ZYNGA – Q3 2016 QUARTERLY EARNINGS LETTER

November 2, 2016

Dear Shareholders,

We look forward to discussing our Q3 results during today's earnings call at 2:00 p.m. PT. As a reminder, we held a call last week to outline changes in our external reporting of our non-GAAP measures in light of recent guidance from the SEC. The materials from this call can be found on our investor relations website.

Below, you'll find our quarterly letter which details our performance over the last quarter, as well as our outlook for Q4.

EXECUTIVE SUMMARY

Our teams executed well in Q3 and we're gaining momentum in our turnaround. In particular, we are (1) delivering new, high quality mobile games, (2) growing our existing, live mobile franchises, and (3) unlocking more operating leverage. This quarter, we grew our mobile audience, bookings and Adjusted EBITDA on a year-over-year and quarter-over-quarter basis. Q3 bookings were above the high end of our guidance range at $196.7 million, up 12% year-over-year and up 13% sequentially. Q3 Adjusted EBITDA (previously reported methodology) was also above our guidance range at $17.9 million and our Adjusted EBITDA (new methodology) was $3.6 million without any adjustment for the change in deferred revenues of $14.3 million. Our outperformance was driven by better than expected bookings from *CSR2* and advertising, the latter of which was up 11% year-over-year and up 10% sequentially. We also saw continued momentum from key mobile franchises – *Words With Friends, Social Slots* and *Zynga Poker.* Our mobile audience grew by 7% in Q3 due to new games *CSR2, Daily Celebrity Crossword* and *FarmVille: Tropic Escape*.

We're proud of our NaturalMotion studio for their recent launch of *CSR2* where the team delivered a high quality game to racing fans. We heard from players that they love *CSR2*'s authenticity, compelling PVP racing and stunning visuals. We're seeing a high demand for more content as players look to further engage with the game. We're currently investing in new features and events to increase long term retention and improve repeat payer monetization. We expect the impact of this work to materialize over the next few quarters. Additionally, in late Q3 we launched *FarmVille: Tropic Escape*, expanding the mobile gaming opportunities within our FarmVille franchise. Since launching in August, the team has been focused on a regular cadence of game updates to increase engagement and provide new content to players.

Turning to our live services, our key mobile franchises – *Words With Friends, Social Slots and Zynga Poker* – collectively delivered another solid quarter with mobile bookings up 26% year-over-year and up 1% sequentially. Across our franchises, we're committed to driving organic growth through social innovation. Last month, we became one of the first gaming companies to innovate on the App Store for iMessage with the launch of our *Words With Friends* iMessage app. While it's not a major audience or revenue driver for the Words franchise, the experience has created more ways to engage existing consumers and bring new players to our network.

As we head into the end of the year, we're excited to launch *Dawn of Titans* this holiday season. This will be the last of our committed 10-game slate for the year. Our NaturalMotion studio is known for pushing the creative and technical boundaries of what's possible on mobile devices. Our goal is to create a new franchise with *Dawn of Titans* and we're continuing to iterate the game as we conclude soft launch testing prior to worldwide launch.

On the people front, we're happy to have Ger Griffin on board as our new Chief Financial Officer. Ger is already well underway working with the rest of our management team in driving a stronger focus on profitability, sharpening our financial strategy and unlocking more operating leverage across the company. He is also looking forward to spending time with our shareholder community post-earnings.

We continue to be focused on improving our operating efficiency and tightening our cost management across Zynga. In the past few quarters, we've raised the bar on our paid acquisition return on investment as we shift toward a higher quality bookings strategy and concentrate on delivering profitability. This approach contributed to the Adjusted EBITDA (previously defined methodology) outperformance in Q3.

In summary, our mission is to connect the world through games and deliver mass market, high quality social games that drive long term engagement and audience growth. We're showing progress in our turnaround in a number of key areas including (1) delivering new, high quality mobile games, (2) growing our existing, live mobile franchises, and (3) unlocking more operating leverage.

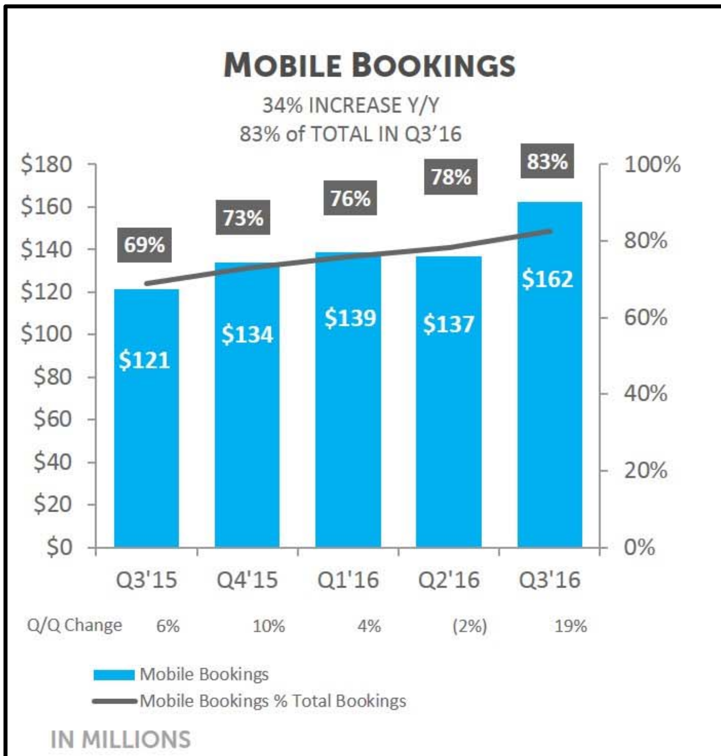
Q3 PERFORMANCE OVERVIEW

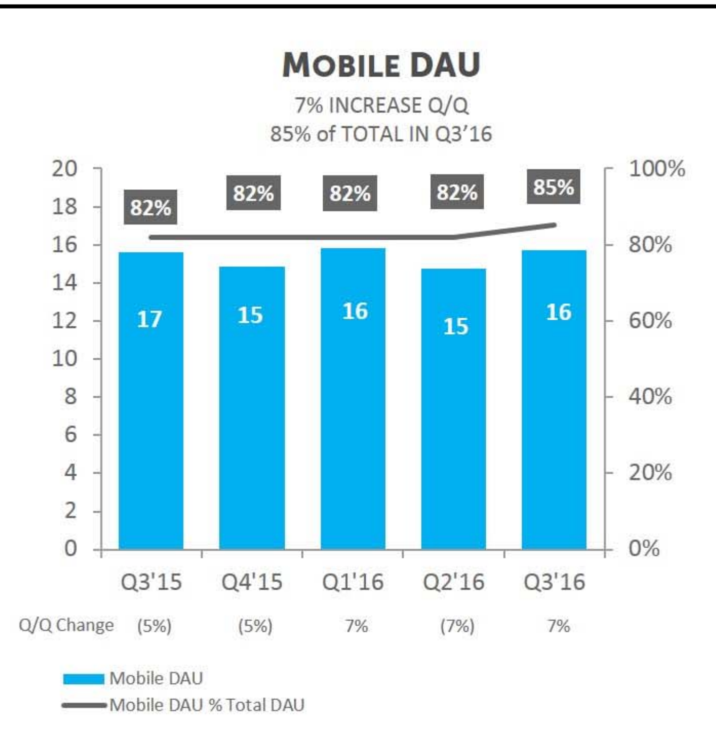
Financial Highlights

- GAAP Revenue of $182.4 million; above the high end of the guidance range, down 7% year-over-year and flat sequentially
- GAAP Net loss of $41.7 million; below the low end of the guidance range
- Deferred revenue balance increased by $14.3 million in Q3; above our guidance
- Bookings of $196.7 million; above the high end of the guidance range, up 12% year-over-year and up 13% sequentially
- Non-GAAP operating expenses of $126.5 million; up 7% year-over-year and up 7% sequentially, driven by an increase in marketing spend to support the launches of *CSR2* and *FarmVille: Tropic Escape*
- Adjusted EBITDA (previously reported methodology) of $17.9 million; above the high end of the guidance range, up 44% year-over-year and up 55% sequentially
- Adjusted EBITDA (new methodology) of $3.6 million
- $870.8 million in cash, cash equivalents and marketable securities, up $2.4 million from the prior quarter end

Mobile Highlights

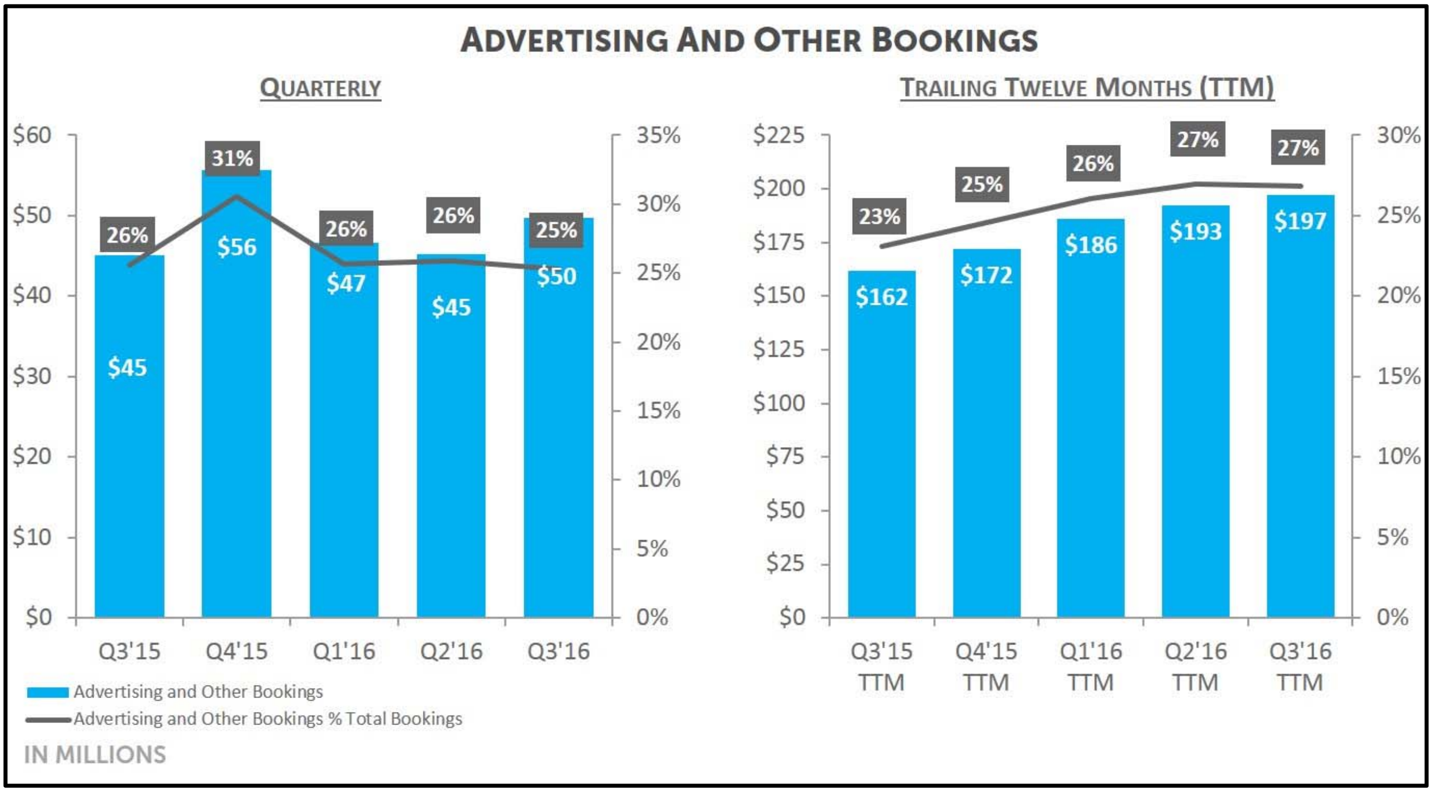
- Mobile revenue of $145.9 million or 80% of overall revenue; up 16% year-over-year and up 6% sequentially
- Mobile bookings of $162.3 million or 83% of overall bookings; up 34% year-over-year and up 19% sequentially
- Average Mobile Daily Active Users (mobile DAUs) of 16 million; up 1% year-over-year and up 7% sequentially
- Apple and Google continue to be our two largest platform partners for online game bookings
- *Words With Friends* grew mobile bookings 33% year-over-year and 7% sequentially
- Our *Social Slots* portfolio grew mobile bookings 26% year-over-year but was down 3% sequentially
- *Zynga Poker's* mobile bookings were up 16% year-over-year and down 1% sequentially





Advertising Highlights

- Advertising and other revenue of $48.2 million or 26% of overall revenue; up 7% year-over-year and up 5% sequentially
- Advertising and other bookings of $49.8 million or 25% of overall bookings; up 11% year-over-year and up 10% sequentially
- Results were driven by the quarter-over-quarter addition of *CSR2* and performance of *Words With Friends*
- We also engaged in a strong repeat campaign with Toyota Camry to sponsor *Words With Friends'* Wordie Games and continued our work with high profile brands including Progressive, Disney Theatrical and our broadcast/cable partners ABC, NBC and Lifetime



FINANCIAL OUTLOOK

Our outlook for Q4 is as follows:

- GAAP revenue to be in the range of $180 million to $190 million
- GAAP net loss to be in the range of ($27) million to ($25) million
- Net increase in deferred revenue of $5 million
- Bookings to be in the range of $185 million to $195 million
- Adjusted EBITDA (new methodology) to be between $12 million and $14 million

There are several key factors to consider in our outlook as we finish the year. Our bookings will benefit sequentially from a full quarter of *FarmVille: Tropic Escape* and we expect *Dawn of Titans* to be a positive contributor in Q4 but to have minimal impact due to its holiday release. We also believe our advertising bookings will grow sequentially, but expect to be slightly down year-over-year. This sequential growth is driven by seasonal strength in our mobile advertising, in particular *Words With Friends*. On a year-over-year basis, growth in mobile advertising will be more than offset by declines in web advertising. In the near term, we expect bookings from *CSR2* to be lower than launch highs as the team strengthens the content pipeline and player engagement. We also anticipate continued bookings and audience declines in our web and older games.

We expect non-GAAP operating expenses to be down from the $126.5 million we reported in Q3 driven by lower marketing spend and a continued focus on operational efficiency. Our objective over the long term continues to be achieving operating margins that are more in-line with our peers.

SHARE REPURCHASE

We're making progress in our turnaround and are unlocking operating leverage across the company. Today, we are announcing a two-year, $200 million share repurchase program. This is an initial step in our capital allocation strategy as we look for opportunities to deliver long term shareholder value. The program will give us the flexibility to execute share repurchases in a measured fashion, taking into consideration equity dilution, market conditions, share price and other factors.

OUR PRODUCTS

Social Casino

Zynga Poker – *Zynga Poker's* mobile bookings were up 16% year-over-year due to the team's hard work over the last few quarters delivering high quality bold beats to players. Sequentially, our mobile bookings were down 1% in the quarter as we pushed several new features into Q4. On the web front, we also combatted a number of short-term fraud issues within the web game that we will continue to monitor very closely throughout the remainder of the quarter.

Social Slots – Across our *Social Slots* portfolio, we grew our mobile bookings 26% year-over-year but saw a slight 3% decline sequentially. This was primarily driven by a 17% sequential decline in *Wizard of Oz Slots* mobile bookings as we raised our ROI expectations for paid acquisition. This was partially offset by the stabilization of *Hit It Rich! Slots*, which grew its mobile bookings slightly compared to Q2 results. The team also saw positive sequential mobile bookings trends in *Willy Wonka and the Chocolate Factory Slots* as the game continues to ramp in its second full quarter. Looking forward, we believe there's more room to innovate within our anchor Slots games – *Hit It Rich! Slots, Wizard of Oz Slots, Willy Wonka and the Chocolate Factory Slots, Spin It Rich! Slots* and *Black Diamond Casino* – by delivering a steady roadmap of new and unique game features to deepen player engagement and retention.

Casual

Words With Friends – Overall bookings across Casual were up in Q3 driven by *Words With Friends, Wizard of Oz: Magic Match* and our acquisition of *Daily Celebrity Crossword.* Specifically, *Words With Friends* grew mobile bookings 33% year-over-year and 7% sequentially. This past quarter, we became one of the first gaming companies to launch on the App Store for iMessage with our *Words With Friends* iMessage app. The new app allows consumers to play moves directly in Messages and invite friends and family to a start games right from their contact list. The new experience brings the beloved gameplay of *Words With Friends* directly to the places where players are already socializing.

Invest Express

***FarmVille: Tropic Escape* –** The launch of *FarmVille: Tropic Escape* in late Q3 delivered a new theme and experience for mobile Invest Express fans. The game achieved Top 5 chart placement for New Free Games on both iPad and Android and delivered on quality with a 4.5 iOS and Android star rating, a true testament to our player-first approach. This quarter, the team is planning a number of expansions, new features and seasonal events to increase player engagement and retention.

Action Strategy

CSR2 – We're proud of how *CSR2* has been received by racing fans. The game had a strong start becoming the #8 Top Grossing Game in the iOS App Store during its launch period. It's earned more than 1 million 5-star reviews and is currently the #1 Top Grossing Racing Game in over 50 countries. Since launch, the team has delivered three major feature releases, including new racing environments and improved multi-player and matchmaking rewards. Looking ahead, we're adding a number of features over the holidays to engage players, including new in-game characters and more robust events.

Dawn of Titans – We remain on track to launch *Dawn of Titans* globally during the Q4 holiday season. Our goal with the game is to deliver an immersive, cutting-edge experience for Action Strategy players. As we approach worldwide launch, we'll be releasing an updated build with upgrades to the design and tech performance. In design, we're surfacing content earlier for players and tightening the first time user experience to get them into the action faster. On the performance front, the team has also been focused on improving the game's load times and stability on older devices. The new build will go live across our test markets in the coming weeks and reflects the feedback we've been receiving from our fans over the past few months.

CLOSING REMARKS

As we enter the final quarter of our fiscal year, we're pleased with our performance to date having exceeded our bookings and Adjusted EBITDA guidance for the third consecutive quarter. We continue to improve the Company's Adjusted EBITDA margins as we enhance our operating leverage. In the long term, we believe our margins should be more in line with our peers. We're releasing high quality products on time, like *CSR2* and *FarmVille: Tropic Escape,* and we're excited for the upcoming holiday launch of *Dawn of Titans*. Looking ahead, we'll continue to measure our turnaround based on profitability, as well as audience and bookings growth.

Sincerely,

Frank Gibeau,
Chief Executive Officer

Ger Griffin,
Chief Financial Officer

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FORWARD LOOKING STATEMENTS

This letter contains forward-looking statements, including those statements relating to our outlook for the fourth quarter of 2016 under the heading "FINANCIAL OUTLOOK" and statements relating to, among other things: progress in our turn around; our ability to delivery new, high quality social and mobile games, grow our audience, grow our existing franchises, unlock operating leverage, drive organic growth through social innovation, become profitable and grow profitability, execute on our financial and high quality bookings strategies, improve operating efficiency and decrease costs; investment in new content, features or events within our games that increase player engagement, retention or repeat player monetization; the launch of Dawn of Titans and our ability to create a new franchise and improve the game's load time and stability on older devices; new Zynga Poker features pushed into Q4 2016; short-term fraud issues within the web version of *Zynga Poker* that we continue to monitor; anticipated trends in bookings or audience declines in Zynga Poker, web or older games; the announced share repurchase program and any potential repurchases of our shares; and our ability to connect the world through games.

Forward-looking statements often include words such as "outlook," "projected," "intends," "will," "anticipate," "believe," "target," "expect," and statements in the future tense are generally forward-looking. The achievement or success of the matters covered by such forward-looking statements involves significant risks, uncertainties, and assumptions. Our actual results could differ materially from those predicted or implied and reported results should not be considered as an indication of our future performance. Undue reliance should not be placed on such forward-looking statements, which are based on information available to us on the date hereof. We assume no obligation to update such statements.
More information about factors that could affect our operating results are or will be described in greater detail in our public filings with the Securities and Exchange Commission (the "SEC"), copies of which may be obtained by visiting our Investor Relations web site at http://investor.zynga.com or the SEC's web site at www.sec.gov.

References to game ratings contained in this letter are as of the date of this letter and are for all of the game's releases or updates in the applicable platform or app store.

NON-GAAP FINANCIAL MEASURES

We have provided in this letter certain non-GAAP financial measures to supplement our consolidated financial statements prepared in accordance with GAAP (our "GAAP financial statements"). Management uses non-GAAP financial measures internally in analyzing our financial results to assess operational performance and liquidity. Our non-GAAP financial measures may be different from non-GAAP financial measures used by other companies.

The presentation of our non-GAAP financial measures is not intended to be considered in isolation or as a substitute for our GAAP financial statements. We believe that both management and investors benefit from referring to our non-GAAP financial measures in assessing our performance and when planning, forecasting and analyzing future periods. We believe our non-GAAP financial measures are useful to investors because they allow for greater transparency with respect to key financial metrics we use in making operating decisions and because our investors and analysts use them to help assess the health of our business.

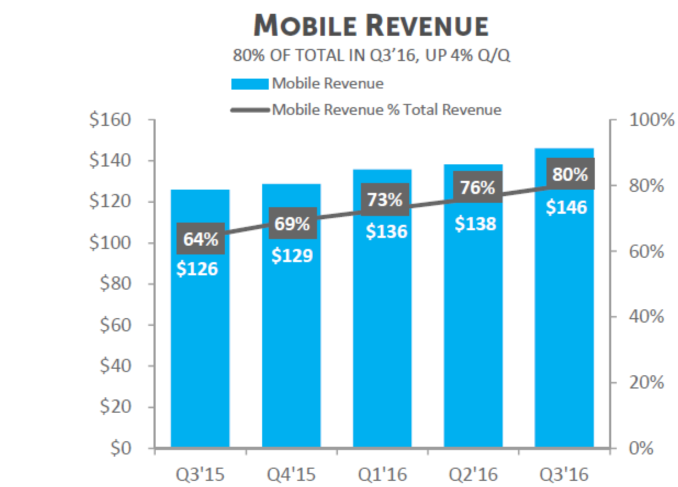
We have provided reconciliations of our non-GAAP financial measures used in this letter to the most directly comparable GAAP financial measures in the tables [below][above].
Because of the following limitations of our non-GAAP financial measures, you should consider the non-GAAP financial measures presented in this letter with our GAAP financial statements. Some limitations of our non-GAAP financial measures include:

- Adjusted EBITDA (new methodology) and Adjusted EBITDA (previously reported methodology) do not include the impact of stock-based expense, acquisition-related transaction expenses, contingent consideration fair value adjustments and restructuring expense;

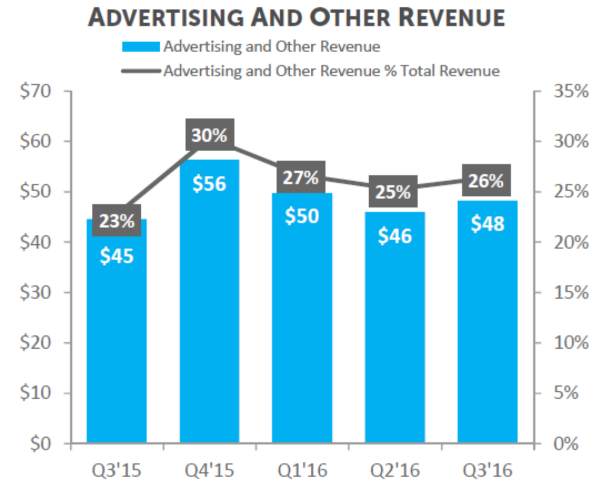
- Bookings does not reflect that we defer and recognize online game revenue and revenue from certain advertising transactions over the estimated average life of durable virtual goods or as virtual goods are consumed;
- Adjusted EBITDA (new methodology) and Adjusted EBITDA (previously reported methodology) do not reflect income tax expense and do not include other income (expense) net, which includes foreign exchange gains and losses and interest income; and
- Adjusted EBITDA (new methodology) and Adjusted EBITDA (previously reported methodology) exclude depreciation and amortization of intangible assets. Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future.

RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES

	3 months ended		
(in thousands, unaudited)	9/30/16	6/30/16	9/30/15
Reconciliation of Revenue to Bookings			
Revenue	$ 182,424	$ 181,735	$ 195,737
Change in deferred revenue	14,299	(7,082)	(19,758)
Bookings	**$ 196,723**	**$ 174,653**	**$ 175,979**

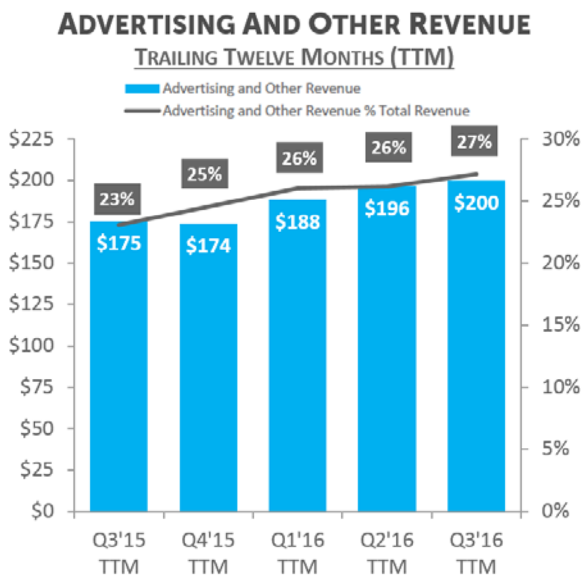


	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16
Change in Mobile Deferred Revenue	($5)	$5	$3	($1)	$16
Mobile Bookings	$121	$134	$139	$137	$162



	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16
Change in Ad & Other Deferred Revenue	$1	($1)	($3)	($1)	$2
Ad & Other Bookings	$45*	$56*	$47	$45	$50

* The sum of these measures, as presented, differ due to the impact of rounding



	Q3'15 TTM	Q4'15 TTM	Q1'16 TTM	Q2'16 TTM	Q3'16 TTM
Change in Ad & Other Deferred Revenue	($14)	($2)	($2)	($4)	($3)
Ad & Other Bookings	$162*	$172	$186	$193*	$197

* The sum of these measures, as presented, differ due to the impact of rounding

(in thousands, unaudited)	3 months ended 9/30/16	6/30/16	9/30/15
Reconciliation of Net income (loss) to Adjusted EBITDA (new methodology) (1)			
Net income (loss)	$ (41,737)	$ (4,446)	$ 3,052
Provision for (benefit from) income taxes	(2,782)	506	(9,381)
Other income (expense), net	(980)	(1,905)	(2,285)
Interest income	(800)	(761)	(566)
Restructuring expense, net	(49)	1,710	416
Depreciation and amortization	10,511	10,835	11,287
Acquisition-related transaction expenses	75	199	895
Contingent consideration fair value adjustment	(5,810)	(14,390)	—
Gain (loss) on legal settlements	—	—	(1,681)
Impairment of intangible assets	20,677		—
Stock-based expense	24,475	26,899	30,436
Adjusted EBITDA (new methodology) (1)	**$ 3,580**	**$ 18,647**	**$ 32,173**
Change in deferred revenue	14,299	(7,082)	(19,758)
Adjusted EBITDA (previously reported methodology) (2)	**$ 17,879**	**$ 11,565**	**$ 12,415**

Footnotes:

(1) Zynga's new methodology for computing adjusted EBITDA includes the change in deferred revenue.

(2) Zynga's previously reported methodology for computing adjusted EBITDA excludes the change in deferred revenue. This is the last time adjusted EBITDA under the previously reported methodology will be reported.

Adjustments to GAAP to arrive at non-GAAP measure

(In thousands, unaudited)

Three months ended September 30, 2016

	GAAP measure	Restructuring expense, net	Amortization of intangible assets from acquisitions	Acquisition-related transaction expenses	Contingent consideration fair value adjustment	Impairment of intangible assets	Stock-based expense	**Non-GAAP** measure
Cost of revenue	$ 62,675	$ -	$ (6,018)	$ -	$ -	$ -	$ (1,049)	$ 55,608
Research and development	73,913	-	-	(1)	5,810	-	(18,662)	61,060
Sales and marketing	49,802	-	(1,257)	(2)	-	-	(1,541)	47,002
General and administrative	21,656	49	-	(72)	-	-	(3,223)	18,410
Impairment of intangible assets	20,677	-	-	-	-	(20,677)	-	-
Total costs and expenses	$ 228,723	$ 49	$ (7,275)	$ (75)	$ 5,810	$ (20,677)	$ (24,475)	$ 182,080

Adjustments to GAAP to arrive at non-GAAP measure

(In thousands, unaudited)

Three months ended June 30, 2016

	GAAP measure	Restructuring expense, net	Amortization of intangible assets from acquisitions	Acquisition-related transaction expenses	Contingent consideration fair value adjustment	Stock-based expense	**Non-GAAP** measure
Cost of revenue	$ 56,103	$ -	$ (6,722)	$ -	$ -	$ (1,127)	$ 48,254
Research and development	66,233	1	-	-	14,390	(20,213)	60,411
Sales and marketing	40,631	-	(743)	(179)	-	(2,206)	37,503
General and administrative	25,374	(1,711)	-	(20)	-	(3,353)	20,290
Total costs and expenses	$ 188,341	$ (1,710)	$ (7,465)	$ (199)	$ 14,390	$ (26,899)	$ 166,458

Adjustments to GAAP to arrive at non-GAAP measure
(In thousands, unaudited)

Three months ended September 30, 2015

	GAAP measure	Restructuring expense, net	Amortization of intangible assets from acquisitions	Acquisition-related transaction expenses	Contingent consideration fair value adjustment	Gain (loss) from legal settlements	Stock-based expense	Non-GAAP measure
Cost of revenue	$ 57,187	$ 12	$ (5,434)	$ -	$ -	$ -	$ (991)	$ 50,774
Research and development	78,416	(241)	-	-	-	-	(22,308)	55,867
Sales and marketing	43,549	(51)	(799)	-	-	-	(2,045)	40,654
General and administrative	25,765	(136)	-	(895)	-	1,681	(5,092)	21,323
Total costs and expenses	$ 204,917	$ (416)	$ (6,233)	$ (895)	$ -	$ 1,681	$ (30,436)	$ 168,618

(in thousands, except per share data)

		Q4'16
Reconciliation of Revenue to Bookings		
Revenue range	$	180,000 - 190,000
Change in deferred revenue		5,000
Bookings range	**$**	185,000 - 195,000
Reconciliation of Net income (loss) to Adjusted EBITDA (new methodology)		
Net income (loss) range	$	(27,000) - (25,000)
Provision for (benefit from) income taxes		1,000 - 3,000
Other income (expense), net		(2,000)
Interest income		(1,000)
Depreciation and amortization		9,000
Stock-based expense		32,000 - 30,000
Adjusted EBITDA range (new methodology)	**$**	12,000 - 14,000
GAAP diluted shares		889,000
Net income (loss) per share	**$**	(0.03)

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