TWITTER

Q2 2017 EARNINGS REPORT

NON-GAAP FINANCIAL MEASURES

In addition to U.S. GAAP financials, this presentation includes certain non-GAAP financial measures. These non-GAAP financial measures are in addition to, not a substitute for or superior to, measures of financial performance prepared in accordance with U.S. GAAP. As required by Regulation G, we have provided a reconciliation of those measures to the most directly comparable GAAP measures in the Appendix.

A NOTE ABOUT METRICS

We define monthly active users (MAUs) as Twitter users who logged in or were otherwise authenticated and accessed Twitter through our website, mobile website, desktop or mobile applications, SMS or registered third-party applications or websites in the 30-day period ending on the date of measurement. Average MAUs for a period represent the average of the MAUs at the end of each month during the period. We define daily active users or daily active usage (DAU) as Twitter users who logged in or were otherwise authenticated and accessed Twitter through our website, mobile website or mobile applications on any given day. Average DAU for a period represents the number of DAUs on each day of such period divided by the number of days for such period. To calculate the year-over-year change in DAUs, we subtract the average DAU for the three months ended in the previous year from the average DAU for the same three months ended in the current year and divide the result by the average DAU in the previous year. Prior to Q3 2016, Twitter has discussed DAUs and the ratio of monthly active users (MAUs) to DAUs. In those instances, for comparability and consistency with MAUs, DAUs also included users who accessed Twitter through our desktop applications and third-party properties.

The numbers of active users presented in our earnings materials are based on internal company data. While these numbers are based on what we believe to be reasonable estimates for the applicable period of measurement, there are inherent challenges in measuring usage and user engagement across our large user base around the world. For example, there are a number of false or spam accounts in existence on our platform. We have performed an internal review of a sample of accounts and estimated that false or spam accounts represented less than 5% of our MAUs as of December 31, 2016. In making this determination, we applied significant judgment, so our estimation of false or spam accounts may not accurately represent the actual number of such accounts, and the actual number of false or spam accounts could be higher than we have estimated. We are continually seeking to improve our ability to estimate the total number of spam accounts and eliminate them from the calculation of our active users. Spam accounts that we have identified are not included in the active user numbers presented in our earnings materials. We treat multiple accounts held by a single person or organization as multiple users for purposes of calculating our active users because we permit people and organizations to have more than one account. Additionally, some accounts used by organizations are used by many people within the organization. As such, the calculations of our active users may not accurately reflect the actual number of people or organizations using our platform.

Our metrics are also affected by applications that automatically contact our servers for regular updates with no action involved, and this activity can cause our system to count the users associated with such applications as active users on the day or days such contact occurs. As of December 31, 2016, less than 8.5% of users used third party applications that may have automatically contacted our servers for regular updates without any discernible additional user-initiated action. As such, the calculations of MAUs presented in our earnings materials may be affected as a result of automated activity.

In addition, our data regarding user geographic location for purposes of reporting the geographic location of our MAUs is based on the IP address or phone number associated with the account when a user initially registered the account on Twitter. The IP address or phone number may not always accurately reflect a user's actual location at the time such user engaged with our platform.
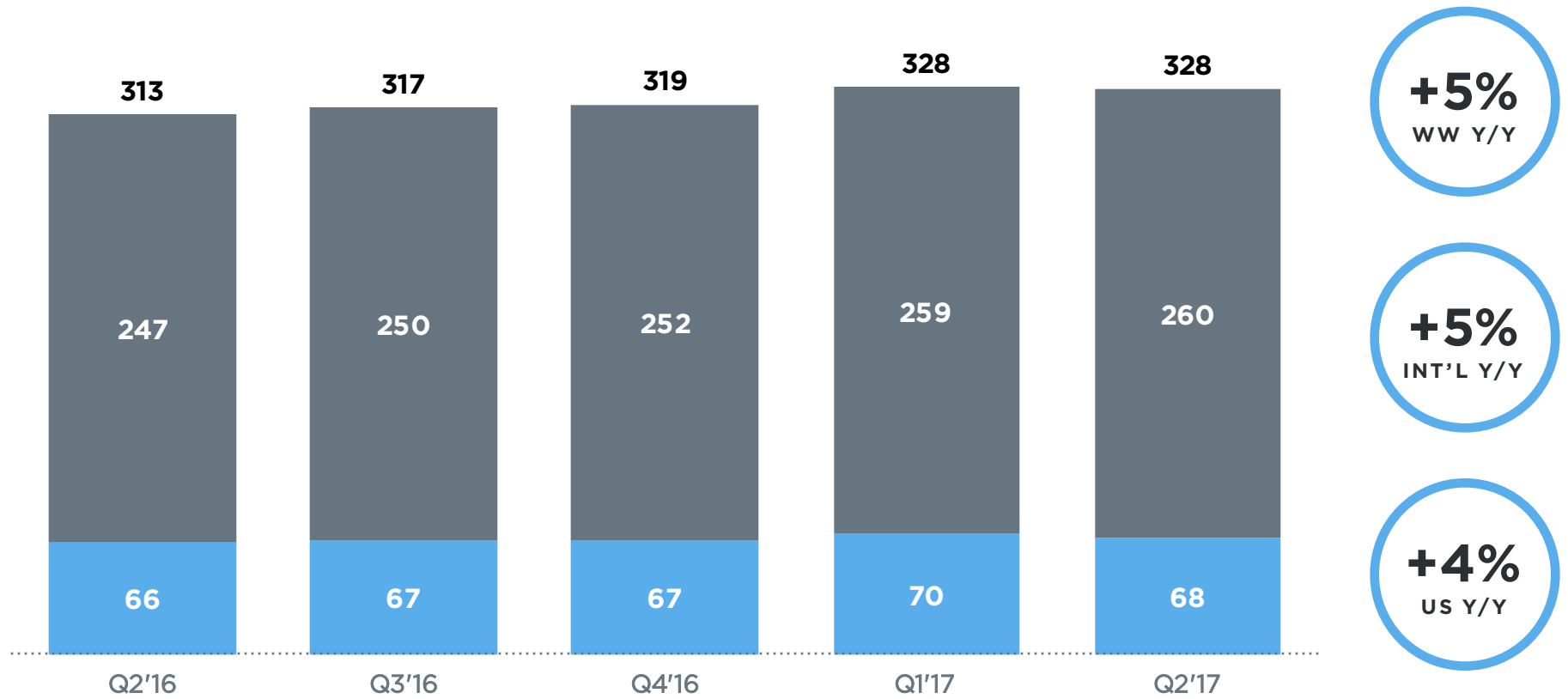
We present and discuss the size of our audience and logged-out usage based on both internal metrics and data from Google Analytics, which measures unique visitors to our properties. We regularly review and may adjust our processes for calculating our internal metrics to improve their accuracy. Our measures of user growth and user engagement may differ from estimates published by third parties or from similarly-titled metrics of our competitors due to differences in methodology.
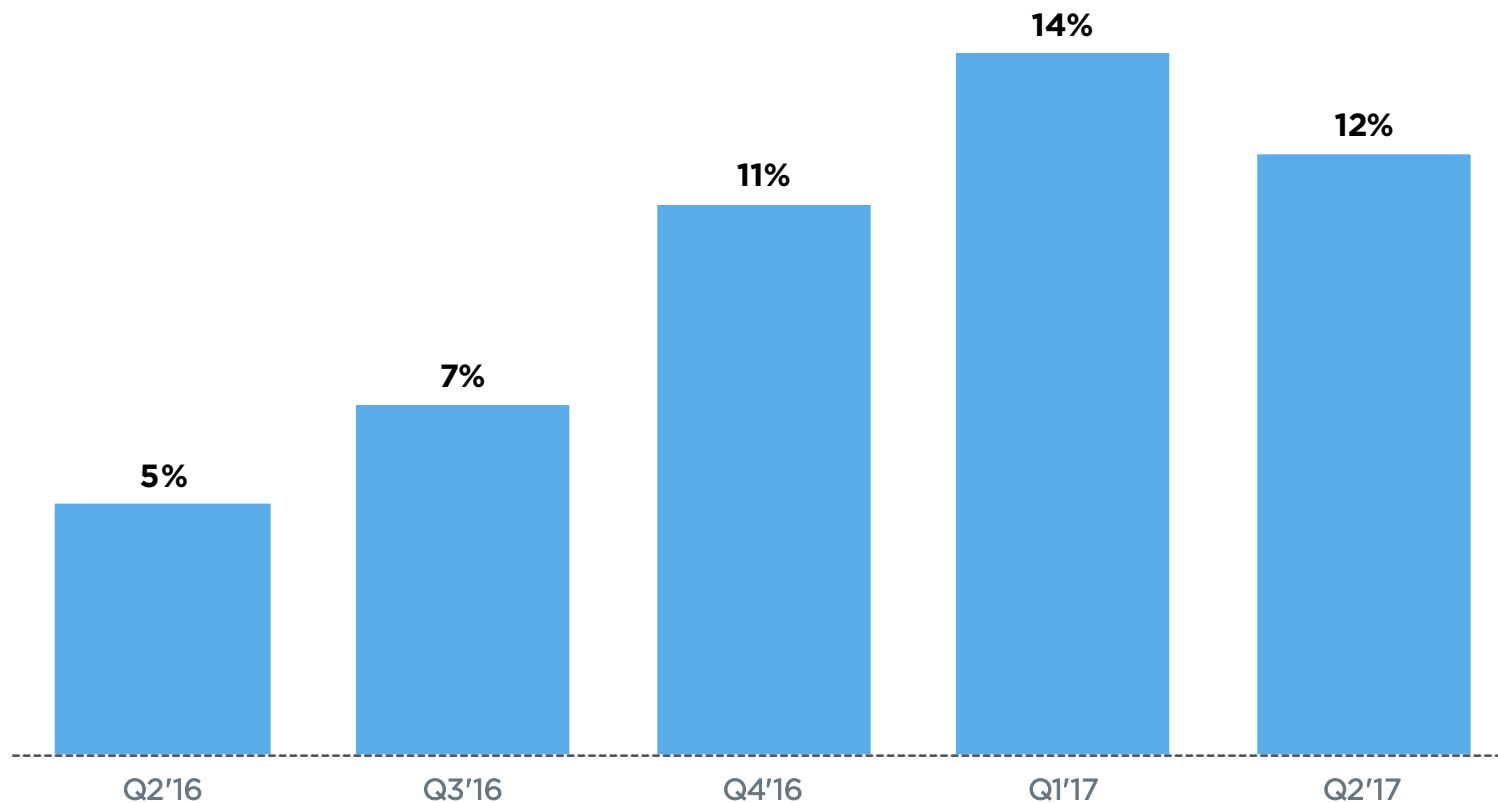
DAILY ACTIVE USERS Y/Y GROWTH RATES

Bar chart showing daily active users year-over-year growth rates:

- Q2'16: 5%
- Q3'16: 7%
- Q4'16: 11%
- Q1'17: 14%
- Q2'17: 12%

Note: We define daily active users or daily active usage as Twitter users who logged in or were otherwise authenticated and accessed Twitter through our website, mobile website or mobile applications on any given day. Average DAU for a period represents the number of DAUs on each day of such period divided by the number of days for such period. To calculate the year-over-year change in DAUs, we subtract the average DAU for the three months ended in the previous year from the average DAU for the same three months ended in the current year and divide the result by the average DAU in the previous year. Prior to Q3 2016, Twitter has discussed DAUs and the ratio of monthly active users (MAUs) to DAUs. In those instances, for comparability and consistency with MAUs, DAUs also included users who accessed Twitter through our desktop applications and third-party properties.
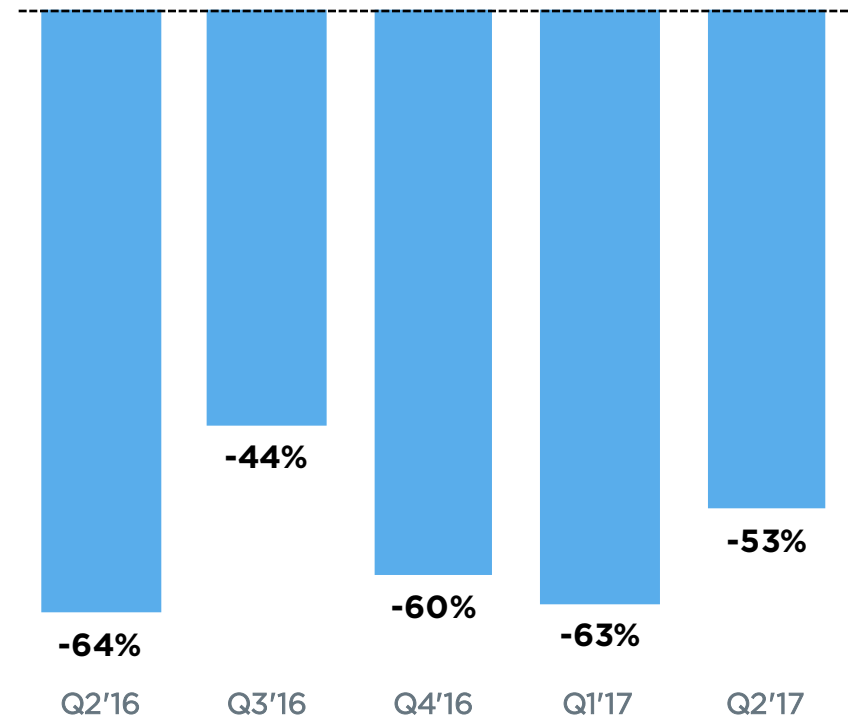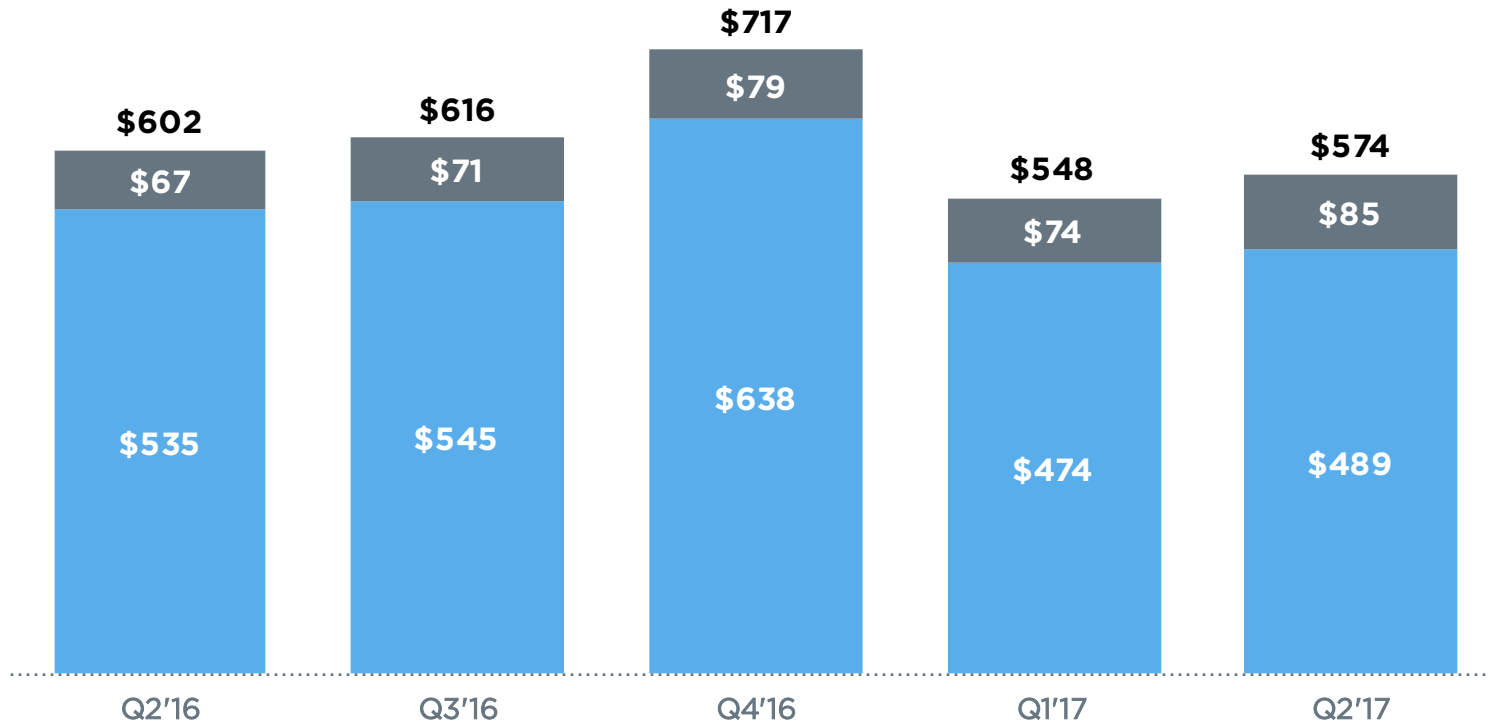
MONETIZATION METRICS

Y/Y % CHANGE IN AD ENGAGEMENTS

226%

151%

139%

91%

95%

Q2'16   Q3'16   Q4'16   Q1'17   Q2'17
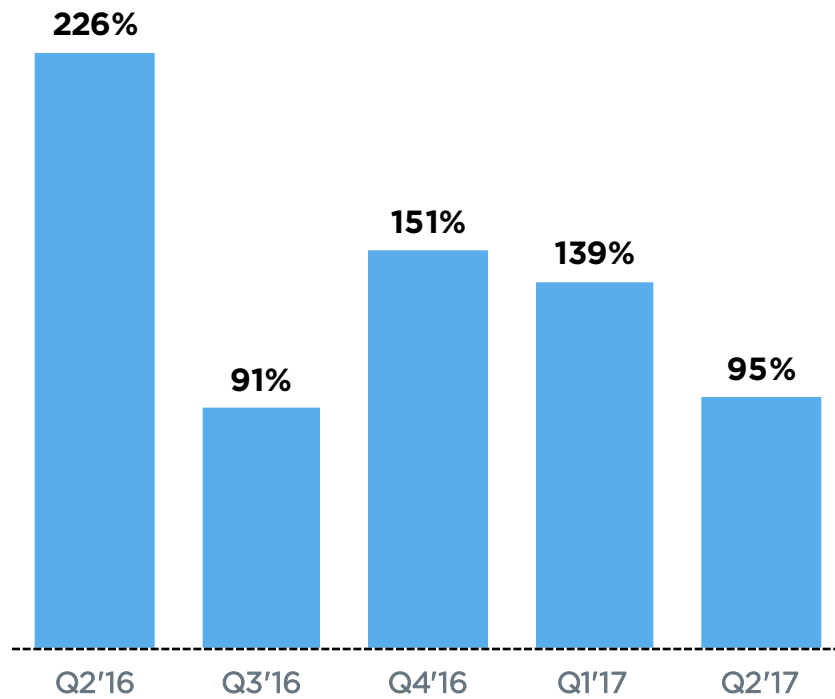
Y/Y % CHANGE IN COST PER AD ENGAGEMENT

-64%

-44%

-60%

-63%

-53%

Q2'16   Q3'16   Q4'16   Q1'17   Q2'17

QUARTERLY REVENUE

($, millions)

■ DATA LICENSING + OTHER
■ ADVERTISING

	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17
Total	$602	$616	$717	$548	$574
Data Licensing + Other	$67	$71	$79	$74	$85
Advertising	$535	$545	$638	$474	$489

-5% TOTAL Y/Y

26% DL&O Y/Y

-8% AD Y/Y

% INTERNATIONAL	40%	39%	39%	38%	42%

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QUARTERLY ADVERTISING REVENUE BY GEOGRAPHY

($, millions)

INTERNATIONAL

UNITED STATES

	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17
Total	$535	$545	$638	$474	$489
International	$222	$222	$256	$190	$220
United States	$313	$323	$382	$284	$269
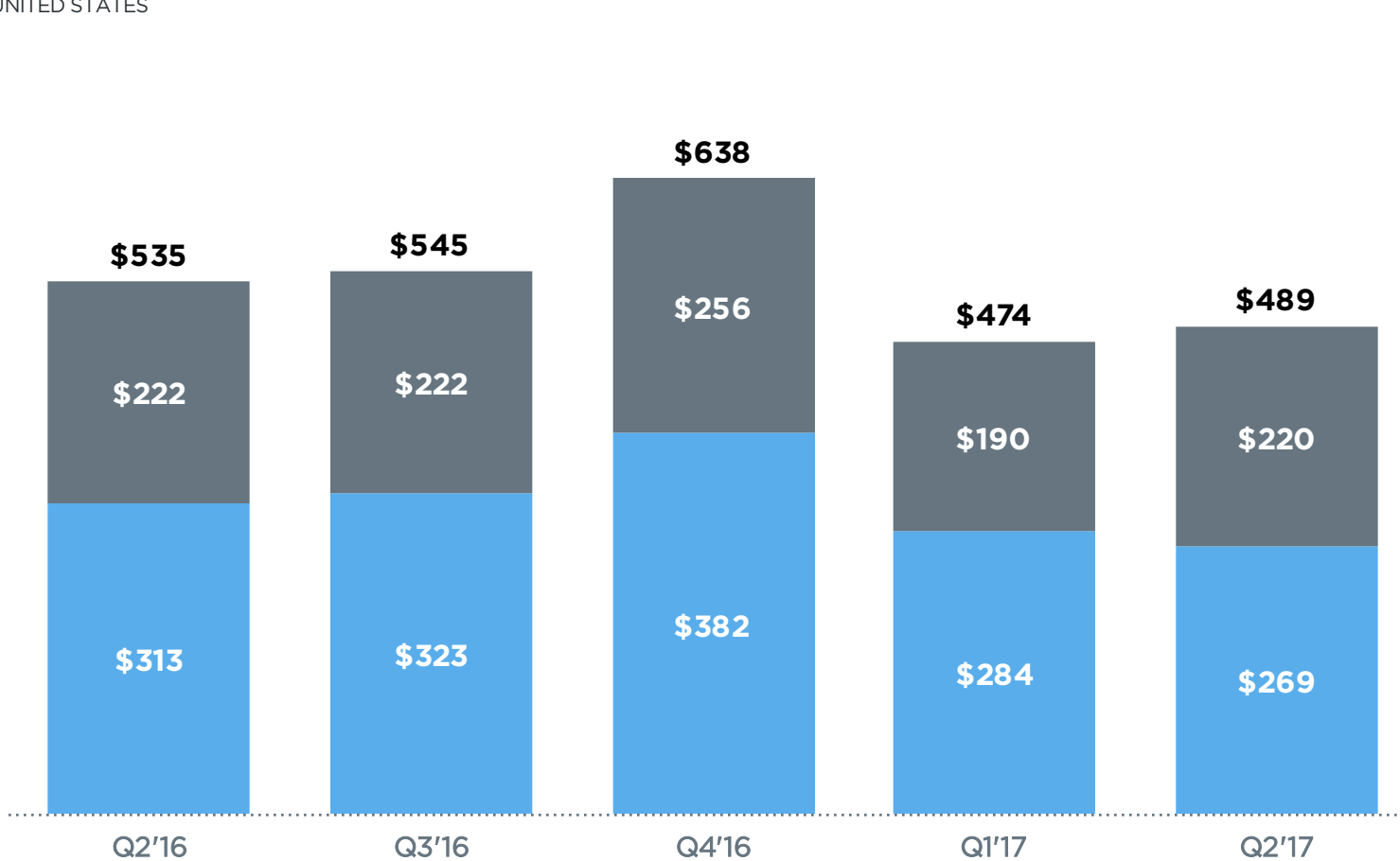
-8% WW Y/Y

-1% INT'L Y/Y

-14% U.S. Y/Y

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QUARTERLY NET LOSS

($, millions)
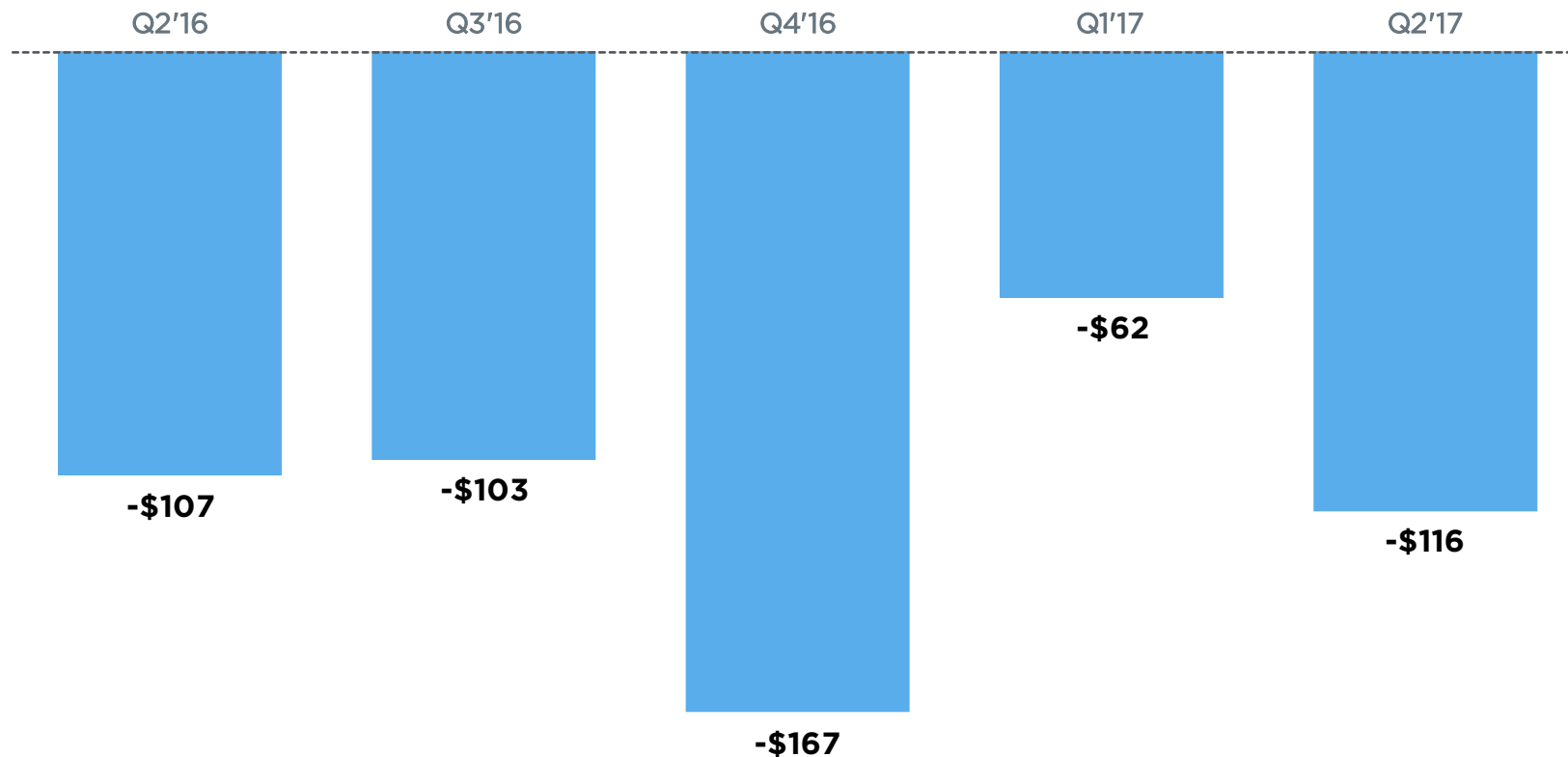
	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17
	-$107	-$103	-$167	-$62	-$116

% OF REVENUE	-18%	-17%	-23%	-11%	-20%

Note: Our Q2'17 GAAP net loss of $116 million includes a $55 million cost-method investment impairment charge. We are writing down the value of a cost-method investment based on our recent assessment that there has been a significant decline in the investment's fair value.

QUARTERLY ADJUSTED EBITDA

($, millions)

			$215		
		$181			$178
	$175			$170	
	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17

2% Y/Y
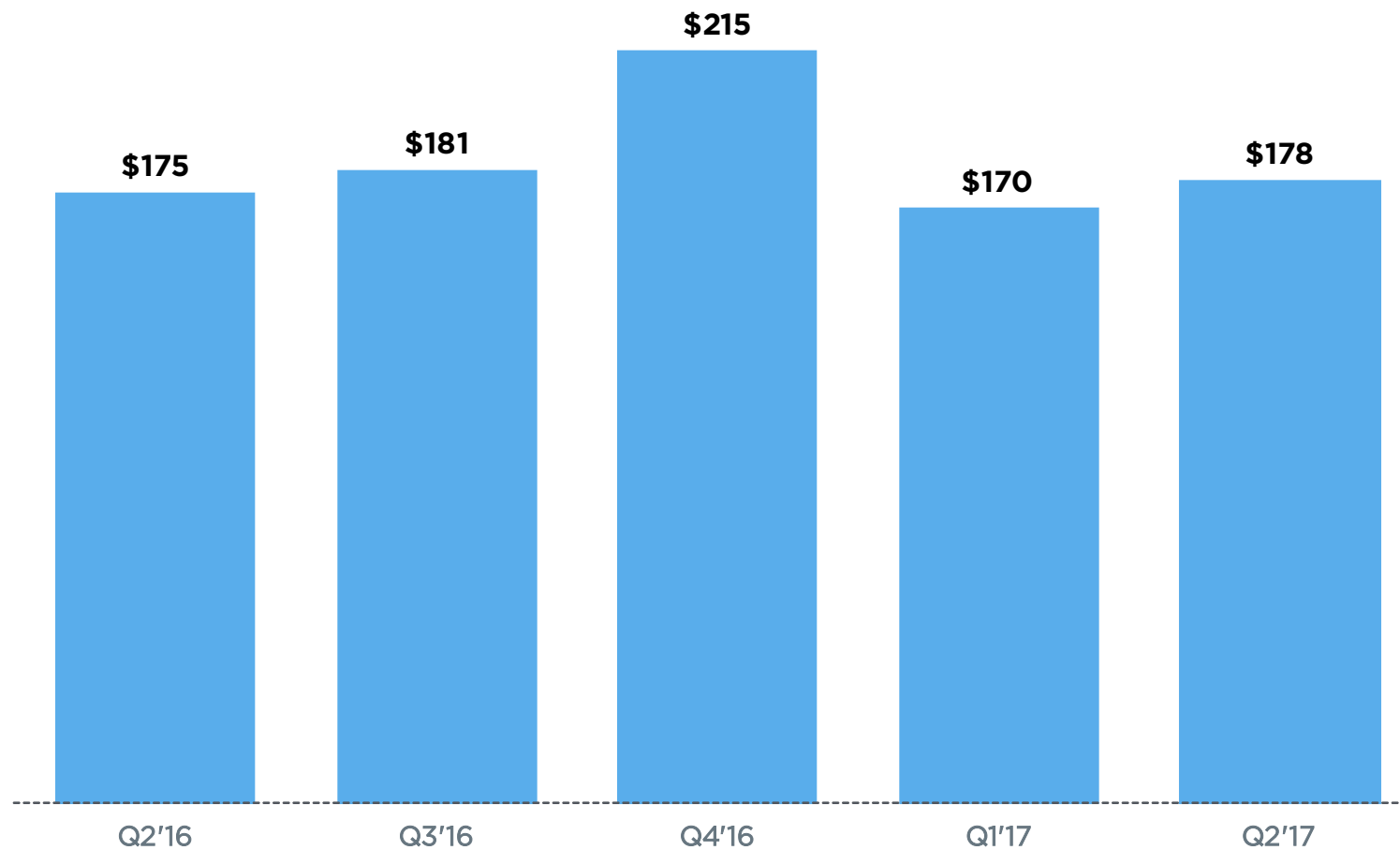
% OF REVENUE	29%	29%	30%	31%	31%

Note: Adjusted EBITDA is defined as GAAP net loss adjusted to exclude stock-based compensation expense, depreciation and amortization expense, interest and other expenses, net, provision (benefit) for income taxes, restructuring charges and one-time nonrecurring gain. See Appendix for a reconciliation of GAAP net loss to Adjusted EBITDA.

APPENDIX

ADJUSTED EBITDA RECONCILIATION

($, thousands)

RECONCILIATION OF GAAP NET LOSS TO ADJUSTED EBITDA					
	Three months ended				
	Jun 30, 2016	Sep 30, 2016	Dec 31, 2016	Mar 31, 2017	Jun 30, 2017
Net loss	($107,217)	($102,871)	($167,054)	($61,559)	$(116,488)
Stock-based compensation expense	167,695	158,527	138,095	116,997	113,396
Depreciation and amortization expense	93,283	100,878	119,390	102,792	103,063
Interest and other expense (income)	18,200	18,220	18,619	18,087	74,716
Provision for income taxes	2,641	6,562	4,808	3,194	3,413
Restructuring charges and one-time nonrecurring gain	-	-	101,249	(9,572)	(226)
Adjusted EBITDA	$174,602	$181,316	$215,107	$169,939	$177,874

Note: Adjusted EBITDA is defined as GAAP net loss adjusted to exclude stock-based compensation expense, depreciation and amortization expense, interest and other expenses, net, provision (benefit) for income taxes, restructuring charges and one-time nonrecurring gain.

GAAP TO NON-GAAP RECONCILIATIONS

($, thousands)

	GAAP	Stock-based compensation expense	Amortization of acquired intangible assets	Non-GAAP
Cost of revenue	$202,966	$7,858	$7,783	$ 187,325
Research and development	178,511	90,916	64	87,531
Sales and marketing	236,619	45,856	4,489	186,274
General and administrative	70,238	23,065	480	46,693

	GAAP	Stock-based compensation expense	Amortization of acquired intangible assets	Restructuring charges	Non-GAAP
Cost of revenue	$212,908	$6,253	$9,192	($3)	$197,466
Research and development	143,171	63,625	—	(16)	79,562
Sales and marketing	185,296	20,694	5,148	(197)	159,651
General and administrative	70,839	22,824	—	(10)	48,025