## ZYNGA – Q4 2016 QUARTERLY EARNINGS LETTER

February 9, 2017

Dear Shareholders,

We look forward to discussing our Q4 and full year results during today's earnings call at 2:00 p.m. PT. Below, you'll find our quarterly letter which details our performance over the last quarter and progress in 2016, as well as outlook for Q1 and key areas of focus for 2017 and beyond.

## EXECUTIVE SUMMARY

We delivered a successful year in our turnaround, and we're excited about how we're positioned for 2017. We're pleased with the performance of our live services and the quality of our new releases as we improved profitability and continued to sharpen our operating model. Our revenue and bookings were above the high end of our guidance for Q4. Year-over-year, on a GAAP basis our revenues declined by 3%, while total bookings grew by 8%, our strongest bookings increase since 2011. Our bookings growth was driven by our mobile games, which were up 27% year-over-year, representing 80% of total bookings. We significantly improved our profitability year-over-year and generated operating cash flow of $60.0 million – a $104.5 million increase compared to 2015 and our best performance since 2012.

In 2016, we shifted the focus of our company to grow our existing live services as a top priority. This effort is a core pillar of our turnaround strategy and has become a key growth driver for us. Our approach is to create forever franchises – games that stand the test of time and have the potential to engage players for years as enduring entertainment brands. This allows us to deliver more sustainable bookings and a higher return on our R&D and marketing investments. This past year, our franchise teams executed on more bold beats – big features and new content introductions that drive player engagement. Specifically, *Words With Friends* delivered record annual mobile bookings up 32% year-over-year, based on features like Weekly Challenges and social innovation on iMessage. *Zynga Poker* had its best annual mobile bookings performance in franchise history delivering year-over-year growth of 20% due to bold beats like Leagues and Challenges. *Zynga Poker* showed particular strength in Q4 with mobile bookings up 44% year-over-year. We're particularly proud of the longevity of these two games as *Words With Friends* and *Zynga Poker* celebrate their 8th and 10th anniversaries this year. Looking forward, our teams are excited about the potential that has yet to be realized across these forever franchises.

In terms of new games, we improved the effectiveness of our development process and launched all of the titles on our 2016 slate. In particular, this was a big year for our NaturalMotion studio with the launches of *CSR2* and *Dawn of Titans*. This past summer, we successfully launched *CSR2*, creating a new long term franchise for Zynga. We had a great holiday season, delivering new bold beats including the Bugatti Chiron launch as a part of the Games for (RED) campaign. The title is currently the Top Grossing Racing game in 37 countries in the App Store and is set up for a strong 2017. In Q4, we released *Dawn of Titans* worldwide to critical acclaim. The game has been recognized by players for its stunning visuals and innovative game play. While *Dawn of Titans* delivered on quality, it was slower out of the gate in terms of chart position. We're committed to *Dawn of Titans* and expect to grow it over time as we improve engagement and the elder game experience through new features and events. Both *CSR2* and *Dawn of Titans* are shaping up to be long term franchises in our live services portfolio.

Turning to our operations, we're off to a good start in sharpening our operating model and unlocking value through better execution. Over the last few quarters, we've streamlined the organization, introduced a stronger financial rigor and exited a number of projects that didn't align to our strategy. These combined efforts contributed to improved profitability this year with non-GAAP operating expenses at 66% of bookings, as compared to 72% in 2015, a 6 percentage point improvement year-over-year. While we're pleased with the improvement in our fundamentals, there's a lot of work ahead of us in 2017 as we continue to generate additional operating leverage in our turnaround. We remain committed to delivering long term operating margins in line with our peers.

In Q4, we had another strong quarter with GAAP revenues of $190.5 million, above the high end of our guidance range, up 3% year-over-year and 4% sequentially. We had a GAAP net loss of $35.4 million, an improvement of 31% year-over-year and 15% sequentially, but below our guidance range primarily due to an increase in our contingent consideration partially offset by lower stock based compensation expense. Turning back to our revenue performance, our over-delivery was driven by better than expected bookings offset by correspondingly higher revenue deferrals. Our bookings were $201.5 million, up 11% year-over-year and up 2% sequentially, $6.5 million above the high end of our guidance range. This represents our best quarterly bookings performance since Q1 2013. This beat was driven by better than expected bookings from *Zynga Poker* and *CSR2,* and resulted in revenue deferrals of $11 million, $6 million above our guidance range. Non-GAAP operating expenses were in line with our expectations resulting in higher operating leverage in the quarter. Adjusted EBITDA, which includes the impact of changes in deferred revenues, was $10.6 million, $1.4 million below the low end of our guidance, primarily due to the platform fees associated with the higher revenue deferrals. Simply put, our over delivery on bookings drove higher deferred revenues which negatively impacted our externally reported Adjusted EBITDA. Finally, our strong operating performance generated $27.7 million in operating cash flow for the quarter, up $24.3 million year-over-year and up $6.7 million sequentially.

As we progress through our turnaround, we expect our audience to continue to fluctuate but we don't anticipate we'll experience the steep declines we've seen in prior years. We're encouraged by the stabilization we're seeing in our audience with mobile DAU is up 5% year-over-year and flat sequentially. In Q4, mobile DAU represented 86% of our total audience. For *Zynga Poker* specifically, we saw our mobile audience increase by 21% sequentially due to the team's commitment to new feature innovation. Going forward, we expect that live operations audience growth will begin to offset the continued declines from Web and smaller mobile games.

In 2017, we'll continue to sharpen our operating model, enhance our live services and deliver innovation and growth across our existing and new games. We expect mobile bookings growth to more than offset continued declines from our web games. We anticipate the majority of our bookings to be delivered by our existing live services as we focus on innovation through bold beats. We have new games in development across our core genres – Casual, Social Casino, Action Strategy and Invest Express. Overall, our continued growth in live services will allow us to be more selective with our new title releases as we tune to quality and long term engagement.

## 2016 & Q4 PERFORMANCE OVERVIEW

### 2016 Financial Summary

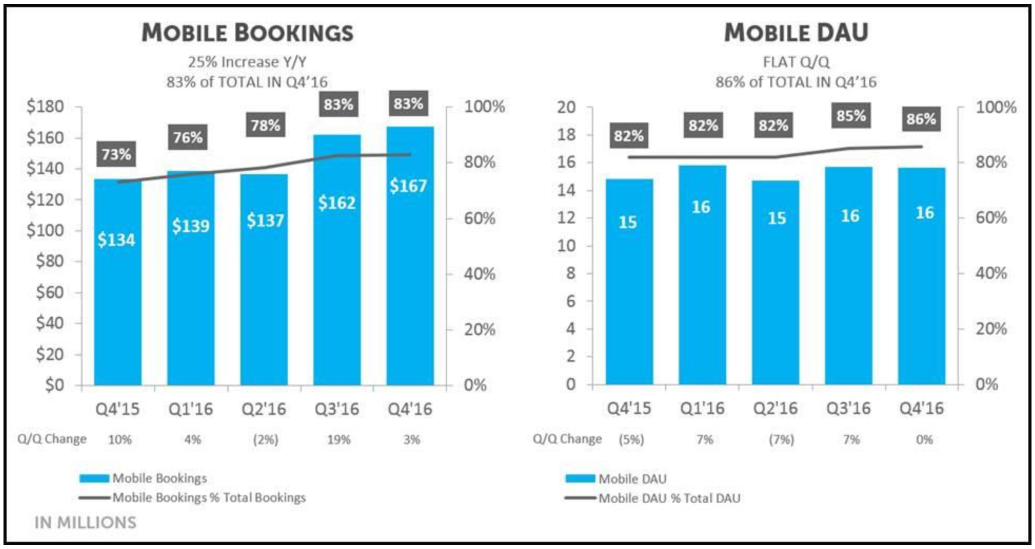
- GAAP revenue of $741.4 million, down $23.3 million or 3% year-over-year
- GAAP net loss of $108.2 million, an improvement of $13.3 million or 11% year-over-year
- Deferred revenues increased $13.1 million compared to a release of $64.8 million in 2015 representing a $77.9 million swing year-over-year
- Bookings of $754.5 million, up $54.6 million or 8% year-over-year
- Adjusted EBITDA, which includes the impact of changes in deferred revenue, was $48.8 million, down $33.0 million or 40% year-over-year with strong operational performance in 2016 more than offset by the swing in deferred revenue year-over-year
- Operating cash flow of $60.0 million, a $104.5 million increase compared to 2015 and our best performance since 2012

### Q4 Financial Highlights

- GAAP revenue of $190.5 million; above the high end of the guidance range, up 3% year-over-year and up 4% sequentially
- GAAP Operating Expenses of $162.4 million, down 9% year-over-year and down 2% sequentially
- GAAP net loss of $35.4 million, below our guidance range but an improvement of $15.8 million or 31% year-over-year, and $6.3 million or 15% sequentially
- Deferred revenue increased by $11.0 million; $6.0 million above our guidance
- Bookings of $201.5 million; above the high end of the guidance range, up 11% year-over-year and up 2% sequentially
- Non-GAAP operating expenses of $126.3 million were in line with our expectations; down 3% year-over-year and flat sequentially, driven by lower sales and marketing spend
- Adjusted EBITDA, which includes the impact of changes in deferred revenue, of $10.6 million; below our guidance range primarily due to the platform fees associated with the higher revenue deferrals
- Operating cash flow of $27.7 million, up $24.3 million year-over-year and up $6.7 million sequentially

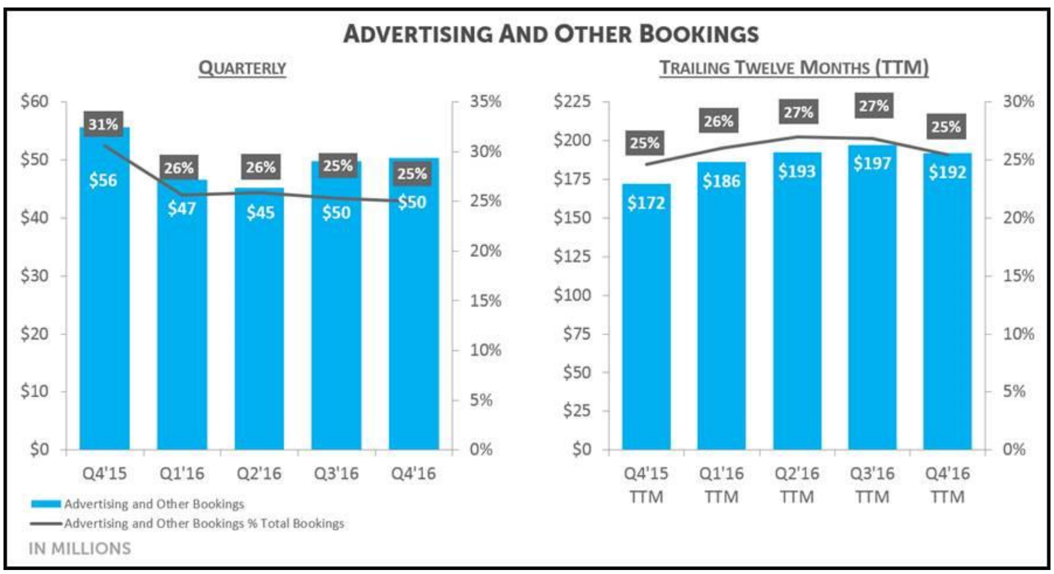
**Q4 Mobile Highlights**

- Mobile revenue of $154.7 million or 81% of overall revenue; up 20% year-over-year and up 6% sequentially
- Mobile bookings of $167.1 million or 83% of overall bookings; up 25% year-over-year and up 3% sequentially
- Average Mobile Daily Active Users (mobile DAUs) of 16 million; up 5% year-over-year and flat sequentially
- Apple and Google continue to be our two largest platform partners for online game bookings




**Q4 Advertising Highlights**

- Advertising and other revenue of $50.4 million or 26% of overall revenue; down 11% year-over-year and up 5% sequentially
- Advertising and other bookings of $50.3 million or 25% of overall bookings; down 10% year-over-year and up 1% sequentially
- Quarter-over-quarter results were affected by an overall softer advertising market
- As we look to 2017, we expect advertising to grow moderately as we progress through the year. We continue to look for more ways to integrate our popular advertising products with key brand partners and create additional inventory across our products.



**FINANCIAL OUTLOOK**

Our outlook for Q1 is as follows:

- GAAP revenue of $185 million
- GAAP net loss of $16 million
- Net increase in deferred revenue of $5 million
- Bookings of $190 million
- Adjusted EBITDA, which includes the impact of changes in deferred revenue, of $14 million

There are several factors to consider in our Q1 outlook as we continue to execute on our turnaround. Our sequential decline in Q1 bookings will be driven by seasonal trends in advertising and continued declines in our Web and older games, which will be partially offset by a full quarter of *Dawn of Titans*. We anticipate that our gross margins in Q1 will be comparable to Q4, and that total non-GAAP operating expenses will decline modestly on a sequential basis.

**SHARE REPURCHASE**

To date, we've spent $50 million buying back 18.5 million shares of our stock as part of our recently announced $200 million two-year buyback program. Based on current pricing, we expect to complete the remainder of this program in the current fiscal year. We continue to evaluate additional actions to enhance long term shareholder value.

**OUR PRODUCTS**

**Social Casino**

***Zynga Poker*** – In Q4 and throughout 2016, the *Zynga Poker* team delivered strong bookings and engagement results. Q4 mobile bookings were up 44% year-over-year and up 29% sequentially due to features including Challenges, Leagues and *Zynga Poker* Week. In 2016, the team revitalized this important franchise and delivered a higher quality experience for our loyal players. This year, *Zynga Poker* will celebrate its 10th anniversary. We're particularly proud that after a decade of innovating for players, the game achieved all-time record highs in mobile bookings and engagement in Q4. Going forward, *Zynga Poker* will be a top priority for us and we expect to continue our momentum and growth throughout 2017.

***Social Slots*** – Across our *Social Slots* portfolio, we grew our Q4 mobile bookings 8% year-over-year but saw a 4% decline sequentially. This was primarily driven by a 10% sequential decline in *Wizard of Oz Slots* mobile bookings as we raised our ROI expectations for paid acquisition. This decline was partially offset by *Willy Wonka and the Chocolate Factory Slots* which grew its mobile bookings 27% compared to Q3 results. Looking forward, the team will continue to focus on improving player engagement and monetization, as well as increasing marketing efficiency within our core Slots products – *Hit It Rich! Slots, Wizard of Oz Slots, Willy Wonka and the Chocolate Factory Slots* and *Black Diamond Casino*.

**Casual**

***Words With Friends*** – In Q4, *Words With Friends* mobile bookings were flat year-over-year and up 1% sequentially. In 2016, the game delivered record annual mobile bookings up 32% year-over-year and improved player retention and audience engagement with the launch of new bold beats like Weekly Challenges. We also became one of the first gaming companies to launch on the App Store for iMessage with our *Words With Friends* iMessage app and continue to see an exciting consumer opportunity as we develop on new platforms. Over the last eight years, *Words With Friends* has become a daily part of millions of people's lives. We have a strong team in place with an ambitious roadmap planned for the coming year.

In 2017, we'll continue to deliver innovative, highly social features within *Words With Friends*, as well as broaden our Casual portfolio by a number of new *With Friends* products – *Boggle With Friends* and *Crosswords With Friends* – which we expect to be in soft launch by the end of this quarter. Looking at *Words With Friends* specifically, we've started testing new ways to provide value for our players including new features to reward people for playing. This year, we expect to continue working with our top partners to create the best possible *Words With Friends* experiences across emerging platforms including iMessage and Facebook Instant Games. Additionally, our team is in the early testing phases of a new *Words With Friends* sequel and we look forward to getting player feedback in the coming months.

**Invest Express**

***Zynga Finland –*** We recently announced that we welcomed, Marko Lastikka and Henrik Lönnroth, to lead Zynga's presence in Helsinki. As gaming industry veterans with deep expertise in mobile social game development and live services, they will lead a small team working on new Invest Express IP. Our footprint in Helsinki is in its early stages and we expect to steadily build our team over time.

***FarmVille: Tropic Escape*** – In Q4, the team delivered a number of expansions, features and seasonal events to increase player engagement and retention. In addition to driving a successful partnership with Apple through the Games for (RED) campaign in December, *FarmVille: Tropic Escape* hosted its first holiday event, featuring brand-new characters and crafting activities which resonated strongly with players. In Q1, the team is continuing to execute on their robust content calendar, including several seasonal bold beats and innovating on in-game social features.

***FarmVille 2 –*** The team delivered strong quarterly results including the outperformance of their new bold beat, Book of Christmas Tradition, which resonated well with players over the holiday season. Both our *FarmVille* and *FarmVille 2* games are great examples of teams pushing the boundaries to deliver meaningful player experiences in our popular live Web games.

**Action Strategy**

***CSR2 –*** The team shifted quickly into a live operations rhythm and has been hard at work innovating for our racing fans post-launch. We delivered a strong Q4 with new bold beats including single player campaigns featuring more in-game characters and robust events for players to compete in. The game is off to a strong start in Q1, and the team is committed to growing the franchise through live operations. We recently entered into a long term relationship with Porsche for the inclusion of several of their luxury super cars in *CSR2,* giving players a chance to collect, customize and race their favorite sports car models. This quarter, we'll also be rolling out bold beats featuring content exclusives, new characters and events designed to increase engagement.

***Dawn of Titans –*** In December, we released *Dawn of Titans* to fans worldwide. Overall, we've been pleased with the game's quality. It's a technically ambitious product and the team innovated in the genre by introducing a new level of visual fidelity. Going forward, *Dawn of Titans* will continue to be a priority for us as we look to build a long term franchise. As we've seen with other mobile games, we expect *Dawn of Titans* to have a steady growth curve as we deliver new updates for fans. In the past few weeks, we've released bold beats including Ranger Titans and we're on track to bring a steady cadence of updates to the game including new Titans and relics, daily events and more content for elder players. We look forward to further progress throughout 2017 as the team begins to unlock the game's full potential and brings the best possible player experience to our loyal and new fans.

**CLOSING**

In summary, we're proud of the progress we made as a team in 2016. We shifted the focus of our company to grow our existing live services as a top priority, improved the effectiveness of our development process and sharpened our operating model to unlock value through better execution. We rallied around our company mission to connect the world through games and create the highest quality social experiences for our players. Our renewed commitment to our live operations is paying off with *Zynga Poker* and *Words With Friends* hitting all-time highs in annual mobile bookings. We improved our quality and predictability, launching all games in our 2016 slate including two new NaturalMotion titles – *CSR2* and *Dawn of Titans* – which we expect to be long term mobile franchises for us. We made significant progress this year in our turnaround and we're encouraged by the fundamentals of our business as we head into 2017.

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 first quarter of 2017 under the heading "FINANCIAL OUTLOOK" and statements relating to, among other things: progress in our turnaround, our ability to grow our live services and create forever franchises, our ability to sharpen our operating model and deliver product, financial and operating performance, and our expectations with respect to new products and features. 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 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.

In addition, the preliminary financial results set forth in this letter are estimates based on information currently available to us. While we believe these estimates are meaningful, they could differ from the actual amounts that we ultimately report in our Annual Report on Form 10-K for the year ended December 31, 2016. We assume no obligation and do not intend to update these estimates prior to filing our Annual Report on Form 10-K for the year ended December 31, 2016.

## 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.

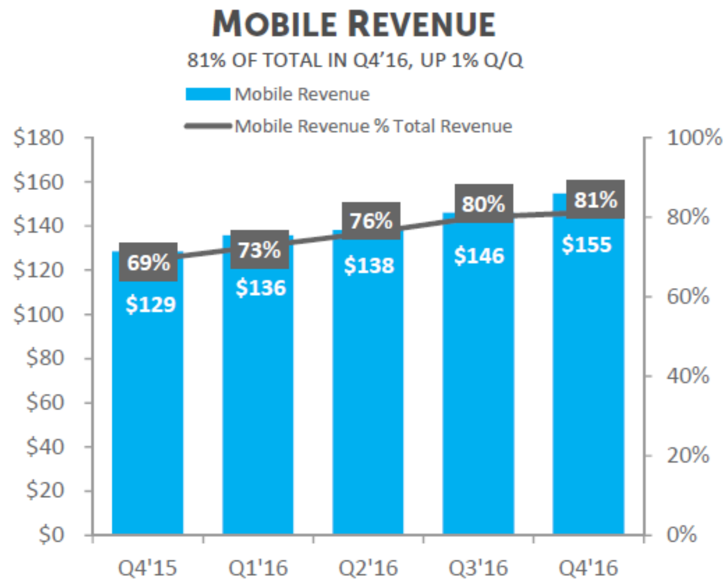
The presentation of our non-GAAP financial measures is not intended to be considered in isolation or as a substitute for our GAAP financial statements. We believe that both management and investors benefit from referring to our non-GAAP financial measures in assessing our performance and when planning, 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.

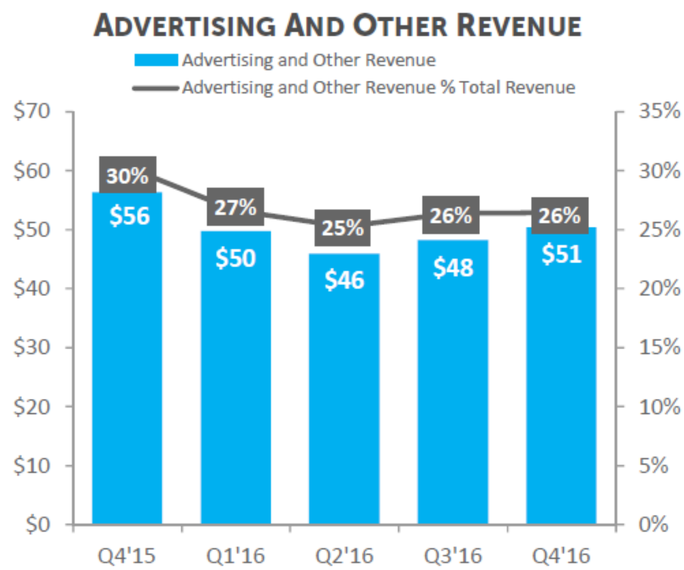
Because of the following limitations of our non-GAAP financial measures, you should consider the non-GAAP financial measures presented in this letter with our GAAP financial statements. Some limitations of our non-GAAP financial measures include:

- Adjusted EBITDA does 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 does not reflect income tax expense and does not include other income (expense) net, which includes foreign exchange gains and losses and interest income;

- Adjusted EBITDA excludes 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; and
- Free cash flow is derived from net cash provided by operating activities less cash spent on capital expenditures and acquisitions, and removing the excess income tax benefits or costs associated with stock-based awards.




| | Q4'15 | Q1'16 | Q2'16 | Q3'16 | Q4'16 |
|---|---|---|---|---|---|
| Change in Mobile Deferred Revenue | $5 | $3 | ($1) | $16 | $12 |
| Mobile Bookings | $134 | $139 | $137 | $162 | $167 |




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

## Revenue to Bookings: Total

| (in thousands, unaudited) | 3 months ended 12/31/16 | 3 months ended 9/30/16 | 3 months ended 6/30/16 | 3 months ended 3/31/16 | 3 months ended 12/31/15 | 12 months ended 12/31/16 | 12 months ended 12/31/15 |
|---|---|---|---|---|---|---|---|
| **Reconciliation of Revenue to Bookings** | | | | | | | |
| Revenue | $ 190,540 | $ 182,424 | $ 181,735 | $ 186,721 | $ 185,769 | $ 741,420 | $ 764,717 |
| Change in deferred revenue | 10,992 | 14,299 | (7,082) | (5,096) | (3,665) | 13,113 | (64,762) |
| **Bookings** | **$ 201,532** | **$ 196,723** | **$ 174,653** | **$ 181,625** | **$ 182,104** | **$ 754,533** | **$ 699,955** |

## Revenue to Bookings: Mobile

| (in thousands, unaudited) | 12 months ended 12/31/16 | 12 months ended 12/31/15 |
|---|---|---|
| **Reconciliation of Revenue to Bookings: Mobile** | | |
| Revenue | $ 574,371 | $ 489,543 |
| Change in deferred revenue | 30,404 | (13,899) |
| **Bookings: Mobile** | **$ 604,775** | **$ 475,644** |

## Revenue to Bookings: Advertising and Other; Advertising

| (in thousands, unaudited) | 3 months ended 12/31/16 | 3 months ended 12/31/15 | 12 months ended 12/31/16 | 12 months ended 12/31/15 |
|---|---|---|---|---|
| **Reconciliation of Revenue to Bookings: Advertising & Other** | | | | |
| Revenue | $ 50,382 | $ 56,306 | $ 194,129 | $ 173,962 |
| Change in deferred revenue | (97) | (641) | (2,258) | (1,882) |
| **Bookings: Advertising & Other** | **$ 50,285** | **$ 55,665** | **$ 191,871** | **$ 172,080** |
| Less Bookings: Other | $ (641) | $ (1,953) | $ (5,038) | $ (5,833) |
| **Bookings: Advertising** | **$ 49,644** | **$ 53,712** | **$ 186,833** | **$ 166,247** |

# Net Income (Loss) to Adjusted EBITDA

| (in thousands, unaudited) | 3 months ended 12/31/16 | 3 months ended 9/30/16 | 3 months ended 6/30/16 | 3 months ended 3/31/16 | 3 months ended 12/31/15 | 12 months ended 12/31/16 | 12 months ended 12/31/15 |
|---|---|---|---|---|---|---|---|
| **Reconciliation of Net income (loss) to Adjusted EBITDA** | | | | | | | |
| Net income (loss) | $ (35,432) | $ (41,737) | $ (4,446) | $ (26,558) | $ (51,198) | $ (108,173) | $ (121,510) |
| Provision for (benefit from) income taxes | 3,238 | (2,782) | 506 | 2,480 | (1,862) | 3,442 | (8,672) |
| Other income (expense), net | (1,476) | (980) | (1,905) | (2,100) | (1,463) | (6,461) | (13,306) |
| Interest income | (791) | (800) | (761) | (705) | (603) | (3,057) | (2,568) |
| Restructuring expense, net | (191) | (49) | 1,710 | 468 | 19,748 | 1,938 | 36,480 |
| Depreciation and amortization | 9,612 | 10,511 | 10,835 | 10,812 | 11,966 | 41,770 | 54,315 |
| Acquisition-related transaction expenses | — | 75 | 199 | — | 249 | 274 | 1,144 |
| Contingent consideration fair value adjustment | 9,145 | (5,810) | (14,390) | 2,030 | (3,288) | (9,025) | 6,112 |
| Gain (loss) on legal settlements | — | — | — | — | — | — | (1,681) |
| Impairment of intangible assets | — | 20,677 | — | — | — | 20,677 | — |
| Stock-based expense | 26,479 | 24,475 | 26,899 | 29,608 | 31,772 | 107,461 | 131,575 |
| **Adjusted EBITDA** | **$ 10,584** | **$ 3,580** | **$ 18,647** | **$ 16,035** | **$ 5,321** | **$ 48,846** | **$ 81,889** |

# Net Cash Provided by (Used in) Operating Activities to Free Cash Flow

| (in thousands, unaudited) | 3 months ended 12/31/16 | 3 months ended 12/31/15 | 12 months ended 12/31/16 | 12 months ended 12/31/15 |
|---|---|---|---|---|
| **Reconciliation of net cash provided by (used in) operating activities to free cash flow** | | | | |
| Net cash provided by (used in) operating activities | $ 27,743 | $ 3,465 | $ 60,016 | $ (44,447) |
| Acquisition of property and equipment | (3,692) | (985) | (10,313) | (7,832) |
| Excess tax benefits from stock-based awards | — | 899 | — | 989 |
| **Free cash flow** | **$ 24,051** | **$ 3,379** | **$ 49,703** | **$ (51,290)** |

# Q4 2016 GAAP to Non-GAAP Costs and Expenses

Adjustments to GAAP to arrive at non-GAAP measure

(In thousands, unaudited)

**Three months ended December 31, 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 | $ 62,629 | $ - | $ (4,540) | $ - | $ - | $ - | $ (895) | $ 57,194 |
| Research and development | 92,417 | - | - | - | (9,145) | - | (21,158) | 62,114 |
| Sales and marketing | 46,860 | - | (1,520) | 2 | - | - | (1,516) | 43,826 |
| General and administrative | 23,095 | 191 | - | (2) | - | - | (2,910) | 20,374 |
| Impairment of intangible assets | - | - | - | - | - | - | - | - |
| Total costs and expenses | $ 225,001 | $ 191 | $ (6,060) | $ - | $ (9,145) | $ - | $ (26,479) | $ 183,508 |

**Twelve months ended December 31, 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 | $ 238,546 | $ - | $ (23,922) | $ - | $ - | $ - | $ (3,720) | $ 210,904 |
| Research and development | 320,300 | (124) | - | (1) | 9,025 | - | (84,236) | 244,964 |
| Sales and marketing | 183,637 | - | (4,257) | (179) | - | - | (7,254) | 171,947 |
| General and administrative | 92,509 | (1,814) | - | (94) | - | - | (12,251) | 78,350 |
| Impairment of intangible assets | 20,677 | - | - | - | - | (20,677) | - | - |
| Total costs and expenses | $ 855,669 | $ (1,938) | $ (28,179) | $ (274) | $ 9,025 | $ (20,677) | $ (107,461) | $ 706,165 |

# Q4 2015 GAAP TO NON-GAAP COSTS AND EXPENSES

Adjustments to GAAP to arrive at non-GAAP measure

(In thousands, unaudited)

**Three months ended December 31, 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 | $ 63,397 | $ (406) | $ (6,623) | $ - | $ - | $ - | $ (1,712) | $ 54,656 |
| Research and development | 85,099 | (4,346) | - | - | 3,288 | - | (24,063) | 59,978 |
| Sales and marketing | 53,066 | (1) | (779) | - | - | - | (2,320) | 49,966 |
| General and administrative | 39,333 | (14,995) | - | (249) | - | - | (3,677) | 20,412 |
| Total costs and expenses | $ 240,895 | $ (19,748) | $ (7,402) | $ (249) | $ 3,288 | $ - | $ (31,772) | $ 185,012 |

**Twelve months ended December 31, 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 | $ 235,985 | $ (1,066) | $ (22,916) | $ - | $ - | $ - | $ (4,547) | $ 207,456 |
| Research and development | 361,931 | (14,081) | - | - | (6,112) | - | (94,548) | 247,190 |
| Sales and marketing | 169,573 | (787) | (3,143) | - | - | - | (7,501) | 158,142 |
| General and administrative | 143,284 | (20,546) | - | (1,144) | - | 1,681 | (24,979) | 98,296 |
| Total costs and expenses | $ 910,773 | $ (36,480) | $ (26,059) | $ (1,144) | $ (6,112) | $ 1,681 | $ (131,575) | $ 711,084 |

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