Q1 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, weighted average diluted shares, effective tax rate and non-GAAP EPS; our higher growth rate in the second-half of 2012; our launch of successful new games; the ability of our games to generate bookings for a long time after launch; sustaining franchise games; the growth of the social games market, including mobile and advertising growth; increasing payer conversion and monetization from mobile games; reduction in expenses; our future operational plans; player and advertiser growth; and our plans and strategy. Forward-looking statements often include words such as “will”, "anticipate", "believe", “expect”, “estimate” or "outlook" 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. The company's actual results could differ materially from those predicted or implied and reported results should not be considered as an indication of future performance. Factors that could cause or contribute to such differences include, but are not limited to, risks associated with the company’s short operating history in a new and unproven market, our ability to launch new games in a timely manner and monetize these games, competition, changing interests of players, intellectual property disputes or other litigation, changes in the Facebook platform or our relationship with Facebook, acquisitions or other transactions by us, changes in our corporate strategy or management, privacy issues, our ability to manage expenses, the price volatility of our Class A common stock (including in connection with the expiration of lock-up trading restrictions), general economic conditions and execution of our plans and strategies.

More information about factors that could affect the company's 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 Annual Report on Form 10-K for the year ended December 31, 2011, 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 presentation, 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 March 31, 2012 could differ from the preliminary financial results we have announced in this presentation. We assume no obligation to update these preliminary financial results prior to filing our Form 10-Q.

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. Accordingly, a reconciliation to revenue, net income (loss), GAAP effective tax rate and GAAP EPS for our outlook is not available without unreasonable effort.

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 and interest income;
- 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;
- Free cash flow is derived from net cash provided by operating activities less cash spent on capital expenditures, 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 outstanding, including stock options, warrants and unvested restricted stock units 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			
	3/31/12		3/31/11	
Reconciliation of Revenue to Bookings				
Revenue	$	320,972	$	242,890
Change in deferred revenue		8,192		43,708
Bookings	**$**	**329,164**	**$**	**286,598**

Reconciliation of Net Income (Loss) to Adjusted EBITDA

(in thousands, unaudited)	3 months ended	
	3/31/12	3/31/11
Reconciliation of Net Income (Loss) to Adjusted EBITDA		
Net Income (Loss)	$ (85,351)	$ 16,758
Provision for (benefit from) income taxes	(78)	19,226
Other expense, net	1,142	736
Interest income	(1,291)	(518)
Legal settlement	889	-
Depreciation and amortization	29,398	17,847
Stock-based expense	133,851	14,506
Change in deferred revenue	8,192	43,708
Adjusted EBITDA	**$ 86,752**	**$ 112,263**

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

(in thousands, unaudited)	3 months ended	
	3/31/12	3/31/11
Reconciliation of Net Income (Loss) to Non-GAAP Net Income		
Net Income (Loss)	$ (85,351)	$ 16,758
Stock-based expense	133,851	14,506
Amortization of intangible assets from acquisitions	6,951	5,883
Change in deferred revenue	8,192	43,708
Legal settlements	889	-
Tax effect of non-GAAP adjustments to Net Income	(17,483)	(5,440)
Non-GAAP Net Income	**$ 47,049**	**$ 75,415**

Reconciliation of GAAP Diluted Shares to Non-GAAP Net Income Per Share

(in thousands, unaudited)	3 months ended	
	3/31/12	3/31/11
GAAP diluted shares	707,693	358,312
Add back: assumed preferred stock conversion (1)	-	294,451
Add back: other dilutive equity awards (2)	135,993	42,097
Non-GAAP dilutive shares	**843,686**	**694,860**
Non-GAAP Net Income Per Share	**$ 0.06**	**$ 0.11**

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 outstanding, including stock options, warrants and unvested restricted stock units that were excluded from the GAAP diluted earnings per share calculation because they were anti-dilutive as a result of our net loss position or they were considered participating securities and excluded from dilutive shares outstanding in accordance with GAAP. For comparability purposes, the impact of unvested restricted stock units, which were excluded from GAAP weighted-average diluted shares outstanding in periods prior to the IPO, are included in all periods presented.

Reconciliation of Cash Provided by Operating Activities to Free Cash Flow

(in thousands, unaudited)	3 months ended			
	3/31/12		3/31/11	
Cash Provided by Operating Activities	$	78,817	$	103,657
Acquisition of property and equipment		(34,994)		(50,222)
Excess tax benefits from stock-based awards		-		-
Free Cash Flow	**$**	**43,823**	**$**	**53,435**