



ZYNGA Q4'2015

FINANCIAL RESULTS

February 10, 2016

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MANAGEMENT TEAM



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

Mark Pincus



**INTERIM CHIEF FINANCIAL OFFICER
AND CHIEF ACCOUNTING OFFICER**

Michelle Quejado

FORWARD-LOOKING STATEMENTS

This presentation contains forward-looking statements relating to, among other things, our outlook for the first quarter 2016 revenue, net loss, net loss per share, weighted average diluted share count, bookings, Adjusted EBITDA, non-GAAP earnings 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 and reduction in centralized services costs and spend; our ability to accelerate execution, drive profitability and nurture creativity and innovation while reducing costs and lowering discretionary spend; the breadth and depth of our 2015 game slate and our game slate for 2016 and the success of these slates; including recently launched *Princess Bride Slots* and *Black Diamond Casino* and future launches of *Dawn of Titans*, *CSR2*, *CityVille Mobile*, a sequel to *FarmVille 2: Country Escape*, *Spin It Rich!*, *Willy Wonka Slots*, *True Vegas*, *Vegas Diamond Slots*, *Crazy Cake Swap* and a *Wizard of Oz* branded match-3 game; our ability to change our mix of R&D and unlaunched game slate to live games; our ability to increase the predictability of our business our continued transition to mobile; our ability to sustain player engagement, optimize to increase long-term player retention and monetize our live games (including our Slots games, *Words With Friends*, *Zynga Poker*, and *FarmVille* franchise games) and games in geo-lock testing, (including, *Dawn of Titans*, *CSR2* and *CityVille Mobile*); our ability to grow our mobile bookings in 2016 and beyond; our ability to execute against our strategy and deliver long-term value to our shareholders, employees and players and fulfill our mission to connect the world through games; 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 our senior management team and management teams, new hires and other changes in our organization; the strength of our balance sheet and our ability to effectively manage our cost structure and investments; the timely launch and success of our games, including the launch of our 2016 game slate (including *Dawn of Titans*, *CSR2* and *CityVille Mobile*); the success of our acquisition of Rising Tide Games and Zindagi Games; our ability to improve our execution against audience growth and product quality; our ability to effectively market our games; our ability to execute in mobile; our ability to sustain and expand key games to sustain and grow audiences, bookings, and engagement, including games within our Slots Franchise (*Hit It Rich! Slots*, *Wizard of Oz Slots* and *Black Diamond Casino*), *Words with Friends*, *Zynga Poker*, and our games within our *FarmVille* franchise; investment in new game development, marketing for live games and new game launches and core infrastructure in data and analytics; our ability to build on our social legacy in both our web games and our new mobile games and 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 ability to operate in an entrepreneurial manner, innovate on game mechanics, and leverage data and analytics in our operations; our ability to utilize, protect, defend and enforce our intellectual property; market opportunity in the social gaming market, including the mobile market, the advertising market, the market for social game categories in which we invest, and our ability to capitalize on and contribute to this market opportunity.

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

FORWARD-LOOKING STATEMENTS

successfully new games and features for web and mobile in a timely manner (such as the Weekly Word feature in *Words With Friends* and the Leagues feature in *Zynga Poker*) and the success of these games and features, including planned features for our existing games; the process of integrating our operations into NaturalMotion Limited's ("NaturalMotion's"), Rising Tide Games, Inc.'s ("Rising Tide Games") and Zindagi Games's operations and NaturalMotion's, Rising Tide Games's and Zindagi Games'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 2016 and hit games from Rising Tide Games and Zindagi Games; planned launches from our franchises and planned launches in the 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; attrition or decline in existing games, including franchise games; the effectiveness of our marketing program and initiatives and our ability to obtain game featuring from partners; our strategy of backing proven teams to develop or expand our game offerings in the categories where we are focused, the timely launch of our games in these categories and the success of these game; 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; changes in corporate strategy or management; and our search for a Chief Financial Officer.

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 September 30, 2015, and, when filed, our Annual Report on Form 10-K for the year ended December 31, 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 this press release, 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 Annual Report on Form 10-K for the year ended December 31, 2015 could differ from the preliminary results we have announced in this press release.

NON-GAAP FINANCIAL MEASURES

We have provided in this release non-GAAP financial information including Total Bookings, Advertising and Other Bookings, Advertising Bookings, mobile bookings, Adjusted EBITDA, Adjusted EBITDA margin, non-GAAP net income (loss), non-GAAP gross profit, non-GAAP operating expense, free cash flow, non-GAAP provision for (benefit from) income taxes, and non-GAAP net income (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. In line with our historical practice, the financial information presented herein is provided on a supplemental, non-GAAP basis unless otherwise indicated. We have provided reconciliations between our historical and first quarter 2016 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 fourth quarter and 2015 may be found (1) in this press release announcing fourth quarter financial results which is included as Exhibit 99.1 to our current report on Form 8-K, filed with the Securities and Exchange Commission on February 10, 2016, and, when filed, in our Annual Report on Form 10-K for the year ended December 31, 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, and (2) in our fourth quarter earnings slides presentation, dated February 10, 2016, a copy of which may be obtained by visiting our Investor Relations web site at <http://investor.zynga.com>.

Some limitations of 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:

- Adjusted EBITDA, non-GAAP net income (loss) and non-GAAP provision for (benefit from) expense do not include the impact of stock-based expense, acquisition-related transaction expenses, contingent consideration fair value adjustments and restructuring expense;
- Total Bookings, Adjusted EBITDA, non-GAAP net income (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 and 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;
- 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 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 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, Advertising Bookings, mobile bookings, Adjusted EBITDA, Adjusted EBITDA margin, non-GAAP net income (loss), non-GAAP gross profit, 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), 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 and in the places listed above for further details.



**DISCUSSION OF
2015 and Q4'2015
PERFORMANCE**

2015 PERFORMANCE SUMMARY

FINANCIAL HIGHLIGHTS

- Ended 2015 with \$700 million in reported bookings; up 1% Y/Y.
- \$17 million in Adjusted EBITDA; down 57% Y/Y.
- Grew mobile bookings 35% Y/Y; web bookings declined 32% Y/Y.
- Delivered strong player monetization growth; ABPU up 26% Y/Y.
- Strongest advertising year to date; 2015 ads and other bookings up 22% Y/Y.
- DAU declined 20% Y/Y with mobile DAUs declining 1% and web DAUs declining 53%.
- Launched a \$100 million cost reduction plan; \$45 million in annualized savings from workforce reduction and \$55 million in annualized savings from reduction in centralized services costs and spend.

Q4'2015 PERFORMANCE SUMMARY

FINANCIAL HIGHLIGHTS

- Bookings of \$182 million; above the high end of the guidance range, flat Y/Y and up 3% Q/Q.
- Adjusted EBITDA of \$1.7 million; within the guidance range.
- Mobile bookings of \$134 million or 73% of overall bookings, up 21% Y/Y and up 10% Q/Q.
- Advertising and other bookings up 23% Y/Y and 24% Q/Q; best advertising quarter to date.
- \$987 million in cash, cash equivalents and marketable securities.
- Began \$200 million share repurchase program which we completed in Q1.

PLAYER METRICS

- Average Daily Bookings per Average DAU (ABPU): \$0.11; up 31% Y/Y and up 9% Q/Q.
- Average Daily Active Users (DAUs): 18 million; down 24% Y/Y and down 5% Q/Q.
- Average Monthly Active Users (MAUs): 68 million; down 30% Y/Y and down 9% Q/Q.
- Payer conversion (excluding NaturalMotion legacy games and games from recently acquired Rising Tide): 1.7%; up 7% Y/Y and down 2% Q/Q.

PRODUCT UPDATES

- Slots – Delivered highest quarterly bookings in franchise history; bookings up 78% Y/Y and 7% Q/Q. Launched *Princess Bride Slots* and *Black Diamond Casino*, now in the top 30 grossing Casino charts in the Apple App Store.
- *Words With Friends* – Delivered strongest quarterly bookings performance in the history of the game; up 28% Y/Y and 29% Q/Q. Consumers played 11% more words as a result of fun new features.
- *Dawn of Titans* – On track to launch in 2016; continuing to see strong potential with an average Apple App Store rating of 4.4 stars. Scaled to 14 test markets and ABPU remains strong.
- *CSR2* – On track to launch in 2016; now testing across 10 markets with an average Apple App Store rating of 4.6 stars.
- *CityVille* – Entered into geo-lock with new *CityVille Mobile* in Q4; worldwide launch expected in 2016.

Q4'2015 OUTLOOK VS. ACTUALS

(in millions, except per share data)

Non-GAAP	Outlook*	Actuals
Bookings	\$ 165 - 180	\$ 182
Adjusted EBITDA	\$ (5) - 5	\$ 2
Diluted share count	933	939
Non-GAAP earnings (loss) per share	\$ (0.01) - 0.00	\$ 0.00
 GAAP		
Revenue	\$ 170 - 185	\$ 186
Net income (loss)	\$ (75) - (53)	\$ (47)
Diluted share count	933	923
Net income (loss) per share	\$ (0.08) - (0.06)	\$ (0.05)

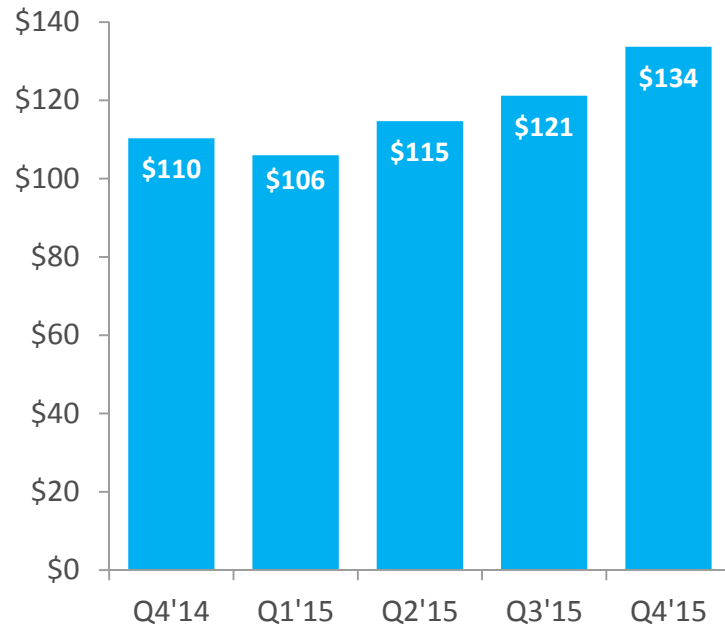
* Q4'15 outlook as communicated in our Q3'15 press release and shareholder's letter

MOBILE HIGHLIGHTS

IN MILLIONS

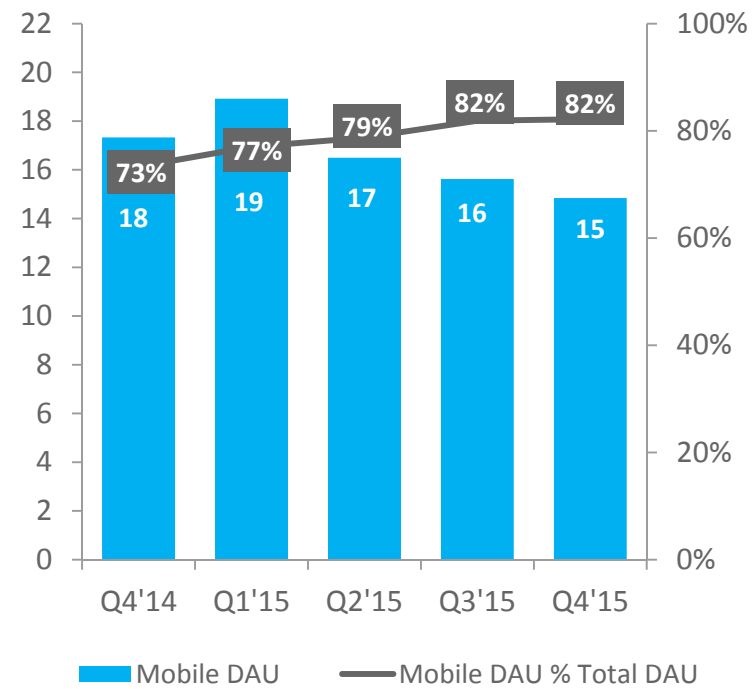
MOBILE BOOKINGS

21% INCREASE Y/Y

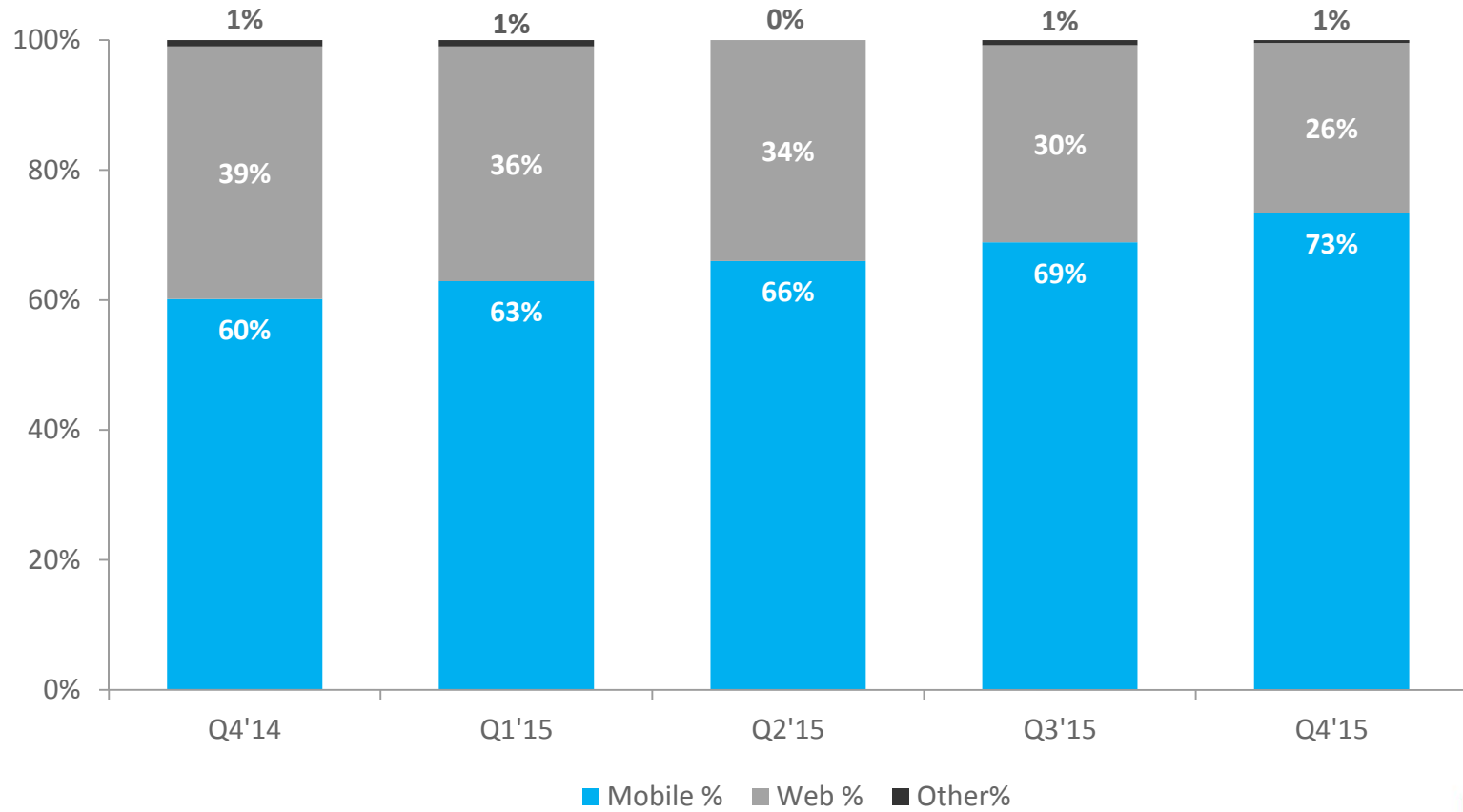


MOBILE DAU

82% OF TOTAL IN Q4'15



PLATFORM BOOKINGS MIX



PRODUCT UPDATES

SOCIAL CASINO



- Record bookings, growing 78% Y/Y and 7% Q/Q
- Launched *Princess Bride Slots* and *Black Diamond Casino*, now in the top 30 grossing Casino charts in the Apple App Store



- In 2016 we expect bookings growth for the Slots franchise to be primarily driven by our new titles



- We plan to launch 4 new games in the first half of this year: *Spin It Rich!*, *Willy Wonka Slots*, *True Vegas* and *Vegas Diamond Slots*



- Acquired Zindagi Games and launching 2 Match-3 games in Q1
- *Zynga Poker*'s overall bookings and audience declined but mobile bookings were up 15% Y/Y and 3% Q/Q

CASUAL



- Highest quarterly bookings in the 6-year history of the game with a 28% increase Y/Y and a 29% increase Q/Q
- Launched the most successful bold beat, Weekly Challenge, which increased words played by 11%
 - Stemmed previous audience declines with DAU flat Q/Q in Q4 and 9% up so far in Q1
- Named by Apple as the “Best Free Game of 2015”

PRODUCT UPDATES

ACTION STRATEGY



- On track to launch *Dawn of Titans* and *CSR2* in 2016

- Continuing to see strong potential in *Dawn of Titans* with an average Apple App Store rating of 4.4 stars; scaled to 14 test markets and ABPU remains strong



- *CSR2* soft launched at the end of Q3 and the game is now testing across 10 markets with an average Apple App Store rating of 4.6 stars

INVEST EXPRESS



- Entered into geo-lock with new *CityVille Mobile* in Q4

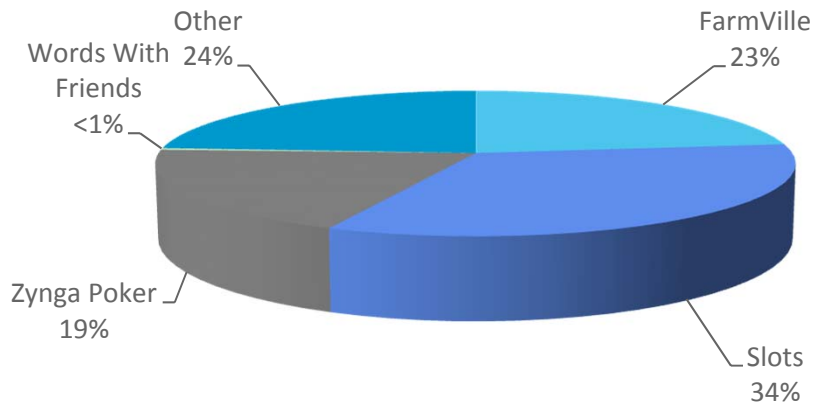
- The game is currently being tested in the Philippines and in India, and we expect to bring *CityVille Mobile* to consumers worldwide in the second half of 2016

- Expect to launch a sequel to *FarmVille 2: Country Escape* in the second half of 2016

Q4'2015 ONLINE GAME BOOKINGS AND REVENUE BY FRANCHISE

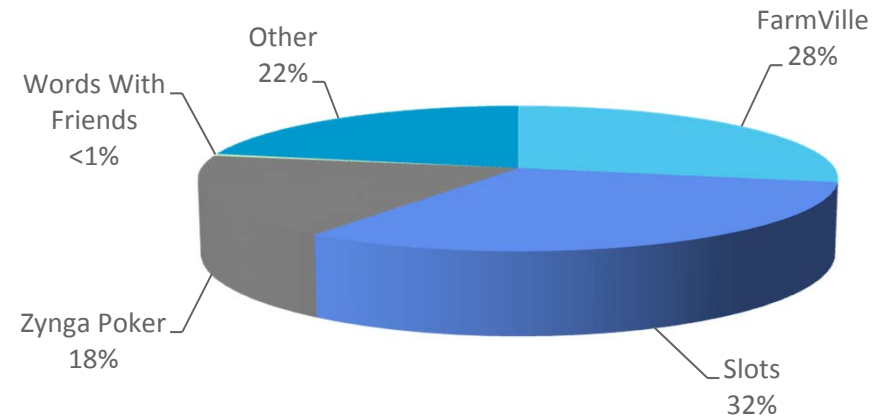
Q4'2015 ONLINE GAME BOOKINGS

Total Amount: \$126 million



Q4'2015 ONLINE GAME REVENUE

Total Amount: \$130 million

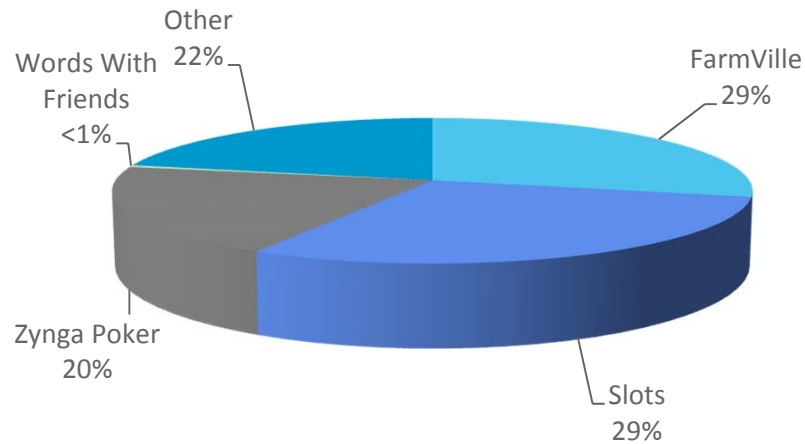


Note: Online game bookings/revenue excludes advertising and other bookings/revenue

2015 ONLINE GAME BOOKINGS AND REVENUE BY FRANCHISE

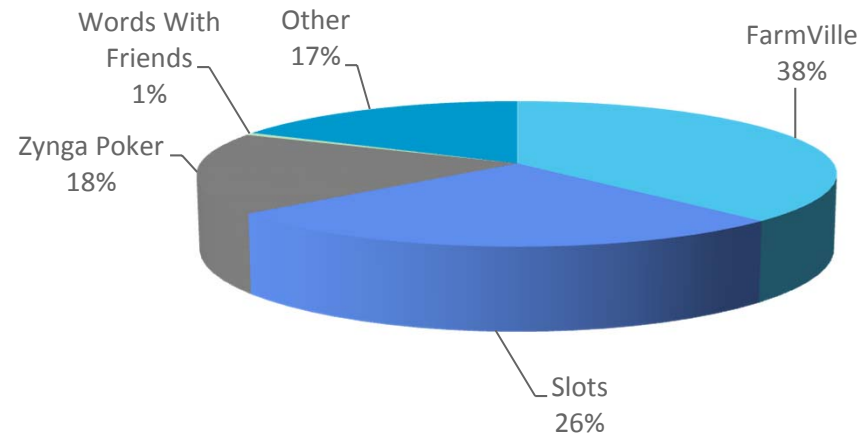
2015 ONLINE GAME BOOKINGS

Total Amount: \$528 million



2015 ONLINE GAME REVENUE

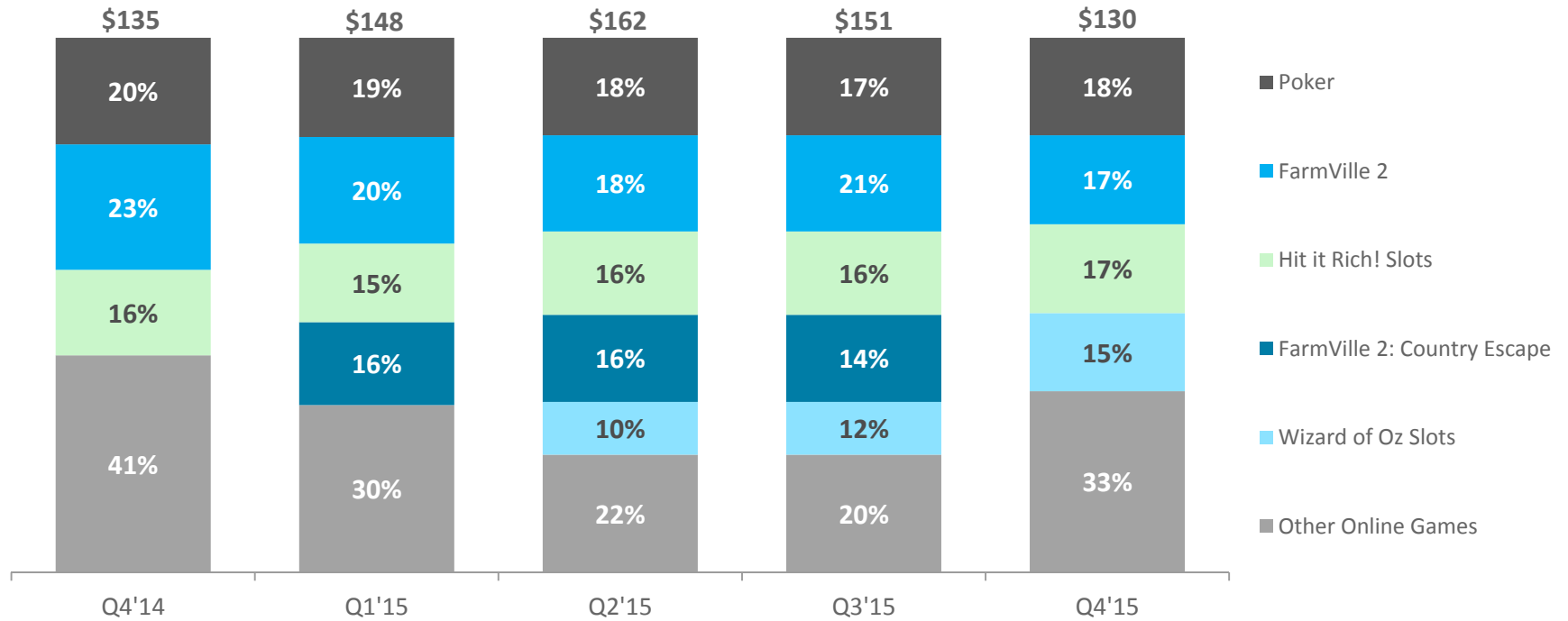
Total Amount: \$591 million



Note: Online game bookings/revenue excludes advertising and other bookings/revenue

ONLINE GAME REVENUE CONCENTRATION

TOTAL REVENUE IN MILLIONS

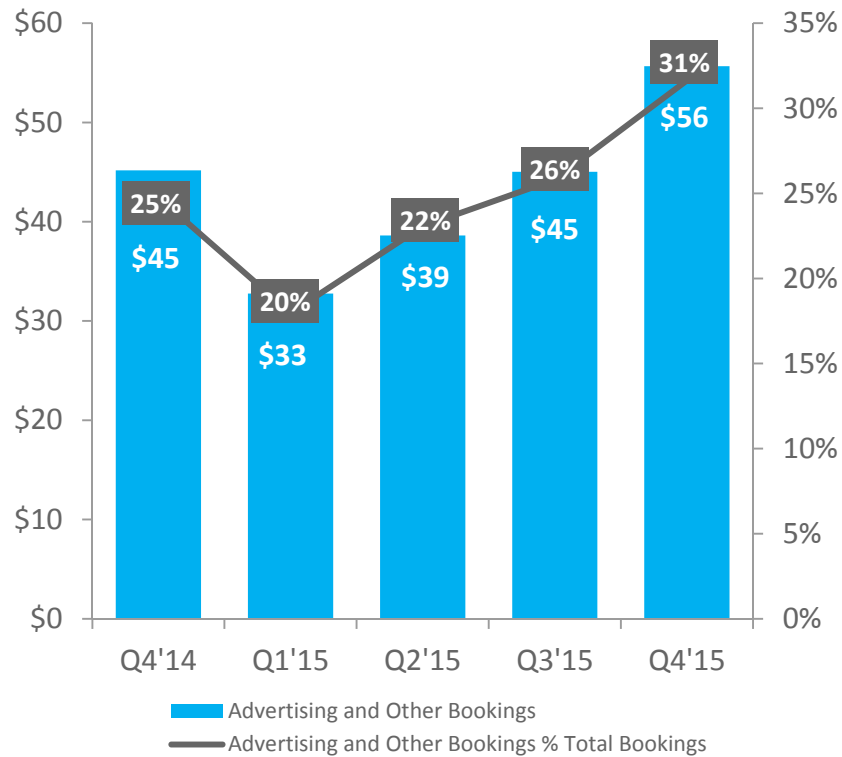


Note: Games representing less than 10% of online game revenue in any period are included in "Other Online Games"

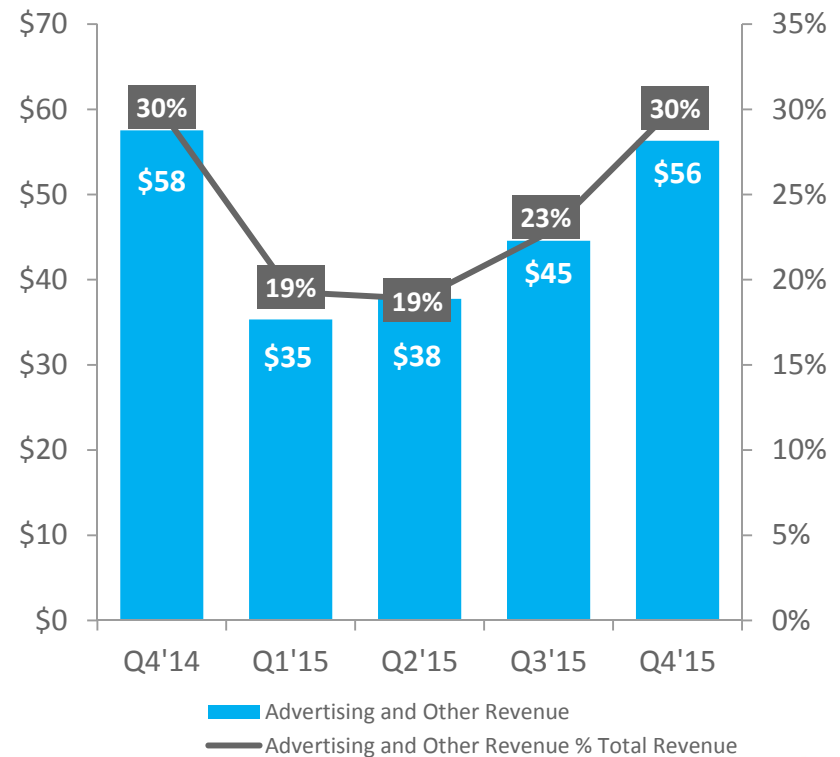
ADVERTISING AND OTHER

IN MILLIONS

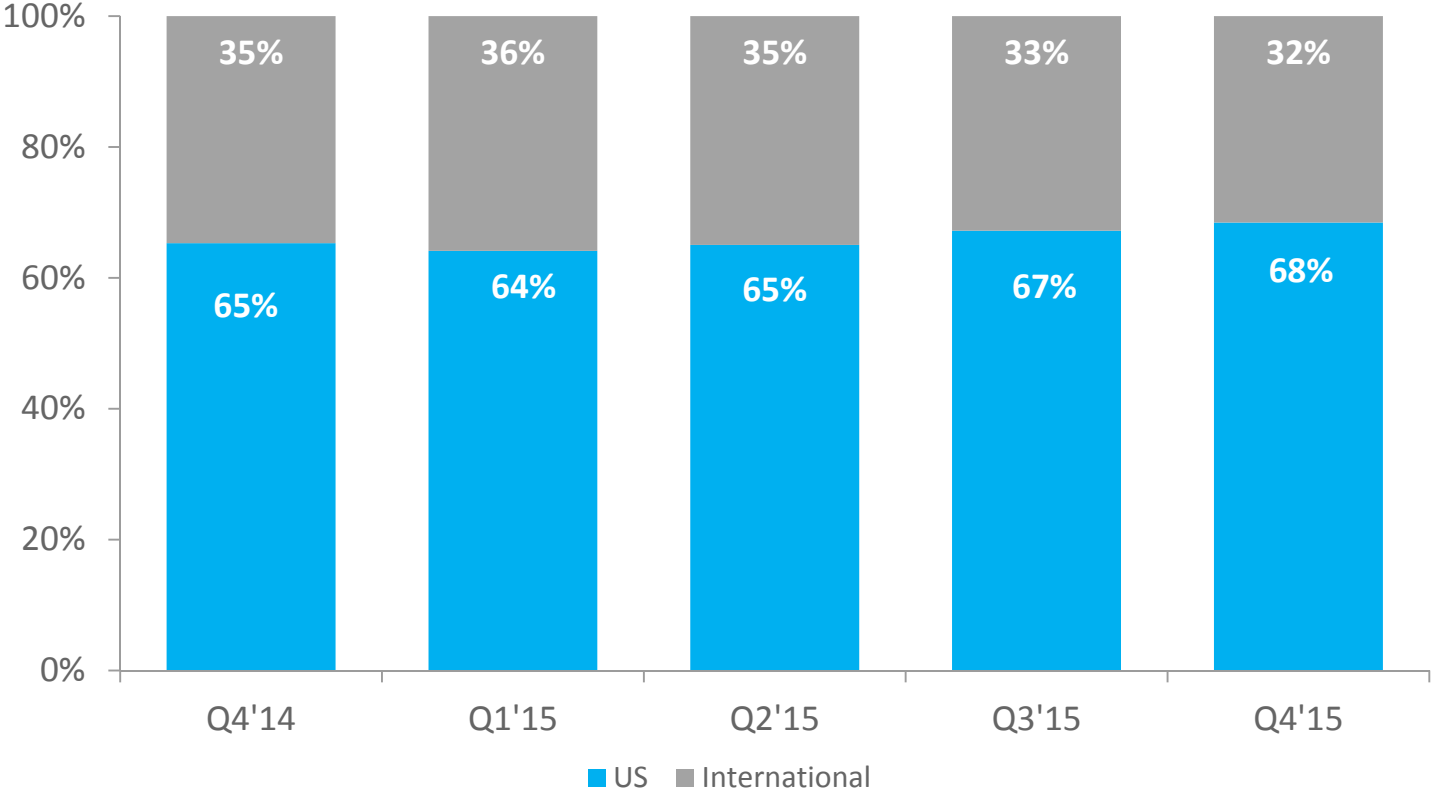
ADVERTISING AND OTHER BOOKINGS



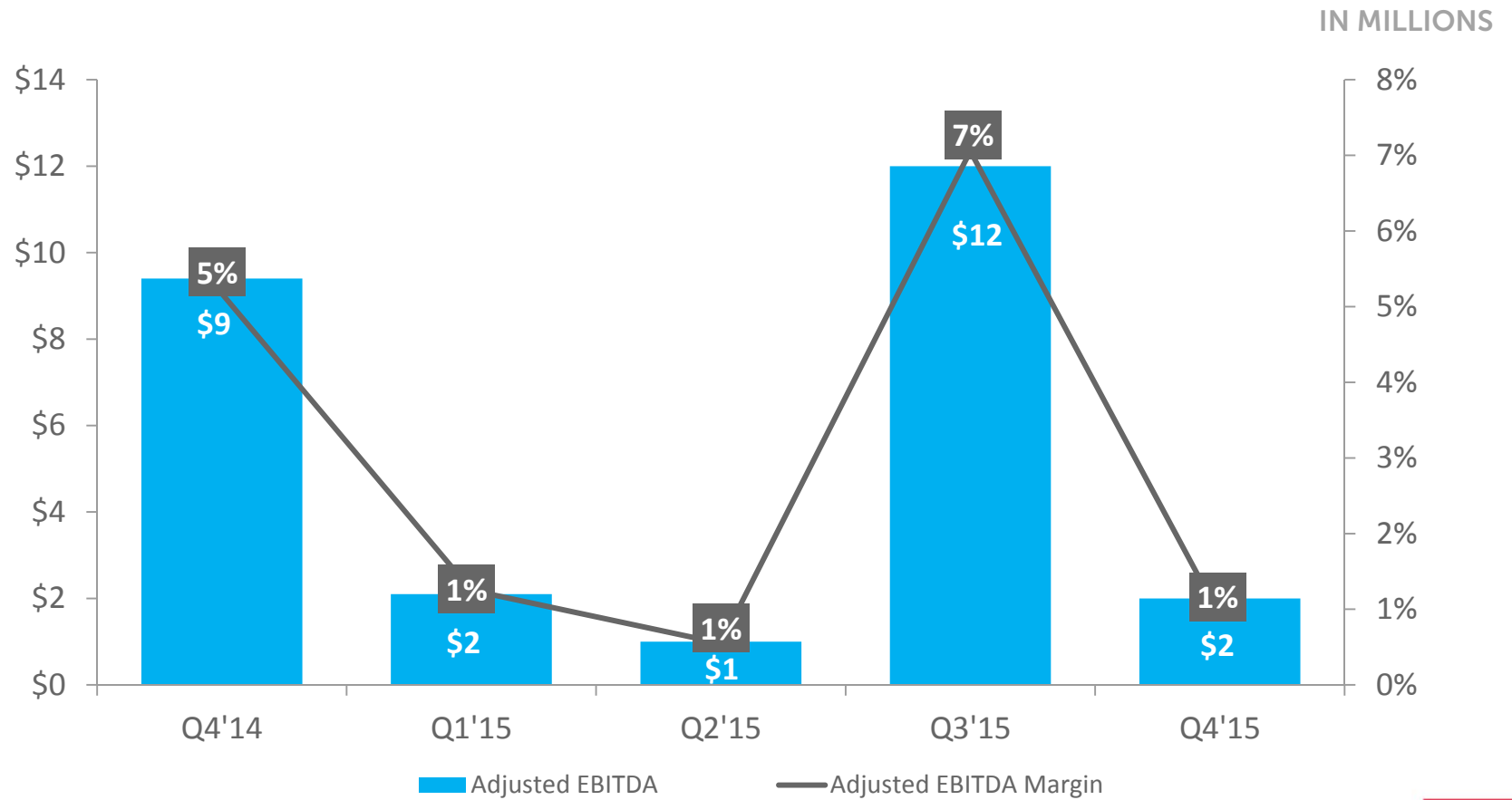
ADVERTISING AND OTHER REVENUE



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)

	Q4'15	Q3'15	Q4'14
Non-GAAP			
Non-GAAP net income (loss)	\$ 0.4	\$ 3.7	\$ (2.5)
Diluted earnings (loss) per share	\$ 0.00	\$ 0.00	\$ 0.00
GAAP			
Net income (loss)	\$ (46.9)	\$ 3.1	\$ (45.1)
Diluted net income (loss) per share	\$ (0.05)	\$ 0.00	\$ (0.05)
Operating cash flow	\$ 6.9	\$ (5.1)	\$ 4.3
Free cash flow	\$ 6.8	\$ (6.6)	\$ 2.1
Cash, cash equivalents and marketable securities	\$ 987	\$ 1,074	\$ 1,148

KEY OPERATING METRICS

The company tracks operating metrics using internal systems which rely on internal company data and third party data. We rely on the veracity of data provided by individuals and reported by third parties to calculate our metrics and reduce duplication of 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. In the third quarter of 2015, the company made a subsequent modification to its calculations of MUU to further reduce duplication. For comparative purposes, all of these key operating metrics have been revised to reflect the company's current definitions and calculations for all periods presented. Please refer to our Quarterly Report on Form 10-Q for the quarters ended March 31, 2015, June 30, 2015, September 30, 2015 and, when filed, our Annual Report on Form 10-K for the year ended December 31, 2015 for a full explanation of the changes and the comparison of the revised and as reported numbers for 2014 and 2015.

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.

KEY OPERATING METRICS

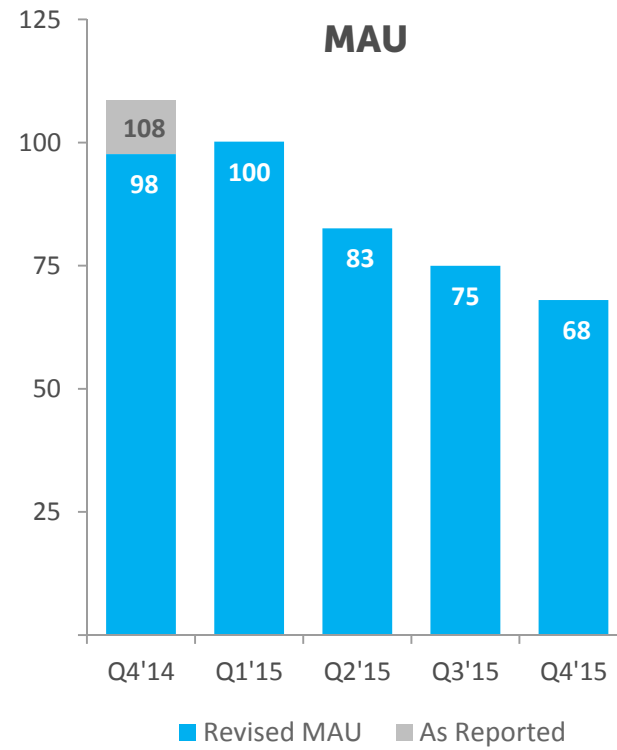
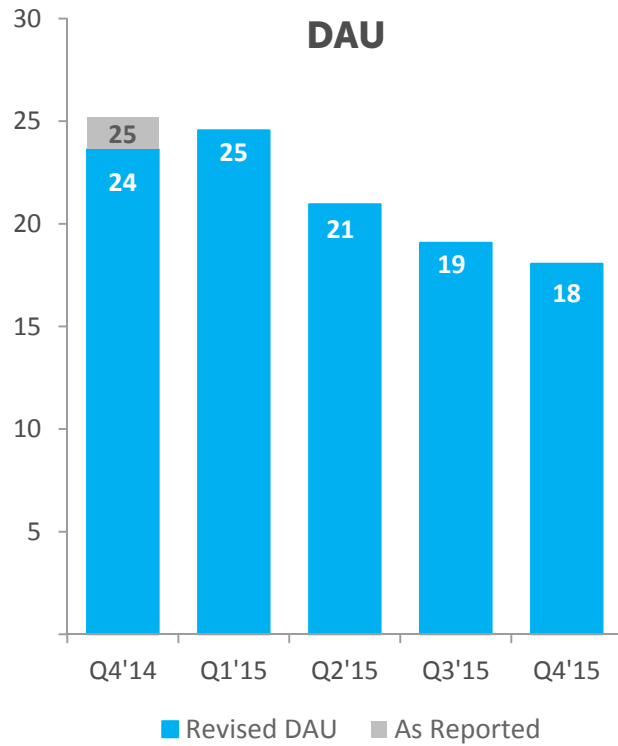
MUUs. We define MUUs as the number of individuals who played one or more of our games, which we were able to verify were played by the same individual in the 30-day period ending with the measurement date. An individual who plays more than one of our games in a given 30-day period would be counted as a single MUU to the extent we can verify that the games were played by the same individual. 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 given 30-day period, an individual may be counted as multiple MUUs. Because many of our players play more than one game in a given 30-day period, MUUs are always equal to or lower than MAUs in any given time period. Average MUUs for a particular period is the average of the MUUs at each month end during that period. We use MUUs as a measure of total audience reach across our network of games.

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

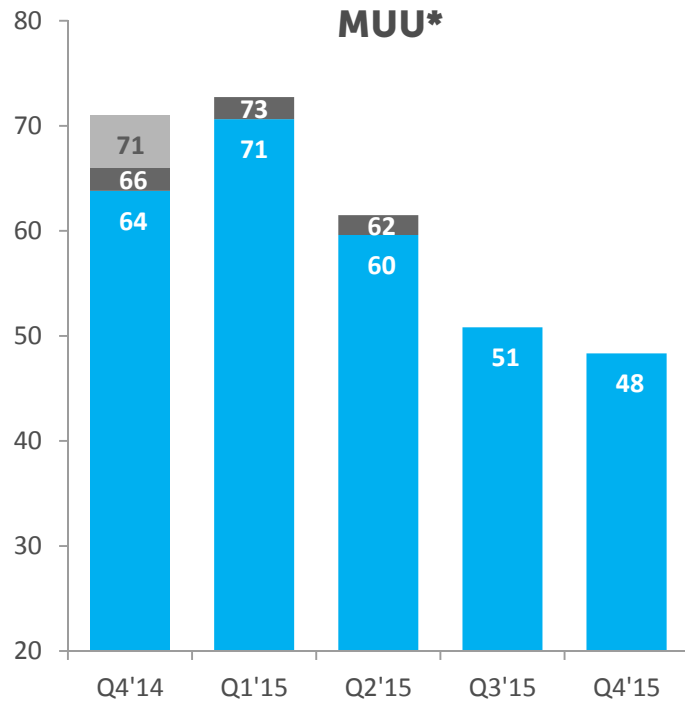
IN MILLIONS



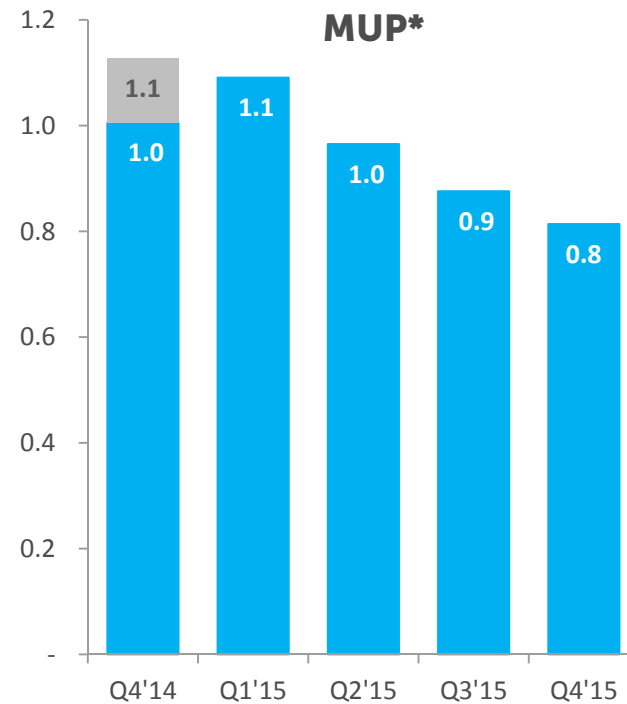
AUDIENCE METRICS

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

IN MILLIONS



■ Subsequent Revision in Q3'15 ■ Initial Revision Q1'15 ■ As Reported



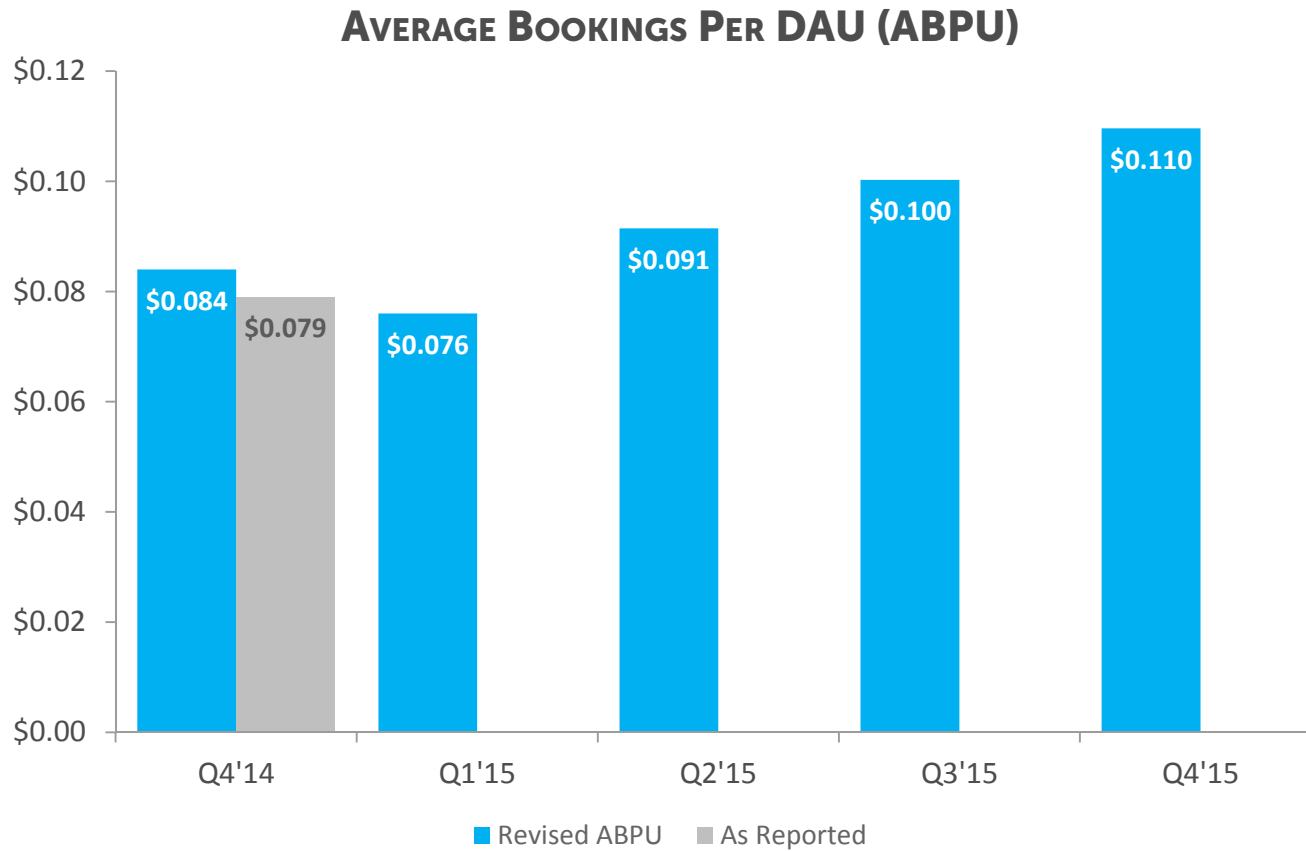
■ Revised MUP ■ As Reported

In Q3'15, the company made a subsequent modification to its calculations of MUU to further reduce duplication of users of both web and mobile platforms and to correct an error in calculating the third quarter of 2014 MUU which resulted in MUU for that period to be understated by 0.3 million users



MONETIZATION

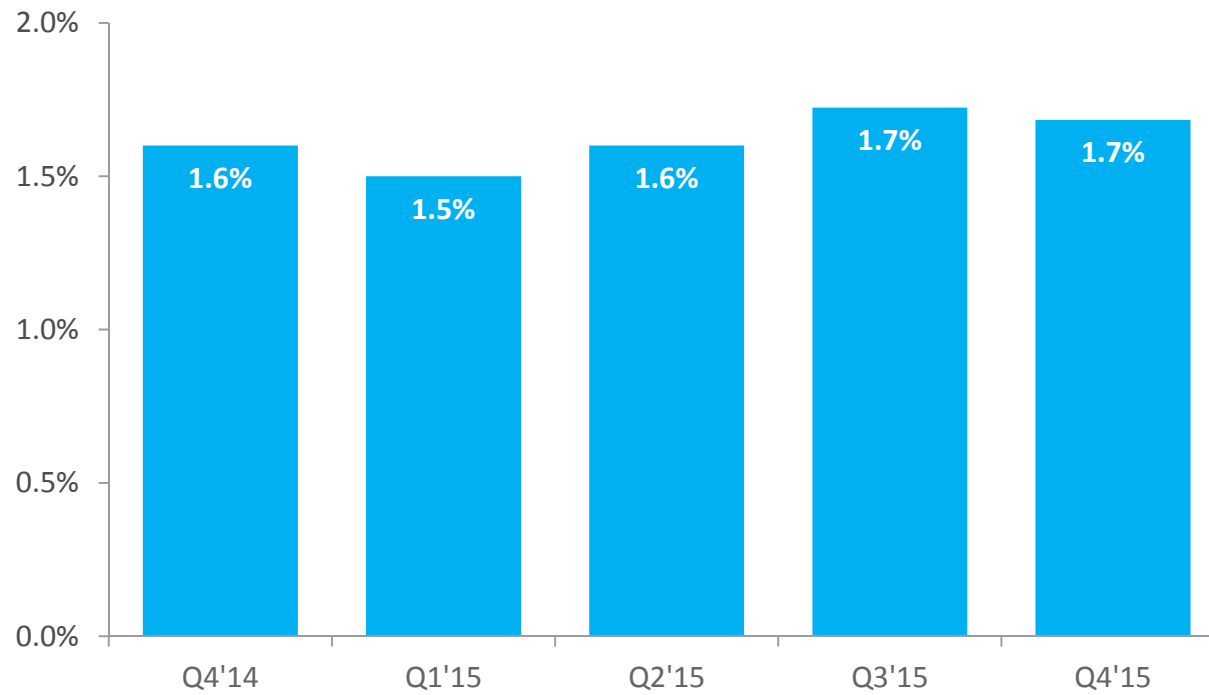
IN US DOLLARS



MONETIZATION

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

PAYER CONVERSION*





Q1'2016 FINANCIAL OUTLOOK

Q1'2016 FINANCIAL OUTLOOK

(in millions, except per share data)

	Q1'16 Outlook	
	Low	High
Non-GAAP		
Bookings	\$ 150	\$ 165
Adjusted EBITDA	\$ (10)	\$ -
Diluted share count	866	866
Non-GAAP earnings (loss) per share	\$ (0.01)	\$ 0.00
GAAP		
Revenue	\$ 160	\$ 175
Net income (loss)	\$ (40)	\$ (30)
Diluted share count	866	866
Net income (loss) per share	\$ (0.05)	\$ (0.03)



GAAP TO Non-GAAP RECONCILIATIONS

REVENUE TO BOOKINGS: TOTAL

(in thousands, unaudited)	3 months ended		12 months ended	
	12/31/15	12/31/14	12/31/15	12/31/14
Reconciliation of Revenue to Bookings				
Revenue	\$ 185,769	\$ 192,547	764,717	\$ 690,410
Change in deferred revenue	(3,665)	(10,195)	(64,762)	3,890
Bookings	\$ 182,104	\$ 182,352	\$ 699,955	\$ 694,300

REVENUE TO BOOKINGS: ADVERTISING AND OTHER; ADVERTISING

(in thousands, unaudited)	3 months ended		12 months ended	
	12/31/15	12/31/14	12/31/15	12/31/14
Reconciliation of Revenue to Bookings: Advertising & Other				
Revenue	\$ 56,306	\$ 57,536	\$ 173,962	\$ 152,791
Change in deferred revenue	(641)	(12,363)	(1,882)	(11,547)
Bookings: Advertising & Other	\$ 55,665	\$ 45,173	\$ 172,080	\$ 141,244
Less Bookings: Other	\$ (1,953)	\$ (1,712)	\$ (5,833)	\$ (18,250)
Bookings: Advertising	\$ 53,712	\$ 43,461	\$ 166,247	\$ 122,994

NET INCOME (LOSS) TO ADJUSTED EBITDA

(in thousands, unaudited)	3 months ended		12 months ended	
	12/31/15	12/31/14	12/31/15	12/31/14
Reconciliation of Net income (loss) to Adjusted EBITDA				
Net income (loss)	\$ (46,869)	\$ (45,126)	\$ (117,181)	\$ (225,900)
Provision for (benefit from) income taxes	(1,862)	2,547	(8,672)	(7,327)
Other income (expense), net	(1,463)	(5,580)	(13,306)	(8,248)
Interest income	(603)	(779)	(2,568)	(3,266)
Restructuring expense, net	15,419	(3,391)	32,151	24,281
Gain (loss) on legal settlements	-	5,250	(1,681)	5,250
Depreciation and amortization	11,966	18,341	54,315	82,894
Acquisition-related transaction expenses	249	-	1,144	6,425
Contingent consideration fair value adjustment	(3,288)	12,600	6,112	32,700
Stock-based expense	31,772	35,765	131,575	129,233
Change in deferred revenue	(3,665)	(10,195)	(64,762)	3,890
Adjusted EBITDA	\$ 1,656	\$ 9,432	\$ 17,127	\$ 39,932

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

(in thousands, unaudited)	3 months ended		12 months ended	
	12/31/15	12/31/14	12/31/15	12/31/14
Reconciliation of Net income (loss) to Non-GAAP net income (loss)				
Net income (loss)	\$ (46,869)	\$ (45,126)	\$ (117,181)	\$ (225,900)
Acquisition-related transaction expenses	249	-	1,144	6,425
Contingent consideration fair value adjustment	(3,288)	12,600	6,112	32,700
Stock-based expense	31,772	35,765	131,575	129,233
Amortization of intangible assets from acquisitions	7,402	6,493	26,059	22,401
Change in deferred revenue	(3,665)	(10,195)	(64,762)	3,890
Restructuring expense, net	15,419	(3,391)	32,151	24,281
Gain (loss) on legal settlements	-	5,250	(1,681)	5,250
Tax effect of non-GAAP adjustments to net income (loss)	(645)	(3,847)	(23,652)	(10,862)
Non-GAAP net income (loss)	\$ 375	\$ (2,451)	\$ (10,235)	\$ (12,582)

GAAP GROSS PROFIT TO NON-GAAP GROSS PROFIT

(in thousands, unaudited)	3 months ended		12 months ended	
	12/31/15	12/31/14	12/31/15	12/31/14
Reconciliation of GAAP gross profit to Non-GAAP gross profit				
GAAP gross profit	\$ 122,372	\$ 137,055	\$ 528,732	\$ 476,840
Restructuring expense, net	406	-	1,066	1,210
Depreciation and amortization	7,772	13,227	36,464	60,371
Stock-based expense	1,712	1,232	4,547	4,623
Change in deferred revenue	(3,665)	(10,195)	(64,762)	3,890
Non-GAAP gross profit	\$ 128,597	\$ 141,319	\$ 506,047	\$ 546,934

GAAP OPERATING EXPENSE TO NON-GAAP OPERATING EXPENSE

(in thousands, unaudited)	3 months ended		12 months ended	
	12/31/15	12/31/14	12/31/15	12/31/14
Reconciliation of GAAP operating expense to Non-GAAP operating expense				
GAAP operating expense	\$ (173,169)	\$ (185,993)	\$ (670,459)	\$ (721,581)
Restructuring expense, net	15,013	(3,391)	31,085	23,071
Gain (loss) on legal settlements	-	5,250	(1,681)	5,250
Depreciation and amortization	4,194	5,114	17,851	22,523
Acquisition-related transaction expenses	249	-	1,144	6,425
Contingent consideration fair value adjustment	(3,288)	12,600	6,112	32,700
Stock-based expense	30,060	34,533	127,028	124,610
Non-GAAP operating expense	\$ (126,941)	\$ (131,887)	\$ (488,920)	\$ (507,002)

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

(in thousands, unaudited)	3 months ended		12 months ended	
	12/31/15	12/31/14	12/31/15	12/31/14
Reconciliation of net cash provided by (used in) operating activities to free cash flow				
Net cash provided by (used in) operating activities	\$ 6,926	\$ 4,345	\$ (40,986)	\$ (4,511)
Acquisition of property and equipment	(985)	(2,123)	(7,832)	(9,201)
Excess tax benefits (costs) from stock-based awards	899	(86)	989	(86)
Free cash flow	\$ 6,840	\$ 2,136	\$ (47,829)	\$ (13,798)

PROVISION FOR (BENEFIT FROM) INCOME TAXES

(in thousands, unaudited)	3 months ended		12 months ended	
	12/31/15	12/31/14	12/31/15	12/31/14
Reconciliation of GAAP provision for (benefit from) income taxes to Non-GAAP provision for (benefit from) income taxes				
GAAP provision for (benefit from) income taxes	\$ (1,862)	\$ 2,547	\$ (8,672)	\$ (7,327)
Stock-based expense	1,150	2,571	15,912	6,262
Amortization of intangible assets from acquisitions	530	457	5,720	1,086
Acquisition-related transaction expenses	459	58	1,707	312
Contingent consideration fair value adjustment	(928)	791	107	1,584
Change in deferred revenue	(2,234)	(368)	(7,229)	188
Restructuring expense, net	1,668	84	6,323	1,176
Gain (loss) on legal settlements	-	254	1,112	254
Non-GAAP provision for (benefit from) income taxes	\$ (1,217)	\$ 6,394	\$ 14,980	\$ 3,535

Q4'2015 STATEMENT OF OPERATIONS

Three months ended December 31, 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, net	Acquisition- related transaction expenses	Contingent consideration fair value adjustment	Gain (loss) from legal settlements	Non-GAAP measure
Total revenue	\$ 185,769	\$ -	\$ -	\$ (3,665)	\$ -	\$ -	\$ -	\$ -	\$ 182,104 ⁽¹⁾
Cost of revenue	63,397	(1,712)	(6,623)	-	(406)	-	-	-	54,656
Research and development	80,770	(24,063)	-	-	(17)	-	3,288	-	59,978
Sales and marketing	53,066	(2,320)	(779)	-	(1)	-	-	-	49,966
General and administrative	39,333	(3,677)	-	-	(14,995)	(249)	-	-	20,412
Total costs and expenses	236,566	(31,772)	(7,402)	-	(15,419)	(249)	3,288	-	185,012
Income (loss) from operations	(50,797)	31,772	7,402	(3,665)	15,419	249	(3,288)	-	(2,908)
Interest income	603	-	-	-	-	-	-	-	603
Other income (expense), net	1,463	-	-	-	-	-	-	-	1,463
Income (loss) before income taxes	(48,731)	31,772	7,402	(3,665)	15,419	249	(3,288)	-	(842)
Provision for (benefit from) income taxes	(1,862)	1,150	530	(2,234)	1,668	459	(928)	-	(1,217)
Net Income (loss)	<u>\$ (46,869)</u>	<u>\$ 30,622</u>	<u>\$ 6,872</u>	<u>\$ (1,431)</u>	<u>\$ 13,751</u>	<u>\$ (210)</u>	<u>\$ (2,360)</u>	<u>\$ -</u>	<u>\$ 375</u> ⁽²⁾
WASO									
Diluted	922,540								939,110
EPS									
Diluted	<u>\$ (0.05)</u>								<u>\$ 0.00</u>

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



2015 STATEMENT OF OPERATIONS

Twelve months ended December 31, 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, net	Acquisition- related transaction expenses	Contingent consideration fair value adjustment	Gain (loss) from legal settlements	Non-GAAP measure
Total revenue	\$ 764,717	\$ -	\$ -	\$ (64,762)	\$ -	\$ -	\$ -	\$ -	\$ 699,955 ⁽¹⁾
Cost of revenue	235,985	(4,547)	(22,916)	-	(1,066)	-	-	-	207,456
Research and development	357,602	(94,548)	-	-	(9,752)	-	(6,112)	-	247,190
Sales and marketing	169,573	(7,501)	(3,143)	-	(787)	-	-	-	158,142
General and administrative	143,284	(24,979)	-	-	(20,546)	(1,144)	-	1,681	98,296
Total costs and expenses	906,444	(131,575)	(26,059)	-	(32,151)	(1,144)	(6,112)	1,681	711,084
Income (loss) from operations	(141,727)	131,575	26,059	(64,762)	32,151	1,144	6,112	(1,681)	(11,129)
Interest income	2,568	-	-	-	-	-	-	-	2,568
Other income (expense), net	13,306	-	-	-	-	-	-	-	13,306
Income (loss) before income taxes	(125,853)	131,575	26,059	(64,762)	32,151	1,144	6,112	(1,681)	4,745
Provision for (benefit from) income taxes	(8,672)	15,912	5,720	(7,229)	6,323	1,707	107	1,112	14,980
Net Income (loss)	<u>\$ (117,181)</u>	<u>\$ 115,663</u>	<u>\$ 20,339</u>	<u>\$ (57,533)</u>	<u>\$ 25,828</u>	<u>\$ (563)</u>	<u>\$ 6,005</u>	<u>\$ (2,793)</u>	<u>\$ (10,235) ⁽²⁾</u>
WASO									
Diluted	913,511								913,511
EPS									
Diluted	<u>\$ (0.13)</u>								<u>\$ (0.01)</u>

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



Q4'2014 STATEMENT OF OPERATIONS

Three months ended December 31, 2014

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, net	Acquisition- related transaction expenses	Contingent consideration fair value adjustment	Gain/(loss) on legal settlements	Non-GAAP measure
Total revenue	\$ 192,547	\$ -	\$ -	\$ (10,195)	\$ -	\$ -	\$ -	\$ -	\$ 182,352 ⁽¹⁾
Cost of revenue	55,492	(1,232)	(5,671)	-	-	-	-	-	48,589
Research and development	105,134	(23,380)	-	-	-	-	(12,600)	-	69,154
Sales and marketing	41,898	(1,422)	(822)	-	-	-	-	-	39,654
General and administrative	38,961	(9,731)	-	-	3,391	-	-	(5,250)	27,371
Total costs and expenses	241,485	(35,765)	(6,493)	-	3,391	-	(12,600)	(5,250)	184,768
Income (loss) from operations	(48,938)	35,765	6,493	(10,195)	(3,391)	-	12,600	5,250	(2,416)
Interest income	779	-	-	-	-	-	-	-	779
Other income (expense), net	5,580	-	-	-	-	-	-	-	5,580
Income (loss) before income taxes	(42,579)	35,765	6,493	(10,195)	(3,391)	-	12,600	5,250	3,943
Provision for (benefit from) income taxes	2,547	2,571	457	(368)	84	58	791	254	6,394
Net Income (loss)	<u>\$ (45,126)</u>	<u>\$ 33,194</u>	<u>\$ 6,036</u>	<u>\$ (9,827)</u>	<u>\$ (3,475)</u>	<u>\$ (58)</u>	<u>\$ 11,809</u>	<u>\$ 4,996</u>	<u>\$ (2,451) ⁽²⁾</u>
WASO									
Diluted		890,350							890,350
EPS									
Diluted		<u>\$ (0.05)</u>							<u>\$ 0.00</u>

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



2014 STATEMENT OF OPERATIONS

Twelve months ended December 31, 2014

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, net	Acquisition- related transaction expenses	Contingent consideration fair value adjustment	Gain/(loss) on legal settlements	Non-GAAP measure
Total revenue	\$ 690,410	\$ -	\$ -	\$ 3,890	\$ -	\$ -	\$ -	\$ -	\$ 694,300 ⁽¹⁾
Cost of revenue	213,570	(4,623)	(19,574)	-	(1,210)	-	-	-	188,163
Research and development	396,553	(83,673)	-	-	(9,573)	-	(32,700)	-	270,607
Sales and marketing	157,364	(5,927)	(2,827)	-	(1,498)	-	-	-	147,112
General and administrative	167,664	(35,010)	-	-	(12,000)	(6,425)	-	(5,250)	108,979
Total costs and expenses	935,151	(129,233)	(22,401)	-	(24,281)	(6,425)	(32,700)	(5,250)	714,861
Income (loss) from operations	(244,741)	129,233	22,401	3,890	24,281	6,425	32,700	5,250	(20,561)
Interest income	3,266	-	-	-	-	-	-	-	3,266
Other income (expense), net	8,248	-	-	-	-	-	-	-	8,248
Income (loss) before income taxes	(233,227)	129,233	22,401	3,890	24,281	6,425	32,700	5,250	(9,047)
Provision for (benefit from) income taxes	(7,327)	6,262	1,086	188	1,176	312	1,584	254	3,535
Net Income (loss)	\$ (225,900)	\$ 122,971	\$ 21,315	\$ 3,702	\$ 23,105	\$ 6,113	\$ 31,116	\$ 4,996	\$ (12,582) ⁽²⁾
WASO									
Diluted	874,509								874,509
EPS									
Diluted	\$ (0.26)								\$ (0.01)

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



Q1'2016 OUTLOOK

(in thousands, except per share data)

	Q1'16
Reconciliation of Revenue to Bookings	
Revenue range	\$ 160,000 - 175,000
Change in deferred revenue	(10,000)
Bookings range	\$ 150,000 - 165,000
Reconciliation of Net income (loss) to Adjusted EBITDA	
Net income (loss) range	\$ (40,000) - (30,000)
Provision for (benefit from) income taxes	0 - 3,000
Other income (expense), net	(2,000) - (3,000)
Interest income	(1,000)
Depreciation and amortization	12,000
Stock-based expense	31,000 - 29,000
Change in deferred revenue	(10,000)
Adjusted EBITDA range	\$ (10,000) - 0
Reconciliation of Net income (loss) to Non-GAAP net income (loss)	
Net income (loss) range	\$ (40,000) - (30,000)
Stock-based expense	31,000 - 29,000
Amortization of intangible assets from acquisitions	9,000
Change in deferred revenue	(10,000)
Non-GAAP net income (loss) range	\$ (10,000) - (2,000)
GAAP and Non-GAAP diluted shares	866,000
Net income (loss) per share range	\$ (0.05) - (0.03)
Non-GAAP earnings (loss) per share range	\$ (0.01) - 0.00

