



ZYNGA Q2'2015

FINANCIAL RESULTS

August 6, 2015

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MANAGEMENT TEAM



**FOUNDER,
CHIEF EXECUTIVE OFFICER
AND CHAIRMAN OF THE BOARD**

Mark Pincus



CHIEF FINANCIAL OFFICER

David Lee

FORWARD-LOOKING STATEMENTS

This presentation contains, and our call will contain, forward-looking statements relating to, among other things, our outlook for the second quarter of 2015 revenue, net loss, diluted net loss per share, weighted average diluted share count, bookings, Adjusted EBITDA, non-GAAP net income (loss) per share and non-GAAP weighted average diluted share count; certain other financial items necessary for GAAP to Non-GAAP reconciliation; our future operational plans, use of cash, strategies and prospects; our cost structure and cost reduction plans and estimated savings and charges, including our reduction in workforce, cost reduction measures and plan to lower discretionary spend; our path to profitable growth; our ability to accelerate execution, drive profitability and nurture creativity and innovation while reducing costs and lowering discretionary spend; our ability to foster an entrepreneurial environment; our ability to manage new IP costs; the breadth and depth of our game slate for 2015 and the success of this slate, including the success of the recently launched *Empires & Allies* and *Farmville: Harvest Swap*; our planned launch of mobile first games and new features for existing games, including our planned launch of 6 games in 2015, including *Dawn of Titans*, *CSR2* and a new mobile Slots game; our ability to maintain consumer excitement, retention and monetization shown in early game testing after worldwide game launches, including the early results we've seen with *Empires & Allies* and *Dawn of Titans*; our multi-year agreement with Warner Bros. Interactive Entertainment to license their Willy Wonka and the Chocolate Factory brand, our ability to grow our mobile bookings in 2015; our ability to execute against our strategy and deliver long term value to our shareholders, employees and players; our ability to use data analytics to improve our player experience, gameplay and monetization; our ability to intensify and narrow our focus around our best opportunities; our ability to attract and retain key employees in light of business challenges, including employees key to franchise games and planned launches and senior management; the impact of changes in management, new hires and other organizational changes and roles on our organization; the strength of our balance sheet and our ability to effectively manage our cost structure and investments; our strategy of backing proven teams to develop or expand our game offerings in the four content categories where we are focused;; our ability to use smaller game teams in efforts to be more nimble, creative and innovative; the timely launch of our games in these categories and the success of these games; our ability to monetize our games; our ability to improve our execution against audience growth and product quality; our ability to execute in mobile; our ability to sustain and expand key games to sustain and grow audiences, bookings and engagement, including our core franchises which include FarmVille (*FarmVille*, *FarmVille 2*, *FarmVille 2: Country Escape*), Slots (*Wizard of Oz Slots* and *Hit It Rich! Slots*), Zynga Poker and With Friends (*Words With Friends*, *Words On Tour*, *Word Streak With Friends*, among others); our ability to build on our social legacy in both our web games and our new mobile games and to build a player network across mobile games; our ability to accurately forecast our upcoming game launches and bookings and revenue related to upcoming game launches and the performance of our existing games; our continued investment in our future pipeline; our ability to utilize, protect, defend and enforce our intellectual property; and market opportunity in the social gaming market, including the mobile market and advertising market and our ability to capitalize on and contribute to this market opportunity.

FORWARD-LOOKING STATEMENTS

Forward-looking statements often include words such as “outlook,” “project,” “plan,” “intend,” “could,” “should,” “would,” “will,” “might,” “anticipate,” “estimate,” “continue,” “believe,” “may,” “target,” “expect,” or similar expressions, or the negative or plural of these words or expressions and statements in the future tense are generally forward-looking. The achievement or success of the matters covered by such forward-looking statements is subject to a number of risks, uncertainties, and assumptions. Moreover, we operate in a very competitive and rapidly changing environment and industry. New risks may also emerge from time to time. It is not possible for our management to predict all of the risks related to our business and operations, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make and reported results should not be considered as an indication of our future performance. Factors that could cause or contribute to such differences include, but are not limited to, the ability of key games, including our franchise games, to sustain or grow audiences, bookings and engagement, our relationship with Facebook, changes in the Facebook platform and/or changes in our agreement with Facebook; our relationship with Apple, Google and other Android platform providers, changes in the Android or iOS platforms and/or changes in our agreements with Apple, Google and/or other Android platform providers; our relationship and/or agreements with key licensing partners, additional platform providers or any key partners; the effectiveness of our cost-cutting activities and our ability to control and reduce expenses, including our estimated savings and charges associated with our restructuring efforts; our ability to efficiently deploy employees, leverage our teams and talent, including shifting resources when necessary to prioritize more important projects; our ability to retain and attract new talent; our ability to work as a team to execute against our strategy, our use of working capital in general; attrition or decline in existing games, including franchise games; our ability to launch and monetize successfully new games and features for web and mobile in a timely manner and the success of these games and features, including planned features for our existing games; the process of integrating NaturalMotion Limited’s (“NaturalMotion’s”) operations into our operations, including but not limited to our expected ability to expand our creative pipeline, accelerate our growth on mobile and deliver hit NaturalMotion games in 2015; planned launches from our franchises and planned launches in the five content categories where we are focused; the ability of our games to generate revenue and bookings for a significant period of time after launch and the timing for market acceptance of new games; the effectiveness of our marketing program and initiatives and our ability to obtain game featuring from partners; our ability to understand industry trends, such as seasonality, and position our business to take advantage of these trends; our ability to successfully monitor and adapt to changes in gaming platform and consumer demand as the industry continues to evolve; our ability to run successful in game advertising campaigns; our exposure to illegitimate credit card activity and other security risks, including sales or purchases of virtual goods used in our games through unauthorized or illegitimate third-party websites; our ability to anticipate and address technical challenges that may arise; our ability to protect our players’ information and adequately address privacy concerns; our ability to maintain technology infrastructure and employees that can efficiently and reliably handle increased player usage, changes in mobile devices and game platforms, fast load times and the rapid deployment of new features and products; our ability to maintain reliable security services and infrastructure to protect against security breaches, computer malware and hacking attacks; competition in our industry; changing interests of players; our exposure to intellectual property disputes and other litigation; asset impairment charges; our evaluation of new business opportunities and acquisitions by us, including integration of newly acquired businesses; our future spend, including spend on R&D and marketing and our future margins; our ability to renew our existing brand, technology and content licenses as they expire and secure new licenses for top brands; our ability to manage risks, costs and other challenges associated with international expansion; the impact of laws and regulations on our business; and changes in corporate strategy or management.

More information about factors that could affect our operating results is included under the captions “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2014, our Quarterly report on Form 10-Q for the three months ended March 31, 2015, and, when filed, our Quarterly report on Form 10-Q for the three months ended June 30, 2015, 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. Undue reliance should not be placed on the forward-looking statements in the conference call and this presentation, which are based on information available to us on the date hereof. There is no guarantee that the circumstances described in our forward-looking statements will occur. Except as required by law, we assume no obligation to update any forward-looking statements for any reason to conform these statements to actual results or to changes in our expectations. The results we report in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 could differ from the preliminary results we have announced in the conference call and this presentation.

NON-GAAP FINANCIAL MEASURES

We have provided in this release non-GAAP financial information including Total Bookings, Advertising and Other Bookings, Adjusted EBITDA, non-GAAP net loss, non-GAAP operating expense, free cash flow, non-GAAP provision for (benefit from) income taxes, and non-GAAP net loss per share, as a supplement to the consolidated financial statements, which are prepared in accordance with United States generally accepted accounting principles ("GAAP"). Management uses these non-GAAP financial measures internally in analyzing our financial results to assess operational performance and liquidity. The presentation of this financial information is not intended to be considered in isolation or as a substitute for the financial information prepared in accordance with GAAP. We believe that both management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when planning, forecasting and analyzing future periods. We believe these 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 between our historical and third quarter 2015 outlook for non-GAAP financial measures to the most directly comparable GAAP financial measures. Reconciliations of non-GAAP financial measures to the most recent directly comparable GAAP financial measures for the first quarter 2015 may be found in our quarterly report on Form 10-Q for the three months ended March 31, 2015, and our press release announcing first quarter 2015 financial results included as Exhibit 99.1 to our current report on Form 8-K, filed with the Securities and Exchange Commission on May 6, 2015, 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.

- Some limitations of Total Bookings, Advertising and Other Bookings, Adjusted EBITDA, non-GAAP net loss, non-GAAP operating expense, free cash flow, non-GAAP provision for (benefit from) income taxes and non-GAAP loss per share:
- Adjusted EBITDA, non-GAAP operating expense, non-GAAP net loss and non-GAAP provision for (benefit from) expense do not include the impact of stock-based expense, impairment of intangible assets previously acquired, acquisition-related transaction expenses, contingent consideration fair value adjustments and restructuring expense;
- Total Bookings, Adjusted EBITDA, non-GAAP net loss and non-GAAP provision for (benefit from) expense do 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;
- Adjusted EBITDA does not include other income (expense) net, which includes foreign exchange gains and losses and interest income;
- Adjusted EBITDA and non-GAAP operating expense excludes depreciation and amortization of intangible assets, while non-GAAP net loss excludes amortization of intangible assets from acquisitions. Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future;
- Adjusted EBITDA, non-GAAP operating expense and non-GAAP net loss do not include gains and losses associated with significant legal settlements;
- Non-GAAP net loss per share gives effect to all dilutive awards based on the treasury stock method that were excluded from the GAAP diluted earnings per share calculation in periods when non-GAAP net income (loss) is positive and GAAP net income (loss) is negative;
- 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; and
- Other companies, including companies in our industry, may calculate Total Bookings, Advertising and Other Bookings, Adjusted EBITDA, non-GAAP net loss, non-GAAP operating expense, free cash flow, non-GAAP provision for (benefit from) expense, and non-GAAP net loss per share differently or not at all, which will reduce their usefulness as a comparative measure.

Because of these limitations, you should consider Total Bookings, Advertising and Other Bookings, Adjusted EBITDA, non-GAAP net income (loss), non-GAAP operating expense, free cash flow, non-GAAP provision for (benefit from) income taxes, and non-GAAP net income (loss) per share, along with other financial performance measures, including revenue, net income (loss), diluted net loss per share, cash flow from operations, GAAP operating expense, GAAP operating margin and our other financial results presented in accordance with GAAP. See the GAAP to non-GAAP reconciliations below for further details.



DISCUSSION OF Q2'2015 PERFORMANCE

Q2'2015 HIGHLIGHTS

FINANCIAL RESULTS

- Bookings of \$174 million; above the high end of the guidance range
- Adjusted EBITDA of \$1 million; above the high end of the guidance range
- Mobile bookings now represents 66% of overall bookings at \$115 million; up 30% Y/Y
- Advertising bookings, excluding licensing and developer payments, up 44% Y/Y
- \$1.1 billion in cash and marketable securities
- Implemented \$100 million cost reduction plan
- Positive free cash flow inclusive of investment in game development, marketing for new launches and infrastructure

PRODUCT HIGHLIGHTS

- Our Slots franchise – *Wizard of Oz Slots* and *Hit It Rich! Slots* – grew bookings 32% sequentially
- Recently secured a multiyear agreement with Warner Bros. Interactive Entertainment to license the Willy Wonka and the Chocolate Factory brand
- *Empires & Allies* launched worldwide with 4.5 Apple App Store star rating and strong engagement with players averaging 5 play sessions daily totaling 38 minutes
 - ABPU of \$0.26 almost 3 times the company's ABPU in Q2
- *FarmVille: Harvest Swap* launched worldwide with a 4.5 Apple App Store Star rating and strong player retention

PLAYER METRICS

- Average DAUs – 21 million (-23% Y/Y, -15% Q/Q)
- Average MAUs – 83 million (-32% Y/Y, -18% Q/Q)
- ABPU - \$0.091 (+29% Y/Y, +21% Q/Q)
- Payer conversion (excluding NaturalMotion) – 1.6% (-17% Y/Y, +5% Q/Q)

Q2'2015 OUTLOOK VS. ACTUALS

(in millions, except per share data)

Non-GAAP	Outlook*	Actuals
Bookings	\$ 145 - 160	\$ 174
Adjusted EBITDA	\$ (20) - (10)	\$ 1
Non-GAAP net income (loss)	\$ (22) - (15)	\$ (8)
Non-GAAP net income (loss) per share	\$ (0.02)	\$ (0.01)
 GAAP		
Revenue	\$ 175 - 190	\$ 200
Stock-based expense	\$ 33	\$ 28
Net income (loss)	\$ (54) - (50)	\$ (27)
Net income (loss) per share	\$ (0.06)	\$ (0.03)

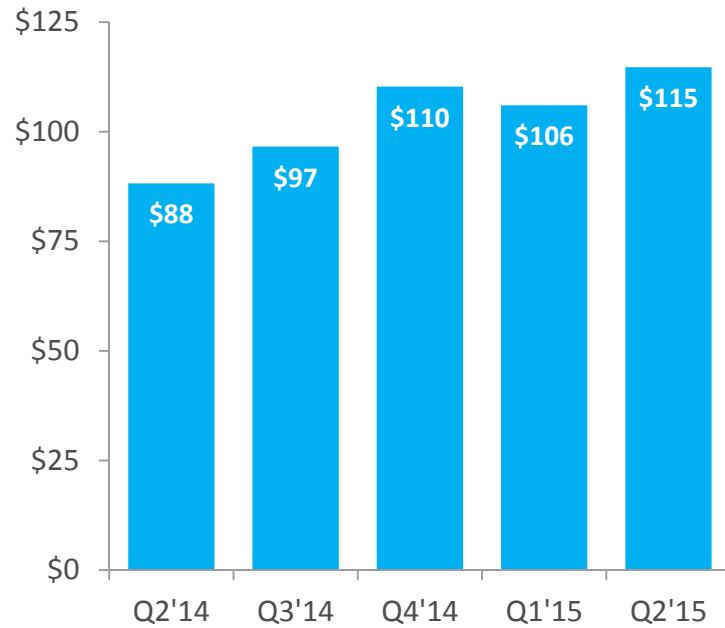
* Q2'15 outlook as communicated on our May 6, 2015 first quarter earnings call

MOBILE HIGHLIGHTS

IN MILLIONS

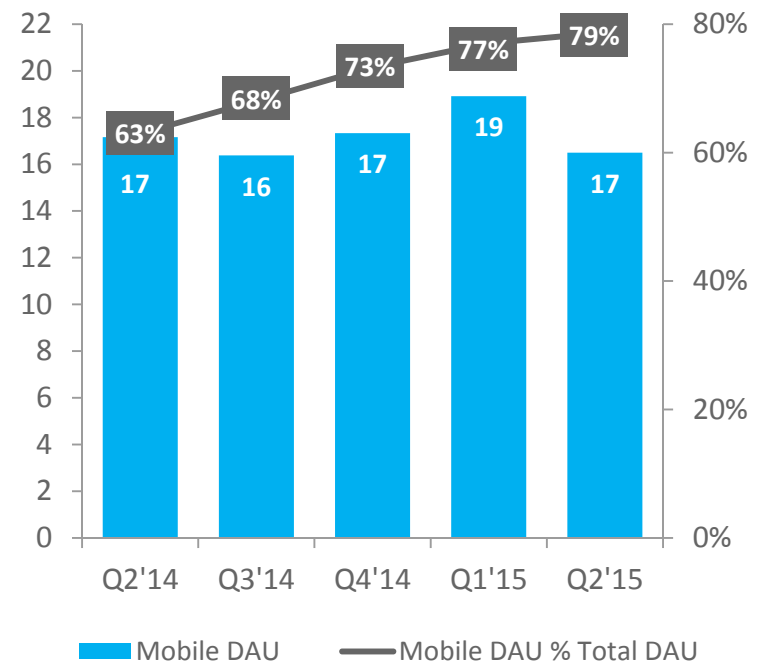
MOBILE BOOKINGS

30% INCREASE Y/Y

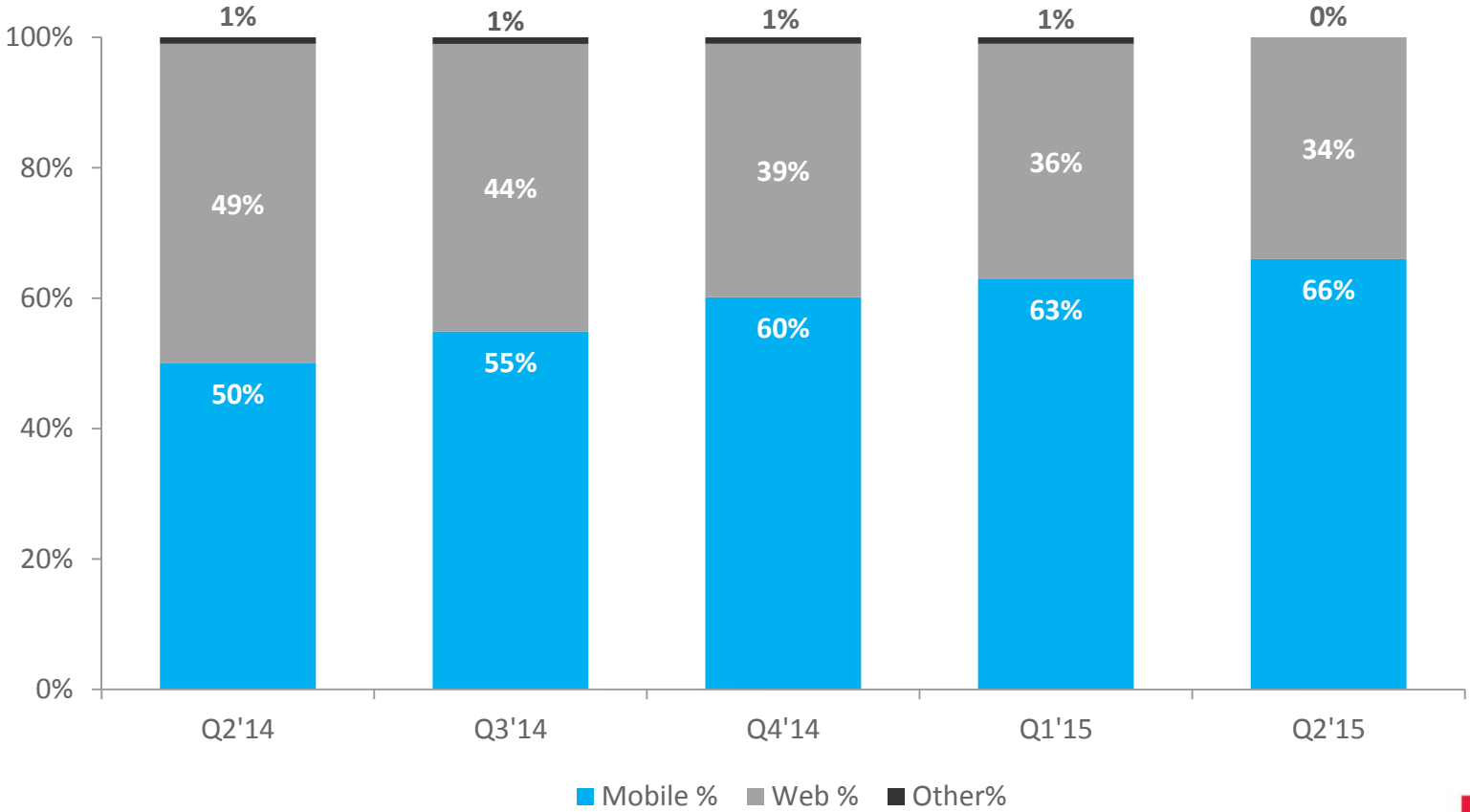


MOBILE DAU

79% OF TOTAL IN Q2'15



PLATFORM BOOKINGS MIX



PRODUCT HIGHLIGHTS

SOCIAL CASINO



- Slots franchise grew bookings 274% Y/Y and 32% sequentially



- Recently secured a multiyear agreement with Warner Bros. Interactive Entertainment to license their iconic Willy Wonka and the Chocolate Factory brand



- Expect to launch Willy Wonka and the Chocolate Factory themed slots game worldwide in 2016

- Expect to launch new mobile slots game worldwide in Q4'15

- Zynga Poker grew bookings 2% sequentially and is now rated above 4.0 stars in the Apple App Store

- Grew bookings 23% Y/Y on Android



- Entered the Action Strategy category with the worldwide launch of *Empires and Allies* in May 2015

- Average of 4.5 stars in the Apple App Store and reached the Top 5 grossing chart position on iPad

- Strong engagement with players averaging 5 play sessions daily totaling 38 minutes

- High monetization at \$0.26 in ABPU, generating almost 3 times the company's ABPU in Q2



- *Dawn of Titans* currently available in soft launch in seven geographies on iOS including Saudi Arabia, United Arab Emirates, Vietnam, Hong Kong, Singapore, South Africa and New Zealand, as well as on Android in Singapore

- Strong engagement with players averaging 10 play sessions per day since the last update

- Average of 4.5 stars in the Apple App Store

- Targeting worldwide launch in Q4'15



- Targeting worldwide launch of *CSR2*, the sequel to the popular *CSR Racing* franchise, in Q4'15

PRODUCT HIGHLIGHTS

CASUAL



- *Words With Friends* drove a 5% sequential bookings increase and a 30% increase Y/Y despite audience declines
 - Launched a localized version in 6 new languages, including Spanish, French, German and Italian
 - Localization creating lift in installs, particularly in France and Germany
- Entered the mobile Match 3 category with the worldwide launch of *FarmVille: Harvest Swap* in May 2015
 - Average of 4.5 stars in the Apple App Store and high monetization
 - Preparing a number of significant updates to *FarmVille: Harvest Swap* that will include more social features, new levels and customized level tuning

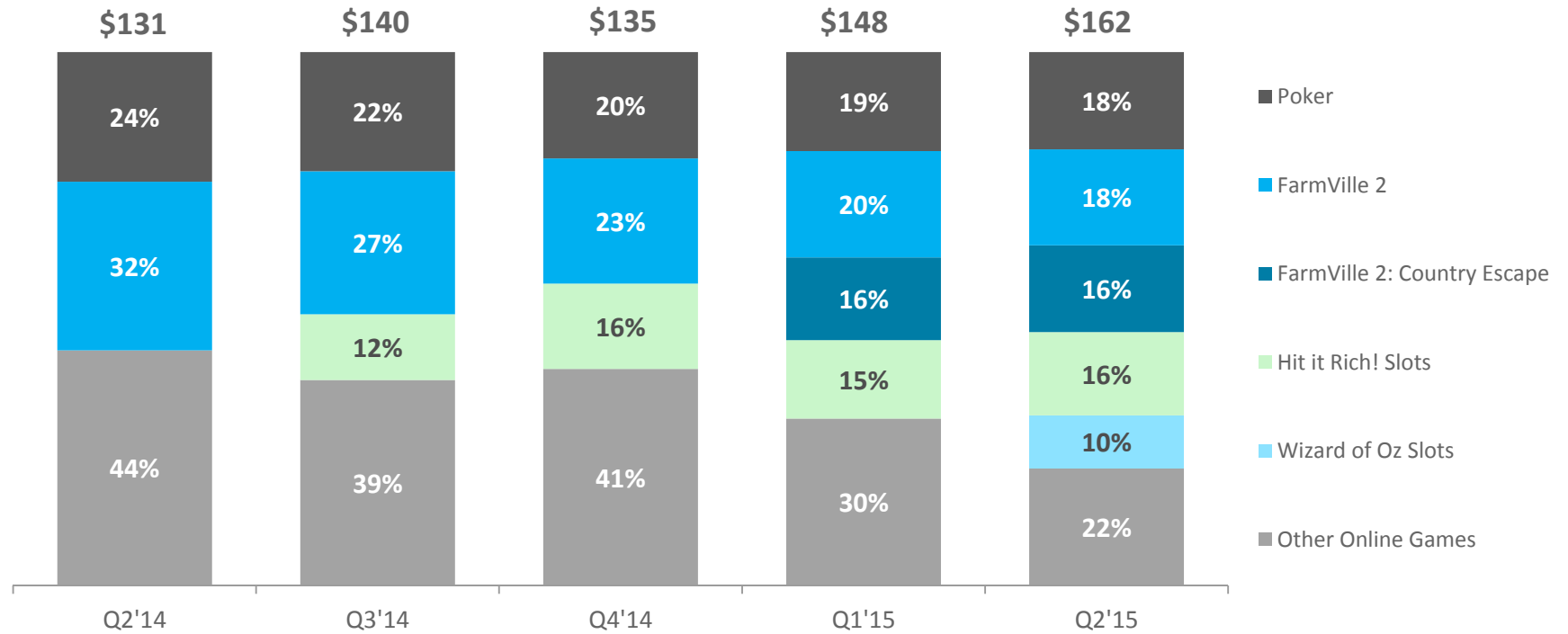


- Significant opportunity in this category with an installed base for *FarmVille* of 700 million users across web and mobile to date
- Delivered new competition and social collaboration features such as State Fair and Animal Breeding in *FarmVille 2*
- New games in development and expected to launch worldwide in 2016

INVEST EXPRESS

ONLINE GAME REVENUE CONCENTRATION

TOTAL REVENUE IN MILLIONS

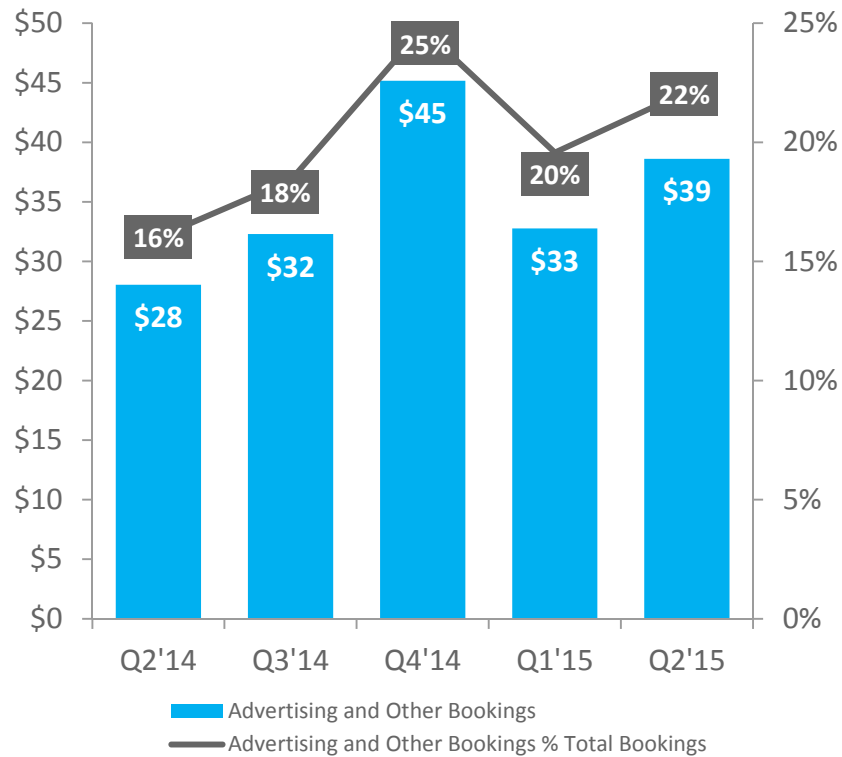


Note: Games representing less than 10% of online game revenue in any period are included in "Other Online Games"

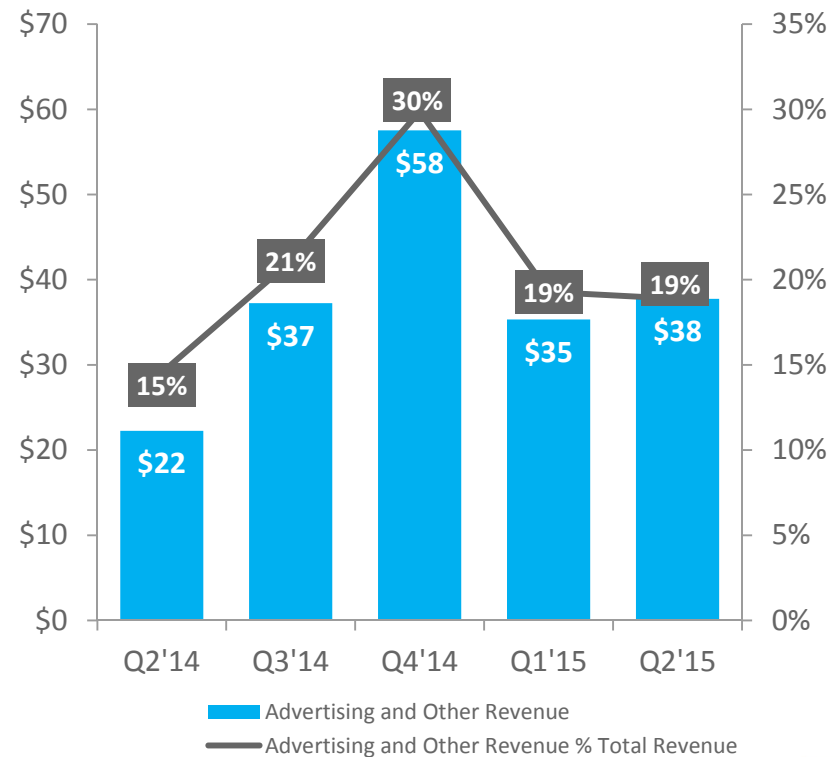
ADVERTISING AND OTHER

IN MILLIONS

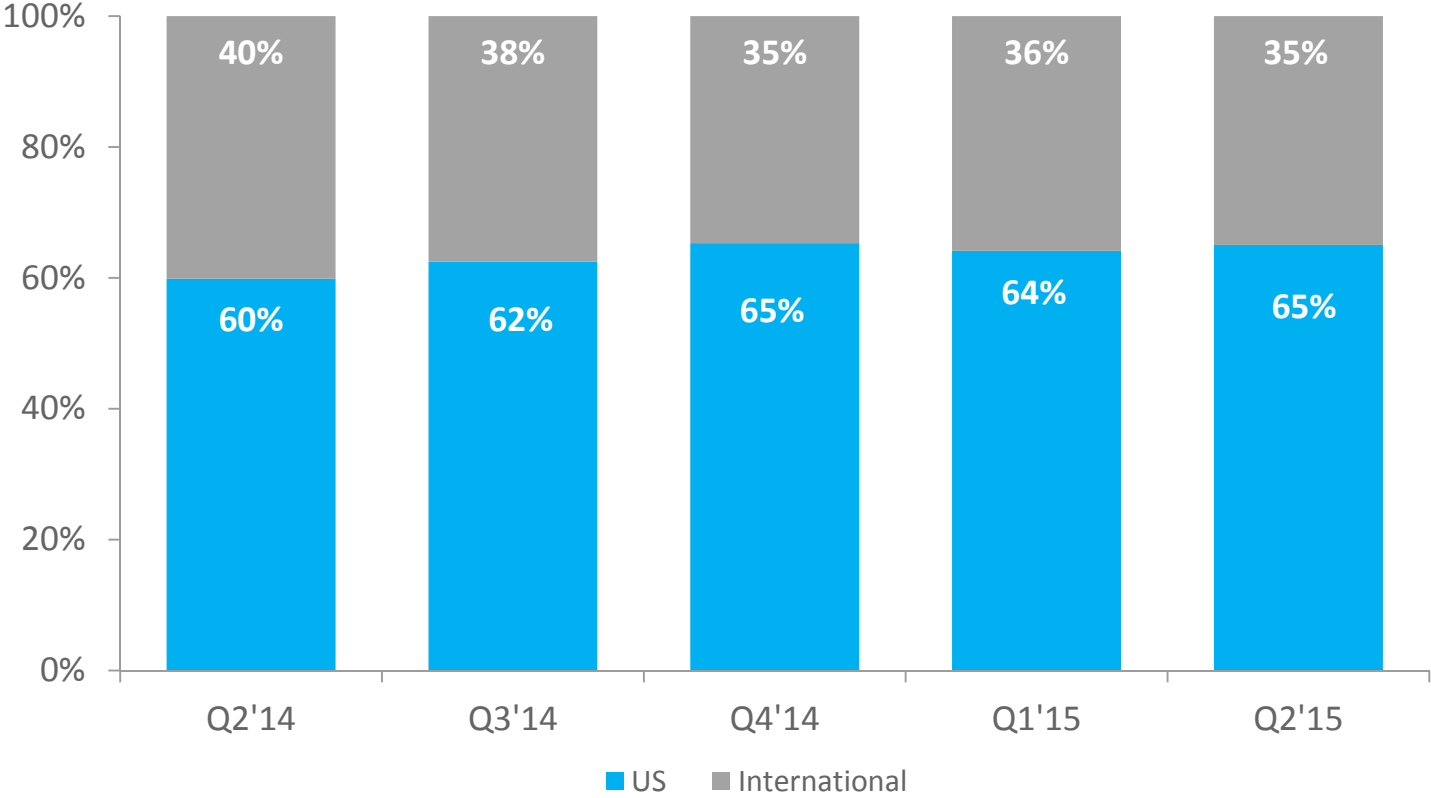
ADVERTISING AND OTHER BOOKINGS



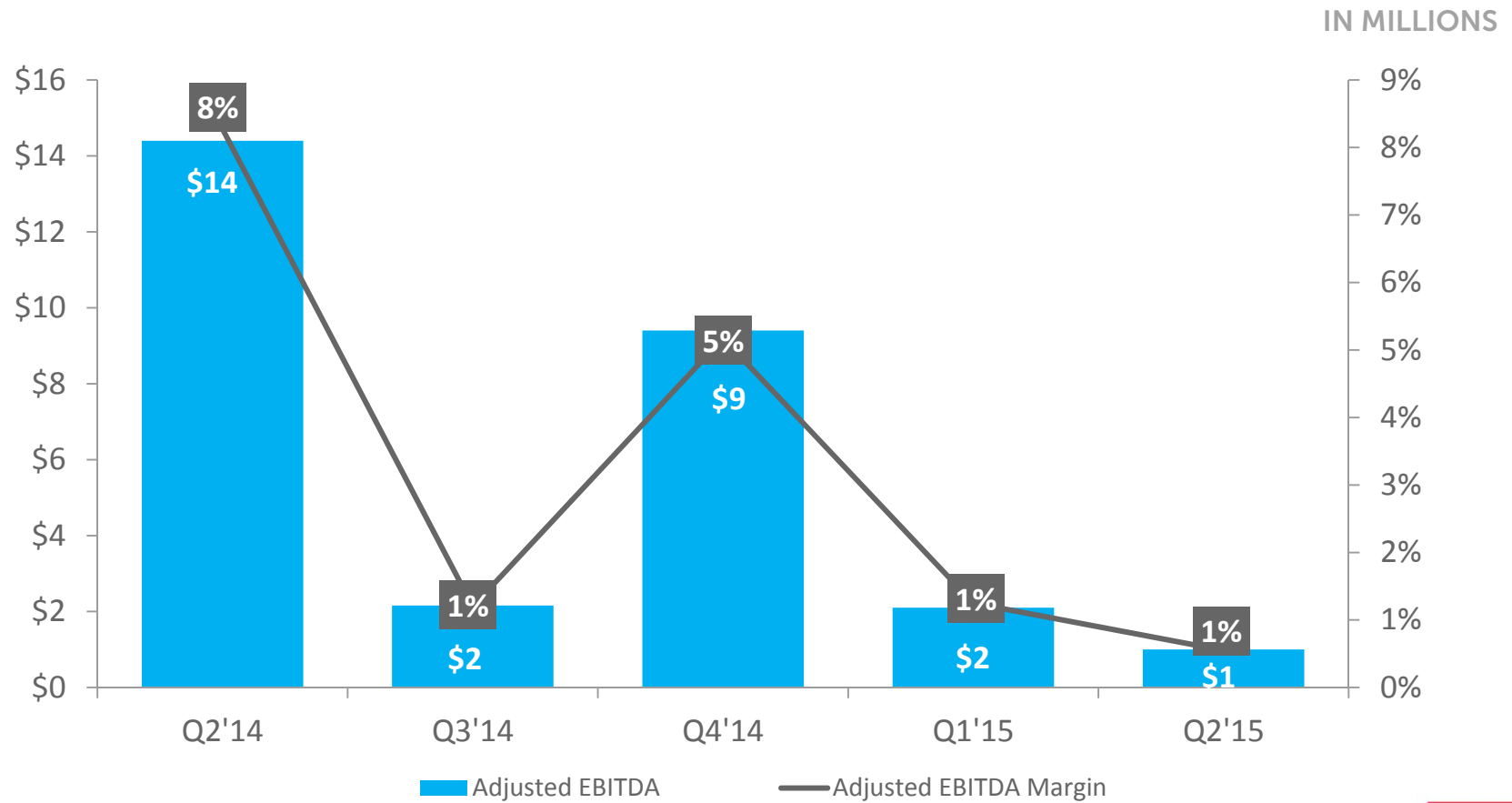
ADVERTISING AND OTHER REVENUE



REVENUE BY GEOGRAPHY



ADJUSTED EBITDA AND MARGIN



Note: Adjusted EBITDA Margin represents Adjusted EBITDA as a percentage of bookings

NET INCOME (LOSS) AND CASH FLOW

(in millions, except per share data)

	Q2'15	Q1'15	Q2'14
Non-GAAP			
Non-GAAP net income (loss)	\$ (7.6)	\$ (6.7)	\$ 2.8
Diluted net income (loss) per share	\$ (0.01)	\$ (0.01)	\$ 0.00
GAAP			
Net income (loss)	\$ (26.9)	\$ (46.5)	\$ (62.5)
Diluted net income (loss) per share	\$ (0.03)	\$ (0.05)	\$ (0.07)
Operating cash flow	\$ 4.2	\$ (47.0)	\$ 17.8
Free cash flow	\$ 1.1	\$ (49.1)	\$ 14.0
Cash, cash equivalents and marketable securities	\$ 1,099	\$ 1,099	\$ 1,149

KEY OPERATING METRICS

The company tracks operating metrics using internal systems which rely on internal company data and third party data. In the first quarter of 2015, the Company modified its calculations to take into account our business's transition to mobile and updates to our operating metrics which utilize additional third party data to help us identify whether a player logged in under two or more accounts is the same individual. As a result of these changes, we revised the definitions for DAUs, MAUs, MUUs and MUPs in the first quarter of 2015. Please refer to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 and, when filed, our Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 (copies of which may be obtained by visiting our Investor Relations web site at investor.zynga.com) for our updated definitions of "DAU", "MAU", "MUU", "MUP" and "ABPU". We rely on the veracity of data provided by individuals and reported by third parties to calculate our metrics and reduce duplication of data.

DAUs. We define DAUs as the number of individuals who played one of our games during a particular day. Under this metric, an individual who plays two different games on the same day is counted as two DAUs. We use information provided by third parties to help us identify individuals who play the same game to reduce this duplication. However, because we do not always have the third party network login data to link an individual who has played under multiple user accounts, a player may be counted as multiple DAUs. Average DAUs for a particular period is the average of the DAUs for each day during that period. We use DAUs as a measure of audience engagement.

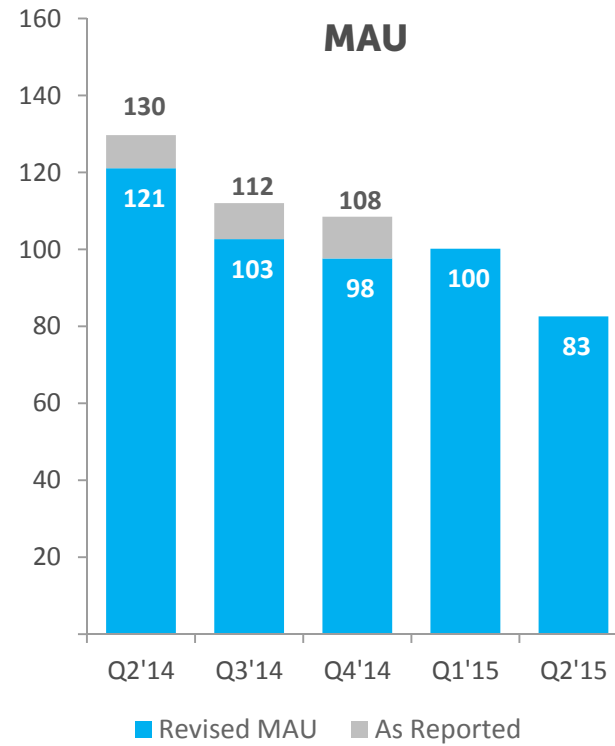
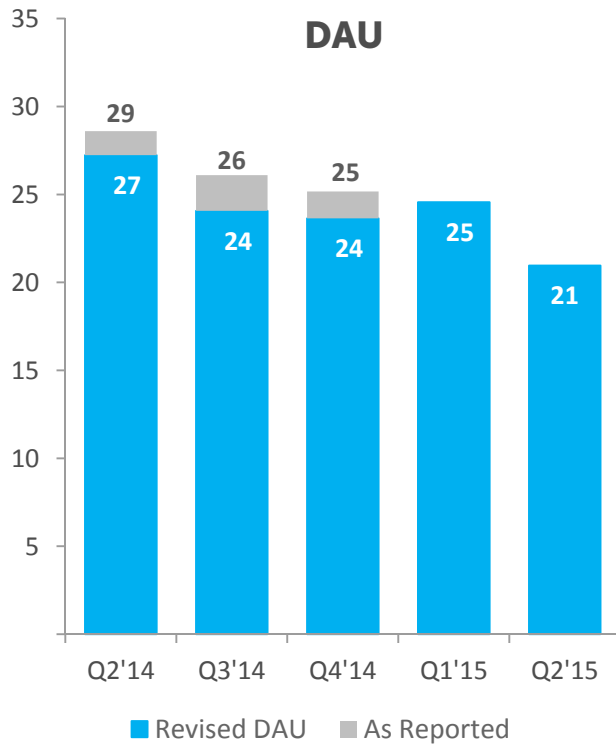
MAUs. We define MAUs as the number of individuals who played one of our games in the 30-day period ending with the measurement date. Under this metric, an individual who plays two different games in the same 30-day period is counted as two MAUs. We use information provided by third parties to help us identify individuals who play the same game to reduce this duplication. However, because we do not always have the third party network login data to link an individual who has played under multiple user accounts, a player may be counted as multiple MAUs. Average MAUs for a particular period is the average of the MAUs at each month-end during that period. We use MAUs as a measure of total game audience size.

MUPs. We define MUPs as the number of individuals who made a payment at least once during the applicable 30-day period through a payment method for which we can quantify the number of individuals, including payers from certain mobile games. MUPs does not include individuals who use certain payment methods for which we cannot quantify the number of unique payers. However, because we do not always have the third party network login data necessary to link an individual who has paid under multiple user accounts in a 30-day period, a player who has paid using multiple user accounts may be counted as multiple MUPs. MUPs are presented as an average of the three months in the applicable quarter. We use MUPs as a measure of the number of individuals who made payments across our network of games during a 30-day period.

ABPU. We define ABPU as our total bookings in a given period, divided by the number of days in that period, divided by, the average DAUs during the period. We believe that ABPU provides useful information to investors and others in understanding and evaluating our results in the same manner as our management and board of directors. We use ABPU as a measure of overall monetization across all of our players through the sale of virtual goods and advertising.

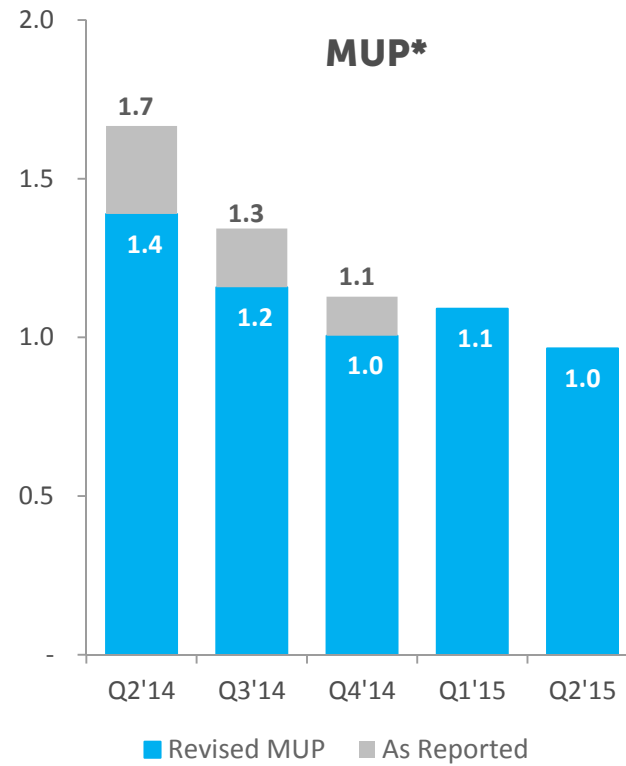
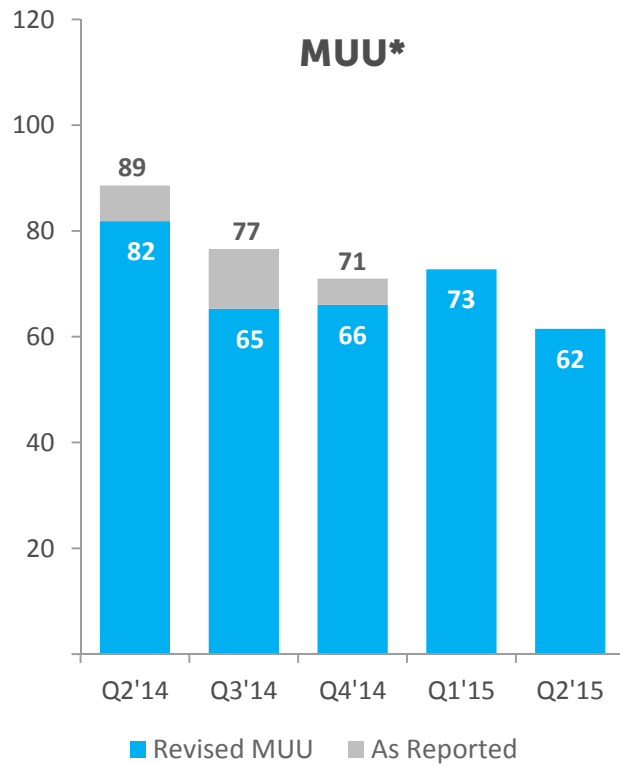
AUDIENCE METRICS

IN MILLIONS



AUDIENCE METRICS

IN MILLIONS

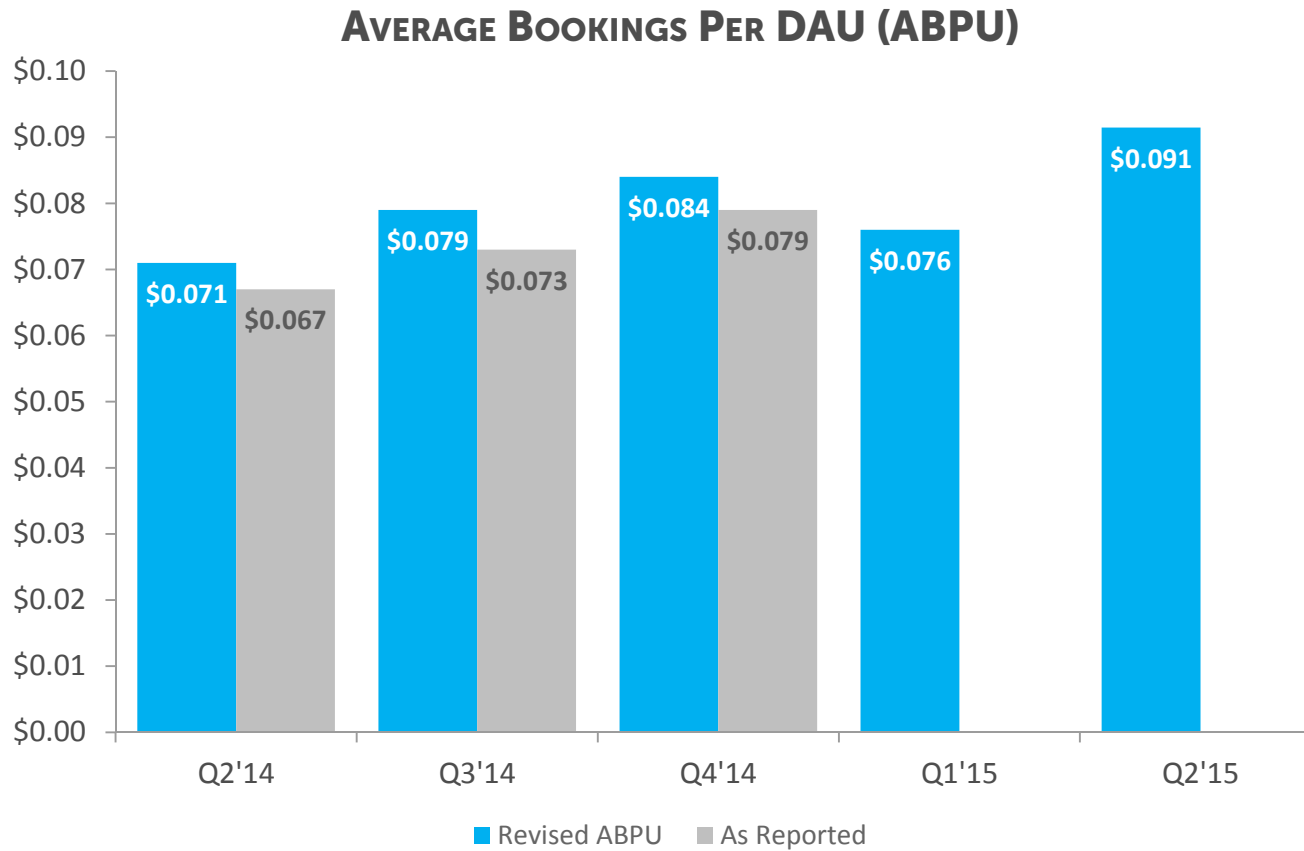


* MUUs and MUPs exclude NaturalMotion legacy games (*CSR Racing*, *CSR Classics* and *Clumsy Ninja*) as the necessary data is not available

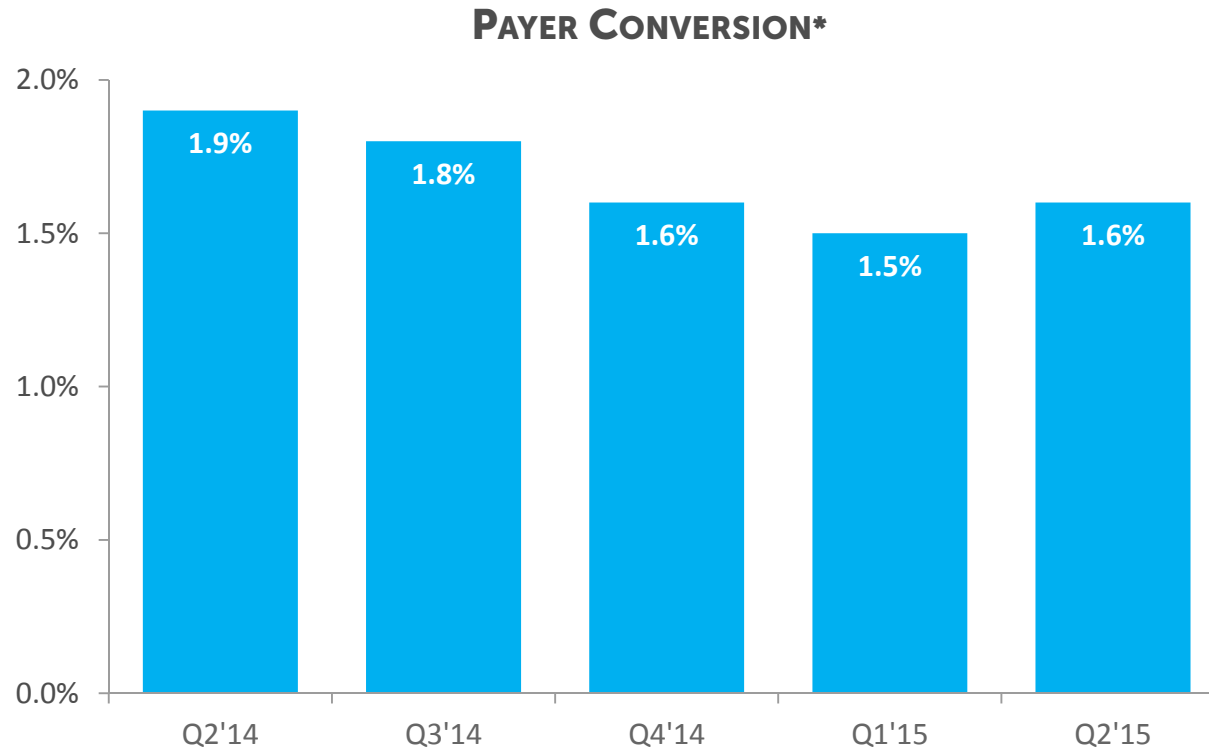


MONETIZATION

IN US DOLLARS



MONETIZATION



* Payer conversion excludes NaturalMotion legacy games (*CSR Racing*, *CSR Classics* and *Clumsy Ninja*) as the necessary data is not available



Q3'2015 FINANCIAL OUTLOOK

Q3'2015 FINANCIAL OUTLOOK

(in millions, except per share data)

	Q3'15 Outlook	
	Low	High
Non-GAAP		
Bookings	\$ 155	\$ 170
Adjusted EBITDA	\$ (17)	\$ (7)
Non-GAAP net income (loss)	\$ (20)	\$ (12)
Diluted share count	915	915
Non-GAAP net income (loss) per share	\$ (0.02)	\$ (0.01)
GAAP		
Revenue	\$ 175	\$ 190
Stock-based expense	\$ 25	\$ 25
Net income (loss)	\$ (31)	\$ (23)
Diluted share count	915	915
Net income (loss) per share	\$ (0.03)	\$ (0.03)



GAAP TO Non-GAAP RECONCILIATIONS

REVENUE TO BOOKINGS: TOTAL

(in thousands, unaudited)	3 months ended		6 months ended	
	6/30/15	6/30/14	6/30/15	6/30/14
Reconciliation of Revenue to Bookings				
Revenue	\$ 199,918	\$ 153,232	\$ 383,211	\$ 321,252
Change in deferred revenue	(25,456)	21,870	(41,339)	15,208
Bookings	\$ 174,462	\$ 175,102	\$ 341,872	\$ 336,460

REVENUE TO BOOKINGS: ADVERTISING AND OTHER

(in thousands, unaudited)	3 months ended		6 months ended	
	6/30/15	6/30/14	6/30/15	6/30/14
Reconciliation of Revenue to Bookings				
Revenue	\$ 37,756	\$ 22,267	\$ 73,086	\$ 58,017
Change in deferred revenue	860	5,780	(1,703)	5,760
Bookings	\$ 38,616	\$ 28,047	\$ 71,383	\$ 63,777

NET INCOME (LOSS) TO ADJUSTED EBITDA

(in thousands, unaudited)	3 months ended		6 months ended	
	6/30/15	6/30/14	6/30/15	6/30/14
Reconciliation of Net income (loss) to Adjusted EBITDA				
Net income (loss)	\$ (26,868)	\$ (62,533)	\$ (73,364)	\$ (123,716)
Provision for (benefit from) income taxes	991	(2,012)	2,571	(9,091)
Other income (expense), net	(1,199)	(896)	(9,558)	(2,021)
Interest income (expense), net	(605)	(776)	(1,399)	(1,646)
Restructuring expense, net	12,855	(2,270)	16,316	27,385
Depreciation and amortization	13,340	19,926	31,062	45,270
Acquisition-related transaction expenses	-	265	-	6,425
Contingent consideration fair value adjustment	-	12,070	9,400	13,350
Stock-based expense	27,905	28,847	69,367	57,173
Change in deferred revenue	(25,456)	21,870	(41,339)	15,208
Adjusted EBITDA	\$ 963	\$ 14,491	\$ 3,056	\$ 28,337

NET INCOME (LOSS) TO NON-GAAP NET INCOME (LOSS)

(in thousands, unaudited)	3 months ended		6 months ended	
	6/30/15	6/30/14	6/30/15	6/30/14
Reconciliation of Net income (loss) to Non-GAAP net income (loss)				
Net income (loss)	\$ (26,868)	\$ (62,533)	\$ (73,364)	\$ (123,716)
Acquisition-related transaction expenses	-	265	-	6,425
Contingent consideration fair value adjustment	-	12,070	9,400	13,350
Stock-based expense	27,905	28,847	69,367	57,173
Amortization of intangible assets from acquisitions	6,160	6,591	12,424	9,198
Change in deferred revenue	(25,456)	21,870	(41,339)	15,208
Restructuring expense, net	12,855	(2,270)	16,316	27,385
Tax effect of non-GAAP adjustments to net income (loss)	(2,174)	(2,032)	(7,095)	(8,473)
Non-GAAP net income (loss)	\$ (7,578)	\$ 2,808	\$ (14,291)	\$ (3,450)

GAAP OPERATING EXPENSE TO NON-GAAP OPERATING EXPENSE

(in thousands, unaudited)	3 months ended		
	6/30/15	3/31/15	6/30/14
Reconciliation of GAAP operating expense to Non-GAAP operating expense			
GAAP operating expense	\$ (169,820)	\$ (179,740)	\$ (168,161)
Restructuring expense, net	12,184	3,461	(2,360)
Depreciation and amortization	4,593	4,740	6,036
Acquisition-related transaction expenses	-	-	265
Contingent consideration fair value adjustment	-	9,400	12,070
Stock-based expense	27,133	40,390	27,846
Non-GAAP operating expense	\$ (125,910)	\$ (121,749)	\$ (124,304)

NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES TO FREE CASH FLOW

(in thousands, unaudited)	3 months ended		6 months ended	
	6/30/15	6/30/14	6/30/15	6/30/14
Reconciliation of net cash provided by (used in) operating activities to free cash flow				
Net cash provided by (used in) operating activities	\$ 4,202	\$ 17,806	\$ (42,800)	\$ (6,440)
Acquisition of property and equipment	(3,127)	(3,415)	(5,239)	(4,649)
Excess tax benefits (loss) from stock-based awards	-	(436)	-	-
Free cash flow	\$ 1,075	\$ 13,955	\$ (48,039)	\$ (11,089)

PROVISION FOR (BENEFIT FROM) INCOME TAXES

(in thousands, unaudited)	3 months ended		6 months ended	
	6/30/15	6/30/14	6/30/15	6/30/14
Reconciliation of provision for (benefit from) income taxes to Non-GAAP provision for (benefit from) income taxes				
GAAP provision for (benefit from) income taxes	\$ 991	\$ (2,012)	\$ 2,571	\$ (9,091)
Stock-based expense	2,847	790	7,411	3,763
Amortization of intangible assets from acquisitions	643	332	1,332	606
Acquisition-related transaction expenses	-	(224)	-	423
Contingent consideration fair value adjustment	-	744	1,035	878
Change in deferred revenue	(2,685)	1,700	(4,433)	1,001
Restructuring expense, net	1,369	(1,310)	1,750	1,802
Non-GAAP provision for (benefit from) income taxes	\$ 3,165	\$ 20	\$ 9,666	\$ (618)

Q2'2015 STATEMENT OF OPERATIONS

Three months ended June 30, 2015

Adjustments to GAAP to arrive at non-GAAP net income (loss)
(In thousands, except per share data, unaudited)

	GAAP Statement of Operations	Stock-based expense	Amortization of intangible assets from acquisitions	Change in deferred revenue	Restructuring expense	Contingent consideration fair value adjustment	Non-GAAP measure
Total revenue	\$ 199,918	\$ -	\$ -	\$ (25,456)	\$ -	\$ -	\$ 174,462 ⁽¹⁾
Cost of revenue	57,779	(772)	(5,384)	-	(671)	-	50,952
Research and development	90,896	(19,860)	-	-	(9,493)	-	61,543
Sales and marketing	41,119	(1,617)	(776)	-	(735)	-	37,991
General and administrative	37,805	(5,656)	-	-	(1,956)	-	30,193
Total costs and expenses	227,599	(27,905)	(6,160)	-	(12,855)	-	180,679
Income (loss) from operations	(27,681)	27,905	6,160	(25,456)	12,855	-	(6,217)
Interest income (expense), net	605	-	-	-	-	-	605
Other income (expense), net	1,199	-	-	-	-	-	1,199
Income (loss) before income taxes	(25,877)	27,905	6,160	(25,456)	12,855	-	(4,413)
Provision for (benefit from) income taxes	991	2,847	643	(2,685)	1,369	-	3,165
Net Income (loss)	\$ (26,868)	\$ 25,058	\$ 5,517	\$ (22,771)	\$ 11,486	\$ -	\$ (7,578) ⁽²⁾
WASO							
Diluted	911,699						911,699
EPS							
Diluted	<u>\$ (0.03)</u>						<u>\$ (0.01)</u>

Q2'2015 STATEMENT OF OPERATIONS

Six months ended June 30, 2015

Adjustments to GAAP to arrive at non-GAAP net income (loss)
(In thousands, except per share data, unaudited)

	GAAP Statement of Operations	Stock-based expense	Amortization of intangible assets from acquisitions	Change in deferred revenue	Restructuring expense	Contingent consideration fair value adjustment	Non-GAAP measure
Total revenue	\$ 383,211	\$ -	\$ -	\$ (41,339)	\$ -	\$ -	\$ 341,872 ⁽¹⁾
Cost of revenue	115,401	(1,844)	(10,858)	-	(671)	-	102,028
Research and development	198,416	(48,177)	-	-	(9,492)	(9,400)	131,347
Sales and marketing	72,958	(3,136)	(1,566)	-	(735)	-	67,521
General and administrative	78,186	(16,210)	-	-	(5,418)	-	56,558
Total costs and expenses	464,961	(69,367)	(12,424)	-	(16,316)	(9,400)	357,454
Income (loss) from operations	(81,750)	69,367	12,424	(41,339)	16,316	9,400	(15,582)
Interest income (expense), net	1,399	-	-	-	-	-	1,399
Other income (expense), net	9,558	-	-	-	-	-	9,558
Income (loss) before income taxes	(70,793)	69,367	12,424	(41,339)	16,316	9,400	(4,625)
Provision for (benefit from) income taxes	2,571	7,411	1,332	(4,433)	1,750	1,035	9,666
Net Income (loss)	\$ (73,364)	\$ 61,956	\$ 11,092	\$ (36,906)	\$ 14,566	\$ 8,365	\$ (14,291) ⁽²⁾
WASO							
Diluted	905,058						905,058
EPS							
Diluted	\$ (0.08)						\$ (0.02)

Q2'2014 STATEMENT OF OPERATIONS

Three months ended June 30, 2014

Adjustments to GAAP to arrive at non-GAAP net income (loss)

(In thousands, except per share data, unaudited)

	GAAP		Amortization of intangible assets from	Change in deferred	Restructuring	Acquisition- related	Contingent consideration	Non-GAAP
	Statement of	Stock-based	acquisitions	revenue	expense	transaction	fair value	measure
	Operations	expense				expenses	adjustment	
Total revenue	\$ 153,232	\$ -	\$ -	\$ 21,870	\$ -	\$ -	\$ -	\$ 175,102 ⁽¹⁾
Cost of revenue	51,288	(1,002)	(5,734)	-	(90)	-	-	44,462
Research and development	93,722	(17,596)	-	-	(296)	-	(12,070)	63,760
Sales and marketing	41,608	(1,860)	(857)	-	(1)	-	-	38,890
General and administrative	32,831	(8,389)	-	-	2,657	(265)	-	26,834
Total costs and expenses	219,449	(28,847)	(6,591)	-	2,270	(265)	(12,070)	173,946
Income (loss) from operations	(66,217)	28,847	6,591	21,870	(2,270)	265	12,070	1,156
Interest income (expense), net	776	-	-	-	-	-	-	776
Other income (expense), net	896	-	-	-	-	-	-	896
Income (loss) before income taxes	(64,545)	28,847	6,591	21,870	(2,270)	265	12,070	2,828
Provision for (benefit from) income taxes	(2,012)	790	332	1,700	(1,310)	(224)	744	20
Net Income (loss)	<u>\$ (62,533)</u>	<u>\$ 28,057</u>	<u>\$ 6,259</u>	<u>\$ 20,170</u>	<u>\$ (960)</u>	<u>\$ 489</u>	<u>\$ 11,326</u>	<u>\$ 2,808 ⁽²⁾</u>
WASO								
Diluted	872,784							916,893
EPS								
Diluted	<u>\$ (0.07)</u>							<u>\$ 0.00</u>

Q2'2014 STATEMENT OF OPERATIONS

Six months ended June 30, 2014

Adjustments to GAAP to arrive at non-GAAP net income (loss)

(In thousands, except per share data, unaudited)

	GAAP		Amortization of intangible assets from	Change in deferred	Restructuring	Acquisition- related	Contingent consideration	Non-GAAP
	Statement of	Stock-based	acquisitions	revenue	expense	transaction	fair value	measure
	Operations	expense				expenses	adjustment	
Total revenue	\$ 321,252	\$ -	\$ -	\$ 15,208	\$ -	\$ -	\$ -	\$ 336,460 ⁽¹⁾
Cost of revenue	104,792	(2,281)	(8,056)	-	(1,269)	-	-	93,186
Research and development	191,306	(36,012)	-	-	(9,573)	-	(13,350)	132,371
Sales and marketing	71,461	(3,318)	(1,142)	-	(1,498)	-	-	65,503
General and administrative	90,167	(15,562)	-	-	(15,045)	(6,425)	-	53,135
Total costs and expenses	457,726	(57,173)	(9,198)	-	(27,385)	(6,425)	(13,350)	344,195
Income (loss) from operations	(136,474)	57,173	9,198	15,208	27,385	6,425	13,350	(7,735)
Interest income (expense), net	1,646	-	-	-	-	-	-	1,646
Other income (expense), net	2,021	-	-	-	-	-	-	2,021
Income (loss) before income taxes	(132,807)	57,173	9,198	15,208	27,385	6,425	13,350	(4,068)
Provision for (benefit from) income taxes	(9,091)	3,763	606	1,001	1,802	423	878	(618)
Net Income (loss)	<u>\$ (123,716)</u>	<u>\$ 53,410</u>	<u>\$ 8,592</u>	<u>\$ 14,207</u>	<u>\$ 25,583</u>	<u>\$ 6,002</u>	<u>\$ 12,472</u>	<u>\$ (3,450) ⁽²⁾</u>
WASO								
Diluted	861,591							861,591
EPS								
Diluted	<u>\$ (0.14)</u>							<u>\$ (0.00)</u>

- (1) Non-GAAP measure represents bookings
(2) Non-GAAP measure represents Non-GAAP net income (loss)



Q3'2015 OUTLOOK

	Q3'15
Reconciliation of Revenue to Bookings	
Revenue range	\$ 175,000 - 190,000
Change in deferred revenue	(20,000)
Bookings range	\$ 155,000 - 170,000
Reconciliation of Net income (loss) to Adjusted EBITDA	
Net income (loss) range	\$ (31,000) - (23,000)
Provision for (benefit from) income taxes	0 - 2,000
Other income (expense), net	(2,000)
Interest income (expense), net	(1,000)
Restructuring expense, net	1,000
Depreciation and amortization	11,000
Stock-based expense	25,000
Change in deferred revenue	(20,000)
Adjusted EBITDA range	\$ (17,000) - (7,000)
Reconciliation of Net income (loss) to Non-GAAP net income (loss)	
Net income (loss) range	\$ (31,000) - (23,000)
Stock-based expense	25,000
Amortization of intangible assets from acquisitions	6,000
Change in deferred revenue	(20,000)
Restructuring expense, net	1,000
Tax effect of non-GAAP adjustments to net income (loss)	(1,000)
Non-GAAP net income (loss) range	\$ (20,000) - (12,000)
GAAP and Non-GAAP diluted shares	915,000
Net income (loss) per share range	\$ (0.03)
Non-GAAP net income (loss) per share range	\$ (0.02) - (0.01)

