through retail channels or digital downloads, including subscriptions, full-game sales, and in-game purchases, as well as licenses of software to third-party or related party companies that distribute Blizzard products. Blizzard also maintains a proprietary online gaming service which facilitates digital distribution of Blizzard content, online social connectivity across all Blizzard games, and the creation of user-generated content for Blizzard’s games.

Blizzard’s key product franchises include: World of Warcraft®, a subscription-based massive multi-player online role-playing game for the PC; StarCraft®, a real-time strategy PC franchise; Diablo®, an action role-playing franchise for PC and console platforms; Hearthstone®, an online collectible card franchise for the PC and mobile platforms; Heroes of the Storm®, a free-to-play team brawler for the PC; and Overwatch®, a team-based first person shooter for the PC and console platforms.

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(iii) King Digital Entertainment

King is a leading global developer and publisher of interactive entertainment content and services, particularly on mobile platforms, such as Android and iOS. King also distributes its content and services on online social platforms, such as Facebook and the king.com websites. King’s games are free-to-play, however, players can acquire in-game virtual items, either with virtual currency the players purchase or directly using real currency.

King’s key product franchises, all of which are for the PC and mobile platforms, include: Candy Crush™, which features “match three” games; Farm Heroes™, which also features “match three” games; Pet Rescue™, which is a “clicker” game; and Bubble Witch™, which features “bubble shooter” games.

(iv) Other

We also engage in other businesses that do not represent reportable segments, including:

- the Major League Gaming (“MLG”) business, which is devoted to esports and builds on our competitive gaming efforts by creating ways to deliver best-in-class fan experiences across games, platforms, and geographies with a long-term strategy of monetization through advertising, sponsorships, tournaments and leagues, and premium content;

- the Activision Blizzard Studios (“Studios”) business, which is devoted to creating original film and television content based on our library of globally recognized intellectual properties, and which, in October 2016, released the first season of the animated TV series *Skylanders™ Academy* on Netflix; and
- the Activision Blizzard Distribution (“Distribution”) business, which consists of operations in Europe that provide warehousing, logistics, and sales distribution services to third-party publishers of interactive entertainment software, our own publishing operations, and manufacturers of interactive entertainment hardware.

Basis of Consolidation and Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the “SEC”) and accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim reporting. Accordingly, certain notes or other information that are normally required by U.S. GAAP have been condensed or omitted if they substantially duplicate the disclosures contained in the annual audited consolidated financial statements. The year-end condensed consolidated balance sheet data was derived from audited financial statements but does not include all disclosures required by U.S. GAAP. 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, 2016.

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for the fair statement of our financial position and results of operations in accordance with U.S. GAAP have been included in the accompanying unaudited condensed consolidated financial statements. Actual results could differ from these estimates and assumptions.

The accompanying condensed consolidated financial statements include the accounts and operations of the Company. All intercompany accounts and transactions have been eliminated. Certain reclassifications have been made to prior year amounts to conform to the current period presentation.

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.

Cost of Revenues Presentation

In periods prior to the second quarter of 2016, we presented cost of revenues in our consolidated statements of operations in four financial statement captions: “Cost of sales—product costs,” “Cost of sales—online,” “Cost of sales—software royalties and amortization,” and “Cost of sales—intellectual property licenses.” Commencing with the second quarter of 2016, we have revised the presentation in our condensed consolidated statements of operations to more clearly align our costs of revenues with the associated revenue captions as follows:

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Cost of revenues—product sales:

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

Cost of revenues—subscription, licensing, and other revenues:

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

Prior periods have been reclassified to conform to this current presentation.

Supplemental Cash Flow Information: Non-cash investing and financing activities

For the three months ended March 31, 2016, we had non-cash purchase price consideration of \$89 million related to vested and unvested stock options and awards that were assumed and replaced with Activision Blizzard equity or deferred cash awards in the King Acquisition. Refer to Note 14 for further discussion.

As of March 31, 2017 and 2016, we also had the following amounts recorded within “Accrued expenses and other liabilities” associated with investing and financing activities:

- dividends payable of \$226 million and \$195 million, respectively; and

- accrued withholding tax payments related to net share settlements on restricted stock units of \$17 million and \$45 million, respectively.

2. Inventories, Net

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

	At March 31, 2017	At December 31, 2016
Finished goods	\$ 44	\$ 40
Purchased parts and components	4	9
Inventories, net	<u>\$ 48</u>	<u>\$ 49</u>

At March 31, 2017, and December 31, 2016, inventory reserves were \$33 million and \$45 million, respectively.

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3. Software Development and Intellectual Property Licenses

The following table summarizes the components of our capitalized software development costs (amounts in millions):

	At March 31, 2017	At December 31, 2016
Internally-developed software costs	\$ 246	\$ 277
Payments made to third-party software developers	198	189
Total software development costs	<u>\$ 444</u>	<u>\$ 466</u>

As of March 31, 2017 and December 31, 2016, intellectual property licenses were not material to our condensed consolidated balance sheets.

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

	For the Three Months Ended March 31,	
	2017	2016
Amortization of capitalized software development costs and intellectual property licenses	\$ 93	\$ 132

4. Intangible Assets, Net

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

	Estimated useful lives	Gross carrying amount	Accumulated amortization	Net carrying amount
Acquired definite-lived intangible assets:				
Internally-developed franchises	3 - 11 years	\$ 1,154	\$ (654)	\$ 500
Developed software	2 - 5 years	601	(185)	416
Customer base	2 years	617	(343)	274
Trade names	7 - 10 years	54	(10)	44
Other	1 - 8 years	18	(12)	6
Total definite-lived intangible assets		<u>\$ 2,444</u>	<u>\$ (1,204)</u>	<u>\$ 1,240</u>
Acquired indefinite-lived intangible assets:				
Activision trademark	Indefinite			386
Acquired trade names	Indefinite			47
Total indefinite-lived intangible assets				<u>\$ 433</u>
Total intangible assets, net				<u>\$ 1,673</u>

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	Estimated useful lives	Gross carrying amount	Accumulated amortization	Net carrying amount
Acquired definite-lived intangible assets:				
Internally-developed franchises	3 - 11 years	\$ 1,154	\$ (583)	\$ 571
Developed software	3 - 5 years	595	(145)	450
Customer base	2 years	617	(266)	351
Trade names	7 - 10 years	54	(8)	46
Other	1 - 8 years	18	(11)	7
Total definite-lived intangible assets		<u>\$ 2,438</u>	<u>\$ (1,013)</u>	<u>\$ 1,425</u>
Acquired indefinite-lived intangible assets:				
Activision trademark	Indefinite			386
Acquired trade names	Indefinite			47
Total indefinite-lived intangible assets				<u>\$ 433</u>
Total intangible assets, net				<u>\$ 1,858</u>

Amortization expense of intangible assets was \$190 million and \$82 million for the three months ended March 31, 2017 and 2016, respectively.

At March 31, 2017, future amortization of definite-lived intangible assets is estimated as follows (amounts in millions):

2017 (remaining nine months)	\$ 568
2018	364
2019	216
2020	72
2021	11
Thereafter	9
Total	<u>\$ 1,240</u>

5. Goodwill

The changes in the carrying amount of goodwill by reportable segment for the three months ended March 31, 2017, are as follows (amounts in millions):

	Activision	Blizzard	King	Other	Total
Balance at December 31, 2016	\$ 6,903	\$ 178	\$ 2,675	\$ 12	\$ 9,768
Other	(5)	—	—	—	(5)
Balance at March 31, 2017	<u>\$ 6,898</u>	<u>\$ 178</u>	<u>\$ 2,675</u>	<u>\$ 12</u>	<u>\$ 9,763</u>

6. Fair Value Measurements

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

- Level 1—Quoted prices in active markets for identical assets or liabilities;

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

Fair Value Measurements on a Recurring Basis

The table below segregates all of our financial assets and liabilities that are measured at fair value on a recurring basis into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date, generally including money market funds, treasury bills, available-for-sale and derivative financial instruments, and other investments (amounts in millions):

	Fair Value Measurements at March 31, 2017 Using				Balance Sheet Classification	
	As of March 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Financial Assets:						
Recurring fair value measurements:						
Money market funds	\$ 2,923	\$ 2,923	\$ —	\$ —	Cash and cash equivalents	
Foreign government treasury bills	43	43	—	—	Cash and cash equivalents	
Foreign currency forward contracts designated as hedges	12	—	12	—	Other current assets	
Auction rate securities (“ARS”)	9	—	—	9	Other assets	
Total recurring fair value measurements	<u>\$ 2,987</u>	<u>\$ 2,966</u>	<u>\$ 12</u>	<u>\$ 9</u>		

Financial Liabilities:

Foreign currency forward contracts designated as hedges	\$ (1)	\$ —	\$ (1)	\$ —	Accrued expenses and other liabilities
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	Fair Value Measurements at December 31, 2016 Using				Balance Sheet Classification	
	As of December 31, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Financial Assets:						
Recurring fair value measurements:						

Recurring fair value measurements:

Money market funds	\$ 2,921	\$ 2,921	\$ —	\$ —	Cash and cash equivalents
Foreign government treasury bills	38	38	—	—	Cash and cash equivalents
Foreign currency forward contracts designated as hedges	22	—	22	—	Other current assets
ARS	9	—	—	9	Other assets
Total recurring fair value measurements	<u>\$ 2,990</u>	<u>\$ 2,959</u>	<u>\$ 22</u>	<u>\$ 9</u>	

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ARS represented the only level 3 investment held by the Company. The fair value of these investments did not change during the three months ended March 31, 2017.

Foreign Currency Forward Contracts

Foreign Currency Forward Contracts Not Designated as Hedges

At March 31, 2017 and December 31, 2016, we did not have any outstanding foreign currency forward contracts not designated as hedges.

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

At March 31, 2017, the gross notional amount of outstanding Cash Flow Hedges was approximately \$352 million. The fair value of these contracts, all of which have remaining maturities of 12 months or less, was \$11 million of net unrealized gains. Additionally, at March 31, 2017, we had \$3 million of net realized but unrecognized gains recorded within “Accumulated other comprehensive income (loss)” associated with contracts that had settled but were deferred and will be amortized into earnings, along with the associated hedged revenues. Such amounts will be reclassified into earnings within the next 12 months.

At December 31, 2016, the gross notional amount of outstanding Cash Flow Hedges was approximately \$346 million. The fair value of these contracts was \$22 million of net unrealized gains as of December 31, 2016.

During the three months ended March 31, 2017 and 2016, there was no ineffectiveness relating to our Cash Flow Hedges and the amount of pre-tax net realized gains associated with these contracts that were reclassified out of “Accumulated other comprehensive income (loss)” and into earnings was not material.

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 three months ended March 31, 2017 and 2016, there were no impairment charges related to assets that are measured on a non-recurring basis.

7. Debt

Credit Facilities

At December 31, 2016, we had outstanding term loans “A” of approximately \$2.7 billion (the “2016 TLA”) and \$250 million available under a revolving credit facility (the “Revolver”) pursuant to a credit agreement executed on October 11, 2013 (as amended thereafter and from time to time, the “Credit Agreement”).

On February 3, 2017, we entered into a sixth amendment (the “Sixth Amendment”) to the Credit Agreement. The Sixth Amendment (i) provided for a new tranche of term loans “A” in an aggregate principal amount of \$2.55 billion (the “2017 TLA” and, together with the Revolver, the “Credit Facilities”) and (ii) released each of our subsidiary guarantors from their respective guarantees provided under the Credit Agreement. All proceeds of the 2017 TLA, together with additional cash on hand of \$139 million, were used to fully retire the 2016 TLA, including all accrued and unpaid interest thereon. The terms of the 2017 TLA, other than the absence of the subsidiary guarantees, are generally the same as the terms of the 2016 TLA. The fees incurred as a result of the Sixth Amendment were not material. At March 31, 2017, the 2017 TLA bore interest at 2.23%. The 2017 TLA will mature on August 23, 2021. We were in compliance with the terms of the Credit Facilities as of March 31, 2017.

During the three months ended March 31, 2017, we reduced our total outstanding term loan balances by \$500 million, comprised of \$139 million of cash used to retire the 2016 TLA, as discussed above, and a \$361 million cash prepayment on the 2017 TLA. As a result of our payments, we satisfied the remaining required quarterly principal repayments for the entire term of the Credit Agreement. To date, we have not drawn on the Revolver.

Refer to Note 11 contained in our Annual Report on Form 10-K for the year ended December 31, 2016 for further details regarding our Credit Agreement, key terms, and amendments made to our Credit Agreement.

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Unsecured Senior Notes

At March 31, 2017 and December 31, 2016, we had the following unsecured senior notes outstanding:

- \$750 million of 6.125% unsecured senior notes due September 2023 that we issued on September 19, 2013 (the “2023 Notes”), in a private offering made in accordance with Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”); and
- \$650 million of 2.3% unsecured senior notes due September 2021 (the “2021 Notes”) and \$850 million of 3.4% unsecured senior notes due September 2026 (the “2026 Notes” and, together with the 2021 Notes and the 2023 Notes, the “Notes”) that we issued on September 19, 2016, in a private offering made in accordance with Rule 144A and Regulation S under the Securities Act.

In connection with the issuance of the 2021 Notes and the 2026 Notes, we entered into a registration rights agreement (the “Registration Rights Agreement”), among the Company, the Guarantors, and the representatives of the initial purchasers of the 2021 Notes and the 2026 Notes. Under the Registration Rights Agreement, we are required to use commercially reasonable efforts to within one year of the issue date of the 2021 Notes and the 2026 Notes, among other things, (1) file a registration statement with respect to an offer to exchange each series of the 2021 Notes and the 2026 Notes for new notes that are substantially identical in all material respects (except for the provisions relating to the transfer restrictions and payment of additional interest) (the “Exchange Offer”), and (2) cause the registration statement (the “Exchange Offer Registration Statement”) to be declared effective by the SEC under the Securities Act. The Exchange Offer Registration Statement was declared effective by the SEC on April 28, 2017 and the Company commenced the Exchange Offer on May 1, 2017.

The Notes are general senior obligations of the Company and rank *pari passu* in right of payment to all of the Company’s existing and future senior indebtedness, including the Credit Facilities described above. As of December 31, 2016, the Notes were guaranteed on a senior basis by certain of our U.S. subsidiaries. Pursuant to the terms of the indentures underlying the Notes, the guarantees by certain subsidiaries were automatically released when the 2017 TLA guarantees were removed in connection with the Sixth Amendment to the Credit Agreement. The Notes are not secured and are effectively subordinated to any of the Company’s existing and future indebtedness that is secured. The Company was in compliance with the terms of the Notes as of March 31, 2017.

Interest on the Notes is payable semi-annually in arrears on March 15 and September 15 of each year, and is recorded within “Accrued expenses and other liabilities” in our condensed consolidated balance sheets. As of March 31, 2017 and December 31, 2016, we had accrued interest payable of \$4 million and \$25 million, respectively, related to the Notes recorded within “Accrued expenses and other liabilities” in our condensed consolidated balance sheets.

Refer to Note 11 contained in our Annual Report on Form 10-K for the year ended December 31, 2016 for further details regarding our key terms under our indentures that govern the Notes.

Interest Expense And Financing Costs

Fees and discounts associated with the closing of our debt instruments are recorded as debt discount, which reduces their respective carrying values, and is amortized over their respective terms. Amortization expense is recorded within “Interest and other expense (income), net” in our condensed consolidated statement of operations.

For the three months ended March 31, 2017, interest expense was \$35 million, amortization of the debt discount and deferred financing costs was \$7 million, and commitment fees for the Revolver were not material. For the three months ended March 31, 2016, interest expense was \$53 million, amortization of the debt discount and deferred financing costs was \$4 million, and commitment fees for the Revolver were not material.

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

	At March 31, 2017		
	Gross Carrying Amount	Unamortized Discount and Deferred Financing Costs	Net Carrying Amount
2017 TLA	\$ 2,190	\$ (22)	\$ 2,168
2021 Notes	650	(5)	645
2023 Notes	750	(10)	740
2026 Notes	850	(10)	840
Total long-term debt	\$ 4,440	\$ (47)	\$ 4,393

	At December 31, 2016		
	Gross Carrying Amount	Unamortized Discount and Deferred Financing Costs	Net Carrying Amount
2016 TLA	\$ 2,690	\$ (27)	\$ 2,663
2021 Notes	650	(5)	645
2023 Notes	750	(11)	739
2026 Notes	850	(10)	840
Total long-term debt	\$ 4,940	\$ (53)	\$ 4,887

As of March 31, 2017, the scheduled maturities and contractual principal repayments of our debt for each of the five succeeding years are as follows (amounts in millions):

For the year ending December 31,			
2017 (remaining nine months)		\$ —	
2018		\$ —	
2019		\$ —	
2020		\$ —	
2021		\$ 2,840	
Thereafter		\$ 1,600	
Total		\$ 4,440	

As of March 31, 2017, and December 31, 2016, the carrying values of the 2017 TLA and the 2016 TLA approximate their fair value, based on Level 2 inputs (observable market prices in less than active markets), as the interest rate is variable over the selected interest period and is similar to current rates at which we can borrow funds. Based on Level 2 inputs, the fair values of the 2021 Notes, 2023 Notes, and 2026 Notes were \$636 million, \$812 million, and \$830 million, respectively, as of March 31, 2017. Based on Level 2 inputs, the fair values of the 2021 Notes, 2023 Notes, and 2026 Notes were \$635 million, \$818 million, \$808 million, respectively, as of December 31, 2016.

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8. Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss) at March 31, 2017 and 2016, were as follows (amounts in millions):

	For the Three Months Ended March 31, 2017				Total
	Foreign currency translation adjustments	Unrealized gain (loss) on forward contracts	Unrealized gain (loss) on available-for-sale securities		
Balance at December 31, 2016	\$ (659)	\$ 29	\$ 1	\$ (629)	
Other comprehensive income (loss) before reclassifications	3	(9)	—	—	(6)
Amounts reclassified from accumulated other comprehensive income (loss) into earnings	16	(6)	—	—	10
Balance at March 31, 2017	<u>\$ (640)</u>	<u>\$ 14</u>	<u>\$ 1</u>	<u>\$ (625)</u>	
	For the Three Months Ended March 31, 2016				Total
	Foreign currency translation adjustments	Unrealized gain (loss) on forward contracts	Unrealized gain (loss) on available-for-sale securities		
Balance at December 31, 2015	\$ (630)	\$ (4)	\$ 1	\$ (633)	
Other comprehensive income (loss) before reclassifications	(5)	(6)	—	—	(11)
Amounts reclassified from accumulated other comprehensive income (loss) into earnings	—	1	—	—	1
Balance at March 31, 2016	<u>\$ (635)</u>	<u>\$ (9)</u>	<u>\$ 1</u>	<u>\$ (643)</u>	

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

9. Operating Segments and Geographic Region

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

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

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Information on the reportable segments and reconciliations of total segment net revenues and total segment operating income to consolidated net revenues from external customers and consolidated income before income tax expense for the three months ended March 31, 2017 and 2016 are presented below (amounts in millions):

	For the Three Months Ended March 31,			
	2017		2016	
	Net revenues		Operating income and income before income tax expense	
Activision	\$ 215	\$ 360	\$ 24	\$ 99
Blizzard	441	294	166	86
King	474	207	166	67
Reportable segments total	1,130	861	356	252

Reconciliation to consolidated net revenues / consolidated income before income tax expense:

Other segments (1)	66	47	(5)	—
Net effect from recognition (deferral) of deferred net revenues and related cost of revenues	530	547	396	369
Share-based compensation expense	—	—	(33)	(44)
Amortization of intangible assets	—	—	(190)	(82)
Fees and other expenses related to the King Acquisition (2)	—	—	(4)	(34)

Restructuring costs (3)	—	—	(11)	—
Other non-cash charges (4)	—	—	(16)	—
Consolidated net revenues / operating income	\$ 1,726	\$ 1,455	\$ 493	\$ 461
Interest and other expense (income), net			40	52
Consolidated income before income tax expense			\$ 453	\$ 409

- (1) Other segments include other income and expenses from operating segments managed outside the reportable segments, including our MLG, Studios, and Distribution businesses. Other segments also include unallocated corporate income and expenses.
- (2) Reflects fees and other expenses, such as legal, banking, and professional services fees, primarily related to the King Acquisition and associated integration activities, inclusive of related debt financings.
- (3) Reflects restructuring charges incurred, primarily severance costs.
- (4) Reflects a non-cash accounting charge to reclassify certain cumulative translation losses into earnings due to the substantial liquidation of certain of our foreign entities.

Geographic information presented below for the three months ended March 31, 2017 and 2016, is based on the location of the paying customer. Net revenues from external customers by geographic region were as follows (amounts in millions):

Net revenues by geographic region:	For the Three Months Ended March 31,	
	2017	2016
Americas	\$ 929	\$ 753
EMEA (1)	554	521
Asia Pacific	243	181
Total consolidated net revenues	\$ 1,726	\$ 1,455

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

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The Company's net revenues in the U.S. were 47% and 49% of consolidated net revenues for the three months ended March 31, 2017 and 2016, respectively. The Company's net revenues in the U.K. were 10% and 11% of consolidated net revenues for the three months ended March 31, 2017 and 2016, respectively. No other country's net revenues exceeded 10% of consolidated net revenues for the three months ended March 31, 2017 or 2016.

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

Net revenues by platform:	For the Three Months Ended March 31,	
	2017	2016
Console	\$ 615	\$ 765
PC	566	400
Mobile and ancillary (1)	475	243
Other (2)	70	47
Total consolidated net revenues	\$ 1,726	\$ 1,455

- (1) Net revenues from mobile and ancillary include revenues from mobile devices, as well as non-platform specific game-related revenues, such as standalone sales of toys and accessories from our Skylanders franchise and other physical merchandise and accessories.
- (2) Net revenues from Other include revenues from our MLG, Studios, and Distribution businesses.

Long-lived assets by geographic region at March 31, 2017 and December 31, 2016, were as follows (amounts in millions):

Long-lived assets (1) by geographic region:	At March 31, 2017		At December 31, 2016	
	2017	2016	2017	2016
Americas	\$ 147	\$ 154		
EMEA	80	87		
Asia Pacific	18	17		
Total long-lived assets by geographic region	\$ 245	\$ 258		

- (1) The only long-lived assets that we classify by region are our long-term tangible fixed assets, which only include property, plant, and equipment assets; all other long-term assets are not allocated by location.

10. Income Taxes

The Company accounts for its provision for income taxes in accordance with ASC 740, *Income Taxes*, which requires an estimate of the annual effective tax rate for the full year to be applied to the interim period, taking into account year-to-date amounts and projected results for the full year. The provision for income taxes represents federal, foreign, state, and local income taxes. Our effective tax rate differs from the statutory U.S. income tax rate due to the effect of state and local income taxes, tax rates in foreign jurisdictions, and certain nondeductible expenses. Our effective tax rate could fluctuate significantly from quarter to quarter based on recurring and nonrecurring factors including, but not limited to: variations in the estimated and actual level of pre-tax income or loss by jurisdiction; changes in the mix of income by tax jurisdiction (as taxes are levied at relatively lower statutory rates in foreign regions and relatively higher statutory rates in the U.S.); research and development credits; changes in enacted tax laws and regulations, rulings, and interpretations thereof,

including with respect to tax credits and state and local income taxes; developments in tax audits and other matters; recognition of excess tax benefits and tax deficiencies from share-based payments; and certain nondeductible expenses. Changes in judgment from the evaluation of new information resulting in the recognition, derecognition, or remeasurement of a tax position taken in a prior annual period are recognized separately in the quarter of the change.

The income tax expense of \$27 million for the three months ended March 31, 2017, reflects an effective tax rate of 6%, which is lower than the effective tax rate of 11% for the three months ended March 31, 2016. The decrease is due to increased excess tax benefits from share-based payments, partially offset by proportionately more earnings generated in jurisdictions that have higher statutory tax rates and an increase of reserves for uncertain tax positions.

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The effective tax rate of 6% for the three months ended March 31, 2017 is lower than the US statutory rate of 35%, primarily due to foreign earnings taxed at lower statutory rates, the recognition of excess tax benefits from share-based payments, and the recognition of federal and California research and development credits, partially offset by an increase of reserves for uncertain tax positions.

The Internal Revenue Service (“IRS”) is currently examining Activision Blizzard’s federal tax returns for the 2009, 2010, and 2011 tax years. During the second quarter of 2015, the Company transitioned the review of its transfer pricing methodology from the advanced pricing agreement review process to the IRS examination team. Their review could result in a different allocation of profits and losses under the Company’s transfer pricing agreements. Such allocation could have a positive or negative impact on our provision for uncertain tax positions for the period in which such a determination is reached and the relevant periods thereafter. The Company also has several state level and non-U.S. audits pending.

As part of purchase price accounting for the King Acquisition, the Company assumed \$74 million of uncertain tax positions, primarily related to the transfer pricing on King tax years occurring prior to the King Acquisition. The Company is currently in negotiations with the relevant jurisdictions and taxing authorities with respect to King’s transfer pricing, which could result in a different allocation of profits and losses between the relevant jurisdictions.

Vivendi Games’ results for the period from January 1, 2008 through July 9, 2008 are included in the consolidated federal and certain foreign state and local income tax returns filed by Vivendi or its affiliates, while Vivendi Games’ results for the period from July 10, 2008 through December 31, 2008 are included in the consolidated federal and certain foreign, state and local income tax returns filed by Activision Blizzard. IRS Appeals proceedings concerning Vivendi Games’ tax return for the 2008 tax year were concluded during July 2016, but that year remains open to examination by other major taxing authorities. The resolution of the 2008 IRS Appeals process did not have a material impact to the Company’s condensed consolidated financial statements.

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

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

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11. Computation of Basic/Diluted Earnings Per Common Share

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

	For the Three Months Ended March 31,	
	2017	2016
Numerator:		
Consolidated net income	\$ 426	\$ 363
Less: Distributed earnings to unvested share-based awards that participate in earnings	—	(2)
Less: Undistributed earnings allocated to unvested share-based awards that participate in earnings	—	(1)
Numerator for basic and diluted earnings per common share—income available to common shareholders	\$ 426	\$ 360
Denominator:		
Denominator for basic earnings per common share—weighted-average common shares outstanding	749	735
Effect of potential dilutive common shares under the treasury stock method:		
Employee stock options and awards	12	14
Denominator for diluted earnings per common share—weighted-average common shares outstanding plus dilutive common shares under the treasury stock method	761	749
Basic earnings per common share	\$ 0.57	\$ 0.49
Diluted earnings per common share	\$ 0.56	\$ 0.48

Certain of our unvested restricted stock units meet the definition of participating securities as they participate in earnings based on their rights to dividends or dividend equivalents. Therefore, we are required to use the two-class method in our computation of basic and diluted earnings per common share. For the three months ended March 31, 2017 and 2016, on a weighted-average basis, we had outstanding unvested restricted stock units of less than a million and 4 million shares of common stock, respectively, that are participating in earnings.

Certain of our employee-related restricted stock units and options are contingently issuable upon the satisfaction of pre-defined performance measures. These shares are included in the weighted-average dilutive common shares only if the performance measures are met as of the end of the reporting period. Approximately 9 million and 10 million shares are not included in the computation of diluted earnings per share for the three months ended March 31, 2017 and 2016, respectively, as their respective performance measures had not yet been met.

Potential common shares are not included in the denominator of the diluted earnings per common share calculation when the inclusion of such shares would be anti-dilutive. Therefore, options to acquire 5 million and 6 million shares of common stock were not included in the calculation of diluted earnings per common share for the three months ended March 31, 2017 and 2016, respectively, as the effect of their inclusion would be anti-dilutive.

12. Capital Transactions

Repurchase Program

On February 2, 2017, our Board of Directors authorized a stock repurchase program under which we are authorized to repurchase up to \$1 billion of our common stock during the two-year period from February 13, 2017 through February 12, 2019. As of March 31, 2017, we have not repurchased any shares under this program.

Dividends

On February 2, 2017, our Board of Directors approved a cash dividend of \$0.30 per common share. Such dividend is payable on May 10, 2017, to shareholders of record at the close of business on March 30, 2017. We have recorded \$226 million of dividends payable in "Accrued expenses and other liabilities" on our condensed consolidated balance sheet as of March 31, 2017.

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On February 2, 2016, our Board of Directors declared a cash dividend of \$0.26 per common share. On May 11, 2016, we made an aggregate cash dividend payment of \$192 million to shareholders of record at the close of business on March 30, 2016. On May 27, 2016, we made related dividend equivalent payments of \$3 million to certain holders of restricted stock units.

13. Commitments and Contingencies

Legal Proceedings

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

14. Acquisitions

King Digital Entertainment

On February 23, 2016, we completed the King Acquisition, purchasing all of King's outstanding shares. As a result, King became a wholly-owned subsidiary of Activision Blizzard. King is a leading global developer and publisher of interactive entertainment content and services, particularly on mobile platforms, such as Android and iOS, and on online and social platforms, such as Facebook and the king.com websites. King's results of operations since the King Closing Date are included in our condensed consolidated financial statements.

We made this acquisition because we believe that the addition of King's highly-complementary mobile business positions us as a global leader in interactive entertainment across console, PC, and mobile platforms, as well as positioning us for future growth.

The aggregate purchase price of the King Acquisition was approximately \$5.8 billion, which was paid on the King Closing Date and funded primarily with \$3.6 billion of existing cash and \$2.2 billion of cash from new debt issued by the Company. We identified and recorded assets acquired and liabilities assumed at their estimated fair values at the King Closing Date and allocated the remaining value of approximately \$2.7 billion to goodwill. The final purchase price allocation was as follows (amounts in millions):

	February 23, 2016	Estimated useful lives
Tangible assets and liabilities assumed:		
Cash and cash equivalents	\$ 1,151	
Accounts receivable	162	
Other current assets	72	
Property and equipment	57	2 - 7 years
Deferred income tax assets, net	27	
Other assets	47	
Accounts payable	(9)	
Accrued expenses and other liabilities	(272)	
Other liabilities	(110)	
Deferred income tax liabilities, net	(52)	
Intangible assets		
Internally-developed franchises	845	3 - 5 years
Customer base	609	2 years
Developed software	580	3 - 4 years
Trade name	46	7 years
Goodwill	2,675	

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During the three months ended March 31, 2016, the Company incurred \$34 million of expenses related to the King Acquisition, which are included within “General and administrative” in the condensed consolidated statements of operations. In connection with the debt financing that occurred on the King Closing Date, we incurred \$38 million of issuance costs that were capitalized and recorded within “Long-term debt, net” on our condensed consolidated balance sheet.

Share-Based Compensation

In connection with the King Acquisition, a majority of the outstanding King options and awards that were unvested as of the King Closing Date were converted into equivalent options and awards with respect to shares of the Company’s common stock, using an equity award exchange ratio calculated in accordance with the transaction agreement. As a result, replacement stock options and equity awards of 10 million and 3 million, respectively, were issued. The portion of the fair value related to pre-combination services of \$76 million was included in the purchase price, while the remaining fair value will be recognized over the remaining service periods. As of December 31, 2016, the future expense for the converted King unvested stock options and equity awards was approximately \$40 million, which will be recognized over a weighted average service period of approximately 1.6 years.

The remaining portion of outstanding unvested awards that were assumed were replaced with deferred cash awards. The cash proceeds were placed in an escrow-like account, with the cash releases occurring as future services are rendered in accordance with the awards’ original vesting schedules. The cash associated with these awards is recorded in “Other current assets” and “Other assets” in our condensed consolidated balance sheet. The portion of the fair value related to pre-combination services of \$22 million was included in the purchase price while the remaining fair value of approximately \$9 million will be recognized over the remaining service periods.

Identifiable Intangible Assets Acquired and Goodwill

The internally-developed franchises, customer base, developed software, and trade name intangible assets will be amortized to “Cost of revenues-subscription, licensing, and other revenues-Software royalties, amortization, and intellectual property licenses,” “Sales and marketing,” “Cost of revenues-subscription, licensing, and other revenues-Software royalties, amortization, and intellectual property licenses,” and “General and administrative,” respectively. The intangible assets will be amortized over their estimated useful lives in proportion to the economic benefits received.

The \$2.7 billion of goodwill recognized is primarily attributable to the benefits the Company expects to derive from accelerated expansion as an interactive entertainment provider in the mobile sector, future franchises, and technology, as well as the management team’s proven ability to create future games and franchises. Approximately \$620 million of the goodwill is expected to be deductible for tax purposes in the U.S.

King Net Revenue and Earnings

The amount of net revenue and earnings attributable to King in the Company’s condensed consolidated statement of operations during the three months ended March 31, 2016, the period of the King Acquisition, are included in the table below. The amounts presented represent the net revenues and earnings after adjustments for purchase price accounting, inclusive of amortization of intangible assets, share-based payments, and deferral of revenues and related cost of revenues.

(in millions)	For the Three Months Ended March 31, 2016	
Net revenues	\$	183
Net loss	\$	(50)

Pro Forma Financial Information

The unaudited financial information in the table below summarizes the combined results of operations of the Company and King for the three months ended March 31, 2016, on a pro forma basis, as though the acquisition had occurred on January 1, 2015. The 2016 pro forma financial information presented includes the effects of adjustments related to amortization charges from acquired intangible assets, employee compensation from replacement equity awards issued in the King Acquisition and the profit sharing bonus plan established as part of the King Acquisition, and interest expense from the new debt, among other adjustments. We also adjusted for Activision Blizzard and King non-recurring acquisition related costs of approximately \$60 million for the three months ended March 31, 2016.

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The unaudited pro forma financial information as presented below is for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved if the King Acquisition, and any borrowings undertaken to finance the King Acquisition, had taken place at the beginning of the earliest period presented, nor does it intend to be a projection of future results.

(in millions)	For the Three Months Ended March 31, 2016	
Net revenues	\$	1,735
Net income	\$	329
Basic earnings per common share	\$	0.44
Diluted earnings per common share	\$	0.44

Recently adopted accounting pronouncements

Inventory

In July 2015, the FASB issued new guidance related to the measurement of inventory which requires inventory within the scope of the guidance to be measured at the lower of cost and net realizable value. Net realizable value is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. We adopted this new standard as of January 1, 2017, and applied it prospectively. The adoption of this guidance did not have a material impact on our financial statements.

Recent accounting pronouncements not yet adopted

Revenue recognition

In May 2014, the FASB issued new accounting guidance related to revenue recognition. The new standard will replace all current U.S. GAAP guidance on this topic and eliminate all industry-specific guidance, providing a unified model to determine when and how revenue is recognized. The core principle is that a company should recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled to in exchange for those goods or services. This guidance will be effective for fiscal years and interim periods within those years beginning after December 15, 2017, and can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. As previously disclosed, we believe the adoption of the new revenue recognition standard may have a significant impact on the accounting for our sales of our games with significant online functionality for which we do not have vendor-specific objective evidence ("VSOE") for unspecified future updates and ongoing online services provided. Under the current accounting standards, VSOE for undelivered elements is required. This requirement will be eliminated under the new standard. Accordingly, we may be required to recognize as revenue a portion of the sales price upon delivery of the software, as compared to the current requirement of recognizing the entire sales price ratably over an estimated offering period. This potential difference may have a material impact on our consolidated financial statements upon adoption of this new guidance. We are continuing to evaluate the adoption method that we will utilize as well as the additional impacts of this new accounting guidance on our financial statements and related disclosures.

Leases

In February 2016, the FASB issued new guidance related to the accounting for leases. The new standard will replace all current U.S. GAAP guidance on this topic. The new standard, among other things, requires a lessee to classify a lease as either an operating or financing lease and lessees will need to recognize a lease liability and a right-of-use asset for their leases. The liability will be equal to the present value of lease payments. The asset will be based on the liability, subject to adjustment for initial direct costs, lease incentives received, and any prepaid lease payments. Operating leases will result in a straight-line expense pattern, while finance leases will result in a front-loaded expense pattern. Classification will be based on criteria that are largely similar to those applied in current lease accounting. The standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition and will require application of the new guidance at the beginning of the earliest comparative period presented. We are evaluating the impact of this new accounting guidance on our financial statements.

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Financial Instruments

In January 2016, the FASB issued new guidance related to the recognition and measurement of financial assets and financial liabilities. The new standard, amongst other things, generally requires companies to measure investments in other entities, except those accounted for under the equity method, at fair value and recognize any changes in fair value in net income. The new standard also simplifies the impairment assessment of equity investments without readily determinable fair values. The new standard is effective for fiscal years beginning after December 15, 2017, and the guidance should be applied by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The amendments related to equity investments without readily determinable fair values (including disclosure requirements) should be applied prospectively to equity investments that exist as of the date of adoption. We are evaluating the impact of this new accounting guidance on our financial statements.

Statement of Cash Flows-Restricted Cash

In November 2016, the FASB issued new guidance related to the classification of restricted cash in the statement of cash flows. The new standard requires that a statement of cash flows explain any change during the period in total cash, cash equivalents, and restricted cash. Therefore, restricted cash will be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new standard is effective for fiscal years beginning after December 15, 2018, and should be applied retrospectively. Early adoption is permitted.

We are evaluating the impact, if any, of adopting this new accounting guidance on our financial statements. We expect there would be a significant impact to the condensed consolidated statements of cash flows for the three months ended March 31, 2016, as this period includes, as an investing activity, the \$3.6 billion movement in restricted cash as a result of transferring cash into escrow at December 31, 2015 to facilitate the King Acquisition and the subsequent release of that cash in 2016 in connection with the King Acquisition. Under this new standard, the restricted cash balance would be included in the beginning and ending total cash, cash equivalents, and restricted cash balances and, hence, would not be included as an investing activity in the statement of cash flows.

Goodwill

In January 2017, the FASB issued new guidance which eliminates Step 2 from the goodwill impairment test. Instead, if any entity forgoes a Step 0 test, an entity will be required to perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit, as determined in Step 1 from the goodwill impairment test, with its carrying amount and recognize an impairment charge, if any, for the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The new standard is effective for fiscal years beginning after December 15, 2019 and should be applied prospectively. Early adoption is permitted. We are evaluating the impact, if any, of adopting this new accounting guidance on our consolidated financial statements.

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

Business Overview

Activision Blizzard, Inc. is a leading global developer and publisher of interactive entertainment content and services. We develop and distribute content and services across all of the major gaming platforms, including video game consoles, personal computers (“PC”), and mobile devices. The terms “Activision Blizzard,” the “Company,” “we,” “us,” and “our” are used to refer collectively to Activision Blizzard, Inc. and its subsidiaries.

The Company was originally incorporated in California in 1979 and was reincorporated in Delaware in December 1992. We are the result of the 2008 business combination (the “Business Combination”) by and among the Company (then known as Activision, Inc.), Vivendi S.A. (“Vivendi”), and Vivendi Games, Inc. (“Vivendi Games”), an indirect wholly-owned subsidiary of Vivendi. In connection with the consummation of the Business Combination, Activision, Inc., was renamed Activision Blizzard, Inc.

The common stock of Activision Blizzard is traded on The NASDAQ Stock Market under the ticker symbol “ATVI.”

The King Acquisition

On February 23, 2016 (the “King Closing Date”), we acquired King Digital Entertainment, a leading interactive mobile entertainment company (“King”), by purchasing all of its outstanding shares (the “King Acquisition”). We made this acquisition because we believe that the addition of King’s highly complementary mobile business positions us as a global leader in interactive entertainment across mobile, console, and PC platforms, as well as positioning us for future growth. The aggregate purchase price of approximately \$5.8 billion was funded with \$3.6 billion of existing cash and \$2.2 billion of cash from new debt issued by the Company. King’s results of operations since the King Closing Date are included in our condensed consolidated financial statements.

Our Segments

Based on our organizational structure, we conduct our business through three reportable segments as follows:

(i) Activision Publishing, Inc.

Activision Publishing, Inc. (“Activision”), is a leading global developer and publisher of interactive software products and entertainment content, particularly in console gaming. Activision primarily delivers content through retail channels or digital downloads, including full-game sales and in-game purchases, as well as licenses of software to third-party or related-party companies that distribute Activision products. Activision develops, markets and sells products which are principally based on our internally developed intellectual properties, as well as some licensed properties. Additionally, we have established a long-term alliance with Bungie to publish its game universe, Destiny.

Activision’s key product franchises include: Call of Duty®, a first-person shooter for the console and PC platforms; Destiny, an online universe of first-person action gameplay (which we call a “shared-world shooter”) for console platforms; and Skylanders®, a franchise geared towards children that brings physical toys to life digitally in the game, primarily for console platforms.

(ii) Blizzard Entertainment, Inc.

Blizzard Entertainment, Inc. (“Blizzard”) is a leading global developer and publisher of interactive software products and entertainment content, particularly in PC gaming. Blizzard primarily delivers content through retail channels or digital downloads, including subscriptions, full-game sales, and in-game purchases, as well as licenses of software to third-party or related-party companies that distribute Blizzard products. Blizzard also maintains a proprietary online gaming service which facilitates digital distribution of Blizzard content, online social connectivity across all Blizzard games, and the creation of user-generated content for Blizzard’s games.

Blizzard’s key product franchises include: World of Warcraft®, a subscription-based massive multi-player online role-playing game (“MMORPG”) for the PC; StarCraft®, a real-time strategy PC franchise; Diablo®, an action role-playing franchise for PC and console platforms; Hearthstone®, an online collectible card franchise for the PC and mobile platforms; Heroes of the Storm®, a free-to-play team brawler for the PC; and Overwatch®, a team-based first person shooter for the PC and console platforms.

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(iii) King Digital Entertainment

King is a leading global developer and publisher of interactive entertainment content and services, particularly on mobile platforms, such as Android and iOS. King also distributes its content and services on online social platforms, such as Facebook and the king.com websites. King’s games are free-to-play, however, players can acquire in-game virtual items, either with virtual currency the players purchase, or directly using real currency.

King’s key product franchises, all of which are for the PC and mobile platforms, include: Candy Crush™, which features “match three” games; Farm Heroes™, which also features “match three” games; Pet Rescue™, which is a “clicker” game; and Bubble Witch™, which features “bubble shooter” games.

(iv) Other

We also engage in other businesses that do not represent reportable segments, including:

- the Major League Gaming (“MLG”) business, which is devoted to esports and builds on our competitive gaming efforts by creating ways to deliver best-in-class fan experiences across games, platforms, and geographies with a long-term strategy of monetization through advertising, sponsorships, tournaments and leagues, and premium content;
- the Activision Blizzard Studios (“Studios”) business, which is devoted to creating original film and television content based on our library of globally recognized intellectual properties, and which, in October 2016, released the first season of the animated TV series *Skylanders™ Academy* on Netflix; and
- the Activision Blizzard Distribution (“Distribution”) business, which consists of operations in Europe that provide warehousing, logistics, and sales distribution services to third-party publishers of interactive entertainment software, our own publishing operations, and manufacturers of interactive entertainment hardware.

Business Results and Highlights

Financial Results

The Company’s financial highlights include:

- consolidated net revenues increased 19% to \$1.73 billion and consolidated operating income increased 7% to \$493 million for the three months ended March 31, 2017, as compared to consolidated net revenues of \$1.46 billion and consolidated operating income of \$461 million for the three months ended March 31, 2016;
- revenues from digital online channels increased 50% to \$1.39 billion for the three months ended March 31, 2017, as compared to \$926 million for the three months ended March 31, 2016;
- operating margin was 28.6% for the three months ended March 31, 2017, as compared with 31.7% for the three months ended March 31, 2016. The lower margin was driven by the current period including a full quarter of amortization of the intangible assets acquired in the King Acquisition, as well as higher sales and marketing spend for upcoming title releases;
- we generated cash flows from operating activities of \$411 million for the three months ended March 31, 2017, an increase of 22%, as compared to \$337 million for the three months ended March 31, 2016;
- consolidated net income increased 17% to \$426 million for the three months ended March 31, 2017, as compared to \$363 million for the three months ended March 31, 2016;
- consolidated net income includes \$69 million and \$27 million of excess tax benefits from share based payments for the three months ended March 31, 2017 and 2016, respectively; and
- our diluted earnings per common share increased \$0.08 to \$0.56 for the three months ended March 31, 2017, as compared to \$0.48 for the three months ended March 31, 2016.

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Since certain of our games are hosted or include online functionality that represents an essential component of gameplay and, as a result, a more-than-inconsequential separate deliverable, we initially defer the software-related revenues from the sale of these games and recognize the attributable revenues over the relevant estimated service periods, which are generally less than a year. Net revenues for the three months ended March 31, 2017 include a net effect of \$530 million from the recognition of deferred net revenues. Operating income for the three months ended March 31, 2017 includes a net effect of \$396 million from the recognition of deferred net revenues and related cost of revenues.

Release Highlights

Games and digital downloadable content released during the three months ended March 31, 2017 included:

- Activision released two downloadable content packs — *Sabotage*, the first downloadable content pack for *Call of Duty: Infinite Warfare™*, and the *Modern Warfare® Remastered Variety Map Pack*, a downloadable content pack for *Call of Duty: Modern Warfare Remastered*; and
- King released *Bubble Witch 3 Saga*.

Monthly Active Users (“MAUs”): Measuring the Size of Our User Base

We monitor MAUs as a key measure of the overall size of our user base. MAUs are the number of individuals who played a particular game in a given month. We calculate average MAUs in a period by adding the total number of MAUs in each of the months in a given period and dividing that total by the number of months in the period. An individual who plays two of our games would be counted as two users. In addition, due to technical limitations, for Activision and King, an individual who plays the same game on two platforms or devices in the relevant period would be counted as two users. For Blizzard, an individual who plays the same game on two platforms or devices in the relevant period would generally be counted as a single user.

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

	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015
Activision						

	48	51	46	49	55	55
Blizzard	41	41	42	33	26	26
King	342	355	394	409	463	449
Total	<u>431</u>	<u>447</u>	<u>482</u>	<u>491</u>	<u>544</u>	<u>530</u>

Average MAUs decreased by 16 million, or 4%, for the quarter ended March 31, 2017, as compared to the quarter ended December 31, 2016. The decrease in King's average MAUs is due to decreases across King's franchises that are largely attributable to less engaged users leaving the network. The decrease in Activision's average MAUs is due to lower MAUs for the Call of Duty franchise.

Average MAUs decreased by 113 million, or 21%, for the quarter ended March 31, 2017, as compared to the quarter ended March 31, 2016. The decrease in King's average MAUs is due to decreases across King's franchises that are largely attributable to less engaged users leaving the network. The decrease in Activision's average MAUs is due to lower MAUs for the Call of Duty franchise, primarily driven by decreased MAUs for *Call of Duty: Infinite Warfare* as compared to *Call of Duty: Black Ops III*, the comparable prior-year title release. This decrease is partially offset by the increase in Blizzard's average MAUs, driven by the release of *Overwatch* in May 2016.

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Management's Overview of Business Trends

Interactive Entertainment and Mobile Gaming Growth

Our business participates in the global interactive entertainment industry. Games have become an increasingly popular form of entertainment, and we estimate the total industry has grown, on average, 19% annually over the last four years. The industry continues to benefit from additional players entering the market as interactive entertainment becomes more commonplace across age groups and as more developing regions increasingly gain access to this form of entertainment.

Further, the wide adoption of smart phones globally and the free-to-play business model on those platforms has increased the total addressable market for gaming significantly. Smart phones and associated free-to-play games have introduced gaming to new age groups and new regions and allowed gaming to occur more widely outside the home. Mobile gaming is now estimated to be larger than console and PC gaming and continues to grow at a significant rate. King is a leading developer of mobile and free-to-play games. In addition, our other segments have mobile efforts underway that present the opportunity for us to drive additional player investment from our franchises.

Opportunities To Expand Franchises Outside of Games

Our fans spend significant time investing in our franchises through purchases of our game content, whether through purchases of full games or downloadable content or via microtransactions. Given the passion our players have for our franchises, we believe there are emerging opportunities to drive player investment outside of game purchases. These opportunities include esports, film and television, and consumer products. Our efforts to build these additional opportunities are still relatively nascent, but we view them as potentially significant sources of future revenues.

Concentration of Sales Among the Most Popular Franchises

The 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 32% of the retail sales in the U.S. interactive entertainment industry in 2016. Similarly, a significant portion of our revenues have historically been derived from video games based on a few popular franchises and these video games were responsible for a disproportionately high percentage of our profits. For example, the Call of Duty, Candy Crush, World of Warcraft, and Overwatch franchises, collectively, accounted for 69% of our consolidated net revenues, and a significantly higher percentage of our operating income, for 2016.

The top titles in the industry are also becoming more consistent as players and revenues concentrate more heavily in established franchises. Each of the top 10 console franchises in 2016 was a previously established franchise. Similarly, according to U.S. rankings for the Apple App Store and Google Play store per App Annie Intelligence as of March 2017, the top 10 mobile games have an average tenure of 24 months.

In addition to investing in and developing sequels and content for our top titles, we are continually exploring additional ways to expand those franchises. Further, we invest in new properties in an effort to develop the future top franchises. In 2014, we released *Hearthstone* and *Destiny*, in 2015, we released *Heroes of the Storm*, and in 2016, we released *Overwatch*. There is no guarantee these investments will result in established franchises. Additionally, to diversify our portfolio of key franchises and increase our presence in the mobile market, on February 23, 2016, we acquired King.

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

Recurring Revenue Business Models

Increased consumer online connectivity has allowed us to offer players new investment opportunities and to shift our business to a more recurring and year-round model. Offering downloadable content and microtransactions, in addition to full games, allows our players to access and invest in new content throughout the year. This incremental content not only provides additional high-margin revenue, it can also increase engagement. Also, mobile games, and free-to-play games more broadly, are generally less seasonal.

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Consolidated Statements of Operations Data

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

	For the Three Months Ended March 31,			
	2017		2016	
Net revenues				
Product sales	\$ 509	29%	\$ 645	44%
Subscription, licensing, and other revenues	1,217	71	810	56
Total net revenues	1,726	100	1,455	100
Costs and expenses:				
Cost of revenues—product sales (1):				
Product costs	143	28	169	26
Software royalties, amortization, and intellectual property licenses	88	17	128	20
Cost of revenues—subscription, licensing, and other revenues (1):				
Game operations and distribution costs	232	19	142	18
Software royalties, amortization, and intellectual property licenses	122	10	52	6
Product development	225	13	175	12
Sales and marketing	246	14	168	12
General and administrative	177	10	160	11
Total costs and expenses	1,233	71	994	68
Operating income	493	29	461	32
Interest and other expense (income), net	40	3	52	4
Income before income tax expense	453	26	409	28
Income tax expense	27	1	46	3
Net income	\$ 426	25%	\$ 363	25%

(1) In periods prior to the second quarter of 2016, we presented cost of revenues in our consolidated statements of operations using the following four financial statement captions: “Cost of sales—product costs,” “Cost of sales—online,” “Cost of sales—software royalties and amortization,” and “Cost of sales—intellectual property licenses.” Since the second quarter of 2016, we have revised the presentation in our condensed consolidated statements of operations to more clearly align our costs of revenues with the associated revenue captions as follows:

Cost of revenues—product sales:

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

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Cost of revenues—subscription, licensing, and other revenues:

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

Prior periods have been reclassified to conform to this current presentation.

Consolidated Net Revenues

The following table summarizes our consolidated net revenues and the increase/(decrease) in deferred revenues recognized for the three months ended March 31, 2017 and 2016 (amounts in millions):

	For the Three Months Ended March 31,			
	2017	2016	Increase / (decrease)	% Change
Consolidated net revenues	\$ 1,726	\$ 1,455	\$ 271	19%
Net effect from recognition (deferral) of deferred net revenues	530	547	(17)	

Consolidated net revenues

The increase in consolidated net revenues for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, was primarily due to:

- higher revenues from King titles, driven by the Candy Crush franchise, as the current period includes King revenues for the full quarter while the comparable prior period only included King revenues for the partial quarter following the King Closing Date;
- revenues recognized from *Overwatch*, a team-based first-person shooter that was released in May 2016; and
- higher revenues recognized from *World of Warcraft*, driven by the release of *World of Warcraft: Legion™* in August 2016 with no comparable release in 2015.

The increase was partially offset by:

- lower revenues recognized from the Call of Duty franchise, primarily due to the performance of *Call of Duty: Infinite Warfare* (which, when referred to herein, is inclusive of *Call of Duty: Modern Warfare Remastered*), which was released in November 2016, as compared to the performance of *Call of Duty: Black Ops III*, the comparable 2015 title (although, the lower revenues recognized were partially offset by higher revenues recognized from digital content for the Call of Duty franchise, driven by the continued strong digital content performance of *Call of Duty: Black Ops III*);
- lower revenues recognized from the Destiny franchise, primarily due to lower revenues recognized from the *Rise of Iron* expansion, which was released in September 2016, as compared to *The Taken King* expansion, a larger expansion that released in September 2015; and
- lower revenues recognized from *Hearthstone*.

Change in Deferred Revenues Recognized

The decrease in net deferred revenues recognized for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, was primarily due to lower deferred revenues recognized from the Destiny franchise. The decrease was partially offset by:

- deferred revenues recognized from *Overwatch*; and
- higher deferred revenues recognized from *World of Warcraft*, driven by deferred revenues recognized on *World of Warcraft: Legion* which was released in August 2016 with no comparable release in 2015.

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Foreign Exchange Impact

Changes in foreign exchange rates had a negative impact of \$34 million on Activision Blizzard's consolidated net revenues for the three months ended March 31, 2017, as compared to the impact on net revenues for the three months ended March 31, 2016. The changes are primarily due to changes in the value of the U.S. dollar relative to the Euro and British pound.

Operating Segment Results

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

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

Information on the reportable segments and reconciliations of total segment net revenues and total segment operating income to consolidated net revenues from external customers and consolidated income before income tax expense for the three months ended March 31, 2017 and 2016 are presented in the table below (amounts in millions):

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	For the Three Months Ended March 31,			Increase / (Decrease)
	2017	2016		
Segment net revenues:				
Activision	\$ 215	\$ 360		\$ (145)
Blizzard	441	294		147
King	474	207		267
Reportable segments net revenues total	1,130	861		269

Reconciliation to consolidated net revenues:

Other segments (1)	66	47
Net effect from recognition (deferral) of deferred net revenues (2)	530	547
Consolidated net revenues	\$ 1,726	\$ 1,455
Segment income (loss) from operations:		
Activision	\$ 24	\$ 99
Blizzard	166	86
King	166	67
Reportable segment income from operations total	356	252
		104
Reconciliation to consolidated operating income and consolidated income before income tax expense:		
Other segments (1)	(5)	—
Net effect from recognition (deferral) of deferred net revenues and related cost of revenues	396	369
Share-based compensation expense	(33)	(44)
Amortization of intangible assets	(190)	(82)
Fees and other expenses related to the King Acquisition (2)	(4)	(34)
Restructuring costs (3)	(11)	—
Other non-cash charges (4)	(16)	—
Consolidated operating income	493	461
Interest and other expense (income), net	40	52
Consolidated income before income tax expense	\$ 453	\$ 409

- (1) Other segments include other income and expenses from operating segments managed outside the reportable segments, including our MLG, Studios and Distribution businesses. Other segments also include unallocated corporate income and expenses.
- (2) Reflects fees and other expenses, such as legal, banking and professional services fees, primarily related to the King Acquisition and associated integration activities, inclusive of related debt financings.
- (3) Reflects restructuring charges incurred, primarily severance costs.
- (4) Reflects a non-cash accounting charge to reclassify certain cumulative translation losses into earnings due to the substantial liquidation of certain of our foreign entities.

Segment Net Revenues

Activision

The decrease in Activision's net revenues for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, was primarily due to lower revenues from *Call of Duty: Infinite Warfare*, which was released in the fourth quarter of 2016, inclusive of its digital content, as compared to *Call of Duty: Black Ops III*, the comparable 2015 title, which was the third game in our successful Black Ops series.

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The decrease was partially offset by:

- higher revenues from *Call of Duty: Black Ops III*, as compared to *Call of Duty: Advanced Warfare*, the comparable 2014 title; and
- higher revenues from the Skylanders franchise.

Blizzard

The increase in Blizzard's net revenues for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, was primarily due to revenues from *Overwatch*, which was released in May 2016, and from the World of Warcraft franchise due to the release of *World of Warcraft: Legion* in August 2016.

King

The increase in King's net revenues for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, was primarily due to the current period including King revenues for the full quarter while the comparable prior period only included King revenues for the partial quarter following the King Closing Date.

Segment Income from Operations

Activision

The decrease in Activision's operating income for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, was primarily due to lower revenues. The decrease was partially offset by lower product development costs, driven by lower accrued bonuses and less spending to support current game releases.

Blizzard

The increase in Blizzard's operating income for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, was primarily due to higher revenues. The increase was partially offset by higher product development costs to support current and future releases and lower capitalization of software development costs due to timing of game development cycles.

King

The increase in King's operating income for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, was primarily due to the current period including King results of operations for the full quarter while the comparable prior period only included King results of operations for the partial quarter following the King Closing Date.

Foreign Exchange Impact

Changes in foreign exchange rates had a negative impact of \$16 million on reportable segment net revenues for the three months ended March 31, 2017, as compared to the impact on reportable segment net revenues for the three months ended March 31, 2016. The changes are primarily due to changes in the value of the U.S. dollar relative to the Euro and British pound.

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Consolidated Results

Net Revenues by Distribution Channel

The following table details our consolidated net revenues by distribution channel for the three months ended March 31, 2017 and 2016 (amounts in millions):

	For the Three Months Ended March 31,			Increase / (decrease)
	2017	2016		
Net revenues by distribution channel				
Digital online channels (1)	\$ 1,386	\$ 926	\$ 460	
Retail channels	270	482	(212)	
Other (2)	70	47	23	
Total consolidated net revenues	<u>\$ 1,726</u>	<u>\$ 1,455</u>	<u>\$ 271</u>	

The increase/(decrease) in deferred revenues recognized by distribution channel for the three months ended March 31, 2017 and 2016, was as follows (amounts in millions):

	For the Three Months Ended March 31,			Increase / (decrease)
	2017	2016		
Increase/(decrease) in deferred revenues recognized by distribution channel:				
Digital online channels (1)	\$ 320	\$ 129	\$ 191	
Retail channels	206	418	(212)	
Other (2)	4	—	4	
Net (deferral) / recognition impact on consolidated net revenues	<u>\$ 530</u>	<u>\$ 547</u>	<u>\$ (17)</u>	

(1) We define revenues from digital online channels as revenues from digitally distributed subscriptions, licensing royalties, value-added services, downloadable content, microtransactions, and products.

(2) Net revenues from Other include revenues from our MLG, Studios, and Distribution businesses.

Digital Online Channel Net Revenues

Net Revenues

The increase in net revenues from digital online channels for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, was primarily due to:

- higher revenues from King titles, driven by the Candy Crush franchise, as the current period includes King revenues for the full quarter while the comparable prior period only included King revenues for the partial quarter following the King Closing Date;
- revenues recognized from *Overwatch*, a team-based first-person shooter that was released in May 2016;
- higher revenues recognized from *World of Warcraft*, driven by the release of *World of Warcraft: Legion* in August 2016 with no comparable release in 2015; and
- higher revenues recognized from digital content for the Call of Duty franchise, driven by the continued strong digital content performance of *Call of Duty: Black Ops III*.

The increase was partially offset by lower revenues recognized from *Hearthstone*.

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Change in Deferred Revenues Recognized

The increase in net deferred revenues recognized from digital online channels for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, was primarily due to:

- net deferred revenues recognized from *Call of Duty: Infinite Warfare* digital content in 2017 as compared to a net deferral of revenues from *Call of Duty: Black Ops III* digital content in 2016, primarily due to the stronger comparable performance of *Call of Duty: Black Ops III*;
- deferred revenues recognized from *Overwatch*; and
- higher deferred revenues recognized from *World of Warcraft*, driven by deferred revenues recognized on *World of Warcraft: Legion* which was released in August 2016 with no comparable release in 2015.

The increase was partially offset by lower deferred revenues recognized from *Hearthstone*.

Retail Channel Net Revenues

Net Revenues

The decrease in net revenues from retail channels for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, was primarily due to:

- lower revenues recognized from the Call of Duty franchise, primarily due to the performance of *Call of Duty: Infinite Warfare*, which was released in November 2016, as compared to the performance of *Call of Duty: Black Ops III*, the comparable 2015 title; and
- lower revenues recognized from the Destiny franchise.

The decrease was partially offset by:

- higher revenues from the Skylanders franchise; and
- revenues recognized from *Overwatch*, a team-based first-person shooter that was released in May 2016.

Change in Deferred Revenues Recognized

The decrease in net deferred revenues recognized from retail channels for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, was primarily due to:

- lower deferred revenues recognized from *Call of Duty: Infinite Warfare*, which was released in November 2016, as compared to *Call of Duty: Black Ops III*, the comparable 2015 title; and
- lower deferred revenues recognized from the Destiny franchise.

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Net Revenues by Geographic Region

The following table details our consolidated net revenues by geographic region for the three months ended March 31, 2017 and 2016 (amounts in millions):

	For the Three Months Ended March 31,			Increase / (decrease)
	2017	2016		
Geographic region net revenues:				
Americas	\$ 929	\$ 753		\$ 176
EMEA (1)	554	521		33
Asia Pacific	243	181		62
Consolidated net revenues	\$ 1,726	\$ 1,455		\$ 271

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

Americas

The increase in net revenues in the Americas region for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, was primarily due to:

- higher revenues from King titles, driven by the Candy Crush franchise, as the current period includes King revenues for the full quarter while the comparable prior period only included King revenues for the partial quarter following the King Closing Date;
- revenues recognized from *Overwatch*, a team-based first-person shooter that was released in May 2016; and
- higher revenues recognized from *World of Warcraft*, driven by the release of *World of Warcraft: Legion* in August 2016 with no comparable release in 2015.

The increase was partially offset by:

- lower revenues recognized from the Call of Duty franchise, primarily due to the performance of *Call of Duty: Infinite Warfare*, which was released in November 2016, as compared to the performance of *Call of Duty: Black Ops III*, the comparable 2015 title; and
- lower revenues recognized from the Destiny franchise.

EMEA

The increase in net revenues in the EMEA region for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, was primarily due to the same drivers and partially offsetting factors as those for the Americas region discussed above.

Asia Pacific

The increase in net revenues in the Asia Pacific region for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, was primarily due to:

- revenues recognized from *Overwatch*, a team-based first-person shooter that was released in May 2016;
- higher revenues from King titles, driven by the Candy Crush franchise, as the current period includes King revenues for the full quarter while the comparable prior period only included King revenues for the partial quarter following the King Closing Date; and
- higher revenues recognized from *World of Warcraft*.

The increase was partially offset by lower revenues recognized from *Hearthstone*.

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Net Revenues by Platform

The following tables detail our consolidated net revenues by platform for the three months ended March 31, 2017 and 2016 (amounts in millions):

Platform net revenues:	For the Three Months Ended March 31,			Increase/ (Decrease)
	2017	2016		
Console	\$ 615	\$ 765		\$ (150)
PC	566	400		166
Mobile and ancillary (1)	475	243		232
Other (2)	70	47		23
Total consolidated net revenues	<u>\$ 1,726</u>	<u>\$ 1,455</u>		<u>\$ 271</u>

(1) Net revenues from Mobile and ancillary include revenues from mobile devices, as well as non-platform-specific game-related revenues, such as standalone sales of toys and accessories from our Skylanders franchise and other physical merchandise and accessories.

(2) Net revenues from Other include revenues from our MLG, Studios, and Distribution businesses.

Console

The decrease in net revenues from the console platform for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, was primarily due to:

- lower revenues recognized from the Call of Duty franchise, primarily due to the performance of *Call of Duty: Infinite Warfare*, which was released in November 2016, as compared to the performance of *Call of Duty: Black Ops III*, the comparable 2015 title (although, the lower revenues recognized were partially offset by higher revenues recognized from digital content for the Call of Duty franchise, driven by the continued strong digital content performance of *Call of Duty: Black Ops III*); and
- lower revenues recognized from the Destiny franchise.

The decrease was partially offset by revenues recognized from *Overwatch*, a team-based first-person shooter that was released in May 2016.

The increase in net revenues from the PC platform for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, was primarily due to:

- revenues recognized from *Overwatch*, a team-based first-person shooter that was released in May 2016; and
- higher revenues recognized from *World of Warcraft*, driven by the release of *World of Warcraft: Legion* in August 2016 with no comparable release in 2015.

The increase was partially offset by lower revenues recognized from *Hearthstone*.

Mobile and ancillary

The increase in net revenues from mobile and ancillary for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, was primarily due to higher revenues from King titles, driven by the Candy Crush franchise, as the current period includes King revenues for the full quarter while the comparable prior period only included King revenues for the partial quarter following the King Closing Date. The increase was partially offset by lower revenues recognized from *Hearthstone*.

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Costs and Expenses

Cost of Revenues

The following tables detail the components of cost of revenues in dollars and as a percentage of associated net revenues for the three months ended March 31, 2017 and 2016 (amounts in millions):

	Three Months Ended March 31, 2017	% of associated net revenues	Three Months Ended March 31, 2016	% of associated net revenues	Increase (Decrease)
Cost of revenues—product sales:					
Product costs	\$ 143	28%	\$ 169	26%	\$ (26)
Software royalties, amortization, and intellectual property licenses	88	17	128	20	(40)
Cost of revenues—subscription, licensing, and other revenues:					
Game operations and distribution costs	232	19	142	18	90
Software royalties, amortization, and intellectual property licenses	122	10	52	6	70
Total cost of revenues	<u>\$ 585</u>	<u>34%</u>	<u>\$ 491</u>	<u>34%</u>	<u>\$ 94</u>

Cost of Revenues—Product Sales:

The decrease in product costs for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, was primarily due to the decreased in consolidated net product revenues for the period. This was partially offset by product costs resulting from the increased revenues of our relatively lower-margin Distribution business.

The decrease in software royalties, amortization, and intellectual property licenses related to product sales for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, was primarily due to:

- lower developer royalties and lower software amortization from the Destiny franchise due to the timing of releases; and
- lower software amortization associated with *Guitar Hero® Live*, which was released in October 2015 with no comparable release in 2016.

The decrease was partially offset by software amortization from *World of Warcraft: Legion*, which was released in August 2016 with no comparable release in 2015.

Cost of Revenues—Subscription, Licensing, and Other Revenues:

The increase in game operations and distribution costs for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, was primarily due to higher online costs and platform provider fees associated with revenues from King, as the current period includes King costs for the full quarter while the comparable prior period only included King revenues and associated costs for the partial quarter following the King Closing Date.

The increase in software royalties, amortization, and intellectual property licenses related to subscription, licensing, and other revenues for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, was primarily due to a full quarter amortization of internally-developed franchise intangible assets acquired in the King Acquisition while the comparable prior period only included a partial quarter of amortization of internally-developed franchise intangible assets following the King Closing Date.

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Product Development (amounts in millions)

	<u>March 31, 2017</u>	<u>% of consolidated net revenues</u>	<u>March 31, 2016</u>	<u>% of consolidated net revenues</u>	<u>Increase (Decrease)</u>
Three Months Ended	\$ 225	13%	\$ 175	12%	\$ 50

The increase in product development costs for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, was primarily due to:

- increased costs related to King as the current period includes a full quarter of costs while the comparable prior period only included King costs for the partial quarter following the King Closing Date; and
- higher Blizzard product development costs to support current and future releases and lower capitalization of software development costs due to timing of game development cycles.

The increase was partially offset by lower Activision product development costs, driven by lower accrued bonuses and less spending to support current game releases.

Sales and Marketing (amounts in millions)

	<u>March 31, 2017</u>	<u>% of consolidated net revenues</u>	<u>March 31, 2016</u>	<u>% of consolidated net revenues</u>	<u>Increase (Decrease)</u>
Three Months Ended	\$ 246	14%	\$ 168	12%	\$ 78

The increase in sales and marketing expenses for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, was primarily due to:

- increased amortization of the customer base intangible assets acquired in the King Acquisition and increased sales and marketing spending to support King's titles, as the current period includes a full quarter of costs while the comparable prior period only included King costs for the partial quarter following the King Closing Date; and
- increased spending on sales and marketing activity to support the Destiny franchise, with *Destiny 2*, the first sequel to *Destiny*, expected to launch in September 2017.

The increase was partially offset by lower sales and marketing costs on the Skylanders franchise since there is no planned new game launch in 2017.

General and Administrative (amounts in millions)

	<u>March 31, 2017</u>	<u>% of consolidated net revenues</u>	<u>March 31, 2016</u>	<u>% of consolidated net revenues</u>	<u>Increase (Decrease)</u>
Three Months Ended	\$ 177	10%	\$ 160	11%	\$ 17

The increase in general and administrative expenses for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, was primarily due to:

- increased personnel costs to support the growth of our business and expanding areas of opportunity; and
- the inclusion in the current period of a non-cash accounting charge to reclassify certain losses included in our cumulative translation adjustments into earnings due to the substantial liquidation of certain of our foreign entities.

The increase was partially offset by lower transaction costs, as the three months ended March 31, 2016 included higher transaction costs related to the King Acquisition.

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

	<u>March 31, 2017</u>	<u>% of consolidated net revenues</u>	<u>March 31, 2016</u>	<u>% of consolidated net revenues</u>	<u>Increase (Decrease)</u>
Three Months Ended	\$ 40	3%	\$ 52	4%	\$ (12)

The decrease in interest and other expense (income), net for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, was primarily due to our lower total outstanding debt and lower interest rates on our current debt instruments as a result of our refinancing activities in 2016.

Income Tax Expense (amounts in millions)

	<u>March 31, 2017</u>	<u>% of pretax income</u>	<u>March 31, 2016</u>	<u>% of pretax income</u>	<u>Increase (Decrease)</u>
Three Months Ended	\$ 27	6%	\$ 46	11%	\$ (19)

The income tax expense of \$27 million for the three months ended March 31, 2017, reflects an effective tax rate of 6%, which is lower than the effective tax rate of 11% for the three months ended March 31, 2016. The decrease is due to increased excess tax benefits from share-based payments, partially offset by proportionately more earnings generated in jurisdictions that have higher statutory tax rates and an increase of reserves for uncertain tax positions.

The effective tax rate of 6% for the three months ended March 31, 2017 is lower than the US statutory rate of 35%, primarily due to foreign earnings taxed at lower statutory rates, the recognition of excess tax benefits from share-based payments, and the recognition of federal and California research and development credits, partially offset by an increase of reserves for uncertain tax positions.

Our effective tax rate differs from the statutory U.S. income tax rate due to the effect of state and local income taxes, tax rates in foreign jurisdictions, and certain nondeductible expenses. Our effective tax rate could fluctuate significantly from quarter to quarter based on recurring and nonrecurring factors including, but not limited to: variations in the estimated and actual level of pre-tax income or loss by jurisdiction; changes in the mix of income by tax jurisdiction (as taxes are levied at relatively lower statutory rates in foreign regions and relatively higher statutory rates in the U.S.); research and development credits; changes in enacted tax laws and regulations, rulings, and interpretations thereof, including with respect to tax credits, and state and local income taxes; developments in tax audits and other matters; recognition of excess tax benefits and tax deficiencies from share-based payments; and certain nondeductible expenses. Changes in judgment from the evaluation of new information resulting in the recognition, derecognition, or remeasurement of a tax position taken in a prior annual period are recognized separately in the quarter of the change.

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

Liquidity and Capital Resources

We believe our ability to generate cash flows from operating activities is one of our fundamental financial strengths. In the near term, we expect our business to remain strong and to continue to generate significant operating cash flows. Our primary sources of liquidity, which are available to us to fund cash outflows such as our anticipated dividend payments, share repurchases, and scheduled debt maturities, include our cash and cash equivalents, short- and long-term investments, and cash flows provided by operating activities. With our cash and cash equivalents and short-term investments of \$3.3 billion at March 31, 2017, and the expected cash flows provided by our operating activities, we believe that we have sufficient liquidity to meet daily operations for the foreseeable future. We also believe that we have sufficient working capital (\$2.1 billion at March 31, 2017) to finance our operational and financing requirements for at least the next 12 months. Additionally, we have the availability of a \$250 million revolving credit facility.

As of March 31, 2017, the amount of cash and cash equivalents held outside of the U.S. by our foreign subsidiaries was \$2.0 billion, as compared to \$1.9 billion as of December 31, 2016. If the cash and cash equivalents held outside of the U.S. are needed in the future for our operations in the U.S., we would accrue and pay the required U.S. taxes to repatriate these funds. However, our intent is to permanently reinvest these funds outside of the U.S. and our current plans do not demonstrate a need to repatriate them to fund our U.S. operations.

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Furthermore, our cash provided from operating activities is somewhat impacted by seasonality. Working capital needs are impacted by weekly sales, which are generally highest in the fourth quarter due to seasonal and holiday-related sales patterns. On a continuing basis, we consider various transactions to increase shareholder value and enhance our business results, including acquisitions, divestitures, joint ventures, share repurchases, and other structural changes. These transactions may result in future cash proceeds or payments.

Sources of Liquidity (amounts in millions)

	March 31, 2017	December 31, 2016	Increase (Decrease)
Cash and cash equivalents	\$ 3,248	\$ 3,245	\$ 3
Short-term investments	10	13	(3)
	<u>\$ 3,258</u>	<u>\$ 3,258</u>	<u>\$ —</u>

Percentage of total assets

19%

19%

	For the Three Months Ended March 31,		Increase (Decrease)
	2017	2016	
Cash flows provided by operating activities	\$ 411	\$ 337	\$ 74
Cash flows used in investing activities	(23)	(1,068)	1,045
Cash flows provided by (used in) financing activities	(404)	1,779	(2,183)
Effect of foreign exchange rate changes	19	1	18
Net increase in cash and cash equivalents	<u>\$ 3</u>	<u>\$ 1,049</u>	<u>\$ (1,046)</u>

Cash Flows Provided By Operating Activities

The primary drivers of cash flows associated with our operating activities include the collection of customer receivables generated from the sale of our products and services. These collections are typically partially offset by: payments to vendors for the manufacturing, distribution, and marketing of our products; payments for customer service support for our consumers; payments to third-party developers and intellectual property holders; payments for interest on our debt; payments for software development; payments for tax liabilities; and payments to our workforce.

Cash flows provided by operating activities for the three months ended March 31, 2017 were \$411 million, as compared to \$337 million for the three months ended March 31, 2016. The increase was driven by higher net income for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, along with larger adjustments to net income for non-cash charges, which were primarily associated with the amortization of the acquired intangibles in the King Acquisition. The increase was partially offset by changes in our working capital due to the timing of collections and payments.

Cash Flows Used In Investing Activities

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

Cash flows used in investing activities for the three months ended March 31, 2017 were \$23 million, as compared to \$1.1 billion for the three months ended March 31, 2016. The decrease in the cash used was primarily due to cash used for the King Acquisition in the three months ended March 31, 2016, with no comparable transaction in the current period.

Cash Flows Provided By (Used In) Financing Activities

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

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Cash flows used in financing activities for the three months ended March 31, 2017 were \$404 million, as compared to cash flows provided by financing activities of \$1.8 billion for the three months ended March 31, 2016. The change is primarily attributed to our debt financing activities. For the three months ended March 31, 2017, we had net debt repayments of \$500 million, as compared to \$1.8 billion of net debt proceeds for the three months ended March 31, 2016, the proceeds of which were used to fund the King Acquisition. The cash flows used in financing activities for the three months ended March 31, 2017 were partially offset by higher proceeds from option exercises of \$109 million, as compared to \$24 million for the three months ended March 31, 2016.

Effect of Foreign Exchange Rate Changes

Changes in foreign exchange rates had a positive impact of \$19 million and \$1 million on our cash and cash equivalents for the three months ended March 31, 2017 and 2016, respectively. The change is primarily due to changes in the value of the U.S. dollar relative to the British pound and the Euro.

Debt

As of December 31, 2016, our total outstanding debt was \$4.9 billion, bearing interest at a weighted average rate of 2.92%.

On February 3, 2017, we entered into a sixth amendment (the “Sixth Amendment”) to our credit agreement, which was originally executed on October 11, 2013 (as amended thereafter and from time to time, the “Credit Agreement”). The Sixth Amendment (i) provided for a new tranche of term loans “A” in an aggregate principal amount of \$2.55 billion (the “2017 TLA”) and (ii) released each of our subsidiary guarantors from their respective guarantees provided under the Credit Agreement. All proceeds of the 2017 TLA, together with additional cash on hand of \$139 million, were used to fully retire the term loans then outstanding under the Credit Agreement (the “2016 TLA”), including all accrued and unpaid interest thereon. The terms of the 2017 TLA, other than the absence of the subsidiary guarantees, are generally the same as the terms of the 2016 TLA. The fees incurred as a result of the Sixth Amendment were not material. The 2017 TLA will mature on August 23, 2021.

During the three months ended March 31, 2017, we reduced our total outstanding term loan balances by \$500 million, comprised of \$139 million of cash used to retire the 2016 TLA, as discussed above, and a \$361 million cash prepayment on the 2017 TLA. As a result of our payments, we satisfied the remaining required quarterly principal repayments for the entire term of the Credit Agreement.

As a result of the above activities, our total outstanding debt as of March 31, 2017 was \$4.4 billion, bearing interest at a weighted average rate of 3.12%. A summary of our debt as of March 31, 2017, is as follows (amounts in millions):

	At March 31, 2017		
	Gross Carrying Amount	Unamortized Discount and Deferred Financing Costs	Net Carrying Amount
2017 TLA	\$ 2,190	\$ (22)	\$ 2,168
2021 Notes	650	(5)	645
2023 Notes	750	(10)	740
2026 Notes	850	(10)	840
Total long-term debt	\$ 4,440	\$ (47)	\$ 4,393

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A summary of our debt as of December 31, 2016, is as follows (amounts in millions):

	At December 31, 2016		
	Gross Carrying Amount	Unamortized Discount and Deferred Financing Costs	Net Carrying Amount
2016 TLA	\$ 2,690	\$ (27)	\$ 2,663
2021 Notes	650	(5)	645
2023 Notes	750	(11)	739
2026 Notes	850	(10)	840
Total long-term debt	\$ 4,940	\$ (53)	\$ 4,887

Refer to Note 7 of the notes to condensed consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q for further disclosures regarding our debt obligations.

Dividends

On February 2, 2017, our Board of Directors approved a cash dividend of \$0.30 per common share, payable on May 10, 2017, to shareholders of record at the close of business on March 30, 2017. We have recorded \$226 million of dividends payable in “Accrued expenses and other liabilities” on our condensed consolidated balance sheet as of March 31, 2017.

Capital Expenditures

For the year ending December 31, 2017, we anticipate total capital expenditures of approximately \$130 million, primarily for leasehold improvements, computer hardware, and software purchases. During the three months ended March 31, 2017, capital expenditures were \$21 million.

Off-Balance Sheet Arrangements

At March 31, 2017 and December 31, 2016, Activision Blizzard had no significant relationships with unconsolidated entities or financial parties, often referred to as “structured finance” or “special purpose” entities, established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes, that have or are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements are prepared in accordance with 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 they are made. These estimates, judgments, and assumptions can affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the periods presented. To the extent there are material differences between these estimates, judgments, or assumptions and actual results, our financial statements will be affected. The accounting policies that reflect our more significant estimates, judgments, and assumptions, and which we believe are the most critical to aid in fully understanding and evaluating our reported financial results, include the following:

- Revenue Recognition including Revenue Arrangements with Multiple Deliverables
- Allowances for Returns and Price Protection
- Allowance for Inventory Obsolescence
- Software Development Costs
- Income Taxes
- Fair Value Estimates (including Business Combinations and Assessment of Impairment of Assets)
- Share-Based Payments

During the three months ended March 31, 2017, there were no significant changes to the above critical accounting policies and estimates. Refer to Management’s Discussion and Analysis of Financial Condition and Results of Operations contained in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2016, for a more complete discussion of our critical accounting policies and estimates.

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Recently issued accounting pronouncements

Below are recently issued accounting pronouncements that were most significant to our accounting policy activities. For a detailed discussion of all relevant recently issued accounting pronouncements, see Note 15 of the notes to condensed consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q.

Recently adopted accounting pronouncements

Inventory

In July 2015, the FASB issued new guidance related to the measurement of inventory which requires inventory within the scope of the guidance to be measured at the lower of cost and net realizable value. Net realizable value is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. We adopted this new standard as of January 1, 2017, and applied it prospectively. The adoption of this guidance did not have a material impact on our financial statements.

Recent accounting pronouncements not yet adopted

Revenue recognition

In May 2014, the FASB issued new accounting guidance related to revenue recognition. The new standard will replace all current U.S. GAAP guidance on this topic and eliminate all industry-specific guidance, providing a unified model to determine when and how revenue is recognized. The core principle is that a company should recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled to in exchange for those goods or services. This guidance will be effective for fiscal years and interim periods within those years beginning after December 15, 2017, and can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. As previously disclosed, we believe the adoption of the new revenue recognition standard may have a significant impact on the accounting for our sales of our games with significant online functionality for which we do not have vendor-specific objective evidence (“VSOE”) for unspecified future updates and ongoing online services provided. Under the current accounting standards, VSOE for undelivered elements is required. This requirement will be eliminated under the new standard. Accordingly, we may be required to recognize as revenue a portion of the sales price upon delivery of the software, as compared to the current requirement of recognizing the entire sales price ratably over an estimated offering period. This potential difference may have a

material impact on our consolidated financial statements upon adoption of this new guidance. We are continuing to evaluate the adoption method that we will utilize as well as the additional impacts of this new accounting guidance on our financial statements and related disclosures.

Leases

In February 2016, the FASB issued new guidance related to the accounting for leases. The new standard will replace all current U.S. GAAP guidance on this topic. The new standard, among other things, requires a lessee to classify a lease as either an operating or financing lease and lessees will need to recognize a lease liability and a right-of-use asset for their leases. The liability will be equal to the present value of lease payments. The asset will be based on the liability, subject to adjustment for initial direct costs, lease incentives received, and any prepaid lease payments. Operating leases will result in a straight-line expense pattern, while finance leases will result in a front-loaded expense pattern. Classification will be based on criteria that are largely similar to those applied in current lease accounting. The standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition and will require application of the new guidance at the beginning of the earliest comparative period presented. We are evaluating the impact of this new accounting guidance on our financial statements.

Statement of Cash Flows-Restricted Cash

In November 2016, the FASB issued new guidance related to the classification of restricted cash in the statement of cash flows. The new standard requires that a statement of cash flows explain any change during the period in total cash, cash equivalents, and restricted cash. Therefore, restricted cash will be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new standard is effective for fiscal years beginning after December 15, 2018, and should be applied retrospectively. Early adoption is permitted.

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We are evaluating the impact of adopting this new accounting guidance on our financial statements. We expect there would be a significant impact to the condensed consolidated statements of cash flows for the three months ended March 31, 2016, as this period includes, as an investing activity, the \$3.6 billion movement in restricted cash as a result of transferring cash into escrow at December 31, 2015 to facilitate the King Acquisition and the subsequent release of that cash in 2016 in connection with the King Acquisition. Under this new standard, the restricted cash balance would be included in the beginning and ending total cash, cash equivalents, and restricted cash balances and, hence, would not be included as an investing activity in the statement of cash flows.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

Foreign Currency Exchange Rate Risk

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

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

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

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

Foreign Currency Forward Contracts Not Designated as Hedges

At March 31, 2017 and December 31, 2016, we did not have any outstanding foreign currency forward contracts not designated as hedges.

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

At March 31, 2017, the gross notional amount of outstanding Cash Flow Hedges was approximately \$352 million. The fair value of these contracts, all of which have remaining maturities of 12 months or less, was \$11 million of net unrealized gains. Additionally, at March 31, 2017, we had \$3 million of net realized but unrecognized gains recorded within “Accumulated other comprehensive income (loss)” associated with contracts that had settled but were deferred and will be amortized into earnings, along with the associated hedged revenues. Such amounts will be reclassified into earnings within the next 12 months.

At December 31, 2016, the gross notional amount of outstanding Cash Flow Hedges was approximately \$346 million. The fair value of these contracts was \$22 million of net unrealized gains as of December 31, 2016.

During the three months ended March 31, 2017 and 2016, there was no ineffectiveness relating to our Cash Flow Hedges and the amount of pre-tax net realized gains associated with these contracts that were reclassified out of “Accumulated other comprehensive income (loss)” and into earnings was not

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In the absence of hedging activities for the three months ended March 31, 2017, a hypothetical adverse foreign currency exchange rate movement of 10% would have resulted in potential declines of our net income of approximately \$29 million. This sensitivity analysis assumes a parallel adverse shift of all foreign currency exchange rates against the U.S. dollar; however, all foreign currency exchange rates do not always move in such manner and actual results may differ materially.

Interest Rate Risk

Our exposure to market rate risk for changes in interest rates relates primarily to our investment portfolio and variable rate debt under our Credit Agreement. We do not currently use derivative financial instruments to manage interest rate risk. As of March 31, 2017 and December 31, 2016, a hypothetical interest rate change on our variable rate debt of one percent (100 basis points) would have changed interest expense on an annual basis by approximately \$22 million and \$27 million, respectively. This estimate does not include a change in interest income from our investment portfolio that may result from such a hypothetical interest rate change nor does it include the effects of other actions that we may take in the future to mitigate this risk or any changes in our financial structure. Refer to Note 7 of the notes to condensed consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q for disclosures regarding interest rates associated with our debt obligations.

Our investment portfolio consists primarily of money market funds and government securities with high credit quality and short average maturities. Because short-term securities mature relatively quickly and must be reinvested at the then-current market rates, interest income on a portfolio consisting of cash, cash equivalents, or short-term securities is more subject to market fluctuations than a portfolio of longer-term securities. Conversely, the fair value of such a portfolio is less sensitive to market fluctuations than a portfolio of longer-term securities. At March 31, 2017, our \$3.25 billion of cash and cash equivalents was comprised primarily of money market funds.

The Company has determined that, based on the composition of our investment portfolio as of March 31, 2017, there was no material interest rate risk exposure to the Company's consolidated financial condition, results of operations, or liquidity as of that date.

Item 4. Controls and Procedures

Definition and Limitations of Disclosure Controls and Procedures.

Our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) are designed to reasonably ensure that information required to be disclosed in our reports filed under the Exchange Act is: (1) recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and (2) accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures. A control system, no matter how well designed and operated, can provide only reasonable assurance that it will detect or uncover failures within the Company to disclose material information otherwise required to be set forth in our periodic reports. Inherent limitations to any system of disclosure controls and procedures include, but are not limited to, the possibility of human error and the circumvention or overriding of such controls by one or more persons. In addition, we have designed our system of controls based on certain assumptions, which we believe are reasonable, about the likelihood of future events, and our system of controls may therefore not achieve its desired objectives under all possible future events.

Evaluation of Disclosure Controls and Procedures.

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures at March 31, 2017, the end of the period covered by this report. Based on this evaluation, the principal executive officer and principal financial officer concluded that, at March 31, 2017, 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.

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated any changes in our internal control over financial reporting at March 31, 2017, the end of the period covered by this report. Based on this evaluation, the principal executive officer and principal financial officer concluded that, at March 31, 2017, 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.

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Part II. Other Information

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

Various risks associated with our business are described in Part I, Item 1A, "Risk Factors," of our Annual Report on Form 10-K for the year ended December 31, 2016.

Item 6. Exhibits

The exhibits listed on the accompanying Exhibit Index 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: May 4, 2017

ACTIVISION BLIZZARD, INC.

/s/ DENNIS DURKIN

Dennis Durkin

*Chief Financial Officer and
Principal Financial Officer of
Activision Blizzard, Inc.*

/s/ STEPHEN WEREB

Stephen Wereb

*Chief Accounting Officer and
Principal Accounting Officer of
Activision Blizzard, Inc.*

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EXHIBIT INDEX

Exhibit Number	Exhibit
3.1	Third Amended and Restated Certificate of Incorporation of Activision Blizzard, Inc., dated June 5, 2014 (incorporated by reference to Exhibit 3.1 of the Company's Form 8-K, filed June 6, 2014).
3.2	Third Amended and Restated Bylaws of Activision Blizzard, Inc., adopted as of February 2, 2016 (incorporated by reference to Exhibit 3.1 of the Company's Form 8-K, filed February 8, 2016).
10.1*	Activision Blizzard, Inc. 2014 Incentive Plan, amended and restated as of March 2, 2017.
10.2*	Form of Notice of Stock Option Award for grants pursuant to the Activision Blizzard, Inc. 2014 Incentive Plan (effective as of March 2, 2017).
10.3*	Form of Notice of Performance-Vesting Restricted Share Unit Award for grants pursuant to the Activision Blizzard, Inc. 2014 Incentive Plan (effective as of March 2, 2017).
10.4*	Service Agreement, dated November 2, 2015, between Riccardo Zacconi and the Company.
10.5*	Individual Option and Subscription Agreement, dated as of January 31, 2014.
10.6*	Option Exchange/Supplemental Subscription Agreement, dated as of March 21, 2014.
10.7*	Notice of Share Option Grant, dated as of February 16, 2015, to Riccardo Zacconi.
10.8*	Notice of Restricted Stock Unit Award, dated as of February 16, 2015, to Riccardo Zacconi.
10.9*	Notice of Restricted Stock Unit Award, dated as of November 10, 2015, to Riccardo Zacconi.
10.10*†	King Profit Sharing Plan, effective as of February 23, 2016.
10.11	Sixth Amendment to the Credit Agreement, dated as of October 11, 2013, by and among Activision Blizzard, Inc., the guarantors from time to time party thereto, the lenders from time to time party thereto, Bank of America, N.A., as administrative agent and collateral agent, and the several other agents party thereto (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K, filed February 6, 2017).
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 Dennis Durkin 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 Dennis Durkin pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.

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101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.

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

†Confidential treatment requested as to portions of the exhibit. Confidential materials omitted and filed separately with the Securities and Exchange Commission.

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) condensed consolidated balance sheets at March 31, 2017 and December 31, 2016, (ii) condensed consolidated statements of operations for the three months ended March 31, 2017 and March 31, 2016, (iii) condensed consolidated statements of comprehensive income (loss) for the three months ended March 31, 2017 and March 31, 2016, (iv) condensed consolidated statements of cash flows for the three months ended March 31, 2017 and March 31, 2016; (v) condensed consolidated statement of changes in shareholders' equity for the three months ended March 31, 2017; and (vi) notes to condensed consolidated financial statements.

As of March 2, 2017

**AMENDED AND RESTATED
ACTIVISION BLIZZARD, INC.
2014 INCENTIVE PLAN**

1. **Purpose.** The purpose of the Activision Blizzard, Inc. 2014 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) **"Director"** means a member of the Board of Directors of the Company.
- (k) **"Effective Date"** means the date of approval of the Plan by the Company's stockholders.
- (l) **"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.
- (m) **"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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- (n) **"Exercise Price"** means the purchase price per share payable on exercise of a Stock Option.
- (o) **"Fiscal Year"** means the fiscal year of the Company.
- (p) **"Freestanding SAR"** means a SAR that is not granted in tandem with a Stock Option.
- (q) **"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.
- (r) **"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) any unusual, infrequently occurring or non-recurring charges or events as determined under generally accepted accounting principles; (vi) acquisitions or divestitures; and (vii) foreign exchange gains and losses. Financial objectives need not be determined in accordance with generally accepted accounting principles. 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) Gross profits
- (J) Maintenance of internal controls over financial reporting and corporate governance practices
- (K) Market share

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

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

(w) **“Performance Share”** means a bookkeeping entry that records the equivalent of one Common Share awarded pursuant to Section 8.

(x) **“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.

(y) **“Plan”** means this Activision Blizzard, Inc. 2014 Incentive Plan, as may be amended from time to time.

(z) **“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, (viii) Activision, Inc. 2007 Incentive Plan; and (ix) Activision Blizzard, Inc. 2008 Incentive Plan, as amended and restated.

(aa) **“Related SAR”** means a SAR granted pursuant to Section 5 that is granted in tandem with a Stock Option.

(bb) **“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.

(cc) **“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.

(dd) **“RSU Vesting Period”** means the period of time during which Restricted Share Units are subject to deferral limitations, as provided in Section 7.

(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.

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 46,000,000 Common Shares, 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 with the Committee’s permission, prior to the issuance of Common Shares, for awards not involving Common Shares; (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; and (C) if a share appreciation right under any Prior Plan as of the Effective Date is exercised and settled in Common Shares, a number of shares equal to the difference between the total number of shares for which the share appreciation right was exercised and the number of shares actually issued or transferred.

(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 is, or the tax withholding requirements with respect to any Award are, satisfied through the withholding by the 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 46,000,000.
 - (ii) 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.
 - (iii) 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 3,000,000 in the aggregate.
 - (iv) The number of Performance Shares granted to any one Participant in a single Fiscal Year may not exceed 6,000,000 in the aggregate.
 - (v) 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).

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- (vi) The amount of any Senior Executive Plan Bonuses paid to any one Participant for any single Fiscal Year may not exceed \$10,000,000 in the aggregate.
 - (vii) 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) Subject to the rules and regulations of any securities exchange, association or quotation system on which Common Shares are then listed or quoted, 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.

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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 specified pursuant to this Section 6 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(e) 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 RSU Vesting 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 RSU Vesting 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 RSU Vesting 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. An Evidence of Award may, but is not required to, authorize the payment of dividend equivalents on Restricted Share Units, in cash, Common Shares or additional Restricted Share Units, which may be on a current, deferred or contingent basis.

(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, and may provide for an adjustment to that number in the case of changes in compensation or other factors.

(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) At the Date of Grant of Performance Shares, the Committee may, but is not required to, provide for the payment of dividend equivalents to the holder thereof, in cash, Common Shares or additional Performance Shares, which may be on a current, deferred or contingent basis.

(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.

(d) Each award made pursuant to this Section 10 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.

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 under 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 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 RSU Vesting 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 specified pursuant to Section 6, will be subject to further restrictions on transfer.

15. **Withholding Taxes.**

(a) Each Participant must satisfy all applicable federal, state, and local or other income and employment tax withholding obligations in connection with any payment made to, or benefit realized, by him or her under the Plan. The Company may elect to satisfy these obligations through additional withholding on salary or wages or by holding back a portion of such payment or benefit. If the Company elects not to, or cannot, do so,

the Participant must pay the Company the full amount, if any, required for withholding or, if in connection with an Award, have a broker tender to the Company cash equal to the withholding obligations.

(b) Without limiting the generality of Section 15(a), payment of withholding obligations is due before the Company will issue any shares on exercise, vesting or release from forfeiture of an Award or at the same time as payment of the exercise or purchase price, unless the Company determines otherwise. If provided for in an Award or approved by the Committee (either initially or by later amendment or Committee determination), a Participant may satisfy the tax obligations in whole or in part by delivery of Common Shares, including shares retained from the Award creating the tax obligation, valued at their fair market value (valued in the manner determined by (or in a manner approved by) the Company); provided, however, except as otherwise provided in this section, that the total tax withholding where stock is being used to satisfy such tax obligations cannot exceed the Company's minimum statutory withholding obligations (based on minimum statutory withholding rates for federal and state tax purposes, including payroll taxes, that are applicable to such supplemental taxable income). Notwithstanding the preceding sentence, effective as of July 1, 2016, if provided for in an Award or approved by the Committee, the Company may retain such number of Common Shares (up to the number of shares having a fair market value equal to the maximum individual statutory rate of tax (determined by, or in a manner approved by, the Company)) as the Company shall determine in its sole discretion to satisfy the tax liability associated with any Award where the Award is subject to withholding. Shares used to satisfy tax withholding requirements cannot be subject to any repurchase, forfeiture, unfulfilled vesting or other similar requirements.

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 administrated in a manner consistent with this intent. 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. 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 RSU Vesting 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 RSU Vesting 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.

2014 INCENTIVE PLAN

NOTICE OF STOCK OPTION AWARD

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

- Your name: [_____]
- Total number of Shares purchasable upon exercise of the Stock Option awarded: [_____]
- Exercise Price: US\$[_____] per Share
- Date of Grant: [_____]
- Expiration Date: [_____]
- Grant ID: [_____]
- Your Award of the Stock Option is governed by the terms and conditions set forth in:
 - this Notice of Stock Option Award;
 - the Stock Option Award Terms attached hereto as Exhibit A (the "Award Terms"); and
 - the Company's 2014 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- *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 through the applicable vesting date:

Date of Vesting	No. of Shares Vesting at Vesting Date
[_____]	[_____]
[_____]	[_____]
[_____]	[_____]

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

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

- ***The Stock Option is not intended to be an "incentive stock option," as such term is defined in Section 422 of the Code.***
- ***By accepting the Award, you are deemed to be bound by the terms and conditions set forth in the 2014 Incentive Plan, this Notice of Stock Option Award and the Award Terms.***

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.

Brian Stolz
Chief People Officer

ACCEPTED AND AGREED:

[Name of Holder]

Date: _____

EXHIBIT A**ACTIVISION BLIZZARD, INC.****2014 INCENTIVE PLAN****STOCK OPTION AWARD TERMS**1. **Definitions.**

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

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

“Cause” (i) shall have the meaning given to such term in any employment agreement or offer letter between the Holder and any entity in the Company Group in effect at the time of the determination or (ii) if the Holder is not then party to any agreement or offer letter with any entity in the Company Group or any such agreement or offer letter does not contain a definition of “cause,” shall mean a good faith determination by the Company that the Holder (A) engaged in misconduct or gross negligence in the performance of his or her duties or willfully and continuously failed or refused to perform any duties reasonably requested in the course of his or her employment; (B) engaged in fraud, dishonesty, or any other conduct that causes, or has the potential to cause, harm to any entity in the Company Group, including its business reputation or financial condition; (C) violated any lawful directives or policies of the Company Group or any applicable laws, rules or regulations; (D) materially breached his or her employment agreement, proprietary information agreement or confidentiality agreement with any entity in the Company Group; (E) was convicted of, or pled guilty or no contest to, a felony or crime involving dishonesty or moral turpitude; or (F) breached his or her fiduciary duties to the Company Group.

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

“Company” means Activision Blizzard, Inc. and any successor thereto.**“Company Group”** means the Company and its subsidiaries.

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

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

“Disability” (i) shall have the meaning given to such term in, or otherwise be determined in accordance with, any employment agreement or offer letter between the Holder and any entity in the Company Group in effect at the time of the determination or (ii) if the Holder is not then party to any agreement or offer letter with any entity in the Company Group or any such agreement or offer letter does not contain a definition of “disability” or otherwise provide a method for determining whether the Holder is disabled, shall mean the Holder is receiving benefits under any long-term disability plan of the Company Group then in effect.

“Employment Violation” means any material breach by the Holder of his or her employment agreement with any entity in the Company Group for so long as the terms of such employment agreement shall apply to the Holder (with any breach of the post-termination obligations contained therein deemed to be material for purposes of this definition).

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

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

“Exercise Rules and Regulations” means (i) the Securities Act or any comparable federal securities law and all applicable state securities laws, (ii) the requirements of any securities exchange, securities association, market system or quotation system on which Common Shares are then traded or quoted, (iii) any restrictions on transfer imposed by the Company’s certificate of incorporation or bylaws, and (iv) any policy or procedure the Company has adopted with respect to the trading of its securities, in each case as in effect on the date of the intended transaction.

“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 2014 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 (A) the sum of the sales price for all such Shares sold minus (B) the aggregate Exercise Price for such Shares; plus

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

“Securities Act” means the Securities Act of 1933, as amended.

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

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

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

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

3. **Vesting and Exercise.**

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

(b) **Exercisable Only by the Holder.** Except as otherwise permitted under the Plan or Section 11 hereof, the Stock Option may be exercised during the Holder’s lifetime only by the Holder or, in the event of the Holder’s legal incapacity to do so,

by the Holder's guardian or legal representative acting on behalf of the Holder in a fiduciary capacity under court supervision and/or applicable law.

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

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(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.

(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 15 hereof, the Company shall instead cause a certificate evidencing such Shares and bearing such legend to be delivered to the person entitled thereto.

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

4. Termination of Employment.

(a) Cause. Unless the Committee determines otherwise, in the event that (a) the Holder's employment is terminated by any entity in the Company Group for Cause or (b) if the Holder terminates his or her employment with the Company Group in breach of an employment agreement with any entity in the Company Group, as of the date of such termination of employment the Stock Option shall (i) cease to vest, if not then fully vested, (ii) no longer be exercisable, whether or not vested, and (iii) be immediately cancelled.

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(b) Death or Disability. Unless the Committee determines otherwise, in the event that the Holder dies while employed by any entity in the Company Group or the Holder's employment with any entity in the Company Group is terminated due to the Holder's Disability, the Stock Option shall (i) cease to vest as of the date of the Holder's death or the first date of the Holder's Disability (as determined by the Committee), as the case may be, and (ii) to the extent vested as of the date of the Holder's death or the first date of the Holder's Disability, as the case may be, remain exercisable in accordance with these Award Terms until the earlier of (A) the first anniversary of the date of the Holder's death or termination of employment, as the case may be, and (B) the Expiration Date, after which the Stock Option shall no longer be exercisable and shall be immediately cancelled. To the extent not vested as of the date of the Holder's death or the first date of the Holder's Disability, as the case may be, the Stock Option shall be immediately cancelled and shall no longer be exercisable.

(c) Other. Unless the Committee determines otherwise, in the event that the Holder's employment is terminated for any reason not addressed by Section 4(a) or 4(b) hereof, the Stock Option shall (i) cease to vest as of the date of such termination of employment and (ii) to the extent vested as of the date of such termination of employment, be exercisable in accordance with these Award Terms until the earlier of (A) (i) in the case of a termination by the Holder, the 30th day after the date of such termination of employment or (ii) in the case of a termination by the Company Group, the 90th day after the date of such termination of employment (or, in either case, if the Holder is prohibited from exercising the Stock Option during some or all of the 30-day or 90-day period, as the case may be, following such termination date because such exercise would not be in compliance with the Exercise Rules and Regulations, whatever later date may be determined in accordance with a Committee-approved policy) and (B) the Expiration Date, after which the Stock Option shall no longer be exercisable and shall be immediately cancelled. To the extent not vested as of the date of such termination of service, the Stock Option shall be immediately cancelled and shall no longer be exercisable.

5. Tax Withholding.

(a) Regardless of any action the Company or the Employer takes with respect to any Withholding Taxes related to the Holder's participation in the Plan and legally applicable to the Holder, the Holder acknowledges that the ultimate liability for all Withholding Taxes is and remains the Holder's responsibility and may exceed the amount actually withheld by the Company or the Employer. The Holder further acknowledges that the Company and/or the Employer (A) make no representations or undertakings regarding the treatment of any Withholding Taxes in connection with any aspect of the Stock Option, including, without limitation, the grant, vesting or exercise of the Stock Option, the subsequent sale of Shares acquired pursuant to such exercise and the receipt of any dividends; and (B) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Stock Option to reduce or eliminate the Holder's liability for Withholding Taxes or achieve any particular tax result. Further, if the Holder is subject to tax in more than one jurisdiction, the Holder acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Withholding Taxes in more than one jurisdiction. The Company shall have no obligation to deliver any Shares upon exercise of the Stock Option unless and until all Withholding Taxes contemplated by this Section 5 have been satisfied.

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(b) The Company shall determine the method or methods the Holder may use 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, which may include any of the following: (i) by delivery to the Company of a bank check or certified check or wire transfer of immediately available funds; (ii) if securities of the Company of the same class as the Shares are then traded or quoted on a national securities exchange, the Nasdaq Stock Market, Inc. or a national quotation system sponsored by the National Association of Securities Dealers, Inc., through the delivery of irrevocable written instructions, in a form acceptable to the Company, to the Equity Account Administrator (or, with the Company's consent, such other brokerage firm as may be requested by the person exercising the Stock Option) to sell some or all of the Shares being purchased upon such exercise and to thereafter deliver promptly to the Company from the proceeds of such sale an amount in cash equal to the aggregate amount of such Withholding Taxes; (iii) through the withholding of Shares otherwise deliverable upon exercise; or (iv) by any combination of (i), (ii) or (iii) above. Further, any entity in the Company Group shall have the right to require the Holder to satisfy any Withholding Taxes contemplated by this Section 5 by any of the aforementioned methods or by withholding from the Holder's wages or other cash compensation.

(c) The Company Group may withhold or account for Withholding Taxes contemplated by this Section 5 by reference to applicable withholding rates, including minimum or maximum applicable statutory rates, and if the Company Group withholds more than the amount necessary to satisfy the liability, the Holder will receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent Shares. If the obligation for Withholding Taxes is satisfied by withholding in Shares, for tax purposes the Holder will be deemed to have been issued the full number of Shares, notwithstanding that a number of the Shares is held back solely for the purpose of paying the Withholding Taxes due as a result of any aspect of the Holder's participation in the Plan. No fractional Shares will be withheld or issued pursuant to the exercise of the Stock Option and the issuance of Withholding Taxes thereunder.

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

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

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

the Holder taken as a whole without the Holder's consent. Without intending to limit the generality or effect of the foregoing, the Committee may amend the terms of the Award (i) in recognition of unusual or nonrecurring events (including, without limitation, events described in Section 9 hereof) affecting any entity in the Company Group or any of the Company's other affiliates or the financial statements of any entity in the Company Group or any of the Company's other affiliates, (ii) in response to changes in applicable laws, regulations or accounting principles and interpretations thereof, or (iii) to prevent the Award from becoming subject to Section 409A.

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

10. Registration and Listing. Notwithstanding anything to the contrary contained herein, the Stock Option may not be exercised, and the Stock Option and Shares purchasable upon exercise of the Stock Option may not be purchased, sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered in any way, unless such transaction is in compliance with all Exercise Rules and Regulations. The Company is under no obligation to register, qualify or list, or maintain the registration, qualification or listing of, the Stock Option or Shares with the 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 relating to the Stock Option or Shares, to issue or transfer the Stock Option or Shares in compliance with the provisions of that or any comparable federal securities law and all applicable state securities laws. The Company shall have the right, but not the obligation, to register the issuance or resale of the Stock Option or Shares under the Securities Act or any comparable federal securities law or applicable state securities law.

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

12. Employment Violation. The terms of this Section 12 shall apply to the Stock Option if the Holder is or becomes subject to an employment agreement with any entity in the Company Group. In the event of an Employment Violation, the Company shall have the right to require (a) the termination and cancellation of the Stock Option, whether vested or unvested, and (b) payment by the Holder to the Company of the Recapture Amount with respect to such Employment Violation; provided, however, that, in lieu of payment by the Holder to the Company of the Recapture Amount, the Holder, in his or her discretion, may tender to the Company the Shares acquired upon exercise of the Stock Option during the Look-back Period with respect to such Employment Violation (without any consideration from the Company in exchange therefor). Any such termination of the Stock Option and payment of the Recapture Amount, as the case may be, shall be in addition to, and not in lieu of, any other right or remedy available to the Company arising out of or in connection with such Employment Violation, including, without limitation, the right to terminate the Holder's employment if not already terminated and to seek injunctive relief and additional monetary damages.

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

(a) The Holder is responsible for complying with (i) any federal, state and local taxation laws applicable to the Holder in connection with the Award and (ii) all Exercise Rules and Regulations.

(b) The Award is subject to the terms and conditions of any policy requiring or permitting the Company to recover any gains realized by the Holder in connection with the Award, including, without limitation, the Policy on Recoupment of Performance-Based Compensation Related to Certain Financial Restatements.

14. Section 409A. As the Exercise Price is equal to the fair market value of a Share on the Date of Grant, payments contemplated with respect to the Award are intended to be exempt from Section 409A, and all provisions of the Plan, the Grant Notice and these Award Terms shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or

penalties under Section 409A. Notwithstanding the foregoing, (a) nothing in the Plan, the Grant Notice and these Award Terms shall guarantee that the Award is not subject to taxes or penalties under Section 409A and (b) if any provision of the Plan, the Grant Notice or these Award Terms would, in the reasonable, good faith judgment of the Company, result or likely result in the imposition on the Holder or any other person of taxes, interest or penalties under Section 409A, the Committee may, in its sole discretion, modify the terms of the Plan, the Grant Notice or these Award Terms, without the consent of the Holder, in the manner that the Committee may reasonably and in good faith determine to be necessary or advisable to avoid the imposition of such taxes, interest or penalties; provided, however, that this Section 13 does not create an obligation on the part of the Committee or the Company to make any such modification, and in no event shall the Company be liable for the payment of or gross up in connection with any taxes, interest or penalties owed by the Holder pursuant to Section 409A.

15. 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."

16. 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 any entity in the Company Group or derogate from any right of any entity in the Company Group to retire, request the resignation of, or discharge the Holder at any time, with or without Cause.

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

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

19. Venue and Governing Law.

(a) For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by the grant of the Stock Option or these Award Terms, the parties submit and consent to the exclusive jurisdiction of the State of California and agree that such litigation shall be conducted only in the courts of Los Angeles County, California or the federal courts of the United States for the Central District of California, and no other courts, regardless of where the grant of the Stock Option is made and/or to be performed.

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

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

21. Notices.

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

(b) Any notice or other document which the Company may be required or permitted to deliver to the Holder pursuant to or in connection with the Grant Notice or these Award Terms shall be in writing, and may be delivered personally or by mail, postage prepaid, or overnight courier, addressed to the Holder at the address shown on any employment agreement or offer letter between the Holder and any entity in the Company Group in effect at the time, or such other address as the Holder by notice

to the Company may designate in writing from time to time. The Company may also, in its sole discretion, deliver any such document to the Holder electronically via an e-mail to the Holder at his or her Company-provided email address or through a notice delivered to such e-mail address that such document is available on a website established and maintained on behalf of the Company or a third party designated by the Company, including, without limitation, the Equity Account Administrator. Notices shall be effective upon delivery.

22. Conflict with Employment Agreement or Plan. In the event of any conflict between the terms of any employment agreement or offer letter between the Holder and any entity in the Company Group in effect at the time and the terms of the Grant Notice or these Award Terms, the terms of the Grant Notice or these Award Terms, as the case may be, shall control. In the event of any conflict between the terms of any employment agreement or offer letter between the Holder and any entity in the Company Group in effect at the time, the Grant Notice or these Award Terms and the terms of the Plan, the terms of the Plan shall control.

23. Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Holder's participation in the Plan, on the Stock Option and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to facilitate the administration of the Plan, and to require the Holder to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

24. Waiver. The Holder acknowledges that a waiver by the Company of a breach of any provision of these Award Terms shall not operate or be construed as a waiver of any other provision of these Award Terms, or of any subsequent breach by the Holder or any other holder of an equity award from the Company.

ACTIVISION BLIZZARD, INC.**2014 INCENTIVE PLAN****NOTICE OF PERFORMANCE-VESTING RESTRICTED SHARE UNIT AWARD**

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

- Your name: [_____]
 - Total number of Restricted Share Units awarded (representing the maximum number of Restricted Share Units which may vest hereunder): [_____]
 - Target number of Restricted Share Units awarded: [_____]
 - Date of Grant: [_____]
 - Grant ID: [_____]
 - Your Award of Restricted Share Units is governed by the terms and conditions set forth in:
 - this Notice of Performance-Vesting Restricted Share Unit Award;
 - the Performance-Vesting Restricted Share Unit Award Terms attached hereto as Exhibit A (the "Award Terms"); and
 - the Company's 2014 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
 - Your Award of Restricted Share Units has been made in connection with your employment agreement with the Company or one of its subsidiaries as a material inducement to your entering into or renewing employment with such entity pursuant to such agreement, and is also governed by any applicable terms and conditions set forth in such agreement.
 - *Schedule for Vesting:* Except as otherwise set forth in these Award Terms, the Restricted Share Units shall vest in accordance with the vesting schedule set forth in Section 2 ("Compensation") of your employment agreement with an entity in the Company Group, or Section 2 of your employment agreement, as revised by the amendment to your employment agreement, with the effective date of [_____] , the terms of which are herein incorporated by reference and shall apply to this Grant Notice and the Award Terms with the same force and effect as if expressly set forth herein or therein, as the case may be.
 - ***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

- ***By accepting the Award, you are deemed to be bound by the terms and conditions set forth in the 2014 Incentive Plan, this Notice of Restricted Share Unit Award and the Award Terms.***

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

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

ACTIVISION BLIZZARD, INC.

Brian Stolz
Chief Human Officer

Date: _____

ACCEPTED AND AGREED:

[Name of Grantee]

Date: _____

EXHIBIT A

ACTIVISION BLIZZARD, INC.

2014 INCENTIVE PLAN

PERFORMANCE-VESTING RESTRICTED SHARE UNIT AWARD TERMS

1. **Definitions.**

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

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

“Cause” (i) shall have the meaning given to such term in any employment agreement or offer letter between Grantee and any entity in the Company Group in effect at the time of the determination or (ii) if Grantee is not then party to any agreement or offer letter with any entity in the Company Group or any such agreement or offer letter does not contain a definition of “cause,” shall mean a good faith determination by the Company that Grantee (A) engaged in misconduct or gross negligence in the performance of his or her duties or willfully and continuously failed or refused to perform any duties reasonably requested in the course of his or her employment; (B) engaged in fraud, dishonesty, or any other conduct that causes, or has the potential to cause, harm to any entity in the Company Group, including its business reputation or financial condition; (C) violated any lawful directives or policies of the Company Group or any applicable laws, rules or regulations; (D) materially breached his or her employment agreement, proprietary information agreement or confidentiality agreement with any entity in the Company Group; (E) was convicted of, or pled guilty or no contest to, a felony or crime involving dishonesty or moral turpitude; or (F) breached his or her fiduciary duties to the Company Group.

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

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

“Company Group” means the Company and its subsidiaries.

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

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

“Employment Violation” means any material breach by Grantee of his or her employment agreement with any entity in the Company Group for so long as the terms of such employment agreement shall apply to Grantee (with any breach of the post-termination obligations contained therein deemed to be material for purposes of this definition).

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

“Exercise Rules and Regulations” means (i) the Securities Act or any comparable federal securities law and all applicable state securities laws, (ii) the requirements of any securities exchange, securities association, market system or quotation system on which Common Shares are then traded or quoted, (iii) any restrictions on transfer imposed by the Company’s certificate of incorporation or bylaws, and (iv) any policy or procedure the Company has adopted with respect to the trading of its securities, in each case as in effect on the date of the intended transaction.

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

“Grant Notice” means the Notice of Performance-Vesting 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 Activision Blizzard, Inc. 2014 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 Vested Shares during such Look-back Period and sold any such Vested Shares, an amount equal to the sum of the sales price for all such Vested Shares; plus

(ii) if Grantee has received Vested Shares during such Look-back Period and not sold all such Vested Shares, an amount equal to the product of (A) the greatest of the following: (1) the Market Value per Share of Common Shares on the date such Vested Shares were issued or transferred to Grantee, (2) the arithmetic average of the per share closing sales prices of Common Shares as reported on NASDAQ for the 30 trading day period ending on the trading day immediately preceding the date of the Company’s written notice of its exercise of its rights under Section 13 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.

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

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

“Securities Act” means the Securities Act of 1933, as amended.

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

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

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

2. **Vesting.** Except as otherwise set forth in these Award Terms, the Restricted Share Units shall vest in accordance with the “Schedule for Vesting” set forth on the Grant Notice. Each Restricted Share Unit, upon vesting thereof, shall entitle the holder thereof to receive one Common Share (subject to adjustment pursuant to Section 10 hereof).

3. **Termination of Employment.**

(a) **Cause.** In the event that Grantee’s employment is terminated by any entity in the Company Group for Cause, as of the date of such termination of employment all Restricted Share Units shall cease to vest and any outstanding Restricted Share Units and Vested Shares that have yet to settle pursuant to Section 8 hereof shall immediately be forfeited to the Company without payment of consideration by the Company.

(b) **Other.** Unless the Committee determines otherwise, in the event that Grantee’s employment is terminated for any reason other than for Cause, as of the date of such termination of employment all Restricted Share Units shall cease to vest and, with the exception of any Vested Shares that have yet to settle pursuant to Section 8 hereof, shall immediately be forfeited to the Company without payment of consideration by the Company.

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4. **Tax Withholding.**

(a) Regardless of any action the Company or the Employer takes with respect to any Withholding Taxes related to Grantee’s participation in the Plan and legally applicable to Grantee, Grantee acknowledges that the ultimate liability for all

Withholding Taxes is and remains Grantee's responsibility and may exceed the amount actually withheld by the Company or the Employer. Grantee further acknowledges that the Company and/or the Employer (A) make no representations or undertakings regarding the treatment of any Withholding Taxes in connection with any aspect of the Restricted Share Units, including, without limitation, the grant, vesting or payment of the Award, the subsequent sale of Vested Shares acquired, and the receipt of any dividends; and (B) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Restricted Share Units to reduce or eliminate Grantee's liability for Withholding Taxes or achieve any particular tax result. Further, if Grantee is subject to tax in more than one jurisdiction, Grantee acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Withholding Taxes in more than one jurisdiction. The Company shall have no obligation to deliver any Vested Shares unless and until all Withholding Taxes contemplated by this Section 4 have been satisfied.

(b) The Company shall determine the method or methods Grantee may use to satisfy any Withholding Taxes resulting from the vesting of any Restricted Share Units, the issuance or transfer of any Vested Shares or otherwise in connection with the Award at the time such Withholding Taxes become due, which may include any of the following: (i) by delivery to the Company of a bank check or certified check or wire transfer of immediately available funds; (ii) through the delivery of irrevocable written instructions, in a form acceptable to the Company, that the Company withhold Vested Shares otherwise then deliverable having a value equal to the aggregate amount of the Withholding Taxes (valued in the same manner used in computing the amount of such Withholding Taxes); (iii) arranging for the sale, on Grantee's behalf, of Vested Shares otherwise then deliverable to Grantee (valued in the same manner used in computing the amount of such Withholding Taxes); or (iv) by any combination of (i), (ii) or (iii) above. Further, any entity in the Company Group shall have the right to require Grantee to satisfy any Withholding Taxes contemplated by this Section 4 by any of the aforementioned methods or by withholding from Grantee's wages or other cash compensation.

(c) The Company Group may withhold or account for Withholding Taxes contemplated by this Section 4 by reference to applicable withholding rates, including minimum or maximum applicable statutory rates, and if the Company Group withholds more than the amount necessary to satisfy the liability, Grantee will receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent Shares. If the obligation for Withholding Taxes is satisfied by withholding in Shares, for tax purposes, Grantee will be deemed to have been issued the full number of Vested Shares underlying the Restricted Share Units, notwithstanding that a number of the Shares is held back solely for the purpose of paying the Withholding Taxes. No fractional Shares will be withheld or issued pursuant to the settlement of the Restricted Share Units and the Withholding Taxes thereunder.

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

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

7. Dividend Equivalents. The holder of the Restricted Share Units shall not be entitled to receive any payment, payment-in-kind or any equivalent with regard to any cash or other dividends that are declared and paid on Common Shares.

8. Receipt and Delivery. As soon as administratively practicable (and, in any event, within 30 days) after any Restricted Share Units vest, the Company shall (a) effect the issuance or transfer of the resulting Vested Shares, (b) cause the issuance or transfer of such Vested Shares to be evidenced on the books and records of the Company, and (c) cause such Vested Shares to be delivered to a Company-Sponsored Equity Account in the name of the person entitled to such Vested Shares (or, with the Company's consent, such other brokerage account as may be requested by such person); provided, however, that, in the event such Vested Shares are subject to a legend as set forth in Section 16 hereof, the Company shall instead cause a certificate evidencing such Vested Shares and bearing such legend to be delivered to the person entitled thereto.

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

Company's other affiliates, (ii) in response to changes in applicable laws, regulations or accounting principles and interpretations thereof, or (iii) to prevent the Award from becoming subject to any adverse consequences under Section 409A.

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

11. Registration and Listing. Notwithstanding anything to the contrary contained herein, the Company shall not be obligated to issue or transfer any Restricted Share Units or Vested Shares, and no Restricted Share Units or Vested Shares may be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered in any way, unless such transaction is in compliance with all Exercise Rules and Regulations. The Company is under no obligation to register, qualify or list, or maintain the registration, qualification or listing of, Restricted Share Units or Vested Shares with the SEC, any state securities commission or any securities exchange, securities association, market system or quotation system to effect such compliance. Grantee shall make such representations and furnish such information as may be appropriate to permit the Company, in light of the then existence or non-existence of an effective registration statement under the Securities Act relating to Restricted Share Units or Vested Shares, to issue or transfer Restricted Share Units or Vested Shares in compliance with the provisions of that or any comparable federal securities law and all applicable state securities laws. The Company shall have the right, but not the obligation, to register the issuance or transfer of Restricted Share Units or Vested Shares or resale of Restricted Share Units or Vested Shares under the Securities Act or any comparable federal securities law or applicable state securities law.

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12. Transferability. Subject to the terms of the Plan and only with the Company's consent, Grantee may transfer Restricted Share Units for estate planning purposes or pursuant to a domestic relations order; provided, however, that any transferee shall be bound by all of the terms and conditions of the Plan, the Grant Notice and these Award Terms and shall execute an agreement in form and substance satisfactory to the Company in connection with such transfer; and provided, further that Grantee will remain bound by the terms and conditions of the Plan, the Grant Notice and these Award Terms. Except as otherwise permitted under the Plan or this Section 12, the Restricted Share Units shall not be transferable by Grantee other than by will or the laws of descent and distribution.

13. Employment Violation. The terms of this Section 13 shall apply to the Restricted Share Units if Grantee is or becomes subject to an employment agreement with any entity in the Company Group. In the event of an Employment Violation, the Company shall have the right to require (a) the forfeiture by Grantee to the Company of any outstanding Restricted Share Units or Vested Shares which have yet to settle pursuant to Section 8 hereof and (b) payment by Grantee to the Company of the Recapture Amount with respect to such Employment Violation; provided, however, that, in lieu of payment by Grantee to the Company of the Recapture Amount, Grantee, in his or her discretion, may tender to the Company the Vested Shares acquired during the Look-back Period with respect to such Employment Violation (without any consideration from the Company in exchange therefor). Any such forfeiture of Restricted Share Units and payment of the Recapture Amount, as the case may be, shall be in addition to, and not in lieu of, any other right or remedy available to the Company arising out of or in connection with such Employment Violation, including, without limitation, the right to terminate Grantee's employment if not already terminated and to seek injunctive relief and additional monetary damages.

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

(a) Grantee is responsible for complying with (i) any federal, state and local taxation laws applicable to Grantee in connection with the Award and (ii) all Exercise Rules and Regulations.

(b) The Award is subject to the terms and conditions of any policy requiring or permitting the Company to recover any gains realized by Grantee in connection with the Award, including, without limitation, the Policy on Recoupment of Performance-Based Compensation Related to Certain Financial Restatements.

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[The Award is subject to the terms and conditions of the Executive Stock Ownership Guidelines and the limitations contained therein on the ability of Grantee to transfer any Vested Shares.]¹

15. Section 409A.

(a) Payments contemplated with respect to the Award are intended to comply with Section 409A, and all provisions of the Plan, the Grant Notice and these Award Terms shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A. Notwithstanding the foregoing, (i) nothing in the Plan, the Grant Notice and these Award Terms shall guarantee that the Award is not subject to taxes or penalties under Section 409A and (ii) if any provision of the Plan, the Grant Notice or these Award Terms would, in the reasonable, good faith judgment of the Company, result or likely result in the imposition on Grantee or any other person of taxes, interest or penalties under Section 409A, the Committee may, in its sole discretion, modify the terms of the Plan, the Grant Notice or these Award Terms, without the consent of Grantee, in the manner that the Committee may reasonably and in good faith determine to be necessary or advisable to avoid the imposition of such taxes, interest or penalties; provided, however, that this Section 15 does not create an obligation on the part of the Committee or the Company to make any such modification, and in no event shall the Company be liable for the payment of or gross up in connection with any taxes, interest or penalties owed by Grantee pursuant to Section 409A.

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

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

¹ Include in agreements memorializing awards to executive officers to which the Executive Stock Ownership Guidelines apply.

16. 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."

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 any entity in the Company Group or derogate from any right of any entity in the Company Group to retire, request the resignation of, or discharge Grantee at any time, with or without Cause.

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

19. 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.

20. Venue and Governing Law.

(a) For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by the grant of the Restricted Share Units or these Award Terms, the parties submit and consent to the exclusive jurisdiction of the State of California and agree that such litigation shall be conducted only in the courts of Los Angeles County, California or the federal courts of the United States for the Central District of California, and no other courts, regardless of where the grant of the Restricted Share Units is made and/or to be performed.

(b) To the extent that federal law does not otherwise control, the validity, interpretation, performance and enforcement of the Grant Notice and these Award Terms shall be governed by the laws of the State of Delaware, without giving

21. **Successors and Assigns.** The provisions of the Grant Notice and these Award Terms shall be binding upon and inure to the benefit of the Company, its successors and assigns, and Grantee and, to the extent applicable, Grantee's permitted assigns under Section 12 hereof and Grantee's estate or beneficiaries as determined by will or the laws of descent and distribution.

22. **Notices.**

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

(b) Any notice or other document which the Company may be required or permitted to deliver to Grantee pursuant to or in connection with the Grant Notice or these Award Terms shall be in writing, and may be delivered personally or by mail, postage prepaid, or overnight courier, addressed to Grantee at the address shown on any employment agreement or offer letter between Grantee and any entity in the Company Group in effect at the time, or such other address as Grantee by notice to the Company may designate in writing from time to time. The Company may also, in its sole discretion, deliver any such document to Grantee electronically via an e-mail to Grantee at his or her Company-provided email address or through a notice delivered to such e-mail address that such document is available on a website established and maintained on behalf of the Company or a third party designated by the Company, including, without limitation, the Equity Account Administrator. Notices shall be effective upon delivery.

23. **Conflict with Employment Agreement or Plan.** In the event of any conflict between the terms of any employment agreement or offer letter between Grantee and any entity in the Company Group in effect at the time and the terms of the Grant Notice or these Award Terms, the terms of the Grant Notice or these Award Terms, as the case may be, shall control. In the event of any conflict between the terms of any employment agreement or offer letter between Grantee and any entity in the Company Group in effect at the time, the Grant Notice or these Award Terms and the terms of the Plan, the terms of the Plan shall control.

24. **Imposition of Other Requirements.** The Company reserves the right to impose other requirements on Grantee's participation in the Plan, on the Restricted Share Units and on any Common Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to facilitate the administration of the Plan, and to require Grantee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

25. **Waiver.** Grantee acknowledges that a waiver by the Company of a breach of any provision of these Award Terms shall not operate or be construed as a waiver of any other provision of these Award Terms, or of any subsequent breach by Grantee or any other grantee of an equity award from the Company.

Service Agreement

Date: November 2, 2015

Parties:

(1) Activision Blizzard, Inc.

&

(2) Riccardo Zaconni

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SCHEDULE 1

SCHEDULE 2

SCHEDULE 3

THIS AGREEMENT is made the 2 day of November 2015

BETWEEN

- (1) **Activision Blizzard, Inc.**, with its head address at 3100 Ocean Park Blvd., Santa Monica, CA 90405, USA (“Activision Blizzard”);
- (2) **Riccardo Zacconi** of c/o Midasplayer.com Limited, 1 St. Giles High Street, London WC2H 8AG (the “Executive”).

THE PARTIES AGREE as follows:

1. Definitions

1.1 Definitions

In this Agreement unless the context otherwise requires the following expressions have the following meanings:

Words and expressions	Meaning
“Act”	The Employment Rights Act 1996 as amended;
“Activision Blizzard”	Activision Blizzard, a Delaware corporation and the ultimate parent company of King Digital Entertainment Public Limited Company (“King”);
“Businesses”	any trade or commercial activity which is carried on by the Company or any Group Company;
“Change of Control”	means the Group Companies ceasing to Control the Company;

“Change of Control”

means a period that commences on the date that falls three months prior to the execution and exchange of contracts in relation to any transaction that gives rise to a Change of Control and terminates on the date that falls 18 months immediately after the completion of the transaction that gives rise to the Change of Control;

“Change of Control Termination”

means the termination of the employment of the Executive during a Change of Control Period where:

(a) Activision Blizzard serves notice to terminate the employment of the Executive, save where the employment of the Executive is terminated summarily in accordance with Clause 14.2; or

(b) the Executive terminates his employment with or without notice (pursuant to Clause 2.1) for Good Reason (other than in circumstances where Activision Blizzard has reasonable grounds for summary termination under clause 14.2) provided that the Executive must, before he terminates his employment for Good Reason, and if (on a reasonable view) the circumstances that constitute Good Reason are remediable, have first given Activision Blizzard a written notice stating clearly the event or circumstance that constitutes Good Reason in his belief, acting in good faith, and given Activision Blizzard a period of not less than 15 working days to cure the event or circumstance allegedly constituting Good Reason and no Good Reason shall exist if on a reasonable view the event or circumstance is cured by Activision Blizzard;

“Company”

King and/or the King division of Activision Blizzard;

“Competing Unquoted Interest”

means shares or stock or other equity in any company or other entity not quoted or dealt in on a Recognised Investment Exchange which is (i) involved in the development, production, marketing, publishing, distribution or sale of online, mobile or console games or otherwise in competition with or preparing to compete with the Company or any Group Company or (ii) a Group supplier, vendor, or partner;

“Control”

means in relation to the Company, the power of a person, whether directly or indirectly, to secure that the affairs of the Company are conducted in accordance with the wishes of that person:

(a) by means of the holding of shares, or the possession of voting power, in or in relation to the Company; or

(b) as a result of any powers conferred by the articles of association or any other document regulating the Company.

“Good Reason”

means any of the following:

(i) a change in location of the Executive’s primary place of work from the Company’s existing office location to a location outside of the current London Transport Zone One (“**London Zone**”), which change lasts longer than four consecutive weeks in any twelve-month period;

(ii) either (x) the Executive’s total compensation is unilaterally and materially reduced by Activision Blizzard, including a reduction arising from a change in the Profit Sharing Plan, below the TC Baseline or (y) the King Awards are not provided to the Executive as envisaged by Clause 4 of the Transaction Agreement. Notably, should the total compensation increase after

the Completion Date, Activision Blizzard may thereafter reduce the total compensation provided such reduction does not result in total compensation below the level of the TC Baseline;

(iii) Activision Blizzard is in material breach of this Agreement and has not cured pursuant to Clause 14.5 below

(iv) the following (measured according to the Executive's scale and scope of responsibility and level as set out at Clause 3 below and not the Executive's scale and scope of responsibility prior to the Completion Date, (hereinafter, the "**Baseline**"), are materially reduced: (x) the scope of the Executive's role or authority; or (y) the level or status attached to the Executive's role. Notably, should either (x) or (y) increase after the Completion Date, Activision Blizzard may thereafter reduce either (or both) — provided there is no material reduction from the Baseline; or

(v) upon a Change of Control, the Executive is not provided by the acquiring entity options, compensation or equity of at least the same value (taking into account the terms of such options, compensation or equity), as the value of any options, compensation or equity, including any King Awards (taking into account the terms of such options, compensation or equity) held by the Executive which are no longer capable of vesting or being exercised after such sale;

"Group"

The Company and the Group Companies;

"Group Company"

Activision Blizzard and any company which is for the time being a subsidiary or holding company of Activision Blizzard and any subsidiary of any such holding company;

"Investment"

means, if permissible pursuant to Activision Blizzard's Code of Conduct and conflict of interest principles and process (as set out at Clause 3.1.3 below), the making or holding (whether directly, indirectly or jointly, including through any member of his family, household or otherwise), for passive investment purposes only: (1) up to five percent of the shares or stock of any class of any public company quoted or dealt in on a Recognised Investment Exchange, units, interests or shares in any unit trust, open ended investment companies, funds or other collective or shared investment scheme, provided that any such interest is not in (x) a supplier, vendor or business partner to any Group Company, or (y) a Competitor (as defined in Clause 16.6), and/or (2) up to one hundred percent of the shares or stock or other equity in any company or other entity not quoted or dealt in on a Recognised Investment Exchange, in each case which is not a Competing Unquoted Interest provided that the Executive does not provide active management of the entity while employed pursuant to this Agreement (which for the avoidance of doubt does not include the arrangements currently in place for the managing of the Executive's investments which have been disclosed to Activision Blizzard);

"King Awards"

means all and any equity incentive awards, which are outstanding immediately prior to the Effective Date, which may include: King Options; King Linked Options; EMI Options; King RSUs; King Restricted Shares; King Performance Options; King Linked Shares; King Under-Water Options; King CEO and COO Linked Options and/or any money held in escrow representing the proceeds of the sale of any King shares released for sale in connection with the above equity incentive awards pursuant to the Transaction Agreement and any awards by Activision Blizzard resulting from the assumption and/or conversion of any of the above pursuant to the Transaction Agreement;

“Material Interest”	means the following:
	(a) the holding of any position (whether employed or engaged) or provision of services as director, officer, employee, consultant, adviser, partner, principal or agent or volunteer;
	(b) the direct or indirect control or ownership (whether jointly or alone) of any shares (or any voting rights attached to them) save for any Investment; or
	(c) the direct or indirect provision of any financial assistance;
“Recognised Investment Exchange”	means a recognised investment exchange as defined by Section 285 of the Financial Services and Markets Act 2000;
“Staff Handbook”	the handbook setting out the Group’s policies and procedures for the Executive’s guidance, as updated and/or amended from time to time;
“TC Baseline”	means the sum of the Base Salary plus an amount equal to the Guaranteed Minimum (as defined herein) calculated based on the funding formula of the percentage of funding set forth in the King Profit Sharing Plan in effect as of the Effective Date;
“Termination Date”	the effective date of the Executive’s termination of employment;
“Transaction Agreement”	the Transaction Agreement between Activision Blizzard and King, dated as of ____ November 2015.

- 1.2 References to clauses and schedules are unless otherwise stated to clauses of and schedules to this Agreement.
- 1.3 The headings to the clauses are for convenience only and shall not affect the construction or interpretation of this Agreement.
- 1.4 Unless the context otherwise requires, references in this Agreement to the masculine gender shall, where appropriate, be deemed to include the feminine and vice versa.

- 1.5 Unless otherwise indicated, the word “includes,” “including” and other similar forms of “include” are not intended to be limiting and shall be deemed to be followed by the words “without limitation.”
- 1.6 Capitalized terms used, but not defined, herein shall have the meanings ascribed to them in the Transaction Agreement.

2. Commencement and Duration

- 2.1 The Executive’s employment under this Agreement shall commence on the “**Completion Date**” as such term is defined in the Transaction Agreement (the “**Effective Date**”) and shall run for an initial period of 3 years from the Effective Date (unless otherwise terminated earlier in accordance with Clauses 14.2- 14.6) (the “**Fixed Term**”). Thereafter the parties agree that this Agreement and the Executive’s employment shall continue indefinitely unless and until terminated pursuant to Clauses 14.2- 14.6 or by either party giving to the other party twelve months’ prior written notice (the “**Notice Period**”), such notice not to expire prior to the fourth anniversary of the Effective Date. Except as set forth in this Agreement, upon the date on which the Executive’s employment is terminated all obligations and rights under this Agreement shall immediately lapse save as otherwise provided under this Agreement.
- 2.2 For the purposes of the Act, the Executive’s period of continuous employment commenced on 14 July 2004.
- 2.3 Aside from the Executive’s immediately prior Service Agreement with Midasplayer.com Limited, the Executive represents and warrants that he is not bound by or subject to any court order, agreement, arrangement or undertaking which in any way restricts or prohibits him from entering into this Agreement or from performing his duties under it.
- 2.4 The Executive and Activision Blizzard agree that, with effect from the Effective Date, the terms of this Agreement shall supersede and replace the terms of the Service Agreement dated March 9, 2014 (and any subsequent

3. Role and Duties of the Executive

The Executive shall serve Activision Blizzard as Chief Executive Officer, of the Company. The Executive shall report directly to the Chief Operating Officer, Activision Blizzard (or such other executive of the Group as may be determined from time to time by it, provided that such other executive reports to the Chief Executive Officer of Activision Blizzard or is the Chief Executive Officer of Activision Blizzard (**"Replacement Executive"**)) and shall have such duties commensurate with the Executive's position and shall dedicate suitable time for such duties as may be reasonably assigned to the Executive from time to time by the Chief Operating Officer, Activision Blizzard, or such Replacement Executive, taking into account the Executive's time commitments.

- 3.1 Prior to commencing his employment with Activision Blizzard and as part of an initial "onboarding" process, Activision Blizzard shall provide to Executive the Group's relevant policies, including, for example, the Code of Conduct and Staff Handbook. The Executive shall certify that he has received, read and understood all such policies. Activision Blizzard shall provide additional or amended policies to the Executive as and when they become available and the Executive agrees to read and comply with all such policies. During his employment the Executive shall:

- 3.1.1 devote the whole of his time, attention and skill to the business and affairs of the Company and the Group both during normal business hours (which are *9.00 am* and *5.30 pm* Mondays to Fridays) and during such additional hours as are reasonably necessary for the proper performance of his duties or as Activision Blizzard may reasonably require from time to time including any requirement to undertake duties that are reasonably consistent with the Executive's position and capabilities within any business area of the Group;
- 3.1.2 at all times place the Group's interests above his own, not take any actions that would conflict with the Group's interests and perform all the Executive's duties for the Group with the highest duty of care;
- 3.1.3 without prejudice to Clause 12, not, directly or indirectly, render services of any kind to any other person or organization, whether on the Executive's own behalf or on behalf of others, without the prior written consent of Activision Blizzard pursuant to its then-current process(es) for the review of conflicts of interest, or otherwise engage in activities that would interfere with the Executive's faithful and diligent performance of his duties hereunder; provided, however, that (x) the Executive may serve on civic or charitable boards or engage in charitable activities without remuneration if doing so is not inconsistent with, or adverse to, the Executive's employment hereunder and (y) the Executive may make an Investment, provided that such proposed Investment is approved where required, pursuant to Activision Blizzard's then-current process(es) for the review of conflicts of interest (such approval only to be denied in the case of a genuine conflict of interest and not to be unreasonably withheld), except that the Investments that the Executive currently holds as of the date of this Agreement and are listed in the attached Schedule 3 are expressly approved by Activision Blizzard. Activision Blizzard shall provide its approval or rejection of each Investment request within two weeks after submission of appropriate materials. The Executive shall immediately on becoming aware inform Activision Blizzard if an Investment or other interest or concern for which consent has previously been granted under this clause becomes a Competing Unquoted Interest or otherwise interferes with, conflicts or competes with the proper performance of the Executive's obligations to Activision Blizzard or any Group Company and the Executive shall promptly comply with any instructions provided by Activision Blizzard (pursuant to its then-current conflict of interest procedures) as are reasonably necessary in the circumstances to reduce or eliminate any risk or conflict of interest to the Company or Group, including the divestment of any such Competing Unquoted Interest;
- 3.1.4 without prejudice to Clause 12, owe a duty of loyalty to the Group, which includes the Executive not competing in any manner, whether directly or indirectly, as a principal, employee, agent, owner, or otherwise, with any entity in the Group; provided, however, that nothing in this Clause 3.1.4 shall limit the Executive's right to make an Investment (**"Duty of Loyalty"**).

- 3.1.5 faithfully and diligently perform such duties and exercise such powers consistent with his status as CEO of the Company and as may from time to time be assigned to or vested in him by Activision Blizzard with regard to the Group;

- 3.1.6 use all reasonable endeavours to promote and protect the interests of the Group and not do or knowingly permit to be done anything which is harmful to those interests;
 - 3.1.7 obey the reasonable and lawful directions of the Group;
 - 3.1.8 comply with all applicable Group's rules, regulations, policies and procedures from time to time in force, including, , the Staff Handbook and the Code of Conduct; provided those have been brought to his attention;
 - 3.1.9 subject to the governance practices of Activision Blizzard in effect from time to time, the Executive shall have autonomy to make decisions on behalf of the Company in his capacity as CEO of the Company, while keeping Activision Blizzard (and, as applicable, the Group) at all times promptly and fully informed (in writing if so requested) of his conduct of the business of the Company and any Group Company and provide such explanations in connection with it as the Group may require. By way of example, but not limitation, such examples of Activision Blizzard's governance practices currently in effect include the following processes: 3-year planning process, annual operating planning process, signing authority, decision-making authority, franchise planning process and greenlight process;
 - 3.1.10 comply with every rule of law and every regulation of the Group for the time being in force, including in relation to dealings in shares or other securities of the Company or any Group Company.
- 3.2 The Executive agrees that the average maximum weekly working time of 48 hours in Regulation 4 of The Working Time Regulations 1998 does not apply to him. The Executive may terminate the opt out at any time by giving Activision Blizzard three months' notice of his wish to do so.
- 3.3 The Executive shall, subject to his prior written consent, which shall not be unreasonably withheld, delayed or conditioned, and without any further remuneration, other than as specified in this Agreement or unless the parties otherwise agree in writing:
- 3.3.1 carry out duties on behalf of any other Group Company; and
 - 3.3.2 act as a director or officer of any other Group Company;
- provided that the above-referenced duties or acts are commensurate with the Executive's duties as the head of a division/business unit within Activision Blizzard and the time available to the Executive in which to fulfil his duties.

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4. Place of Work

- 4.1 The Executive's normal place of work shall be the Company's offices at 1 St. Giles High Street, London WC2H 8AG (and from January 2016, the Ampersand Building, 178 Wardour Street, London W1F 8FY) but Activision Blizzard may require the Executive to work at any place within the London Zone for such periods as the Group may from time to time require, but not outside of the London Zone for periods exceeding four consecutive weeks in any twelve months, without the Executive's prior consent.
- 4.2 If Activision Blizzard changes the Executive's principal place of work, and this requires the Executive to move house, Activision Blizzard shall reimburse the Executive all his relocation expenses in accordance with the terms of Activision Blizzard's relocation policy in place at that time from time to time.

5. Remuneration

- 5.1 Activision Blizzard shall pay to the Executive a salary of £400,000 per annum ("Reference Salary" or "Base Salary"), payable in equal monthly instalments, on or before the 15th day of each calendar month by credit transfer to his bank account.
- 5.2 The rate of salary shall be reviewed annually on an upward basis by Activision Blizzard, and it is anticipated that the first such review to take place in March of the year following the Effective Date of this Agreement. Such review shall occur at the same time as other similarly-situated executives of Activision Blizzard. There is no obligation to award an increase.
- 5.3 The Executive shall be eligible to receive additional performance-based cash compensation on an annual basis based on a share of the earnings generated by King's business. The Executive's profit sharing compensation (a "Profit Share Bonus") shall be based on a share of the "Profit Sharing Pool" that is created pursuant to the King Profit Sharing Plan as in effect from time to time (the "Profit Sharing Plan") and in accordance with the Profit Sharing

Plan. The Executive's Profit Share Bonus shall entitle the Executive to six percent (6%) of the Profit Sharing Pool (if any) that is generated under the Profit Sharing Plan; provided, however, that the Compensation Committee of the Board of Directors of Activision Blizzard (the "**Compensation Committee**"), retains the right, in its sole discretion and at any time, to exercise negative discretion with respect to the Executive's Profit Share Bonus to reduce the amount of the Executive's actual annual percentage interest in the Profit Sharing Pool to not less than three and one-half percent (3.5% or the "**Guaranteed Minimum**"). The Executive understands that, except for the Executive's guaranteed minimum 3.5% participation in the Profit Sharing Pool under the Profit Sharing Plan, the Executive's actual bonus amount under the Profit Sharing Plan is dependent upon the amount of such Profit Sharing Pool being established thereunder, if any, as well as the terms and conditions of the then current Profit Sharing Plan and the actual personal performance of the Executive, including the Executive's

achievement (or lack thereof) of specific metrics, goals and objectives which have been timely communicated to the Executive. If no amounts are generated under the Profit Sharing Pool with respect to any performance year (e.g., due to lack of earnings for the King business as determined under the Profit Sharing Plan), then the Executive shall not be entitled to receive any Profit Share Bonus for such year. Further, although Activision Blizzard retains the discretion pursuant to the terms of the Profit Sharing Plan to amend (or even terminate) the Profit Sharing Plan at any time, Activision Blizzard agrees that for purposes of calculating the Executive's Profit Sharing Bonus for a particular Plan Year, Activision Blizzard shall apply the version of the Profit Sharing Plan in effect at the beginning of such Plan Year. Thus, any changes that are made shall only apply to payments to the Executive with respect to a subsequent Plan Year. Notwithstanding the timing of payments under the Profit Sharing Plan for other participants thereunder, the Executive's Profit Share Bonus (if any) shall be paid to the Executive within 90 calendar days following the end of the relevant Plan Year, consistent with the timing of payments to similarly-situated executives within the Group. In the event of any discrepancy between the Profit Sharing Plan and this Agreement, the terms of this Agreement shall prevail.

- 5.4 Except as provided for in Clause 14 below, in order to be eligible to receive a Profit Share Bonus (if any), the Executive must be employed on the relevant payment date. Where the Executive's employment terminates between the end of the Plan Year and the relevant payment date, he will be deemed to have been employed on the relevant payment date and will be eligible to receive a bonus in respect of that Plan Year. Subject to the application of Clause 5.3 to payments to the Executive, Activision Blizzard reserves the right to withdraw, modify, vary or amend the Profit Sharing Plan at any time.
- 5.5 Notwithstanding that the Effective Date will be part way through the 2016 Plan Year, the Executive shall be entitled to receive a full entitlement under the Profit Sharing Plan for 2016 in connection with his services provided to the Company, Activision Blizzard or any Group Company in 2016 without any pro-rating, provided such entitlement is the sole bonus opportunity made available to the Executive. For the avoidance of doubt, to the extent the Executive has not received any bonus payment which falls outside of the Profit Sharing Plan and to which he has been awarded by the King Compensation Committee in the normal course of business in respect of the bonus period July 1, 2015 through December 31, 2015, such bonus shall remain payable on the usual payment date, and the relevant provisions of the Executive's immediately prior service agreement with Midasplayer.com Limited shall remain in effect for this purpose only, until such payment is made.
- 5.6 The Executive authorises Activision Blizzard to deduct from the Executive's Reference Salary and any other sums due to the Executive under this Agreement, during the Executive's employment or upon its termination, any sums owing by him, including any outstanding loan(s), any overpayment of Reference Salary, expenses or other erroneous payment(s) that may have been made to the Executive, any other sums which the Executive may owe to Activision Blizzard or any Group Company at any time and any sums which Activision Blizzard or any Group Company is required by law to deduct (including, for example, income tax and national insurance contributions). Before making any such deduction, Activision Blizzard shall provide details of the proposed deduction to the Executive in writing and allow him a reasonable opportunity to challenge it.

- 5.7 The Executive may at any time transfer all or any part of the King Awards (or the benefit thereof) to a family or charitable trust or to a company controlled by the Executive or by any such family or charitable trust on condition that (a) the proposed recipient agrees to be bound by the terms of and to comply with all obligations of the Executive under such King Awards and the Group's policies and procedures related to the holding, transfer and sale of equity and (b) such proposed transfer does not cause any adverse tax consequences on Activision Blizzard or Group

Company as a result of such transfer in respect of a family trust. Any future equity agreements which replace the agreements governing the King Awards shall include a term to this effect.

- 5.8 The King Awards shall continue to be governed by the agreements evidencing such awards as in effect immediately prior to the Completion Date, subject to the Transaction Agreement and this Agreement, and provided that with respect to the share option granted to the Executive by King on 1 January 2014, as assumed by Activision Blizzard pursuant to the Transaction Agreement, with respect only to the Type B Option Shares described in Schedule 1, Part B, to the Individual Option and Subscription Agreement governing such option, from the Completion Date the provisions of Schedule I, Part B, to such agreement shall be replaced in their entirety by the provisions of Schedule 4 to this Agreement, and such agreement shall be deemed to have been amended accordingly.
- 5.9 In consideration for the remuneration provided for in this Clause 5, the Executive agrees to comply with Activision Blizzard's Executive Stock Ownership Guidelines (including, but not limited to, all of the limitations on equity awards described therein), which are attached as Schedule 2.

6 Expenses

- 6.1 Activision Blizzard shall reimburse the Executive promptly for all reasonable business expenses exclusively and properly incurred by the Executive in the proper performance of the Executive's duties, provided that the Executive complies with the provisions of the Group's expense and other applicable policies (as amended from time to time).

7 Holidays

- 7.1 In addition to the public/bank holidays in England & Wales, the Executive is entitled to 30 days' paid holiday in each calendar year, accruing at a rate of 2.5 days per completed month's employment. The Executive shall consult the COO of Activision Blizzard (or the Replacement Executive) on the timing of his holiday. Up to seven days' paid holiday may be carried forward from one calendar year to the next.
- 7.2 If, on the termination of his employment, the Executive has taken more than his accrued holiday entitlement, Activision Blizzard shall deduct the excess from any sums due to him. If no such sums are due, the Executive shall repay such excess to Activision Blizzard on termination. If the Executive has any unused holiday entitlement, Activision Blizzard may require the Executive to take such unused holiday during any notice period or make a payment to him in lieu of it on termination.

8 Absence from Work

- 8.1 Please refer to the Working Hours and Absences Policy (located in the Staff Handbook) for further information on absence reporting requirements.

9 Sick Pay

- 9.1 Please refer to the Staff Handbook for further information on sick pay. Notwithstanding the provisions of the Staff Handbook the Executive shall be entitled to receive his usual remuneration for a period of up to six months' sick leave in any period of 12 months and thereafter half his usual remuneration for an additional three months' sickness absence in any period of 12 months. Thereafter the Executive shall receive such remuneration as Activision Blizzard shall in its discretion determine for any period of sickness absence. The Executive shall remain entitled to his benefits during any period of sickness absence.
- 9.2 Any salary payable by Activision Blizzard to the Executive during sick leave shall be reduced by any sums which the Executive receives pursuant to any Group benefits or insurance and shall also be inclusive of statutory sick pay.

10 Pension

- 10.1 Activision Blizzard shall comply with the employer pension duties in accordance with Part 1, Pensions Act 2008, and shall provide pension benefits to the Executive which comply with any applicable requirements set forth in the Transaction Agreement.
- 10.2 The Executive shall be provided with details about pension benefits separately. Should the Executive wish to participate in the applicable pension plan, all of the Executive's contributions to it shall be made by way of deduction from the Executive's salary unless the Executive agree an alternative method of payment with Activision Blizzard in writing.
- 10.3 A contracting-out certificate pursuant to the Pension Schemes Act 1993 is not in force.

11 Insured Benefits

- 11.1 Any eligibility for any of the Group's benefits schemes ("Schemes"), including health insurance, income protection and/or life assurance plans) is subject to:
 - 11.1.1 the rules of each of the Schemes, from time to time; and
 - 11.1.2 the Executive having satisfied any applicable requirements of the Schemes' insurers.
- 11.2 Subject to Clause 11.1, Activision Blizzard shall continue to provide the same insured benefits to the Executive, his spouse and dependents as provided to them prior to the Effective Date. Notwithstanding the foregoing statement, if any of the Schemes' insurers refuses, for any reason, to allow the Executive to participate in the relevant Scheme, Activision Blizzard shall not be liable to provide the Executive with any replacement benefit of the same, or of a similar kind, but shall pay to the Executive a sum equal to the previous insurance premium payable. Activision Blizzard's obligations in respect of the Schemes are to apply for benefits in a timely and prompt fashion on behalf of the Executive to make good faith efforts to support the Executive in remaining eligible to participate in any income protection scheme, including for example, considering keeping the Executive employed on national minimum wage or otherwise so that the Executive is still classed as an employee for the purposes of such scheme, to pay the premiums required by the Schemes' insurers and to pay the Executive such sums (if any) as may be received from any such insurer in respect of any claim made by the Executive.

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the Schemes' insurers refuses, for any reason, to allow the Executive to participate in the relevant Scheme, Activision Blizzard shall not be liable to provide the Executive with any replacement benefit of the same, or of a similar kind, but shall pay to the Executive a sum equal to the previous insurance premium payable. Activision Blizzard's obligations in respect of the Schemes are to apply for benefits in a timely and prompt fashion on behalf of the Executive to make good faith efforts to support the Executive in remaining eligible to participate in any income protection scheme, including for example, considering keeping the Executive employed on national minimum wage or otherwise so that the Executive is still classed as an employee for the purposes of such scheme, to pay the premiums required by the Schemes' insurers and to pay the Executive such sums (if any) as may be received from any such insurer in respect of any claim made by the Executive.

- 11.3 Details of the Schemes are available from HR although Activision Blizzard reserves the right to change the provider of any of the Schemes provided the benefit entitlements enjoyed by the Executive and his dependents should be no less favourable to the Executive and his dependents than those benefits provided before the change in benefit provider.

12 Restrictions During his Employment

- 12.1 In addition to complying with Activision Blizzard's conflict of interest policies and Code of Conduct, during his employment the Executive shall not directly or indirectly:
 - 12.1.1 be employed, engaged, concerned or interested in (including the setting up of) any other business, activity, trade, or undertaking; or
 - 12.1.2 hold any Material Interest in any entity which:
 - 12.1.2.1 is or shall be wholly or partly in competition with any of the Businesses or any customers, suppliers, licensors, licensees, partners and/or suppliers of any Business;
 - 12.1.2.2 impairs or might reasonably be thought by Activision Blizzard to impair his ability to act at all times in the best interests of the Group; or
 - 12.1.2.3 requires or might reasonably be thought to require him to disclose or make use of any Confidential Information (as defined in Schedule 1) in order properly to discharge his duties to or to further his interest in that person;
 - 12.1.3 Activision Blizzard acknowledges that the Executive may make Investments as set out in Clause 3.1.3;
 - 12.1.4 at any time (whether during or outside normal working hours) take any preparatory steps to become engaged or interested in any capacity whatsoever in any business or venture which is in or is intended to enter into competition with any of the Businesses;

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12.1.5 at any time knowingly, after reasonable inquiry, make any untrue or misleading statement in relation to the Group.

13 IP and Confidential Information

The Executive is bound by the obligations relating to confidentiality, inventions and other intellectual property set out in Schedule 1 to this Agreement.

14 Termination

14.1 For the purposes of this Agreement, the following terms shall have the following meanings:

- 14.1.1 “**Basic Severance**” shall mean (1) payment of any Base Salary earned but unpaid at the Termination Date; (2) provision of benefits (e.g. insurance) to the Termination Date (3) any business expenses incurred but not reimbursed under Clause 6 at the Termination Date; and (4) payment in lieu of any holiday accrued under Clause 7 but unused at the Termination Date. Payments under (1), (3) and (4) above shall be made within 28 days of the Termination Date, except that any business expense reimbursement shall be paid in accordance with Activision Blizzard’s then-current policy.
- 14.1.2 “**Bonus Severance**” shall mean payment of the following, in accordance with the rules of the Profit Share Plan in force at the start of the relevant Plan Year and in accordance with the Guaranteed Minimum provided for in Clause 5.3:
- (i) an amount equal to the Profit Share Bonus that Activision Blizzard determines the Executive would have received in accordance with Clause 5.3 for any Plan Year that ended prior to the Termination Date and calculated on the basis that the Executive remained employed on the date such bonus would have otherwise been paid (in the event that the Executive’s Termination Date occurs before such bonus would have been paid). Such bonus shall be paid in a lump sum at the same time that such discretionary bonuses are generally paid to other similarly-situated executives for the Plan Year to which the underlying amount relates; and
 - (ii) an amount equal to the Profit Share Bonus that Activision Blizzard determines the Executive would have received in accordance with Clause 5.3 for the Plan Year in which the Executive’s Termination Date occurs had the Executive remained employed on the date such bonus would have been paid (in the event that the Executive’s Termination Date occurs before such bonus would have been paid), multiplied by a fraction, the numerator of which is the number corresponding to the calendar month in which the Termination Date occurs and the denominator of which is 12. Such bonus shall be paid in a lump sum at the same time that such discretionary bonuses are generally paid to other similarly-situated executives for the Plan Year to which the underlying amount relates.

14.1.3 “**Salary Continuation**” shall mean payment to the Executive or his heirs or estate (as applicable) of an amount equal to the Base Salary (at the rate in effect on the Termination Date) and such further amount as is equal to the cost to Activision Blizzard of any benefits (e.g. insurance) that the Executive was eligible for as of the Termination Date that the Executive would have received had the Executive remained employed through the date falling 12 months after the last day of the Fixed Term or, in the event that termination of the Executive’s employment occurs after the Fixed Term, then through the end of the Notice Period pursuant to Clause 2.1 (or the remainder thereof if the Executive has worked or was on garden leave through part of the Notice Period pursuant to Clause 2.1) or for a period of 12 months in the event the Executive terminates his employment without notice for Good Reason or due to the Executive’s death, or for a period of six months in the event the Executive’s employment is terminated pursuant to clause 14.3 (the “**Salary Continuation Period**”). Such amount shall be paid in equal monthly installments commencing no later than the second payroll date following the Termination Date in accordance with Activision Blizzard’s payroll practices as in effect from time to time, provided that this amount shall be reduced by any net payments which the Executive receives under any Group-sponsored long-term disability/income protection plan.

14.1.4 “**King Award Agreements Accelerated Vesting**” shall mean that the Executive is entitled to accelerated vesting on the Termination Date of all and any unvested, outstanding King Awards held by the Executive at the Termination Date calculated on the basis that all and any targets, performance criteria and objectives have been met but not exceeded. In respect of options within the definition of King Awards, the Executive shall be permitted, in accordance with the terms set forth in the Transaction Agreement, to exercise such options and to sell any shares resulting from such exercise. Notably, acceleration contingent upon “Good Reason” or “Good Leaver” provisions shall be governed by the definition of Good Reason in this Agreement (as opposed to any prior definition associated with the agreements pursuant to which King Awards were granted). In respect of options within the definition of King Awards, notwithstanding any provision of the agreements evidencing the options, in the event that during the period after the Termination Date in which

the Executive is entitled to exercise such options according to such agreements (the “**Exercise Period**”) the Executive is prohibited from or restricted in making dealings in relation to shares of the common stock of Activision Blizzard pursuant to any rules, regulations, or codes of practice applicable to the dealing in securities and inside information as applicable to Activision Blizzard or any Group Company from time to time, the period of such prohibition or restriction being a “**Restricted Period**”, the Exercise Period shall be tolled for the duration of the Restricted Period.

14.1.5 “**Equity Impact**” shall mean that upon termination of employment (under any circumstances except pursuant to Clauses 14.4-14.6), any outstanding and unvested King Awards which are not subject to King Award Agreements Accelerated Vesting shall cease to vest and be cancelled immediately. Any vested King Awards shall be treated in accordance with the terms of the award agreement(s). In respect of options within the definition of King Awards, notwithstanding any provision of the agreements evidencing the options, in the event that during the period after the Termination Date in which the Executive is entitled to exercise such options according to such agreements (the “**Exercise Period**”) the Executive is prohibited from or restricted in making dealings in relation to shares of the common stock of Activision Blizzard pursuant to any rules, regulations, or codes of practice applicable to the dealing in securities and inside information as applicable to Activision Blizzard or any Group Company from time to time, the period of such prohibition or restriction being a “**Restricted Period**”, the Exercise Period shall be tolled for the duration of the Restricted Period.

14.2 Notwithstanding any other provision of this Agreement or the Staff Handbook or Code of Conduct, Activision Blizzard may terminate the Executive’s employment for “**Cause**” immediately and without further payment or any payment (other than Basic Severance), if (as determined by Activision Blizzard) the Executive:

- 14.2.1 shall have committed any serious breach or repeated or continued any other breach of the Executive’s obligations under this Agreement;
- 14.2.2 is guilty of serious misconduct or is convicted of any criminal offence involving dishonesty or where a custodial penalty is imposed;
- 14.2.3 is guilty of any fraud or dishonesty or acts in any manner which in the reasonable opinion of Activision Blizzard brings or is likely to bring the Executive or the Company or any Group Company into serious disrepute or is materially adverse to the interests of the Company or any Group Company;
- 14.2.4 is, in the reasonable opinion of Activision Blizzard, seriously negligent or incompetent in the performance of his duties;
- 14.2.5 becomes or is declared insolvent or commits any act of bankruptcy or convenes a meeting of or makes or proposes to make any arrangement or composition with creditors;
- 14.2.6 in Activision Blizzard’s reasonable belief has failed to perform the Executive’s duties to a satisfactory standard, after having received a written warning from Activision Blizzard and been provided with sufficient time to improve such performance;
- 14.2.7 has been disqualified from being a director by reason of any order made under the English Company Directors Disqualification Act 1986 or any other enactment;
- 14.2.8 is guilty of a serious breach of any rules issued by the Group from time to time regarding its electronic communications systems; or

- 14.2.9 ceases to be entitled to work in the relevant jurisdiction in which he is expected to conduct his duties; or
- 14.2.10 is guilty of a serious breach of the rules, regulations or codes of practice (as amended from time to time) applicable to the dealing in securities and inside information as applicable to Activision Blizzard or any Group Company from time to time.

For the avoidance of doubt, any of the circumstances referred to at Clauses 14.2.1 to 14.2.10 is “**Cause**” for the purposes of this Agreement. In the case of any Cause that is curable, Activision Blizzard shall give the Executive at

least thirty (30) days written notice of its intent to terminate the Executive's employment for Cause; provided, that in no event shall any Cause pursuant to Clause 14.2.2 of the definition of Cause be deemed curable. The notice shall specify (x) the proposed effective date of the Executive's termination and (y) the particular acts or circumstances that constitute Cause for such termination. The Executive shall be given the opportunity within fifteen (15) days after receiving the notice to explain why Cause does not exist or to cure any basis for Cause (other than any Cause pursuant to Clause 14.2.2 of the definition thereof). Within fifteen (15) days after any such explanation or cure, Activision Blizzard shall make its final determination regarding whether Cause exists and deliver such determination to the Executive in writing. If the final decision is that Cause exists and no cure has occurred, the Executive's employment with Activision Blizzard shall be terminated for Cause with effect from the date specified in the original notice. If the final decision is that Cause does not exist or a cure has occurred, the Executive's employment with Activision Blizzard shall continue and the notice of intent to terminate shall be withdrawn. In the event of termination of the employment pursuant to this Clause 14.2, the King Award Agreements Accelerated Vesting shall not apply. Further, the Equity Impact outlined in Clause 14.1.5 shall apply.

Any delay by Activision Blizzard in exercising any right of termination shall not constitute a waiver of it. Further, if the Executive's employment terminates for any reason other than a termination by Activision Blizzard for Cause, at a time when Activision Blizzard had Cause to terminate the Executive (but was not or could not reasonably be aware of the facts establishing Cause at that time) under Clauses 14.2.1, 14.2.2, 14.2.3 or 14.2.8 of the definition of Cause, provided Activision Blizzard observes the notice and cure provisions (where applicable) set out in the preceding paragraph, the Executive's termination shall be treated as termination by Activision Blizzard for Cause.

- 14.3 If Activision Blizzard determines that the Executive is incapable by reason of mental disorder of executing his duties, then Activision Blizzard may terminate his employment by giving him not less than 6 months' written notice to that effect such period of notice to be paid in full and the payment provisions provided for in Clause 14.6 shall apply.
- 14.4 Activision Blizzard reserves the right in its absolute discretion to terminate this Agreement and the Executive's employment with immediate effect (otherwise than pursuant to Clause 14.2) at any time (and such termination shall not be deemed a breach by Activision Blizzard of any term of this Agreement or any other duty or obligation, expressed or implied, which Activision Blizzard may owe to the Executive pursuant to any principle or provision of law). If Activision Blizzard exercises this right by notifying the Executive in writing, then it shall make payments to the Executive, which shall consist of:

- 14.4.1 Basic Severance (to be paid at the time(s) specified in Clause 14.1.1);
- 14.4.2 Bonus Severance (to be paid at the time(s) specified in Clause 14.1.2);
- 14.4.3 Salary Continuation (to be paid at the time(s) specified in Clause 14.1.3 and subject to the remainder of this Agreement, including Clause 14.13); and
- 14.4.4 the King Award Agreements Accelerated Vesting shall apply.

further provided that payments and vestings pursuant to Clauses 14.4.2 through 14.4.4 are conditioned upon the Executive's or the Executive's legal representative's execution of Activision Blizzard's standard (and then current) waiver and release form which shall be prepared by Activision Blizzard and provided to the Executive within ten (10) days of Activision Blizzard's notice pursuant to this Clause 14.4. No other payments by Activision Blizzard to the Executive shall be due and owing.

- 14.5 At any time, the Executive may terminate his employment if the Executive has Good Reason to do so and the Executive must (i) provide Activision Blizzard with written notice of the Executive's intent to terminate the Executive's employment under this Clause 14.5 and a description of the event the Executive believes gives the Executive the right to do so within thirty (30) days after the initial existence of the event or, if later, the Executive becoming aware of the event and (ii) Activision Blizzard shall have thirty (30) days after the Executive provides the notice described above to cure any such default (the "**Cure Period**"). If no such cure occurs, the Executive shall have ten (10) working days following the end of the Cure Period to terminate his employment without notice, after which the Executive's ability to terminate the Executive's employment under this Clause 14.5 shall no longer exist. The only payments due to the Executive upon termination of employment pursuant to this Clause 14.5 shall be as follows:

- 14.5.1 Basic Severance (to be paid at the time(s) specified in Clause 14.1.1);
- 14.5.2 Bonus Severance (to be paid at the time(s) specified in Clause 14.1.2);

14.5.3 Salary Continuation (to be paid at the time(s) specified in Clause 14.1.3 and subject to the remainder of this Agreement, including Clause 14.13); and

14.5.4 The King Award Agreements Accelerated Vesting shall apply.

further provided that payments and vestings pursuant to Clauses 14.5.2 through 14.5.4 are conditioned upon the Executive's or the Executive's legal representative's execution of Activision Blizzard's standard (and then current) waiver and release form which shall be prepared by Activision Blizzard and provided to the Executive within ten (10) days of the Executive's notice (following the Cure Period) pursuant to this Clause 14.5. No other payments by Activision Blizzard to the Executive shall be due and owing. Further, for purposes of clarity, the remedies set forth in this provision shall be the sole remedies available to Executive in the event that Good Reason is triggered due to the acts set forth in Clause (iv) of the definition of Good Reason.

14.6 In the event of the Executive's death or termination pursuant to Clause 14.3 above, or in the case of a Change of Control Termination, Activision Blizzard shall pay the Executive or the Executive's legal representative:

14.6.1 Basic Severance (to be paid at the time(s) specified in Clause 14.1.1);

14.6.2 Bonus Severance (to be paid at the time(s) specified in Clause 14.1.2);

14.6.3 Salary Continuation (or in the case of death or long-term disability, in lieu of Salary Continuation, any payments to which the Executive may become entitled upon death or long-term disability under any Activision Blizzard -sponsored plan, provided these sums are no less than the sums received pursuant to such plans. If the Executive is not eligible for such payments for whatever reason, Salary Continuation will be provided for the relevant period (set out in clause 14.1.3) to be paid at the time(s) specified in Clause 14.1.3 and subject to the remainder of this Agreement, including Clause 14.13; and

14.6.4 the King Award Agreements Accelerated Vesting shall apply.

further provided that payments and vestings pursuant to Clauses 14.6.2 through 14.6.4 are conditioned upon the Executive's (or his personal representatives if applicable) or the Executive's legal representative's execution of Activision Blizzard's standard (and then current) waiver and release form which shall be prepared by Activision Blizzard and provided to the Executive's legal representative as soon as reasonably practical under the applicable circumstances (which in the case of a Change of Control Termination will be not more than ten (10) days). No other payments by Activision Blizzard to the Executive shall be due and owing.

14.7 In the event the Executive's employment terminates following notice given by either party in accordance with clause 2.1 and none of clauses 14.2 - 14.6 apply, at the end of the Notice Period Activision Blizzard shall pay the Executive or the Executive's legal representative:

14.7.1 Basic Severance (to be paid at the time(s) specified in Clause 14.1.1);

14.7.2 Bonus Severance (to be paid at the time(s) specified in Clause 14.1.2); and

14.7.3 the Equity Impact outlined in Clause 14.1.5 shall apply..

further provided that payments pursuant to Clause 14.7.2 are conditioned upon the Executive's (or his personal representatives if applicable) or the Executive's legal representative's execution of Activision Blizzard's standard (and then current) waiver and release form which shall be prepared by Activision Blizzard and provided to the Executive's legal representative as soon as reasonably practical under the applicable circumstances (which in the case of a Change of Control Termination will be not more than ten (10) days). No other payments by Activision Blizzard to the Executive shall be due and owing.

14.8 Upon the termination of employment of the Executive for any reason other than those set out in Clauses 14.2-14.7, no further payment(s) or any payment(s) (other than Basic Severance or payments in respect of the Notice Period if applicable) shall be due to the Executive, the Equity Impact outlined in Clause 14.1.5 shall apply, and Activision Blizzard shall have no further payment obligation or liability to the Executive.

- 14.9 Activision Blizzard reserves the right to suspend the Executive on full pay and other benefits as it may think fit, for a maximum of three months, during any investigation into alleged acts or defaults of the Executive. If such suspension leads to termination the noncompetition obligations in Clause 16 shall be reduced by the period of time for which the Executive was suspended pursuant to this clause.
- 14.10 The Executive shall not, without the prior approval of his manager as to the timing and manner of any communication about his departure, inform any of his colleagues about the proposed termination of his employment hereunder.
- 14.11 Clauses 1, 5, 13, 14, 16 and 20 through 30 and Schedule 1 shall survive and remain in full force and effect after termination.
- 14.12 On termination of the Agreement for any reason, the following shall apply:

- 14.12.1 the Executive shall not have (save as provided for in this Agreement) any claim for breach of contract by Activision Blizzard in respect of the loss of any rights or benefits under any share option, bonus, long-term incentive plan or other profit sharing scheme operated by the any Group Company in which he may participate which would otherwise have accrued during any period of notice;
- 14.12.2 The Executive's liability to Activision Blizzard and any Group Company under or in connection with the Agreement shall be limited to an aggregate sum equivalent to \$20 million (USD) for all and any liability arising out of any actual or alleged breach of contract or tort; provided, however, the forgoing limitation of liability shall not apply to:
- 14.12.2.1 personal injury caused by the Executive;
- 14.12.2.2 fraud by the Executive,
- 14.12.2.3 theft by the Executive,
- 14.12.2.4 breach of the Executive's obligations in respect of confidentiality as set out in Schedule 1 to this Agreement, other than inadvertent breaches;
- 14.12.2.5 breach of the Executive's obligations in respect to misappropriation or infringement of Intellectual Property as defined in Schedule to this Agreement;

- 14.12.2.6 the Executive's indemnity obligations set forth in Clause 23.2; and
- 14.12.2.7 breaches of fiduciary duty or statutory duty set out in sections 170-177 of the Companies Act 2006 (or the local equivalent in any country where the Executive becomes a director and owes a statutory duty to any Group Company) by the Executive; provided, however, Activision Blizzard acknowledges and agrees that the Executive's resignation or other termination of employment (even if a breach of contract) does not, by itself, constitute a breach of fiduciary or statutory duty, and such limitation of liability shall be without prejudice to, and shall not override nor detract from, the indemnity cover in clause 23.1 or any directors' and officers' insurance cover in place.
- 14.12.3 The Executive acknowledges the right of Activision Blizzard to monitor and control the performance of its employees and acknowledges the fiduciary and statutory obligations attaching to his position and owed to all entities within the Group Companies, including Activision Blizzard.
- 14.13 Notwithstanding anything to the contrary contained herein, if, at any time during the Salary Continuation Period, the Executive obtains subsequent employment and/or provides services of any kind for compensation, whether as an employee, consultant or advisor, to any person, company, venture or other person or business entity, the Executive must promptly notify Activision Blizzard of the net amount received as Base Compensation from such activity and a sum equivalent to such net amount shall be refunded by the Executive to Activision Blizzard (to the extent already paid) and shall be offset (to the extent payable in the future) against any amounts due under clauses 14.3 to 14.6. **"Base Compensation"** shall mean the net amount of the Executive's base salary or, if applicable, wages the Executive earns (or is paid or granted), excluding directors' fees, dividends and investment income, during or with respect to any subsequent employment or services arrangement. Activision Blizzard may request, and the Executive agrees to provide, reasonable documents and descriptions of his Base Compensation and total compensation. If Activision Blizzard reasonably and in good faith determines that the Executive's Base Compensation has been set at

an artificially low level in relationship to his total compensation based on similarly situated employees or market benchmarks, then Activision Blizzard reserves the right to obtain a greater refund from the Executive and/or decrease the amount of Salary Continuation consistent with such determination.

15 Garden Leave

- 15.1 At any time during the Executive's employment, including after notice to terminate the employment has been given by Activision Blizzard or the Executive, for a period of no more than six months, Activision Blizzard may, require the Executive:
- 15.1.1 to perform no or only specified duties (including research projects) consistent with his status;
 - 15.1.2 not to have any contact or deal (save on a purely social basis or for the purposes of seeking alternative employment) with any officer, employee, client, supplier or other business contact of the Group;
 - 15.1.3 to disclose to his manager and Activision Blizzard any attempted contact (other than purely social contact) with him made by any officer, client, employee or supplier with whom the Executive has been required to have no contact;
 - 15.1.4 to take any accrued holiday entitlement;
 - 15.1.5 not to enter any premises of the Group nor to visit the premises of any of the Group's suppliers or customers save any premises which are open to the public generally (e.g. retail premises) or for the purposes of seeking alternative employment;
 - 15.1.6 to resign as a director or from any other office held by him in the Group;
 - 15.1.7 to provide such reasonable assistance as the Group may require to effect an orderly handover of his responsibilities, and to make himself reasonably available to deal with requests for information, provide assistance, be reasonably available for meetings and to advise on matters relating to work, should the Group request this.
- 15.2 During any period in which Activision Blizzard exercises any rights under Clause 15.1, also referred to as "**garden leave**", the Executive shall continue to receive his full salary, benefits and shall remain entitled to his Profit Share Bonus and the King Awards. During Garden Leave, the Executive shall remain an employee and bound by all terms of this Agreement and his duty of good faith. For the avoidance of doubt, on termination of employment whilst on Garden Leave and at the expiry of the six month garden leave period Activision Blizzard shall make such payments as are required pursuant to Clauses 14.3-14.6 respectively above.
- 15.3 During any period of garden leave the Executive must not work for any other person or on his own account (save where consent has previously been given by Activision Blizzard) and must remain readily contactable and available to work for the Group. The Executive may however explore new business opportunities, make Investments and look for other paid work.

16 Obligations after Employment

- 16.1 In order to protect the Group's business interests, Intellectual Property (as defined in Schedule 1) business connections and Confidential Information (all of which the Executive shall have had access to as a result of his employment), the Executive shall not do the following for the duration of the Restricted Period:
- 16.1.1 be employed by or involved with a Competitor within the Restricted Territory;
 - 16.1.2 on behalf of a Competitor (i) solicit or attempt to solicit the customers of, (ii) deal with or attempt to deal with, or (iii) facilitate any actual or attempted solicitation of any Industry Partner such that that Industry Partner would be at risk of terminating its relationship with the Group provided that nothing in this Clause 16.1.2 shall be deemed to prohibit the seeking or doing of business which is not in competition with the Business;

- 16.1.3 (i) induce, or attempt to induce, any Industry Partner to (a) terminate their relationship with the Group, or (b) reduce the amount of business which they do with the Group, or (ii) otherwise interfere or attempt to interfere with the relationship of any Industry Partner with the Group;
- 16.1.4 (i) solicit or entice away, or (ii) endeavour to solicit or entice away, or (iii) assist any other person, whether by supplying names or expressing views on suitability or otherwise, to solicit or entice away, from the Group, any Employee, whether or not such a person would be in breach of contract by reason of his leaving service, provided only that this clause shall not apply to Employees who are made redundant or otherwise terminated by the Group;
- 16.1.5 (i) employ or engage, (ii) offer to employ or engage, or (iii) otherwise deal with or attempt to deal with any Employee (except in a purely personal capacity), whether or not such a person would be in breach of contract as a consequence, provided only that this clause shall not apply to Employees who are made redundant or otherwise terminated by the Group.
- 16.2 The restrictions in Clause 16.1 apply to the Executive (i) whether the Executive acts alone, jointly with another or on behalf of another, (ii) acting in any capacity, and/or (iii) even if the Executive does not receive direct benefit; however, none of the restrictions in this clause 16 prevent the Executive from making and holding or being otherwise interested in (1) up to five percent of the shares or stock of any class of any public company quoted or dealt in on a Recognised Investment Exchange, units, interests or shares in any unit trust, open ended investment companies, funds or other collective or shared investment scheme or, and/or (2) up to one hundred percent of the shares or stock or other equity in any company or other entity not quoted or dealt in on a Recognised Investment Exchange and provided that it is not a Competing Unquoted Interest.
- 16.3 The Executive acknowledges and accepts that the restrictions contained in this Clause 16 are reasonable and necessary for the protection of the legitimate commercial interests of the Group and may be enforced by the Group.

- 16.4 If any of the restrictions in this Clause 16 is unenforceable for any reason, but would be enforceable if part of the restriction were deleted, that restriction shall apply with such deletions as may be necessary to make it valid and enforceable. Also, each restriction is intended to be read and construed independently of the other restrictions so that if one or more are found to be void or unenforceable, the remaining restriction(s) would not be affected.
- 16.5 If the Executive receives an offer to be employed by, or otherwise involved with, a Competitor at any stage during their employment with Activision Blizzard (or any Group Company) or during the Restricted Period, the Executive shall give the person or the organisation making that offer a copy of this Clause 16 and if such offer being accepted shall inform their manager and HR of the identity of that the person/organisation making that offer and the main terms of that offer as soon as possible, provided that doing so shall not breach the Executive's obligations to any third party.
- 16.6 For the purposes of this Clause 16, the following definitions apply:

Business: the business of developing, marketing, promoting, distributing, publishing and/or selling electronic games, interactive entertainment products and interactive entertainment software (or, in each case, services) for computers, mobile devices, on-line use or play, consoles and/or handheld devices carried on by Activision Blizzard and/or any Group Company and with which the Executive was materially involved, or about which the Executive had substantial Confidential Information, in the last 12 months of his employment and/or any other business, or parts of the business, carried on by the Group with which the Executive was materially involved in or about which the Executive had substantial Confidential Information, in the last 12 months of their employment.

Competitor: any person, organisation or business which is, or intends to be, in competition with the Business.

Industry Partner: any person, organisation or business who was in the habit of dealing with the Group and with whom the Executive had material dealings, or about whom the Executive had Confidential Information, during the last 12 months of his employment.

Employee: anyone employed or engaged by the Group with whom the Executive had material dealings during the last 12 months of his employment who was (i) at Director level or higher, and/or (ii) working in sales or business development capacity at the level of Senior Manager (or equivalent) or higher.

Restricted Period: the period of 12 months from the Termination Date, less any period of time immediately prior to the Termination Date which the Executive spent on garden leave or was otherwise suspended.

In addition, "be involved with" shall include being engaged as a director, principal, member of a limited liability partnership, partner or consultant or being a shareholder.

17 Directorship

- 17.1 During his employment, the Executive shall be also be required to act as a statutory director of any Group Company.
- 17.2 The Executive shall, if so required: (i) comply with the articles of association of any Group Company from time to time, (ii) abide by all statutory, fiduciary or common-law duties, and (iii) not knowingly do anything which might cause him to be disqualified from acting as a director of such Group Companies.
- 17.3 The Executive's basic Reference Salary is deemed inclusive of all and any fees due to them as a director or officer of the Company and/or any Group Company.
- 17.4 Except with the prior written approval of the applicable board of directors, or as provided for in the articles of association of any company in the Group of which the Executive is a director/officer, or if he considers his position to be untenable, the Executive shall not resign from that position. If during their employment, the Executive ceases to be a director/officer of any Group Company (otherwise than by death, resignation or disqualification pursuant to the relevant company's articles of association — as amended from time to time), this Agreement (but excluding this Clause 17) shall continue in full force and effect with the Executive as an employee only. The Executive shall have no claims in respect of the cessation of any such office/directorship.
- 17.5 Upon termination of his employment, howsoever arising and for whatever reason, the Executive shall, upon request of Activision Blizzard, resign from office as a director of any Group Company.
- 17.6 The Executive shall be entitled to take independent legal advice in respect of his negotiations of this Agreement and Activision Blizzard shall pay a contribution of up to £20,000 plus VAT towards such advice.

18 Disciplinary and Grievance Procedures

If the Executive has any grievance in relation to his employment or is dissatisfied with any disciplinary decision taken against him he should seek redress in accordance with Activision Blizzard's grievance and/or disciplinary procedures (together, the "Grievance Procedures"), copies of which are set out in the Staff Handbook. Notwithstanding the foregoing, the Executive agrees that in addition to involvement by the manager pursuant to the Grievance Procedures, Activision Blizzard reserves the discretion to involve and obtain the input of any additional member of Activision Blizzard's senior management team, as it deems appropriate, and the Executive agrees that in addition to any obligation to contact or notify HR under the Grievance Procedures that he shall simultaneously provide such notice to his manager as well. The Staff Handbook, including these procedures, is not contractual.

19 Standards of Conduct and Performance

Rules and procedures governing standards of conduct and performance are necessary in order to promote fairness and consistency in the treatment of all employees. The Executive's attention is drawn to Activision Blizzard's and the applicable Group's disciplinary rules, performance standards and other rules and standards with which the Executive is expected to comply as set out in the Staff Handbook.

20 Data Protection and Communications

- 20.1 The Executive consents to the Group holding and processing both electronically and manually, personal data, including sensitive personal data (as defined in the Data Protection Act 1998) and information contained in e-mail and e-mail attachments) it collects, stores and/or processes, which relates to the Executive for the purposes of the administration and management of its business and as may be required by law. It may also be necessary for a Group Company to forward such personal information to other offices it may have or to another Group Company outside

the EEA where such company has offices or storage for the processing and/or for administrative purposes and the Executive consent to such Group Company doing so as may be necessary from time to time.

- 20.2 To ensure regulatory compliance and for the protection of its workers, clients/customers and business, the Group reserves the right to monitor, intercept, review and access the Executive's telephone log, internet usage, voicemail, e-mail and other communication facilities provided by the Group which the Executive may use during the Executive's employment with us. The Group shall use this right of access reasonably but it is important that the Executive are aware that all communications and activities on the Group's equipment or premises cannot be presumed to be private and remain the property of the Group. Please check the intranet for specific policies relating to the use of Group provided communications devices and technology.
- 20.3 For the purposes of general employment administration and the day to day conduct of its business, the Group may make such data or information available to third parties who provide products or services to it or any other Group Company, such as external advisers, external benefits providers, external information technology providers (including "cloud" based services), regulatory authorities, potential or future companies, governmental or quasi-governmental organisations.
- 20.4 The Executive also irrevocably grants the Group the right, but not the obligation, to use the Executive's name or nickname, official biography and any official photograph or other image of them, any recording (video and/or voice) of them, the Executive's mannerisms and/or the Executive's likeness in any products made by the Group, for any publicity, marketing or advertising purposes (in any medium now known or hereafter existing) or internally as part of the Executive's Activision Blizzard online profile, without the right to compensation or credit.

21 Notices

- 21.1 Any notice given under this Agreement shall be in writing signed by or on behalf of the party giving it and shall, unless delivered to a party personally, be hand delivered, or sent by prepaid first class post or facsimile or email, with a confirmatory copy sent by prepaid first class post to the Executive at his last known residential address or, in the case of Activision Blizzard, the Company Secretary at Activision Blizzard's registered office.
- 21.2 A notice shall be deemed to have been served:
- 21.2.1 at the time of delivery if delivered personally to a party or to the specified address;
 - 21.2.2 on the second working day after posting by first class prepaid post;
 - 21.2.3 two hours after transmission if served by facsimile on a business day prior to 3.00 pm or in any other case at 10.00 am on the business day after the date of despatch; or
 - 21.2.4 simultaneously with transmission if served by email and so long as confirmed pursuant to Clause 21.1 within 5 days.

22 Former Contracts of Employment

- 22.1 This Agreement is conditional on:
- (A) the completion of the Transaction Agreement; and
 - (B) the Executive being employed by King (or the King group) and not under notice (whether given by the Executive, King or the King group) on the Effective Date.
- Unless both of the above conditions are satisfied, this Agreement shall lapse and be of no effect.
- 22.2 With effect from the Effective Date, this Agreement shall be in substitution for any previous contracts, whether written, oral or implied, relating to the employment of the Executive (including all bonus and option arrangements), which shall be deemed to have terminated by mutual consent as at the Effective Date and the Executive agrees with, and acknowledges to Activision Blizzard and each other Group Company that he has and shall have (i) no outstanding claims of any kind against King, Activision Blizzard or any Group Company in respect of any such contract, except with respect to the Transaction Agreement with respect to the Executive's role as a director of King and (ii) no entitlement to any payment (or otherwise) under any such contract arising out of or in connection with its substitution by this Agreement and/or termination as referred to in this clause.

23 Indemnifications

- 23.1 Activision Blizzard agrees that it shall indemnify and hold the Executive harmless to the fullest extent permitted by English law (or other applicable law in the case where the Executive is serving as a director or officer of a non-UK entity within the Group) from and against any and all third party liabilities, costs and claims, and all expenses actually and reasonably incurred by the Executive in connection with any acts or omissions taken within the scope of the Executive's employment (so long as such acts or omissions were consistent with the Executive's obligations to the Group), including all costs and expenses actually and reasonably incurred by the Executive in defence of litigation and the cost of responding to internal and external enquiries, criminal investigations, and appearances before parliamentary committees and enquires, arising out of the Executive's employment or anticipated employment hereunder. Nothing outside the scope of this provision shall be covered by this indemnification, and, for clarity (and not by way of limitation), the indemnification provided herein shall not be applicable to any wilful breaches of the Executive's duties pursuant to the Agreement, including, Clauses 3, 12, 13, 16 and 22. The indemnification envisaged under this Agreement is in addition to Activision Blizzard's directors and officers liability insurance, and supersedes any prior agreement(s) concerning indemnification between the Executive and King (or any affiliated entity).
- 23.2 In circumstances where the Executive is or becomes subject to US tax in the US (otherwise than at Activision Blizzard's request), the Executive agrees to be exclusively responsible for the payment of any and all US income tax, excise tax, and/or employee social insurance or similar contributions ("**Accelerated Linked Options Liability**") due by the Executive or Activision Blizzard or any Group Company in respect of the CEO and COO Accelerated Linked Options, and in respect of the Consideration paid in respect of the Linked Option Exercise of any such Accelerated Linked Options, and in respect of the release of any such Consideration from escrow. Further, the Executive agrees to indemnify on demand and keep indemnified Activision Blizzard and each and every Group Company (on an after tax basis) against any and all liability for the payment of such Accelerated Linked Options Liability and against any and all liability for related tax penalties and interest (save to the extent caused directly by any delay act or omission on the part of Activision Blizzard or any Group Company in dealing with a relevant demand, assessment or determination from any relevant tax authority). Activision Blizzard shall promptly notify the Executive in writing of any and all demands, assessments and determinations it receives from the relevant tax authority relevant to this clause. If the Executive expresses a desire to challenge any such demand, assessment or determination, Activision Blizzard will allow the Executive a reasonable opportunity to do so, and give the Executive reasonable assistance in making any such challenge.

24 Assignment

This Agreement and the rights and obligations hereunder shall not be assignable or transferable by the Executive without the prior written consent of Activision Blizzard. Activision Blizzard may assign this Agreement or all or any part of its rights and obligations under this Agreement at any time and following such assignment all references to Activision Blizzard shall be deemed to refer to such assignee and Activision Blizzard shall thereafter have no obligation under this Agreement. Furthermore, Activision Blizzard may second the Executive to serve as an employee of another Group Company, subject to Clauses 3 & 4.

25 Entire Agreement

This Agreement (including the Schedules), together with the equity award agreements (and by incorporation any documents referenced therein), relevant provisions of the Staff Handbook and the Code of Conduct, constitute the entire agreement between the Executive and Activision Blizzard. In the event of any conflict between this Agreement and the Staff Handbook and the Code of Conduct, the provisions of this Agreement shall prevail.

26 General

- 26.1 The Executive acknowledges that the provisions of this Agreement constitute separate undertakings given for the benefit of each Group Company and may be enforced by any of them.
- 26.2 This Agreement constitutes the written statement of the terms of employment of the Executive provided in compliance with Part I of the Act.
- 26.3 Save as otherwise set out in this Agreement there are no terms or conditions relating to requirements to work abroad and no collective agreement has any effect upon the Executive's employment under this Agreement.

26.4 The Contracts (Right of Third Parties) Act 1999 shall only apply to this Agreement in relation to any Group Company and no person other than the Executive and Activision Blizzard and any Group Company shall have any right under it.

27 Choice of Law and Submission to Jurisdiction

- 27.1 This Agreement shall be governed by and interpreted in accordance with English law without regard to the choice of law provisions thereof.
- 27.2 The parties submit to the exclusive jurisdiction of the English courts; provided, however, Activision Blizzard reserves the right to apply for interim injunctive relief in respect of alleged breaches of Clause 16 in any jurisdiction in which there are reasonable grounds to assert that the Executive is engaging in acts or omissions in violation of Clause 16. English law would apply to such an application.

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28 Waiver

No waiver by the Executive or Activision Blizzard at any time of any breach by the other party of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No waiver of any provision of this Agreement shall be implied from any course of dealing between or among the parties hereto or from any failure by any party hereto to assert its rights hereunder on any occasion or series of occasions

29 Headings

The headings in this Agreement are included for the purpose of identification only and not for the purpose of construing the meaning of the provisions of this Agreement.

30 Forfeiture

If the Executive breaches any material obligation in Clause 12 (Restrictions during his employment), 15 (Garden Leave), 16 (Obligations after Employment) or Schedule 1, Activision Blizzard's obligation to make any further payments, to the extent permitted by law, shall cease. Before any such forfeiture takes effect, Activision Blizzard shall notify the Executive of the alleged breach in writing and give him a reasonable opportunity to respond to such allegation or to cure such breach.

IN WITNESS whereof this Agreement has been executed as a deed by the Executive the day and year first written above.

Signed by Chris Walther for and
on behalf of Activision Blizzard) /s/ Chris B. Walther.....
CLO

Executed and delivered as a Deed by) /s/ RZ.....
the Executive in the presence of) Riccardo Zacconi

/s/ Hope F Cochran.....

Witness Signature

Witness name: Hope F Cochran

Witness address: [_____]

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Intellectual Property and Confidentiality

1. The following definitions shall apply to this Schedule, the Agreement and any other Schedules:

<i>Words and expressions</i>	<i>Meaning</i>
Board	the board of directors for the time being of Activision Blizzard or any committee of directors appointed by the board for the time being;
Confidential Information	<p>(i) all information in whatever form (including, in written, oral, visual or electronic form or on any magnetic or optical disk or memory and wherever located) relating to the business, products, Intellectual Property, affairs and finances of the Company or of any Group Company and all technical data and Know-how of the Company or of any Group Company for the time being confidential to it or to them or treated by it or them as such; and including any trade secrets (as such term may be construed under the laws of any relevant jurisdiction from time-to-time) including technical data and Know-how relating to the business of the Company or of any Group Company or any of its or their suppliers, clients, customers, agents, distributors, shareholders or management, or other information which is confidential, commercially sensitive and is not in the public domain relating or belonging to the Company or any Group Company including information relating to the business methods, corporate plans, management systems, finances, new business opportunities, research and development projects, marketing or sales of any past, present or future product or service, secret formulae, processes, inventions, designs, Know-how discoveries, technical specifications and other technical information relating to the creation, production or supply of any past, present or future product or service of the Company or any Group Company, lists or details of clients, potential clients or suppliers or the arrangements made with any client or supplier;</p> <p>(ii) all confidential information of any third party (including any supplier, customer, client or collaborator of the Company or any Group Company) in the possession of the Company or any Group Company; and</p> <hr/> <p>(iii) all Intellectual Property (including for the avoidance of doubt all copyright material and all software codes and applications) and all data, reports, information, summaries or presentations, created, developed, received or obtained by the Executive, wholly or partially, in the course of the Executive's employment whether before or after the date hereof; and</p> <p>(iv) all Intellectual Property (including for the avoidance of doubt all copyright material and all software codes and applications) and all data, reports, information, summaries or presentations, created, developed, received or obtained by the Executive, wholly or partially, (whether or not during working hours and whether at the offices of the Company or elsewhere) by use of any such information referred to in (i), (ii) and/or (iii) above; and</p> <p>(v) all and any copies of any of such information or Intellectual Property, whether made by the Executive, wholly or partially, or any third party, referred to in (i), (ii), (iii) and/or (iv) above; whether or not such information or Intellectual Property (if in anything other than oral form) is marked confidential, and including extracts, analysis, studies, plans, compilations or any other way of representing or recording and recalling information which contains, reflects or is derived or generated from such Confidential Information,</p> <p>PROVIDED THAT Confidential Information shall exclude only any such part of such information as shall enter into the public domain otherwise than by reason of any breach by the Executive of their obligations hereunder, any breach by any other employee of Activision Blizzard or any Group Company of any obligation of confidentiality, or by reason of any breach by Activision Blizzard or any Group Company of any obligation of confidentiality;</p>
Intellectual Property	all patents, claims in patents, trade-marks and trade names, domain names, service marks, copyright and related rights, database rights, topography rights, rights to inventions, confidential information (including Know-how), rights existing in any software code, rights in get-up, goodwill shall and the right to sue for passing off, unfair competition rights, rights in designs, rights in computer software, rights to use and preserve the confidentiality of information (including Know-how and trade secrets (as such term may be construed under the laws of any relevant jurisdiction from time-to-time)) and any other intellectual property rights,

for and be granted, renewals or extensions of, and rights to claim priority from, such rights and all similar or equivalent rights or forms of protection which subsist or shall subsist now or in the future in any part of the world;;

Invention	any invention, idea, discovery, development, improvement or innovation, whether or not patentable or capable of registration, and whether or not recorded in any medium;
Know-how	all information not in the public domain of any nature including ideas, discoveries, inventions, data, formulae, techniques, procedures for experiments and tests, designs, sketches, records, information comprising or related to concepts, methods, models, designs for experiments and tests and results of experimentation and testing, processes, specifications, reports, and information contained in submissions to authorities or otherwise, and confidential analyses and interpretations of information which is in the public domain;
Moral Rights	all present and future moral rights which arise under Part I Chapter IV of the Copyright Designs and Patents Act 1988 and all similar rights under existing judicial or statutory law of any country or jurisdiction in the world, or under any treaty regardless of whether or not such right is called or generally referred to as a “moral right”.

2. Confidential Information and Group Company documents

2.1 Without prejudice to the Executive’s common law duties, the Executive undertakes that in relation to all Confidential Information which may be within or come into their possession in connection with their employment or in the course of their employment by Activision Blizzard or which the Executive may create, wholly or partially, during the term of their employment by Activision Blizzard the Executive shall:

- 2.1.1 both during the term of their employment and thereafter without limit of time, keep the same secret and confidential; and
- 2.1.2 not at any time for any reason whatsoever divulge, communicate or disclose or permit the same to be divulged, communicated or disclosed to any third party save as may be required in connection with the performance of their obligations in the course of their employment, unless any company in the Group has (i) given the Executive its written consent to do so, and (ii) obtained from the recipient third party appropriate obligations of confidentiality in respect of such of the Confidential Information disclosed and shall use their best endeavours to prevent any such disclosure of any Confidential Information to any third party;

- 2.1.3 use the same only as may be required in the proper performance of their obligations in the course of their employment;
- 2.1.4 unless expressly authorised by Activision Blizzard, not remove any Confidential Information from the Company premises and shall not store any Confidential Information on any computer network outside the sole control of the Company or accessible by any third party without Activision Blizzard’s authorization, and not make or use any copies of any Confidential Information;
- 2.1.5 immediately upon termination of their employment (howsoever caused or arising) deliver up to Activision Blizzard all Confidential Information within their possession and in the event that the Executive may have been authorised under Clause 2.1.4 to store to store (or may have stored without such authorisation) any Confidential Information on any external computer or on any magnetic or optical disk or memory, including personal computer networks, personal e-mail accounts or personal accounts on websites, and all matter derived from such sources which is in their possession or under their control outside the Company’s premises, shall certify in writing that no copies thereof, capable of electronic retrieval in any manner remain on such computer;
- 2.1.6 at any time during the course of their employment and thereafter without limit in time, promptly upon receipt of a written request from Activision Blizzard , deliver up to Activision Blizzard such part of any Confidential Information in their possession as may be specified in any such request;

- 2.1.7 not use any Confidential Information for their own purposes or for any purposes other than those of the Company or any Group Company; and
 - 2.1.8 through any failure to exercise due care and diligence, shall not permit or cause any unauthorised disclosure of any Confidential Information.
- 2.2 The Executive acknowledges that all books, notes, memoranda, records, lists of customers and suppliers and employees, correspondence, documents, computer and other discs and tapes, data listings, codes, designs and drawings and other documents and material whatsoever (whether made or created by the Executive, wholly or partially, or otherwise) relating to the business of the Company or any Group Company (and any copies of the same) shall be Confidential Information for all purposes under the Agreement and
- 2.2.1 all such material containing Confidential Information shall be and remain the property of the Company or the relevant Group Company; and
 - 2.2.2 all Confidential Information shall be handed over by the Executive to Activision Blizzard or to the relevant Group Company on demand and in any event on the termination of their employment and the Executive shall certify that all such property has been handed over on request by the Board and agree that they shall take all reasonable steps to prevent the disclosure of the same and the Executive shall provide a signed statement that they have complied fully with their obligations under this Clause 2.
-

2.3 The Executive shall be responsible for protecting the confidentiality of the Confidential Information and shall:

- 2.3.1 use their reasonable endeavours to prevent the use or communication of any Confidential Information by any person, company or organisation (except in the proper course of their duties, as required by law or as authorised by Activision Blizzard); and
- 2.3.2 inform Activision Blizzard immediately on becoming aware, or suspecting, that any such person, company or organisation knows or has used any Confidential Information.

2.4 The foregoing obligations in this clause 2 shall not prevent the Executive from disclosing information where required to do so by a competent court, regulatory authority or under the rules of a relevant stock exchange, provided that where legally permitted the Executive shall provide Activision Blizzard with written notice of such request so that Activision Blizzard may take such action as it deems reasonably necessary to limit or contest such disclosure with the party making such request.

2.5 The Executive may also disclose Confidential Information to his professional advisers who are bound by duties of confidentiality (a) for the purpose of the Executive being able to seek legal advice or (b) in order to enforce his legal rights hereunder.

3. Inventions and other Intellectual Property

- 3.1 The Executive acknowledges that all Intellectual Property and Confidential Information, of any nature made, originated or developed, wholly or partially, by the Executive at any time in the course of their employment with Activision Blizzard (whether or not made, originated or developed during working hours or using Company premises or resources, whether or not recorded in material form, and whether before or after the date of the Agreement) and all materials embodying them (“**Works**”) shall automatically belong to and vest in the sole and exclusive ownership of Activision Blizzard absolutely to the fullest extent permitted by law, and to the extent they do not vest in Activision Blizzard automatically, the Executive shall hold for the benefit of the Company on trust all such Works until the same are vested absolutely in the Company.
 - 3.2 For the avoidance of doubt the Executive acknowledges that any Intellectual Property or Confidential Information made, originated or developed, wholly or partially, by the Executive at any time, shall be deemed made, originated or developed in the course of their employment and shall be Works for all purposes in this Clause 3.
 - 3.3 The Executive acknowledges for the purpose of Section 39 of the Patents Act 1977 (as amended) or otherwise that because of the nature of their duties and the particular responsibilities arising from the nature of their duties they have and at all times in the course of their employment with Activision Blizzard shall have a special obligation to further the interests of the undertakings of Activision Blizzard and of any Group Company.
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- 3.4 The Executive undertakes: (i) to notify and disclose to Activision Blizzard in writing full details of all Works promptly upon creation, whether or not in material form, (ii) (without prejudice to the provisions of Clause 3.1) to promptly whenever requested by Activision Blizzard and in any event upon the termination of their employment to give to Activision Blizzard all originals and copies of correspondence, documents, papers, data, information, materials and records on all media which record or relate to any Works. For the avoidance of doubt all such originals and copies shall be Confidential Information for all purposes under the Agreement; and (iii) not to attempt to register any Works nor patent any Works unless requested to do so by Activision Blizzard; and (iv) to keep confidential the Works unless Activision Blizzard has consented in writing to their disclosure by the Executive.
- 3.5 The Executive acknowledges that save as provided by law no remuneration or compensation in addition to that payable under the terms of the Agreement is or may become due to them in respect of their compliance with this Schedule, the terms of the Agreement or by statute. This clause is without prejudice to the Executive's rights under the Patents Act 1977.
- 3.6 The Executive shall, at the reasonable expense of Activision Blizzard, execute all such documents, make such applications, give such assistance and do such acts and things (if any) in the course of and after their employment with Activision Blizzard as may, in the reasonable opinion of Activision Blizzard, be necessary and desirable to vest all rights in the Works in the Company (or if required by it in any Group Company) and to enable Activision Blizzard to: (i) obtain registered protection in respect of any of the Works in the name of Activision Blizzard (or if required by Activision Blizzard in any Group Company) (in the United Kingdom or elsewhere throughout the world); and (ii) otherwise to protect, maintain and enforce all rights in the Works for the benefit of the Company and/or any such Group Company. Such documents may, at Activision Blizzard's request, include waivers of all and any statutory Moral Rights relating to any copyright works which form part of the Works.
- 3.7 To the extent that by law any Intellectual Property of any nature made, originated or developed by the Executive at any time during the term of their employment since the continuous service date specified in clause 2.2 (whether or not made, originated or developed during normal working hours and whether before or after the date of the Agreement) which relates to the business of Activision Blizzard/any Group Company and which might be used or exploited in the business of Activision Blizzard ("**Employee Works**") do not vest in or belong to the Company as Works under Clause 3.1 of this Schedule the Executive agrees promptly on any Employee Works coming into existence to notify Activision Blizzard in writing with details of such Employee Works and with such notice to offer to Activision Blizzard a right of first refusal to acquire the same on arm's length market terms to be negotiated in good faith and agreed by the Executive and Activision Blizzard within 60 days of the date of such notice and in the absence of such agreement within such 60 day period; the Executive may offer the Employee Works for sale

to a third party, or, the Executive and Activision Blizzard may agree that such arm's length market terms shall be referred to an independent expert ("**Expert**") agreed by the parties or failing agreement such Expert to be appointed by the President of the British Computer Society (www.bcs.org.uk) (whose decision shall, in the absence of manifest error be final and binding on the parties and whose costs shall be borne by Activision Blizzard unless otherwise determined by such Expert). The parties shall be entitled to make submissions to the Expert and shall provide (or procure that others provide) the Expert with such assistance and documents as the Expert reasonably requires for the purpose of reaching a decision. The Executive acknowledges and agree that all information and Know-how relating to any Employee Works shall be deemed Confidential Information until such time as the Executive is entitled to offer them for sale as permitted hereunder, save that the information and Know-how may be disclosed to the Expert as set out above.

- 3.8 The Executive acknowledges and agrees that any Employee Works that are protectable by copyright are considered to be works made during the course of their employment with Activision Blizzard within the meaning of the Copyright, Design and Patents Act 1988 ("**Employment Created Works**"). In the event that any rights to the Employment Created Works are deemed not to be works made in the course of their employment, or in the event that the Executive should, by operation of law be deemed to retain any rights to the Employment Created Works, the Executive irrevocably assigns, without any further consideration and regardless of any use by Activision Blizzard or any Group Company of any such Employment Created Work, all of their rights), title and interest, if any, in and to such Employment Created Works to King.com Limited (or its successors or assigns), as the owner of all rights to the Employment Created Works and any derivative works of such Employment Created Works and to use, reproduce, publish, print, copy, create derivative works of, market, advertise, distribute, transfer, license, sell, publicly perform and publicly display and otherwise exploit by all means now known or later developed, such Employment Created Works and derivative works anywhere throughout the world. The Executive hereby waives all Moral Rights in the Employment Created Works and agrees not to assert such rights against any Group Company, any Group Company's assignees, successors in title or licensees, or any other third party, and not to support, maintain or permit any claim for infringement of Moral Rights in the Employment Created Works, such waiver being effective upon the creation of such Employment Created Works. By signing this Schedule, the Executive expressly acknowledges that products derived from or services using all or any part of the Employment Created Works may be the result of many parties' contributions. If this waiver of Moral Rights is not effective, the Executive agrees to exercise such Moral Rights in a manner that recognises the contribution of, and shall not

have a material adverse effect upon, such third parties. Nothing in this clause 3.8 will prevent the Executive from identifying any Employment Created Works or any derivative works which are in the public domain as being their work.

4. Maintenance of records

The Executive agrees to keep and maintain reasonable records of all Inventions made, originated or developed, wholly or partially, by them at any time in the course of their employment with Activision Blizzard (including in the form of notes, sketches, computer code and drawings as may be specified by the Group), which shall be available to and remain the sole property of the relevant Group Company (as determined by Activision Blizzard) at all times.

5. Breach of the obligations in this Schedule

A breach of any of the provisions of this Schedule by the Executive shall be considered to be a fundamental breach of the Agreement and the Executive may, at Activision Blizzard's absolute discretion, be liable to disciplinary action including termination of their employment.

SCHEDULE 2

Executive Stock Ownership Guidelines

SCHEDULE 3

The Executive's Investments as at the date of this Agreement

SCHEDULE 4

“Part B”

Performance Vesting

This Part B of Schedule 1 shall apply to 1,500,000 of the Option Shares (the “**Type B Option Shares**”), being those Option Share to which Part A does not apply.

- 1.** As to 50% of the Type B Option Shares (the “**OI Option Shares**”), subject to the Subscriber remaining employed by (or a director of) the Company or any member of the Group, the OI Option Shares shall vest as follows:

- a.** One-third of the OI Option Shares (the “**First Tranche OI Option Shares**”) shall vest on the day prior to the third anniversary of the date on which the acquisition of King by Activision Blizzard is completed (the “**Completion Date**”), if, and only if, the Compensation Committee of the Activision Blizzard Board of Directors (the “**Compensation Committee**”) determines that the Non-GAAP Operating Income for 2016 (“**2016 OI**”) for King is 100% or more of the 2016 OI objective established for King by the Board of Directors of Activision Blizzard (the “**2016 OI Objective**”). If the 2016 OI is less than 100% of the 2016 OI Objective, then the First Tranche OI Option Shares will not vest and the Option shall lapse as to those Option Shares.;

- b. One-third of the OI Option Shares (the “**Second Tranche OI Option Shares**”) shall vest on the day prior to the third anniversary of the Completion Date, if, and only if, the Compensation Committee determines that the Non-GAAP Operating Income for 2017 (“**2017 OI**”) for King is 100% or more of the 2017 OI objective established for King by the Board of Directors of Activision Blizzard (the “**2017 OI Objective**”). If the 2017 OI is less than 100% of the 2017 OI Objective, then the Second Tranche OI Option Shares will not vest and the Option shall lapse as to those Option Shares; and
- c. One-third of the OI Option Shares (the “**Third Tranche OI Option Shares**”) shall vest on the day prior to the third anniversary of the Completion Date, if, and only if, the Compensation Committee determines that the Non-GAAP Operating Income for 2018 (“**2018 OI**”) for King is 100% or more of the 2018 OI objective established for King by the Board of Directors of Activision Blizzard (the “**2018 OI Objective**”). If the 2018 OI is less than 100% of the 2018 OI Objective, then the Third Tranche OI Option Shares will not vest and the Option shall lapse as to those Option Shares. .
2. As to the other 50% of the Type B Option Shares (the “**EBITDA Option Shares**”), subject to the Subscriber remaining employed by (or a director of) the Company or any member of the Group, the EBITDA Option Shares shall vest as follows:
- a. One-third (1/3) of the EBITDA Option Shares (the “**First Tranche EBITDA Option Shares**”) shall vest on the day prior to the first anniversary of the Completion Date if, and only if, the Compensation Committee determines that King’s earnings before interest, taxes, depreciation and amortization (“**EBITDA**”) for King’s financial year ending 31 December 2016 exceeds King’s management plan which has been agreed in writing by

Activision Blizzard, and the Option shall lapse on the first anniversary of the Completion Date as to the First Tranche EBITDA Option Shares in the event that such target is not exceeded;

- b. One-third (1/3) of the EBITDA Option Shares (the “**Second Tranche EBITDA Option Shares**”) shall vest on the day prior to the second anniversary of the Completion Date if, and only if, the Compensation Committee determines that King’s EBITDA for King’s financial year ending 31 December 2017 exceeds King’s management plan which has been agreed in writing by Activision Blizzard, and the Option shall lapse as to the Second Tranche EBITDA Option Shares on the second anniversary of the Completion Date in the event that such target is not exceeded; and
- c. One-third (1/3) of the EBITDA Option Shares (the “**Third Tranche EBITDA Option Shares**”) shall vest on the day prior to the third anniversary of the Completion Date if, and only if, the Compensation Committee determines that King’s EBITDA for King’s financial year ending 31 December 2018 exceeds King’s management plan which has been agreed in writing by Activision Blizzard, and the Option shall lapse as to the Third Tranche EBITDA Option Shares on the third anniversary of the Completion Date in the event that such target is not exceeded.”
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MIDASPLAYER INTERNATIONAL HOLDING COMPANY P.L.C.

AND

RICCARDO ZACCONI

**INDIVIDUAL OPTION AND
SUBSCRIPTION AGREEMENT**

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

When considering what action you should take, you are recommended to seek your own independent financial advice from your own stockbroker, bank manager, solicitor, accountant or other independent financial adviser.

This Agreement and all other documentation received from the Company are not, and should not be taken as, a recommendation to purchase shares.

This Agreement and the accompanying documents from the Company are submitted on a confidential basis and the offer contained in them is personal to the recipient and may not be transferred or assigned by the recipient.

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BETWEEN:

- (1) **MIDASPLAYER INTERNATIONAL HOLDING COMPANY P.L.C.**, company number C40465, a public limited company whose registered office is at Aragon House Business Centre, Dragonara Road, St Julian's, STJ 3140, Malta (the "Company") and;
- (2) **RICCARDO ZACCONI** of XX (the "Subscriber").

RECITALS

- (A) The Subscriber is a key employee and/or director within the Group at the date of this Agreement.
- (B) The Company wishes to grant to the Subscriber an option to acquire up to 1,200,000 D1 ordinary shares of €0.000149 each in the capital of the Company upon and subject to the terms of this Agreement.
- (C) The Subscriber may also acquire Linked Shares.
- (D) The Subscriber agrees to hold any Linked Shares subject to the terms of the Articles and this Agreement. Pursuant to the provisions of this Agreement and the Articles, the Linked Shares, or any shares for which they are exchanged or into which they are converted in connection with a listing of the Company's shares on a securities exchange or otherwise, (or a proportion thereof) may, in certain circumstances and at certain times, become subject to compulsory transfer under this Agreement and/or the Articles or be converted into Deferred Shares.

1 DEFINITIONS

- 1.1 In this Agreement the following words and expressions shall have the following meanings and, unless the context requires otherwise (or the term is otherwise defined herein), **the terms defined in the Articles shall have the same meanings in this Agreement:-**

"Acquiring Company"

means a company which acquires shares in the capital of the Company pursuant to a Sale;

"Articles"

means the articles of association of the Company in effect from time to time;

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"Asset Sale"

means the disposal by any one or more members of the Group of assets (whether together with associated liabilities or otherwise and as part of an undertaking or otherwise) which represent 50% or more (by book value) of the consolidated gross assets of the Group at that time but excluding any such disposal to another member of the Group;

"Auditors"

means the auditors for the time being of the Company (acting as experts and not as arbitrators);

"Board"

means the board of directors of the Company or a duly constituted committee thereof;

"Change of Control Period"

means a period that commences on the date that falls three months prior to the date of exchange of contracts in relation to an applicable Sale and terminates on the date that falls 18 months immediately after the completion of an applicable Sale;

"Change of Control Termination"

means the termination of the employment of the Subscriber during a Change of Control Period where:

- (a) the Company or other relevant member of the Group serves notice to terminate the employment of the Subscriber, save where it summarily terminates the Subscriber's employment without notice or payment in lieu of notice under the Service Agreement; or
- (b) the Subscriber terminates his employment with the Company or any relevant member of the Group with or without notice for Good Reason (other than in circumstances where the Company or other relevant member of the Group has reasonable grounds for summary dismissal without notice or payment in lieu of notice under the Service Agreement) provided that the Subscriber must, before he terminates his employment for Good Reason, and if (on a reasonable view) the circumstances that constitutes Good Reason are remediable, have first given the Company or relevant member of the Group a written notice stating clearly the event or circumstance that constitutes Good Reason in his belief, acting in good faith, and given the Company or relevant member of the Group a period of not less than 15

“Code”

means the United States Internal Revenue Code of 1986, as amended, and any applicable regulations and administrative guidelines promulgated thereunder;

“Company Conversion Information Notice”

the meaning given in paragraph 2.4 of schedule 2;

“Company Transfer Date”

the meaning given in paragraph 2.2 of schedule 2;

“Company Transfer Notice”

the meaning given in paragraph 2.2 of schedule 2;

“Conversion Date”

the date to be specified by the Subscriber in the relevant Conversion Notice for the Linked Shares (or a proportion thereof) to convert into Deferred Shares, being the date determined in accordance with paragraph 2.4.2 of schedule 2;

“Conversion Number”

means the number of Linked Shares which are to be the subject of the relevant Conversion Notice, as calculated in accordance with paragraph 2.4.1 of schedule 2;

“Date of Exercise”

means the date on which the Company receives both the written notice and any payment (if required) referred to in clause 3.1;

“Dealing Code”

means any code or regulations adopted by any relevant listing authority or stock exchange which restrict dealings in securities issued by the Company and/or such other rules and regulations adopted by the Company, which govern dealing in Shares, interests in Shares, options or rights over Shares or interests in Shares;

“Drag Along Notice”

means a Drag Along Notice as defined in the Articles;

“EBT Transfer Date”

the meaning given in paragraph 2.3 of schedule 2;

“EBT Transfer Notice”

the meaning given in paragraph 2.3 of schedule 2;

“Effective Date”

1 October 2015;

“Eligible Person”

means an individual who is an employee or director of a member of the Group;

“Employee Benefit Trust”

means an employee benefit trust established by the Company in connection with its employee share incentive arrangements;

“Encumbrance”

means a mortgage, charge, pledge, lien, option, restriction, equity, right to acquire, right of pre-emption, third party right or interest, other encumbrance or security interest of any kind or any other type of preferential arrangement (including, without limitation, a title transfer and retention arrangement) having similar effect;

“Exercise Price”

means the sum of USD \$18.66 per Option Share, adjusted if appropriate pursuant to clause 6;

“Fair Price”

the meaning assigned in the Articles;

“Good Leaver”

means the Subscriber ceasing to be an employee and/or director of any member of the Group:

- (a) as a result of his death, permanent incapacity due to ill health or retirement in accordance with his contract of employment; or
- (b) due to dismissal of the Subscriber by the Company or any member of the Group without notice or payment in lieu in circumstances where the Company or other member of the Group is not entitled to summarily dismiss; or
- (c) in circumstances where the Board determines (subject to the Investor Director voting in favour of such determination) in its absolute discretion the Subscriber to be a Good Leaver; or
- (d) in circumstances where either (i) the Company or other relevant member of the Group serves notice to terminate the employment of the Subscriber; or (ii) the Subscriber serves notice to terminate his employment with the Company or relevant member of the Group for a Good Reason; in each case in circumstances other than where the Company or relevant member of the

Group summarily terminates the Subscriber's employment without notice or payment in lieu of notice under the Service Agreement; or

- (e) in circumstances where the termination of the Subscriber's employment by the Company or any member of the Group constitutes a Change of Control Termination;

"Good Reason"

means grounds that entitle the Subscriber to treat himself as being constructively dismissed (within the meaning of section 95(1)(c) of the Employment Rights Act 1996) as may be determined by a court of competent jurisdiction. Examples of such grounds may include, but are not limited to, circumstances where the Subscriber is required to permanently relocate outside of Greater London, where the Subscriber's pay is unilaterally reduced, where the member of the Group that is the Subscriber's employer is in material breach of the Service Agreement, where the scope of the Subscriber's role is materially reduced, where the level or status attached to the Subscriber's role is reduced or where on a Sale the acquiring entity did not give the Subscriber options, compensation or equity of at least the same value as the value of any shares under option (net of exercise price) held by the Subscriber which are no longer capable of vesting or being exercised after such Sale;

"Grant Date"

12 November 2013;

"Group"

has the meaning given in the Articles and "**member of the Group**" shall be construed accordingly;

"HMRC"

means HM Revenue & Customs (or any other taxation or other authority in any other jurisdiction, as applicable);

"Investor Director"

has the meaning given in the Articles;

"ITEPA"

means the Income Tax (Earnings and Pensions) Act 2003;

"Linked Shares"

means shares acquired by the Subscriber which, in the relevant Letter of Allotment, are expressed as being "Linked Shares" for the purposes of this Agreement (or any other shares into which the same are converted);

"Liquidation"

whether voluntary or compulsory, means the passing of a resolution for the winding-up of the Company;

"Listing"

means :

- (a) the admission of all or any of the shares in the capital of the Company to trading on a market for listed securities designated by the Financial Markets Act (Cap. 345 of the laws of Malta) as a Recognized Investment Exchange (as defined in the Articles), together with the admission of such shares to the relevant Official List (as defined in the Articles); or

- (b) if the Investors (as defined in the Articles) in their absolute discretion so determine, the admission of such shares to, or to trading on, any other market wherever situated together, if necessary, with the admission of such shares to listing on any official or otherwise prescribed list maintained by a competent or otherwise prescribed listing authority;

“Market Value”

means on any day the market value of a share of the relevant class determined in accordance with the provisions of Part VIII of the Taxation of Chargeable Gains Act 1992 or, if shares of the relevant class are quoted on the official list of a Recognized Investment Exchange, the average of the middle market quotations of such a share as derived from the relevant Official List for the three immediately preceding dealing days or, if the Option is being exercised in the context of a Sale, the market value shall be determined by reference to the price to be paid for a share of the relevant class by the Acquiring Company;

“Option”

means the right to acquire Option Shares granted under this Agreement;

“Option Shares”

means the 1,200,000 Shares which are the subject of the Option;

“Released”

means “Released” pursuant to paragraph 1.1 of schedule 4 (the effect of which being, amongst other things, that certain restrictions on transfer referred to in paragraph 3 of schedule 2 may cease to apply to the Linked Shares that are Released);

“Relevant Transferred Shares”

the meaning given in paragraph 2.6 of schedule 2;

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“Sale”

has the meaning given to it in the Articles save that unless the Board (and the Investor Director) determine otherwise, it shall not constitute a Sale where the person (or Connected Persons or group of persons Acting in Concert (as defined in the Articles)) acquiring or obtaining shares in the circumstances giving rise to the “Sale” are (in the reasonable opinion of the Board) Apax entities;

“Service Agreement”

the Subscriber’s service agreement with Midasplayer.com Ltd, dated 14th June 2004, as amended or replaced from time to time;

“Share”

means a D1 ordinary share of €0.000149 in the capital of the Company (or such other nominal value as may be determined by the Company in general meeting from time to time);

“Tax Liability”

means any income tax, withholding tax and employee national insurance contributions (or their equivalent outside of the United Kingdom) in respect of which any Group Member has to make a payment to HMRC and which arise by reference to:

- (a) the issue of any Linked Shares;
- (b) the transfer of any Linked Shares or any of the Linked Shares being treated as Released;
- (c) the redemption or conversion of any Linked Shares;
- (d) any other event giving rise to a charge under Part 7 of the Income Tax (Earnings and Pensions) Act 2003 (or any similar provision of law applicable in a jurisdiction other than the United Kingdom) occurring in connection with the acquisition, holding or disposal of the Linked Shares by the Subscriber during the ownership of any Linked Shares by the Subscriber;
- (e) the Subscriber exercising the Option or acquiring Option Shares pursuant to such exercise; and/or
- (f) any gain realised or deemed to have been realised by the Subscriber in respect of the Option or the Option Shares;

provided that employer’s national insurance contributions (or foreign equivalents) shall not constitute Tax Liabilities and such amounts shall be payable by the Company or other member of the Group;

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“Transferred Shares”

the meaning given in paragraph 2.6 of schedule 2;

“Unreleased Shares”

means Linked Shares that have not been and are no longer capable of being Released.

1.2 So far as not inconsistent with the context:-

- 1.2.1 Any reference herein to any enactment shall be construed as a reference to that enactment as for the time being amended or re-enacted.
- 1.2.2 All references to the masculine gender shall be deemed also to be references to the feminine gender and all references to the singular include the plural and vice versa.
- 1.2.3 All references to clauses or sub-clauses are unless the context otherwise requires to clauses or sub-clauses of this Agreement.
- 1.2.4 The headings to clauses of this Agreement are for convenience only and have no legal effect.

1.3 In this Agreement, the Subscriber shall be deemed to cease to be an employee and/or director of a member of the Group on the Relevant Cessation Date. For these purposes, the **“Relevant Cessation Date”** shall be the date on which the Subscriber ceases to be an employee, consultant or director of or to any member of the Group for any reason (including death or bankruptcy) without remaining or immediately becoming an employee, consultant or director of or to any other member of the Group or the date of occurrence of a repudiatory breach by the Subscriber of the Service Agreement (or his contract of engagement) that is accepted by his employer (or the company of which he is a director or to which he is a consultant), resulting in the termination of the Subscriber’s employment, directorship or consultancy (whichever is the earlier).

1.4 The recitals to this Agreement have no legal effect and shall not affect the construction or interpretation of this Agreement (save that terms defined therein shall have the same meanings for the purpose of this Agreement).

2 GRANT OF OPTION

2.1 The Company hereby grants to the Subscriber the right, upon the terms and subject to the conditions of this Agreement exercisable to the extent that the Option has vested in accordance with, and on the dates specified in, schedule 1, to purchase the Option

Shares for the Exercise Price. For the avoidance of doubt, this clause 2.1 is subject to the provisions of clause 3 and schedule 4.

2.2 The Option is granted on the Grant Date.

2.3 The Option may be exercised in whole or in part but (from and following a Listing) the Option may not be exercised at any time when such exercise is prohibited by any Dealing Code. Further, from and following a Listing, the Option may not be exercised at a time when the Subscriber is, or is presumed to be, a “person acting in concert” for the purposes of the Irish Takeover Rules and the issuance of Shares pursuant to such exercise (after taking into account the provisions of Schedule 4) may, in the reasonable opinion of the Board, result in the Subscriber and/or any person acting, or presumed to be acting, in concert with the Subscriber becoming obliged under the Irish Takeover Rules to make an offer for the Company (**“a Concert-Party Offer”**), unless the Company is in receipt of a confirmation, direction or ruling from the Irish Takeover Panel that satisfies the Board that the exercise of the Option would not result in an obligation to make a Concert-Party Offer, provided that if the Option would lapse under any provision of this Agreement upon the expiration of any period in which the Subscriber would have been entitled to exercise the Option (a **“Normal Exercise Period”**) but is prevented from so doing by reason of this provision then, notwithstanding any other provision of this Agreement, the Option shall continue in effect for such additional period after the Normal Exercise Period as the Board determines appropriate in order to allow the Subscriber a reasonable period during which to exercise the Option in circumstances in which the Board is satisfied would not result in an obligation to make a Concert-Party Offer. Alternatively, the Board may determine that the Option shall be cancelled on the date on which the Normal Exercise Period expires, in consideration for the right of the Subscriber to receive from the Company a cash payment in the amount equal to the Market Value of the number of Shares that would have been issuable upon exercise of the Option on such date (after taking into account the provisions of Schedule 4) over the Exercise Price.

2.4 The Option is personal to the Subscriber. It may not be transferred, assigned or charged or otherwise alienated and any purported transfer, assignment, charge or other alienation shall cause the Option to lapse forthwith.

2.5 The Option shall lapse automatically (in so far as it has not been exercised) on the earliest of:-

- 2.5.1 the tenth anniversary of the Grant Date;

2.5.2 the date on which it lapses under clause 2.4;

- 2.5.3 unless the Company otherwise decides (it being able to impose such conditions as it sees fit in the event that it exercises its discretion in this regard), 40 calendar days after the Option has become exercisable in accordance with clause 5 (but excluding clause 5.2) save that where the Subscriber is employed by a member of the Group on the date of a Sale and such Sale would otherwise cause the Option to lapse under this clause 2.5.3 the Option shall lapse only in respect of such of the Option Shares as have vested as at the relevant lapse date, the balance of the Option lapsing under this clause 2.5.3 18 calendar months after the date of the Sale;
- 2.5.4 the Subscriber being adjudicated bankrupt by a court of law;
- 2.5.5 forthwith upon the Subscriber ceasing to be an Eligible Person other than in circumstances where the Subscriber is a Good Leaver;
- 2.5.6 the date falling 90 calendar days after the Subscriber ceases to be an Eligible Person in circumstances where the Subscriber is a Good Leaver (or such longer period as may be specified in Part B of Schedule 1 or as the Board, having obtained the consent of the Investor Director, may determine in its absolute discretion);
- 2.5.7 the date on which the Option has lapsed in its entirety under clause 3 and/or schedule 4;
- 2.5.8 unless the Board determines otherwise, on completion of any Exchange if the Subscriber has not entered into an agreement for the grant of a New Option in accordance with clause 7.

3 MANNER OF EXERCISE OF OPTIONS

3.1 To the extent that the Option has become exercisable pursuant to this Agreement, the Option may be exercised (in whole or in part) by the Subscriber, or as the case may be his personal representatives, giving prior notice in writing to the Company specifying the number of Shares in respect of which the Subscriber wishes to exercise the Option accompanied by:

- 3.1.1 the payment of the total Exercise Price due in respect of the number of Shares specified in the exercise notice, save to the extent that the Subscriber has made other arrangements for the payment of the total Exercise Price (such as, after Listing, the Subscriber selling sufficient number of the Shares as generates proceeds to pay the Exercise Price and using those proceeds to satisfy the same) which are satisfactory to the Company or the Company permits the cashless exercise of the Option pursuant to clause 3.6; and

- 3.1.2 if required by the Company, the amount due under clause 4.1 in respect of any Tax Liability.

The Subscriber acknowledges that, despite the number of Shares specified in the written notice, the Option may actually be exercised over a lower number of Shares by virtue of the operation of clause 3.3 and schedule 4 below.

3.2 Where the Option has been properly exercised, the Shares in respect of which the Option has been exercised (after taking account of the provisions of schedule 4) shall be issued and allotted or transferred pursuant to a notice of exercise within 30 calendar days of the Date of Exercise. Where any Dealing Code prohibits the issue or transfer of the relevant Shares during such 30 day period, such 30 day period shall be extended by the number of days (plus three further days) during which the prohibition applies.

3.3 Where the Subscriber has acquired Linked Shares, if the Option (or any part thereof) is properly exercised but not all of the Linked Shares have been Released, schedule 4 shall apply to determine:

- 3.3.1 the number of Linked Shares (if any) that shall be Released;
- 3.3.2 the actual number of Option Shares in respect of which the Option shall be treated as exercised at that time and which are therefore to be issued and allotted or transferred to the Subscriber; and
- 3.3.3 the extent to which the Option shall be deemed to have lapsed in respect of a specified number of Option Shares.

3.4 Any calculation (including but not limited to the determination of the Option Gain and the Remaining Linked Shares Value) to be carried out under clause 3.3 and schedule 4 shall be performed by the Board (whose determination shall be final and binding). The Board shall notify the Subscriber of the number of the Remaining Linked Shares which shall be treated as Released, the number of Option Shares in respect of which the Option shall be treated as exercised and the number of Option Shares in respect of which the Option shall be treated as lapsing. Examples of the intended operation of clause 3.3 and schedule 4 are contained at Appendix 1 for illustration purposes.

3.5 If and to the extent that the Subscriber:

3.5.1 serves a valid exercise notice specifying a number of Option Shares to which the exercise relates; and

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3.5.2 makes a payment of an Exercise Price calculated by reference to such number; but

3.5.3 the Option is treated as having been exercised in respect of a reduced number of Option Shares (pursuant to clause 3.3 and schedule 4),

then the Company shall arrange for the return or repayment to the Subscriber of the relevant part of the Exercise Price.

3.6 Notwithstanding any other provision of this Agreement, if a Subscriber serves a valid exercise notice and, as a result, the Company is obliged to issue or transfer a number of Shares to the Subscriber in exchange for the payment of a corresponding Exercise Price then the Company shall, at its sole discretion, be entitled to satisfy that obligation by issuing, transferring or procuring the transfer to the Subscriber (at no cost to the Subscriber or at a cost which reflects only the nominal value of the relevant Shares) such reduced number of Shares as will (in the opinion of the Board) deliver equivalent value to the Subscriber.

3.7 The Subscriber hereby agrees that if the Option is exercised prior to a Listing the Subscriber shall, as a condition of such exercise, enter into a subscription agreement in respect of the Option Shares and deed of adherence to a shareholders agreement in the form approved by the Board.

3.8 In the event that:

3.8.1 the Board becomes aware that either (i) a General Offer has been (or is to be) made to the shareholders of the Company for the purposes of Article 14.1.1.1 or (ii) an Approved Offer (as defined in the Articles) has been (or is to be) made to the shareholders of the Company), and the Subscriber will not otherwise receive notice of that General Offer or Approved Offer (as the case may be); and

3.8.2 any of the Option Shares have vested under Schedule 1,

the Board shall (where it considers it reasonable to do so) give notice to the Subscriber that such a General Offer or Approved Offer has been (or is to be) made.

4 TAXATION MATTERS

4.1 In the event that a Tax Liability becomes due on the exercise of the Option, the Option may not be exercised unless:-

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4.1.1 the Company or other member of the Group is able to deduct or, where possible, withhold, an amount equal to the whole of the Tax Liability from the Subscriber's net pay for the next pay period; or

4.1.2 the Subscriber has paid to the Company or other member of the Group an amount equal to the Tax Liability; or

4.1.3 the sum of the amount that the Subscriber has paid to the Company or other member of the Group in respect of the Company's or other member of the Group's obligation to satisfy the Tax Liability and the total amount that the Company or other member of the Group is able to deduct from the Subscriber's net pay for the next pay period is equal to or more than the Tax Liability; or

4.1.4 the Subscriber enters into such other arrangements for the satisfaction of the Tax Liability as are acceptable to the Company.

4.2 The Subscriber agrees that if requested to do so by the Board he shall immediately upon exercise of the Option enter into an irrevocable joint election with his employing company (or the company of which he is a director) pursuant to section 431 of ITEPA (or any similar provision of law applicable in a jurisdiction other than the United Kingdom, including section 83(b) of the Code) in a form specified by the Board that for the relevant tax purposes the market value of the Shares acquired is to be calculated as if the Shares were not restricted securities (as defined in section 423 of ITEPA (or any similar provision of law applicable in a jurisdiction other than the United Kingdom) and sections 425 to 430 of ITEPA (or any similar provision of law applicable in a jurisdiction other than the United Kingdom) are not to apply to such Shares).

4.3 The Subscriber hereby covenants to pay to the Company (or such other member of the Group as the Company directs) an amount equal to any Tax Liability. Without prejudice to the right of any person to enforce the covenants to pay in any other way:

- 4.3.1 the Subscriber hereby authorises (for all purposes, including Part II of the Employment Rights Act 1996 if and where applicable to the Subscriber) the person entitled to receive payment under this clause 4.3 (or the company which employs him, or of which he is a director, if different) to deduct (to the extent permitted by law) sufficient funds which, in the reasonable opinion of the person, would be equal to the amount due from the Subscriber from any payment made to or in respect of the Subscriber by the relevant company or the relevant person on or after the date of the event which gives rise to the Tax Liability; and

- 4.3.2 the Subscriber hereby agrees (to the extent permitted by law) to pay to the relevant person (or relevant company) an amount sufficient to satisfy all Tax Liability (in respect of which the Subscriber is liable under this clause 4.3) to the extent that such liabilities are not recovered from the Subscriber pursuant to clause 4.3.1 or otherwise to enter into such arrangements as the Company may consider appropriate to recover from the Subscriber the amount of any Tax Liability for which the Subscriber is so liable.

5 TAKEOVERS, LISTINGS, ASSET SALES AND LIQUIDATIONS

5.1 Sale or Asset Sale

- 5.1.1 In the event that a Sale or an Asset Sale takes place, the Option may be exercised within 40 calendar days of such Sale or Asset Sale (as applicable) occurring (but, unless the Board in its absolute discretion determines otherwise, only to the extent the Option has vested pursuant to schedule 1).
- 5.1.2 In the event that the Board becomes aware that an offer has been made which, if completed, would lead to the Option becoming exercisable under clause 5.1.1 above, it may at its absolute discretion resolve that the Option becomes exercisable under clause 5.1.1 (but, unless the Board in its absolute discretion determines otherwise, only to the extent the Option has vested pursuant to schedule 1) within such period as is determined by the Board and notified to the Subscriber (prior to any Sale or Asset Sale as mentioned in clause 5.1.1) and, in the event that the Option is not exercised during this period, it shall lapse to the extent provided by clause 2.5.3 but as if the reference to “40 calendar days after the Option has become exercisable in accordance with clause 5 (but excluding clause 5.2)” in that clause reads “on the expiry of the period determined by the Board under clause 5.1.2”.

5.2 Listing

- 5.2.1 An Option may be exercised on or following a Listing in accordance with clause 5.2.2 (but, unless the Board in its absolute discretion determines otherwise, only to the extent the Option has vested pursuant to schedule 1).
- 5.2.2 As soon as the Board has become aware that firm negotiations have been entered into or firm proposals have been made for the Listing, the Board may notify the Subscriber that such negotiations or proposals have been entered into or made. Within one week of such notification, the Subscriber may exercise the Option (but, unless the Board in its absolute discretion determines otherwise, only to the extent the Option has vested pursuant to

schedule 1). The Board may specify in the notification that the exercise of the Option under this clause 5.2.2 shall be conditional upon completion of the Listing (and for the purposes of this clause 5.2, “completion” in relation to a Listing shall be the admission or granting of permission referred to in the definition of “Listing”) and in such a case, in the event that the Listing does not proceed, the notice of exercise shall be deemed never to have been served.

5.3 Exchange of Options

- 5.3.1 In the event that a Sale takes place, the Subscriber may at any time within six months of the Sale by agreement with the Acquiring Company release his rights under the Option (in this clause referred to as “the old rights”) in consideration for the grant to him of rights (in this clause referred to as “the new rights”) which are equivalent to the old rights but relate to shares in a different company.
- 5.3.2 The new rights referred to in clause 5.3.1 above shall not be regarded for the purposes of this clause 5 as equivalent to the old rights unless:
- 5.3.2.1 the new rights are granted to the Subscriber by reason of his employment or office (as director) with the Acquiring Company or any of its 51% subsidiaries;
- 5.3.2.2 the total Market Value of the Shares which are the subject of the Option immediately before the release of the Subscriber’s old rights is substantially equivalent to the total Market Value of the shares (which are the

subject of the new rights) immediately after the grant of the new rights to the Subscriber; and

- 5.3.2.3 the total amount payable by the Subscriber for the acquisition of shares in pursuance of the new rights is substantially equivalent to the total amount that would be payable for the acquisition of Shares which are the subject of the Option in pursuance of the old rights.

- 5.3.3 Where any new rights are granted pursuant to this clause 5.3 this Agreement shall in relation to the new rights be construed as if references to the Company and to the Shares were references to the Acquiring Company or as the case may be to the company in whose shares the new rights relate and to the shares of the Acquiring Company or of the other company in whose shares the new rights relate.

5.4 **Liquidation**

If the Company passes an extraordinary resolution for dissolution and consequential voluntary winding up of the Company, the Option may be exercised until the commencement of such winding up (but, unless the Board in its absolute discretion determines otherwise, only to the extent the Option has vested pursuant to schedule 1) at the expiry of which period it shall lapse.

6 **VARIATION OF SHARE CAPITAL**

- 6.1 In the event of any capitalisation or rights issue or any consolidation, sub-division or reduction or other variation of the share capital by the Company, or if any of the shares in the Company are to be converted to shares of another class pursuant to the provisions of the Articles (including, but not limited to, a conversion of ordinary "D1" shares into "A" ordinary shares and/or Deferred Shares immediately prior to a Listing), the limit on the number of Shares available under the Option, the number, class and nominal amount of Shares subject to the Option (the definition of "Shares" being adjusted accordingly), the Exercise Price for each of those Shares and the number of Option Shares referred to in paragraph 1 of each of Part A and Part B of Schedule 1 may, at the discretion of the Company, be adjusted in such manner as the Board considers reasonable **PROVIDED THAT**:-

- 6.1.1 the aggregate amount payable on the exercise of an Option in full is not increased (subject to clause 6.1.2); and
6.1.2 the Exercise Price for a Share is not reduced below its nominal value.

7 **EXCHANGE OF OPTION FOR NEW OPTION**

- 7.1 If the Company is or is to be the subject of a transaction whereby all or substantially all of the issued share capital of the Company is or is to be exchanged for issued share capital in another company or body corporate, wherever incorporated, (the "**New Company**") with the result that (in the reasonable opinion of the Board) the beneficial ownership of the issued share capital in the New Company is (or is to be) substantially the same as the beneficial ownership of the issued share capital in the Company immediately prior to such transaction (the "**Exchange**"), the Subscriber shall (if so requested by the Company) release his rights (including his right to acquire Shares) under this Agreement (the "**Old Option**") in consideration for the grant to him of equivalent rights granted by the New Company (including a right to acquire shares in the New Company) (the "**New Option**"). The determination of such equivalence shall be made in the sole discretion of the Board whose decision shall be final and binding.

- 7.2 The New Option shall be on terms and conditions that are (in the opinion of the Board) equivalent to the terms and conditions of this Agreement save that where a provision in this Agreement refers to the Company the corresponding provision in the agreement governing the New Option (the "**New Option Agreement**") shall (unless the Board considers the context requires otherwise) instead refer to the New Company, provided that:

- 7.2.1 the number (and class) of shares in the New Company subject to the New Option may be different to the number (and class) of Shares subject to the Old Option, provided that (in the opinion of the Board) there shall be no material enlargement or dilution of the Subscriber's interest; and
7.2.2 the exercise price payable per share of the New Company under the New Option may be different to the Exercise Price per Share under the Old Option, provided that (i) the exercise price per share of the New Company under the New Option shall be at least the nominal value of such share and (ii) the aggregate exercise price for all of the shares of the New Company subject to the New Option immediately after the Exchange shall be substantially equivalent to the aggregate Exercise Price of all of the Shares subject to the Old Option immediately prior to the Exchange.

Where a New Option is to be granted, the New Option Agreement shall contain provisions which (in the opinion of the Board) are equivalent to those contained herein (including for the avoidance of doubt those contained in schedule 2) relating to Linked Shares, but instead relating to shares ("New Shares") for which any Linked Shares have been exchanged and (without limitation) the terms of the relevant agreement may:

- 7.3.1 reflect the fact that the New Shares relate to another corporation or company, including a foreign corporation or company, as the case may be, (rather than the Company); and
- 7.3.2 take account of any other matters (such as, without limitation, variations between the Articles and the constitutional documents governing the corporation or company in which the New Shares are issued and in the case of the corporation or company being incorporated in another jurisdiction, differences between the laws of Malta and the laws applicable to such company or corporations) that the Board considers necessary or desirable to give effect to the commercial intention of the arrangement envisaged by this Agreement.

8 ADDITIONAL PROVISIONS

The provisions of schedule 2 apply and relate (amongst other things) to the terms of the Subscriber's holding of any Linked Shares, certain restrictions relating to the same and matters relating to the conversion of shares.

9 POWER OF ATTORNEY

9.1 The Subscriber:

9.1.1 hereby irrevocably appoints the Company as his attorney ("Attorney") for all purposes referred to in this Agreement or any New Option Agreement and irrevocably authorises the Attorney (on the Subscriber's behalf) to execute any and all document(s) and to do any and all acts and things as the Attorney in its absolute discretion considers necessary or desirable in order to give full effect to the terms of this Agreement, the New Option Agreement, the terms of the Articles (or the articles of association of the New Company) or the release of the Old Option and grant of the New Option in connection with the Exchange. Every attorney that may be appointed by virtue of this clause shall be considered to act singly as the true and lawful attorney of the Subscriber with full power of substitution as specified herein;

9.1.2 agrees that the Attorney may in his name or otherwise on the Subscriber's behalf:

- 9.1.2.1 execute any stock transfer form and any other documents and do all things necessary in order to transfer any Linked Shares or New Shares in accordance with this Agreement or the Articles (or the articles of association of the company in which the New Shares are issued) including, without prejudice to the generality to the foregoing, any transfer pursuant to a Drag Along Notice;
- 9.1.2.2 accept any Company Transfer Notice or EBT Transfer Notice served in accordance with this Agreement or the New Option Agreement and execute any stock transfer form and any other documents and do all things necessary in order to transfer Unreleased Shares pursuant thereto;
- 9.1.2.3 accept any Company Conversion Information Notice (or other document) served in accordance with this Agreement or the New Option Agreement;

9.1.2.4 serve a Conversion Notice (or other document) in accordance with this Agreement or the New Option Agreement;

9.1.2.5 receive and comply with a Drag Along Notice;

9.1.2.6 make any tax filing or claim for relief or exemption that the Attorney considers necessary or desirable in connection with any transfer referred to at 9.1.2.1 above;

9.1.2.7 execute any New Option Agreement on the Subscriber's behalf;

9.1.2.8 approve any alteration to this Agreement or the New Option Agreement pursuant to clause 10 (or equivalent provisions of the New Option Agreement);

9.1.2.9 accept and retain any share certificate issued in respect of any Linked Shares or New Shares;

9.1.2.10 sign any written resolution of the shareholders of the Company or New Company (or of the holders of the relevant class of shares in the Company or New Company) that the Board considers to be necessary or

desirable for the purposes of or in connection with the IPO (as defined in schedule 2 but as if the reference to "Company" in such definition were to "Company or New Company") or any pre-IPO restructuring, reconstruction or amalgamation involving the share capital of the Company or New Company ("Resolutions") including without prejudice to the generality of the foregoing any reorganisation, conversion or reclassification of all or any of the share capital of the Company or New Company and/or the alteration, abrogation or variation of the rights attached to any Linked Shares or New Shares; and/or

- 9.1.2.11 in lieu of signing a written resolution as aforesaid, to appoint a proxy to attend and vote on his or her behalf on any Resolutions to be proposed at a general meeting of the Company or New Company at the discretion of the Attorney and to approve, in writing or otherwise, any consent to the convening of any such meeting at short notice.

9.2 The Subscriber hereby authorises the Attorney to:

- 9.2.1 delegate one or more of the powers conferred on the Attorney by this power of attorney (other than the power to delegate or appoint a substitute

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attorney) to an officer or officers appointed for that purpose by the board of directors of the Attorney, by resolution or otherwise, and vary or revoke such delegation at any time; and

- 9.2.2 appoint one or more persons to act as substitute attorney for the Subscriber and to exercise one or more of the powers conferred on the Attorney by this power of attorney and revoke any such appointment,

provided that neither of the above appointments shall constitute the appointment of a new attorney (for the same business of the mandate created by virtue of clause 9.1 or otherwise) or the revocation of the said mandate given to the Attorney.

9.3 The Subscriber undertakes:

- 9.3.1 to promptly notify the Attorney of, and deliver to the Attorney, anything received by the Subscriber in its capacity as the registered holder of any Linked Shares or New Shares;

- 9.3.2 to ratify and confirm whatever any Attorney does or purports to do in good faith in exercising the powers conferred by this power of attorney and hereby ratifies and confirms and agrees to ratify and confirm any act whatsoever the Attorney shall lawfully do or cause to be done and all documents executed by the Attorney in the exercise or proposed exercise of all or any of his powers; and

- 9.3.3 to indemnify and hold each Attorney harmless against all claims, losses, costs, expenses, damages or liability incurred by it as a result of acting in good faith (but not acting negligently or fraudulently) pursuant to this power of attorney (including any costs incurred in enforcing this indemnity).

9.4 The Subscriber declares that a person who deals with the Attorney in good faith may accept a written statement signed by the Attorney to the effect that this power of attorney has not been revoked as conclusive evidence of that fact. The Attorney is expressly authorized to act under this Power of Attorney.

9.5 The Subscriber agrees that the Attorney shall not accept any responsibility and shall not be under any liability for any act or omission of the Attorney or any of its representatives (save in the case of the Attorney's own fraud, negligence or wilful misconduct).

9.6 The Subscriber agrees that the power of attorney and other authorities on the terms conferred by or referred to in this Agreement (including but not limited to the

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authority granted in terms of paragraph 1.2.5 of schedule 2) are given by way of security for the performance of the obligations of the Subscriber and are irrevocable, to the extent permitted by applicable law, in accordance with section 4 of the Powers of Attorney Act 1971 and, in terms of Maltese law in so far as it may be applicable, article 1887 of the Civil Code (Cap. 16 of the Laws of Malta). Such power of attorney shall be irrevocable except with written consent of the Attorney.

9.7 The Board shall notify the Subscriber as soon as reasonably practicable following the Exchange of the release of the Old Option and the grant of the New Option or of any pre-IPO restructuring, reconstruction or amalgamation involving the share capital of the Company or New Company. Notwithstanding such release the power of attorney granted under this clause 9 shall remain valid, binding and in existence.

9.8 The power of attorney granted under this clause 9 is without prejudice (and in addition) to any power of attorney contained in the Articles (or the articles of association of the New Company).

10 VARIATION AND RELATED MATTERS

10.1 The terms of this Agreement shall in all respects be administered by the Board, and in the event of any dispute or disagreement as to the interpretation of this Agreement, or as to any question or right arising from or related to this Agreement, the decision of the Board shall be final and binding upon all persons. It is expressly agreed and understood by and between the parties to this Agreement that: from time to time during the term hereof there may be information relating to the Company and/or the Group which is considered by the Board to be of a commercially sensitive nature and/or which it would not be in the best interests of the Company to disclose to all shareholders of the Company, and accordingly disclosure of such information to the Subscriber should be withheld; the determination as to what information shall fall within this category is considered to constitute a question related to this Agreement on which the decision of the Board shall be final and binding upon all persons as aforesaid; and that for all intents and purposes the Subscriber hereby grants his unconditional waiver to the right to receive such information as the board of directors may determine from time to time, including during or for the purposes of a general meeting of the shareholders of the Company.

10.2 Subject to clause 10.4 and 7.3, the board of directors for the time being of the Company may at any time and from time to time make any alteration to this Agreement which it thinks fit provided that:

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10.2.1 any alteration to this Agreement which is necessary to comply with or to take account of any applicable legislation or statutory regulations or any change in them, or any requirements of any tax authority or to obtain or maintain favourable taxation, exchange and/or regulatory treatment for the Company, any Group member or the Subscriber, may be made without the consent of the Subscriber; and

10.2.2 (subject to clause 10.2.1) no alteration which would materially and unfairly increase the liability of the Subscriber or materially and unfairly decrease the value of his subsisting rights under this Agreement shall be made without the Subscriber's prior written consent.

10.3 Subject to clause 10.2, clause 10.4 and clause 7.3, no variation of this Agreement shall be valid unless it is in writing and signed by or on behalf of each of the parties to this Agreement.

10.4 In the event that any Linked Shares or New Shares are to be converted pursuant to the provisions of Article 7.6 of the Articles (or the equivalent provisions in relation to New Shares) in connection with a Listing, then the Board may (by simple board resolution) make any alteration to this Agreement or the New Option Agreement, as the case may be, which it thinks fit so that the provisions of this Agreement or the New Option Agreement, as the case may be, apply (from and after the relevant conversion) to the shares into which such Linked Shares or New Shares have converted including but not limited to, providing that any Linked Shares or New Shares that would have been the subject of a Company Conversion Information Notice under this Agreement in connection with a Sale shall instead be subject to compulsory transfer to an Employee Benefit Trust or other party nominated by the Company or to the acquiring entity in such Sale for no (or nominal) consideration.

11 MISCELLANEOUS

11.1 This Agreement shall be binding upon each party's successors and assigns and personal representatives (as the case may be) but except as expressly provided herein none of the rights of the parties under this Agreement may be assigned or transferred.

11.2 Notwithstanding any other provision of this Agreement:

11.2.1 this Agreement shall not form part of any contract of employment or office between the Company or any other member of the Group and the Subscriber and the rights and obligations of the Subscriber under the terms of his office or employment with the Company or any other member of the Group shall not be affected by this Agreement and this Agreement shall afford the

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Subscriber no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason whatsoever; and

11.2.2 this Agreement shall not confer on the Subscriber any legal or equitable rights (other than those constituting the Option) against the Company or any other member of the Group directly or indirectly, or give rise to any cause of action at law or in equity against the Company or any other member of the Group; and

11.2.3 the Subscriber shall not be entitled to any compensation or damages for any loss or potential loss which (s)he may suffer by reason of being unable to exercise the Option (or have any Linked Shares Released) in consequence of the loss or termination of his office or employment with the Company or any other member of the Group for any reason whatsoever.

11.3 Any notice or other communication under or in connection with this Agreement may be given:

11.3.1 by personal delivery or by sending the same by post, to the Subscriber at his last known address, or to the address of the place of business at which he performs the whole or substantially the whole of his duties of his office or employment, and to the Company at its registered office and where a notice or other communication is given by first class post, it shall be deemed to have been received 48 hours after it was put into the post properly addressed and stamped; or

11.3.2 to the Subscriber by electronic communication to his usual business address or to such other address for the time being notified for that purpose to the person giving the notice.

11.4 This Agreement constitutes the whole agreement between the parties hereto. The Subscriber agrees that in entering into this Agreement he does not rely on, and shall have no remedy in respect of, any statement, representation, warranty or understanding other than as set out in this Agreement. The only remedy available to the Subscriber in respect of any such statement, representation, warranty or understanding shall be for breach of contract under the terms of this Agreement. Nothing in this sub-clause shall operate to exclude liability for fraud.

11.5 The Subscriber shall be responsible for obtaining any governmental or other official consent that may be required by any country or jurisdiction in order to permit the grant or exercise of the Option. Neither the Company nor any other member of the

Group shall be responsible for any failure by the Subscriber to obtain any such consent or for any tax or other liability to which the Subscriber may become subject as a result of his exercise of the Option.

11.6 After exercise of the Option and acquisition of the Option Shares, the Subscriber shall become bound by the provisions of the Articles (a copy of which is appended to and forms part of this Agreement) and in particular in relation to the provisions relating to the transfer of shares which are contained in the Articles.

11.7 The Subscriber consents that the Company shall collect and process his/her personal data for the purposes set out in this Agreement and in terms of the Data Protection Act (Cap. 440 of the Laws of Malta) or similar laws in other applicable jurisdictions. The Subscriber further consents to the processing and release of the information contained herein by the Company (including, but without prejudice to the generality of the foregoing, such person's name, address, age and salary details) to any other members of the Group or any third parties in connection with the administration of this Agreement or for the purpose of complying with any legal obligations. To the extent required by law, the Subscriber has the right to access data which the Company holds about him, and, where applicable, the right to ask for a rectification or erasure of such data.

11.8 This deed may be executed in any number of counterparts each of which shall constitute an original but all of which shall constitute one and the same instrument.

11.9 A person who is not a party to this Agreement shall have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement, save that any person which is obliged to account for any Tax Liability shall be entitled to enforce clause 3 and that any holding company of the Company (from time to time) may enforce any of the provisions of this Agreement ("holding company" having the meaning given in section 1159 Companies Act 2006 for this purpose (but, for the purposes of section 1159(1) of the Companies Act 2006, a company shall be treated as a member of another company if any shares in that other company are registered in the name of either (a) a person by way of security (where the company has provided the security) or (b) a person as nominee for the company)). This clause does not affect any right or remedy of any person which exists or is available otherwise than pursuant to that Act. The Company may assign any of its rights under this Agreement.

11.10 This Agreement (including the power of attorney granted hereunder) shall be interpreted and construed in accordance with the laws of England and Wales. The parties irrevocably agree that the courts of England shall have exclusive jurisdiction to settle any dispute which may arise out of or in connection with this Agreement and that accordingly, any suit, action or proceedings arising out of or in connection with this Agreement shall be brought in such courts.

IN WITNESS whereof the parties have executed this Agreement as a Deed on the date set out above.

EXECUTED AS A DEED by
MIDASPLAYER INTERNATIONAL
HOLDING COMPANY P.L.C.
acting by a director in the presence
of a witness:-

)
)
)
)
)

.../s/ Marius McKeon.....
Director

Witness' Signature:/s/ M Schembri.....

Witness' Name: ...Michael Schembri.....

Witness' Address: [_____]

Witness' Occupation: Assistant Accountant

EXECUTED AS A DEED by
RICCARDO ZACCONI
in the presence of:-

)
)
)

..../s/ ..RZ.....

Witness' Signature:/s/ Rob Miller.....

Witness' Name:Robert Miller.....

Witness' Address: [_____]

Witness' Occupation: Solicitor

Schedule 1

Part A

Time-based Vesting

For the purposes of this Agreement:

1. this Part A of Schedule 1 shall apply to 600,000 of the Option Shares (the ‘**Type A Option Shares**’);
2. one twelfth of the Type A Option Shares shall vest 3 months after the Effective Date;
3. a further one twelfth of the Type A Option Shares shall vest 6 months after the Effective Date with an additional one twelfth vesting after each 3 month period thereafter (with the intent that 100% of the Type A Option Shares will have vested 36 months after the Effective Date),

and the Option shall be exercisable in relation to the Type A Option Shares at any time after the date it has first vested (to the extent vested in respect of the Type A Option Shares).

Notwithstanding any of the above:

- (a) no Type A Option Shares shall vest after the date on which the Subscriber ceases to be employed by (or a director of) the Company or any member of the Group (“**Cessation Date**”) unless the Board (having obtained the consent of the Investor Director) determines otherwise save that:
- (i) in the event that the relevant member of the Group that is the Subscriber’s employer terminates his employment (otherwise than in circumstances where it is entitled to do so summarily under the terms of the Service Agreement) and the Subscriber’s employer makes a payment in lieu of any part of the contractual notice period, any Type A

Option Shares that would have vested under paragraphs 2 and 3 above during the period that would otherwise have been the notice period shall be treated as having vested on the Cessation Date; and

- (ii) in the event of a Change of Control Termination, 100% of any of the Type A Option Shares that would have vested under paragraphs 2 and 3 above during the period of three calendar years commencing on the date of the Change of Control Termination shall be treated as vested on the Cessation Date; and
- (b) no Type A Option Shares shall vest after the date of a Sale (save to the extent the Board, having obtained the consent of the Investor Director, determines otherwise and save to the extent they vest under paragraph (a)(ii) above);

and, if any of the Type A Option Shares are no longer capable of vesting, the Option shall lapse immediately with respect to those Type A Option Shares that shall not vest.

Part B

Performance vesting

For the purposes of this Agreement:

1. this Part B of Schedule 1 shall apply to 600,000 of the Option Shares (the '**Type B Option Shares**') being those Option Shares to which Part A does not apply;
2. in the event that:
 - (a) at any point during the First Minimum Service Period the average of the Closing Prices over any period of six consecutive calendar months meets or exceeds the Target Price; or
 - (b) at any point after the First Minimum Service Period ends but prior to the expiry of the First Performance Period the average of the Closing Prices over any period of three consecutive calendar months meets or exceeds the Target Price; or
 - (c) at any point from the start of the First Minimum Service Period until the expiry of the First Performance Period a Sale occurs and the price being paid by the Acquiring Company for each share in the Company as part of that Sale meets or exceeds the Target Price in the opinion of the Board, acting reasonably;

then 33% of the Type B Option Shares (rounded down to the nearest whole number) shall vest (in the case of paragraph 2(a), on the earliest of: (i) the last day of the First Minimum Service Period; (ii) the Subscriber becoming a Good Leaver (provided that the condition in paragraph 2(a) had been met by that date); and (iii) immediately prior to a Sale; in the case of paragraph 2(b), immediately the condition in that paragraph is satisfied; and in the case of paragraph 2(c), immediately prior to the Sale);

3. in the event that:
 - (a) at any point during the Second Minimum Service Period the average of the Closing Prices over any period of six consecutive calendar months meets or exceeds the Target Price; or
 - (b) at any point after the Second Minimum Service Period ends but prior to the expiry of the Second Performance Period the average of the Closing Prices over any period of three consecutive calendar months meets or exceeds the Target Price; or
 - (c) at any point from the start of the Second Minimum Service Period until the expiry of the Second Performance Period a Sale occurs and the price being paid by the Acquiring Company for each share in the Company as part of that Sale meets or exceeds the Target Price in the opinion of the Board, acting reasonably;

then a further 33% of the Type B Option Shares (rounded down to the nearest whole number) shall vest (in the case of paragraph 3(a), on the earliest of: (i) the last day of the Second Minimum Service Period; (ii) the Subscriber becoming a Good Leaver (provided that the condition in paragraph 3(a) had been met by that date); and (iii) immediately prior to a Sale; in the case of paragraph 3(b), immediately the condition in that paragraph is satisfied; and in the case of paragraph 3(c), immediately prior to the Sale);

4. in the event that:

- (a) at any point during the Third Minimum Service Period the average of the Closing Prices over any period of six consecutive calendar months meets or exceeds the Target Price; or
- (b) at any point after the Third Minimum Service Period ends but prior to the expiry of the Third Performance Period the average of the Closing Prices over any period of three consecutive calendar months meets or exceeds the Target Price; or
- (c) at any point from the start of the Third Minimum Service Period until the expiry of the Third Performance Period a Sale occurs and the price being paid by the Acquiring Company for each share in the Company as part of that Sale meets or exceeds the Target Price in the opinion of the Board, acting reasonably;

then a further 34% of the Type B Option Shares (rounded down to the nearest whole number) shall vest (in the case of paragraph 4(a), on the earliest of: (i) the last day of the Third Minimum Service Period; (ii) the Subscriber becoming a Good Leaver (provided that the condition in paragraph 4(a) had been met by that date); and (iii) immediately prior to a Sale; in the case of paragraph 4(b), immediately the condition in that paragraph is satisfied; and in the case of paragraph 4(c), immediately prior to the Sale);

and the Option shall be exercisable in relation to the Type B Option Shares at any time after the date it has first vested (to the extent vested in respect of the Type B Option Shares).

Notwithstanding any of the above:

- (a) no Type B Option Shares shall vest after the date on which the Subscriber ceases to be employed by (or a director of) the Company or any member of the Group unless the Board (having obtained the consent of the Investor Director) determines otherwise save that:
 - (i) in the event that the relevant member of the Group that is the Subscriber's employer terminates his employment (otherwise than in circumstances where it is entitled to do so summarily under the terms of the Service Agreement) and the Subscriber's employer makes a payment in lieu of any part of the contractual notice period then, for the purposes of clause 2.5.6, the Option shall not lapse under that clause 2.5.6 in respect of the Type B Option Shares until the date falling three calendar months after the expiry of the contractual
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notice period and Type B Option Shares shall continue to be capable of vesting in accordance with the provisions of this Part B during the period that would otherwise have been the notice period and shall cease to be capable of vesting on the last day of the period that would otherwise have been the notice period; and

- (ii) in the event of a Change of Control Termination that occurs prior to a Sale, 100% of any of the Type B Option Shares that become vested under paragraphs 2(c), 3(c) and 4(c) of this Part B in relation to that Sale shall be treated as vested immediately prior to the Sale;
- (b) no Type B Option Shares shall vest after the date of a Sale (save to the extent the Board, having obtained the consent of the Investor Director, determines otherwise);
- (c) no Type B Option Shares shall vest (including under paragraph (a) above) prior to the occurrence of a Listing;

and, if any of the Type B Option Shares are no longer capable of vesting, the Option shall lapse immediately with respect to those Type B Option Shares that shall not vest.

For the purposes of this Agreement:

“Closing Price” means the closing price for a Share as derived from the relevant Official List;

“First Minimum Service Period”, “Second Minimum Service Period” and “Third Minimum Service Period” means such periods as commence on the date of completion of a Listing and end on the third, fourth and fifth anniversary of such date respectively;

“First Performance Period”, “Second Performance Period” and “Third Performance Period” means such periods as commence on the date of completion of a Listing and end on the fifth, sixth and seventh anniversary of such date respectively;

“Target Price” means:

- (a) in the case of paragraph 1, \$65 reduced by the amount of any dividends paid on a Share during the First Performance Period;

- (b) in the case of paragraph 2, \$80 reduced by the amount of any dividends paid on a Share during the Second Performance Period;
- (c) in the case of paragraph 3, \$95 reduced by the amount of any dividends paid on a Share during the Third Performance Period;

in each case as calculated at the sole discretion of the Board (who may make such amendments to the definition of Target Price as they deem necessary, acting reasonably, in the event of any consolidation, sub-division, bonus issue, reduction of capital, share buy-back or other reorganisation of shares in the Company).

Schedule 2

Linked Shares

Schedule 3

Company Conversion Information Notice

Conversion Notice

Schedule 4

1 CALCULATION TO BE PERFORMED ON EXERCISE

Appendix1: Examples of operation of clause 3.3 and schedule 4

Appendix 2: Section 431 election

Appendix 3: Articles of Association of the Company

OPTION EXCHANGE/SUPPLEMENTAL SUBSCRIPTION AGREEMENT
(for D1 share options/D3 shares)

Riccardo Zacconi

OPTION EXCHANGE/SUPPLEMENTAL SUBSCRIPTION AGREEMENT made on 21 March 2014

BETWEEN:

- (1) MIDASPLAYER INTERNATIONAL HOLDING COMPANY P.L.C., company number C40465, a public limited company whose registered office is at Aragon House Business Centre, Dragonara Road, St. Julian's, STJ 3140, Malta ("MIHC");
- (2) KING DIGITAL ENTERTAINMENT PUBLIC LIMITED COMPANY, company number 529753, a public limited company whose registered office is at Fitzwilson House, Wilton Place, Dublin 2, Ireland ("King Digital Entertainment"); and
- (3) The individual named in the Schedule to this Agreement (the "**Subscriber**".)

RECITALS

- A. The Subscriber was granted an option to acquire D1 Ordinary Shares in MIHC ("**MIHC D1 Shares**"), which option is described in the Schedule to this Agreement under the heading "MIHC Option" (the "**MIHC Option**");
- B. The MIHC Option is evidenced by an Individual Option and Subscription Agreement entered into between MIHC and the Subscriber (the "**Option and Subscription Agreement**");
- C. It is proposed that King Digital Entertainment will become the new holding company of MIHC by reason of all of the shareholders in MIHC exchanging their MIHC shares for shares in King Digital Entertainment (the "**Share for Share Exchange**") with the objective of King Digital Entertainment listing its shares on the New York Stock Exchange (the "**Proposed Listing**");
- D. Pursuant to the Share for Share Exchange, shares in MIHC shall be exchanged for shares in King Digital Entertainment on a 2 for 5 basis (the "**Exchange Ratio**");
- E. Each individual who holds an option to subscribe for MIHC D1 Shares has been requested by MIHC to release such option in consideration of the grant to him of an equivalent option over A Ordinary Shares in King Digital Entertainment ("**New Option Shares**");
- F. The Subscriber has agreed to release the MIHC Option in consideration of the grant to him by King Digital Entertainment of an equivalent option over New Option Shares, which option is described in the Schedule to this Agreement under the heading "**New Option**" (the "**New Option**");
- G. The number of New Option Shares subject to the New Option and the Exercise Price per New Option Share reflect adjustments made to the MIHC Option to take account of the Exchange Ratio;
- H. The Subscriber has acquired D3 Ordinary Shares in MIHC, which are described in the Schedule to this Agreement under the heading "**MIHC Linked Shares**" (the "**MIHC Linked Shares**") and were issued to and are held by the Subscriber subject to the articles of association of MIHC and the Option and Subscription Agreement;
- I. The Employee has received a letter of offer from King Digital Entertainment in which King Digital Entertainment has offered to acquire his MIHC Linked Shares in exchange for shares in King Digital Entertainment;
- J. Upon completion of the Share for Share Exchange the Employee will receive the shares in King Digital Entertainment described in the Schedule to this Agreement under the heading "**New Linked Shares**" (the "**New Linked Shares**") in exchange for his MIHC Linked Shares and the allotment of the New Linked Shares, and the subscription price paid per New Linked Share and the D3 Hurdle Price and D3 Hurdle Amount applicable thereto, as adjusted to reflect the Exchange Ratio, shall be evidenced by a letter of allotment issued by King Digital Entertainment upon completion of the Share for Share Exchange (the "**New Letter of Allotment**");

- K. The New Option shall be granted upon and subject to the terms and conditions that applied to the MIHC Option pursuant to the Option and Subscription Agreement but as if amended by this Agreement, and to the additional terms and conditions set out in this Agreement;
- L. The New Linked Shares shall be held by the Subscriber subject to the articles of association of King Digital Entertainment in effect from time to time (the "**KDE Articles**") and to the terms and conditions that applied to the MIHC Linked Shares pursuant to the Option and Subscription Agreement, as if amended by this Agreement;
- M. The Board of Directors of MIHC has determined, in accordance with Clause 7 of the Option and Subscription Agreement, that the Subscriber's rights under the New Option, and the terms and conditions of the New Option, and the provisions relating to the New Linked Shares are equivalent to such rights, terms and conditions and provisions, respectively, as applied to the MIHC Option and the MIHC Linked Shares under the Option and Subscription Agreement,
- N. The New Option Shares will be redesignated as Ordinary Shares of King Digital Entertainment upon the Proposed Listing; and

- O. Immediately prior to the Proposed Listing, the New Linked Shares shall convert into A Ordinary Shares and/or A Deferred Shares in the capital of King Digital Entertainment, in accordance with the KDE Articles and upon the Proposed Listing such A Ordinary Shares shall be redesignated as Ordinary Shares.

THE PARTIES AGREE as follows:

1. **Definitions**

In this Agreement, all defined terms used in the Option and Subscription Agreement shall, unless herein defined, bear the same meaning herein and all other references shall be construed in accordance therewith, except to the extent that the context otherwise requires.

2. **Agreement to Release MIHC Option**

In consideration of the undertaking by King Digital Entertainment to grant the New Option, the Subscriber irrevocably agrees to irrevocably and unconditionally release the MIHC Option and all rights he has or may have under the Option and Subscription Agreement in respect of MIHC D1 Shares, and upon such release the MIHC Option shall be cancelled by MIHC.

Notwithstanding the release of the MIHC Option, the obligations of the Subscriber pursuant to Clause 4 of the Option and Subscription Agreement shall continue in effect and the power of attorney contained in Clause 9 thereof shall remain valid, binding and in existence.

3. **Undertaking to Grant New Option**

In consideration of the agreement by the Subscriber to release the MIHC Option, King Digital Entertainment undertakes to grant the New Option.

4. **Effectiveness of Release of MIHC Option and Grant of New Option**

The release of the MIHC Option by the Subscriber pursuant to Clause 2 and the grant of the New Option by King Digital Entertainment pursuant to Clause 3 shall take effect immediately upon the Share for Share Exchange being completed.

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5. **Terms of New Option**

The New Option shall be granted upon and subject to the same terms and conditions as applied to the MIHC Option, as set out in the Option and Subscription Agreement but as if the amendments in Part 1 and Part 2 of the Appendix to this Agreement had been made to the Option and Subscription Agreement (subject in the case of the amendments in Part 2 to the Proposed Listing), and to the additional terms and conditions set out in this Agreement.

The New Option Agreement for purposes of Clause 7 of the Option and Subscription Agreement shall mean this Agreement and the terms and conditions set out in the Option and Subscription Agreement, as amended by this Agreement.

6. **Exercise of New Option – Dividend Waiver**

Exercise of the New Option prior to Listing shall be subject to and conditional upon the Subscriber executing a dividend waiver, in a form approved by the Board, in which he agrees to waive the right to dividends attaching to the New Option Shares, such waiver to lapse on the earlier of the Proposed Listing or 20 years from the date of its execution.

7. **Terms and Conditions applicable to New Linked Shares**

The New Linked Shares shall be held by the Subscriber subject to the KDE Articles and the terms and conditions set out in the Option and Subscription Agreement, as if amended by this Agreement.

8. **Counterparts**

This Agreement may be executed in any number of counterparts and by the different parties on separate counterparts, each of which when so executed and delivered shall be an original, but all counterparts shall together constitute one and the same instrument.

9. **Assignment**

MIHC or King Digital Entertainment may assign any of their respective rights under this Agreement. The Subscriber shall not assign his rights under this Agreement.

10. **Governing Law and Jurisdiction**

This Agreement shall be interpreted and construed in accordance with the laws of England and Wales, and the parties submit to the exclusive jurisdiction of the Courts of England and Wales in relation to all matters arising under this Agreement.

11. **Supersedes earlier Agreement**

This Agreement supersedes the Option Exchange/Supplemental Subscription Agreement previously entered into between the parties hereto with respect to the Option and Subscription Agreement and such Option Exchange/Supplemental Subscription Agreement shall have no effect from execution of this Agreement.

Appendix

Part 1 – Amendments Effective from the Grant of the New Option

1. The Schedule to this Agreement shall be incorporated into and form part of the Option and Subscription Agreement as Appendix 4;
2. King Digital Entertainment shall replace Midasplayer International Holding Company p.l.c. as the "**Company**" (including in the references thereto in Schedule 3);
3. Recitals (B), (C) and (D) shall be deleted in their entirety and replaced with the following:
 - (B) The Company has granted to the Subscriber an option to acquire the Option Shares in consideration of the Subscriber having released an option to acquire D1 Ordinary Shares of Midasplayer International Holding Company p.l.c. ("**MIHC**") evidenced by an Individual Option and Subscription Agreement (the "**MIHC Option**") in connection with the exchange of all of the shares in MIHC for shares in the Company (the "**Share for Share Exchange**");
 - (C) Pursuant to the Share for Share Exchange, shares in MIHC were exchanged for shares in the Company on a 2 for 5 basis (the "**Exchange Ratio**");
 - (D) The Subscriber has acquired the Linked Shares pursuant to the exchange of his D3 Ordinary Shares in MIHC (the "**MIHC Linked Shares**") for the Linked Shares in the Share for Share Exchange;
 - (E) The allotment of the Linked Shares, and the subscription price paid per Linked Share and the D3 Hurdle Price and D3 Hurdle Amount applicable thereto, as adjusted to reflect the Exchange Ratio, are evidenced by a letter of allotment issued by the Company upon completion of the Share for Share Exchange (the "**New Letter of Allotment**"); and
 - (F) The Subscriber agrees to hold the Linked Shares subject to the terms of the Articles and this Agreement. Pursuant to the provisions of this Agreement and the Articles, the Linked Shares, or any shares into which they are converted in connection with a listing of the Company's shares on a securities exchange or otherwise (or a proportion thereof) may, in certain circumstances and at certain times, become subject to compulsory transfer under this Agreement and/or the Articles or be converted into Deferred Shares."

4. The definition of "Exercise Price" in Clause 1.1 of the Option and Subscription Agreement shall be deleted in its entirety and replaced with the following:

“Exercise Price”

means the Exercise Price per Option Share set out under the heading "New Option" in Appendix 4 to this Agreement;"

5. The definition of "Linked Shares" in Clause 1.1 of the Option and Subscription Agreement shall be deleted in its entirety and replaced with the following:

“Linked Shares”

means the D3 Ordinary Shares of \$0.00008 each in the capital of the Company which in the letter of allotment issued by the Company to the Subscriber are expressed as being "Linked Shares" for purposes of the Option or any A Ordinary Shares of \$0.00008 in the capital of the Company into which such shares convert immediately prior to a Listing, redesignated as Ordinary Shares upon a Listing;"

6. The definition of "Option Shares" in Clause 1.1 of the Option and Subscription Agreement shall be deleted in its entirety and replaced with the following:

“Option Shares”

means the number of Shares set out in the column headed Number of New Shares under the heading "New Option" in Appendix 4 to this Agreement which are the subject of the Option;"

7. The definition of "Share" in Clause 1.1 of the Option and Subscription Agreement shall be deleted in its entirety and replaced with the following:

“Share”

means an A Ordinary Share of \$0.00008 in the capital of the Company;"

8. Clause 2.2 shall be deleted in its entirety and replaced with the following;

“The Option is granted on the effective date of the Share for Share Exchange.”

9. Clause 2.5.1 shall be deleted in its entirety and replaced with the following;
“2.5.1 the tenth anniversary of the Grant Date of the MIHC Option, as set out in the agreement evidencing such option”;
10. Clause 9 shall be deleted in its entirety and replaced with the following:
“Intentionally left blank”;
but, for the avoidance of doubt, the power of attorney given under Clause 9 of the Option and Subscription Agreement shall remain valid, binding and existing.
11. In Schedule 1, Part A, paragraph 1 shall be deleted in its entirety and replaced with the following:
“1. this Part A of Schedule 1 shall apply to 1,500,000 of the Option Shares (the “**Type A Option Shares**);”
12. In Schedule 1, Part A, the following new provision shall be included after the existing text:
“4. Notwithstanding the provisions of clauses 2.5.3 and 5.3.1, in the event that (i) a Sale is to take place on a date prior to the date 36 months after the Effective Date, and (ii) in connection with the Sale the Acquiring Company requests that the Subscriber release his rights under the Option with respect to any Type A Option Shares that are capable of vesting after the date of the Sale in accordance with paragraph (a)(ii) of this Schedule (Part A) (the “**Change of Control Termination Option Shares**”) in consideration for the grant to him of equivalent rights but relating to shares in a different company, whether such rights are equivalent for such purpose being determined in accordance with clauses 5.3.2.2 and 5.3.2.3 (but adjusted to take account of the fact that the release relates only to the Change of Control Termination Option Shares), then the Subscriber shall so release his rights under the Option with respect to the Change of Control Termination Option Shares. In such event, clause 5.3.3 shall apply to the new rights granted (but again adjusted in such manner as the Board considers reasonable to take account of the fact that the release related only to the Change of Control Termination Option Shares) and from the effective date of grant of the equivalent rights, the Type A Option Shares for purposes of paragraph (a)(ii) of this Schedule shall mean the shares in the company to which such new rights relate. In the event the Subscriber refuses or fails to release his rights under the Option with respect to the Change of Control Termination Option Shares pursuant to a request made by the Acquiring Company in accordance with this paragraph 4, the Option shall lapse with respect to the Change of Control Option Shares upon the Sale becoming effective in accordance with its terms.”

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13. In Schedule 1, Part B, paragraph 1 shall be deleted in its entirety and replaced with the following:
“1. this Part B of Schedule 1 shall apply to 1,500,000 of the Option Shares (the “**Type B Option Shares**) being those Option Shares to which Part A does not apply;”
14. In Schedule 1, Part B, the definition of “Target Price”, the amounts “\$65”, “\$80” and “\$95”, in paragraphs (a), (b) and (c) shall be replaced with the amounts “\$26”, “\$32” and “\$38”, respectively.
15. In Schedule 2, Clause 1.1 shall be deleted in its entirety and replaced with the following:
“The Subscriber agrees to acquire and hold the Linked Shares subject to the terms and conditions of this Agreement and the Articles.”
16. In Schedule 2, Clause 2, the following new provision shall be included as paragraph 2.8;
“For the avoidance of doubt, references in this paragraph 2 to “the price paid by the Subscriber on subscription for the Unreleased Shares” shall mean, with respect to each Unreleased Share, the subscription price paid for such Unreleased Share as set out in the New Letter of Allotment.”

PART 2 – AMENDMENTS SUBJECT TO THE PROPOSED LISTING

1. The definitions of “Company Conversion Information Notice”, “Conversion Date”, and “Conversion Number” in Clause 1.1 shall be deleted.
2. The definition of “Fair Price” in Clause 1.1 of the Option and Subscription Agreement shall be deleted in its entirety and replaced with the following:
“Fair Price”
means, as of any date, the value of a Share determined as follows:
(a) if the Shares are publicly traded and listed on a national securities exchange, the closing price on the date of determination on the principal national securities exchange on which the Shares are listed or admitted to trading as reported in The Wall Street Journal or such other source as the Board deems reliable;
(b) if the Shares are publicly traded but are neither listed nor admitted to trading on a national securities exchange, the average of the closing bid and asked prices on the date of determination as reported in The Wall Street Journal or such other source as the Board deems reliable; or
(c) if none of the foregoing is applicable, by the Board in good faith;
3. In the definition of “Good Leaver” in Clause 1.1, the words “(subject to the Investor Director (as such term is defined in the Articles) voting in favour of such determination)” shall be deleted.

4. All references to the Investor Director shall be deleted.

5. The definition of "Sale" in Clause 1.1 shall be deleted in its entirety and replaced with the following:

""Sale"

means the acquisition by a person, entity or "group" (within the meaning of Section 13(d) of the Exchange Act of the United States (the "Exchange Act") or any comparable successor provisions) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act, or comparable successor rules) of issued or outstanding voting securities of the Company representing more than fifty per cent (50%) of the combined voting power of the Company, whether as a result of making a general offer to acquire the whole of the issued share capital of the Company or all the shares in the Company which are of the same class as the Shares, a court-sanctioned compromise or scheme of arrangement, or otherwise, but excluding a transaction which (i) results in the Company's voting securities in issue immediately before the transaction continuing to represent (either by remaining in issue or outstanding or by being converted into voting securities of the company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "Successor Entity")) directly or indirectly, at least 50% of the combined voting power of the Successor Entity's issued or outstanding voting securities immediately after the transaction, and (ii) after which no person, entity or group beneficially owns voting securities representing 50% or more of the combined voting power of the Successor Entity; provided, however, that no person or group shall be treated for purposes of this definition as beneficially owning 50% or more of the combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction."

6. The definition of "Share" in Clause 1.1 of the Option and Subscription Agreement shall be amended to read as follows:

""Share"

means an Ordinary Share of \$0.00008 in the capital of the Company; ".

7. Clause 3.8 shall be deleted in its entirety.

8. In Schedule 2, paragraphs 2.4 and 2.5 shall be deleted in their entirety and replaced with the following:

- 2.4 In the event that a Sale is to occur, the number of Linked Shares which have not been Released as at the date of the Sale (or, in the case only of a Sale which does not consist of a sale of the entire issued share capital of the Company, such number as is determined by the Board) shall, unless otherwise determined by the Board, pursuant to notice served on the Subscriber be acquired by the Company in accordance with the Articles or by an Employee Benefit Trust, without payment of consideration to the Employee;
- 2.5 The Employee shall procure the transfer to the Company or the Employee Benefit Trust, as appropriate, of the Linked Shares subject to the notice served pursuant to Clause 2.4 on the date specified by the Board in the notice given."

9. In Schedule 2, paragraph 3 shall be deleted in its entirety and replaced with the following:

""3. Share Transfer/Share Certificates

The Subscriber shall not transfer or dispose of any Linked Shares that have not been Released or enter into any arrangement which may place any Encumbrance on such Linked Shares, without the prior written consent of the Board. The Company shall retain the share certificates issued in respect of Linked Shares until they are Released".

10. Schedule 3 shall be deleted.

SCHEDE

(To be appended to the Option and Subscription Agreement, as if amended by this Agreement, as Appendix 4)

Option and Linked Shares

Name of Subscriber: Riccardo Zacconi

Option

**MIHC Option
(pre-Share for Share Exchange)**

Number of D1 Ordinary Shares in MIHC	Exercise Price per Share	Aggregate Exercise Price
1,200,000	\$18.66	\$22,392,000

New Option
(post-Share for Share Exchange and adjusted to reflect the Exchange Ratio)

Number of Shares (A Ordinary Shares in King Digital Entertainment) (rounded down to the nearest share)	Exercise Price per Share	Aggregate Exercise Price
3,000,000	\$7.46	\$22,380,000

Linked Shares

MIHC Linked Shares
(pre-Share for Share Exchange)

Number of MIHC Linked Shares	Class of MIHC Shares	Nominal value per Share
1,200,000	D3 Ordinary	€0.000149

New Linked Shares
(post-Share for Share Exchange and adjusted to reflect the Exchange Ratio)

Number of New Linked Shares	Class of King Digital Entertainment Shares	Nominal value per Share
3,000,000	D3 Ordinary	\$0.00008

EXECUTED AS A DEED by
**MIDASPLAYER INTERNATIONAL
HOLDING COMPANY P.L.C.**
acting by a director in the presence
of a witness:-

)
)/s/ Marius J McKeon.....
) Director

Witness' Signature:/s/ Luci Ingram.....

Witness' Name: ...Luci Ingram.....

Witness' Address: []

Witness' Occupation: Solicitor

PRESENT when the common seal
of **KING DIGITAL ENTERTAINMENT PLC**
was affixed to this Deed:

/s/ Sebastian Knutsson

Signature

Sebastian Knutsson

Print name

/s/ F Williams

Signature

Frankie Williams

Print name

EXECUTED AS A DEED by
RICCARDO ZACCONI

)/s/ RZ.....

in the presence of:-)

Witness' Signature: .../s/ Luci Ingram.....

Witness' Name: ...Luci Ingram.....

Witness' Address: [_____]

Witness' Occupation: Solicitor

KING DIGITAL ENTERTAINMENT PUBLIC LIMITED COMPANY 2014 EQUITY INCENTIVE PLAN

NOTICE OF SHARE OPTION GRANT

(100% VESTING ON CHANGE OF CONTROL TERMINATION AND PILON VESTING)

You (being the Participant named below) ("you") have been granted an option (the "Option") by King Digital Entertainment Public Limited Company (the "Company") under its 2014 Equity Incentive Plan (the "Plan") to subscribe for the number of Shares set out below (the "Option Shares"). The Option is granted subject to the terms and conditions of the Plan, this Notice of Share Option Grant (the "Notice") and the attached Share Option Terms (the "Terms"), including any applicable country-specific provisions in the appendix attached thereto (if any) (the "Appendix"), (the Notice together with Terms (including the Appendix) being the "Agreement").

Unless otherwise defined in this Agreement, any capitalized terms used in this Agreement will have the meaning given to them in the Plan.

Participant Name:	Riccardo Zaconi
Option Shares (Number):	426000
Date of Grant:	16 February 2015
Exercise Price per Option Share:	\$15.90
Expiration Date:	15 February 2025 (the "Expiration Date"). The Option will expire before the Expiration Date if your Service terminates, as described in the Terms, and may expire earlier in other circumstances in accordance with the Terms and the Plan.
Vesting Commencement Date:	16 February 2015
Vesting Schedule:	The Option will become exercisable in instalments over the period of 48 months measured from the Vesting Commencement Date; the Option will become exercisable with respect to twenty-five percent (25%) of the total number of Option Shares on the date 12 months after the Vesting Commencement Date and with respect to the remaining seventy-five percent (75%) in a series of 12 equal quarterly instalments over the 36-month period thereafter.

You acknowledge that vesting of the Option is earned only by continuing in Service. You acknowledge and agree that the vesting schedule described above may change prospectively in the event that your Service status changes, in accordance with Company policies relating to leave from work, work schedules and vesting of Options under the Plan, and the provisions of the Plan.

You further acknowledge that the grant of the Option is at the Company's sole discretion, and does not entitle you to further grant(s) of Options or other Award(s) under the Plan or awards under any other plan or program maintained by the Company or any Associated Company or affiliate of the Company.

You are required to pay the Company a nominal amount in consideration for the grant of your Option. That amount will be determined by the currency in which your salary is paid and will be the appropriate one of the following: one pound sterling (£1); one U.S. dollar (\$1); one Euro (€1) or ten Swedish Kroner (SEK10) or a single unit of the relevant local currency. Unless otherwise determined by the Company, and notified to you, the appropriate amount will be deducted from payroll on the next practicable payroll date after the date on which you confirm your acceptance of the Option, and you hereby authorise that deduction.

The Option shall not take effect unless you have confirmed your acceptance of it on the on-line or electronic system operated by Computershare by the date indicated below. By doing so you will be accepting the Option on the terms and conditions set out in this Notice, the attached Terms (including any Appendix) and the Plan, and in consideration of the grant of the Option by the Company, you will undertake the obligations given to you under this Notice, the Terms and the Plan.

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Also, you will be consenting to the delivery to you of Plan documents, including any notices provided for in the Terms, this Notice or the Plan, by electronic delivery and to participating in the Plan through an on-line or electronic system established and maintained by the Company, Computershare or another third party designated by the Company.

SIGNED
on behalf of **KING DIGITAL ENTERTAINMENT
PUBLIC LIMITED COMPANY**
by Rob Miller
its authorised signatory:

/s/ Rob Miller
Authorised Signatory (Signature)

IMPORTANT: YOU MUST ACCEPT THIS OPTION BY 15 FEBRUARY 2016

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(100% VESTING ON CHANGE OF CONTROL TERMINATION AND PILON VESTING)

Pursuant to the attached Notice of Share Option Grant (the "Notice") and these Share Option Terms (the "Terms"), (including any applicable country-specific provisions in the Appendix attached hereto (if any)), King Digital Entertainment Public Limited Company (the "Company") has granted you an option under its 2014 Equity Incentive Plan (the "Plan") to subscribe for up to the number of Shares specified in the Notice (the "Option"). The Option is granted to you effective as of the date of grant specified in the Notice (the "Date of Grant") although shall not take effect unless you accept the Award on the on-line or electronic system operated by Computershare by the date indicated in the Notice.

Except as otherwise explicitly provided in this Agreement, in the event of any conflict between the terms in this Agreement and the Plan, the Plan shall take precedence.

Capitalized terms not explicitly defined in the Notice or this Agreement but defined in the Plan shall have the same definitions as in the Plan. This Agreement constitutes an Award Agreement for the purposes of the Plan.

The terms and conditions of your Option, in addition to those set forth in the Notice and the Plan, are as follows.

1. **Grant of Option.** The Option comprises your right to subscribe for the Option Shares at the exercise price per Option Share set forth in the Notice (the "Exercise Price").

2. **Exercisability/Vesting of Option.** Subject to Section 12.6 and 12.7, the Option shall become exercisable for the Option Shares in accordance with the Vesting Schedule.

3. **Exercise of Option.**

3.1 **Right to Exercise.** The Option, to the extent exercisable in accordance with the Vesting Schedule and the applicable provisions of the Plan and this Agreement, may be exercised in full or in part at any time. The Option may not be exercised for a fraction of an Option Share.

3.2 **Taxes.** You will not be allowed to exercise the Option unless you make arrangements acceptable to the Company to pay any taxes, social insurance contributions and other required deductions that may be due as a result of the Option exercise.

3.3 **Method of Exercise.**

3.3.1 The Option may be exercised by delivery of a notice of exercise in a form specified by the Company (the "Notice of Exercise"), which shall state your election to exercise the Option, the number of Option Shares in respect of which the Option is being exercised (the "Exercised Shares"), and contain such other representations and agreements as may be required by the Company pursuant to the provisions of the Plan. The Notice of Exercise shall be delivered in such form as shall be notified to you from time to time by or on behalf of the Company, which may include delivery in person, by mail, via electronic mail or facsimile or by other authorised method to the Secretary of the Company or other person designated by the Company. The Notice of Exercise shall be accompanied by payment of the aggregate Exercise Price for the Exercised Shares. The Option shall be deemed to be exercised upon receipt by the Company of a fully executed Notice of Exercise accompanied by the aggregate Exercise Price payable and payment in full for any Tax-Related Items due upon exercise of the Option (as described in Section 18 below).

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3.3.2 The Option may also be exercised pursuant to a written plan that meets the requirements of Rule 10b5-1 under the Exchange Act.

3.4 **Exercise by Another.** If another person elects to exercise the Option after it has been transferred to him or her in compliance with this Agreement and the Plan, that person must prove to the Company's satisfaction that he or she is entitled to exercise the Option. That person must also complete a Notice of Exercise and pay the Exercise Price and any Tax-Related Items due upon exercise of the Option (as described in Section 18 below).

4. **Method of Payment of Exercise Price.** Payment of the aggregate Exercise Price for the Exercised Shares shall be by one of the following, or a combination thereof:

4.1 cashless exercise through irrevocable directions to a securities broker approved by the Company to sell all or part of the Exercised Shares and to deliver to the Company from the sale proceeds an amount sufficient to pay the aggregate Exercise Price of the Exercised Shares, and any Tax-Related Items due upon exercise of the Option (as described in Section 18 below) (a "Same-Day Sale"). The balance of the sale proceeds, if any, will be delivered to you. The directions must be given by electronic or other means permitted by the Company; or

4.2 other method authorised by the Company.

5. **Insider Trading Policy.** The exercise of the Option and all transactions in the Shares issuable upon exercise of the Option shall be subject to the Company's then current Insider Trading Policy.

6. **No Exercise during Disciplinary Procedure.** If you are subject to an investigation or disciplinary process which in the Committee's opinion could result in a termination of your Service for Cause the Committee may, in its sole discretion, determine that no exercise of the Option will be permitted while such investigation or process is in progress.

7. **Shares/Electronic Delivery of Shares.** The Shares issued to you on exercise of your Option shall be newly issued Shares. Upon issuance, the Shares shall be fully paid and non-assessable. Delivery of Shares to you shall be effected by crediting the depositary nominated by the Company, Depository Trust Company (or its nominee), with the number of Shares due to you, to be held by it in electronic form on your behalf as beneficial owner.

8. **No Shareholder Rights.** Unless and until such time as Shares are issued to you upon exercise of the Option, you, or any person claiming under or through you, shall have no ownership of the Shares subject to the Option and shall have no right to dividends in respect of or to vote the Option Shares.
9. **Dividend Equivalents.** Dividend Equivalents shall not be credited to you in respect of the Option Shares.
10. **Variation of Option Shares.** The Option Shares and the Exercise Price may be adjusted from time to time for variations in the Company's share capital, as provided in the Plan.
11. **No Transfer.** The Option is not transferable and may not be sold, pledged, assigned, hypothecated, transferred or otherwise disposed of by you in any manner other than by will or by the laws of descent or distribution or unless otherwise permitted by the Company on a case-by-case basis in accordance with the Plan. The Option shall lapse to the extent you purport to so sell, pledge, assign, hypothecate, transfer or otherwise dispose of it. After the Shares have been issued to you, upon exercise of the Option, you are free to sell, pledge, assign, hypothecate, donate, encumber or otherwise dispose of any interest in such Shares, provided that any such action is in compliance with the provisions of this Agreement, (including the country-specific Appendix hereto), the Plan and Applicable Law.

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12. **Termination of Service**

- 12.1 **Unvested Option Shares.** Subject to Section 12.6 and 12.7, if your Service terminates for any reason, the Option will lapse on the date of termination of your Service with respect to the number of Option Shares for which it is not yet exercisable as of that date in accordance with the Vesting Schedule.
- 12.2 **Vested Option Shares - General Rule.** If your Service terminates for any reason except death, retirement in accordance with your Service Agreement or Disability, then, to the extent the Option is exercisable in accordance with the Vesting Schedule (subject to Section 12.6 and 12.7) as of the date of termination of your Service, it may be exercised within the period of three (3) months after such date. To the extent not so exercised, the Option shall lapse at the close of business at Company headquarters on the date three (3) months after the date your Service terminates.
- 12.3 **Vested Option Shares – Death.** If your Service terminates by reason of your death, or if you die within three (3) months after your Service terminates (other than for Cause or due to Disability or retirement), then, to the extent the Option is exercisable in accordance with the Vesting Schedule as of the date of termination of your Service, it may be exercised within the period of 12 months after such date by your estate or the person who acquired the right to exercise the Option by bequest or inheritance. To the extent not so exercised, the Option shall lapse at the close of business at Company headquarters on the date 12 months after the date your Service terminates.
- 12.4 **Vested Option Shares – Disability or Retirement.** If your Service terminates because of your Disability or retirement in accordance with your Service Agreement, then to the extent the Option is exercisable in accordance with the Vesting Schedule as of the date of termination of your Service, it may be exercised within the period of 12 months after such date. To the extent not so exercised, the Option shall lapse at the close of business at Company headquarters on the date 12 months after the date your Service terminates.
- 12.5 **Termination for Cause.** If your Service is terminated for Cause, the Option shall lapse in its entirety on the date of termination of your Service or, if earlier, the service of notice of such termination.
- 12.6 **Change of Control Termination.**
- 12.6.1 In the event of a Change of Control Termination, the Option (as assumed, exchanged, substituted, replaced or converted, if applicable) shall automatically accelerate and become exercisable as of the date of termination of your Service with respect to one hundred percent (100%) of the Option Shares (if any), or the shares or other securities for or by which the Option Shares have been exchanged, substituted or replaced or converted to, for which the Option is not yet exercisable as of that date in accordance with the Vesting Schedule.
- 12.6.2 For purposes of this Section 12.6;
- (a) **"Change of Control Period"**, means a period that commences on the date that falls three months prior to the date of exchange of contracts in relation to an applicable Corporate Transaction and terminates on the date that falls 18 months immediately after the completion of an applicable Corporate Transaction;
- (b) **"Change of Control Termination"**, means the termination of your employment with the Company or an Associated Company or any successor thereto (the "**Employer**") during a Change of Control Period where:

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- (i) the Employer serves notice to terminate your employment, save where it is entitled summarily to terminate your employment without notice or payment in lieu of notice under the Service Agreement; or
- (ii) you terminate your employment with the Employer with or without notice for Good Reason (other than in circumstances where the Employer has reasonable grounds for summary dismissal without notice or payment in lieu of notice under the Service Agreement) provided that you must, before you terminate your employment for Good Reason, and if (on a reasonable view) the circumstances that constitute Good Reason are remediable, have first given the Employer a written notice stating clearly the event or circumstance that constitutes

Good Reason in your belief, acting in good faith, and given the Employer a period of not less than 15 working days to cure the event or circumstance allegedly constituting Good Reason and no Good Reason shall exist if on a reasonable view the event or circumstance is cured by the Employer;

- (c) **"Good Reason"**, means grounds that entitle you to treat yourself as being constructively dismissed (either within the meaning of section 95(1)(c) of the Employment Rights Act 1996 or otherwise) as may be determined by a court of competent jurisdiction. Examples of such grounds may include, but are not limited to, circumstances where you are required to permanently relocate outside of Greater London or Greater Stockholm, as applicable, where your pay is unilaterally reduced, where the Employer is in material breach of the Service Agreement, where the scope of your role is materially reduced where the level or status attached to your role is reduced or where on a Corporate Transaction the acquiring entity did not give you options, compensation or equity of at least the same value (taking into account the terms of such options, compensation or equity) as the value of any shares under option or award (net of exercise or purchase price) held by you (taking into account the terms of such shares under option or award) which are no longer capable of vesting or being exercised after such Corporate Transaction; and
- (d) **"Service Agreement"** means any unexpired service agreement between you and the Company or an Associated Company in effect from time to time.

- 12.7 Termination by Employer. In the event that the Employer terminates your Service at any time (otherwise than in circumstances where (i) the termination is a Change of Control Termination or (ii) the Employer is entitled summarily to terminate your Service without notice or payment in lieu of notice under the Service Agreement) and the Employer makes a payment in lieu of any part of the contractual notice period, the Option will accelerate on the date your Service terminates and become exercisable, in accordance with Section 12.2, with respect to the Option Shares that would have vested in accordance with the Vesting Schedule during the period that would otherwise have been the notice period provided always that such period shall not exceed 12 months.
- 12.8 No Notice of Post-Service Exercise Period. You are responsible for ascertaining the applicable period during which the Option may be exercised following the termination of your Service for any reason. The Company will not provide you with any notice of such period or its expiration.

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- 12.9 Date of Termination of Service. Your Service will be considered terminated as of the date you cease to be an Employee, Consultant, Director or Non-Employee Director of the Company or an Associated Company, (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your Service Agreement, if any) and, subject to Applicable Law, your Service will not be extended by any notice period or garden leave period mandated by local law or any period during which you have ceased to provide services to the Company or an Associated Company but during which the Company or an Associated Company is legally required to continue to employ you. In case of any dispute as to whether your termination of Service has occurred, the Committee shall have sole discretion to determine whether such termination has occurred and the effective date of such termination.
- 12.10 No Exercise after Expiration Date. In no event may the Option be exercised later than the Expiration Date set forth in the Notice.
13. Term of Option. The Option shall in any event expire on the Expiration Date.
14. No Rights as Employee, Director or Consultant.
- 14.1 Nothing in this Agreement shall affect in any manner whatsoever the right or power of the Company or an Associated Company to terminate your Service, for any reason, with or without cause.
- 14.2 Nothing in this Agreement (including, but not limited to, vesting of the Option pursuant to the Vesting Schedule), the Plan or any covenant of good faith and fair dealing that may be found implicit in this Agreement or the Plan shall: (i) confer upon you any right to continue in the employ of, or affiliation with, the Company or an Associated Company; (ii) constitute any promise or commitment by the Company or an Associated Company regarding the fact or nature of future positions, future work assignments, future compensation or any other term or condition of employment or affiliation; (iii) confer any right or benefit under this Agreement or the Plan unless such right or benefit has specifically accrued under the terms of this Agreement or the Plan; or (iv) deprive the Company or its Associated Companies, as applicable, of the right to terminate your Service without regard to any future vesting or exercise opportunity that you may have under the Option.
- 14.3 By accepting the Option, you acknowledge and agree that the right to continue vesting of the Option pursuant to the Vesting Schedule is earned only by continuing in Service (not through the act of being hired, being granted the Option or any other award or benefit) and that the Company has the right to reorganize, sell, spin-out or otherwise restructure one or more of its businesses or Associated Companies at any time or from time to time, as it deems appropriate (a "reorganization"). You further acknowledge and agree that such a reorganization could result in the termination of your Service, or the termination of Associated Company status of your employer and the loss of benefits available to you under this Agreement, including but not limited to, the termination of the right to continue vesting of the Option. You further acknowledge and agree that this Agreement, the Plan, the transactions contemplated hereunder and the Vesting Schedule or any covenant of good faith and fair dealing that may be found implicit in any of them do not constitute an express or implied promise of continued employment or engagement as an employee or director or consultant to the Company or any Associated Company for the duration of the Vesting Schedule, for any period, or at all, and shall not interfere in any way with your right or the right of the Company or any Associated Company, as applicable, to terminate your Service at any time.

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15. **Discretionary Nature of Option.** In accepting the Option, you acknowledge, understand and agree that:
- 15.1 the Plan is established voluntarily by the Company, it is discretionary in nature, and may be amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;
- 15.2 the grant of the Option is voluntary and occasional and does not create any contractual or other right to receive future grants of Options or other Awards under the Plan, or benefits in lieu of Awards, even if other Awards have been granted in the past;
- 15.3 all decisions with respect to future Awards, if any, will be at the sole discretion of the Company;
- 15.4 you are voluntarily participating in the Plan;
- 15.5 the Option and any Shares acquired by you under the Plan are not intended to replace any pension rights or compensation;
- 15.6 the Option and any Shares acquired under the Plan and the income and value of same are not part of normal or expected compensation or salary for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments or for any other purpose;
- 15.7 the future value of the Shares underlying the Option is unknown, indeterminable, and cannot be predicted with certainty;
- 15.8 no claim or entitlement to compensation or damages shall arise from lapse of the Option resulting from you ceasing to be employed by or provide other services to the Company or any Associated Company (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your Service Agreement, if any), and in consideration of the grant of the Option to which you are otherwise not entitled, you irrevocably agree never to institute any claim against the Company or any of its Associated Companies, waive your ability, if any, to bring any such claim, and release the Company and its Associated Companies from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, you shall be deemed irrevocably to have agreed not to pursue such claim and agree to execute any and all documents necessary to request dismissal or withdrawal of such claim;
- 15.9 unless otherwise provided in the Plan or by the Company in its discretion, the Option and the benefits evidenced by this Agreement do not create any entitlement to have the Option or any such benefits transferred to, or assumed by, another company or exchanged, cashed out, replaced or substituted for or otherwise continued or preserved or dealt with in any particular manner in connection with a Corporate Transaction; and
- 15.10 you acknowledge and agree that neither the Company nor any Associated Company shall be liable for any foreign exchange rate fluctuation between your local currency and the United States Dollar that may affect the value of the Option and the Shares subject to it or the subsequent sale of any such Shares.

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16. **Option and Shares Subject to Company Clawback or Recoupment.** The Option, and any Shares acquired upon exercise of the Option, shall be subject to clawback or recoupment pursuant to any compensation clawback or recoupment policy adopted by the Company or required by law during the term of your Service that is applicable to you, and in addition to any other remedies available under Applicable Law, such policy may require the cancellation of the Option in full or in part (whether vested or unvested), a reduction in the number of Option Shares that will become exercisable/vest, and/or the recoupment of any economic benefit already realized by you with respect to the Option or Shares acquired under it, if you engage or have engaged in activity that is inimical, contrary or harmful to the interests of the Company, as more fully described in such policy.
17. **Tax Consequences.** You acknowledge that there may be tax consequences upon the grant, vesting and/or exercise of the Option or disposition of the Shares acquired thereunder and you should consult a tax adviser regarding your tax obligations prior to such grant, vesting, exercise or disposition, in the jurisdiction(s) where you are subject to tax.
18. **Payment of Taxes**
- 18.1 Regardless of any action the Company or the Employer takes with respect to any or all income tax, national or social insurance contributions, payroll tax, payment on account or other tax-related withholding ("Tax-Related Items"), you acknowledge that the ultimate liability for all Tax-Related Items legally due by you is and remains your responsibility and that the Company and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Option grant, including the grant, vesting or exercise of the Option, the subsequent sale of Shares acquired pursuant to such exercise and the receipt of any dividends; and (2) do not commit to structure the terms of the grant or any aspect of the Option to reduce or eliminate your liability for Tax-Related Items.
- 18.2 Prior to exercise of the Option, you shall pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all withholding and payment on account obligations of the Company and/or the Employer. In this regard, with the Company's consent, these arrangements may include (a) payment by you of an amount equal to the Tax-Related Items directly by cash, cheque, wire transfer, bank draft or money order payable to the Company, (b) if permissible under Applicable Law, withholding an amount equal to Tax-Related Items legally payable by you from your wages or other cash compensation paid to you by the Company and/or the Employer, (c) having the Company withhold payments for Tax-Related Items and any fees or charges payable by you in connection with such sale, from the proceeds of a Same-Day Sale, or (d) any other arrangement approved by the Company. You agree to pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold as a result of your participation in the Plan or the vesting or exercise of the Option that cannot be satisfied by the means previously described. Finally, you acknowledge that the Company has no obligation to issue Shares to you until you have satisfied the obligations in connection with the Tax-Related Items as described in this Section.

18.3 You hereby agree to indemnify and hold the Company, the Employer and each Associated Company of the Company harmless in respect of all Tax-Related Items.

19. **No Advice Regarding Option.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding your participation in the Plan, the exercise of the Option or the sale of Shares acquired under the Option. You are advised to consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan or the Option.

20. **Consent to Electronic Delivery of All Plan Documents and Communications.** Any notices provided for under this Agreement or the Plan shall be given in writing (including electronically) and shall be deemed effectively given upon receipt or, in the case of notices delivered by the Company to you, fourteen (14) days after posting from the United Kingdom by prepaid post, addressed to you at the last address you provided to the Company. Notwithstanding the foregoing, the Company may, in its sole discretion, decide to deliver any documents related to participation in the Plan and the Option by electronic means or request your consent to participate in the Plan by electronic means. By accepting the Option you are consenting to receive such documents by electronic delivery and agreeing to participate in the Plan through an on-line or electronic system established and maintained by the Company, Computershare or another third party designated by the Company.

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21. **Compliance with Laws and Regulations.**

21.1 Shares will not be issued to you upon exercise of the Option unless either (i) the Shares are registered under the Securities Act; or (ii) the Company has determined that such issuance would be exempt from the registration requirements of the Securities Act. The issuance of Shares to you under the Option will also be subject to and conditioned upon compliance by the Company and you with all other Applicable Law. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary for the lawful issuance of any Shares shall relieve the Company of any liability in respect of the failure to issue such Shares as to which such requisite authority shall not have been obtained. The Company shall not be obliged to register the Shares with the SEC or to effect compliance with the registration, qualification or listing requirements of any securities laws, exchange control laws, stock exchange or automated quotation system and the Company shall have no liability to you for any inability or failure to do so.

21.2 As a condition to the issuance of any Shares pursuant to the Option, the Company may require you to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any Applicable Law and to make any representation or warranty with respect thereto as may be requested by the Company. Shares issued pursuant to this Agreement shall be endorsed with appropriate legends, if any, determined by the Company.

22. **Appendix.** Notwithstanding any provision in this Agreement, the Option shall be subject to any special terms and conditions set forth in any Appendix to this Agreement for your country. Moreover, if you relocate to one of the countries included in the Appendix, the special terms and conditions for such country will apply to you, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Appendix constitutes part of this Agreement.

23. **Necessary Amendments.** Notwithstanding anything in the Plan to the contrary, the Company reserves the right to change, by written notice to you, the provisions of this Agreement in any way it may deem necessary or advisable for legal or administrative reasons, and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

24. **Data Protection.**

24.1 You hereby explicitly and unambiguously consent to the collection, retention, use, processing and transfer, in electronic or other form, of your Personal Data by the Company, any Associated Company, any administrator of the Plan, the Company's registrars, transfer agent, brokers and other agents, whether among themselves or to any third party, for the exclusive purpose of implementing, administering and managing your participation in the Plan.

24.2 You understand that the Company and its Associated Companies may hold certain personal information about you that constitutes Personal Data, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, passport and/or visa information, email address, employment history, directorships or offices you hold in the Company or any Associated Company, any Shares held by you, details of the Option and all other Awards or any other entitlement to Shares awarded, cancelled, exercised, vested, unvested or outstanding in your favour, details of any change in your Service status or absences on leave, for the exclusive purpose of implementing, administering and managing the Plan.

24.3 You understand that your Personal Data may be transferred to the Company's-designated Plan broker and to Computershare, or such other stock plan service provider as may be selected by the Company in the future, which is assisting the

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Company with the implementation, administration and management of the Plan. You understand that recipients of your Personal Data may be located both in and outside the European Union or the European Economic Area, and that a recipient's country (e.g., the United States) may have different data privacy laws and protections than your country. You understand that you may request a list with the names and addresses of any potential recipients of your Personal Data by contacting your local human resources representative. You authorise the Company, its designated Plan broker and Plan administrator and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer your Personal Data, in electronic or other form, for the sole purpose of implementing, administering and managing your participation in the Plan.

24.4 You understand that your Personal Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand that you may, at any time, view your Personal Data, request additional

information about the storage and processing of your Personal Data, require any necessary amendments to or deletions from your Personal Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local human resources representative. Further, you understand that you are providing the consents herein on a purely voluntary basis. If you do not consent, or if you later seek to revoke your consent, your employment status or service and career with the Company or its Associated Companies will not be adversely affected; the only adverse consequence of refusing or withdrawing your consent is that the Company would not be able to grant you Awards under the Plan or other options or other equity awards or administer or maintain such awards. Therefore, you understand that refusing or withdrawing your consent may affect your ability to retain the Option and to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.

25. **Entire Agreement; Enforcement of Rights.**

25.1 This Agreement, the Plan and the Notice constitute the entire agreement and understanding between you and the Company and its Associated Companies relating to the subject matter herein and they supersede all prior discussions between you and the Company or any Associated Company regarding the subject matter. Any prior agreements, commitments or negotiations concerning the Option are superseded.

25.2 The provisions of this Agreement (and, in particular, Section 18) may also be enforced by the Employer and each Associated Company of the Company.

26. **Amendments.** Subject to Section 23, no modification of or amendment to this Agreement nor any waiver of any rights under this Agreement, shall be effective unless in writing (including electronically) and signed (or consented to by electronic means approved by the Company) by both you and the Company and, in the case of the Company, executed as a deed where so required. The failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of any rights of such party. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

27. **Further Assurance.** You agree upon request to execute any further documents or instruments necessary or desirable in the sole determination of the Company to carry out the purposes or intent of the Option.

28. **Plan Prospectus and Insider Trading Policy.** You hereby acknowledge receipt or the right to receive a document providing the information required by Rule 428(b)(1) promulgated under the Securities Act, which includes the Plan prospectus. In addition, you acknowledge receipt of the Company's Insider Trading Policy permitting officers, directors and employees of the Company

and its Associated Companies to trade Shares only during certain "window" periods in effect from time to time.

29. **Successors and Assigns.** Subject to the limitations set forth in this Agreement, this Agreement shall be binding upon, and inure to the benefit of, the executors, administrators, heirs, legal representatives, successors and assigns of the parties hereto, including, without limitation, any business entity that succeeds to the business of the Company.

30. **Severability.** If one or more provisions of this Agreement are held to be unenforceable under Applicable Law, you and the Company agree to renegotiate such provision in good faith. In the event that a mutually agreeable and enforceable replacement for such provision cannot be agreed, then, to the maximum extent permitted by Applicable Law, (i) such provision shall be excluded from this Agreement, (ii) the balance of this Agreement shall be interpreted as if such provision were so excluded, and (iii) the balance of this Agreement shall be enforceable in accordance with its terms.

31. **Governing Law.** This Agreement, the Plan, and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of England and Wales and the Courts of England and Wales shall have exclusive jurisdiction in relation to all matters arising under this Agreement and the Plan.

32. **Translations.** If you have received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different to the English version, the English version will control.

33. **Headings.** The headings of the Sections in this Agreement are inserted for convenience only and shall not be deemed to constitute a part of this Agreement or to affect the meaning of this Agreement.

34. **Counterparts.** The Notice may be executed in any number of counterparts, any of which may be executed and transmitted by facsimile, and each of which shall be deemed to be an original, but all of which together shall be deemed to be one and the same instrument.

35. **Acknowledgement.** The Company and you agree that the Option is granted under and governed by this Agreement and the Plan. You acknowledge that a copy of the Plan has been made available to you on Kingfluence and you represent that you have carefully read and are familiar with its provisions.

By accepting the Option, you shall be deemed to have agreed to the terms and conditions of the Share Option Terms (including any Appendix thereto), the Notice and the Plan.

APPENDIX TO THE

SHARE OPTION TERMS

(100% VESTING ON CHANGE OF CONTROL TERMINATION AND PILON VESTING)

TERMS AND CONDITIONS

This Appendix contains additional terms and conditions that govern the Option granted under the Plan to you if you reside and/or work in one of the countries listed below. Certain capitalized terms used but not defined in this Appendix have the meanings set forth in the Plan and/or the Terms.

In the event of any conflict between the provisions of this Appendix and the Notice and/or the Terms, this Appendix shall prevail.

If you are a citizen or resident of a country other than the one in which you are currently working, transfer employment after the Option is granted, or are considered a resident of another country for local law purposes, the information contained herein may not be applicable to you, and the Company shall, in its discretion, determine to what extent the terms and conditions contained herein shall apply to you.

GENERAL

This Appendix contains information of which you should be aware with respect to your participation in the Plan. The information is based on the securities, exchange control, and other laws in effect in the respective countries as of 1 May 2014. Such laws are often complex and change frequently. As a result, the Company strongly recommends that you not rely on the information in this Appendix as the only source of information relating to the consequences of your participation in the Plan because the information may be out of date at the time your Option is exercised or you sell Shares acquired pursuant thereto.

The information contained herein is general in nature and may not apply to your particular situation, and the Company is not in a position to assure you of a particular result. Accordingly, you are advised to seek appropriate professional advice as to how the relevant laws in your country may apply to your situation.

UNITED KINGDOM

To the extent permitted by Applicable Law, the Company may at any time prior to the exercise of your Option determine that liability for all or some of the employer's National Insurance Contributions arising from the vesting or exercise of your Options (or from the acquisition of Shares pursuant thereto) shall be transferred to or borne by you ("**Determination**"). In the event that the Company makes the Determination, you will be notified. You hereby agree that following such notification you will at any time upon request join in with the Company or any Associated Company or any other person in making any election or notice reasonably required by the Company or such Associated Company or other person (as applicable) for the purpose of ensuring that the liability for all employer's National Insurance Contributions (or any similar social security contributions) arising as a consequence of the vesting or exercise of your Options (or the acquisition of Shares pursuant thereto) is assumed and borne solely by you and treated as a liability falling on you instead of on the Company or such Associated Company or other person (as applicable) and in entering into any arrangements required by HM Revenue & Customs ("**HMRC**") for securing that any liability so assumed is duly paid by you. You shall not be required to enter into any election or notice pursuant to this paragraph in the event that you enter into such other arrangements with the Company, any Associated Company or any other person (as applicable) that are satisfactory to the Company, such Associated Company or any other person (as applicable) to discharge any liability referred to in this paragraph. If the Company makes the Determination, you shall indemnify and keep indemnified the Company, your Employer and any Associated Company against all employer's National Insurance Contributions arising from the vesting or exercise of your Option (or the acquisition of Shares pursuant thereto) and to the extent permitted by Applicable Law and (save where you are liable to account for the same directly to HMRC) such employer's National Insurance Contributions shall be treated as a Tax-Related item for the purpose of Section 18 of the Terms.

KING DIGITAL ENTERTAINMENT PUBLIC LIMITED COMPANY 2014 EQUITY INCENTIVE PLAN

NOTICE OF RESTRICTED STOCK UNIT AWARD

(100% VESTING ON CHANGE OF CONTROL TERMINATION AND PILON VESTING)

You (being the Participant named below) ("you") have been granted a Restricted Stock Unit Award (the "Award") by King Digital Entertainment Public Limited Company (the "Company") under its 2014 Equity Incentive Plan (the "Plan") in respect of the number of Restricted Stock Units ("RSUs") set out below. The Award is granted subject to the terms and conditions of the Plan, this Notice of Restricted Stock Unit Award (the "Notice") and the attached Restricted Stock Unit Award Terms (the "Terms"), including any applicable country-specific provisions in the appendix attached thereto (if any) (the "Appendix"), (the Notice together with Terms (including the Appendix) being the "Agreement").

Unless otherwise defined in this Agreement, any capitalized terms used in this Agreement will have the meaning given to them in the Plan.

Participant Name: Riccardo Zacconi

Total Number of RSUs: 142000

Date of Grant: 16 February 2015

Vesting Commencement Date: 16 February 2015

Vesting Schedule: Vesting of your RSUs will occur over the four-year period beginning on the Vesting Commencement Date specified above; twenty-five percent (25%) of the Total Number of RSUs will vest on the first anniversary of the Vesting Commencement Date and the remaining seventy-five percent (75%) will vest in a series of twelve (12) equal quarterly instalments thereafter, each of 6.25% of the Total Number of RSUs.

Settlement: For each RSU which vests, one Share will be delivered to you in accordance with Section 3 of the Terms.

You acknowledge that vesting of the RSUs pursuant to the Award is earned only by continuing in Service. You acknowledge and agree that the vesting schedule described above may change prospectively in the event that your Service status changes, in accordance with Company policies relating to leave from work, work schedules and vesting of awards under the Plan, and the provisions of the Plan.

You further acknowledge that the grant of the Award is at the Company's sole discretion, and does not entitle you to further grant(s) of Awards in respect of RSUs or any other award(s) under the Plan or any other plan or program maintained by the Company or any Associated Company or affiliate of the Company.

You are required to pay the Company a nominal amount in consideration for the grant of your Award. That amount will be determined by the currency in which your salary is paid and will be the appropriate one of the following: one pound sterling (£1); one U.S. dollar (\$1); one Euro (€1) or ten Swedish Kroner (SEK10) or a single unit of the relevant local currency. Unless otherwise determined by the Company, and notified to you, the appropriate amount will be deducted from payroll on the next practicable payroll date after the date on which you confirm acceptance of the Award, and you hereby authorise that deduction.

You will not be required to make any payment to the Company with respect to the vesting of the RSUs or the delivery of Shares in settlement of the RSUs; *provided, however,* that to the extent that any Shares delivered upon settlement of your Award are newly issued Shares, you must pay the Company the amount equal to the nominal value of such Shares (\$0.00008 per Share) (the "Purchase Price"). You hereby irrevocably undertake to pay the Company the Purchase Price and you hereby authorise the Company or any Associated Company at their election to: (i) deduct the Purchase Price from your salary or other payment due to you from the Company or any Associated Company, on a date determined by the Company or any Associated Company, prior to or after the vesting date of the relevant RSUs, or (ii) deduct the Purchase Price from the proceeds of a same-day sale described in Section 16.2 of the Terms.

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The Award shall not take effect unless you have confirmed your acceptance of it on the on-line or electronic system operated by Computershare by the date indicated below. By doing so you will be accepting the Award on the terms and conditions set out in this Notice, the attached Terms (including any Appendix) and the Plan, and in consideration of the grant of the Award by the Company, you will undertake the obligations given to you under this Notice, the Terms and the Plan. Also you will be consenting to the delivery to you of Plan documents, including any notices provided for in the Terms, this Notice or the Plan, by electronic delivery and to participating in the Plan through an on-line or electronic system established and maintained by the Company, Computershare or another third party designated by the Company.

SIGNED
on behalf of KING DIGITAL ENTERTAINMENT
PUBLIC LIMITED COMPANY
by _Rob Miller _____
its authorised signatory:

/s/ Rob Miller
Authorised Signatory (Signature)

KING DIGITAL ENTERTAINMENT PUBLIC LIMITED COMPANY 2014 EQUITY INCENTIVE PLAN

RESTRICTED STOCK UNIT AWARD TERMS

(100% VESTING ON CHANGE OF CONTROL TERMINATION AND PILON VESTING)

Pursuant to your attached Notice of Restricted Stock Unit Award (the "Notice") and these Restricted Stock Unit Award Terms, including any country-specific Appendix, (together with the Notice, being the "Agreement"), King Digital Entertainment Public Limited Company (the "Company") has granted you a Restricted Stock Unit Award (the "Award") under its 2014 Equity Incentive Plan (the "Plan"). The Award is granted to you effective as of the date of grant set forth in the Notice (the "Date of Grant") although shall not take effect unless you accept the Award on the on-line or electronic system operated by Computershare by the date indicated in the Notice.

Except as otherwise explicitly provided in this Agreement, in the event of any conflict between the terms in this Agreement and the Plan, the Plan shall take precedence.

Capitalized terms not explicitly defined in this Agreement but defined in the Plan shall have the same definitions as in the Plan. This Agreement constitutes an Award Agreement for the purposes of the Plan.

The terms and conditions of your Award, in addition to those set forth in the Notice and the Plan, are as follows.

1. **Grant of the Award.** The Award represents your right to receive on specified future dates, in accordance with the vesting schedule set out in the Notice (the "Vesting Schedule"), the number of Shares that is equal to the number of RSUs that vest on each such date, upon payment to the Company of the Purchase Price (nominal value \$0.00008 per Share) if the Shares to be delivered to you, as determined by the Company, are to be newly issued Shares, or for no consideration payable by you if the Shares to be delivered to you are already issued Shares.

2. **Vesting.** The RSUs subject to your Award will vest, if at all, in accordance with the Vesting Schedule, provided that, subject to Section 11, vesting of the RSUs will cease upon the termination of your Service.

3. **Settlement.**

3.1 Settlement of vested RSUs shall be made on or as soon as practicable after the applicable date of vesting under the Vesting Schedule but in any event within thirty (30) days after such date. Except as otherwise provided under the Plan, settlement of RSUs shall be in Shares. Settlement means the delivery to you of the number of Shares subject to a vested RSU. Where fractional rights arise, they shall be credited to you and accumulated and carried forward to the last date on which RSUs vest.

3.2 Notwithstanding the foregoing, in the event that (i) you are subject to the Insider Trading Policy (the "Policy") or (ii) you are otherwise prohibited from selling Shares in the open market, and any Shares covered by your Award are scheduled to be delivered on a day (the "Original Settlement Date") that does not occur during an open "window period" applicable to you or a day on which you are permitted to sell Shares pursuant to a written plan that meets the requirements of Rule 10b5-1 under the Exchange Act, as determined by the Company in accordance with the Policy, or does not occur on a date when you are otherwise permitted to sell Shares in the open market, then the Company may determine that such Shares shall not be delivered on the Original Settlement Date and shall instead be delivered on the first U.S. business day of the next occurring open "window period" applicable to you pursuant to the Policy (regardless of whether you are still in Service at such time) or the next U.S. business day when you are not prohibited from selling Shares in the open market.

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4. **Shares/Electronic Delivery of Shares.** Shares delivered to you on settlement of your RSUs shall be previously authorised but unissued Shares or issued Shares that have been reacquired by the Company or by an Employee Benefit Trust. Upon issuance, Shares shall be fully paid and nonassessable. Delivery of Shares to you shall be effected by crediting the depositary nominated by the Company, Depository Trust Company (or its nominee), with the number of Shares due to you, to be held by it in electronic form on your behalf as beneficial owner.

5. **No Shareholder Rights.** Unless and until such time as Shares are delivered to you in settlement of vested RSUs, you, or any person claiming under or through you, shall have no ownership of the Shares subject to the RSUs and shall have no right to dividends in respect of or to vote such Shares.

6. **Dividend Equivalents.** Dividend Equivalents shall not be credited to you in respect of the RSUs subject to the Award.

7. **Number of RSUs and Shares.**

7.1 The number of RSUs subject to your Award may be adjusted from time to time for variations in the Company's share capital, as provided in the Plan.

7.2 Any additional RSUs that become subject to the Award pursuant to this Section 7 shall be subject, in a manner determined by the Company, to the same terms and conditions and time and manner of vesting and settlement as applicable to the RSUs in respect of which such additional RSUs are issued.

8. **Unsecured Obligation.** The Award is unfunded, and as a holder of vested RSUs you shall be considered an unsecured creditor of the Company with respect to the Company's obligation, if any, to deliver Shares pursuant to this Agreement. Nothing contained in this Agreement, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind or a fiduciary relationship between you and the Company or any other person.

9. **No Transfer.** The Award and the RSUs are not transferable and may not be sold, pledged, assigned, hypothecated, transferred or otherwise disposed of by you in any manner other than by will or by the laws of descent or distribution or unless otherwise permitted by the Company on a case-by-case basis in accordance with the Plan. The Award and the RSUs shall lapse to the extent you purport to so sell, pledge, assign, hypothecate, transfer or otherwise dispose of them. After the Shares have been delivered to you, you are free to sell, pledge, assign, hypothecate, donate, encumber or otherwise dispose of any interest in such Shares, provided that any such action is in compliance with the provisions herein (including the country-specific Appendix hereto) and Applicable Law.

10. **Termination of Service.** Subject to Section 11, if your Service terminates for any reason, the Award, to the extent not vested, shall lapse and all unvested RSUs shall be forfeited to the Company forthwith, and all rights you have to such RSUs shall immediately terminate, without payment of any consideration to you. Your Service will be considered terminated as of the date you cease to be an Employee, Consultant, Director or Non-Employee Director of the Company or an Associated Company (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your Service Agreement, if any) and, subject to Applicable Law, your Service will not be extended by any notice period or garden leave period mandated by Applicable Law or any period during which you have ceased to provide services to the Company or an Associated Company but during which the Company or an Associated Company is legally required to continue to employ you. In case of any dispute as to whether your termination of Service has occurred, the Committee shall have sole discretion to determine whether such termination has occurred and the effective date of such termination.

11. **Change of Control Termination/Termination by Employer.**

11.1 In the event of a Change of Control Termination, the Award (as assumed, exchanged, substituted, replaced or converted, if applicable) shall automatically accelerate with respect to one hundred percent (100%) of the RSUs (if any), or the shares or other securities for or by which the RSUs have been exchanged, substituted or replaced or converted to, that are unvested as of that date in accordance with the Vesting Schedule.

11.2 For purposes of this Section 11;

11.2.1 **"Change of Control Period"**, means a period that commences on the date that falls three months prior to the date of exchange of contracts in relation to an applicable Corporate Transaction and terminates on the date that falls 18 months immediately after the completion of an applicable Corporate Transaction;

11.2.2 **"Change of Control Termination"**, means the termination of your employment with the Company or an Associated Company or any successor thereto (the "**Employer**") during a Change of Control Period where:

(a) the Employer serves notice to terminate your employment, save where it is entitled summarily to terminate your employment without notice or payment in lieu of notice under the Service Agreement; or

(b) you terminate your employment with the Employer with or without notice for Good Reason (other than in circumstances where the Employer has reasonable grounds for summary dismissal without notice or payment in lieu of notice under the Service Agreement) provided that you must, before you terminate your employment for Good Reason, and if (on a reasonable view) the circumstances that constitute Good Reason are remediable, have first given the Employer a written notice stating clearly the event or circumstance that constitutes Good Reason in your belief, acting in good faith, and given the Employer a period of not less than 15 working days to cure the event or circumstance allegedly constituting Good Reason and no Good Reason shall exist if on a reasonable view the event or circumstance is cured by the Employer;

(c) **"Good Reason"**, means grounds that entitle you to treat yourself as being constructively dismissed (either within the meaning of section 95(1)(c) of the Employment Rights Act 1996 or otherwise) as may be determined by a court of competent jurisdiction. Examples of such grounds may include, but are not limited to, circumstances where you are required to permanently relocate outside of Greater London or Greater Stockholm, as applicable, where your pay is unilaterally reduced, where the Employer is in material breach of the Service Agreement, where the scope of your role is materially reduced where the level or status attached to your role is reduced or where on a Corporate Transaction the acquiring entity did not give you options, compensation or equity of at least the same value (taking into account the terms of such options, compensation or equity) as the value of any shares under option or award (net of exercise or purchase price) held by you (taking into account the terms of such shares under option or award) which are no longer capable of vesting or being exercised after such Corporate Transaction; and

11.2.3 **"Service Agreement"** means any unexpired service agreement between you and the Company or any Associated Company in effect from time to time.

11.3 In the event that the Employer terminates your Service at any time (otherwise than in circumstances where (i) the termination is a Change of Control Termination or (ii) the Employer is entitled summarily to terminate your Service without notice or payment in lieu of notice under the Service Agreement) and the Employer makes a payment in lieu of any part of the contractual notice period, any RSUs that would have vested in accordance with the Vesting Schedule during the period that would otherwise have been the notice period shall be treated as having vested on the date your Service terminates, provided always that such period shall not exceed 12 months.

12. **No Rights as Employee, Director or Consultant.**

- 12.1 Nothing in this Agreement shall affect in any manner whatsoever the right or power of the Company or an Associated Company to terminate your Service, for any reason, with or without cause.
- 12.2 Nothing in this Agreement (including, but not limited to, the vesting of RSUs pursuant to the Vesting Schedule or the delivery of Shares in respect of the Award), the Plan or any covenant of good faith and fair dealing that may be found implicit in this Agreement or the Plan shall: (i) confer upon you any right to continue in the employ of, or affiliation with, the Company or an Associated Company; (ii) constitute any promise or commitment by the Company or an Associated Company regarding the fact or nature of future positions, future work assignments, future compensation or any other term or condition of employment or affiliation; (iii) confer any right or benefit under this Agreement or the Plan unless such right or benefit has specifically accrued under the terms of this Agreement or the Plan; or (iv) deprive the Company or its Associated Companies, as applicable, of the right to terminate your Service without regard to any future vesting opportunity that you may have under this Award.
- 12.3 By accepting this Award, you acknowledge and agree that the right to continue vesting in the Award pursuant to the Vesting Schedule is earned only by continuing in Service (not through the act of being hired, being granted this Award or any other award or benefit) and that the Company has the right to reorganize, sell, spin-out or otherwise restructure one or more of its businesses or Associated Companies at any time or from time to time, as it deems appropriate (a "reorganization"). You further acknowledge and agree that such a reorganization could result in the termination of your Service, or the termination of Associated Company status of your employer and the loss of benefits available to you under this Agreement, including but not limited to, the termination of the right to continue vesting in RSUs under the Award. You further acknowledge and agree that this Agreement, the Plan, the transactions contemplated hereunder and the Vesting Schedule or any covenant of good faith and fair dealing that may be found implicit in any of them do not constitute an express or implied promise of continued employment or engagement as an employee or director of or consultant to the Company or any Associated Company for the duration of the Vesting Schedule, for any period, or at all, and shall not interfere in any way with your right or the right of the Company or any Associated Company, as applicable, to terminate your Service at any time.

13. **Discretionary Nature of Award.** In accepting the Award, you acknowledge, understand and agree that:

- 13.1 the Plan is established voluntarily by the Company, it is discretionary in nature, and may be amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;
- 13.2 the grant of the Award is voluntary and occasional and does not create any contractual or other right to receive future grants of Awards in respect of RSUs or other Awards under the Plan, or benefits in lieu of Awards, even if Awards have been granted in the past;

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- 13.3 all decisions with respect to future Awards of RSUs or other Awards, if any, will be at the sole discretion of the Company;
- 13.4 you are voluntarily participating in the Plan;
- 13.5 the Award and any Shares acquired by you under the Plan are not intended to replace any pension rights or compensation;
- 13.6 the Award and any Shares acquired under the Plan and the income and value of same are not part of normal or expected compensation or salary for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments or for any other purpose;
- 13.7 the future value of the Shares underlying the Award is unknown, indeterminable, and cannot be predicted with certainty;
- 13.8 no claim or entitlement to compensation or damages shall arise from lapse of the Award or forfeiture of the RSUs resulting from you ceasing to be employed by or provide other services to the Company or any Associated Company (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your Service Agreement, if any), and in consideration of the grant of the Award to which you are otherwise not entitled, you irrevocably agree never to institute any claim against the Company or any of its Associated Companies, waive your ability, if any, to bring any such claim, and release the Company and its Associated Companies from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, you shall be deemed irrevocably to have agreed not to pursue such claim and agree to execute any and all documents necessary to request dismissal or withdrawal of such claim;
- 13.9 unless otherwise provided in the Plan or by the Company in its discretion, the Award, the RSUs and the benefits evidenced by this Agreement do not create any entitlement to have the Award or the RSUs or any such benefits transferred to, or assumed by, another company or exchanged, cashed out, replaced or substituted for or otherwise continued or preserved or dealt with in any particular manner in connection with a Corporate Transaction; and
- 13.10 you acknowledge and agree that neither the Company nor any Associated Company shall be liable for any foreign exchange rate fluctuation between your local currency and the United States Dollar that may affect the value of the Award and the RSUs or of any amounts due to you pursuant to the settlement of the RSUs or the subsequent sale of any Shares acquired upon settlement.

14. **Award Subject to Company Clawback or Recoupment.** The Award shall be subject to clawback or recoupment pursuant to any compensation clawback or recoupment policy adopted by the Company or required by law during the term of your service that is applicable to you, and in addition to any other remedies available under Applicable Law, such policy may require the cancellation of your Award in full or in part (whether vested or unvested), a reduction in the number of RSUs that will vest, and/or the recoupment of any economic benefit already realized by you with respect to the Award or Shares delivered under it, if you engage or have engaged in activity that is inimical, contrary or harmful to the interests of the Company, as more fully described in such policy.

15. **Tax Consequences.** You acknowledge that there may be tax consequences upon the grant of the Award, vesting and/or settlement of the RSUs or disposition of the Shares, if any, received in connection therewith, and you should consult a tax adviser regarding your tax obligations prior to such grant, vesting or settlement or disposition, in the jurisdiction(s) where you are subject to tax.

16. **Payment of Taxes.**

16.1 Regardless of any action the Company or the Employer takes with respect to any or all income tax, national or social insurance contributions, payroll tax, payment on account or other tax-related withholding or required deductions ("Tax-Related Items"), you acknowledge that the ultimate liability for all Tax-Related Items legally due by you is and remains your responsibility and that the Company and/or the Employer and/or the Employee Benefit Trust (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award, including the settlement of the RSUs, the subsequent sale of Shares acquired pursuant to such settlement and the receipt of any dividends; and (2) do not commit to structure the terms of the Award or any aspect of the RSUs to reduce or eliminate your liability for Tax-Related Items. You acknowledge that if you are subject to Tax-Related Items in more than one jurisdiction, the Company and/or the Employer may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

16.2 Upon settlement of your RSUs, payment of all Tax-Related Items shall be discharged by the deduction of the amount required to satisfy such Tax-Related Items from the proceeds of the immediate sale of such portion of the Shares delivered to you on settlement of your RSUs as is sufficient to discharge the Tax-Related Items, as determined by the Company, and any fees or charges payable by you in connection with such sale, through a mandatory sale arranged by the Company on your behalf by a Company-designated broker (a "Mandatory Same-Day Sale"). You shall pay to the Company or the Employer or the Employee Benefit Trust any amount of Tax-Related Items that the Company or the Employer or the Employee Benefit Trust may be required to withhold as a result of your participation in the Plan or your receipt of Shares that is not satisfied by a Mandatory Same-Day Sale, in such manner as may be permitted under the Plan and approved by the Company. Finally, you acknowledge that the Company has no obligation to deliver Shares to you until you have satisfied the obligations in connection with the Tax-Related Items as described in this Section.

16.3 You hereby agree to indemnify and hold the Company, the Employer, the Employee Benefit Trust and each Associated Company of the Company harmless in respect of all Tax-Related Items.

17. **No Advice Regarding Award.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding your participation in the Plan, or your acquisition or sale of Shares under the Award. You are advised to consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan or the Award.

18. **Consent to Electronic Delivery of All Plan Documents and Communications.** Any notices provided for under this Agreement or the Plan shall be given in writing (including electronically) and shall be deemed effectively given upon receipt or, in the case of notices delivered by the Company to you, fourteen (14) days after posting from the United Kingdom by prepaid post, addressed to you at the last address you provided to the Company. Notwithstanding the foregoing, the Company may, in its sole discretion, decide to deliver any documents related to participation in the Plan and this Award by electronic means or request your consent to participate in the Plan by electronic means. By accepting this Award you are consenting to receive such documents by electronic delivery and agreeing to participate in the Plan through an on-line or electronic system established and maintained by the Company, Computershare or another third party designated by the Company.

19. **Compliance with Laws and Regulations.**

19.1 Shares will not be delivered to you in respect of the Award unless either (i) the Shares are registered under the Securities Act; or (ii) the Company has determined that such issuance or delivery would be exempt from the registration requirements of the Securities Act. The delivery of Shares to you under the Award will also be subject to and conditioned upon compliance by the Company and you with all other Applicable Law. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary for the lawful issuance or transfer or sale of any Shares shall relieve the Company of any liability in respect of the failure to issue or transfer or sell such Shares as to which such requisite authority shall not have been obtained. The Company shall not be obliged to register the Shares with the SEC or to effect compliance with the registration, qualification or listing requirements of any securities laws, exchange control laws, stock exchange or automated quotation system and the Company shall have no liability to you for any inability or failure to do so.

19.2 As a condition to the delivery of any Shares pursuant to this Award, the Company may require you to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any Applicable Law and to make any representation or warranty with respect thereto as may be requested by the Company. Shares delivered pursuant to this Agreement shall be endorsed with appropriate legends, if any, determined by the Company.

20. **Appendix.** Notwithstanding any provision in this Agreement, the Award shall be subject to any special terms and conditions set forth in any Appendix to this Agreement for your country. Moreover, if you relocate to one of the countries included in the Appendix, the special terms and conditions for such country will apply to you, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Appendix constitutes part of this Agreement.

21. **Necessary Amendments.** Notwithstanding anything in the Plan to the contrary, the Company reserves the right to change, by written notice to you, the provisions of this Agreement in any way it may deem necessary or advisable for legal or administrative reasons, and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

Data Protection.

- 22.1 You hereby explicitly and unambiguously consent to the collection, retention, use, processing and transfer, in electronic or other form, of your Personal Data by the Company, any Associated Company, the trustees of any Employee Benefit Trust, any administrator of the Plan, the Company's registrars, transfer agent, brokers and other agents, whether among themselves or to any third party, for the exclusive purpose of implementing, administering and managing your participation in the Plan.
- 22.2 You understand that the Company and its Associated Companies may hold certain personal information about you that constitutes Personal Data, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, passport and/or visa information, email address, employment history, directorships or offices you hold in the Company or any Associated Company, any Shares held by you, details of all Awards or any other entitlement to Shares awarded, cancelled, exercised, vested, unvested or outstanding in your favour, details of any change in your Service status or absences on leave, for the exclusive purpose of implementing, administering and managing the Plan.
- 22.3 You understand that your Personal Data may be transferred to the Company's designated Plan broker and to Computershare, or such other stock plan service provider as may be selected by the Company in the future, which is assisting the Company with the implementation, administration and management of the Plan. You understand that recipients of your Personal Data may be located both in and outside the European Union or the European Economic Area, and that a recipient's country (e.g., the United States) may have different data privacy laws and protections than

your country. You understand that you may request a list with the names and addresses of any potential recipients of your Personal Data by contacting your local human resources representative. You authorize the Company, its designated Plan broker and Plan administrator and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer your Personal Data, in electronic or other form, for the sole purpose of implementing, administering and managing your participation in the Plan.

- 22.4 You understand that your Personal Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand that you may, at any time, view your Personal Data, request additional information about the storage and processing of your Personal Data, require any necessary amendments to or deletions from your Personal Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local human resources representative. Further, you understand that you are providing the consents herein on a purely voluntary basis. If you do not consent, or if you later seek to revoke your consent, your employment status or service and career with the Company or its Associated Companies will not be adversely affected; the only adverse consequence of refusing or withdrawing your consent is that the Company would not be able to grant you Awards under the Plan or other options or other equity awards or administer or maintain such awards. Therefore, you understand that refusing or withdrawing your consent may affect your ability to retain your Award and to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.

Entire Agreement; Enforcement of Rights.

- 23.1 This Agreement and the Plan constitute the entire agreement and understanding between you and the Company and its Associated Companies relating to the subject matter herein and they supersede all prior discussions between you and the Company or any Associated Company regarding the subject matter. Any prior agreements, commitments or negotiations concerning the Award are superseded.
- 23.2 The provisions of this Agreement (and, in particular, Section 16) may also be enforced by the Employer, the Employee Benefit Trust (and its trustee) and each Associated Company of the Company.

- Amendments.** Subject to Section 21, no modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing (including electronically) and signed (or consented to by electronic means approved by the Company) by both you and the Company and, in the case of the Company, executed as a deed where so required. The failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of any rights of such party. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

- Further Assurance.** You agree upon request to execute any further documents or instruments necessary or desirable in the sole determination of the Company to carry out the purposes or intent of the Award.

- Plan Prospectus and Insider Trading Policy.** You hereby acknowledge receipt or the right to receive a document providing the information required by Rule 428(b)(1) promulgated under the Securities Act, which includes the Plan prospectus. In addition, you acknowledge receipt of the Company's Insider Trading Policy permitting officers, directors and employees of the Company and its Associated Companies to trade Shares only during certain "window" periods, in effect from time to time.

- Successors and Assigns.** Subject to the limitations set forth in this Agreement, this Agreement shall be binding upon, and inure to the benefit of, the executors, administrators, heirs, legal representatives, successors and assigns of the parties hereto, including, without limitation, any business entity that succeeds to the business of the Company.

- Severability.** If one or more provisions of this Agreement are held to be unenforceable under Applicable Law, you and the Company agree to renegotiate such provision in good faith. In the event that a mutually agreeable and enforceable replacement for such

provision cannot be agreed, then, to the maximum extent permitted by Applicable Law, (i) such provision shall be excluded from this Agreement, (ii) the balance of this Agreement shall be interpreted as if such provision were so excluded, and (iii) the balance of this Agreement shall be enforceable in accordance with its terms.

29. **Governing Law.** This Agreement and the Plan, and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of England and Wales and the Courts of England and Wales shall have exclusive jurisdiction in relation to all matters arising under this Agreement and the Plan.
30. **Translations.** If you have received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different to the English version, the English version will control.
31. **Headings.** The headings of the Sections in this Agreement are inserted for convenience only and shall not be deemed to constitute a part of this Agreement or to affect the meaning of this Agreement.
32. **Counterparts.** The Notice may be executed in any number of counterparts, any of which may be executed and transmitted by facsimile, and each of which shall be deemed to be an original, but all of which together shall be deemed to be one and the same instrument.

Acknowledgement. The Company and you agree that the Award is granted under and governed by this Agreement and the Plan. You acknowledge that a copy of the Plan has been made available to you on Kingfluence and you represent that you have carefully read and are familiar with its provisions.

By accepting the Award, you shall be deemed to have agreed to the terms and conditions of the Restricted Stock Unit Award Terms (including any Appendix thereto), the Notice and the Plan.

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Appendix

to the

Restricted Stock Unit Award Terms

(100% VESTING ON CHANGE OF CONTROL TERMINATION AND PILON VESTING)

TERMS AND CONDITIONS

This Appendix contains additional terms and conditions that govern the Award granted under the Plan to you if you reside and/or work in one of the countries listed below. Certain capitalized terms used but not defined in this Appendix have the meanings set forth in the Plan and/or the Notice and/or the Terms.

In the event of any conflict between the provisions of this Appendix and the Notice and/or the Terms, this Appendix shall prevail.

If you are a citizen or resident of a country other than the one in which you are currently working, transfer employment after the Award is granted, or are considered a resident of another country for local law purposes, the information contained herein may not be applicable to you, and the Company shall, in its discretion, determine to what extent the terms and conditions contained herein shall apply to you.

GENERAL

This Appendix contains information of which you should be aware with respect to your participation in the Plan. The information is based on the securities, exchange control, and other laws in effect in the respective countries as of 1 March 2014. Such laws are often complex and change frequently. As a result, the Company strongly recommends that you not rely on the information in this Appendix as the only source of information relating to the consequences of your participation in the Plan because the information may be out of date at the time your RSUs vest or you sell Shares acquired pursuant thereto.

The information contained herein is general in nature and may not apply to your particular situation, and the Company is not in a position to assure you of a particular result. Accordingly, you are advised to seek appropriate professional advice as to how the relevant laws in your country may apply to your situation.

GERMANY

1. Notification to Bundesbank under art. 67 Export Control Ordinance (Außenwirtschaftsverordnung, AWV): You will have an obligation to notify the Bundesbank of payments made to you under the Plan from a foreign entity if they exceed €12,500 and are not made through a German bank. Any such notification is entirely your responsibility.
2. The following additional provision shall form part of Section 16 of the Terms:
“16.4 The Company shall upon settlement of your RSUs disclose such settlement, the number of Shares delivered, the Purchase Price per Share and the market value of the Shares at the time of the settlement to your Employer. The Employer shall have a claim of its own against the Company in respect of such information.”
3. The human resources representative to be contacted with regard to your Personal Data, in accordance with Section 22.4 of the Terms, shall be the responsible human resources representative of the Company.

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KOREA

Your Award is subject to the Plan, the Sub-Plan Governing Awards to Participants in the Republic of Korea and to the following specific conditions.

1. To the extent that the Agreement provides for any amount payable by you in respect of or in connection with the Award to be deducted from your salary, such deduction shall only be permitted to the extent permitted by Applicable Law and, in particular, the Labor Standards Act of Korea, and you hereby agree that in the event that such deduction is not so permitted, you shall pay any such amount due directly to the Company or by another means approved by the Company and permitted under Applicable Law.
2. If, under Applicable Law, you must file a report with or receive the approval of the Governor of the Bank of Korea or other supervisory agencies ("Approvals") in order to receive the Award, or acquire the Shares upon vesting of your RSUs, then your obtainment of such Approvals shall be a condition precedent to your right to receive the Award and to acquire the Shares upon vesting of the RSUs. If, for any reason, you fail to obtain such Approval, then the Company shall bear no obligation whatsoever to you regarding the Award, the RSUs or the Shares subject thereto.
3. An Associated Company incorporated in Korea shall, in collecting, retaining, using, processing, transferring and disclosing to others your Personal Data, comply with the provisions of the Personal Information Protection Act. Section 22 shall apply to such collection, retention, use, processing, transfer and disclosure to the maximum extent permitted by the Personal Information Act.

MALTA

To the extent that the Agreement provides for any amount payable by you in respect of or in connection with the Award to be deducted from your salary, you hereby agree that in lieu of such deductions, the Company may instead reduce your salary by the amount equal to such deductions.

ROMANIA

Your Award is subject to the Plan, the Sub-Plan Governing Awards to Participants in Romania and the following specific conditions:

1. Section 22.4 of the Terms shall be amended and replaced by the following:

"You understand that your Personal Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand that you may, at any time, view your Personal Data, request additional information about the storage and processing of your Personal Data, require any necessary amendments to or deletions from your Personal Data, not be subject to an individual decision based on automatic processing, address to the supervisory authority or to a court of law, refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local human resources representative. Further, you understand that you are providing the consents herein on a purely voluntary basis. If you do not consent, or if you later seek to revoke your consent, your employment status or service and career with the Company or its Associated Companies will not be adversely affected; the only adverse consequence of refusing or withdrawing your consent is that the Company would not be able to grant you Awards under the Plan or other options or other equity awards or administer or maintain such awards. Therefore, you understand that refusing or withdrawing your consent may affect your ability to retain your Award and to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative."

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SPAIN

The following provisions shall replace Section 22 of the Terms:

- 22.1 You hereby explicitly and unambiguously consent to the collection, retention, use, processing and transfer, in electronic or other form, of your Personal Data by the Company, any Associated Company, the trustees of any Employee Benefit Trust, any administrator of the Plan, the Company's registrars, transfer agent, brokers and other agents, whether among themselves or to any third party, for the exclusive purpose of implementing, administering and managing your participation in the Plan.
- 22.2 You understand that the Company and its Associated Companies may hold certain personal information about you that constitutes Personal Data, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, passport and/or visa information, email address, employment history, directorships or offices you hold in the Company or any Associated Company, any Shares held by you, details of all Awards or any other entitlement to Shares awarded, cancelled, exercised, vested, unvested or outstanding in your favour, details of any change in your Service status or absences on leave, for the exclusive purpose of implementing, administering and managing the Plan.
- 22.3 You understand that your Personal Data may be transferred to the Company's-designated Plan broker and to Computershare, or such other stock plan service provider as may be selected by the Company in the future, for assisting the Company with the implementation, administration and management of the Plan. You understand that recipients of your Personal Data may be located both in and outside the European Union or the European Economic Area, and that some recipients' countries (for example the United States) may apply data protection standards which are not equivalent to the ones applied within the European Union. You understand that you may request a list with the names and addresses of any potential recipients of your Personal Data by contacting your local human resources representative. You authorize the Company, its designated Plan broker and Plan administrator and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer your Personal Data, in electronic or other form, for the sole purpose of implementing, administering and managing your participation in the Plan.
- 22.4 You understand that your Personal Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand that you may, at any time, execute your access, rectification, cancellation and objection rights on data, view your Personal Data, request additional information about the storage and processing of your Personal Data, require any necessary amendments to or deletions from your Personal Data or refuse or withdraw the consents herein, in any case

without cost, by contacting in writing your local human resources representative. Further, you understand that you are providing the consents herein on a purely voluntary basis. If you do not consent, or if you later seek to revoke your consent, your employment status or service and career with the Company or its Associated Companies will not be adversely affected; the only adverse consequence of refusing or withdrawing your consent is that the Company would not be able to grant you Awards under the Plan or other options or other equity awards or administer or maintain such awards. Therefore, you understand that refusing or withdrawing your consent may affect your ability to retain your Award and to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative."

UNITED KINGDOM

To the extent permitted by Applicable Law, the Company may at any time prior to the vesting of RSUs under your Award determine that liability for all or some of the employer's National Insurance Contributions arising therefrom (or from the acquisition of Shares pursuant thereto) shall be transferred to or borne by you ("**Determination**"). In the event that the Company makes the Determination, you will be notified. You hereby agree that following such notification you will at any time upon request join in with the Company or any Associated Company or any other person in making any election or notice reasonably required by the Company or such Associated Company or other person (as applicable) for the purpose of ensuring that the liability for all employer's National Insurance Contributions (or any similar social security contributions) arising as a consequence of the vesting of your RSUs (or the acquisition of Shares pursuant thereto) is assumed and borne solely by you and treated as a liability falling on you instead of on the Company or such Associated Company or other person (as applicable) and in entering into any arrangements required by HM Revenue & Customs ("HMRC") for securing that any liability so assumed is duly paid by you. You shall not be required to enter into any election or notice pursuant to this paragraph in the event that you enter into such other arrangements with the Company, any Associated Company or any other person (as applicable) that are satisfactory to the Company, such Associated Company or any other person (as applicable) to discharge any liability referred to in this paragraph. If the Company makes the Determination, you shall indemnify and keep indemnified the Company, your Employer and any Associated Company against all employer's National Insurance Contributions arising from the vesting of RSUs under your Award (or the acquisition of Shares pursuant thereto) and to the extent permitted by Applicable Law and (save where you are liable to account for the same directly to HMRC) such employer's National Insurance Contributions shall be treated as a Tax-Related item for the purpose of Section 16.

KING DIGITAL ENTERTAINMENT PUBLIC LIMITED COMPANY 2014 EQUITY INCENTIVE PLAN

NOTICE OF RESTRICTED STOCK UNIT AWARD

(100% VESTING ON CHANGE OF CONTROL TERMINATION AND PILON VESTING)

You (being the Participant named below) ("you") have been granted a Restricted Stock Unit Award (the "Award") by King Digital Entertainment Public Limited Company (the "Company") under its 2014 Equity Incentive Plan (the "Plan") in respect of the number of Restricted Stock Units ("RSUs") set out below. The Award is granted subject to the terms and conditions of the Plan, this Notice of Restricted Stock Unit Award (the "Notice") and the attached Restricted Stock Unit Award Terms (the "Terms"), including any applicable country-specific provisions in the appendix attached thereto (if any) (the "Appendix"), (the Notice together with Terms (including the Appendix) being the "Agreement").

Unless otherwise defined in this Agreement, any capitalized terms used in this Agreement will have the meaning given to them in the Plan.

Participant Name:	Riccardo Zaconi
Total Number of RSUs:	45,000
Date of Grant:	10 November 2015
Vesting Commencement Date:	16 February 2015
Vesting Schedule:	Vesting of your RSUs will occur over the four-year period beginning on the Vesting Commencement Date specified above; twenty-five percent (25%) of the Total Number of RSUs will vest on the first anniversary of the Vesting Commencement Date and the remaining seventy-five percent (75%) will vest in a series of twelve (12) equal quarterly instalments thereafter, each of 6.25% of the Total Number of RSUs.
Settlement:	For each RSU which vests, one Share will be delivered to you in accordance with Section 3 of the Terms.

You acknowledge that vesting of the RSUs pursuant to the Award is earned only by continuing in Service. You acknowledge and agree that the vesting schedule described above may change prospectively in the event that your Service status changes, in accordance with Company policies relating to leave from work, work schedules and vesting of awards under the Plan, and the provisions of the Plan.

You further acknowledge that the grant of the Award is at the Company's sole discretion, and does not entitle you to further grant(s) of Awards in respect of RSUs or any other award(s) under the Plan or any other plan or program maintained by the Company or any Associated Company or affiliate of the Company.

You are required to pay the Company a nominal amount in consideration for the grant of your Award. That amount will be determined by the currency in which your salary is paid and will be the appropriate one of the following: one pound sterling (£1); one U.S. dollar (\$1); one Euro (€1) or ten Swedish Kroner (SEK10) or a single unit of the relevant local currency. Unless otherwise determined by the Company, and notified to you, the appropriate amount will be deducted from payroll on the next practicable payroll date after the date on which you confirm acceptance of the Award, and you hereby authorise that deduction.

You will not be required to make any payment to the Company with respect to the vesting of the RSUs or the delivery of Shares in settlement of the RSUs; *provided, however,* that to the extent that any Shares delivered upon settlement of your Award are newly issued Shares, you must pay the Company the amount equal to the nominal value of such Shares (\$0.00008 per Share) (the "Purchase Price"). You hereby irrevocably undertake to pay the Company the Purchase Price and you hereby authorise the Company or any Associated Company at their election to: (i) deduct the Purchase Price from your salary or other payment due to you from the Company or any Associated Company, on a date determined by the Company or any Associated Company, prior to or after the vesting date of the relevant RSUs, or (ii) deduct the Purchase Price from the proceeds of a same-day sale described in Section 16.2 of the Terms.

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The Award shall not take effect unless you have confirmed your acceptance of it on the on-line or electronic system operated by Computershare by the date indicated below. By doing so you will be accepting the Award on the terms and conditions set out in this Notice, the attached Terms (including any Appendix) and the Plan, and in consideration of the grant of the Award by the Company, you will undertake the obligations given to you under this Notice, the Terms and the Plan. Also you will be consenting to the delivery to you of Plan documents, including any notices provided for in the Terms, this Notice or the Plan, by electronic delivery and to participating in the Plan through an on-line or electronic system established and maintained by the Company, Computershare or another third party designated by the Company.

SIGNED
on behalf of KING DIGITAL ENTERTAINMENT
PUBLIC LIMITED COMPANY
by _Rob Miller _____
its authorised signatory:

/s/ Rob Miller
Authorised Signatory (Signature)

IMPORTANT: YOU MUST ACCEPT THIS AWARD BY 15TH FEBRUARY 2016

RESTRICTED STOCK UNIT AWARD TERMS**(100% VESTING ON CHANGE OF CONTROL TERMINATION AND PILON VESTING)**

Pursuant to your attached Notice of Restricted Stock Unit Award (the “**Notice**”) and these Restricted Stock Unit Award Terms, including any country-specific Appendix, (together with the Notice, being the “**Agreement**”), King Digital Entertainment Public Limited Company (the “**Company**”) has granted you a Restricted Stock Unit Award (the “**Award**”) under its 2014 Equity Incentive Plan (the “**Plan**”). The Award is granted to you effective as of the date of grant set forth in the Notice (the “**Date of Grant**”) although shall not take effect unless you accept the Award on the on-line or electronic system operated by Computershare by the date indicated in the Notice.

Except as otherwise explicitly provided in this Agreement, in the event of any conflict between the terms in this Agreement and the Plan, the Plan shall take precedence.

Capitalized terms not explicitly defined in this Agreement but defined in the Plan shall have the same definitions as in the Plan. This Agreement constitutes an Award Agreement for the purposes of the Plan.

The terms and conditions of your Award, in addition to those set forth in the Notice and the Plan, are as follows.

1. **Grant of the Award.** The Award represents your right to receive on specified future dates, in accordance with the vesting schedule set out in the Notice (the “**Vesting Schedule**”), the number of Shares that is equal to the number of RSUs that vest on each such date, upon payment to the Company of the Purchase Price (nominal value \$0.00008 per Share) if the Shares to be delivered to you, as determined by the Company, are to be newly issued Shares, or for no consideration payable by you if the Shares to be delivered to you are already issued Shares.
2. **Vesting.** The RSUs subject to your Award will vest, if at all, in accordance with the Vesting Schedule, provided that, subject to Section 11, vesting of the RSUs will cease upon the termination of your Service.
3. **Settlement.**
 - 3.1 Settlement of vested RSUs shall be made on or as soon as practicable after the applicable date of vesting under the Vesting Schedule but in any event within thirty (30) days after such date. Except as otherwise provided under the Plan, settlement of RSUs shall be in Shares. Settlement means the delivery to you of the number of Shares subject to a vested RSU. Where fractional rights arise, they shall be credited to you and accumulated and carried forward to the last date on which RSUs vest.
 - 3.2 Notwithstanding the foregoing, in the event that (i) you are subject to the Insider Trading Policy (the “**Policy**”) or (ii) you are otherwise prohibited from selling Shares in the open market, and any Shares covered by your Award are scheduled to be delivered on a day (the “**Original Settlement Date**”) that does not occur during an open “window period” applicable to you or a day on which you are permitted to sell Shares pursuant to a written plan that meets the requirements of Rule 10b5-1 under the Exchange Act, as determined by the Company in accordance with the Policy, or does not occur on a date when you are otherwise permitted to sell Shares in the open market, then the Company may determine that such Shares shall not be delivered on the Original Settlement Date and shall instead be delivered on the first U.S. business day of the next occurring open “window period” applicable to you pursuant to the Policy (regardless of whether you are still in Service at such time) or the next U.S. business day when you are not prohibited from selling Shares in the open market.

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4. **Shares/Electronic Delivery of Shares.** Shares delivered to you on settlement of your RSUs shall be previously authorised but unissued Shares or issued Shares that have been reacquired by the Company or by an Employee Benefit Trust. Upon issuance, Shares shall be fully paid and nonassessable. Delivery of Shares to you shall be effected by crediting the depository nominated by the Company, Depository Trust Company (or its nominee), with the number of Shares due to you, to be held by it in electronic form on your behalf as beneficial owner.
 5. **No Shareholder Rights.** Unless and until such time as Shares are delivered to you in settlement of vested RSUs, you, or any person claiming under or through you, shall have no ownership of the Shares subject to the RSUs and shall have no right to dividends in respect of or to vote such Shares.
 6. **Dividend Equivalents.** Dividend Equivalents shall not be credited to you in respect of the RSUs subject to the Award.
 7. **Number of RSUs and Shares.**
 - 7.1 The number of RSUs subject to your Award may be adjusted from time to time for variations in the Company’s share capital, as provided in the Plan.
 - 7.2 Any additional RSUs that become subject to the Award pursuant to this Section 7 shall be subject, in a manner determined by the Company, to the same terms and conditions and time and manner of vesting and settlement as applicable to the RSUs in respect of which such additional RSUs are issued.
 8. **Unsecured Obligation.** The Award is unfunded, and as a holder of vested RSUs you shall be considered an unsecured creditor of the Company with respect to the Company’s obligation, if any, to deliver Shares pursuant to this Agreement. Nothing contained in this Agreement, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind or a fiduciary relationship between you and the Company or any other person.
 9. **No Transfer.** The Award and the RSUs are not transferable and may not be sold, pledged, assigned, hypothecated, transferred or otherwise disposed of by you in any manner other than by will or by the laws of descent or distribution or unless otherwise permitted by the Company on a case-by-case basis in accordance with the Plan. The Award and the RSUs shall lapse to the extent you purport

to so sell, pledge, assign, hypothecate, transfer or otherwise dispose of them. After the Shares have been delivered to you, you are free to sell, pledge, assign, hypothecate, donate, encumber or otherwise dispose of any interest in such Shares, provided that any such action is in compliance with the provisions herein (including the country-specific Appendix hereto) and Applicable Law.

10. **Termination of Service.** Subject to Section 11, if your Service terminates for any reason, the Award, to the extent not vested, shall lapse and all unvested RSUs shall be forfeited to the Company forthwith, and all rights you have to such RSUs shall immediately terminate, without payment of any consideration to you. Your Service will be considered terminated as of the date you cease to be an Employee, Consultant, Director or Non-Employee Director of the Company or an Associated Company (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your Service Agreement, if any) and, subject to Applicable Law, your Service will not be extended by any notice period or garden leave period mandated by Applicable Law or any period during which you have ceased to provide services to the Company or an Associated Company but during which the Company or an Associated Company is legally required to continue to employ you. In case of any dispute as to whether your termination of Service has occurred, the Committee shall have sole discretion to determine whether such termination has occurred and the effective date of such termination.

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11. **Change of Control Termination/Termination by Employer.**

- 11.1 In the event of a Change of Control Termination, the Award (as assumed, exchanged, substituted, replaced or converted, if applicable) shall automatically accelerate with respect to one hundred percent (100%) of the RSUs (if any), or the shares or other securities for or by which the RSUs have been exchanged, substituted or replaced or converted to, that are unvested as of that date in accordance with the Vesting Schedule.
- 11.2 For purposes of this Section 11;
- 11.2.1 **"Change of Control Period"**, means a period that commences on the date that falls three months prior to the date of exchange of contracts in relation to an applicable Corporate Transaction and terminates on the date that falls 18 months immediately after the completion of an applicable Corporate Transaction;
- 11.2.2 **"Change of Control Termination"**, means the termination of your employment with the Company or an Associated Company or any successor thereto (the "**Employer**") during a Change of Control Period where:
- (a) the Employer serves notice to terminate your employment, save where it is entitled summarily to terminate your employment without notice or payment in lieu of notice under the Service Agreement; or
- (b) you terminate your employment with the Employer with or without notice for Good Reason (other than in circumstances where the Employer has reasonable grounds for summary dismissal without notice or payment in lieu of notice under the Service Agreement) provided that you must, before you terminate your employment for Good Reason, and if (on a reasonable view) the circumstances that constitute Good Reason are remediable, have first given the Employer a written notice stating clearly the event or circumstance that constitutes Good Reason in your belief, acting in good faith, and given the Employer a period of not less than 15 working days to cure the event or circumstance allegedly constituting Good Reason and no Good Reason shall exist if on a reasonable view the event or circumstance is cured by the Employer;
- (c) **"Good Reason"**, means grounds that entitle you to treat yourself as being constructively dismissed (either within the meaning of section 95(1)(c) of the Employment Rights Act 1996 or otherwise) as may be determined by a court of competent jurisdiction. Examples of such grounds may include, but are not limited to, circumstances where you are required to permanently relocate outside of Greater London or Greater Stockholm, as applicable, where your pay is unilaterally reduced, where the Employer is in material breach of the Service Agreement, where the scope of your role is materially reduced where the level or status attached to your role is reduced or where on a Corporate Transaction the acquiring entity did not give you options, compensation or equity of at least the same value (taking into account the terms of such options, compensation or equity) as the value of any shares under option or award (net of exercise or purchase price) held by you (taking into account the terms of such shares under option or award) which are no longer capable of vesting or being exercised after such Corporate Transaction; and
- 11.2.3 **"Service Agreement"** means any unexpired service agreement between you and the Company or any Associated Company in effect from time to time.

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- 11.3 In the event that the Employer terminates your Service at any time (otherwise than in circumstances where (i) the termination is a Change of Control Termination or (ii) the Employer is entitled summarily to terminate your Service without notice or payment in lieu of notice under the Service Agreement) and the Employer makes a payment in lieu of any part of the contractual notice period, any RSUs that would have vested in accordance with the Vesting Schedule during the period that would otherwise have been the notice period shall be treated as having vested on the date your Service terminates, provided always that such period shall not exceed 12 months.

12. **No Rights as Employee, Director or Consultant.**

- 12.1 Nothing in this Agreement shall affect in any manner whatsoever the right or power of the Company or an Associated Company to terminate your Service, for any reason, with or without cause.
- 12.2 Nothing in this Agreement (including, but not limited to, the vesting of RSUs pursuant to the Vesting Schedule or the delivery of Shares in respect of the Award), the Plan or any covenant of good faith and fair dealing that may be found implicit in this

Agreement or the Plan shall: (i) confer upon you any right to continue in the employ of, or affiliation with, the Company or an Associated Company; (ii) constitute any promise or commitment by the Company or an Associated Company regarding the fact or nature of future positions, future work assignments, future compensation or any other term or condition of employment or affiliation; (iii) confer any right or benefit under this Agreement or the Plan unless such right or benefit has specifically accrued under the terms of this Agreement or the Plan; or (iv) deprive the Company or its Associated Companies, as applicable, of the right to terminate your Service without regard to any future vesting opportunity that you may have under this Award.

- 12.3 By accepting this Award, you acknowledge and agree that the right to continue vesting in the Award pursuant to the Vesting Schedule is earned only by continuing in Service (not through the act of being hired, being granted this Award or any other award or benefit) and that the Company has the right to reorganize, sell, spin-out or otherwise restructure one or more of its businesses or Associated Companies at any time or from time to time, as it deems appropriate (a "reorganization"). You further acknowledge and agree that such a reorganization could result in the termination of your Service, or the termination of Associated Company status of your employer and the loss of benefits available to you under this Agreement, including but not limited to, the termination of the right to continue vesting in RSUs under the Award. You further acknowledge and agree that this Agreement, the Plan, the transactions contemplated hereunder and the Vesting Schedule or any covenant of good faith and fair dealing that may be found implicit in any of them do not constitute an express or implied promise of continued employment or engagement as an employee or director of or consultant to the Company or any Associated Company for the duration of the Vesting Schedule, for any period, or at all, and shall not interfere in any way with your right or the right of the Company or any Associated Company, as applicable, to terminate your Service at any time.

13. **Discretionary Nature of Award.** In accepting the Award, you acknowledge, understand and agree that:

- 13.1 the Plan is established voluntarily by the Company, it is discretionary in nature, and may be amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;
- 13.2 the grant of the Award is voluntary and occasional and does not create any contractual or other right to receive future grants of Awards in respect of RSUs or other Awards under the Plan, or benefits in lieu of Awards, even if Awards have been granted in the past;

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- 13.3 all decisions with respect to future Awards of RSUs or other Awards, if any, will be at the sole discretion of the Company;
- 13.4 you are voluntarily participating in the Plan;
- 13.5 the Award and any Shares acquired by you under the Plan are not intended to replace any pension rights or compensation;
- 13.6 the Award and any Shares acquired under the Plan and the income and value of same are not part of normal or expected compensation or salary for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments or for any other purpose;
- 13.7 the future value of the Shares underlying the Award is unknown, indeterminable, and cannot be predicted with certainty;
- 13.8 no claim or entitlement to compensation or damages shall arise from lapse of the Award or forfeiture of the RSUs resulting from you ceasing to be employed by or provide other services to the Company or any Associated Company (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your Service Agreement, if any), and in consideration of the grant of the Award to which you are otherwise not entitled, you irrevocably agree never to institute any claim against the Company or any of its Associated Companies, waive your ability, if any, to bring any such claim, and release the Company and its Associated Companies from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, you shall be deemed irrevocably to have agreed not to pursue such claim and agree to execute any and all documents necessary to request dismissal or withdrawal of such claim;
- 13.9 unless otherwise provided in the Plan or by the Company in its discretion, the Award, the RSUs and the benefits evidenced by this Agreement do not create any entitlement to have the Award or the RSUs or any such benefits transferred to, or assumed by, another company or exchanged, cashed out, replaced or substituted for or otherwise continued or preserved or dealt with in any particular manner in connection with a Corporate Transaction; and
- 13.10 you acknowledge and agree that neither the Company nor any Associated Company shall be liable for any foreign exchange rate fluctuation between your local currency and the United States Dollar that may affect the value of the Award and the RSUs or of any amounts due to you pursuant to the settlement of the RSUs or the subsequent sale of any Shares acquired upon settlement.

14. **Award Subject to Company Clawback or Recoupment.** The Award shall be subject to clawback or recoupment pursuant to any compensation clawback or recoupment policy adopted by the Company or required by law during the term of your service that is applicable to you, and in addition to any other remedies available under Applicable Law, such policy may require the cancellation of your Award in full or in part (whether vested or unvested), a reduction in the number of RSUs that will vest, and/or the recoupment of any economic benefit already realized by you with respect to the Award or Shares delivered under it, if you engage or have engaged in activity that is inimical, contrary or harmful to the interests of the Company, as more fully described in such policy.

15. **Tax Consequences.** You acknowledge that there may be tax consequences upon the grant of the Award, vesting and/or settlement of the RSUs or disposition of the Shares, if any, received in connection therewith, and you should consult a tax adviser regarding your tax obligations prior to such grant, vesting or settlement or disposition, in the jurisdiction(s) where you are subject to tax.

16.

Payment of Taxes.

- 16.1 Regardless of any action the Company or the Employer takes with respect to any or all income tax, national or social insurance contributions, payroll tax, payment on account or other tax-related withholding or required deductions ("Tax-Related Items"), you acknowledge that the ultimate liability for all Tax-Related Items legally due by you is and remains your responsibility and that the Company and/or the Employer and/or the Employee Benefit Trust (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award, including the settlement of the RSUs, the subsequent sale of Shares acquired pursuant to such settlement and the receipt of any dividends; and (2) do not commit to structure the terms of the Award or any aspect of the RSUs to reduce or eliminate your liability for Tax-Related Items. You acknowledge that if you are subject to Tax-Related Items in more than one jurisdiction, the Company and/or the Employer may be required to withhold or account for Tax-Related Items in more than one jurisdiction.
- 16.2 Upon settlement of your RSUs, payment of all Tax-Related Items shall be discharged by the deduction of the amount required to satisfy such Tax-Related Items from the proceeds of the immediate sale of such portion of the Shares delivered to you on settlement of your RSUs as is sufficient to discharge the Tax-Related Items, as determined by the Company, and any fees or charges payable by you in connection with such sale, through a mandatory sale arranged by the Company on your behalf by a Company-designated broker (a "Mandatory Same-Day Sale"). You shall pay to the Company or the Employer or the Employee Benefit Trust any amount of Tax-Related Items that the Company or the Employer or the Employee Benefit Trust may be required to withhold as a result of your participation in the Plan or your receipt of Shares that is not satisfied by a Mandatory Same-Day Sale, in such manner as may be permitted under the Plan and approved by the Company. Finally, you acknowledge that the Company has no obligation to deliver Shares to you until you have satisfied the obligations in connection with the Tax-Related Items as described in this Section.
- 16.3 You hereby agree to indemnify and hold the Company, the Employer, the Employee Benefit Trust and each Associated Company of the Company harmless in respect of all Tax-Related Items.
17. **No Advice Regarding Award.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding your participation in the Plan, or your acquisition or sale of Shares under the Award. You are advised to consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan or the Award.
18. **Consent to Electronic Delivery of All Plan Documents and Communications.** Any notices provided for under this Agreement or the Plan shall be given in writing (including electronically) and shall be deemed effectively given upon receipt or, in the case of notices delivered by the Company to you, fourteen (14) days after posting from the United Kingdom by prepaid post, addressed to you at the last address you provided to the Company. Notwithstanding the foregoing, the Company may, in its sole discretion, decide to deliver any documents related to participation in the Plan and this Award by electronic means or request your consent to participate in the Plan by electronic means. By accepting this Award you are consenting to receive such documents by electronic delivery and agreeing to participate in the Plan through an on-line or electronic system established and maintained by the Company, Computershare or another third party designated by the Company.

19.

Compliance with Laws and Regulations.

- 19.1 Shares will not be delivered to you in respect of the Award unless either (i) the Shares are registered under the Securities Act; or (ii) the Company has determined that such issuance or delivery would be exempt from the registration requirements of the Securities Act. The delivery of Shares to you under the Award will also be subject to and conditioned upon compliance by the Company and you with all other Applicable Law. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary for the lawful issuance or transfer or sale of any Shares shall relieve the Company of any liability in respect of the failure to issue or transfer or sell such Shares as to which such requisite authority shall not have been obtained. The Company shall not be obliged to register the Shares with the SEC or to effect compliance with the registration, qualification or listing requirements of any securities laws, exchange control laws, stock exchange or automated quotation system and the Company shall have no liability to you for any inability or failure to do so.
- 19.2 As a condition to the delivery of any Shares pursuant to this Award, the Company may require you to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any Applicable Law and to make any representation or warranty with respect thereto as may be requested by the Company. Shares delivered pursuant to this Agreement shall be endorsed with appropriate legends, if any, determined by the Company.

20.

- Appendix.** Notwithstanding any provision in this Agreement, the Award shall be subject to any special terms and conditions set forth in any Appendix to this Agreement for your country. Moreover, if you relocate to one of the countries included in the Appendix, the special terms and conditions for such country will apply to you, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Appendix constitutes part of this Agreement.

21.

- Necessary Amendments.** Notwithstanding anything in the Plan to the contrary, the Company reserves the right to change, by written notice to you, the provisions of this Agreement in any way it may deem necessary or advisable for legal or administrative reasons, and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

22.

Data Protection.

- 22.1 You hereby explicitly and unambiguously consent to the collection, retention, use, processing and transfer, in electronic or other form, of your Personal Data by the Company, any Associated Company, the trustees of any Employee Benefit Trust, any administrator of the Plan, the Company's registrars, transfer agent, brokers and other agents, whether among themselves or to any third party, for the exclusive purpose of implementing, administering and managing your participation in the Plan.

22.2 You understand that the Company and its Associated Companies may hold certain personal information about you that constitutes Personal Data, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, passport and/or visa information, email address, employment history, directorships or offices you hold in the Company or any Associated Company, any Shares held by you, details of all Awards or any other entitlement to Shares awarded, cancelled, exercised, vested, unvested or outstanding in your favour, details of any change in your Service status or absences on leave, for the exclusive purpose of implementing, administering and managing the Plan.

22.3 You understand that your Personal Data may be transferred to the Company's-designated Plan broker and to Computershare, or such other stock plan service provider as may be selected by the Company in the future, which is assisting the Company with the implementation, administration and management of the Plan. You understand that recipients of your Personal Data may be located both in and outside the European Union or the European Economic Area, and that a recipient's country (e.g., the United States) may have different data privacy laws and protections than

your country. You understand that you may request a list with the names and addresses of any potential recipients of your Personal Data by contacting your local human resources representative. You authorize the Company, its designated Plan broker and Plan administrator and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer your Personal Data, in electronic or other form, for the sole purpose of implementing, administering and managing your participation in the Plan.

22.4 You understand that your Personal Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand that you may, at any time, view your Personal Data, request additional information about the storage and processing of your Personal Data, require any necessary amendments to or deletions from your Personal Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local human resources representative. Further, you understand that you are providing the consents herein on a purely voluntary basis. If you do not consent, or if you later seek to revoke your consent, your employment status or service and career with the Company or its Associated Companies will not be adversely affected; the only adverse consequence of refusing or withdrawing your consent is that the Company would not be able to grant you Awards under the Plan or other options or other equity awards or administer or maintain such awards. Therefore, you understand that refusing or withdrawing your consent may affect your ability to retain your Award and to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.

23. **Entire Agreement; Enforcement of Rights.**

23.1 This Agreement and the Plan constitute the entire agreement and understanding between you and the Company and its Associated Companies relating to the subject matter herein and they supersede all prior discussions between you and the Company or any Associated Company regarding the subject matter. Any prior agreements, commitments or negotiations concerning the Award are superseded.

23.2 The provisions of this Agreement (and, in particular, Section 16) may also be enforced by the Employer, the Employee Benefit Trust (and its trustee) and each Associated Company of the Company.

24. **Amendments.** Subject to Section 21, no modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing (including electronically) and signed (or consented to by electronic means approved by the Company) by both you and the Company and, in the case of the Company, executed as a deed where so required. The failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of any rights of such party. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

25. **Further Assurance.** You agree upon request to execute any further documents or instruments necessary or desirable in the sole determination of the Company to carry out the purposes or intent of the Award.

26. **Plan Prospectus and Insider Trading Policy.** You hereby acknowledge receipt or the right to receive a document providing the information required by Rule 428(b)(1) promulgated under the Securities Act, which includes the Plan prospectus. In addition, you acknowledge receipt of the Company's Insider Trading Policy permitting officers, directors and employees of the Company and its Associated Companies to trade Shares only during certain "window" periods, in effect from time to time.

27. **Successors and Assigns.** Subject to the limitations set forth in this Agreement, this Agreement shall be binding upon, and inure to the benefit of, the executors, administrators, heirs, legal representatives, successors and assigns of the parties hereto, including, without limitation, any business entity that succeeds to the business of the Company.

28. **Severability.** If one or more provisions of this Agreement are held to be unenforceable under Applicable Law, you and the Company agree to renegotiate such provision in good faith. In the event that a mutually agreeable and enforceable replacement for such provision cannot be agreed, then, to the maximum extent permitted by Applicable Law, (i) such provision shall be excluded from this Agreement, (ii) the balance of this Agreement shall be interpreted as if such provision were so excluded, and (iii) the balance of this Agreement shall be enforceable in accordance with its terms.

29. **Governing Law.** This Agreement and the Plan, and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of England and Wales and the Courts of England and Wales shall have exclusive jurisdiction in relation to all matters arising under this Agreement and the Plan.

30. **Translations.** If you have received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different to the English version, the English version will control.
31. **Headings.** The headings of the Sections in this Agreement are inserted for convenience only and shall not be deemed to constitute a part of this Agreement or to affect the meaning of this Agreement.
32. **Counterparts.** The Notice may be executed in any number of counterparts, any of which may be executed and transmitted by facsimile, and each of which shall be deemed to be an original, but all of which together shall be deemed to be one and the same instrument.

Acknowledgement. The Company and you agree that the Award is granted under and governed by this Agreement and the Plan. You acknowledge that a copy of the Plan has been made available to you on Kingfluence and you represent that you have carefully read and are familiar with its provisions.

By accepting the Award, you shall be deemed to have agreed to the terms and conditions of the Restricted Stock Unit Award Terms (including any Appendix thereto), the Notice and the Plan.

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Appendix

to the

Restricted Stock Unit Award Terms

(100% VESTING ON CHANGE OF CONTROL TERMINATION AND PILON VESTING)

TERMS AND CONDITIONS

This Appendix contains additional terms and conditions that govern the Award granted under the Plan to you if you reside and/or work in one of the countries listed below. Certain capitalized terms used but not defined in this Appendix have the meanings set forth in the Plan and/or the Notice and/or the Terms.

In the event of any conflict between the provisions of this Appendix and the Notice and/or the Terms, this Appendix shall prevail.

If you are a citizen or resident of a country other than the one in which you are currently working, transfer employment after the Award is granted, or are considered a resident of another country for local law purposes, the information contained herein may not be applicable to you, and the Company shall, in its discretion, determine to what extent the terms and conditions contained herein shall apply to you.

GENERAL

This Appendix contains information of which you should be aware with respect to your participation in the Plan. The information is based on the securities, exchange control, and other laws in effect in the respective countries as of 1 March 2014. Such laws are often complex and change frequently. As a result, the Company strongly recommends that you not rely on the information in this Appendix as the only source of information relating to the consequences of your participation in the Plan because the information may be out of date at the time your RSUs vest or you sell Shares acquired pursuant thereto.

The information contained herein is general in nature and may not apply to your particular situation, and the Company is not in a position to assure you of a particular result. Accordingly, you are advised to seek appropriate professional advice as to how the relevant laws in your country may apply to your situation.

GERMANY

1. Notification to Bundesbank under art. 67 Export Control Ordinance (Außenwirtschaftsverordnung, AWV): You will have an obligation to notify the Bundesbank of payments made to you under the Plan from a foreign entity if they exceed €12,500 and are not made through a German bank. Any such notification is entirely your responsibility.
2. The following additional provision shall form part of Section 16 of the Terms:
“16.4 The Company shall upon settlement of your RSUs disclose such settlement, the number of Shares delivered, the Purchase Price per Share and the market value of the Shares at the time of the settlement to your Employer. The Employer shall have a claim of its own against the Company in respect of such information.”
3. The human resources representative to be contacted with regard to your Personal Data, in accordance with Section 22.4 of the Terms, shall be the responsible human resources representative of the Company.

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KOREA

Your Award is subject to the Plan, the Sub-Plan Governing Awards to Participants in the Republic of Korea and to the following specific conditions.

1. To the extent that the Agreement provides for any amount payable by you in respect of or in connection with the Award to be deducted from your salary, such deduction shall only be permitted to the extent permitted by Applicable Law and, in particular, the Labor Standards Act of Korea, and you hereby agree that in the event that such deduction is not so permitted, you shall pay any such amount due directly to the Company or by another means approved by the Company and permitted under Applicable Law.

2. If, under Applicable Law, you must file a report with or receive the approval of the Governor of the Bank of Korea or other supervisory agencies ("Approvals") in order to receive the Award, or acquire the Shares upon vesting of your RSUs, then your obtainment of such Approvals shall be a condition precedent to your right to receive the Award and to acquire the Shares upon vesting of the RSUs. If, for any reason, you fail to obtain such Approval, then the Company shall bear no obligation whatsoever to you regarding the Award, the RSUs or the Shares subject thereto.
3. An Associated Company incorporated in Korea shall, in collecting, retaining, using, processing, transferring and disclosing to others your Personal Data, comply with the provisions of the Personal Information Protection Act. Section 22 shall apply to such collection, retention, use, processing, transfer and disclosure to the maximum extent permitted by the Personal Information Act.

MALTA

To the extent that the Agreement provides for any amount payable by you in respect of or in connection with the Award to be deducted from your salary, you hereby agree that in lieu of such deductions, the Company may instead reduce your salary by the amount equal to such deductions.

ROMANIA

Your Award is subject to the Plan, the Sub-Plan Governing Awards to Participants in Romania and the following specific conditions:

1. Section 22.4 of the Terms shall be amended and replaced by the following:

"You understand that your Personal Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand that you may, at any time, view your Personal Data, request additional information about the storage and processing of your Personal Data, require any necessary amendments to or deletions from your Personal Data, not be subject to an individual decision based on automatic processing, address to the supervisory authority or to a court of law, refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local human resources representative. Further, you understand that you are providing the consents herein on a purely voluntary basis. If you do not consent, or if you later seek to revoke your consent, your employment status or service and career with the Company or its Associated Companies will not be adversely affected; the only adverse consequence of refusing or withdrawing your consent is that the Company would not be able to grant you Awards under the Plan or other options or other equity awards or administer or maintain such awards. Therefore, you understand that refusing or withdrawing your consent may affect your ability to retain your Award and to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative."

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SPAIN

The following provisions shall replace Section 22 of the Terms:

- "22.1 You hereby explicitly and unambiguously consent to the collection, retention, use, processing and transfer, in electronic or other form, of your Personal Data by the Company, any Associated Company, the trustees of any Employee Benefit Trust, any administrator of the Plan, the Company's registrars, transfer agent, brokers and other agents, whether among themselves or to any third party, for the exclusive purpose of implementing, administering and managing your participation in the Plan.
- 22.2 You understand that the Company and its Associated Companies may hold certain personal information about you that constitutes Personal Data, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, passport and/or visa information, email address, employment history, directorships or offices you hold in the Company or any Associated Company, any Shares held by you, details of all Awards or any other entitlement to Shares awarded, cancelled, exercised, vested, unvested or outstanding in your favour, details of any change in your Service status or absences on leave, for the exclusive purpose of implementing, administering and managing the Plan.
- 22.3 You understand that your Personal Data may be transferred to the Company's designated Plan broker and to Computershare, or such other stock plan service provider as may be selected by the Company in the future, for assisting the Company with the implementation, administration and management of the Plan. You understand that recipients of your Personal Data may be located both in and outside the European Union or the European Economic Area, and that some recipients' countries (for example the United States) may apply data protection standards which are not equivalent to the ones applied within the European Union. You understand that you may request a list with the names and addresses of any potential recipients of your Personal Data by contacting your local human resources representative. You authorize the Company, its designated Plan broker and Plan administrator and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer your Personal Data, in electronic or other form, for the sole purpose of implementing, administering and managing your participation in the Plan.
- 22.4 You understand that your Personal Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand that you may, at any time, execute your access, rectification, cancellation and objection rights on data, view your Personal Data, request additional information about the storage and processing of your Personal Data, require any necessary amendments to or deletions from your Personal Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local human resources representative. Further, you understand that you are providing the consents herein on a purely voluntary basis. If you do not consent, or if you later seek to revoke your consent, your employment status or service and career with the Company or its Associated Companies will not be adversely affected; the only adverse consequence of refusing or withdrawing your consent is that the Company would not be able to grant you Awards under the Plan or other options or other equity awards or administer or maintain such awards. Therefore, you understand that refusing or withdrawing your consent may affect your ability to retain your Award and to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative."

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UNITED KINGDOM

To the extent permitted by Applicable Law, the Company may at any time prior to the vesting of RSUs under your Award determine that liability for all or some of the employer's National Insurance Contributions arising therefrom (or from the acquisition of Shares pursuant thereto) shall be transferred to or borne by you ("**Determination**"). In the event that the Company makes the Determination, you will be notified. You hereby agree that following such notification you will at any time upon request join in with the Company or any Associated Company or any other person in making any election or notice reasonably required by the Company or such Associated Company or other person (as applicable) for the purpose of ensuring that the liability for all employer's National Insurance Contributions (or any similar social security contributions) arising as a consequence of the vesting of your RSUs (or the acquisition of Shares pursuant thereto) is assumed and borne solely by you and treated as a liability falling on you instead of on the Company or such Associated Company or other person (as applicable) and in entering into any arrangements required by HM Revenue & Customs ("HMRC") for securing that any liability so assumed is duly paid by you. You shall not be required to enter into any election or notice pursuant to this paragraph in the event that you enter into such other arrangements with the Company, any Associated Company or any other person (as applicable) that are satisfactory to the Company, such Associated Company or any other person (as applicable) to discharge any liability referred to in this paragraph. If the Company makes the Determination, you shall indemnify and keep indemnified the Company, your Employer and any Associated Company against all employer's National Insurance Contributions arising from the vesting of RSUs under your Award (or the acquisition of Shares pursuant thereto) and to the extent permitted by Applicable Law and (save where you are liable to account for the same directly to HMRC) such employer's National Insurance Contributions shall be treated as a Tax-Related item for the purpose of Section 16.

Confidential Materials omitted and filed separately with the Securities and Exchange Commission. Double asterisks denote omissions.

King
PROFIT SHARING PLAN

This King Profit Sharing Plan, effective February 23, 2016, is for eligible employees of King Digital Entertainment plc ("King") and its subsidiaries.

1. DEFINITIONS

"AB" shall mean Activision Blizzard, Inc., being the parent company of King.

"Company" shall mean, individually or collectively, King and its subsidiaries.

"King" shall mean King Digital Entertainment plc and references to matters being agreed by or requiring the agreement, consent or approval of King shall mean agreed by or the agreement, consent or approval (as the case may be) of the Chief Executive Officer of King for the time being.

"King Contribution" shall mean, for each Plan Year,

A. the earnings (using a methodology determined from time to time by AB in a manner consistent with the methodology used with respect to the Blizzard Profit Sharing Plan) before interest and taxes of the Company for that Plan Year REDUCED BY

B. the sum of the following items, to the extent not included in A. above:

i. Stock-based incentive and other compensation for employees directly managed by the Company (other than compensation relating to this Plan), including associated payroll taxes and social charges;

ii. Restructuring charges, if applicable, related to the Company operations, except restructuring charges that commence within 12 months of completion of the acquisition of the Company by AB as a direct result of the acquisition of the Company; and

iii. One-time charges (such as legal settlement expenses or gains relating to the Company's operations, cash payment relating to contingent earn-out of the Company's business acquisitions, impairment or write-downs or amortization expenses of intangible assets resulting from acquisition of business by the Company etc., in such a way that all revenues and income received and receivable, and costs and expenses paid and payable relating to the Company's operations are captured).

Provided, however, that (a) any allocations of AB's fixed costs for services performed on behalf of the Company (including, but not limited to, Sales, Marketing, Corporate Service Center and G&A) shall not be deducted in determining the King Contribution, except as mutually agreed between AB and King, (b) charges for impairment or write-downs of intangible assets, that arises from purchase price accounting from acquisition of the Company by AB, will not be deducted in calculating the King Contribution and (c) compensation pursuant to this Plan shall not be deducted in calculating the King Contribution (and in each such case, to the extent taken into account in A. above, shall be added back).

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For clarity, the earnings before interest and taxes of the Company referred to in A above shall capture all revenues and income received and receivable, expenses and losses paid and payable for running the Company's operations, and be computed consistently with the non-GAAP operating income of the Company's operations, as determined appropriate, being disclosed in AB's earnings release. For example, under AB's current definition, non-GAAP operating income excludes from US GAAP operating income the impact from (a) stock-based compensation expenses, (b) changes in deferral of net revenues and related cost of sales, (c) amortization of and any impairment of intangible assets from purchase price accounting, (d) other one-time charges that AB deems to be non-recurring and non-operational, and the income tax adjustments associated with any of the above items.

Additionally, an illustrative calculation is attached in Appendix 1 which contains an example of the items to derive the earnings before interest and taxes referred to in A. above from the Company's published adjusted EBITDA. Appendix 1 also has an example of items to derive from earnings before interest and taxes to determine the basis for the Company's profit sharing pool.

"Participant" shall mean an eligible employee of the Company designated to share in the Profit Sharing Pool.

"Plan" shall mean the King Profit Sharing Plan, as amended from time to time, approved by the Chief Executive Officer of AB.

"Plan Year" shall mean a fiscal year, as defined by AB pursuant to its then-current governance practices.

"Profit Sharing Pool" shall mean the Profit Sharing Pool determined for each Plan Year in accordance with Section 3.

The purposes of this Plan are to further the growth and success of King, to provide Participants with cash awards in recognition of meeting business goals, and to motivate Participants to make contributions to the profitable growth of the Company.

3. PLAN YEAR PROFIT SHARING POOL

For each Plan Year, King shall establish and maintain an unfunded bookkeeping reserve for purposes of the Plan (the "Profit Sharing Pool") with a corresponding charge to income for the Plan Year. The Profit Sharing Pool shall be equal to [**]% of the King Contribution (i.e. prior to profit sharing expense), as approved by the Chief Executive Officer of AB.

4. AMOUNT OF ANNUAL AWARD FROM PROFIT SHARING POOL

Whether an individual employee participates and the amount of a Participant's award payable out of the Profit Sharing Pool for any Plan Year shall be determined by King and approved by the Chief Executive Officer of King, the Chief Operating Officer of AB and the most senior Human Resources officer of AB, as well as the Compensation Committee of the Board of Directors of AB (where applicable pursuant to the then prevailing Compensation Committee procedures). The amount of a Participant's award will be determined based upon actual performance and contribution.

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The award, if any, to an employee for any Plan Year will be determined independently of his or her award in any other Plan Year.

5. CONDITIONS FOR PAYMENT OF AWARD

Except as may otherwise be provided in his or her employment or service agreement with an effective date concurrent with or after the completion of the Transaction Agreement between King and AB, which employment or service agreement is acceptable to AB ("New Employment Agreement"), an employee will earn the right to receive payment of an award for a Plan Year only if he or she remains continuously employed by the Company until the award for the Plan Year is paid. If an employee ceases to be an employee of the Company prior to payment of the award for the Plan Year for any reason, except as may otherwise be provided in his or her New Employment Agreement, the employee will not be entitled to payment under this Plan for that Plan Year and the Company and AB will have no further obligation under this Plan to the employee, unless the Chief Executive Officer of King, the Chief Operating Officer of AB and the most senior Human Resources officer of AB (or, where applicable, the Compensation Committee pursuant to the then prevailing Compensation Committee procedures) in their sole discretion decide otherwise.

6. ALLOCATIONS AND PAYMENTS OF AWARD

King shall make and pay awards, if any, one time per Plan Year, within the first 90 days following the end of the applicable Plan Year (the "Primary Award"), unless and to the extent that the next sentence applies. For any Plan Year, the Chief Executive Officer of King may elect to defer payment of the portion of the Profit Sharing Pool (the "Deferred Amount"). Subject to the following sentence, the Chief Executive Officer of King retains full discretion to determine to whom such Deferred Amounts shall be allocated and when such Deferred Amounts shall be paid.

The calculation of the Primary Award and the Deferred Amount, if any, as well as the amount of the payment to each Participant are subject to the approval of the Chief Operating Officer of AB and the most senior Human Resources Officer of AB.

7. PLAN INTERPRETATION, TERMINATION, OR MODIFICATION

Except for the Chief Executive Officer of King, the most senior Human Resources Officer of AB, the Chief Executive Officer of AB, the Chief Operating Officer of AB and, the Compensation Committee (where applicable, pursuant to the then prevailing Compensation Committee procedures), in each case acting within his or its authority as specifically set forth in the provisions of the Plan, no employee has the authority to bind the Company with respect to any aspect of the Plan. Any and all decisions with respect to the operation of the Plan will be determined solely by the Chief Executive Officer of King, the Chief Operating Officer of AB, the most senior Human Resources Officer of AB, the Chief Executive Officer of AB, and the Compensation Committee (where applicable pursuant to the then prevailing Compensation Committee procedures), as outlined in the provisions of the Plan, and, as appropriate, pursuant to the applicable governance practices of the Company and AB in effect at the time the decision is made. Any course of dealings will not be applicable to the interpretation or implementation of the Plan and no employee will be entitled to rely on any past, current or future practices. Although the provisions of this Plan reflect the current methodology by which the Company and AB anticipate operating the Plan, the Plan is completely discretionary and AB retains the right to change, interpret and/or terminate the Plan in its sole discretion, with or without notice, and regardless of whether or not work has been initiated or completed, and the AB's determination on these matters will be final and binding.

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8. GENERAL

A. Right to Withhold Taxes. The Company shall have the right to withhold such amounts from any payment under this Plan as it determines (acting reasonably) necessary to fulfill any federal, state, or local wage or compensation withholding requirements.

- B. Non-Transferability of Rights. A Participant may not assign or transfer his/her rights and interests under the Plan in whole or in part either directly or by operation of law or otherwise (except in an event of the Participant's death), including, but not limited to, by way of execution, levy, garnishment, attachment, pledge, bankruptcy or in any other manner, and no such rights or interests of any Participant under the Plan shall be subject to any obligation or liability of such Participant other than any obligations or liabilities owed by the Participant to the Company or AB.
- C. No Right to Continued Employment. Neither the Plan, nor any compensation payable under the Plan, shall confer upon any Participant any right to continuance of employment by the Company or AB nor shall they interfere in any way with the right of the Company or AB to terminate any Participant's employment at any time. In the event of termination, the Participant's right to payment under this Plan will be determined pursuant to Section 5 above.
- D. No Claim Against Assets. Nothing in this Plan shall be construed as giving any Participant or his or her legal representative, or designated beneficiary, any claim against any specific assets of the Company or AB or as imposing any trustee relationship upon the Company or AB in respect of the Participant. The Company shall not be required to segregate any assets in order to provide for the satisfaction of the obligations hereunder. If and to the extent that the Participant or his or her legal representative or designated beneficiary acquires a right to receive any payment pursuant to this Plan, such right shall be no greater than the right of an unsecured general creditor of the Company or AB.
- E. Payment to Designated Beneficiary. In the event of a Participant's death or total disability, payment of the Participant's incentive compensation shall be made to a beneficiary (or beneficiaries) designated by the Participant in the form and a manner prescribed by the Company, or to the Participant's legal representative. If a Participant does not have a properly designated beneficiary, payment shall be made to the Participant's estate.
- F. No Other Agreements or Understandings. Except as expressly provided herein, this Plan represents the sole agreement among the Company, AB and the Participants concerning its subject matter and it supersedes all prior agreements, arrangements, understandings, warranties, representations, and statements among the Company, AB and the Participants concerning its subject matter.

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- G. Headings. Section headings are used in this Plan for convenience of reference only and shall not affect the meaning of any provision of the Plan.
- H. Governing Law. The Plan and all actions taken pursuant thereto shall be governed by, and construed in accordance with, the laws of England applied without regard to conflict of law principles.

Executed this 2nd day of November, 2015.

ACTIVISION BLIZZARD, INC.

/s/ Robert A. Kotick

Robert A. Kotick, Chief Executive Officer

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Agreed and Acknowledged on this 2nd day of November, 2015.

KING DIGITAL ENTERTAINMENT PLC

/s/ RZ

Riccardo Zacconi, Chief Executive Officer

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APPENDIX [X] – Illustrative example

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CERTIFICATION

I, Robert A. Kotick, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Activision Blizzard, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2017

/s/ ROBERT A. KOTICK

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

CERTIFICATION

I, Dennis Durkin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Activision Blizzard, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2017

/s/ DENNIS DURKIN

Dennis Durkin
*Chief Financial Officer and
 Principal Financial Officer of
 Activision Blizzard, Inc.*

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

In connection with the quarterly report of Activision Blizzard, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert A. Kotick, Chief Executive Officer and Principal Executive Officer of the Company, certify, to my knowledge, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 4, 2017

/s/ ROBERT A. KOTICK

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

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

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

In connection with the quarterly report of Activision Blizzard, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dennis Durkin, Chief Financial Officer and Principal Financial Officer of the Company, certify, to my knowledge, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 4, 2017

/s/ DENNIS DURKIN

Dennis Durkin
*Chief Financial Officer and
Principal Financial Officer of
Activision Blizzard, Inc.*

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