Q2 2012 Earnings

GAAP to Non-GAAP Reconciliation

This presentation contains forward-looking statements relating to, among other things, our outlook for full year 2012 bookings, adjusted EBITDA, stock-based expense, capital expenditures, effective tax rate for non-GAAP net income, non-GAAP weighted-average diluted shares, and non-GAAP EPS; our launch of new games, features and technologies; the ability of our games to generate bookings after launch; our ability to sustain franchise games; our ability to increase payer conversion and monetization in the mobile market; reduction in expenses; building and expanding the Zynga platform and the Zynga With Friends Network; our future operational plans; our ability to expand on existing partnership opportunities, including publishing and advertising; prospects and opportunities to expand our business; and our plans and strategies, including the entry into new markets, such as the RMG market. Forward-looking statements often include words such as “outlook," “projected,” “will," "anticipate," "believe," "expect," and statements in the future tense are generally forward-looking statements. The achievement or success of the matters covered by such forward-looking statements involves 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. Factors that could cause or contribute to such differences include, but are not limited to, the company’s short operating history in a new and unproven market, our relationship with Facebook or changes in the Facebook platform, our ability to launch new games in a timely manner and monetize these games, the successful launch of new features, the ability of our franchise games to successfully retain players, the successful monetization of our games, especially our “Ville style” games, our ability to control expenses, competition, changing interests of players, intellectual property disputes or other litigation, asset impairment charges, our ability to anticipate and address technical challenges that may arise, acquisitions or other transactions by us, privacy issues, our ability to enter into new markets, including the RMG market, regulatory and licensing decisions impacting market entry and/or timing of entry, our ability to increase monetization on the mobile platform, changes in corporate strategy or management, general economic conditions, execution of our plans and strategies and the price volatility of our Class A Common Stock.

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 registration statement on Form S-1, as amended, filed with the Securities and Exchange Commission on March 23, 2012 and our Quarterly Report on Form 10-Q for the three months ended March 31, 2012, 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 this release, which are based on information available to us on the date hereof. We assume no obligation to update such statements. The results we report in our Quarterly Report on Form 10-Q for the three months ended June 30, 2012 could differ from the preliminary results we have announced in this presentation.

Non-GAAP Financial Measures:

We have provided in this presentation non-GAAP financial information including bookings, adjusted EBITDA, free cash flow, non-GAAP net income and non-GAAP EPS, as a supplement to the consolidated financial statements, which are prepared in accordance with 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 non-GAAP financial measures to the most directly comparable GAAP financial measures. However, we have not provided reconciliation of bookings outlook to revenue, adjusted EBITDA outlook to net income (loss), non-GAAP effective tax rate outlook to GAAP effective tax rate or non-GAAP EPS outlook to GAAP EPS because certain reconciling items necessary to accurately project revenue (including the projected mix of virtual goods sold in our games, and the projected estimated average lives of durable virtual goods for our games) are not in our control and cannot be reasonably projected due to variability from period to period caused by changes in player behavior and other factors. As revenue and/or net income for the applicable future period is a necessary input to determine all of these comparable GAAP figures, we are not able to provide these reconciliations.

Some limitations of bookings, adjusted EBITDA, non-GAAP net income, free cash flow and non-GAAP EPS are:

- Adjusted EBITDA and non-GAAP net income do not include the impact of stock-based expense;
- Bookings, adjusted EBITDA and non-GAAP net income do not reflect that we defer and recognize revenue over the estimated average life of virtual goods or as virtual goods are consumed;
- Adjusted EBITDA does not reflect income tax expense;
- Adjusted EBITDA does not include other income and expense, which includes foreign exchange gains and losses, interest income; and the gain from the termination of our lease and purchase of our corporate headquarters building;
- Adjusted EBITDA excludes both depreciation and amortization of intangible assets, while non-GAAP net income 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 and non-GAAP net income do not include gains and losses associated with legal settlements;
- Non-GAAP net income does not include the gain from the termination of our lease and purchase of the Company's corporate headquarters building;
- Free cash flow is derived from net cash provided by operating activities less cash spent on capital expenditures, including the purchase of our corporate headquarters building, and removing the excess income tax benefits or costs associated with stock-based awards;
- Non-GAAP EPS treats shares of convertible preferred stock as if they had converted into common stock at the beginning of the applicable period presented;
- Non-GAAP EPS gives effect to all dilutive awards based on the treasury stock method that were excluded from the GAAP diluted earnings per share calculation; and
- Other companies, including companies in our industry, may calculate bookings, adjusted EBITDA, non-GAAP net income and non-GAAP EPS differently or not at all, which will reduce their usefulness as a comparative measure.

Because of these limitations, you should consider bookings, adjusted EBITDA, non-GAAP net income, free cash flow and non-GAAP EPS along with other financial performance measures, including revenue, net income and our financial results presented in accordance with GAAP. See the GAAP to non-GAAP reconciliations below for further details.

Reconciliation of Revenue to Bookings

(in thousands, unaudited)	3 months ended				6 months ended			
	6/30/12		6/30/11		6/30/12		6/30/11	
Reconciliation of Revenue to Bookings								
Revenue	$	332,493	$	279,144	$	653,465	$	522,034
Change in deferred revenue		(30,905)		(4,401)		(22,713)		39,307
Bookings	**$**	**301,588**	**$**	**274,743**	**$**	**630,752**	**$**	**561,341**

Reconciliation of Net Income (Loss) to Adjusted EBITDA

(in thousands, unaudited)	3 months ended		6 months ended	
	6/30/12	6/30/11	6/30/12	6/30/11
Reconciliation of Net income (loss) to Adjusted EBITDA				
Net income (loss)	$ (22,811)	$ 1,391	$ (108,162)	$ 18,149
Provision for income taxes	6,696	12,257	6,618	31,483
Other income (expense), net	(21,250)	(200)	(20,108)	536
Interest income	(1,084)	(443)	(2,375)	(961)
Legal settlements	-	-	889	-
Depreciation and amortization	39,207	23,365	68,605	41,212
Stock-based expense	95,456	33,111	229,307	47,617
Change in deferred revenue	(30,905)	(4,401)	(22,713)	39,307
Adjusted EBITDA	**$ 65,309**	**$ 65,080**	**$ 152,061**	**$ 177,343**

Reconciliation of Net Income (Loss) to Non-GAAP Net Income

(in thousands, unaudited)	3 months ended		6 months ended	
	6/30/12	6/30/11	6/30/12	6/30/11
Reconciliation of Net income (loss) to Non-GAAP net income				
Net income (loss)	$ (22,811)	$ 1,391	$ (108,162)	$ 18,149
Stock-based expense	95,456	33,111	229,307	47,617
Amortization of intangible assets from acquisition	14,537	6,375	21,488	12,258
Change in deferred revenue	(30,905)	(4,401)	(22,713)	39,307
Legal settlements	-	-	889	-
Gain on termination of lease and purchase of building	(19,886)	-	(19,886)	-
Tax effect of non-GAAP adjustments to net income (loss)	(31,836)	1,690	(49,319)	(3,750)
Non-GAAP net income	**$ 4,555**	**$ 38,166**	**$ 51,604**	**$ 113,581**

Reconciliation of GAAP Diluted Shares to Non-GAAP Diluted Shares

(in thousands, unaudited) *(except per share data)*	3 months ended 6/30/12	3 months ended 6/30/11	6 months ended 6/30/12	6 months ended 6/30/11
Reconciliation of GAAP diluted shares to Non-GAAP diluted shares				
GAAP diluted shares	730,510	262,661	718,554	260,414
Add back: assumed preferred stock conversion (1)	-	303,566	-	299,019
Add back: other dilutive equity awards (2)	101,368	162,356	119,329	158,472
Non-GAAP diluted shares	**831,878**	**728,583**	**837,883**	**717,905**
Non-GAAP net income per share	**$ 0.01**	**$ 0.05**	**$ 0.06**	**$ 0.16**

1) Gives effect to the conversion of convertible preferred stock into common stock as though the conversion had occurred at the beginning of the period.

2) Gives effect to all dilutive awards based on the treasury stock method.

Reconciliation of Cash Provided by Operating Activities to Free Cash Flow

(in thousands, unaudited)	3 months ended		6 months ended	
	6/30/12	6/30/11	6/30/12	6/30/11
Cash provided by operating activities	$ 67,024	$ 74,061	$ 145,841	$ 177,718
Acquisition of property and equipment	(42,921)	(74,493)	(77,915)	(124,715)
Purchase of corporate headquarters building	(233,700)	-	(233,700)	-
Excess tax benefits from stock-based awards	5,210	-	5,210	-
Free cash flow	**$ (204,387)**	**$ (432)**	**$ (160,564)**	**$ 53,003**