

TWITTER, INC.  
Form 424B4  
November 07, 2013  
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Filed Pursuant to Rule 424(b)(4)  
Registration No. 333-191552

70,000,000 Shares

## Twitter, Inc.

### Common Stock

This is an initial public offering of shares of common stock of Twitter, Inc.

Prior to this offering, there has been no public market for the common stock. The initial public offering price per share is \$26.00. Our common stock has been approved for listing on the New York Stock Exchange under the symbol TWTR .

We are an emerging growth company as defined under the federal securities laws and, as such, may elect to comply with certain reduced public company reporting requirements for future filings.

See Risk Factors beginning on page 16 to read about factors you should consider before buying shares of the common stock.

**Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.**

	Per Share	Total
Initial public offering price	\$ 26.000	\$ 1,820,000,000
Underwriting discount <sup>(1)</sup>	\$ 0.845	\$ 59,150,000

Proceeds, before expenses, to Twitter	\$ 25.155	\$ 1,760,850,000
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(1) See the section titled "Underwriting" for a description of the compensation payable to the underwriters.

To the extent that the underwriters sell more than 70,000,000 shares of common stock, the underwriters have the option to purchase up to an additional 10,500,000 shares from Twitter at the initial public offering price less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on November 13, 2013.

**Goldman, Sachs & Co.**

**Morgan Stanley**

**J.P. Morgan**

**BofA Merrill Lynch**

**Deutsche Bank Securities**

**Allen & Company LLC**

**CODE Advisors**

Prospectus dated November 6, 2013

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**Through and including December 1, 2013 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.**

We have not authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses we have prepared. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

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**PROSPECTUS SUMMARY**

*This summary highlights selected information that is presented in greater detail elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our common stock. You should read this entire prospectus carefully, including the sections titled Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes included elsewhere in this prospectus, before making an investment decision. Unless the context otherwise requires, the terms Twitter, the company, we, us and our in this prospectus refer to Twitter, Inc. and its consolidated subsidiaries.*

**TWITTER, INC.**

Twitter is a global platform for public self-expression and conversation in real time. By developing a fundamentally new way for people to create, distribute and discover content, we have democratized content creation and distribution, enabling any voice to echo around the world instantly and unfiltered.

Our platform is unique in its simplicity: Tweets are limited to 140 characters of text. This constraint makes it easy for anyone to quickly create, distribute and discover content that is consistent across our platform and optimized for mobile devices. As a result, Tweets drive a high velocity of information exchange that makes Twitter uniquely live. We aim to become an indispensable daily companion to live human experiences.

People are at the heart of Twitter. We have already achieved significant global scale, and we continue to grow. We have more than 230 million monthly active users, or MAUs, and more than 100 million daily active users, spanning nearly every country. Our users include millions of people from around the world, as well as influential individuals and organizations, such as world leaders, government officials, celebrities, athletes, journalists, sports teams, media outlets and brands. Our users create approximately 500 million Tweets every day.

Twitter is a public, real-time platform where any user can create a Tweet and any user can follow other users. We do not impose restrictions on whom a user can follow, which greatly enhances the breadth and depth of available content and allows users to discover the content they care about most. Additionally, users can be followed by thousands or millions of other users without requiring a reciprocal relationship, enhancing the ability of our users to reach a broad audience. The public nature of our platform allows us and others to extend the reach of Twitter content beyond our properties. Media outlets distribute Tweets beyond our properties to complement their content by making it more timely, relevant and comprehensive. Tweets have appeared on over one million third-party websites, and in the third quarter of 2013 there were approximately 48 billion online impressions of Tweets off of our properties.

Twitter provides a compelling and efficient way for people to stay informed about their interests, discover what is happening in their world right now and interact directly with each other. We enable the timely creation and distribution of ideas and information among people and organizations at a local and global scale. Our platform allows users to browse through Tweets quickly and explore content more deeply through links, photos, media and other applications that can be attached to each Tweet. As a result, when events happen in the world, whether planned, like sporting events and television shows, or unplanned, like natural disasters and political revolutions, the digital experience of those events happens in real time on Twitter. People can communicate with each other during these events as they occur, creating powerful shared experiences.

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We are inspired by how Twitter has been used around the world. President Obama used our platform to first declare victory publicly in the 2012 U.S. presidential election, with a Tweet that was viewed approximately 25 million times on our platform and widely distributed offline in print and broadcast media. A local resident in Abbottabad, Pakistan unknowingly reported the raid on Osama Bin Laden's compound on Twitter hours before traditional media and news outlets began to report on the event. During the earthquake and subsequent tsunami in Japan, people came to Twitter to understand the extent of the disaster, find loved ones and follow the nuclear crisis that ensued. For individuals and organizations seeking timely distribution of content, Twitter moves beyond traditional broadcast mediums by assembling connected audiences. Twitter brings people together in shared experiences allowing them to discover and consume content and just as easily add their own voice in the moment.

Our platform partners and advertisers enhance the value we create for our users.

*Platform Partners.* Millions of platform partners, which include publishers, media outlets and developers, have integrated with Twitter, adding value to our user experience by contributing content to our platform, broadly distributing content from our platform across their properties and using Twitter content and tools to enhance their websites and applications. Many of the world's most trusted media outlets, including the BBC, CNN and Times of India, regularly use Twitter as a platform for content distribution.

*Advertisers.* Advertisers use our Promoted Products, the majority of which are pay-for-performance, to promote their brands, products and services, amplify their visibility and reach, and complement and extend the conversation around their advertising campaigns. We enable our advertisers to target an audience based on a variety of factors, including a user's Interest Graph. The Interest Graph maps, among other things, interests based on users followed and actions taken on our platform, such as Tweets created and engagement with Tweets. We believe a user's Interest Graph produces a clear and real-time signal of a user's interests, greatly enhancing the relevance of the ads we can display for users and enhancing our targeting capabilities for advertisers.

Although we do not generate revenue directly from users or platform partners, we benefit from network effects where more activity on Twitter results in the creation and distribution of more content, which attracts more users, platform partners and advertisers, resulting in a virtuous cycle of value creation.

Mobile has become the primary driver of our business. Our mobile products are critical to the value we create for our users, and they enable our users to create, distribute and discover content in the moment and on-the-go. The 140 character constraint of a Tweet emanates from our origins as an SMS-based messaging system, and we leverage this simplicity to develop products that seamlessly bridge our user experience across all devices. In the three months ended September 30, 2013, 76% of our average MAUs accessed Twitter from a mobile device, including mobile phones and tablets, and over 70% of our advertising revenue was generated from mobile devices. We expect that the proportion of active users on, and advertising revenue generated from, mobile devices, will continue to grow in the near term.

We have experienced rapid growth in our revenue in recent periods. From 2011 to 2012, revenue increased by 198% to \$316.9 million, net loss decreased by 38% to \$79.4 million and Adjusted EBITDA increased by 149% to \$21.2 million. From the nine months ended September 30, 2012 to the nine months ended September 30, 2013, revenue increased by 106% to \$422.2 million, net loss increased by 89% to \$133.9 million and Adjusted EBITDA increased by \$27.1 million to \$30.7 million. For information on how we define and calculate Adjusted EBITDA, and a reconciliation of net loss to

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Adjusted EBITDA, see the section titled Summary Consolidated Financial and Other Data Non-GAAP Financial Measures.

We have also experienced significant growth in our user base, as measured by MAUs, and user engagement, as measured by timeline views.

For information on how we define and calculate the number of MAUs and the number of timeline views and factors that can affect these metrics, see the sections titled Management's Discussion and Analysis of Financial Condition and Results of Operations Key Metrics and Industry Data and Company Metrics.

### **The Evolution of Content Creation, Distribution and Discovery**

The Internet and digitization have allowed for virtually all content to be made available online, but the vast array of content has made it difficult for people to find what is important or relevant to them. Over time, technologies have been developed to address this challenge:

*Web Browsers.* In the early to mid-1990s, browsers, including Netscape Navigator and Internet Explorer, presented content on the Internet in a visually appealing manner and allowed people to navigate to specific websites, but the content experience was generally not personalized or tailored to a person's interests and information was often difficult to find.

*Web Portals.* In the mid to late-1990s, Yahoo!, AOL, MSN and other web portals aggregated and categorized popular content and other communication features to help people discover relevant information on the Internet. These portals, while convenient, and with some ability to personalize, offer access to a limited amount of content.

*Search Engines.* In the early-2000s, Google and other search engines began providing a way to search a vast amount of content, but search results are limited by the quality of the search algorithm and the amount of content in the search index. In addition, given the lag between live events and the creation and indexing of digital content, search engine results may lack real-time information. Also, search engines generally do not surface content that a person has not requested, but may find interesting.

*Social Networks.* In the mid-2000s, social networks, such as Facebook, emerged as a new way to connect with friends and family online, but they are generally closed, private networks that do not include content from outside a person's friends, family and mutual connections. Consequently, the

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depth and breadth of content available to people is generally limited. Additionally, content from most social networks is not broadly available off their networks, such as on other websites, applications or traditional media outlets like television, radio and print.

### **Twitter Continues the Evolution**

Twitter continues the evolution of content creation, distribution and discovery by combining the following four elements at scale to create a global platform for public self-expression and conversation in real time. We believe Twitter can be the content creation, distribution and discovery platform for the Internet and evolving mobile ecosystem.

*Public.* Twitter is open to the world. Content on Twitter is broadly accessible to our users and unregistered visitors. All users can create Tweets and follow other users. In addition, because the public nature of Twitter allows content to travel virally on and off our properties to other websites and media, such as television and print, people can benefit from Twitter content even if they are not Twitter users or following the user that originally tweeted.

*Real-Time.* News breaks on Twitter. The combination of our tools, technology and format enables our users to quickly create and distribute content globally in real time with 140 keystrokes or the flash of a photo, and the click of a button. The ease with which our users can create content combined with our broad reach results in users often receiving content faster than other forms of media.

*Conversational.* Twitter is where users come to express themselves and interact with the world. Our users can interact on Twitter directly with other users, including people from around the world, as well as influential individuals and organizations. Importantly, these interactions can occur in public view, thereby creating an opportunity for all users to follow and participate in conversations on Twitter.

*Distributed.* Tweets go everywhere. The simple format of a Tweet, the public nature of content on Twitter and the ease of distribution off our properties allow media outlets to display Tweets on their online and offline properties, thereby extending the reach of Tweets beyond our properties. A 2013 study conducted by Arbitron Inc. and Edison Research found that 44% of Americans hear about Tweets through media channels other than Twitter almost every day.

### **Our Value Proposition to Users**

People are at the heart of Twitter. We have more than 230 million MAUs from around the world. People come to Twitter for many reasons, and we believe that two of the most significant are the breadth of Twitter content and our broad reach. Our users consume content and engage in conversations that interest them by discovering and following the people and organizations they find most compelling.

Our platform provides our users with the following benefits:

*Sharing Content with the World.* Users leverage our platform to express themselves publicly to the world, share with their friends and family and participate in conversations. The public, real-time nature and tremendous global reach of our platform make it the content distribution platform of choice for many of the world's most influential individuals and organizations, as well as millions of people and small businesses.

*Discovering Unique and Relevant Content.* Twitter's over 230 million MAUs, spanning nearly every country, provide great breadth and depth of content across a broad range of topics, including literature, politics, finance, music, movies, comedy, sports and news.



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*Breaking News and Engaging in Live Events.* Users come to Twitter to discover what is happening in the world right now directly from other Twitter users. On Twitter, users tweet about live events instantly, whether it is celebrities tweeting to their fans, journalists breaking news or people providing eyewitness accounts of events as they unfold. Many individuals and organizations choose to break news first on Twitter because of the unique reach and speed of distribution on our platform. As a result, Twitter is a primary source of information and complements traditional media as a second screen, enhancing the overall experience of an event by allowing users to share the experience with other users in real time. We believe this makes Twitter the social soundtrack to life in the moment.

*Participating in Conversations.* Through Twitter, users not only communicate with friends and family, but they also participate in conversations with other people from around the world, in ways that would not otherwise be possible. In addition to participating in conversations, users can simply follow conversations on Twitter or express interest in the conversation by retweeting or favoriting.

### **Our Value Proposition to Platform Partners**

The value we create for our users is enhanced by our platform partners, which include publishers, media outlets and developers. These platform partners have integrated with Twitter through an application programming interface, or API, that we provide which allows them to contribute their content to our platform, distribute Twitter content across their properties and use Twitter content and tools to enhance their websites and applications. We provide a set of development tools, APIs and embeddable widgets that allow our partners to seamlessly integrate with our platform.

We provide our platform partners with the following benefits:

*Distribution Channel.* Platform partners use Twitter as a complementary distribution channel to expand their reach and engage with their audiences. Publishers and media outlets contribute content created for other media channels to Twitter and tweet content specifically created for Twitter. We provide platform partners with a set of widgets that they can embed on their websites and an API for their mobile applications to enable Twitter users to tweet content directly from those properties. As our users engage with this content on Twitter, they can be directed back to our partners' websites and applications.

*Complementary Real-Time and Relevant Content.* Twitter enables platform partners to embed or display relevant Tweets on their online and offline properties to enhance the experience for their users. Additionally, by enhancing the activity related to their programming or event on Twitter, media outlets can drive tune-in and awareness of their original content, leveraging Twitter's strength as a second screen for television programming. For example, during Super Bowl XLVII, over 24 million Tweets regarding the Super Bowl were sent during the game alone and 45% of television ads shown during the Super Bowl used a hashtag to invite viewers to engage in conversation about those television ads on Twitter.

*Canvas for Enhanced Content with Twitter Cards.* Platform partners use Twitter Cards to embed images, video and interactive content directly into a Tweet. Twitter Cards allow platform partners to create richer content that all users can interact with and distribute.

*Building with Twitter Content.* Platform partners leverage Tweets to enhance the experience for their users. Developers incorporate Twitter content and use Twitter tools to build a broad range of applications. Media partners incorporate Twitter content to enrich their programming and increase viewer engagement by providing real-time Tweets that express public opinion and incorporate results from viewer polls on Twitter.

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### **Our Value Proposition to Advertisers**

We provide compelling value to our advertisers by delivering the ability to reach a large global audience through our unique set of advertising services, the ability to target ads based on our deep understanding of our users and the opportunity to generate significant earned media. Advertisers can use Twitter to communicate directly with their followers for free, but many choose to purchase our advertising services to reach a broader audience and further promote their brands, products and services.

Our platform provides our advertisers with the following benefits:

*Unique Ad Formats Native to the User Experience.* Our Promoted Products, which are Promoted Tweets, Promoted Accounts and Promoted Trends, provide advertisers with an opportunity to reach our users without disrupting or detracting from the user experience on our platform.

*Targeting.* Our pay-for-performance Promoted Products enable advertisers to reach users based on many factors. Importantly, because our asymmetric follow model does not require mutual follower relationships, people can follow the users that they find most interesting. These follow relationships are then combined with other factors, such as the actions that users take on our platform, including the Tweets they engage with and what they tweet about, to form a user's Interest Graph. We believe a user's Interest Graph produces a clear and real-time signal of a user's interests, greatly enhancing our targeting capability.

*Earned Media and Viral Global Reach.* The public and widely distributed nature of our platform enables Tweets to spread virally, potentially reaching all of our users and people around the world. Our users retweet, reply to or start conversations about interesting Tweets, whether those Tweets are Promoted Tweets or organic Tweets by advertisers. An advertiser only gets charged when a user engages with a Promoted Tweet that was placed in a user's timeline because of its promotion. By creating highly compelling and engaging ads, our advertisers can benefit from users retweeting their content across our platform at no incremental cost.

*Advertising in the Moment.* Twitter's real-time nature allows our advertisers to capitalize on live events, existing conversations and trending topics. By using our Promoted Products, advertisers can create a relevant ad in real time that is shaped by these events, conversations and topics.

*Pay-for-Performance and Attractive Return on Investment.* Our advertisers pay for Promoted Tweets and Promoted Accounts on a pay-for-performance basis. Our advertisers only pay us when a user engages with their ad, such as when a user clicks on a link in a Promoted Tweet, expands a Promoted Tweet, replies to or favorites a Promoted Tweet, retweets a Promoted Tweet for the first time, follows a Promoted Account or follows the account that tweets a Promoted Tweet. The pay-for-performance structure aligns our interests in delivering relevant and engaging ads to our users with those of our advertisers.

*Extension of Offline Advertising Campaigns.* Twitter advertising complements offline advertising campaigns, such as television ads. Integrating hashtags allows advertisers to extend the reach of an offline ad by driving significant earned media and continued conversation on Twitter.

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### **Our Value Proposition to Data Partners**

We offer data licenses that allow our data partners to access, search and analyze historical and real-time data on our platform. Since the first Tweet, our users have created over 350 billion Tweets spanning nearly every country. Our data partners use this data to generate and monetize data analytics, from which data partners can identify user sentiment, influence and other trends. For example, one of our data partners applies its algorithms to Twitter data to create and sell products to its customers that identify activity trends across Twitter which may be relevant to its customers' investment portfolios.

### **Growth Strategy**

We have aligned our growth strategy around the three primary constituents of our platform: users, platform partners and advertisers.

*Users.* We believe that there is a significant opportunity to expand our user base. Industry sources estimate that as of 2012 there were 2.4 billion Internet users and 1.2 billion smartphone users, of which only 230 million are MAUs of Twitter.

*Geographic Expansion.* We plan to develop a broad set of partnerships globally to increase relevant local content on our platform and make Twitter more accessible in new and emerging markets.

*Mobile Applications.* We plan to continue to develop and improve our mobile applications to drive user adoption of these applications.

*Product Development.* We plan to continue to build and acquire new technologies to develop and improve our products and services and make our platform more valuable and accessible to people around the world. We also plan to continue to focus on making Twitter simple and easy to use, particularly for new users.

*Platform Partners.* We believe growth in our platform partners is complementary to our user growth strategy and the overall expansion of our platform.

*Expand the Twitter Platform to Integrate More Content.* We plan to continue to build and acquire new technologies to enable our platform partners to distribute content of all forms.

*Partner with Traditional Media.* We plan to continue to leverage our media relationships to drive more content distribution on our platform and create more value for our users and advertisers.

*Advertisers.* We believe we can increase the value of our platform for our advertisers by enhancing our advertising services and making our platform more accessible.

*Targeting.* We plan to continue to improve the targeting capabilities of our advertising services.

*Opening our Platform to Additional Advertisers.* We believe that advertisers outside of the United States represent a substantial opportunity and we plan to invest to increase our advertising revenue from international advertisers, including by launching our self-serve advertising platform in selected international markets.

*New Advertising Formats.* We intend to develop new and unique ad formats for our advertisers. For example, we recently introduced our lead generation and application download Twitter Cards and Twitter Amplify, which allows advertisers to embed ads into real-time video content.

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### **Risks Associated with Our Business**

Our business is subject to numerous risks and uncertainties, including those highlighted in the section titled "Risk Factors" immediately following this prospectus summary. These risks include, but are not limited to, the following:

If we fail to grow our user base, or if user engagement or the number of paid engagements with our pay-for-performance Promoted Products, which we refer to as ad engagements, on our platform decline, our revenue, business and operating results may be harmed;

If our users do not continue to contribute content or their contributions are not valuable to other users, we may experience a decline in the number of users accessing our products and services, which could result in the loss of advertisers and revenue;

We generate the substantial majority of our revenue from advertising, and the loss of advertising revenue could harm our business;

If we are unable to compete effectively for users and advertiser spend, our business and operating results could be harmed;

Our operating results may fluctuate from quarter to quarter, which makes them difficult to predict;

User growth and engagement depend upon effective interoperation with operating systems, networks, devices, web browsers and standards that we do not control;

If we fail to expand effectively in international markets, our revenue and our business will be harmed;

We anticipate that we will expend substantial funds in connection with the tax liabilities that arise upon the initial settlement of restricted stock units, or RSUs, in connection with this offering, and the manner in which we fund that expenditure may have an adverse effect on our financial condition; and

Upon completion of this offering, our executive officers, directors and holders of 5% or more of our common stock will collectively beneficially own approximately 51.4% of the outstanding shares of our common stock and continue to have substantial control over us, which will limit your ability to influence the outcome of important transactions, including a change in control.

### **Channels for Disclosure of Information**

Investors, the media and others should note that, following the completion of this offering, we intend to announce material information to the public through filings with the Securities and Exchange Commission, or the SEC, our corporate blog at [blog.twitter.com](http://blog.twitter.com), the investor relations page on our website, press releases, public conference calls and webcasts. We also intend to announce information regarding us and our business, operating results, financial condition and other matters through Tweets on the following Twitter accounts: @dickc, @twitter and @twitterIR.

The information that is tweeted by the foregoing Twitter accounts could be deemed to be material information. As such, we encourage investors, the media and others to follow the Twitter accounts listed above and to review the information tweeted by such accounts.

Any updates to the list of Twitter accounts through which we will announce information will be posted on the investor relations page on our website.



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**Corporate Information**

Twitter, Inc. was incorporated in Delaware in April 2007. Our principal executive offices are located at 1355 Market Street, Suite 900, San Francisco, California 94103, and our telephone number is (415) 222-9670. Our website address is [www.twitter.com](http://www.twitter.com). Information contained on, or that can be accessed through, our website does not constitute part of this prospectus and inclusions of our website address in this prospectus are inactive textual references only.

Twitter, the Twitter bird logo, Tweet, Retweet and our other registered or common law trademarks, service marks or trade names appearing in this prospectus are the property of Twitter, Inc. Other trademarks and trade names referred to in this prospectus are the property of their respective owners.

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**THE OFFERING**

Common stock offered by us	70,000,000 shares
Common stock to be outstanding after this offering	544,696,816 shares
Option to purchase additional shares of common stock from us	10,500,000 shares
Use of proceeds	The net proceeds from the sale of shares of our common stock in this offering will be approximately \$1.76 billion (or approximately \$2.02 billion if the underwriters' option to purchase additional shares of our common stock from us is exercised in full), based upon the initial public offering price of \$26.00 per share, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.
	The principal purposes of this offering are to increase our capitalization and financial flexibility, create a public market for our common stock and enable access to the public equity markets for us and our stockholders. We intend to use the net proceeds from this offering for general corporate purposes, including working capital, operating expenses and capital expenditures. We also may use a portion of the net proceeds to satisfy our anticipated tax withholding and remittance obligations related to the settlement of our outstanding RSUs. Additionally, we may use a portion of the net proceeds to acquire businesses, products, services or technologies. However, we do not have agreements or commitments for any material acquisitions at this time. See the section titled "Use of Proceeds" for additional information.
Concentration of Ownership	Upon completion of this offering, our executive officers, directors and holders of 5% or more of our common stock will beneficially own, in the aggregate, approximately 51.4% of the outstanding shares of our common stock.
NYSE trading symbol	TWTR

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The number of shares of our common stock that will be outstanding after this offering is based on 474,696,816 shares of our common stock (including preferred stock on an as-converted basis) outstanding as of September 30, 2013, and excludes:

42,708,824 shares of our common stock issuable upon the exercise of options to purchase shares of our common stock outstanding as of September 30, 2013, with a weighted-average exercise price of \$1.84 per share;

85,657,603 shares of our common stock subject to RSUs outstanding as of September 30, 2013;

116,512 shares of our common stock, on an as-converted basis, issuable upon the exercise of a warrant to purchase convertible preferred stock outstanding as of September 30, 2013, with an exercise price of \$0.34 per share;

7,202,952 shares of our common stock subject to RSUs granted after September 30, 2013;

13,178,040 shares of our common stock issued upon completion of our acquisition of MoPub Inc., or MoPub, after September 30, 2013;

1,237,847 shares of our common stock issuable upon the exercise of options to purchase shares of our common stock that were assumed and converted from options to purchase shares of MoPub common stock upon completion of our acquisition of MoPub after September 30, 2013; and

80,300,000 shares of our common stock reserved for future issuance under our equity compensation plans, consisting of:

68,300,000 shares of our common stock reserved for future issuance under our 2013 Equity Incentive Plan, or our 2013 Plan; and

12,000,000 shares of our common stock reserved for future issuance under our 2013 Employee Stock Purchase Plan, or our ESPP.

Our 2013 Plan and ESPP each provide for annual automatic increases in the number of shares reserved thereunder and our 2013 Plan also provides for increases to the number of shares that may be granted thereunder based on shares under our 2007 Equity Incentive Plan, or our 2007 Plan, that expire, are forfeited or otherwise repurchased by us, as more fully described in the section titled "Executive Compensation Employee Benefit and Stock Plans."

Except as otherwise indicated, all information in this prospectus assumes:

the automatic conversion of all outstanding shares of our Class A junior preferred stock and our convertible preferred stock into an aggregate of 333,099,000 shares of our common stock, the conversion of which will occur immediately prior to the completion of this offering;

the filing and effectiveness of our amended and restated certificate of incorporation in Delaware and the effectiveness of our amended and restated bylaws, each of which will occur immediately prior to the completion of this offering; and

no exercise by the underwriters of their option to purchase up to an additional 10,500,000 shares of our common stock from us.

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The following tables summarize our consolidated financial and other data. We have derived the summary consolidated statement of operations data for the years ended December 31, 2010, 2011 and 2012 from our audited consolidated financial statements included elsewhere in this prospectus. We have derived the summary consolidated statement of operations data for the nine months ended September 30, 2012 and 2013 and our balance sheet data as of September 30, 2013 from our unaudited interim consolidated financial statements included elsewhere in this prospectus. The unaudited interim consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and reflect, in the opinion of management, all adjustments of a normal, recurring nature that are necessary for a fair statement of the unaudited interim consolidated financial statements. Our historical results are not necessarily indicative of the results that may be expected in the future and the results in the nine months ended September 30, 2013 are not necessarily indicative of results to be expected for the full year or any other period. The following summary consolidated financial and other data should be read in conjunction with the section titled

Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included elsewhere in this prospectus.

	Year Ended December 31,			Nine Months Ended September 30,	
	2010	2011	2012	2012	2013
<b>(In thousands, except per share data)</b>					
<b>Consolidated Statement of Operations Data:</b>					
Revenue	\$ 28,278	\$ 106,313	\$ 316,933	\$ 204,686	\$ 422,215
Costs and expenses <sup>(1)</sup>					
Cost of revenue	43,168	61,803	128,768	91,850	154,067
Research and development	29,348	80,176	119,004	78,664	199,144
Sales and marketing	6,289	25,988	86,551	57,767	138,911
General and administrative	16,952	65,757	59,693	44,712	56,248
Total costs and expenses	95,757	233,724	394,016	272,993	548,370
Loss from operations	(67,479)	(127,411)	(77,083)	(68,307)	(126,155)
Interest income (expense), net	55	(805)	(2,486)	(1,656)	(4,473)
Other income (expense), net	(117)	(1,530)	399	926	(1,730)
Loss before income taxes	(67,541)	(129,746)	(79,170)	(69,037)	(132,358)
Provision (benefit) for income taxes	(217)	(1,444)	229	1,657	1,494
Net loss	\$ (67,324)	\$ (128,302)	\$ (79,399)	\$ (70,694)	\$ (133,852)
Deemed dividend to investors in relation to the tender offer		35,816			
Net loss attributable to common stockholders	\$ (67,324)	\$ (164,118)	\$ (79,399)	\$ (70,694)	\$ (133,852)
Weighted-average shares used to compute net loss per share attributable to common stockholders:					
Basic and diluted	75,992	102,544	117,401	116,119	131,196
Net loss per share attributable to common stockholders:					
Basic and diluted	\$ (0.89)	\$ (1.60)	\$ (0.68)	\$ (0.61)	\$ (1.02)
Pro forma net loss per share attributable to common stockholders (unaudited): <sup>(2)</sup>					
Basic and diluted			\$ (0.18)		\$ (0.28)
<b>Other Financial Information:<sup>(3)</sup></b>					
Adjusted EBITDA	\$ (51,184)	\$ (42,835)	\$ 21,164	\$ 3,593	\$ 30,685
Non-GAAP net loss	\$ (54,066)	\$ (65,533)	\$ (35,191)	\$ (34,920)	\$ (44,104)



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- (1) Costs and expenses include stock-based compensation expense as follows:

	Year Ended December 31,			Nine Months Ended	
	2010	2011	2012	September 30, 2012	2013
	(In thousands)				
Cost of revenue	\$ 200	\$ 1,820	\$ 800	\$ 618	\$ 5,015
Research and development	3,409	33,559	12,622	9,013	53,377
Sales and marketing	249	1,553	1,346	985	10,356
General and administrative	2,073	23,452	10,973	9,779	10,422
<b>Total stock-based compensation</b>	<b>\$ 5,931</b>	<b>\$ 60,384</b>	<b>\$ 25,741</b>	<b>\$ 20,395</b>	<b>\$ 79,170</b>

- (2) See Note 9 to our consolidated financial statements for an explanation of the calculations of our pro forma net loss per share attributable to common stockholders.
- (3) See the section titled "Non-GAAP Financial Measures" for additional information and a reconciliation of net loss to Adjusted EBITDA and net loss to non-GAAP net loss.

	As of September 30, 2013		
	Actual	Pro Forma <sup>(1)</sup>	Pro Forma as Adjusted <sup>(2)</sup>
	(In thousands)		
<b>Consolidated Balance Sheet Data:</b>			
Cash and cash equivalents	\$ 155,704	\$ 155,704	\$ 1,912,459 <sup>(3)</sup>
Short-term investments	165,371	165,371	165,371
Working capital	331,997	331,997	2,091,538 <sup>(4)</sup>
Property and equipment, net	284,024	284,024	284,024
Total assets	992,803	992,803	2,745,647 <sup>(5)</sup>
Total liabilities	298,928	287,758	284,972 <sup>(6)</sup>
Class A junior preferred stock	37,106		
Convertible preferred stock	835,430		
Total stockholders' equity (deficit)	(178,661)	705,045	2,460,675

- (1) The pro forma column in the balance sheet data table above reflects (a) the automatic conversion of all outstanding shares of our Class A junior preferred stock and our convertible preferred stock into an aggregate of 333,099,000 shares of our common stock, which conversion will occur immediately prior to the completion of this offering, as if such conversion had occurred on September 30, 2013, (b) the resulting reclassification of the restricted Class A junior preferred stock and preferred stock warrant liability from other long-term liabilities to additional paid-in capital and (c) stock-based compensation expense of \$385.2 million, associated with Pre-2013 RSUs for which the service condition was satisfied as of September 30, 2013, and which we expect to record upon completion of this offering, as further described in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates - Stock-Based Compensation."
- (2) The pro forma as adjusted column in the balance sheet data table above gives effect to (a) the pro forma adjustments set forth above, (b) the sale and issuance by us of 70,000,000 shares of our common stock in this offering at the initial public offering price of \$26.00 per share, after deducting underwriting discounts and commissions and estimated offering expenses payable by us and (c) the filing and effectiveness of our amended and restated certificate of incorporation in Delaware.
- (3) Pro forma as adjusted cash and cash equivalents reflects \$1.1 million of deferred offering costs that had been paid as of September 30, 2013.
- (4) Pro forma as adjusted working capital reflects \$1.1 million of deferred offering costs that had been paid as of September 30, 2013, and unpaid deferred offering costs of \$2.8 million as of September 30, 2013.
- (5) Pro forma as adjusted total assets reflects the reclassification of the total deferred offering costs of \$3.9 million as of September 30, 2013 to stockholders' equity.
- (6) Pro forma as adjusted total liabilities reflects unpaid deferred offering costs of \$2.8 million as of September 30, 2013.



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To supplement our consolidated financial statements presented in accordance with generally accepted accounting principles in the United States, or GAAP, we consider certain financial measures that are not prepared in accordance with GAAP, including Adjusted EBITDA and non-GAAP net loss. These non-GAAP financial measures are not based on any standardized methodology prescribed by GAAP and are not necessarily comparable to similarly-titled measures presented by other companies.

**Adjusted EBITDA**

We define Adjusted EBITDA as net loss adjusted to exclude stock-based compensation expense, depreciation and amortization expense, interest and other expenses and provision (benefit) for income taxes.

The following table presents a reconciliation of net loss to Adjusted EBITDA for each of the periods indicated:

	Year Ended December 31,			Nine Months Ended September 30,	
	2010	2011	2012	2012	2013
	(In thousands)				
<b>Reconciliation of Net Loss to Adjusted EBITDA</b>					
Net loss	\$ (67,324)	\$ (128,302)	\$ (79,399)	\$ (70,694)	\$ (133,852)
Stock-based compensation expense	5,931	60,384	25,741	20,395	79,170
Depreciation and amortization expense	10,364	24,192	72,506	51,505	77,670
Interest and other expense	62	2,335	2,087	730	6,203
Provision (benefit) for income taxes	(217)	(1,444)	229	1,657	1,494
Adjusted EBITDA	\$ (51,184)	\$ (42,835)	\$ 21,164	\$ 3,593	\$ 30,685

**Non-GAAP Net Loss**

We define non-GAAP net loss as net loss adjusted to exclude stock-based compensation expense, amortization of acquired intangible assets and the income tax effects related to acquisitions.

The following table presents a reconciliation of net loss to non-GAAP net loss for each of the periods indicated:

	Year Ended December 31,			Nine Months Ended September 30,	
	2010	2011	2012	2012	2013
	(In thousands)				
<b>Reconciliation of Net Loss to Non-GAAP Net Loss</b>					
Net loss	\$ (67,324)	\$ (128,302)	\$ (79,399)	\$ (70,694)	\$ (133,852)
Stock-based compensation expense	5,931	60,384	25,741	20,395	79,170
Amortization of acquired intangible assets	7,506	4,697	18,687	14,889	10,961
Income tax effects related to acquisitions	(179)	(2,312)	(220)	490	(383)
Non-GAAP net loss	\$ (54,066)	\$ (65,533)	\$ (35,191)	\$ (34,920)	\$ (44,104)

We use the non-GAAP financial measures of Adjusted EBITDA and non-GAAP net loss in evaluating our operating results and for financial and operational decision-making purposes. We believe that Adjusted EBITDA and non-GAAP net loss help identify underlying trends in our business that could otherwise be masked by the effect of the expenses that we exclude in Adjusted EBITDA and non-GAAP net loss. We believe that Adjusted EBITDA and non-GAAP net loss provide useful



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information about our operating results, enhance the overall understanding of our past performance and future prospects and allow for greater transparency with respect to key metrics used by our management in its financial and operational decision-making. We use these measures to establish budgets and operational goals for managing our business and evaluating our performance. We are presenting the non-GAAP measures of Adjusted EBITDA and non-GAAP net loss to assist investors in seeing our operating results through the eyes of management, and because we believe that these measures provide an additional tool for investors to use in comparing our core business operating results over multiple periods with other companies in our industry.

These non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. There are a number of limitations related to the use of these non-GAAP financial measures rather than net loss, which is the nearest GAAP equivalent of these financial measures. Some of these limitations are:

These non-GAAP financial measures exclude certain recurring, non-cash charges such as stock-based compensation expense and amortization of acquired intangible assets;

Stock-based compensation expense, which is not reflected in these non-GAAP financial measures, has been, and will continue to be for the foreseeable future, a significant recurring expense in our business and an important part of our compensation strategy;

Adjusted EBITDA does not reflect tax payments that reduce cash available to us;

Adjusted EBITDA excludes depreciation and amortization expense and, although these are non-cash charges, the property and equipment being depreciated and amortized may have to be replaced in the future; and

The expenses that we exclude in our calculation of these non-GAAP financial measures may differ from the expenses, if any, that our peer companies may exclude from similarly-titled non-GAAP measures when they report their results of operations. We have attempted to compensate for these limitations by providing the nearest GAAP equivalents of these non-GAAP financial measures and describing these GAAP equivalents under the section titled Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations.

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**RISK FACTORS**

*Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this prospectus, including the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes, before making a decision to invest in our common stock. The risks and uncertainties described below may not be the only ones we face. If any of the risks actually occur, our business, financial condition, operating results and prospects could be materially and adversely affected. In that event, the market price of our common stock could decline, and you could lose part or all of your investment.*

**Risks Related to Our Business and Our Industry**

*If we fail to grow our user base, or if user engagement or ad engagement on our platform decline, our revenue, business and operating results may be harmed.*

The size of our user base and our users' level of engagement are critical to our success. We had 231.7 million average MAUs in the three months ended September 30, 2013, which was a 39% increase from 167.1 million average MAUs in the three months ended September 30, 2012. Our financial performance has been and will continue to be significantly determined by our success in growing the number of users and increasing their overall level of engagement on our platform as well as the number of ad engagements. We anticipate that our user growth rate will slow over time as the size of our user base increases. For example, in general, a higher proportion of Internet users in the United States uses Twitter than Internet users in other countries and, in the future, we expect our user growth rate in certain international markets, such as Argentina, France, Japan, Russia, Saudi Arabia and South Africa, to continue to be higher than our user growth rate in the United States. To the extent our user growth rate slows, our success will become increasingly dependent on our ability to increase levels of user engagement and ad engagement on Twitter. We generate a substantial majority of our revenue based upon engagement by our users with the ads that we display. If people do not perceive our products and services to be useful, reliable and trustworthy, we may not be able to attract users or increase the frequency of their engagement with our platform and the ads that we display. A number of consumer-oriented websites that achieved early popularity have since seen their user bases or levels of engagement decline, in some cases precipitously. There is no guarantee that we will not experience a similar erosion of our user base or engagement levels. A number of factors could potentially negatively affect user growth and engagement, including if:

users engage with other products, services or activities as an alternative to ours;

influential users, such as world leaders, government officials, celebrities, athletes, journalists, sports teams, media outlets and brands or certain age demographics conclude that an alternative product or service is more relevant;

we are unable to convince potential new users of the value and usefulness of our products and services;

there is a decrease in the perceived quality of the content generated by our users;

we fail to introduce new and improved products or services or if we introduce new or improved products or services that are not favorably received or that negatively affect user engagement;

technical or other problems prevent us from delivering our products or services in a rapid and reliable manner or otherwise affect the user experience;

we are unable to present users with content that is interesting, useful and relevant to them;

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users believe that their experience is diminished as a result of the decisions we make with respect to the frequency, relevance and prominence of ads that we display;

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there are user concerns related to privacy and communication, safety, security or other factors;

we are unable to combat spam or other hostile or inappropriate usage on our platform;

there are adverse changes in our products or services that are mandated by, or that we elect to make to address, legislation, regulatory authorities or litigation, including settlements or consent decrees;

we fail to provide adequate customer service to users; or

we do not maintain our brand image or our reputation is damaged.

If we are unable to increase our user growth or engagement, or if they decline, this could result in our products and services being less attractive to potential new users, as well as advertisers, which would have a material and adverse impact on our business, financial condition and operating results.

***If our users do not continue to contribute content or their contributions are not valuable to other users, we may experience a decline in the number of users accessing our products and services and user engagement, which could result in the loss of advertisers and revenue.***

Our success depends on our ability to provide users of our products and services with valuable content, which in turn depends on the content contributed by our users. We believe that one of our competitive advantages is the quality, quantity and real-time nature of the content on Twitter, and that access to unique or real-time content is one of the main reasons users visit Twitter. Our ability to expand into new international markets depends on the availability of relevant local content in those markets. We seek to foster a broad and engaged user community, and we encourage world leaders, government officials, celebrities, athletes, journalists, sports teams, media outlets and brands to use our products and services to express their views to broad audiences. We also encourage media outlets to use our products and services to distribute their content. If users, including influential users, do not continue to contribute content to Twitter, and we are unable to provide users with valuable and timely content, our user base and user engagement may decline. Additionally, if we are not able to address user concerns regarding the safety and security of our products and services or if we are unable to successfully prevent abusive or other hostile behavior on our platform, the size of our user base and user engagement may decline. We rely on the sale of advertising services for the substantial majority of our revenue. If we experience a decline in the number of users or a decline in user engagement, including as a result of the loss of world leaders, government officials, celebrities, athletes, journalists, sports teams, media outlets and brands who generate content on Twitter, advertisers may not view our products and services as attractive for their marketing expenditures, and may reduce their spending with us which would harm our business and operating results.

***We generate the substantial majority of our revenue from advertising. The loss of advertising revenue could harm our business.***

The substantial majority of our revenue is currently generated from third parties advertising on Twitter. We generated 85% and 89% of our revenue from advertising in 2012 and the nine months ended September 30, 2013, respectively. We generate substantially all of our advertising revenue through the sale of our three Promoted Products: Promoted Tweets, Promoted Accounts and Promoted Trends. As is common in the industry, our advertisers do not have long-term advertising commitments with us. In addition, many of our advertisers purchase our advertising services through one of several large advertising agency holding companies. Advertising agencies and potential new advertisers may view our Promoted Products as experimental and unproven, and we may need to devote additional time and resources to educate them about our products and services. Advertisers also may choose to reach users through our free products and services, instead of our Promoted Products. Advertisers will not continue to do business with us, or they will reduce the prices they are

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willing to pay to advertise with us, if we do not deliver ads in an effective manner, or if they do not believe that their investment in advertising with us will generate a competitive return relative to alternatives, including online, mobile and traditional advertising platforms. Our advertising revenue could be adversely affected by a number of other factors, including:

decreases in user engagement with Twitter and with the ads on our platform;

if we are unable to demonstrate the value of our Promoted Products to advertisers and advertising agencies or if we are unable to measure the value of our Promoted Products in a manner which advertisers and advertising agencies find useful;

if our Promoted Products are not cost effective or valuable for certain types of advertisers or if we are unable to develop cost effective or valuable advertising services for different types of advertisers;

if we are unable to convince advertisers and brands to invest resources in learning to use our products and services and maintaining a brand presence on Twitter;

product or service changes we may make that change the frequency or relative prominence of ads displayed on Twitter or that detrimentally impact revenue in the near term with the goal of achieving long term benefits;

our inability to increase advertiser demand and inventory;

our inability to increase the relevance of ads shown to users;

our inability to help advertisers effectively target ads, including as a result of the fact that we do not collect extensive private personally identifiable information directly from our users and that we do not have real-time geographic information for all of our users;

continuing decreases in the cost per ad engagement;

loss of advertising market share to our competitors;

the degree to which users access Twitter content through applications that do not contain our ads;

if we enter into revenue sharing arrangements or other partnerships with third parties;

our new advertising strategies, such as television targeting and real-time video clips embedded in Tweets, do not gain traction;

the impact of new technologies that could block or obscure the display of our ads;

adverse legal developments relating to advertising or measurement tools related to the effectiveness of advertising, including legislative and regulatory developments, and developments in litigation;

adverse media reports or other negative publicity involving us or other companies in our industry;

our inability to create new products and services that sustain or increase the value of our advertising services to both our advertisers and our users;

the impact of fraudulent clicks or spam on our Promoted Products and our users;

changes in the way our advertising is priced; and

the impact of macroeconomic conditions and conditions in the advertising industry in general.

The occurrence of any of these or other factors could result in a reduction in demand for our ads, which may reduce the prices we receive for our ads, either of which would negatively affect our revenue and operating results.

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*If we are unable to compete effectively for users and advertiser spend, our business and operating results could be harmed.*

Competition for users of our products and services is intense. Although we have developed a new global platform for public self-expression and conversation in real time, we face strong competition in our business. We compete against many companies to attract and engage users, including companies which have greater financial resources and substantially larger user bases, such as Facebook (including Instagram), Google, LinkedIn, Microsoft and Yahoo!, which offer a variety of Internet and mobile device-based products, services and content. For example, Facebook operates a social networking site with significantly more users than Twitter and has been introducing features similar to those of Twitter. In addition, Google may use its strong position in one or more markets to gain a competitive advantage over us in areas in which we operate, including by integrating competing features into products or services they control. As a result, our competitors may acquire and engage users at the expense of the growth or engagement of our user base, which would negatively affect our business. We also compete against smaller companies, such as Sina Weibo, LINE and Kakao, each of which is based in Asia.

We believe that our ability to compete effectively for users depends upon many factors both within and beyond our control, including:

the popularity, usefulness, ease of use, performance and reliability of our products and services compared to those of our competitors;

the amount, quality and timeliness of content generated by our users;

the timing and market acceptance of our products and services;

the continued adoption of our products and services internationally;

our ability, and the ability of our competitors, to develop new products and services and enhancements to existing products and services;

the frequency and relative prominence of the ads displayed by us or our competitors;

our ability to establish and maintain relationships with platform partners that integrate with our platform;

changes mandated by, or that we elect to make to address, legislation, regulatory authorities or litigation, including settlements and consent decrees, some of which may have a disproportionate effect on us;

the application of antitrust laws both in the United States and internationally;

government action regulating competition;

our ability to attract, retain and motivate talented employees, particularly engineers, designers and product managers;

acquisitions or consolidation within our industry, which may result in more formidable competitors; and

our reputation and the brand strength relative to our competitors.

We also face significant competition for advertiser spend. The substantial majority of our revenue is currently generated through ads on Twitter, and we compete against online and mobile businesses, including those referenced above, and traditional media outlets, such as television, radio and print, for advertising budgets. In order to grow our revenue and improve our operating results, we must increase our share of spending on advertising relative to our competitors, many of which are larger companies that offer more traditional and widely accepted advertising products. In addition, some of our larger

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competitors have substantially broader product or service offerings and leverage their relationships based on other products or services to gain additional share of advertising budgets.

We believe that our ability to compete effectively for advertiser spend depends upon many factors both within and beyond our control, including:

the size and composition of our user base relative to those of our competitors;

our ad targeting capabilities, and those of our competitors;

the timing and market acceptance of our advertising services, and those of our competitors;

our marketing and selling efforts, and those of our competitors;

the pricing for our Promoted Products relative to the advertising products and services of our competitors;

the return our advertisers receive from our advertising services, and those of our competitors; and

our reputation and the strength of our brand relative to our competitors.

In recent years, there have been significant acquisitions and consolidation by and among our actual and potential competitors. We anticipate this trend of consolidation will continue, which will present heightened competitive challenges for our business. Acquisitions by our competitors may result in reduced functionality of our products and services. For example, following Facebook's acquisition of Instagram, Facebook disabled Instagram's photo integration with Twitter such that Instagram photos are no longer viewable within Tweets and users are now re-directed to Instagram to view Instagram photos through a link within a Tweet. As a result, our users may be less likely to click on links to Instagram photos in Tweets, and Instagram users may be less likely to tweet or remain active users of Twitter. Any similar elimination of integration with Twitter in the future, whether by Facebook or others, may adversely impact our business and operating results.

Consolidation may also enable our larger competitors to offer bundled or integrated products that feature alternatives to our platform. Reduced functionality of our products and services, or our competitors' ability to offer bundled or integrated products that compete directly with us, may cause our user growth, user engagement and ad engagement to decline and advertisers to reduce their spend with us.

If we are not able to compete effectively for users and advertiser spend our business and operating results would be materially and adversely affected.

***Our operating results may fluctuate from quarter to quarter, which makes them difficult to predict.***

Our quarterly operating results have fluctuated in the past and will fluctuate in the future. As a result, our past quarterly operating results are not necessarily indicators of future performance. Our operating results in any given quarter can be influenced by numerous factors, many of which we are unable to predict or are outside of our control, including:

our ability to grow our user base and user engagement;

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our ability to attract and retain advertisers;

the occurrence of planned significant events, such as the Super Bowl, or unplanned significant events, such as natural disasters and political revolutions;

fluctuations in spending by our advertisers, including as a result of seasonality and extraordinary news events, or other factors;

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the number of ad engagements by users;

the pricing of our ads and other products and services;

the development and introduction of new products or services or changes in features of existing products or services;

the impact of competitors or competitive products and services;

our ability to maintain or increase revenue;

our ability to maintain or improve gross margins and operating margins;

increases in research and development, marketing and sales and other operating expenses that we may incur to grow and expand our operations and to remain competitive;

stock-based compensation expense, including in the year we complete this offering;

costs related to the acquisition of businesses, talent, technologies or intellectual property, including potentially significant amortization costs;

system failures resulting in the inaccessibility of our products and services;

breaches of security or privacy, and the costs associated with remediating any such breaches;

adverse litigation judgments, settlements or other litigation-related costs, and the fees associated with investigating and defending claims;

changes in the legislative or regulatory environment, including with respect to security, privacy or enforcement by government regulators, including fines, orders or consent decrees;

fluctuations in currency exchange rates and changes in the proportion of our revenue and expenses denominated in foreign currencies;

changes in U.S. generally accepted accounting principles; and

changes in global business or macroeconomic conditions.

Given our limited operating history and the rapidly evolving markets in which we compete, our historical operating results may not be useful to you in predicting our future operating results. We believe our rapid growth may understate the potential seasonality of our business. As our

revenue growth rate slows, we expect that the seasonality in our business may become more pronounced and may in the future cause our operating results to fluctuate. For example, advertising spending is traditionally seasonally strong in the fourth quarter of each year and we believe that this seasonality affects our quarterly results, which generally reflect higher sequential advertising revenue growth from the third to fourth quarter compared to sequential advertising revenue growth from the fourth quarter to the subsequent first quarter. In addition, global economic concerns continue to create uncertainty and unpredictability and add risk to our future outlook. An economic downturn in any particular region in which we do business or globally could result in reductions in advertising revenue, as our advertisers reduce their advertising budgets, and other adverse effects that could harm our operating results.

***User growth and engagement depend upon effective interoperation with operating systems, networks, devices, web browsers and standards that we do not control.***

We make our products and services available across a variety of operating systems and through websites. We are dependent on the interoperability of our products and services with popular devices, desktop and mobile operating systems and web browsers that we do not control, such as Mac OS, Windows, Android, iOS, Chrome and Firefox. Any changes in such systems, devices or web browsers that degrade the functionality of our products and services or give preferential treatment to competitive

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products or services could adversely affect usage of our products and services. Further, if the number of platforms for which we develop our product expands, it will result in an increase in our operating expenses. In order to deliver high quality products and services, it is important that our products and services work well with a range of operating systems, networks, devices, web browsers and standards that we do not control. In addition, because a majority of our users access our products and services through mobile devices, we are particularly dependent on the interoperability of our products and services with mobile devices and operating systems. We may not be successful in developing relationships with key participants in the mobile industry or in developing products or services that operate effectively with these operating systems, networks, devices, web browsers and standards. In the event that it is difficult for our users to access and use our products and services, particularly on their mobile devices, our user growth and engagement could be harmed, and our business and operating results could be adversely affected.

***If we fail to expand effectively in international markets, our revenue and our business will be harmed.***

We may not be able to monetize our products and services internationally as effectively as in the United States as a result of competition, advertiser demand, differences in the digital advertising market and digital advertising conventions, as well as differences in the way that users in different countries access or utilize our products and services. Differences in the competitive landscape in international markets may impact our ability to monetize our products and services. For example, in South Korea we face intense competition from a messaging service offered by Kakao, which offers some of the same communication features as Twitter. The existence of a well-established competitor in an international market may adversely affect our ability to increase our user base, attract advertisers and monetize our products in such market. We may also experience differences in advertiser demand in international markets. For example, during times of political upheaval, advertisers may choose not to advertise on Twitter. Certain international markets are also not as familiar with digital advertising in general, or in new forms of digital advertising such as our Promoted Products. Further, we face challenges in providing certain advertising products, features or analytics in certain international markets, such as the European Union, due to government regulation. Our products and services may also be used differently abroad than in the United States. In particular, in certain international markets where Internet access is not as rapid or reliable as in the United States, users tend not to take advantage of certain features of our products and services, such as rich media included in Tweets. Additionally, in certain emerging markets, such as India, many users access our products and services through feature phones with limited functionality, rather than through smartphones, our website or desktop applications. This limits our ability to deliver certain features to those users and may limit the ability of advertisers to deliver compelling advertisements to users in these markets which may result in reduced ad engagements which would adversely affect our business and operating results.

If our revenue from our international operations, and particularly from operations in the countries and regions on which we have focused our spending, does not exceed the expense of establishing and maintaining these operations, our business and operating results will suffer. In addition, our user base may expand more rapidly in international regions where we are less successful in monetizing our products and services. As our user base continues to expand internationally, we will need to increase revenue from the activity generated by our international users in order to grow our business. For example, users outside the United States constituted 77% of our average MAUs in the three months ended September 30, 2013, but our international revenue, as determined based on the billing location of our advertisers, was only 26% of our consolidated revenue in the three months ended September 30, 2013. Our inability to successfully expand internationally could adversely affect our business, financial condition and operating results.

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*We have a limited operating history in a new and unproven market for our platform, which makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful.*

We have developed a global platform for public self-expression and conversation in real time, and the market for our products and services is relatively new and may not develop as expected, if at all. People who are not our users may not understand the value of our products and services and new users may initially find our product confusing. There may be a perception that our products and services are only useful to users who tweet, or to influential users with large audiences. Convincing potential new users of the value of our products and services is critical to increasing our user base and to the success of our business.

We have a limited operating history, and only began to generate revenue in 2009 and we started to sell our Promoted Products in 2010, which makes it difficult to effectively assess our future prospects or forecast our future results. You should consider our business and prospects in light of the risks and challenges we encounter or may encounter in this developing and rapidly evolving market. These risks and challenges include our ability to, among other things:

increase our number of users and user engagement;

successfully expand our business, especially internationally;

develop a reliable, scalable, secure, high-performance technology infrastructure that can efficiently handle increased usage globally;

convince advertisers of the benefits of our Promoted Products compared to alternative forms of advertising;

develop and deploy new features, products and services;

successfully compete with other companies, some of which have substantially greater resources and market power than us, that are currently in, or may in the future enter, our industry, or duplicate the features of our products and services;

attract, retain and motivate talented employees, particularly engineers, designers and product managers;

process, store, protect and use personal data in compliance with governmental regulations, contractual obligations and other obligations related to privacy and security;

continue to earn and preserve our users' trust, including with respect to their private personal information; and

defend ourselves against litigation, regulatory, intellectual property, privacy or other claims.

If we fail to educate potential users and potential advertisers about the value of our products and services, if the market for our platform does not develop as we expect or if we fail to address the needs of this market, our business will be harmed. We may not be able to successfully address these risks and challenges or others. Failure to adequately address these risks and challenges could harm our business and cause our operating results to suffer.

*We have incurred significant operating losses in the past, and we may not be able to achieve or subsequently maintain profitability.*

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Since our inception, we have incurred significant operating losses, and, as of September 30, 2013, we had an accumulated deficit of \$483.2 million. Although our revenue has grown rapidly, increasing from \$28.3 million in 2010 to \$316.9 million in 2012, we expect that our revenue growth rate

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will slow in the future as a result of a variety of factors, including the gradual slow down in the growth rate of our user base. We believe that our future revenue growth will depend on, among other factors, our ability to attract new users, increase user engagement and ad engagement, increase our brand awareness, compete effectively, maximize our sales efforts, demonstrate a positive return on investment for advertisers, successfully develop new products and services and expand internationally. Accordingly, you should not rely on the revenue growth of any prior quarterly or annual period as an indication of our future performance. We also expect our costs to increase in future periods as we continue to expend substantial financial resources on:

our technology infrastructure;

research and development for our products and services;

sales and marketing;

domestic and international expansion efforts;

attracting and retaining talented employees;

strategic opportunities, including commercial relationships and acquisitions; and

general administration, including personnel costs and legal and accounting expenses related to being a public company.

These investments may not result in increased revenue or growth in our business.

In addition, we have granted stock options and RSUs to our employees. RSUs granted to domestic employees before February 2013 and all RSUs granted to international employees, or the Pre-2013 RSUs, vest upon the satisfaction of both a service condition and a performance condition. The service condition for a majority of the Pre-2013 RSUs is satisfied over a period of four years. The performance condition will be satisfied on the earlier of (i) the date that is the earlier of (x) six months after the effective date of this offering or (y) March 8th of the calendar year following the effective date of this offering (which we may elect to accelerate to February 15th); and (ii) the date of a change in control. As of September 30, 2013, no stock-based compensation expense had been recognized for the Pre-2013 RSUs because a qualifying event as described above was not probable. In the quarter in which this offering is completed, we will begin recording stock-based compensation expense based on the grant-date fair value of the Pre-2013 RSUs using the accelerated attribution method, net of estimated forfeitures. If this offering had been completed on September 30, 2013, we would have recorded \$385.2 million of cumulative stock-based compensation expense related to the Pre-2013 RSUs on that date, and an additional \$199.6 million of unrecognized stock-based compensation expense related to the Pre-2013 RSUs, net of estimated forfeitures, would be recognized over a weighted-average period of approximately three years. In addition to stock-based compensation expense associated with the Pre-2013 RSUs, as of September 30, 2013, we had unrecognized stock-based compensation expense of approximately \$698.3 million related to other outstanding equity awards, after giving effect to estimated forfeitures, which we expect to recognize over a weighted-average period of approximately four years. Further, we made grants of equity awards after September 30, 2013, and we have unrecognized stock-based compensation expense of \$108.7 million related to such equity awards, after giving effect to estimated forfeitures, which we expect to recognize over a weighted-average period of approximately four years. Following the completion of this offering, the stock-based compensation expense related to Pre-2013 RSUs and other outstanding equity awards will have a significant negative impact on our ability to achieve profitability on a GAAP basis in 2013 and 2014.

If we are unable to generate adequate revenue growth and to manage our expenses, we may continue to incur significant losses in the future and may not be able to achieve or maintain profitability.



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***Our business depends on continued and unimpeded access to our products and services on the Internet by our users and advertisers. If we or our users experience disruptions in Internet service or if Internet service providers are able to block, degrade or charge for access to our products and services, we could incur additional expenses and the loss of users and advertisers.***

We depend on the ability of our users and advertisers to access the Internet. Currently, this access is provided by companies that have significant market power in the broadband and Internet access marketplace, including incumbent telephone companies, cable companies, mobile communications companies, government-owned service providers, device manufacturers and operating system providers, any of whom could take actions that degrade, disrupt or increase the cost of user access to our products or services, which would, in turn, negatively impact our business. For example, access to Twitter is blocked in China. The adoption of any laws or regulations that adversely affect the growth, popularity or use of the Internet, including laws or practices limiting Internet neutrality, could decrease the demand for, or the usage of, our products and services, increase our cost of doing business and adversely affect our operating results. We also rely on other companies to maintain reliable network systems that provide adequate speed, data capacity and security to us and our users. As the Internet continues to experience growth in the number of users, frequency of use and amount of data transmitted, the Internet infrastructure that we and our users rely on may be unable to support the demands placed upon it. The failure of the Internet infrastructure that we or our users rely on, even for a short period of time, could undermine our operations and harm our operating results.

***Our new products, services and initiatives and changes to existing products, services and initiatives could fail to attract users and advertisers or generate revenue.***

Our ability to increase the size and engagement of our user base, attract advertisers and generate revenue will depend in part on our ability to create successful new products and services, both independently and in conjunction with third parties. We may introduce significant changes to our existing products and services or develop and introduce new and unproven products and services, including technologies with which we have little or no prior development or operating experience. For example, in 2013, we introduced Vine, a mobile application that enables users to create and distribute videos that are up to six seconds in length, and #Music, a mobile application that helps users discover new music and artists based on Twitter data. If new or enhanced products or services fail to engage users and advertisers, we may fail to attract or retain users or to generate sufficient revenue or operating profit to justify our investments, and our business and operating results could be adversely affected. In addition, we have launched and expect to continue to launch strategic initiatives, such as the Nielsen Twitter TV Rating, that do not directly generate revenue but which we believe will enhance our attractiveness to users and advertisers. In the future, we may invest in new products, services and initiatives to generate revenue, but there is no guarantee these approaches will be successful. We may not be successful in future efforts to generate revenue from our new products or services. If our strategic initiatives do not enhance our ability to monetize our existing products and services or enable us to develop new approaches to monetization, we may not be able to maintain or grow our revenue or recover any associated development costs and our operating results could be adversely affected.

***Spam could diminish the user experience on our platform, which could damage our reputation and deter our current and potential users from using our products and services.***

Spam on Twitter refers to a range of abusive activities that are prohibited by our terms of service and is generally defined as unsolicited, repeated actions that negatively impact other users with the general goal of drawing user attention to a given account, site, product or idea. This includes posting large numbers of unsolicited mentions of a user, duplicate Tweets, misleading links (e.g., to malware or click-jacking pages) or other false or misleading content, and aggressively following and un-following accounts, adding users to lists, sending invitations, retweeting and favoriting Tweets to

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inappropriately attract attention. Our terms of service also prohibit the creation of serial or bulk accounts, both manually or using automation, for disruptive or abusive purposes, such as to tweet spam or to artificially inflate the popularity of users seeking to promote themselves on Twitter. Although we continue to invest resources to reduce spam on Twitter, we expect spammers will continue to seek ways to act inappropriately on our platform. In addition, we expect that increases in the number of users on our platform will result in increased efforts by spammers to misuse our platform. We continuously combat spam, including by suspending or terminating accounts we believe to be spammers and launching algorithmic changes focused on curbing abusive activities. Our actions to combat spam require the diversion of significant time and focus of our engineering team from improving our products and services. If spam increases on Twitter, this could hurt our reputation for delivering relevant content or reduce user growth and user engagement and result in continuing operational cost to us.

### ***If we fail to effectively manage our growth, our business and operating results could be harmed.***

We continue to experience rapid growth in our headcount and operations, which will continue to place significant demands on our management, operational and financial infrastructure. As of September 30, 2013, we had over 2,300 employees, an increase of over 2,200 employees since January 1, 2010. We intend to continue to make substantial investments to expand our operations, research and development, sales and marketing and general and administrative organizations, as well as our international operations. We face significant competition for employees, particularly engineers, designers and product managers, from other Internet and high-growth companies, which include both publicly-traded and privately-held companies, and we may not be able to hire new employees quickly enough to meet our needs. To attract highly skilled personnel, we have had to offer, and believe we will need to continue to offer, highly competitive compensation packages. In addition, as we have grown, we have significantly expanded our operating lease commitments. As we continue to grow, we are subject to the risks of over-hiring, over-compensating our employees and over-expanding our operating infrastructure, and to the challenges of integrating, developing and motivating a rapidly growing employee base in various countries around the world. In addition, we may not be able to innovate or execute as quickly as a smaller, more efficient organization. If we fail to effectively manage our hiring needs and successfully integrate our new hires, our efficiency and ability to meet our forecasts and our employee morale, productivity and retention could suffer, and our business and operating results could be adversely affected.

Providing our products and services to our users is costly and we expect our expenses to continue to increase in the future as we broaden our user base and increase user engagement, as users increase the amount of content they contribute, and as we develop and implement new features, products and services that require more infrastructure, such as our mobile video product, Vine. In addition, our operating expenses, such as our research and development expenses and sales and marketing expenses, have grown rapidly as we have expanded our business. Historically, our costs have increased each year due to these factors and we expect to continue to incur increasing costs to support our anticipated future growth. We expect to continue to invest in our infrastructure in order to enable us to provide our products and services rapidly and reliably to users around the world, including in countries where we do not expect significant near-term monetization. Continued growth could also strain our ability to maintain reliable service levels for our users and advertisers, develop and improve our operational, financial, legal and management controls, and enhance our reporting systems and procedures. As a public company we will incur significant legal, accounting and other expenses that we did not incur as a private company. Our expenses may grow faster than our revenue, and our expenses may be greater than we anticipate. Managing our growth will require significant expenditures and allocation of valuable management resources. If we fail to achieve the necessary level of efficiency in our organization as it grows, our business, operating results and financial condition would be harmed.

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***Our business and operating results may be harmed by a disruption in our service, or by our failure to timely and effectively scale and adapt our existing technology and infrastructure.***

One of the reasons people come to Twitter is for real-time information. We have experienced, and may in the future experience, service disruptions, outages and other performance problems due to a variety of factors, including infrastructure changes, human or software errors, hardware failure, capacity constraints due to an overwhelming number of people accessing our products and services simultaneously, computer viruses and denial of service or fraud or security attacks. Although we are investing significantly to improve the capacity, capability and reliability of our infrastructure, we are not currently serving traffic equally through our co-located data centers that support our platform. Accordingly, in the event of a significant issue at the data center supporting most of our network traffic, some of our products and services may become inaccessible to the public or the public may experience difficulties accessing our products and services. For example, in July 2012, due to the failure of two parallel systems at nearly the same time in one of our data centers, Twitter became inaccessible for approximately two hours. Any disruption or failure in our infrastructure could hinder our ability to handle existing or increased traffic on our platform, which could significantly harm our business.

As the number of our users increases and our users generate more content, including photos and videos hosted by Twitter, we may be required to expand and adapt our technology and infrastructure to continue to reliably store, serve and analyze this content. It may become increasingly difficult to maintain and improve the performance of our products and services, especially during peak usage times, as our products and services become more complex and our user traffic increases. In addition, because we lease our data center facilities, we cannot be assured that we will be able to expand our data center infrastructure to meet user demand in a timely manner, or on favorable economic terms. If our users are unable to access Twitter or we are not able to make information available rapidly on Twitter, users may seek other channels to obtain the information, and may not return to Twitter or use Twitter as often in the future, or at all. This would negatively impact our ability to attract users and advertisers and increase engagement of our users. We expect to continue to make significant investments to maintain and improve the capacity, capability and reliability of our infrastructure. To the extent that we do not effectively address capacity constraints, upgrade our systems as needed and continually develop our technology and infrastructure to accommodate actual and anticipated changes in technology, our business and operating results may be harmed.

***Action by governments to restrict access to our products and services or censor Twitter content could harm our business and operating results.***

Governments have sought, and may in the future seek, to censor content available through our products and services, restrict access to our products and services from their country entirely or impose other restrictions that may affect the accessibility of our products and services for an extended period of time or indefinitely. For example, domestic Internet service providers in China have blocked access to Twitter, and other countries, including Iran, Libya, Pakistan and Syria, have intermittently restricted access to Twitter, and we believe that access to Twitter has been blocked in these countries primarily for political reasons. In addition, governments in other countries may seek to restrict access to our products and services if they consider us to be in violation of their laws. In the event that access to our products and services is restricted, in whole or in part, in one or more countries or our competitors are able to successfully penetrate geographic markets that we cannot access, our ability to retain or increase our user base and user engagement may be adversely affected, and our operating results may be harmed.

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### ***If we are unable to maintain and promote our brand, our business and operating results may be harmed.***

We believe that maintaining and promoting our brand is critical to expanding our base of users and advertisers. Maintaining and promoting our brand will depend largely on our ability to continue to provide useful, reliable and innovative products and services, which we may not do successfully. We may introduce new features, products, services or terms of service that users, platform partners or advertisers do not like, which may negatively affect our brand. Additionally, the actions of platform partners may affect our brand if users do not have a positive experience using third-party applications or websites integrated with Twitter or that make use of Twitter content. Our brand may also be negatively affected by the actions of users that are hostile or inappropriate to other people, by users impersonating other people, by users identified as spam, by users introducing excessive amounts of spam on our platform or by third parties obtaining control over users' accounts. For example, in April 2013, attackers obtained the credentials to the Twitter account of the Associated Press news service through a phishing attack targeting Associated Press employees. The attackers posted an erroneous Tweet from the Associated Press account reporting that there had been explosions at the White House, triggering a stock market decline, and focusing media attention on our brand and security efforts. Maintaining and enhancing our brand may require us to make substantial investments and these investments may not achieve the desired goals. If we fail to successfully promote and maintain our brand or if we incur excessive expenses in this effort, our business and operating results could be adversely affected.

### ***Negative publicity could adversely affect our business and operating results.***

We receive a high degree of media coverage around the world. Negative publicity about our company, including about our product quality and reliability, changes to our products and services, privacy and security practices, litigation, regulatory activity, the actions of our users or user experience with our products and services, even if inaccurate, could adversely affect our reputation and the confidence in and the use of our products and services. For example, service outages on Twitter typically result in widespread media reports. Such negative publicity could also have an adverse effect on the size, engagement and loyalty of our user base and result in decreased revenue, which could adversely affect our business and operating results.

### ***Our future performance depends in part on support from platform partners and data partners.***

We believe user engagement with our products and services depends in part on the availability of applications and content generated by platform partners. Beginning in 2012, we launched Twitter Cards, which allow platform partners to ensure that whenever they or any user tweets from their websites or applications, the Tweet will automatically include rich content like a photo, a video, a sound clip, an article summary or information about a product, and make it instantly accessible to any other user on Twitter. Twitter Cards allow platform partners to create lightweight interactive applications to promote their content or their products. The availability and development of these applications and content depends on platform partners' perceptions and analysis of the relative benefits of developing applications and content for our products and services. If platform partners focus their efforts on other platforms, the availability and quality of applications and content for our products and services may suffer. There is no assurance that platform partners will continue to develop and maintain applications and content for our products and services. If platform partners cease to develop and maintain applications and content for our products and services, user engagement may decline. In addition, we generate revenue from licensing our historical and real-time data to third parties. If any of these relationships are terminated or not renewed, or if we are unable to enter into similar relationships in the future, our operating results could be adversely affected.

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### ***We focus on product innovation and user engagement rather than short-term operating results.***

We encourage employees to quickly develop and help us launch new and innovative features. We focus on improving the user experience for our products and services and on developing new and improved products and services for the advertisers on our platform. We prioritize innovation and the experience for users and advertisers on our platform over short-term operating results. We frequently make product and service decisions that may reduce our short-term operating results if we believe that the decisions are consistent with our goals to improve the user experience and performance for advertisers, which we believe will improve our operating results over the long term. These decisions may not be consistent with the short-term expectations of investors and may not produce the long-term benefits that we expect, in which case our user growth and user engagement, our relationships with advertisers and our business and operating results could be harmed. In addition, our focus on the user experience may negatively impact our relationships with our existing or prospective advertisers. This could result in a loss of advertisers, which could harm our revenue and operating results.

### ***Our international operations are subject to increased challenges and risks.***

We have offices around the world and our products and services are available in multiple languages. We expect to continue to expand our international operations in the future by opening offices in new jurisdictions and expanding our offerings in new languages. However, we have limited operating history outside the United States, and our ability to manage our business and conduct our operations internationally requires considerable management attention and resources and is subject to the particular challenges of supporting a rapidly growing business in an environment of multiple languages, cultures, customs, legal and regulatory systems, alternative dispute systems and commercial markets. International expansion has required and will continue to require us to invest significant funds and other resources. Operating internationally subjects us to new risks and may increase risks that we currently face, including risks associated with:

recruiting and retaining talented and capable employees in foreign countries and maintaining our company culture across all of our offices;

providing our products and services and operating across a significant distance, in different languages and among different cultures, including the potential need to modify our products, services, content and features to ensure that they are culturally relevant in different countries;

increased competition from local websites, mobile applications and services that provide real-time communications, such as Sina Weibo in China, LINE in Japan and Kakao in South Korea, which have expanded and may continue to expand their geographic footprint;

differing and potentially lower levels of user growth, user engagement and ad engagement in new and emerging geographies;

different levels of advertiser demand;

greater difficulty in monetizing our products and services;

compliance with applicable foreign laws and regulations, including laws and regulations with respect to privacy, consumer protection, spam and content, and the risk of penalties to our users and individual members of management if our practices are deemed to be out of compliance;

longer payment cycles in some countries;

credit risk and higher levels of payment fraud;

operating in jurisdictions that do not protect intellectual property rights to the same extent as the United States;

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compliance with anti-bribery laws including, without limitation, compliance with the Foreign Corrupt Practices Act and the U.K. Bribery Act, including by our business partners;

currency exchange rate fluctuations;

foreign exchange controls that might require significant lead time in setting up operations in certain geographic territories and might prevent us from repatriating cash earned outside the United States;

political and economic instability in some countries;

double taxation of our international earnings and potentially adverse tax consequences due to changes in the tax laws of the United States or the foreign jurisdictions in which we operate; and

higher costs of doing business internationally, including increased accounting, travel, infrastructure and legal compliance costs. If we are unable to manage the complexity of our global operations successfully, our business, financial condition and operating results could be adversely affected.

### ***Our products and services may contain undetected software errors, which could harm our business and operating results.***

Our products and services incorporate complex software and we encourage employees to quickly develop and help us launch new and innovative features. Our software has contained, and may now or in the future contain, errors, bugs or vulnerabilities. For example, we experienced a service outage in June 2012 during which Twitter service was inaccessible for approximately two hours as a result of a cascading software bug in one of our infrastructure components. Some errors in our software code may only be discovered after the product or service has been released. Any errors, bugs or vulnerabilities discovered in our code after release could result in damage to our reputation, loss of users, loss of platform partners, loss of advertisers or advertising revenue or liability for damages, any of which could adversely affect our business and operating results.

### ***Our business is subject to complex and evolving U.S. and foreign laws and regulations. These laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to our business practices, monetary penalties, increased cost of operations or declines in user growth, user engagement or ad engagement, or otherwise harm our business.***

We are subject to a variety of laws and regulations in the United States and abroad that involve matters central to our business, including privacy, rights of publicity, data protection, content regulation, intellectual property, competition, protection of minors, consumer protection and taxation. Many of these laws and regulations are still evolving and being tested in courts and could be interpreted or applied in ways that could harm our business, particularly in the new and rapidly evolving industry in which we operate. The introduction of new products or services may subject us to additional laws and regulations. In addition, foreign data protection, privacy, consumer protection, content regulation and other laws and regulations are often more restrictive than those in the United States. In particular, the European Union and its member states traditionally have taken broader views as to types of data that are subject to privacy and data protection, and have imposed greater legal obligations on companies in this regard. A number of proposals are pending before federal, state and foreign legislative and regulatory bodies that could significantly affect our business. For example, regulation relating to the 1995 European Union Data Protection Directive is currently being considered by European legislative bodies that may include more stringent operational requirements for entities processing personal information and significant penalties for non-compliance. Similarly, there have been a number of recent legislative proposals in the United States, at both the federal and state level, that would impose new

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obligations in areas such as privacy and liability for copyright infringement by third parties. The U.S. government, including the Federal Trade Commission, or the FTC, and the Department of Commerce, has announced that it is reviewing the need for greater regulation for the collection of information concerning user behavior on the Internet, including regulation aimed at restricting certain online tracking and targeted advertising practices. Additionally, recent amendments to U.S. patent laws may affect the ability of companies, including us, to protect their innovations and defend against claims of patent infringement. We currently allow use of our platform without the collection of extensive personal information, such as age. We may experience additional pressure to expand our collection of personal information in order to comply with new and additional regulatory demands or we may independently decide to do so. Having additional personal information may subject us to additional regulation. Further, it is difficult to predict how existing laws and regulations will be applied to our business and the new laws and regulations to which we may become subject, and it is possible that they may be interpreted and applied in a manner that is inconsistent with our practices. These existing and proposed laws and regulations can be costly to comply with and can delay or impede the development of new products and services, result in negative publicity, significantly increase our operating costs, require significant time and attention of management and technical personnel and subject us to inquiries or investigations, claims or other remedies, including fines or demands that we modify or cease existing business practices.

***Regulatory investigations and settlements could cause us to incur additional expenses or change our business practices in a manner materially adverse to our business.***

We have been subject to regulatory investigations in the past, and expect to continue to be subject to regulatory scrutiny as our business grows and awareness of our brand increases. In March 2011, to resolve an investigation into various incidents, we entered into a settlement agreement with the FTC that, among other things, requires us to establish an information security program designed to protect non-public consumer information and also requires that we obtain biennial independent security assessments. The obligations under the settlement agreement remain in effect until the latter of March 2, 2031, or the date 20 years after the date, if any, on which the U.S. government or the FTC files a complaint in federal court alleging any violation of the order. We expect to continue to be the subject of regulatory inquiries, investigations and audits in the future by the FTC and other regulators around the world.

It is possible that a regulatory inquiry, investigation or audit might result in changes to our policies or practices, and may cause us to incur substantial costs or could result in reputational harm, prevent us from offering certain products, services, features or functionalities, cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business. Violation of existing or future regulatory orders, settlements or consent decrees could subject us to substantial monetary fines and other penalties that could negatively affect our financial condition and operating results.

***Even though Twitter is a global platform for public self-expression and conversation, user trust regarding privacy is important to the growth of users and the increase in user engagement on our platform, and privacy concerns relating to our products and services could damage our reputation and deter current and potential users and advertisers from using Twitter.***

From time to time, concerns have been expressed by governments, regulators and others about whether our products, services or practices compromise the privacy of users and others. Concerns about, governmental or regulatory actions involving our practices with regard to the collection, use, disclosure or security of personal information or other privacy-related matters, even if unfounded, could damage our reputation, cause us to lose users and advertisers and adversely affect our operating results. While we strive to comply with applicable data protection laws and regulations, as well as our

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own posted privacy policies and other obligations we may have with respect to privacy and data protection, the failure or perceived failure to comply may result, and in some cases has resulted, in inquiries and other proceedings or actions against us by governments, regulators or others, as well as negative publicity and damage to our reputation and brand, each of which could cause us to lose users and advertisers, which could have an adverse effect on our business.

Any systems failure or compromise of our security that results in the unauthorized access to or release of our users' or advertisers' data could significantly limit the adoption of our products and services, as well as harm our reputation and brand and, therefore, our business. We expect to continue to expend significant resources to protect against security breaches. The risk that these types of events could seriously harm our business is likely to increase as we expand the number of products and services we offer, increase the size of our user base and operate in more countries.

Governments and regulators around the world are considering a number of legislative and regulatory proposals concerning data protection. In addition, the interpretation and application of consumer and data protection laws or regulations in the United States, Europe and elsewhere are often uncertain and in flux, and in some cases, laws or regulations in one country may be inconsistent with, or contrary to, those of another country. It is possible that these laws and regulations may be interpreted and applied in a manner that is inconsistent with our practices. If so, in addition to the possibility of fines, this could result in an order requiring that we change our practices, which could have an adverse effect on our business and operating results. Complying with new laws and regulations could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business.

***If our security measures are breached, or if our products and services are subject to attacks that degrade or deny the ability of users to access our products and services, our products and services may be perceived as not being secure, users and advertisers may curtail or stop using our products and services and our business and operating results could be harmed.***

Our products and services involve the storage and transmission of users' and advertisers' information, and security breaches expose us to a risk of loss of this information, litigation and potential liability. We experience cyber-attacks of varying degrees on a regular basis, and as a result, unauthorized parties have obtained, and may in the future obtain, access to our data or our users' or advertisers' data. For example, in February 2013, we disclosed that sophisticated unknown third parties had attacked our systems and may have had access to limited information for approximately 250,000 users. Our security measures may also be breached due to employee error, malfeasance or otherwise. Additionally, outside parties may attempt to fraudulently induce employees, users or advertisers to disclose sensitive information in order to gain access to our data or our users' or advertisers' data or accounts, or may otherwise obtain access to such data or accounts. Since our users and advertisers may use their Twitter accounts to establish and maintain online identities, unauthorized communications from Twitter accounts that have been compromised may damage their reputations and brands as well as ours. Any such breach or unauthorized access could result in significant legal and financial exposure, damage to our reputation and a loss of confidence in the security of our products and services that could have an adverse effect on our business and operating results. Because the techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. If an actual or perceived breach of our security occurs, the market perception of the effectiveness of our security measures could be harmed, we could lose users and advertisers and we may incur significant legal and financial exposure, including legal claims and regulatory fines and penalties. Any of these actions could have a material and adverse effect on our business, reputation and operating results.

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*We may face lawsuits or incur liability as a result of content published or made available through our products and services.*

We have faced and will continue to face claims relating to content that is published or made available through our products and services or third party products or services. In particular, the nature of our business exposes us to claims related to defamation, intellectual property rights, rights of publicity and privacy, illegal content, content regulation and personal injury torts. The law relating to the liability of providers of online products or services for activities of their users remains somewhat unsettled, both within the United States and internationally. This risk may be enhanced in certain jurisdictions outside the United States where we may be less protected under local laws than we are in the United States. In addition, the public nature of communications on our network exposes us to risks arising from the creation of impersonation accounts intended to be attributed to our users or advertisers. We could incur significant costs investigating and defending these claims. If we incur costs or liability as a result of these events occurring, our business, financial condition and operating results could be adversely affected.

*Our intellectual property rights are valuable, and any inability to protect them could reduce the value of our products, services and brand.*

Our trade secrets, trademarks, copyrights, patents and other intellectual property rights are important assets for us. We rely on, and expect to continue to rely on, a combination of confidentiality and license agreements with our employees, consultants and third parties with whom we have relationships, as well as trademark, trade dress, domain name, copyright, trade secret and patent laws, to protect our brand and other intellectual property rights. However, various events outside of our control pose a threat to our intellectual property rights, as well as to our products, services and technologies. For example, we may fail to obtain effective intellectual property protection, or effective intellectual property protection may not be available in every country in which our products and services are available. Also, the efforts we have taken to protect our intellectual property rights may not be sufficient or effective, and any of our intellectual property rights may be challenged, which could result in them being narrowed in scope or declared invalid or unenforceable. There can be no assurance our intellectual property rights will be sufficient to protect against others offering products or services that are substantially similar to ours and compete with our business.

We rely on non-patented proprietary information and technology, such as trade secrets, confidential information, know-how and technical information. While in certain cases we have agreements in place with employees and third parties that place restrictions on the use and disclosure of this intellectual property, these agreements may be breached, or this intellectual property may otherwise be disclosed or become known to our competitors, which could cause us to lose any competitive advantage resulting from this intellectual property.

We are pursuing registration of trademarks and domain names in the United States and in certain jurisdictions outside of the United States. Effective protection of trademarks and domain names is expensive and difficult to maintain, both in terms of application and registration costs as well as the costs of defending and enforcing those rights. We may be required to protect our rights in an increasing number of countries, a process that is expensive and may not be successful or which we may not pursue in every country in which our products and services are distributed or made available.

We are party to numerous agreements that grant licenses to third parties to use our intellectual property, including our trademarks. For example, many third parties distribute their content through Twitter, or embed Twitter content in their applications or on their websites, and make use of our trademarks in connection with their services. If the licensees of our trademarks are not using our trademarks properly, it may limit our ability to protect our trademarks and could ultimately result in our

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trademarks being declared invalid or unenforceable. We have a policy designed to assist third parties in the proper use of our brand, trademarks and other assets, and we have an internal team dedicated to enforcing our policy and protecting our brand. Our brand protection team routinely receives and reviews reports of improper and unauthorized use of the Twitter brand, trademarks or assets and issues takedown notices or initiates discussions with the third parties to correct the issues. However, there can be no assurance that we will be able to protect against the unauthorized use of our brand, trademarks or other assets. If we fail to maintain and enforce our trademark rights, the value of our brand could be diminished. There is also a risk that one or more of our trademarks could become generic, which could result in them being declared invalid or unenforceable. For example, there is a risk that the word "Tweet" could become so commonly used that it becomes synonymous with any short comment posted publicly on the Internet, and if this happens, we could lose protection of this trademark.

We also seek to obtain patent protection for some of our technology and as of September 30, 2013, we had 9 issued U.S. patents and approximately 95 patent applications on file in the United States and abroad, although there can be no assurance that these applications will be ultimately issued as patents. We may be unable to obtain patent or trademark protection for our technologies and brands, and our existing patents and trademarks, and any patents or trademarks that may be issued in the future, may not provide us with competitive advantages or distinguish our products and services from those of our competitors. In addition, any patents and trademarks may be contested, circumvented, or found unenforceable or invalid, and we may not be able to prevent third parties from infringing, diluting or otherwise violating them. Effective protection of patent rights is expensive and difficult to maintain, both in terms of application and maintenance costs, as well as the costs of defending and enforcing those rights.

Our Innovator's Patent Agreement, or IPA, also limits our ability to prevent infringement of our patents. In May 2013, we implemented the IPA, which we enter into with our employees and consultants, including our founders. The IPA, which applies to our current and future patents, allows us to assert our patents defensively. The IPA also allows us to assert our patents offensively with the permission of the inventors of the applicable patent. Under the IPA, an assertion of claims is considered for a defensive purpose if the claims are asserted: (i) against an entity that has filed, maintained, threatened or voluntarily participated in a patent infringement lawsuit against us or any of our users, affiliates, customers, suppliers or distributors; (ii) against an entity that has used its patents offensively against any other party in the past ten years, so long as the entity has not instituted the patent infringement lawsuit defensively in response to a patent litigation threat against the entity; or (iii) otherwise to deter a patent litigation threat against us or our users, affiliates, customers, suppliers or distributors. In addition, the IPA provides that the above limitations apply to any future owner or exclusive licensee of any of our patents, which could limit our ability to sell or license our patents to third parties. While we may be able to claim protection of our intellectual property under other rights, such as trade secrets or contractual obligations with our employees not to disclose or use confidential information, we may be unable to assert our patent rights against third parties that we believe are infringing our patents, even if such third parties are developing products and services that compete with our products and services. For example, in the event that an inventor of one of our patents leaves us for another company and uses our patented technology to compete with us, we would not be able to assert that patent against such other company unless the assertion of the patent right is for a defensive purpose. In such event, we may be limited in our ability to assert a patent right against another company, and instead would need to rely on trade secret protection or the contractual obligation of the inventor to us not to disclose or use our confidential information. In addition, the terms of the IPA could affect our ability to monetize our intellectual property portfolio.

Significant impairments of our intellectual property rights, and limitations on our ability to assert our intellectual property rights against others, could harm our business and our ability to compete.

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Also, obtaining, maintaining and enforcing our intellectual property rights is costly and time consuming. Any increase in the unauthorized use of our intellectual property could make it more expensive to do business and harm our operating results.

*We are currently, and expect to be in the future, party to intellectual property rights claims that are expensive and time consuming to defend, and, if resolved adversely, could have a significant impact on our business, financial condition or operating results.*

Companies in the Internet, technology and media industries own large numbers of patents, copyrights, trademarks and trade secrets, and frequently enter into litigation based on allegations of infringement, misappropriation or other violations of intellectual property or other rights. Many companies in these industries, including many of our competitors, have substantially larger patent and intellectual property portfolios than we do, which could make us a target for litigation as we may not be able to assert counterclaims against parties that sue us for patent, or other intellectual property infringement. In addition, various non-practicing entities that own patents and other intellectual property rights often attempt to aggressively assert claims in order to extract value from technology companies. From time to time we receive claims from third parties which allege that we have infringed upon their intellectual property rights. In this regard, we recently received a letter from International Business Machines Corporation, or IBM, alleging that we infringe on at least three U.S. patents held by IBM, and inviting us to negotiate a business resolution of the allegations. The three patents specifically identified by IBM in the letter were U.S. Patent No. 6,957,224: Efficient retrieval of uniform resource locators, U.S. Patent No. 7,072,849: Method for presenting advertising in an interactive service and U.S. Patent No. 7,099,862: Programmatic discovery of common contacts. Based upon our preliminary review of these patents, we believe we have meritorious defenses to IBM's allegations, although there can be no assurance that we will be successful in defending against these allegations or reaching a business resolution that is satisfactory to us. Further, from time to time we may introduce new products and services, including in areas where we currently do not have an offering, which could increase our exposure to patent and other intellectual property claims from competitors and non-practicing entities. In addition, although our standard terms and conditions for our Promoted Products and public APIs do not provide advertisers and platform partners with indemnification for intellectual property claims against them, some of our agreements with advertisers, platform partners and data partners require us to indemnify them for certain intellectual property claims against them, which could require us to incur considerable costs in defending such claims, and may require us to pay significant damages in the event of an adverse ruling. Such advertisers, platform partners and data partners may also discontinue use of our products, services and technologies as a result of injunctions or otherwise, which could result in loss of revenue and adversely impact our business.

We presently are involved in a number of intellectual property lawsuits, and as we face increasing competition and gain an increasingly high profile, we expect the number of patent and other intellectual property claims against us to grow. There may be intellectual property or other rights held by others, including issued or pending patents, that cover significant aspects of our products and services, and we cannot be sure that we are not infringing or violating, and have not infringed or violated, any third-party intellectual property rights or that we will not be held to have done so or be accused of doing so in the future. Any claim or litigation alleging that we have infringed or otherwise violated intellectual property or other rights of third parties, with or without merit, and whether or not settled out of court or determined in our favor, could be time-consuming and costly to address and resolve, and could divert the time and attention of our management and technical personnel. Some of our competitors have substantially greater resources than we do and are able to sustain the costs of complex intellectual property litigation to a greater degree and for longer periods of time than we could. The outcome of any litigation is inherently uncertain, and there can be no assurances that favorable final outcomes will be obtained in all cases. In addition, plaintiffs may seek, and we may become subject to, preliminary or provisional rulings in the course of any such litigation, including potential preliminary injunctions

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requiring us to cease some or all of our operations. We may decide to settle such lawsuits and disputes on terms that are unfavorable to us. Similarly, if any litigation to which we are a party is resolved adversely, we may be subject to an unfavorable judgment that may not be reversed upon appeal. The terms of such a settlement or judgment may require us to cease some or all of our operations or pay substantial amounts to the other party. In addition, we may have to seek a license to continue practices found to be in violation of a third party's rights. If we are required, or choose to enter into royalty or licensing arrangements, such arrangements may not be available on reasonable terms, or at all, and may significantly increase our operating costs and expenses. As a result, we may also be required to develop or procure alternative non-infringing technology or discontinue use of the technology. The development or procurement of alternative non-infringing technology could require significant effort and expense or may not be feasible. An unfavorable resolution of the disputes and litigation referred to above could adversely affect our business, financial condition and operating results.

***Many of our products and services contain open source software, and we license some of our software through open source projects, which may pose particular risks to our proprietary software, products, and services in a manner that could have a negative effect on our business.***

We use open source software in our products and services and will use open source software in the future. In addition, we regularly contribute software source code to open source projects under open source licenses or release internal software projects under open source licenses, and anticipate doing so in the future. The terms of many open source licenses to which we are subject have not been interpreted by U.S. or foreign courts, and there is a risk that open source software licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to provide or distribute our products or services. Additionally, we may from time to time face claims from third parties claiming ownership of, or demanding release of, the open source software or derivative works that we developed using such software, which could include our proprietary source code, or otherwise seeking to enforce the terms of the applicable open source license. These claims could result in litigation and could require us to make our software source code freely available, purchase a costly license or cease offering the implicated products or services unless and until we can re-engineer them to avoid infringement. This re-engineering process could require significant additional research and development resources, and we may not be able to complete it successfully. In addition to risks related to license requirements, use of certain open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of software. Additionally, because any software source code we contribute to open source projects is publicly available, our ability to protect our intellectual property rights with respect to such software source code may be limited or lost entirely, and we are unable to prevent our competitors or others from using such contributed software source code. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could have a negative effect on our business, financial condition and operating results.

***We may expend substantial funds in connection with the tax liabilities that arise upon the initial settlement of RSUs in connection with this offering, and the manner in which we fund that expenditure may have an adverse effect on our financial condition.***

We may expend substantial funds to satisfy tax withholding and remittance obligations when we settle a portion of our RSUs granted prior to the date of this prospectus. Pre-2013 RSUs vest upon the satisfaction of both a service condition and a performance condition. The service condition for the majority of the Pre-2013 RSUs is satisfied over a period of four years. The performance condition in connection with our Pre-2013 RSUs will be satisfied on the earlier of (i) the date that is the earlier of (x) six months after the effective date of this offering or (y) March 8th of the calendar year following the effective date of this offering (which we may elect to accelerate to February 15th); and (ii) the date of a

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change in control. On the settlement dates for the Pre-2013 RSUs, we may choose to allow our employees who are not executive officers to sell shares of our common stock received upon the vesting and settlement of Pre-2013 RSUs in the public market to satisfy their income tax obligations related to the vesting and settlement of such awards, or we may withhold shares and remit income taxes on behalf of the holders of the Pre-2013 RSUs at the applicable minimum statutory rates, which we refer to as a net settlement. We expect the applicable minimum statutory rates to be approximately 40% on average, and the income taxes due would be based on the then-current value of the underlying shares of our common stock. Based on the number of Pre-2013 RSUs outstanding as of September 30, 2013 for which the service condition had been satisfied on that date, and assuming (i) the performance condition had been satisfied on that date and (ii) that the price of our common stock at the time of settlement was equal to \$26.00, which is the initial public offering price per share, we estimate that this tax obligation on the initial settlement date would be approximately \$123.3 million in the aggregate. The amount of this obligation could be higher or lower, depending on the price of shares of our common stock, and the actual number of Pre-2013 RSUs outstanding for which the service condition has been satisfied, on the initial settlement date for the Pre-2013 RSUs. To settle these Pre-2013 RSUs on the initial settlement date, assuming a 40% tax withholding rate, if we choose to undertake a net settlement of all of these awards rather than allowing our employees who are not executive officers to sell shares of our common stock in the public market to satisfy their income tax obligations related to the vesting and settlement of Pre-2013 RSUs, we would expect to deliver an aggregate of approximately 7.1 million shares of our common stock to Pre-2013 RSU holders after withholding an aggregate of approximately 4.8 million shares of our common stock. In connection with these net settlements, we would withhold and remit the tax liabilities on behalf of the Pre-2013 RSU holders to the relevant tax authorities in cash.

If we choose to undertake a net settlement of our Pre-2013 RSUs, then in order to fund the tax withholding and remittance obligations on behalf of our Pre-2013 RSU holders, we would expect to use a substantial portion of our cash and cash equivalent balances, or, alternatively, we may choose to borrow funds or a combination of cash and borrowed funds to satisfy these obligations.

***We may require additional capital to support our operations or the growth of our business, and we cannot be certain that this capital will be available on reasonable terms when required, or at all.***

From time to time, we may need additional financing to operate or grow our business. Our ability to obtain additional financing, if and when required, will depend on investor and lender demand, our operating performance, the condition of the capital markets and other factors, and we cannot assure you that additional financing will be available to us on favorable terms when required, or at all. If we raise additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences or privileges senior to the rights of our common stock, and our existing stockholders may experience dilution. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support the operation or growth of our business could be significantly impaired and our operating results may be harmed.

***We rely on assumptions and estimates to calculate certain of our key metrics, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.***

The numbers of our active users and timeline views are calculated using internal company data that has not been independently verified. While these numbers are based on what we believe to be reasonable calculations 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 currently estimate that

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false or spam accounts represent less than 5% of our MAUs. However, this estimate is based on an internal review of a sample of accounts and we apply significant judgment in making this determination. As such, 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 currently 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, but we otherwise 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 mobile applications that automatically contact our servers for regular updates with no user action involved, and this activity can cause our system to count the user associated with such a device as an active user on the day such contact occurs. The calculations of MAUs presented in this prospectus may be affected by this activity. The impact of this automatic activity on our metrics varies by geography because mobile application usage varies in different regions of the world. In addition, our data regarding user geographic location is based on the IP address associated with the account when a user initially registered the account on Twitter. The IP address may not always accurately reflect a user's actual location at the time of user engagement on our platform.

We present and discuss timeline views in the nine months ended September 30, 2012, but we did not track all of the timeline views on our mobile applications during the three months ended March 31, 2012. We have included in this prospectus estimates for actual timeline views in the three months ended March 31, 2012 for the mobile applications we did not track. In addition, we have estimated a small percentage of the timeline views in the three months ended September 30, 2013 to account for certain timeline views that were logged incorrectly during the quarter as a result of a product update. We believe these estimates to be reasonable, but actual numbers could differ from our estimates. Further, timeline views in the nine months ended September 30, 2012 exclude an immaterial number of timeline views in our mobile applications, certain of which were not fully tracked until June 2012.

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. If advertisers, platform partners or investors do not perceive our user metrics to be accurate representations of our user base or user engagement, or if we discover material inaccuracies in our user metrics, our reputation may be harmed and advertisers and platform partners may be less willing to allocate their budgets or resources to our products and services, which could negatively affect our business and operating results.

***We depend on highly skilled personnel to grow and operate our business, and if we are unable to hire, retain and motivate our personnel, we may not be able to grow effectively.***

Our future success will depend upon our continued ability to identify, hire, develop, motivate and retain highly skilled personnel, including senior management, engineers, designers and product managers. Our ability to execute efficiently is dependent upon contributions from our employees, in particular our senior management team. We do not have employment agreements other than offer letters with any member of our senior management or other key employee, and we do not maintain key person life insurance for any employee. In addition, from time to time, there may be changes in our senior management team that may be disruptive to our business. If our senior management team, including any new hires that we may make, fails to work together effectively and to execute our plans and strategies on a timely basis, our business could be harmed.

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Our growth strategy also depends on our ability to expand and retain our organization with highly skilled personnel. Identifying, recruiting, training and integrating qualified individuals will require significant time, expense and attention. In addition to hiring new employees, we must continue to focus on retaining our best employees. Many of our employees may be able to receive significant proceeds from sales of our equity in the public markets after this offering, which may reduce their motivation to continue to work for us. Competition for highly skilled personnel is intense, particularly in the San Francisco Bay Area, where our headquarters is located. We may need to invest significant amounts of cash and equity to attract and retain new employees and we may never realize returns on these investments. If we are not able to effectively add and retain employees, our ability to achieve our strategic objectives will be adversely impacted, and our business will be harmed.

***Our corporate culture has contributed to our success, and if we cannot maintain this culture as we grow, we could lose the innovation, creativity and teamwork fostered by our culture, and our business may be harmed.***

We believe that our culture has been and will continue to be a key contributor to our success. From January 1, 2010 to September 30, 2013, we increased the size of our workforce by more than 2,200 employees, and we expect to continue to hire aggressively as we expand. If we do not continue to develop our corporate culture or maintain our core values as we grow and evolve, we may be unable to foster the innovation, creativity and teamwork we believe we need to support our growth. Moreover, liquidity available to our employee securityholders following this offering could lead to disparities of wealth among our employees, which could adversely impact relations among employees and our culture in general. Our transition from a private company to a public company may result in a change to our corporate culture, which could harm our business.

***We rely in part on application marketplaces and Internet search engines to drive traffic to our products and services, and if we fail to appear high up in the search results or rankings, traffic to our platform could decline and our business and operating results could be adversely affected.***

We rely on application marketplaces, such as Apple's App Store and Google's Play, to drive downloads of our mobile applications. In the future, Apple, Google or other operators of application marketplaces may make changes to their marketplaces which make access to our products and services more difficult. We also depend in part on Internet search engines, such as Google, Bing and Yahoo!, to drive traffic to our website. For example, when a user types an inquiry into a search engine, we rely on a high organic search result ranking of our webpages in these search results to refer the user to our website. However, our ability to maintain high organic search result rankings is not within our control. Our competitors' search engine optimization, or SEO, efforts may result in their websites receiving a higher search result page ranking than ours, or Internet search engines could revise their methodologies in a way that would adversely affect our search result rankings. For example, Google has integrated its social networking offerings, including Google+, with certain of its products, including search, which has negatively impacted the organic search ranking of our webpages. If Internet search engines modify their search algorithms in ways that are detrimental to us, or if our competitors' SEO efforts are more successful than ours, the growth in our user base could slow. Our website has experienced fluctuations in search result rankings in the past, and we anticipate similar fluctuations in the future. Any reduction in the number of users directed to our mobile applications or website through application marketplaces and search engines could harm our business and operating results.

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*More people are using devices other than personal computers to access the Internet and new platforms to produce and consume content, and we need to continue to promote the adoption of our mobile applications, and our business and operating results may be harmed if we are unable to do so.*

The number of people who access the Internet through devices other than personal computers, including mobile phones, smartphones, handheld computers such as net books and tablets, video game consoles and television set-top devices, has increased dramatically in the past few years. In the three months ended September 30, 2013, over 70% of our advertising revenue was generated from mobile devices. Since we generate a majority of our advertising revenue through users on mobile devices, we must continue to drive adoption of our mobile applications. In addition, mobile users frequently change or upgrade their mobile devices. Our business and operating results may be harmed if our users do not install our mobile application when they change or upgrade their mobile device. Although we generate the majority of our advertising revenue from ad engagements on mobile devices, certain of our products and services, including Promoted Trends and Promoted Accounts, receive less prominence on our mobile applications than they do on our desktop applications. This has in the past reduced, and may in the future continue to reduce, the amount of revenue we are able to generate from these products and services as users increasingly access our products and services through mobile and alternative devices. In addition, as new devices and platforms are continually being released, users may consume content in a manner that is more difficult to monetize. It is difficult to predict the problems we may encounter in adapting our products and services and developing competitive new products and services that are compatible with new devices or platforms. If we are unable to develop products and services that are compatible with new devices and platforms, or if we are unable to drive continued adoption of our mobile applications, our business and operating results may be harmed.

*Future acquisitions and investments could disrupt our business and harm our financial condition and operating results.*

Our success will depend, in part, on our ability to expand our products and services, and grow our business in response to changing technologies, user and advertiser demands, and competitive pressures. In some circumstances, we may determine to do so through the acquisition of complementary businesses and technologies rather than through internal development, including, for example, our recent acquisitions of Vine Labs, Inc., a mobile application that enables users to create and distribute videos that are up to six seconds in length, Bluefin Labs, Inc., a social television analytics company that provides data products to brand advertisers, agencies and television networks, and MoPub, a mobile-focused advertising exchange. The identification of suitable acquisition candidates can be difficult, time-consuming and costly, and we may not be able to successfully complete identified acquisitions. The risks we face in connection with acquisitions include:

diversion of management time and focus from operating our business to addressing acquisition integration challenges;

coordination of research and development and sales and marketing functions;

retention of key employees from the acquired company;

cultural challenges associated with integrating employees from the acquired company into our organization;

integration of the acquired company's accounting, management information, human resources and other administrative systems;

the need to implement or improve controls, procedures, and policies at a business that prior to the acquisition may have lacked effective controls, procedures and policies;

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liability for activities of the acquired company before the acquisition, including intellectual property infringement claims, violations of laws, commercial disputes, tax liabilities and other known and unknown liabilities;

unanticipated write-offs or charges; and

litigation or other claims in connection with the acquired company, including claims from terminated employees, users, former stockholders or other third parties.

Our failure to address these risks or other problems encountered in connection with our past or future acquisitions and investments could cause us to fail to realize the anticipated benefits of these acquisitions or investments, cause us to incur unanticipated liabilities, and harm our business generally. Future acquisitions could also result in dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities, amortization expenses, incremental operating expenses or the write-off of goodwill, any of which could harm our financial condition or operating results.

***If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.***

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, and the listing standards of the New York Stock Exchange. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting and financial compliance costs, make some activities more difficult, time consuming and costly, and place significant strain on our personnel, systems and resources.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we will file with the SEC is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal executive and financial officers. We are also continuing to improve our internal control over financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended, and anticipate that we will continue to expend, significant resources, including accounting-related costs and significant management oversight.

Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Further, weaknesses in our disclosure controls or our internal control over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls, or any difficulties encountered in their implementation or improvement, could harm our operating results or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting also could adversely affect the results of management evaluations and independent registered public accounting firm audits of our internal control over financial reporting that we will eventually be required to include in our periodic reports that will be filed with the SEC. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading price of our common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the New York Stock Exchange.

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We are not currently required to comply with the SEC rules that implement Section 404 of the Sarbanes-Oxley Act, and are therefore not required to make a formal assessment of the effectiveness of our internal control over financial reporting for that purpose. As a public company, we will be required to provide an annual management report on the effectiveness of our internal control over financial reporting commencing with our second annual report on Form 10-K. Our independent registered public accounting firm is not required to audit the effectiveness of our internal control over financial reporting until after we are no longer an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our internal control over financial reporting is documented, designed or operating.

Any failure to maintain effective disclosure controls and internal control over financial reporting could have a material and adverse effect on our business and operating results, and cause a decline in the price of our common stock.

***We are an emerging growth company, and any decision on our part to comply only with certain reduced reporting and disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors.***

We are an emerging growth company, and, for as long as we continue to be an emerging growth company, we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to emerging growth companies, including, but not limited to, not being required to have our independent registered public accounting firm audit our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We could be an emerging growth company for up to five years following the completion of this offering. We will cease to be an emerging growth company upon the earliest of: (i) the end of the fiscal year following the fifth anniversary of this offering, (ii) the first fiscal year after our annual gross revenue are \$1.0 billion or more, (iii) the date on which we have, during the previous three-year period, issued more than \$1.0 billion in non-convertible debt securities or (iv) the end of any fiscal year in which the market value of our common stock held by non-affiliates exceeded \$700 million as of the end of the second quarter of that fiscal year. We cannot predict if investors will find our common stock less attractive if we choose to rely on these exemptions. If some investors find our common stock less attractive as a result of any choices to reduce future disclosure, there may be a less active trading market for our common stock and the price of our common stock may be more volatile.

Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this accommodation allowing for delayed adoption of new or revised accounting standards, and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

***If currency exchange rates fluctuate substantially in the future, our operating results, which are reported in U.S. dollars, could be adversely affected.***

As we continue to expand our international operations, we will become more exposed to the effects of fluctuations in currency exchange rates. We incur expenses for employee compensation and other operating expenses at our international locations in the local currency, and accept payment from advertisers or data partners in currencies other than the U.S. dollar. Since we conduct business in currencies other than U.S. dollars but report our operating results in U.S. dollars, we face exposure to

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fluctuations in currency exchange rates. Consequently, exchange rate fluctuations between the U.S. dollar and other currencies could have a material impact on our operating results.

***Our business is subject to the risks of earthquakes, fire, power outages, floods and other catastrophic events, and to interruption by man-made problems such as terrorism.***

A significant natural disaster, such as an earthquake, fire, flood or significant power outage could have a material adverse impact on our business, operating results, and financial condition. Our headquarters and certain of our co-located data center facilities are located in the San Francisco Bay Area, a region known for seismic activity. Despite any precautions we may take, the occurrence of a natural disaster or other unanticipated problems at our data centers could result in lengthy interruptions in our services. In addition, acts of terrorism and other geo-political unrest could cause disruptions in our business. All of the aforementioned risks may be further increased if our disaster recovery plans prove to be inadequate. We have implemented a disaster recovery program, which allows us to move production to a back-up data center in the event of a catastrophe. Although this program is functional, we do not currently serve network traffic equally from each data center, so if our primary data center shuts down, there will be a period of time that our products or services, or certain of our products or services, will remain inaccessible to our users or our users may experience severe issues accessing our products and services.

We do not carry business interruption insurance sufficient to compensate us for the potentially significant losses, including the potential harm to our business that may result from interruptions in our ability to provide our products and services.

***We may have exposure to greater than anticipated tax liabilities, which could adversely impact our operating results.***

Our income tax obligations are based in part on our corporate operating structure, including the manner in which we develop, value and use our intellectual property and the scope of our international operations. The tax laws applicable to our international business activities, including the laws of the United States and other jurisdictions, are subject to interpretation. The taxing authorities of the jurisdictions in which we operate may challenge our methodologies for valuing developed technology (or other intangible assets) or intercompany arrangements, which could increase our worldwide effective tax rate and harm our financial condition and operating results. We are subject to review and audit by U.S. federal and state and foreign tax authorities. Tax authorities may disagree with certain positions we have taken and any adverse outcome of such a review or audit could have a negative effect on our financial position and operating results. In addition, our future income taxes could be adversely affected by earnings being lower than anticipated in jurisdictions that have lower statutory tax rates and higher than anticipated in jurisdictions that have higher statutory tax rates, by changes in the valuation of our deferred tax assets and liabilities, or by changes in tax laws, regulations or accounting principles. Tax expenses, or disputes with tax authorities, could adversely impact our operating results.

***If our goodwill or intangible assets become impaired, we may be required to record a significant charge to earnings.***

Under GAAP, we review our intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. As of September 30, 2013, we had recorded a total of \$183.1 million of goodwill and intangible assets related to our acquisitions. An adverse change in market conditions, particularly if such change has the effect of changing one of our critical assumptions or estimates, could result in a change to the estimation of fair value that could result in an impairment charge to our goodwill or intangible assets. Any such material charges may have a material negative impact on our operating results.

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***Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.***

As of December 31, 2012, we had U.S. federal net operating loss carryforwards of approximately \$298.8 million and state net operating loss carryforwards of approximately \$216.7 million. Under Sections 382 and 383 of Internal Revenue Code of 1986, as amended, or the Code, if a corporation undergoes an ownership change, the corporation's ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes, such as research tax credits, to offset its post-change income and taxes may be limited. In general, an ownership change occurs if there is a cumulative change in our ownership by 5% shareholders that exceeds 50 percentage points over a rolling three-year period. Similar rules may apply under state tax laws. In the event that it is determined that we have in the past experienced an ownership change, or if we experience one or more ownership changes as a result of this offering or future transactions in our stock, then we may be limited in our ability to use our net operating loss carryforwards and other tax assets to reduce taxes owed on the net taxable income that we earn. Any such limitations on the ability to use our net operating loss carryforwards and other tax assets could adversely impact our business, financial condition and operating results.

**Risks Related to Ownership of Our Common Stock and this Offering**

***Upon completion of this offering, our executive officers, directors and holders of 5% or more of our common stock will collectively beneficially own approximately 51.4% of the outstanding shares of our common stock and continue to have substantial control over us, which will limit your ability to influence the outcome of important transactions, including a change in control.***

Upon completion of this offering, our executive officers, directors and each of our stockholders who own 5% or more of our outstanding common stock and their affiliates, in the aggregate, will beneficially own approximately 51.4% of the outstanding shares of our common stock, based on the number of shares outstanding as of September 30, 2013. As a result, these stockholders, if acting together, will be able to influence or control matters requiring approval by our stockholders, including the election of directors and the approval of mergers, acquisitions or other extraordinary transactions. They may also have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interests. This concentration of ownership may have the effect of delaying, preventing or deterring a change in control of our company, could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company and might ultimately affect the market price of our common stock.

***Anti-takeover provisions contained in our amended and restated certificate of incorporation and amended and restated bylaws, as well as provisions of Delaware law, could impair a takeover attempt.***

Our amended and restated certificate of incorporation, amended and restated bylaws and Delaware law contain or will contain provisions which could have the effect of rendering more difficult, delaying, or preventing an acquisition deemed undesirable by our board of directors. Among other things, our amended and restated certificate of incorporation and amended and restated bylaws will include provisions:

creating a classified board of directors whose members serve staggered three-year terms;

authorizing blank check preferred stock, which could be issued by our board of directors without stockholder approval and may contain voting, liquidation, dividend and other rights superior to our common stock;

limiting the liability of, and providing indemnification to, our directors and officers;

limiting the ability of our stockholders to call and bring business before special meetings;

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requiring advance notice of stockholder proposals for business to be conducted at meetings of our stockholders and for nominations of candidates for election to our board of directors; and

controlling the procedures for the conduct and scheduling of board of directors and stockholder meetings.

These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in our management.

As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation law, which prevents certain stockholders holding more than 15% of our outstanding common stock from engaging in certain business combinations without approval of the holders of at least two-thirds of our outstanding common stock not held by such 15% or greater stockholder.

Any provision of our amended and restated certificate of incorporation, amended and restated bylaws or Delaware law that has the effect of delaying, preventing or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock.

### ***An active trading market for our common stock may never develop or be sustained.***

Our common stock has been approved for listing on the New York Stock Exchange under the symbol `TWTR`. However, we cannot assure you that an active trading market for our common stock will develop on that exchange or elsewhere or, if developed, that any market will be sustained. Accordingly, we cannot assure you of the likelihood that an active trading market for our common stock will develop or be maintained, the liquidity of any trading market, your ability to sell your shares of our common stock when desired or the prices that you may obtain for your shares.

### ***The market price of our common stock may be volatile, and you could lose all or part of your investment.***

Prior to this offering, there has been no public market for shares of our common stock. The initial public offering price of our common stock was determined through negotiation between us and the underwriters. This price does not necessarily reflect the price at which investors in the market will be willing to buy and sell shares of our common stock following this offering. In addition, the market price of our common stock following this offering is likely to be highly volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control.

The market price of our common stock following this offering may fluctuate substantially and may be higher or lower than the initial public offering price. The market price of our common stock following this offering will depend on a number of factors many of which are beyond our control and may not be related to our operating performance. These fluctuations could cause you to lose all or part of your investment in our common stock since you might be unable to sell your shares at or above the price you paid in this offering. Factors that could cause fluctuations in the market price of our common stock include the following:

price and volume fluctuations in the overall stock market from time to time;

volatility in the market prices and trading volumes of technology stocks;

changes in operating performance and stock market valuations of other technology companies generally, or those in our industry in particular;

sales of shares of our common stock by us or our stockholders;

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failure of securities analysts to maintain coverage of us, changes in financial estimates by securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;

the financial projections we may provide to the public, any changes in those projections or our failure to meet those projections;

announcements by us or our competitors of new products or services;

the public's reaction to our press releases, other public announcements and filings with the SEC;

rumors and market speculation involving us or other companies in our industry;

actual or anticipated changes in our operating results or fluctuations in our operating results;

actual or anticipated developments in our business, our competitors' businesses or the competitive landscape generally;

litigation involving us, our industry or both, or investigations by regulators into our operations or those of our competitors;

developments or disputes concerning our intellectual property or other proprietary rights;

announced or completed acquisitions of businesses or technologies by us or our competitors;

new laws or regulations or new interpretations of existing laws or regulations applicable to our business;

changes in accounting standards, policies, guidelines, interpretations or principles;

any significant change in our management; and

general economic conditions and slow or negative growth of our markets.

In addition, in the past, following periods of volatility in the overall market and the market price of a particular company's securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

***A total of 474,696,816, or 87.1%, of the outstanding shares of our common stock after this offering will be restricted from immediate resale, but may be sold on a stock exchange in the near future. The large number of shares eligible for public sale or subject to rights requiring us to register them for public sale could depress the market price of our common stock.***

The market price of our common stock could decline as a result of sales of a large number of shares of our common stock in the market after this offering, and the perception that these sales could occur may also depress the market price of our common stock. Based on shares of our capital stock outstanding as of September 30, 2013, we will have 544,696,816 shares of our common stock outstanding after this offering. Our

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executive officers, directors and the holders of substantially all of our capital stock and securities convertible into or exchangeable for our capital stock have entered into market standoff agreements with us or lock-up agreements with the underwriters under which they have agreed, subject to specific exceptions, not to sell any of our stock for 180 days following the date of this prospectus. We refer to such period as the lock-up period. As a result of these agreements and the provisions of our investors' rights agreement described further in the section titled "Description of Capital Stock - Registration Rights," and subject to the provisions of Rule 144 or Rule 701, shares of our common stock will be available for sale in the public market as follows:

beginning on the date of this prospectus, all 70,000,000 shares of our common stock sold in this offering will be immediately available for sale in the public market;

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beginning as early as February 15, 2014, up to an aggregate of 9,867,228 shares of our common stock that are held by our employees who are not executive officers may be eligible for sale in the public market in order to satisfy the income tax obligations of such employees resulting from the vesting and settlement of the outstanding Pre-2013 RSUs for which we expect the service condition will have been satisfied on such date and through the end of the lock-up period (or up to an aggregate of 3,282,859 shares of our common stock held by our employees who are not executive officers if we choose to undertake a net settlement of all of these awards to satisfy a portion of such income tax obligations); and

beginning 181 days after the date of this prospectus, the remainder of the shares of our common stock will be eligible for sale in the public market from time to time thereafter, subject in some cases to the volume and other restrictions of Rule 144, as described below. Upon completion of this offering, stockholders owning an aggregate of up to 386,952,743 shares will be entitled, under contracts providing for registration rights, to require us to register shares of our common stock owned by them for public sale in the United States. In addition, we intend to file a registration statement to register 209,449,274 shares reserved for future issuance under our equity compensation plans, including shares reserved for future issuance pursuant to options under an equity compensation plan that were assumed upon completion of our acquisition of MoPub. Upon effectiveness of that registration statement, subject to the satisfaction of applicable exercise periods and expiration of the market standoff agreements and lock-up agreements referred to above, the shares of our common stock issued upon exercise of outstanding stock options or the vesting of RSUs will be available for immediate resale in the United States in the open market.

Sales of our common stock as restrictions end or pursuant to registration rights may make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. These sales also could cause the price of our common stock to fall and make it more difficult for you to sell shares of our common stock.

***In making your investment decision, you should understand that we and the underwriters have not authorized any other party to provide you with information concerning us or this offering.***

You should carefully evaluate all of the information in this prospectus. We have in the past received, and may continue to receive, a high degree of media coverage, including coverage that is not directly attributable to statements made by our officers and employees, that incorrectly reports on statements made by our officers or employees, or that is misleading as a result of omitting information provided by us, our officers or employees. We and the underwriters have not authorized any other party to provide you with information concerning us or this offering.

***We may invest or spend the proceeds of this offering in ways with which you may not agree or in ways which may not yield a return.***

The net proceeds from the sale of our shares of our common stock by us in this offering may be used for general corporate purposes, including working capital, operating expenses and capital expenditures. We anticipate making capital expenditures in 2013 of approximately \$215 million to \$235 million, and we may use a portion of the net proceeds to fund our anticipated capital expenditures. We also may use a portion of the net proceeds to satisfy our anticipated tax withholding and remittance obligations related to the settlement of our outstanding RSUs. Additionally, we may use a portion of the net proceeds to acquire businesses, products, services or technologies. However, we do not have agreements or commitments for any specific material acquisitions at this time. Our management will have considerable discretion in the application of the net proceeds, and you will not have the opportunity, as part of your investment decision, to assess whether the proceeds are being

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used appropriately. Until the net proceeds are used, they may be placed in investments that do not produce significant income or that may lose value.

***Purchasers in this offering will experience immediate and substantial dilution in the book value of their investment.***

The initial public offering price of \$26.00 per share is substantially higher than the net tangible book value per share of our outstanding common stock immediately after this offering. Therefore, if you purchase our common stock in this offering, you will incur immediate dilution of \$21.82 in the net tangible book value per share from the price you paid. In addition, purchasers who bought shares from us in this offering will have contributed 63.5% of the total consideration paid to us by our stockholders to purchase shares of our common stock, in exchange for acquiring approximately 12.9% of the outstanding shares of our capital stock as of September 30, 2013 after giving effect to this offering. The vesting of RSUs and the exercise of outstanding stock options and a warrant will result in further dilution.

***If securities or industry analysts do not publish or cease publishing research or reports about us, our business or our market, or if they change their recommendations regarding our common stock adversely, the price of our common stock and trading volume could decline.***

The trading market for our common stock will be influenced by the research and reports that securities or industry analysts may publish about us, our business, our market or our competitors. If any of the analysts who may cover us change their recommendation regarding our common stock adversely, or provide more favorable relative recommendations about our competitors, the price of our common stock would likely decline. If any analyst who may cover us were to cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the price of our common stock or trading volume to decline.

***We do not expect to declare any dividends in the foreseeable future.***

We do not anticipate declaring any cash dividends to holders of our common stock in the foreseeable future. Consequently, investors may need to rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment. Investors seeking cash dividends should not purchase our common stock.

***Prior to this offering, there has been limited trading of our common stock at prices that may be higher than what our common stock will trade at once it is listed.***

Prior to this offering, our shares have not been listed on any stock exchange or other public trading market, but there has been some trading of our securities in private trades. These trades were speculative, and the trading price of our securities in these trades was privately negotiated. We cannot assure you that the price of our common stock will equal or exceed the price at which our securities have traded prior to this offering.

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**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus contains forward-looking statements within the meaning of the federal securities laws, which statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as may, will, should, expects, plans, anticipates, continues, intends, target, projects, contemplates, believes, estimates, predicts, potential or continue or the negative of these words or other expressions that concern our expectations, strategy, plans or intentions. Forward-looking statements contained in this prospectus include, but are not limited to, statements about:

our ability to attract and retain users and increase the level of engagement of our users;

our ability to develop or acquire new products and services, improve our existing products and services and increase the value of our products and services;

our ability to attract advertisers to our platform and increase the amount that advertisers spend with us;

our expectations regarding our user growth rate and the usage of our mobile applications;

our ability to increase our revenue and our revenue growth rate;

our ability to improve user monetization, including advertising revenue per timeline view;

our future financial performance, including trends in cost per ad engagement, revenue, cost of revenue, operating expenses and income taxes;

the effects of seasonal trends on our results of operations;

the sufficiency of our cash and cash equivalents and cash generated from operations to meet our working capital and capital expenditure requirements;

our ability to timely and effectively scale and adapt our existing technology and network infrastructure;

our ability to successfully acquire and integrate companies and assets; and

our ability to successfully enter new markets and manage our international expansion.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this prospectus.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this prospectus primarily on our current expectations and projections about future events and trends that we believe may affect our business,

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financial condition, results of operations and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described in the section titled "Risk Factors" and elsewhere in this prospectus. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this prospectus. We cannot assure you that the results, events and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

The forward-looking statements made in this prospectus relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this prospectus to reflect events or circumstances after the date of this prospectus or to reflect

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new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make.

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**INDUSTRY DATA AND COMPANY METRICS**

This prospectus contains estimates and information concerning our industry, including market size and growth rates of the markets in which we participate, that are based on industry publications and reports. This information involves a number of assumptions and limitations, and you are cautioned not to give undue weight to these estimates. We have not independently verified the accuracy or completeness of the data contained in these industry publications and reports. The industry in which we operate is subject to a high degree of uncertainty and risk due to variety of factors, including those described in the section titled "Risk Factors." These and other factors could cause results to differ materially from those expressed in these publications and reports.

We review a number of metrics, including MAUs, timeline views, timeline views per MAU and advertising revenue per timeline view, to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans and make strategic decisions. See the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operation - Key Metrics" for a discussion of how we calculate MAUs, timeline views, timeline views per MAU and advertising revenue per timeline view.

The numbers of active users and timeline views presented in this prospectus 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 currently estimate that false or spam accounts represent less than 5% of our MAUs. However, this estimate is based on an internal review of a sample of accounts and we apply significant judgment in making this determination. As such, 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 currently 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. For example, we made an improvement in our spam detection capabilities in the second quarter of 2013 and suspended a large number of accounts. Spam accounts that we have identified are not included in the active user numbers presented in this prospectus. 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 user 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. In the three months ended September 30, 2013, approximately eight percent of all active users used applications that have the capability to automatically contact our servers for regular updates. As such, the calculations of MAUs presented in this prospectus may be affected as a result of automated activity. We expect that the percentage of active users that use applications that have the capability to automatically contact our servers for regular updates will decline over time, particularly as usage of our mobile applications increases.

In addition, our data regarding user geographic location for purposes of reporting the geographic location of our MAUs is based on the IP address associated with the account when a user initially registered the account on Twitter. The IP address may not always accurately reflect a user's actual location at the time of user engagement on our platform.

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We present and discuss timeline views in the nine months ended September 30, 2012, but we did not track all of the timeline views on our mobile applications during the three months ended March 31, 2012. We have included in this prospectus estimates for actual timeline views in the three months ended March 31, 2012 for the mobile applications we did not track. In addition, we have estimated a small percentage of the timeline views in the three months ended September 30, 2013 to account for certain timeline views that were logged incorrectly during the quarter as a result of a product update. We believe these estimates to be reasonable, but actual numbers could differ from our estimates. Further, timeline views in the nine months ended September 30, 2012 exclude an immaterial number of timeline views for our mobile applications, certain of which were not fully tracked until June 2012.

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.

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**USE OF PROCEEDS**

The net proceeds to us from the sale of shares of our common stock in this offering will be approximately \$1.76 billion, based upon the initial public offering price of \$26.00 per share, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters' option to purchase additional shares of our common stock from us is exercised in full, the net proceeds to us would be approximately \$2.02 billion, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

The principal purposes of this offering are to increase our capitalization and financial flexibility, create a public market for our common stock and enable access to the public equity markets for us and our stockholders.

We intend to use the net proceeds from this offering for general corporate purposes, including working capital, operating expenses and capital expenditures. We anticipate making capital expenditures in 2013 of approximately \$215 million to \$235 million, and we may use a portion of the net proceeds to fund our anticipated capital expenditures. We also may use a portion of the net proceeds to satisfy our anticipated tax withholding and remittance obligations related to the settlement of our outstanding Pre-2013 RSUs, or we may choose to allow our employees who are not executive officers holding such awards to sell shares of our common stock in the public market to satisfy their income tax obligations related to the vesting and settlement of such awards. Based on the number of Pre-2013 RSUs outstanding as of September 30, 2013 for which the service condition had been satisfied on that date, and assuming (i) the performance condition had been satisfied on that date, (ii) we choose to undertake a net settlement of all of our Pre-2013 RSUs and (iii) that the price of our common stock at the time of settlement was equal to \$26.00, which is the initial public offering price per share, we estimate that this tax obligation on the initial settlement date would be approximately \$123.3 million in the aggregate. The amount of this obligation could be higher or lower, depending on the price of shares of our common stock, and the actual number of Pre-2013 RSUs outstanding for which the service condition has been satisfied, on the initial settlement date for the Pre-2013 RSUs. Additionally, we may use a portion of the net proceeds to acquire businesses, products, services or technologies. However, we do not have agreements or commitments for any material acquisitions at this time. We cannot specify with certainty the particular uses of the net proceeds that we will receive from this offering. Accordingly, we will have broad discretion in using these proceeds. Pending the use of proceeds from this offering as described above, we plan to invest the net proceeds that we receive in this offering in short-term and long-term interest-bearing obligations, including government and investment-grade debt securities and money market funds.

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**DIVIDEND POLICY**

We have never declared or paid any cash dividends on our capital stock. We currently intend to retain any future earnings and do not expect to pay any dividends in the foreseeable future. Any future determination to declare cash dividends will be made at the discretion of our board of directors, subject to applicable laws, and will depend on a number of factors, including our financial condition, results of operations, capital requirements, contractual restrictions, general business conditions and other factors that our board of directors may deem relevant.

**Table of Contents****CAPITALIZATION**

The following table sets forth cash and cash equivalents, as well as our capitalization, as of September 30, 2013 as follows:

on an actual basis;

on a pro forma basis, giving effect to (i) the automatic conversion of all outstanding shares of our Class A junior preferred stock and our convertible preferred stock into an aggregate of 333,099,000 shares of our common stock, which conversion will occur immediately prior to the completion of this offering, as if such conversion had occurred on September 30, 2013, (ii) the resulting reclassification of the restricted Class A junior preferred stock of \$8.8 million and preferred stock warrant liability of \$2.4 million from other long-term liabilities to additional paid-in capital, (iii) stock-based compensation expense of \$385.2 million associated with Pre-2013 RSUs for which the service condition was satisfied as of September 30, 2013, and which we expect to record upon completion of this offering, as described in footnote (1) below and (iv) the filing and effectiveness of our amended and restated certificate of incorporation in Delaware; and

on a pro forma as adjusted basis, giving effect to the pro forma adjustments set forth above and the sale and issuance by us of 70,000,000 shares of our common stock in this offering at the initial public offering price of \$26.00 per share, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

You should read this table together with our consolidated financial statements and related notes, and the sections titled "Selected Consolidated Financial and Other Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" that are included elsewhere in this prospectus.

	As of September 30, 2013		
	Actual	Pro Forma <sup>(1)</sup>	Pro Forma as Adjusted
	(In thousands, except share and per share data)		
Cash, cash equivalents and short-term investments	\$ 321,075	\$ 321,075	\$ 2,077,831 <sup>(2)</sup>
Restricted Class A junior preferred stock and preferred stock warrant liabilities included in other long term liabilities	11,170		
Redeemable Class A junior preferred stock, par value \$0.000005 per share: 15,000,000 shares authorized, 3,523,675 issued and outstanding, actual; no shares authorized, issued and outstanding, pro forma and pro forma as adjusted	37,106		
Convertible preferred stock, par value \$0.000005 per share: 329,691,856 shares authorized, 329,575,325 issued and outstanding, actual; no shares authorized, issued and outstanding, pro forma and pro forma as adjusted	835,430		
Stockholders' equity (deficit):			
Preferred stock, par value \$0.000005 per share: no shares authorized, issued and outstanding, actual; 200,000,000 shares authorized, no shares issued and outstanding, pro forma and pro forma as adjusted			
Common stock, par value \$0.000005 per share: 700,000,000 shares authorized, 141,597,816 shares issued and outstanding, actual; 5,000,000,000 shares authorized, 474,696,816 shares issued and outstanding, pro forma and 5,000,000,000 shares authorized, 544,696,816 shares issued and outstanding, pro forma as adjusted	1	2	3
Additional paid-in capital	304,836	1,573,756	3,329,385
Accumulated other comprehensive loss	(343)	(343)	(343)
Accumulated deficit	(483,155)	(868,370)	(868,370)
Total stockholders' equity (deficit)	(178,661)	705,045	2,460,675
Total capitalization	\$ 705,045	\$ 705,045	\$ 2,460,675



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- (1) The pro forma data as of September 30, 2013 gives effect to stock-based compensation expense of \$385.2 million associated with Pre-2013 RSUs for which the service condition was satisfied as of September 30, 2013 and which we expect to record upon completion of this offering, as further described in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates - Stock-Based Compensation." The pro forma adjustment related to stock-based compensation expense of \$385.2 million has been reflected as an increase to additional paid-in capital and accumulated deficit. We estimate that an aggregate of approximately 11.9 million shares underlying Pre-2013 RSUs outstanding as of September 30, 2013 for which the service condition had been satisfied on that date will vest and settle on March 8, 2014 (which we may elect to accelerate to February 15th) in connection with the satisfaction of the performance condition to their vesting, resulting in the net issuance of an aggregate of approximately 7.1 million shares to the holders if we choose to undertake a net settlement of all of these awards rather than allowing our employees who are not executive officers to sell shares of our common stock in the public market to satisfy their income tax obligations related to the vesting and settlement of such awards. These shares have not been included in our pro forma or pro forma as adjusted shares outstanding.

- (2) Pro forma as adjusted cash, cash equivalents and short-term investments reflects \$1.1 million of deferred offering costs that had been paid as of September 30, 2013.

If the underwriters' option to purchase additional shares of our common stock from us were exercised in full, pro forma as adjusted cash, cash equivalents and short-term investments, additional paid-in capital, total stockholders' equity and shares outstanding as of September 30, 2013 would be \$2.34 billion, \$3.59 billion, \$2.72 billion and 555,196,816, respectively.

The pro forma and pro forma as adjusted columns in the table above are based on 474,696,816 shares of our common stock (including preferred stock on an as-converted basis) outstanding as of September 30, 2013, and exclude the following:

42,708,824 shares of our common stock issuable upon the exercise of options to purchase shares of our common stock outstanding as of September 30, 2013, with a weighted-average exercise price of \$1.84 per share;

85,657,603 shares of our common stock subject to RSUs outstanding as of September 30, 2013;

116,512 shares of our common stock, on an as-converted basis, issuable upon the exercise of a warrant to purchase convertible preferred stock outstanding as of September 30, 2013, with an exercise price of \$0.34 per share;

7,202,952 shares of our common stock subject to RSUs granted after September 30, 2013;

13,178,040 shares of our common stock issued upon completion of our acquisition of MoPub after September 30, 2013;

1,237,847 shares of our common stock issuable upon the exercise of options to purchase shares of our common stock that were assumed and converted from options to purchase shares of MoPub common stock upon completion of our acquisition of MoPub after September 30, 2013; and

80,300,000 shares of our common stock reserved for future issuance under our equity compensation plans, consisting of:

68,300,000 shares of our common stock reserved for future issuance under our 2013 Plan; and

12,000,000 shares of our common stock reserved for future issuance under our ESPP.

Our 2013 Plan and ESPP each provide for annual automatic increases in the number of shares reserved thereunder, and our 2013 Plan also provides for increases to the number of shares that may be granted thereunder based on shares under our 2007 Plan that expire, are forfeited or otherwise repurchased by us, as more fully described in the section titled "Executive Compensation - Employee Benefit and Stock Plans."



**Table of Contents****DILUTION**

If you invest in our common stock in this offering, your ownership interest will be diluted to the extent of the difference between the initial public offering price per share of our common stock and the pro forma as adjusted net tangible book value per share of our common stock immediately after this offering. Net tangible book value dilution per share to new investors represents the difference between the amount per share paid by purchasers of shares of our common stock in this offering and the pro forma as adjusted net tangible book value per share of our common stock immediately after completion of this offering.

Net tangible book value per share is determined by dividing our total tangible assets less our total liabilities by the number of shares of our common stock outstanding. Our historical net tangible deficit as of September 30, 2013 was \$365.7 million, or \$2.58 per share. Our pro forma net tangible book value as of September 30, 2013 was \$518.0 million, or \$1.09 per share, based on the total number of shares of our common stock outstanding as of September 30, 2013, after giving effect to the automatic conversion of all outstanding shares of our Class A junior preferred stock and our convertible preferred stock as of September 30, 2013 into an aggregate of 333,099,000 shares of our common stock, which conversion will occur immediately prior to the completion of this offering, and the resulting reclassification of the restricted Class A junior preferred stock and preferred stock warrant liability from other long-term liabilities to additional paid-in capital.

After giving effect to the sale by us of 70,000,000 shares of our common stock in this offering at the initial public offering price of \$26.00 per share, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of September 30, 2013 would have been \$2.28 billion, or \$4.18 per share. This represents an immediate increase in pro forma net tangible book value of \$3.09 per share to our existing stockholders and an immediate dilution in pro forma net tangible book value of \$21.82 per share to investors purchasing shares of our common stock in this offering at the initial public offering price. The following table illustrates this dilution:

Initial public offering price per share	\$ 26.00
Pro forma net tangible book value (deficit) per share as of September 30, 2013	\$ 1.09
Increase in pro forma net tangible book value (deficit) per share attributable to new investors in this offering	3.09
Pro forma as adjusted net tangible book value per share immediately after this offering	4.18
Dilution in pro forma net tangible book value per share to new investors in this offering	\$ 21.82

If the underwriters' option to purchase additional shares of our common stock from us is exercised in full, the pro forma as adjusted net tangible book value per share of our common stock, as adjusted to give effect to this offering, would be \$4.58 per share, and the dilution in pro forma net tangible book value per share to new investors in this offering would be \$21.42 per share.

The following table presents, as of September 30, 2013, after giving effect to the automatic conversion of all outstanding shares of our Class A junior preferred stock and our convertible preferred stock into our common stock immediately prior to the completion of this offering, the differences between the existing stockholders and the new investors purchasing shares of our common stock in this offering with respect to the number of shares purchased from us, the total consideration paid or to be paid to us, which includes net proceeds received from the issuance of our common stock and preferred stock, cash received from the exercise of stock options and the average price per share paid

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or to be paid to us at the initial public offering price of \$26.00 per share, before deducting underwriting discounts and commissions and estimated offering expenses payable by us:

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholders	474,696,816	87.1%	\$ 1,047,524,762	36.5%	\$ 2.21
New investors	70,000,000	12.9	1,820,000,000	63.5	\$ 26.00
<b>Totals</b>	<b>544,696,816</b>	<b>100%</b>	<b>\$ 2,867,524,762</b>	<b>100%</b>	

Except as otherwise indicated, the above discussion and tables assume no exercise of the underwriters' option to purchase additional shares of our common stock from us. If the underwriters' option to purchase additional shares of our common stock were exercised in full, our existing stockholders would own 85.5% and our new investors would own 14.5% of the total number of shares of our common stock outstanding upon completion of this offering.

The number of shares of our common stock that will be outstanding after this offering is based on 474,696,816 shares of our common stock (including preferred stock on an as-converted basis) outstanding as of September 30, 2013, and excludes:

42,708,824 shares of our common stock issuable upon the exercise of options to purchase shares of our common stock outstanding as of September 30, 2013, with a weighted-average exercise price of \$1.84 per share;

85,657,603 shares of our common stock subject to RSUs outstanding as of September 30, 2013;

116,512 shares of our common stock, on an as-converted basis, issuable upon the exercise of a warrant to purchase convertible preferred stock outstanding as of September 30, 2013, with an exercise price of \$0.34 per share;

7,202,952 shares of our common stock subject to RSUs granted after September 30, 2013;

13,178,040 shares of our common stock issued upon completion of our acquisition of MoPub after September 30, 2013;

1,237,847 shares of our common stock issuable upon the exercise of options to purchase shares of our common stock that were assumed and converted from options to purchase shares of MoPub common stock upon completion of our acquisition of MoPub after September 30, 2013; and

80,300,000 shares of our common stock reserved for future issuance under our equity compensation plans, consisting of:

68,300,000 shares of our common stock reserved for future issuance under our 2013 Plan; and

12,000,000 shares of our common stock reserved for future issuance under our ESPP.

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Our 2013 Plan and ESPP each provide for annual automatic increases in the number of shares reserved thereunder, and our 2013 Plan also provides for increases to the number of shares that may be granted thereunder based on shares under our 2007 Plan that expire, are forfeited or otherwise repurchased by us, as more fully described in the section titled Executive Compensation Employee Benefit and Stock Plans.

To the extent that any outstanding options to purchase our common stock or a warrant to purchase convertible preferred stock are exercised, RSUs are settled or new awards are granted under our equity compensation plans, there will be further dilution to investors participating in this offering.

**Table of Contents****SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA**

The following selected consolidated statement of operations data for the years ended December 31, 2010, 2011 and 2012 and the consolidated balance sheet data as of December 31, 2011 and 2012 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The consolidated balance sheet data as of December 31, 2010 has been derived from our audited consolidated financial statements not included in this prospectus. The selected consolidated statement of operations data for the nine months ended September 30, 2012 and 2013 and the consolidated balance sheet data as of September 30, 2013 have been derived from our unaudited interim consolidated financial statements included elsewhere in this prospectus. The unaudited interim consolidated financial statements have been prepared on the same basis as the audited financial statements and reflect, in the opinion of management, all adjustments, of a normal, recurring nature that are necessary for a fair statement of the unaudited interim consolidated financial statements. Our historical results are not necessarily indicative of the results that may be expected in the future and the results in the nine months ended September 30, 2013 are not necessarily indicative of results to be expected for the full year or any other period. You should read the following selected consolidated financial and other data below in conjunction with the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this prospectus.

	<b>Year Ended December 31,</b>			<b>Nine Months Ended</b>	
	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>September 30,</b>	<b>2013</b>
	<b>(In thousands, except per share data)</b>				
<b>Consolidated Statement of Operations Data:</b>					
Revenue	\$ 28,278	\$ 106,313	\$ 316,933	\$ 204,686	\$ 422,215
Costs and expenses <sup>(1)</sup>					
Cost of revenue	43,168	61,803	128,768	91,850	154,067
Research and development	29,348	80,176	119,004	78,664	199,144
Sales and marketing	6,289	25,988	86,551	57,767	138,911
General and administrative	16,952	65,757	59,693	44,712	56,248
Total costs and expenses	95,757	233,724	394,016	272,993	548,370
Loss from operations	(67,479)	(127,411)	(77,083)	(68,307)	(126,155)
Interest income (expense), net	55	(805)	(2,486)	(1,656)	(4,473)
Other income (expense), net	(117)	(1,530)	399	926	(1,730)
Loss before income taxes	(67,541)	(129,746)	(79,170)	(69,037)	(132,358)
Provision (benefit) for income taxes	(217)	(1,444)	229	1,657	1,494
Net loss	\$ (67,324)	\$ (128,302)	\$ (79,399)	\$ (70,694)	\$ (133,852)
Deemed dividend to investors in relation to the tender offer		35,816			
Net loss attributable to common stockholders	\$ (67,324)	\$ (164,118)	\$ (79,399)	\$ (70,694)	\$ (133,852)
Weighted-average shares used to compute net loss per share attributable to common stockholders:					
Basic and diluted	75,992	102,544	117,401	116,119	131,196
Net loss per share attributable to common stockholders:					
Basic and diluted	\$ (0.89)	\$ (1.60)	\$ (0.68)	\$ (0.61)	\$ (1.02)
Pro forma net loss per share attributable to common stockholders (unaudited): <sup>(2)</sup>					
Basic and diluted			\$ (0.18)		\$ (0.28)
<b>Other Financial Information:<sup>(3)</sup></b>					
Adjusted EBITDA	\$ (51,184)	\$ (42,835)	\$ 21,164	\$ 3,593	\$ 30,685
Non-GAAP net loss	\$ (54,066)	\$ (65,533)	\$ (35,191)	\$ (34,920)	\$ (44,104)



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(1) Costs and expenses include stock-based compensation expense as follows:

	Year Ended December 31,			Nine Months Ended	
	2010	2011	2012	2012	2013
	(In thousands)			(Unaudited)	
Cost of revenue	\$ 200	\$ 1,820	\$ 800	\$ 618	\$ 5,015
Research and development	3,409	33,559	12,622	9,013	53,377
Sales and marketing	249	1,553	1,346	985	10,356
General and administrative	2,073	23,452	10,973	9,779	10,422
<b>Total stock-based compensation</b>	<b>\$ 5,931</b>	<b>\$ 60,384</b>	<b>\$ 25,741</b>	<b>\$ 20,395</b>	<b>\$ 79,170</b>

(2) See Note 9 to our consolidated financial statements for an explanation of the calculations of our pro forma net loss per share attributable to common stockholders.

(3) See the sections titled "Prospectus Summary," "Summary Consolidated Financial and Other Data," "Non-GAAP Financial Measures" for additional information and a reconciliation of net loss to Adjusted EBITDA and net loss to non-GAAP net loss.

	Year Ended December 31,			As of
	2010	2011	2012	September 30,
	(In thousands)			2013
				(Unaudited)
<b>Consolidated Balance Sheet Data:</b>				
Cash and cash equivalents	\$ 134,253	\$ 218,996	\$ 203,328	\$ 155,704
Short-term investments	43,484	330,543	221,528	165,371
Working capital	167,088	548,324	444,587	331,997
Property and equipment, net	26,385	61,983	185,574	284,024
Total assets	224,473	720,675	831,568	992,803
Total liabilities	35,432	87,391	207,204	298,928
Redeemable convertible preferred stock		49	37,106	37,106
Convertible preferred stock	279,534	835,073	835,430	835,430
Total stockholders' deficit	\$ (90,493)	\$ (201,838)	\$ (248,172)	\$ (178,661)

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### **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the section titled "Selected Consolidated Financial and Other Data" and the consolidated financial statements and related notes thereto included elsewhere in this prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below and those discussed in the section titled "Risk Factors" included elsewhere in this prospectus.*

#### **Overview**

Twitter is a global platform for public self-expression and conversation in real time. Our platform is unique in its simplicity: Tweets are limited to 140 characters of text. This constraint makes it easy for anyone to quickly create, distribute and discover content that is consistent across our platform and optimized for mobile devices. As a result, Tweets drive a high velocity of information exchange that makes Twitter uniquely live.

We have already achieved significant global scale, and we continue to grow. We have more than 230 million MAUs spanning nearly every country. Our users include millions of people from around the world, as well as influential individuals and organizations, such as world leaders, government officials, celebrities, athletes, journalists, sports teams, media outlets and brands. Our users create approximately 500 million Tweets every day.

The value we create for our users is enhanced by our platform partners and advertisers. Millions of platform partners, which include publishers, media outlets and developers, have integrated with Twitter, adding value to our user experience by contributing content to our platform, broadly distributing content from our platform across their properties and using Twitter content and tools to enhance their websites and applications. In addition, advertisers use our Promoted Products to promote their brands, products and services, amplify their visibility and reach, and complement and extend the conversation around their advertising campaigns. Although we do not generate revenue directly from users or platform partners, we benefit from network effects where more activity on Twitter results in the creation and distribution of more content, which attracts more users, platform partners and advertisers, resulting in a virtuous cycle of value creation.

We generate the substantial majority of our revenue from the sale of advertising services, with the balance coming from data licensing arrangements. We generate nearly all of our advertising revenue through the sale of our three Promoted Products: Promoted Tweets, Promoted Accounts and Promoted Trends. The substantial majority of our advertising revenue is generated on a pay-for-performance basis, which means advertisers are only charged when a user engages with their ad, creating an attractive value proposition for our advertisers.

We launched our first Promoted Products in mid-2010 in the United States by introducing Promoted Tweets in search results and Promoted Trends. Since that time, we have expanded our Promoted Products to add Promoted Accounts and extended our Promoted Products across our platform and to additional geographies. We generate advertising sales in the United States and certain other geographies through our direct sales force, as well as through our self-serve advertising platform.

We introduced Promoted Products on our iOS and Android mobile applications in February 2012. Over 70% of our advertising revenue was generated from mobile devices in the three months ended September 30, 2013.

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Our international revenue was \$53.0 million and \$106.7 million in 2012 and the nine months ended September 30, 2013, respectively, representing 17% and 25% of our total revenue for those periods, respectively. We launched Promoted Products in selected international markets in the third quarter of 2011, and we expect to continue to launch our Promoted Products in additional markets over time. We have recently focused our international spending on sales support and marketing activities in specific countries, including Australia, Brazil, Canada, Japan and the United Kingdom. In certain international geographies where we have not invested to build a local sales force, we rely on resellers that serve as outside sales agents for the sale of our Promoted Products. In the nine months ended September 30, 2013, we and our resellers sold our Promoted Products to advertisers in over 20 countries outside of the United States. We record advertising revenue based on the billing location of our advertisers, rather than the location of our users.

We are headquartered in San Francisco, California, and have offices in over 15 cities around the world.

**Key Milestones**

We have developed our advertising services through the introduction of numerous products and services, including:

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### **Key Metrics**

We review a number of metrics, including the following key metrics, to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans and make strategic decisions:

*Monthly Active Users (MAUs).* We define MAUs as Twitter users who logged in 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. In the discussion of our results of operations we compare average MAUs for the last three months of each period discussed in such comparison. MAUs are a measure of the size of our active user base. In the three months ended September 30, 2013, we had 231.7 million average MAUs, which represents an increase of 39% from the three months ended September 30, 2012. In the three months ended September 30, 2013, we had 52.7 million average MAUs in the United States and 179.0 million average MAUs in the rest of the world, which represent increases of 30% and 41%, respectively, from the three months ended September 30, 2012. For additional information on how we calculate the number of MAUs and factors that can affect this metric, see the section titled Industry Data and Company Metrics.

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*Timeline Views, Timeline Views Per MAU and Advertising Revenue Per Timeline View.* We define timeline views as the total number of timelines requested when registered users visit Twitter, refresh a timeline or view search results while logged in on our website, mobile website or desktop or mobile applications (excluding our TweetDeck and Mac clients, as we do not fully track this data). We believe that timeline views and timeline views per MAU are measures of user engagement. Timeline views per MAU are calculated by dividing the total timeline views for the period by the average MAUs for the last three months of such period. In the three months and nine months ended September 30, 2013, we had 158.8 billion and 446.0 billion timeline views, respectively, which represent increases of 50% and 67% from the three months and nine months ended September 30, 2012, respectively. In the three months and nine months ended September 30, 2013, we had 43.2 billion and 123.3 billion timeline views in the United States, respectively, which represent increases of 33% and 48% from the three months and nine months ended September 30, 2012, respectively. In the three months and nine months ended September 30, 2013, we had 115.6 billion and 322.7 billion timeline views in the rest of the world, respectively, which represent increases of 57% and 76% from the three months and nine months ended September 30, 2012, respectively. In the three months ended September 30, 2013, we had 685 timeline views per MAU, which represents an increase of 8% from the three months ended September 30, 2012. In the three months ended September 30, 2013, we had 819 timeline views per MAU in the United States and 646 timeline views per MAU in the rest of the world, which represent increases of 2% and 11% from the three months ended September 30, 2012, respectively. For additional information on how we calculate the number of timeline views and factors that can affect this metric, see the section titled *Industry Data and Company Metrics*.

We define advertising revenue per timeline view as advertising revenue per 1,000 timeline views during the applicable period. We believe that advertising revenue per timeline view is a measure of our ability to monetize our platform. In the three months ended September 30, 2013, our advertising revenue per timeline view was \$0.97, which represents a 49% increase from the three months ended September 30, 2012. In the three months ended September 30, 2013, our advertising revenue per timeline view in the United States was \$2.58 and our advertising revenue per timeline view in the rest of the world was \$0.36, which represent increases of 50% and 112% from the three months ended September 30, 2012, respectively. We record advertising revenue based on the billing location of our advertisers, rather than the location of our users.

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**Factors Affecting Our Future Performance**

*User Growth, User Engagement and Monetization.* User growth trends reflected in the number of MAUs, user engagement trends reflected in timeline views and timeline views per MAU and monetization trends reflected in advertising revenue per timeline view are key factors that affect our revenue. As our user base and the level of engagement of our users grow, we believe the potential to increase our revenue grows.

*User Growth.* We have experienced significant growth in our number of users over the last several years. In general, a higher proportion of Internet users in the United States uses Twitter than Internet users in other countries. Accordingly, in the future we expect our user growth rate in certain international markets, such as Argentina, France, Japan, Russia, Saudi Arabia and South Africa, to continue to be higher than our user growth rate in the United States. However, we expect to face challenges in entering some markets, such as China, where access to Twitter is blocked, as well as

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certain other countries that have intermittently restricted access to Twitter. Restrictions or limitations on access to Twitter may adversely impact our ability to increase the size of our user base and generate additional revenue in certain markets.

Our user base continues to grow. Although we do not separately track whether an MAU has only used Twitter on a desktop or on a mobile device, the usage of our mobile applications continues to grow. In the three months ended September 30, 2013, 76% of our average MAUs accessed Twitter from a mobile device, compared to 69% in the three months ended September 30, 2012.

We may face challenges in increasing the size of our user base, including, among others, competition from alternative products and services, a decline in the number of influential users on Twitter or a perceived decline in the quality of content available on Twitter. We intend to drive growth in our user base by continuing to demonstrate the value and usefulness of our products and services to potential new users, and by introducing new products, services and features. We anticipate that our user growth rate will slow over time as the size of our user base increases. To the extent our user growth or user growth rate slows, our revenue growth will become increasingly dependent on our ability to increase levels of user engagement, as measured by timeline views and timeline views per MAU, and monetization, as measured by advertising revenue per timeline view.

*User Engagement.* We broadly measure user engagement on our platform through timeline views and the number of timeline views per MAU. In the three months ended September 30, 2013, timeline views increased 50% and timeline views per MAU increased 8%, compared to the three months ended September 30, 2012. We experienced a 1% decline in timeline views per MAU during the three months ended September 30, 2013 from the three months ended June 30, 2013, which we believe was primarily driven by certain product changes we made in the three months ended September 30, 2013 to improve the overall user experience. We continue to develop products for our platform, and to develop partnerships globally to increase relevant local content on our platform, with the goal of increasing our user engagement and improving the overall user experience. In particular, our most engaged users are generally those who access Twitter via our mobile applications. In the three months ended September 30, 2013, a substantial majority of timeline views were on mobile devices, and the increase in timeline views was driven by mobile user engagement. We expect this trend to continue in the near term, and we plan to continue to develop and improve our mobile applications to further drive user adoption of these applications. As we seek to optimize our products to improve the overall user experience, we may make changes to our products that result in slower growth, or a decline, in the number of timeline views or the number of timeline views per MAU. To the extent user engagement as measured by timeline views and timeline views per MAU does not increase, our revenue growth will depend in large part on our ability to increase MAUs or monetization of our platform.

*Monetization.* We measure monetization of our platform through advertising revenue per timeline view. There are many variables that impact timeline views and advertising revenue per timeline view, such as the number of MAUs, the number of timeline views per MAU, which timeline views we monetize and the amount of advertising we choose to display, our users' engagement with our Promoted Products and advertiser demand. Generally, for our pay-for-performance Promoted Products, we design our algorithms to optimize for the combined impact of a number of factors, including the overall user experience, the number of ads we deliver to a particular user, the likelihood that our users will engage with the ads, the value we deliver to advertisers and the impact of the advertisers' bids. We design our algorithms to enhance the user experience by delivering relevant ads to a user based on the user's Interest Graph, and these ads may contain information of interest to the user or may provide promotional offers that are not available anywhere else. Our algorithms also enhance the value that we deliver to advertisers because the targeting capabilities of our algorithms allow advertisers to deliver ads that are relevant to a user's interests, thereby increasing the effectiveness of an advertiser's advertising campaign.

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We regularly refine our algorithms to drive monetization while maximizing the long-term value of our platform for our users and advertisers. Given the large number of variables that drive advertising revenue per timeline view, including decisions that we make regarding optimizing user experience and satisfying advertiser demand, certain individual components may decline while others increase. Ultimately, it is the combination of the changes in these components that impacts advertising revenue per timeline view. For example, advertising revenue has increased sequentially in each of the six quarters ended September 30, 2013, driven by sequential increases in paid user engagements with our pay-for-performance Promoted Products, or ad engagements, over those same periods, partially offset by sequential decreases in average cost per ad engagement during the same periods. The number of ad engagements increased 55%, 32%, 78%, 15%, 124% and 58% sequentially in the three months ended June 30, 2012, September 30, 2012, December 31, 2012, March 31, 2013, June 30, 2013 and September 30, 2013, respectively. The increases in ad engagements over these periods were primarily due to increases in MAUs, user engagement levels, as measured by timeline views per MAU, and advertiser demand. Average cost per ad engagement decreased 18%, 9%, 19%, 12%, 46% and 20% sequentially in the three months ended June 30, 2012, September 30, 2012, December 31, 2012, March 31, 2013, June 30, 2013 and September 30, 2013, respectively. The decreases in cost per ad engagement over these periods were primarily due to an increase in supply of advertising inventory available in our auctions, which was partially offset by increased demand for our Promoted Products. Supply of advertising inventory increased as we expanded the distribution of our Promoted Products to our mobile applications and additional markets outside of the United States in 2012. The increase in advertising inventory provided us with additional opportunities to place ads on our platform. This increase in advertising inventory combined with our efforts, which started in the three months ended June 30, 2013 and continued through the three months ended September 30, 2013, to improve the advertiser experience by refining our algorithms to balance the distribution of an advertiser's budget throughout the day reduced the amount that advertisers were required to bid to win auctions for our pay-for-performance Promoted Products. This reduction in cost per ad engagement made our Promoted Products more attractive for our existing advertisers and new advertisers, including small and medium sized businesses with smaller advertising budgets, as well as international advertisers. As we continue to optimize for advertiser value and the overall user experience, the cost per ad engagement may continue to decline over time, and we expect the cost per ad engagement to decline in the near term. In the event that cost per ad engagement continues to decline, and we are unable to continue to offset the impact of such decreases on advertising revenue by increasing the number of ad engagements, our advertising revenue would decline. We believe that, in order to increase the cost per ad engagement, we will need to increase advertiser demand for our Promoted Products by enhancing the value of such products. We plan to increase the value of our Promoted Products by increasing the size and engagement of our user base, improving our ability to target advertising to our users' interests and improving the ability of our advertisers to optimize their campaigns and measure the results of their campaigns. We also believe our goal of maximizing the long-term value of our platform for our users and advertisers should make Promoted Products more attractive to our existing and new advertisers and allow us to deliver more relevant ads on our platform.

In addition, our advertising revenue per timeline view in the United States is substantially higher than our advertising revenue per timeline view in the rest of the world. For example, during the three months ended September 30, 2013, our advertising revenue per timeline view in the United States was \$2.58 and our advertising revenue per timeline view in the rest of the world was \$0.36. We expect this disparity to continue for the foreseeable future. Accordingly, to the extent the number of international users and engagement by international users grow faster than U.S. users and engagement by U.S. users, total advertising revenue per timeline view may be adversely impacted even if total advertising revenue continues to increase.

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We have also been able to generate significant revenue through our mobile applications. We introduced Promoted Products on our iOS and Android mobile applications in February 2012, and have since expanded to include Promoted Products on our other mobile applications. In the three months ended September 30, 2013, over 70% of our advertising revenue was generated from mobile devices. We have experienced strong growth in advertising revenue from mobile devices because user engagement, as measured by timeline views, is significantly higher on mobile applications than on our desktop applications, and we expect this trend to continue. However, Promoted Accounts and Promoted Trends receive less prominence on our mobile applications than they do on our desktop applications, which means that fewer users see them displayed on our mobile applications, resulting in fewer ad engagements with Promoted Accounts and fewer impressions of Promoted Trends on mobile applications. Primarily as a result of Promoted Accounts and Promoted Trends receiving less prominence on mobile applications, we have generated higher advertising revenue per timeline view on our desktop applications than on our mobile applications. Although advertising revenue per timeline view on our desktop applications is higher than advertising revenue per timeline view on our mobile applications, the substantial majority of our timeline views and advertising revenue is generated from mobile applications. Accordingly, to the extent that user engagement on mobile applications continues to increase faster than user engagement on our desktop applications, advertising revenue per timeline view may be adversely impacted even if total advertising revenue continues to increase.

We intend to continue to increase the monetization of our platform by improving the targeting capabilities of our advertising services to enhance the value of our Promoted Products for advertisers, expanding our sales efforts to reach advertisers in additional international markets, opening our platform to additional advertisers through our self-serve advertising platform and developing new ad formats for advertisers.

*Effectiveness of Our Advertising Services.* Advertisers can use Twitter to communicate directly with their followers for free, but many choose to purchase our advertising services to reach a broader audience and further promote their brands, products and services. We believe that increasing the effectiveness of our Promoted Products for advertisers will increase the amount that advertisers spend with us. We aim to increase the value of our Promoted Products by increasing the size and engagement of our user base, improving our ability to target advertising to our users' interests and improving the ability of our advertisers to optimize their campaigns and measure the results of their campaigns. We may also develop new advertising products and services.

*International Expansion.* We intend to invest in our international operations in order to expand our user base and advertiser base and increase user engagement and monetization internationally. In the three months ended September 30, 2013, we had 179.0 million average MAUs internationally compared to 52.7 million average MAUs in the United States. In addition, our number of users is growing at a faster rate in many international markets, such as Argentina, France, Japan, Russia, Saudi Arabia and South Africa. However, we derive the substantial majority of our advertising revenue from advertisers in the United States. We also generate significantly more advertising revenue per timeline view in the United States than internationally, with advertising revenue per timeline view in the three months ended September 30, 2013 of \$2.58 in the United States and \$0.36 internationally. Further, because we record advertising revenue based on the billing location of our advertisers, engagement by international users with ads placed by advertisers located in the United States increases our advertising revenue per timeline view in the United States. In order to increase our international advertising revenue, we plan to invest in our international operations. In the near term, we plan to increase the size of our sales and marketing support teams in Australia, Brazil, Ireland and the Netherlands, and we plan to extend our self-serve advertising platform to countries outside of the United States.

We face challenges in increasing our advertising revenue internationally, including local competition, differences in advertiser demand, differences in the digital advertising market and

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conventions, and differences in the manner in which Twitter is accessed and used internationally. We face competition from well established competitors in certain international markets, including Kakao in South Korea and LINE in Japan. In addition, certain international markets are not as familiar with digital advertising in general, or with new forms of digital advertising, such as our Promoted Products. In these jurisdictions we are investing to educate advertisers about the benefits of our advertising services. However, we expect that it may require a significant investment of time and resources to educate advertisers in many international markets. We also face challenges in providing certain advertising products, features or analytics in certain international markets, such as the European Union, due to government regulation. In addition, in certain emerging markets, many users access Twitter through feature phones with limited functionality, rather than through smartphones, our website or desktop applications. This limits our ability to deliver certain features to these users and may limit the ability of advertisers to deliver compelling ads to users in these markets. We are investing to improve our applications for feature phones in order to improve our ability to monetize our products and services in international markets.

*Competition.* We face significant competition for users and advertisers. We compete against many companies to attract and engage users and for advertiser spend, including companies with greater financial resources and substantially larger user bases, such as Facebook (including Instagram), Google, LinkedIn, Microsoft and Yahoo!, which offer a variety of Internet and mobile device-based products, services and content. In recent years there have been significant acquisitions and consolidation by and among our actual and potential competitors. We must compete effectively for users and advertisers in order to grow our business and increase our revenue. We believe that our ability to compete effectively for users depends upon a number of factors, including the quality of our products and services; and our ability to compete effectively for advertisers depends upon a number of factors, including our ability to offer attractive advertising products with unique targeting capabilities and the size of our active user base. We intend to continue to invest in research and development to improve our products and services for users and advertisers and to grow our active user base in order to address the competitive challenges in our industry. As part of our strategy to improve our products and services, we may acquire other companies to add engineering talent or complementary products and technologies.

*Investment in Infrastructure.* We intend to increase the capacity and enhance the capability and reliability of our infrastructure. Our infrastructure is critical to providing users, platform partners, advertisers and data partners access to our platform, particularly during major planned and unplanned events, such as elections, sporting events or natural disasters, when activity on our platform increases dramatically. As our user base and the activity on our platform grow, we expect that investments and expenses associated with our infrastructure will continue to grow. These investments and expenses include the expansion of our data center operations and related operating costs, additional servers and networking equipment to increase the capacity of our infrastructure and increased bandwidth costs.

*Products and Services Innovation.* Our ability to increase the size and engagement of our user base, attract advertisers and increase our revenue will depend, in part, on our ability to improve existing products and services and to successfully develop or acquire new products and services. We plan to continue to make significant investments in research and development and, from time to time, we may acquire companies to enhance our products, services and technical capabilities.

*Investment in Talent.* We intend to invest in hiring and retaining talented employees to grow our business and increase our revenue. As of September 30, 2013, we had over 2,300 full-time employees, an increase of over 1,100 full-time employees, or approximately 87%, from September 30, 2012. We expect to grow headcount for the foreseeable future as we continue to invest in our business. We have also made and intend to continue to make acquisitions that add engineers, designers, product managers and other personnel with specific technology expertise. In addition, we

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must retain our high-performing personnel in order to continue to develop, sell and market our products and services and manage our business.

*Seasonality.* Advertising spending is traditionally strongest in the fourth quarter of each year. Historically, this seasonality in advertising spending has affected our quarterly results, with higher sequential advertising revenue growth from the third quarter to the fourth quarter compared to sequential advertising revenue growth from the fourth quarter to the subsequent first quarter. For example, our advertising revenue increased 63% and 45% between the third and fourth quarters of 2011 and 2012, respectively, while advertising revenue for the first quarter of 2012 and 2013 increased 37% and 1% compared to the fourth quarter of 2011 and 2012, respectively. In addition, advertising revenue per timeline view increased 31% between the third and fourth quarter of 2012, while advertising revenue per timeline view decreased 13% between the fourth quarter of 2012 and the first quarter of 2013. The rapid growth in our business may have partially masked seasonality to date and the seasonal impacts may be more pronounced in the future.

*Stock-Based Compensation Expense.* Since May 2011, we have been granting RSUs to our employees. The Pre-2013 RSUs vest upon the satisfaction of both a service condition and a performance condition. The service condition for a majority of the Pre-2013 RSUs is satisfied over a period of four years. The performance condition will be satisfied on the earlier of (i) the date that is the earlier of (x) six months after the effective date of this offering or (y) March 8th of the calendar year following the effective date of this offering (which we may elect to accelerate to February 15th); and (ii) the date of a change in control. As of September 30, 2013, no stock-based compensation expense had been recognized for the Pre-2013 RSUs because a qualifying event as described above was not probable. In the quarter in which this offering is completed, we will begin recording stock-based compensation expense based on the grant-date fair value of the Pre-2013 RSUs using the accelerated attribution method, net of estimated forfeitures. If this offering had been completed on September 30, 2013, we would have recorded \$385.2 million of cumulative stock-based compensation expense related to the Pre-2013 RSUs on that date, and an additional \$199.6 million of unrecognized stock-based compensation expense related to the Pre-2013 RSUs, net of estimated forfeitures, would be recognized over a weighted-average period of approximately three years. In addition to stock-based compensation expense associated with the Pre-2013 RSUs, as of September 30, 2013, we had unrecognized stock-based compensation expense of approximately \$698.3 million related to other outstanding equity awards, after giving effect to estimated forfeitures, which we expect to recognize over a weighted-average period of approximately four years. Further, we made grants of equity awards after September 30, 2013, and we have unrecognized stock-based compensation expense of \$108.7 million related to such equity awards, after giving effect to estimated forfeitures, which we expect to recognize over a weighted-average period of approximately four years.

On the settlement dates for the Pre-2013 RSUs, we may choose to allow our employees who are not executive officers to sell shares of our common stock received upon the vesting and settlement of Pre-2013 RSUs in the public market to satisfy their income tax obligations related to the vesting and settlement of such awards, or we may choose to undertake a net settlement of these awards and withhold shares and remit income taxes on behalf of the holders of the Pre-2013 RSUs at the applicable minimum statutory rates. We expect the applicable minimum statutory rates to be approximately 40% on average, and the income taxes due would be based on the then-current value of the underlying shares of our common stock. Based on the number of Pre-2013 RSUs outstanding as of September 30, 2013 for which the service condition had been satisfied on that date, and assuming (i) the performance condition had been satisfied on that date and (ii) that the price of our common stock at the time of settlement was equal to \$26.00, which is the initial public offering price per share, we estimate that this tax obligation on the initial settlement date would be approximately \$123.3 million in the aggregate. The amount of this obligation could be higher or lower, depending on the price of shares of our common stock, and the actual number of Pre-2013 RSUs outstanding for which the service condition has been

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satisfied, on the initial settlement date for the Pre-2013 RSUs. To settle these Pre-2013 RSUs on the initial settlement date, assuming a 40% tax withholding rate, if we choose to undertake a net settlement of all of these awards rather than allowing our employees who are not executive officers to sell shares of our common stock in the public market to satisfy their income tax obligations related to the vesting and settlement of Pre-2013 RSUs, we would expect to deliver an aggregate of approximately 7.1 million shares of our common stock to Pre-2013 RSU holders after withholding an aggregate of approximately 4.8 million shares of our common stock. In connection with these net settlements, we would withhold and remit the tax liabilities on behalf of the Pre-2013 RSU holders to the relevant tax authorities in cash.

**MoPub Inc.**

On October 28, 2013, we completed our acquisition of privately held MoPub, a mobile-focused advertising exchange. Pursuant to the definitive agreement to acquire MoPub, or the MoPub Merger Agreement, upon the closing of the acquisition, all of the issued and outstanding shares of capital stock of MoPub were converted into 13,178,040 shares of our common stock and all equity awards to purchase shares of MoPub common stock held by individuals who will continue to provide services to us were converted into the right to receive an aggregate of 1,237,847 shares of our common stock, subject to certain adjustments and vesting terms described in the MoPub Merger Agreement, and MoPub became one of our wholly-owned subsidiaries. The shares of our common stock that have been or will be issued pursuant to the MoPub Merger Agreement will be subject to the same market standoff agreements with us and lock-up agreements with the underwriters as are described in the section titled *Shares Eligible for Future Sale*.

The following table presents certain summary consolidated statement of operations and other financial data for MoPub for the year ended December 31, 2012 and the six months ended June 30, 2013:

	Year Ended December 31, 2012	Six Months Ended June 30, 2013
	(In thousands)	
<b>Certain Summary Consolidated Statement of Operations Data:</b>		
Revenue, net	\$ 2,692	\$ 6,516
Net loss	(8,141)	(2,825)
<b>Other Financial Information:</b>		
Adjusted EBITDA	\$ (7,899)	\$ (2,503)

MoPub receives a fee from transactions completed by its customers and publishers on the exchange that it operates. MoPub reports revenue on a net basis principally because it is not the primary obligor to the end-customers.

Adjusted EBITDA for MoPub is defined as net loss adjusted to exclude stock-based compensation expense, depreciation and amortization expense and interest and other income and expense, net. The following table presents a reconciliation of net loss to Adjusted EBITDA for MoPub for each of the periods indicated:

	Year Ended December 31, 2012	Six Months Ended June 30, 2013
	(In thousands)	
<b>Reconciliation of Net Loss to Adjusted EBITDA</b>		
Net loss	\$ (8,141)	\$ (2,825)
Stock-based compensation expense	141	167
Depreciation and amortization expense	117	168
Interest and other income and expense, net	(16)	(13)
Adjusted EBITDA	\$ (7,899)	\$ (2,503)

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For information regarding how our management uses Adjusted EBITDA, the reasons we believe that Adjusted EBITDA provides useful information to investors and the limitations of Adjusted EBITDA, see the section titled Prospect Summary Summary Consolidated Financial and Other Data Non-GAAP Financial Measures.

### **Components of Results of Operations**

#### ***Revenue***

We generate the substantial majority of our revenue from the sale of advertising services. We also generate revenue by licensing our data to third parties.

#### ***Advertising Services***

We generate substantially all of our advertising revenue by selling our Promoted Products. Currently, our Promoted Products consist of the following:

*Promoted Tweets.* Promoted Tweets, which are labeled as promoted, appear within a user's timeline or search results just like an ordinary Tweet regardless of device, whether it be desktop or mobile. Using our proprietary algorithms and understanding of the interests of each user, we can deliver Promoted Tweets that are intended to be relevant to a particular user. We enable our advertisers to target an audience based on our users' Interest Graphs. Our Promoted Tweets are pay-for-performance advertising that are priced through an auction. We recognize advertising revenue when a user engages with a Promoted Tweet.

*Promoted Accounts.* Promoted Accounts, which are labeled as promoted, appear in the same format and place as accounts suggested by our Who to Follow recommendation engine. Promoted Accounts provide a way for our advertisers to grow a community of users who are interested in their business, products or services. Our Promoted Accounts are pay-for-performance advertising that are priced through an auction. We recognize advertising revenue when a user follows a Promoted Account.

*Promoted Trends.* Promoted Trends, which are labeled as promoted, appear at the top of the list of trending topics for an entire day in a particular country or on a global basis. When a user clicks on a Promoted Trend, search results for that trend are shown in a timeline and a Promoted Tweet created by the advertiser is displayed to the user at the top of those search results. We sell our Promoted Trends on a fixed-fee-per-day basis. We feature one Promoted Trend per day per geography, and recognize advertising revenue from a Promoted Trend when it is displayed on our platform.

#### ***Data Licensing***

We offer data licenses that allow our data partners to access, search and analyze historical and real-time data on our platform, which data consists of public Tweets and their content. Our data partners generally purchase licenses to access all or a portion of our data for a fixed period, which is typically two years. We recognize data licensing revenue as the licensed data is made available to our data partners. In the nine months ended September 30, 2013, our top five data partners accounted for approximately 73% of our data licensing revenue, and approximately 8% of total revenue in the period. We expect data licensing revenue to decrease as a percentage of our total revenue over time.

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### ***Cost of Revenue and Operating Expenses***

#### ***Cost of Revenue***

Cost of revenue consists primarily of data center costs related to our co-located facilities, which include lease and hosting costs, related support and maintenance costs and energy and bandwidth costs, as well as depreciation of our servers and networking equipment, and personnel-related costs, including salaries, benefits and stock-based compensation, for our operations teams. Cost of revenue also includes allocated facilities and other supporting overhead costs, amortization of acquired intangible assets and capitalized labor costs. Many of the elements of our cost of revenue are relatively fixed, and cannot be reduced in the near term to offset any decline in our revenue.

We plan to continue increasing the capacity and enhancing the capability and reliability of our infrastructure to support user growth and increased activity on our platform. We anticipate a significant increase in cost of revenue in the year ending December 31, 2013 as a result of the stock-based compensation expense associated with the Pre-2013 RSUs as described in the section titled *Factors Affecting Our Future Performance Stock-Based Compensation Expense*. We expect that cost of revenue will increase in dollar amount for the foreseeable future and vary in the near term from period to period as a percentage of revenue.

#### ***Research and Development***

Research and development expenses consist primarily of personnel-related costs, including salaries, benefits and stock-based compensation, for our engineers and other employees engaged in the research and development of our products and services. In addition, research and development expenses include allocated facilities and other supporting overhead costs.

We plan to continue to hire employees for our engineering, product management and design teams to support our research and development efforts. We anticipate a significant increase in research and development expenses in the year ending December 31, 2013 as a result of the stock-based compensation expense associated with the Pre-2013 RSUs as described in the section titled *Factors Affecting Our Future Performance Stock-Based Compensation Expense*. We expect that research and development costs will increase in dollar amount for the foreseeable future and vary in the near term from period to period as a percentage of revenue.

#### ***Sales and Marketing***

Sales and marketing expenses consist primarily of personnel-related costs, including salaries, benefits and stock-based compensation for our employees engaged in sales, sales support, commissions, business development and media, marketing, corporate communications and customer service functions. In addition, marketing and sales-related expenses also include market research, tradeshow, branding, marketing and public relations costs, as well as allocated facilities and other supporting overhead costs.

We plan to continue to invest in sales and marketing to expand internationally, grow our advertiser base and increase our brand awareness. We anticipate a significant increase in sales and marketing expenses in the year ending December 31, 2013 as a result of the stock-based compensation expense associated with the Pre-2013 RSUs as described in the section titled *Factors Affecting Our Future Performance Stock-Based Compensation Expense*. We expect that sales and marketing expenses will increase in dollar amount for the foreseeable future and vary in the near term from period to period as a percentage of revenue.

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### *General and Administrative*

General and administrative expenses consist primarily of personnel-related costs, including salaries, benefits and stock-based compensation, for our executive, finance, legal, information technology, human resources and other administrative employees. In addition, general and administrative expenses include fees and costs for professional services, including consulting, third-party legal and accounting services and facilities and other supporting overhead costs that are not allocated to other departments.

We plan to continue to expand our business both domestically and internationally, and expect to increase the size of our general and administrative function to help grow our business. We expect that we will incur additional general and administrative expenses as a result of being a publicly-traded company. We also anticipate a significant increase in general and administrative expenses in the year ending December 31, 2013 as a result of the stock-based compensation expense associated with the Pre-2013 RSUs as described in the section titled

Factors Affecting Our Future Performance Stock-Based Compensation Expense. We expect that general and administrative expenses will increase in dollar amount for the foreseeable future and vary in the near term from period to period as a percentage of revenue.

### *Provision (Benefit) for Income Taxes*

Provision for income taxes consists of federal and state income taxes in the United States and income taxes in certain foreign jurisdictions, and deferred income taxes and changes in related valuation allowance reflecting the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

As of December 31, 2012, we had \$298.8 million of federal and \$216.7 million of state net operating loss carryforwards available to reduce future taxable income. These net operating loss carryforwards will begin to expire for federal income tax purposes and state income tax purposes in 2027 and 2017, respectively. We expect our net operating loss carryforwards to increase in the quarter in which we initially settle a portion of the Pre-2013 RSUs as a result of the vesting of such RSUs. We also have research credit carryforwards of \$6.6 million and \$10.5 million for federal and state income tax purposes, respectively. The federal research credit carryforward will begin to expire in 2027. The state research credit carryforward has no expiration date. Utilization of the net operating loss carryforwards and research carryforwards credit may be subject to an annual limitation due to the ownership change limitations set forth in the Code, and similar state provisions. Any annual limitation may result in the expiration of net operating losses and research credits before utilization.

**Table of Contents****Results of Operations**

The following tables set forth our consolidated statement of operations data for each of the periods presented:

	Year Ended December 31,			Nine Months Ended September 30,	
	2010	2011	2012	2012	2013
	(In thousands)			(Unaudited)	
<b>Revenue</b>					
Advertising services	\$ 7,321	\$ 77,710	\$ 269,421	\$ 169,967	\$ 374,869
Data licensing	20,957	28,603	47,512	34,719	47,346
<b>Total revenue</b>	<b>\$ 28,278</b>	<b>\$ 106,313</b>	<b>\$ 316,933</b>	<b>\$ 204,686</b>	<b>\$ 422,215</b>
<b>Costs and expenses<sup>(1)</sup></b>					
Cost of revenue	43,168	61,803	128,768	91,850	154,067
Research and development	29,348	80,176	119,004	78,664	199,144
Sales and marketing	6,289	25,988	86,551	57,767	138,911
General and administrative	16,952	65,757	59,693	44,712	56,248
<b>Total costs and expenses</b>	<b>95,757</b>	<b>233,724</b>	<b>394,016</b>	<b>272,993</b>	<b>548,370</b>
<b>Loss from operations</b>	<b>(67,479)</b>	<b>(127,411)</b>	<b>(77,083)</b>	<b>(68,307)</b>	<b>(126,155)</b>
Interest income (expense), net	55	(805)	(2,486)	(1,656)	(4,473)
Other income (expense), net	(117)	(1,530)	399	926	(1,730)
<b>Loss before income taxes</b>	<b>(67,541)</b>	<b>(129,746)</b>	<b>(79,170)</b>	<b>(69,037)</b>	<b>(132,358)</b>
Provision (benefit) for income taxes	(217)	(1,444)	229	1,657	1,494
<b>Net loss</b>	<b>\$ (67,324)</b>	<b>\$ (128,302)</b>	<b>\$ (79,399)</b>	<b>\$ (70,694)</b>	<b>\$ (133,852)</b>

<sup>(1)</sup> Costs and expenses include stock-based compensation expense as follows:

	Year Ended December 31,			Nine Months Ended September 30,	
	2010	2011	2012	2012	2013
	(In thousands)			(Unaudited)	
Cost of revenue	\$ 200	\$ 1,820	\$ 800	\$ 618	\$ 5,015
Research and development	3,409	33,559	12,622	9,013	53,377
Sales and marketing	249	1,553	1,346	985	10,356
General and administrative	2,073	23,452	10,973	9,779	10,422
<b>Total</b>	<b>\$ 5,931</b>	<b>\$ 60,384</b>	<b>\$ 25,741</b>	<b>\$ 20,395</b>	<b>\$ 79,170</b>

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The following table sets forth our consolidated statement of operations data for each of the periods presented as a percentage of revenue:

	2010	Year Ended December 31, 2011	2012	Nine Months Ended September 30, 2012	2013
<b>Revenue</b>					
Advertising services	26%	73%	85%	83%	89%
Data licensing	74	27	15	17	11
<b>Total Revenue</b>	100	100	100	100	100
<b>Costs and expenses</b>					
Cost of revenue	153	58	41	45	36
Research and development	104	75	38	38	47
Sales and marketing	22	24	27	28	33
General and administrative	60	62	19	22	13
<b>Total costs and expenses</b>	339	220	124	133	130
<b>Loss from operations</b>	(239)	(120)	(24)	(33)	(30)
Interest income (expense), net		(1)	(1)	(1)	(1)
Other income (expense), net		(1)			
<b>Loss before income taxes</b>	(239)	(122)	(25)	(34)	(31)
Provision (benefit) for income taxes	(1)	(1)		1	
<b>Net loss</b>	(238)%	(121)%	(25)%	(35)%	(32)%

**Nine Months Ended September 30, 2012 and 2013****Revenue**

	Nine Months Ended September 30, 2012		2013	% Change
	(Unaudited, in thousands)			
Advertising services	\$ 169,967	\$ 374,869		121%
Data licensing	34,719	47,346		36%
<b>Total revenue</b>	<b>\$ 204,686</b>	<b>\$ 422,215</b>		<b>106%</b>

Revenue in the nine months ended September 30, 2013 increased by \$217.5 million compared to the nine months ended September 30, 2012.

In the nine months ended September 30, 2013, advertising revenue increased by 121% compared to the nine months ended September 30, 2012. The increase was primarily attributable to a 67% increase in timeline views in the nine months ended September 30, 2013, compared to the same period in the prior year, as well as an increase in demand from advertisers that drove an increase in advertising revenue per timeline view of 32% in the nine months ended September 30, 2013 compared to the same period in the prior year. The increase in timeline views was driven by a 39% increase in average MAUs, and a 21% increase in the user engagement levels of MAUs, as measured by timeline views per MAU, in the nine months ended September 30, 2013 compared to the same period in the prior year. The increase in advertising revenue per timeline view was primarily driven by a 271% increase in ad engagements per timeline view, partially offset by a 64% decrease in average cost per ad engagement in the nine months ended September 30, 2013 compared to the same period in the



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prior year. The increase in ad engagements per timeline view, combined with the increase in timeline views, resulted in a 521% increase in the number of ad engagements in the nine months ended September 30, 2013 compared to the same period in the prior year. Advertising revenue also benefited from sales of our Promoted Products on our mobile applications, which were launched in the nine months ended September 30, 2012, as well as from an increase in international revenue.

In the nine months ended September 30, 2013, data licensing revenue increased by 36% compared to the nine months ended September 30, 2012. The increase in data licensing revenue was attributable to a 30% net increase in licensing fees from existing data partners, as well as an increase in licensing fees from new data partners in the nine months ended September 30, 2013 compared to the same period in the prior year.

**Cost of Revenue**

	Nine Months Ended September 30,		
	2012	2013	% Change
	(Unaudited, dollar amounts in thousands)		
Cost of revenue	\$ 91,850	\$ 154,067	68%
Cost of revenue as a percentage of revenue	45%	36%	

In the nine months ended September 30, 2013, cost of revenue increased by \$62.2 million compared to the nine months ended September 30, 2012. The increase was primarily attributable to a \$21.6 million increase in depreciation expense related to capital leases for additional server and networking equipment, a \$16.7 million increase in allocated facilities and other supporting overhead costs, a \$13.7 million increase in personnel-related costs, mainly driven by an increase in average employee headcount and recognition of stock-based compensation expense related to Post-2013 RSUs we began to grant in February 2013, and a \$10.2 million increase in data center costs related to our co-located facilities.

**Research and Development**

	Nine Months Ended September 30,		
	2012	2013	% Change
	(Unaudited, dollar amounts in thousands)		
Research and development	\$ 78,664	\$ 199,144	153%
Research and development as a percentage of revenue	38%	47%	

In the nine months ended September 30, 2013, research and development expense increased by \$120.5 million compared to the nine months ended September 30, 2012. The increase was primarily attributable to a \$112.1 million increase in personnel-related costs, mainly driven by an increase in average employee headcount and recognition of stock-based compensation expense related to Post-2013 RSUs we began to grant in February 2013, and a \$23.6 million increase in allocated facilities and other supporting overhead costs. These increases were partially offset by a \$15.2 million increase in the capitalization of costs associated with developing software for internal use.

**Table of Contents****Sales and Marketing**

	Nine Months Ended September 30,		
	2012	2013	% Change
	(Unaudited, dollar amounts in thousands)		
Sales and marketing	\$ 57,767	\$ 138,911	140%
Sales and marketing as a percentage of revenue	28%	33%	

In the nine months ended September 30, 2013, sales and marketing expenses increased by \$81.1 million compared to the nine months ended September 30, 2012. The increase was primarily attributable to a \$49.3 million increase in personnel-related costs, mainly driven by an increase in average employee headcount and recognition of stock-based compensation expense related to RSUs granted to domestic employees and other service providers starting in February 2013, or Post-2013 RSUs, a \$20.7 million increase in marketing and sales-related expenses and an \$11.1 million increase in allocated facilities and other supporting overhead costs.

**General and Administrative**

	Nine Months Ended September 30,		
	2012	2013	% Change
	(Unaudited, dollar amounts in thousands)		
General and administrative	\$ 44,712	\$ 56,248	26%
General and administrative as a percentage of revenue	22%	13%	

In the nine months ended September 30, 2013, general and administrative expenses increased by \$11.5 million compared to the nine months ended September 30, 2012. The increase was primarily attributable to an increase of \$15.9 million in personnel-related costs, mainly driven by an increase in average employee headcount, and an increase in costs for professional services of \$8.9 million. These increases were partially offset by a \$13.3 million decrease in unallocated facilities and other supporting overhead costs, resulting from increased allocation of overhead costs to other functions with higher headcount growth.

**Provision (Benefit) for Income Taxes**

	Nine Months Ended September 30,	
	2012	2013
	(Unaudited, in thousands)	
Provision for income taxes	\$ 1,657	\$ 1,494

Our provision for income taxes in the nine months ended September 30, 2013 did not change significantly compared to the nine months ended September 30, 2012, resulting in income tax expense of \$1.5 million in the nine months ended September 30, 2013. The slight decrease was primarily due to a reduction in state income taxes and tax benefits arising from acquisitions, offset by an increase in foreign tax expense.

**Table of Contents****Years Ended December 31, 2010, 2011 and 2012****Revenue**

	Year Ended December 31,			2010 to 2011 % Change	2011 to 2012 % Change
	2010	2011 (In thousands)	2012		
Advertising services	\$ 7,321	\$ 77,710	\$ 269,421	961%	247%
Data licensing	20,957	28,603	47,512	36%	66%
<b>Total revenue</b>	<b>\$ 28,278</b>	<b>\$ 106,313</b>	<b>\$ 316,933</b>	<b>276%</b>	<b>198%</b>

2012 Compared to 2011. Revenue in 2012 increased by \$210.6 million compared to 2011.

In 2012, advertising revenue increased by 247% compared to 2011. The increase was primarily attributable to the expansion of our advertising service offerings in the second half of 2011 and the first half of 2012, as well as a 59% increase in average MAUs in 2012 compared to 2011. We expanded our advertising service offerings through the introduction of Promoted Tweets in all user timelines in October 2011 and Promoted Products on mobile applications in February 2012.

In 2012, data licensing revenue increased by 66% compared to 2011. The increase in data licensing revenue was primarily attributable to a 51% net increase in licensing fees from existing data partners in 2012 compared to 2011, and to a lesser extent from an increase in licensing fees from new data partners.

2011 Compared to 2010. Revenue in 2011 increased by \$78.0 million compared to 2010.

In 2011, advertising revenue increased by 961% compared to 2010. The increase was primarily attributable to the full year impact of Promoted Products in 2011, as these products were introduced in 2010, an expansion in our advertising service offerings in 2011 and a 115% increase in average MAUs in 2011 compared to 2010. We introduced our first Promoted Product, Promoted Trends, in June 2010 and expanded our advertising service offerings through the introduction of Promoted Tweets in all user timelines in October 2011.

In 2011, data licensing revenue increased by 36% compared to 2010. The increase in data licensing revenue was primarily attributable to a 22% net increase in licensing fees from existing data partners in 2011 compared to 2010.

**Cost of Revenue**

	Year Ended December 31,			2010 to 2011 % Change	2011 to 2012 % Change
	2010	2011 (In thousands)	2012		
Cost of revenue	\$ 43,168	\$ 61,803	\$ 128,768	43%	108%
Cost of revenue as a percentage of revenue	153%	58%	41%		

2012 Compared to 2011. In 2012, cost of revenue increased by \$67.0 million compared to 2011. The increase was primarily attributable to a \$28.9 million increase in depreciation expense related to additional server and networking equipment capital leases, a \$14.0 million increase in amortization of acquired intangible assets, a \$10.0 million increase in data center costs related to our co-located facilities, a \$7.8 million increase in personnel-related costs, mainly driven by an increase in

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average employee headcount and a \$6.3 million increase in allocated facilities and other supporting overhead expenses.

*2011 Compared to 2010.* In 2011, cost of revenue increased by \$18.6 million compared to 2010. The increase was primarily attributable to a \$17.4 million increase in depreciation expense related to additional server and networking equipment capital leases and an \$8.0 million increase in personnel-related costs (including a \$1.1 million charge recorded in connection with the 2011 tender offer which is described below), mainly driven by an increase in average employee headcount. These increases were partially offset by a \$7.1 million decrease in data center costs as a result of our move from a third-party hosting solution to a co-located facility.

In 2011, the investors in our Series G convertible preferred stock financing commenced a tender offer to purchase shares of our common stock and Series A through Series F convertible preferred stock from our employees, consultants and other stockholders. The tender offer closed in September 2011, and we recorded \$34.7 million of stock-based compensation expense related to the excess of the price per share of our common stock paid to our employees and consultants in the tender offer over the fair value of the tendered shares. This \$34.7 million of stock-based compensation expense in 2011 was allocated among cost of revenue, research and development expenses, sales and marketing expenses and general and administrative expenses in amounts of \$1.1 million, \$19.1 million, \$0.4 million and \$14.1 million, respectively.

**Research and Development**

	Year Ended December 31,			2010 to 2011	2011 to 2012
	2010	2011	2012	% Change	% Change
	(Dollar amounts in thousands)				
Research and development	\$ 29,348	\$ 80,176	\$ 119,004	173%	48%
Research and development as a percentage of revenue	104%	75%	38%		

*2012 Compared to 2011.* In 2012, research and development expenses increased by \$38.8 million compared to 2011. The increase was primarily attributable to a \$21.7 million increase in personnel-related costs, mainly driven by an increase in average employee headcount, and a \$23.9 million increase in allocated facilities and other supporting overhead expenses. These increases were partially offset by a \$6.8 million increase in the capitalization of costs associated with developing software for internal use.

*2011 Compared to 2010.* In 2011, research and development expenses increased by \$50.8 million compared to 2010. The increase was primarily attributable to a \$56.7 million increase in personnel-related costs (including a \$19.1 million charge recorded in connection with the 2011 tender offer), mainly driven by an increase in average employee headcount. These increases were partially offset by a \$3.8 million increase in the capitalization of costs associated with developing software for internal use and a \$2.1 million decrease in amortization of acquired intangible assets.

**Sales and Marketing**

	Year Ended December 31,			2010 to 2011	2011 to 2012
	2010	2011	2012	% Change	% Change
	(Dollar amounts in thousands)				
Sales and marketing	\$ 6,289	\$ 25,988	\$ 86,551	313%	233%
Sales and marketing as a percentage of revenue	22%	24%	27%		

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*2012 Compared to 2011.* In 2012, sales and marketing expenses increased by \$60.6 million compared to 2011. The increase was primarily attributable to a \$34.6 million increase in personnel-related costs, mainly driven by an increase in average employee headcount, a \$15.9 million increase in allocated facilities and other supporting overhead expenses and a \$10.1 million increase in marketing and sales-related expenses.

*2011 Compared to 2010.* In 2011, sales and marketing expenses increased by \$19.7 million compared to 2010. The increase was primarily attributable to a \$16.3 million increase in personnel-related costs, mainly driven by an increase in average employee headcount, a \$1.9 million increase in allocated facilities and other supporting overhead expenses and a \$1.5 million increase in marketing and sales-related expenses.

**General and Administrative**

	Year Ended December 31,			2010 to 2011 % Change	2011 to 2012 % Change
	2010	2011	2012		
	(Dollar amounts in thousands)				
General and administrative	\$ 16,952	\$ 65,757	\$ 59,693	288%	(9)%
General and administrative as a percentage of revenue	60%	62%	19%		

*2012 Compared to 2011.* In 2012, general and administrative expense decreased by \$6.1 million compared to 2011. The decrease was primarily attributable to a \$19.9 million decrease in unallocated facilities and supporting costs, driven by slower headcount growth in the general and administrative function relative to other functional areas, partially offset by a \$7.9 million increase in personnel-related costs (which takes into account a \$14.1 million charge recorded in 2011 in connection with the 2011 tender offer), mainly driven by an increase in average employee headcount and an increase of \$5.9 million in fees and costs for professional services. Excluding the impact of the 2011 tender offer, personnel-related costs increased by \$22.0 million in 2012 compared to 2011.

*2011 Compared to 2010.* In 2011, general and administrative expenses increased by \$48.8 million compared to 2010. The increase was primarily due to a \$29.3 million increase in personnel-related costs (including a \$14.1 million charge recorded in connection with the 2011 tender offer), which was driven by an increase in average employee headcount, a \$12.0 million increase in fees and costs for professional services and a \$7.5 million increase in unallocated facilities and other supporting costs.

**Provision (Benefit) for Income Taxes**

	Year Ended December 31,		
	2010	2011	2012
	(In thousands)		
Provision (benefit) for income taxes	\$ (217)	\$ (1,444)	\$ 229

*2012 Compared to 2011.* Our provision for income taxes in 2012 increased by \$1.7 million compared to an income tax benefit of \$1.4 million in 2011. The increase was primarily due to the increased tax expenses in foreign and state jurisdictions, partially offset by the decrease in income tax benefit arising from acquisitions.

*2011 Compared to 2010.* Our benefit for income taxes in 2011 increased by \$1.2 million compared to an income tax benefit of \$0.2 million in 2010. The increase was primarily attributable to an increase in the income tax benefit arising from acquisitions.

**Table of Contents****Quarterly Results of Operations**

The following table sets forth our unaudited consolidated statement of operations data for each of the eleven quarters in the period ended September 30, 2013. The unaudited quarterly statement of operations data set forth below have been prepared on a basis consistent with our audited annual consolidated financial statements and include, in our opinion, all normal recurring adjustments necessary for a fair statement of the financial information contained in those statements. Our historical results are not necessarily indicative of the results that may be expected in the future. The following quarterly financial data should be read in conjunction with our audited consolidated financial statements and the related notes included elsewhere in this prospectus.

	Mar. 31, 2011	Jun. 30, 2011	Sep. 30, 2011	Dec. 31, 2011	Three Months Ended			Dec. 31, 2012	Mar. 31, 2013	Jun. 30, 2013	Sep. 30, 2013
					Mar. 31, 2012	Jun. 30, 2012	Sep. 30, 2012				
(Unaudited, in thousands)											
<b>Consolidated Statement of Operations Data:</b>											
<b>Revenue</b>											
Advertising revenue	11,561	13,619	19,942	32,588	44,500	56,802	68,665	99,454	100,460	120,972	153,437
Data licensing	6,349	7,154	6,482	8,618	9,813	11,244	13,662	12,793	13,883	18,320	15,143
Total revenue	\$ 17,910	\$ 20,773	\$ 26,424	\$ 41,206	\$ 54,313	\$ 68,046	\$ 82,327	\$ 112,247	\$ 114,343	\$ 139,292	\$ 168,580
<b>Costs and expenses<sup>(1)</sup></b>											
Cost of revenue	15,453	10,632	15,719	19,999	27,629	30,528	33,693	36,918	41,255	50,573	62,239
Research and development	10,163	14,687	34,721	20,605	18,976	27,369	32,319	40,340	47,574	64,263	87,307
Sales and marketing	3,652	5,147	7,368	9,821	14,450	19,655	23,662	28,784	32,439	45,258	61,214
General and administrative	8,709	13,244	27,776	16,028	13,389	17,369	13,954	14,981	16,982	18,114	21,152
Total costs and expenses	37,977	43,710	85,584	66,453	74,444	94,921	103,628	121,023	138,250	178,208	231,912
Loss from operations	(20,067)	(22,937)	(59,160)	(25,247)	(20,131)	(26,875)	(21,301)	(8,776)	(23,907)	(38,916)	(63,332)
Interest income (expense), net	(260)	(188)	(204)	(153)	(377)	(513)	(766)	(830)	(1,233)	(1,513)	(1,727)
Other income (expense), net	(17)	(1,437)	36	(112)	(259)	247	938	(527)	(1,529)	(1,019)	818
Loss before income taxes	(20,344)	(24,562)	(59,328)	(25,512)	(20,767)	(27,141)	(21,129)	(10,133)	(26,669)	(41,448)	(64,241)
Provision (benefit) for income taxes			(1,993)	549	754	442	461	(1,428)	357	777	360
Net loss	\$ (20,344)	\$ (24,562)	\$ (57,335)	\$ (26,061)	\$ (21,521)	\$ (27,583)	\$ (21,590)	\$ (8,705)	\$ (27,026)	\$ (42,225)	\$ (64,601)
<b>Other Financial Information:</b>											
Adjusted EBITDA <sup>(2)</sup>	\$ (14,411)	\$ (10,817)	\$ (13,145)	\$ (4,462)	\$ (875)	\$ 1,545	\$ 2,923	\$ 17,571	\$ 11,745	\$ 9,647	\$ 9,293
Non-GAAP net loss <sup>(3)</sup>	\$ (17,670)	\$ (16,088)	\$ (18,520)	\$ (13,255)	\$ (11,369)	\$ (10,863)	\$ (12,688)	\$ (271)	\$ (10,524)	\$ (16,364)	\$ (17,216)

(1) Costs and expenses include stock-based compensation expense as follows:

**Three Months Ended**

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	Mar. 31, 2011	Jun. 30, 2011	Sep. 30, 2011	Dec. 31, 2011	Mar. 31, 2012	Jun. 30, 2012	Sep. 30, 2012	Dec. 31, 2012	Mar. 31, 2013	Jun. 30, 2013	Sep. 30, 2013
	(Unaudited, in thousands)										
Cost of revenue	\$ 95	\$ 188	\$ 1,327	\$ 210	\$ 220	\$ 200	\$ 198	\$ 182	\$ 484	\$ 1,471	\$ 3,060
Research and development	898	3,421	20,482	8,758	2,165	4,126	2,722	3,609	8,425	15,772	29,180
Sales and marketing	203	247	704	399	307	313	365	361	2,065	2,549	5,742
General and administrative	1,184	4,341	16,856	1,071	2,535	6,261	983	1,194	1,948	2,854	5,620
Total stock-based compensation expense	\$ 2,380	\$ 8,197	\$ 39,369	\$ 10,438	\$ 5,227	\$ 10,900	\$ 4,268	\$ 5,346	\$ 12,922	\$ 22,646	\$ 43,602

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(2) The following table presents a reconciliation of net loss to Adjusted EBITDA for each of the periods indicated:

	Three Months Ended										
	Mar. 31, 2011	Jun. 30, 2011	Sep. 30, 2011	Dec. 31, 2011	Mar. 31, 2012	Jun. 30, 2012	Sep. 30, 2012	Dec. 31, 2012	Mar. 31, 2013	Jun. 30, 2013	Sep. 30, 2013
	(Unaudited, in thousands)										
<b>Reconciliation of Net Loss to Adjusted EBITDA:</b>											
Net loss	\$ (20,344)	\$ (24,562)	\$ (57,335)	\$ (26,061)	\$ (21,521)	\$ (27,583)	\$ (21,590)	\$ (8,705)	\$ (27,026)	\$ (42,225)	\$ (64,601)
Stock-based compensation expense	2,380	8,197	39,369	10,438	5,227	10,900	4,268	5,346	12,922	22,646	43,602
Depreciation and amortization expense	3,276	3,923	6,646	10,347	14,029	17,520	19,956	21,001	22,730	25,917	29,023
Interest and other expense (income)	277	1,625	168	265	636	266	(172)	1,357	2,762	2,532	909
Provision (benefit) for income taxes			(1,993)	549	754	442	461	(1,428)	357	777	360
Adjusted EBITDA	\$ (14,411)	\$ (10,817)	\$ (13,145)	\$ (4,462)	\$ (875)	\$ 1,545	\$ 2,923	\$ 17,571	\$ 11,745	\$ 9,647	\$ 9,293

(3) The following table presents a reconciliation of net loss to non-GAAP net loss for each of the periods indicated:

	Three Months Ended										
	Mar. 31, 2011	Jun. 30, 2011	Sep. 30, 2011	Dec. 31, 2011	Mar. 31, 2012	Jun. 30, 2012	Sep. 30, 2012	Dec. 31, 2012	Mar. 31, 2013	Jun. 30, 2013	Sep. 30, 2013
	(Unaudited, in thousands)										
<b>Reconciliation of Net Loss to Non-GAAP Net Loss:</b>											
Net loss	\$ (20,344)	\$ (24,562)	\$ (57,335)	\$ (26,061)	\$ (21,521)	\$ (27,583)	\$ (21,590)	\$ (8,705)	\$ (27,026)	\$ (42,225)	\$ (64,601)
Stock-based compensation expense	2,380	8,197	39,369	10,438	5,227	10,900	4,268	5,346	12,922	22,646	43,602
Amortization of acquired intangible assets	294	277	1,441	2,685	4,435	5,820	4,634	3,798	3,876	3,302	3,783
Income tax effects related to acquisitions			(1,995)	(317)	490			(710)	(296)	(87)	
Non-GAAP net loss	\$ (17,670)	\$ (16,088)	\$ (18,520)	\$ (13,255)	\$ (11,369)	\$ (10,863)	\$ (12,688)	\$ (271)	\$ (10,524)	\$ (16,364)	\$ (17,216)

**Quarterly Trends****Revenue**

Spending by advertisers is traditionally strongest in the fourth quarter of each year. Historically, this seasonality in advertising spending has affected our quarterly results with higher sequential advertising revenue growth from the third to the fourth quarter compared to sequential advertising revenue growth from the fourth quarter to the subsequent first quarter. For example, our advertising revenue increased 63% and 45% between the third and fourth quarters of 2011 and 2012, respectively, while advertising revenue for the first quarter of 2012 and 2013 increased 37% and 1% compared to the fourth quarter of 2011 and 2012, respectively. In addition, advertising revenue per timeline view increased 31% between the third and fourth quarter of 2012, while advertising revenue per timeline view decreased 13% between the fourth quarter of 2012 and

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the first quarter of 2013. The rapid growth in our business may have partially masked seasonality to date and the seasonal impacts may be more pronounced in the future.

**Table of Contents***Cost of Revenue and Operating Expenses*

Cost of revenue increased in every quarter presented except in the three months ended June 30, 2011, primarily due to the continued expansion of our co-located data center facilities and an increase in average employee headcount. Our move from a third-party hosting solution to a co-located facility in 2011 resulted in a temporary decrease in cost of revenue in the three months ended June 30, 2011.

Operating expense increased in every quarter presented except in the three months ended December 31, 2011, primarily due to the continued expansion of our facilities and an increase in average employee headcount. In the three months ended September 30, 2011, as a result of the 2011 tender offer described above, we recorded a non-recurring stock-based compensation expense of \$34.7 million related to the excess of the price per share of our common stock paid to our employees and consultants over the fair value of the tendered shares. This \$34.7 million compensation expense was allocated among cost of revenue, research and development expenses, sales and marketing expenses and general and administrative expenses in amounts of \$1.1 million, \$19.1 million, \$0.4 million and \$14.1 million, respectively. In addition to the stock-based compensation expense, we experienced a varied level of capitalization of research and development expense as a result of the development of software programs and websites for internal use, due to the timing and extent of projects eligible for capitalization.

**Credit Facility**

In October 2013, we entered into a revolving credit agreement with certain lenders which provides for a \$1.0 billion revolving unsecured credit facility maturing on October 22, 2018. Loans under the credit facility bear interest, at our option, at (i) a base rate based on the highest of the prime rate, the federal funds rate plus 0.50% and an adjusted LIBOR rate for a one-month interest period plus 1.00%, in each case plus a margin ranging from 0.00% to 0.75% or (ii) an adjusted LIBOR rate plus a margin ranging from 1.00% to 1.75%. This margin is determined based on our total leverage ratio for the preceding four fiscal quarter period, but will be at the highest level at least until we consummate this offering. We are also obligated to pay other customary fees for a credit facility of this size and type, including an upfront fee and an unused commitment fee. Our obligations under the credit facility are guaranteed by one of our wholly-owned subsidiaries. As of November 3, 2013, no amounts were drawn under the credit facility.

**Liquidity and Capital Resources**

	2010	Year Ended December 31, 2011	2012  (In thousands)	Nine Months Ended September 30, 2012	2013  (Unaudited)
<b>Consolidated Statements of Cash Flows Data:</b>					
Net loss	\$ (67,324)	\$ (128,302)	\$ (79,399)	\$ (70,694)	\$ (133,852)
Net cash provided by (used in) operating activities	(48,737)	(70,597)	(27,935)	(33,297)	4,266
Net cash provided by (used in) investing activities	48,974	(324,875)	49,443	34,397	(8,883)
Net cash provided by (used in) financing activities	114,315	480,210	(37,124)	(25,048)	(43,430)
As of September 30, 2013, we had \$321.1 million of cash, cash equivalents and marketable securities, of which \$38.7 million was held by our foreign subsidiaries. Cash equivalents and					

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marketable securities are comprised of our investments in short-term and long-term interest-bearing obligations, including government and investment-grade debt securities and money market funds.

Our principal source of liquidity has been private sales of convertible preferred stock. From our inception through September 30, 2013, we have completed several rounds of equity financing through the issuance of shares of our Series A through Series G convertible preferred stock with total cash proceeds to us of \$759.2 million. Proceeds from our preferred stock financing transactions have been used primarily to fund our operations and acquisitions. We believe that our existing cash and cash equivalent balance together with cash generated from operations will be sufficient to meet our working capital and capital expenditure requirements for at least the next 12 months.

Our Pre-2013 RSUs vest upon the satisfaction of both a service condition and a performance condition. The service condition for the majority of the Pre-2013 RSUs is satisfied over a period of four years. The performance condition in connection with our Pre-2013 RSUs will be satisfied on the earlier of (i) the date that is the earlier of (x) six months after the effective date of this offering or (y) March 8th of the calendar year following the effective date of this offering (which we may elect to accelerate to February 15th); and (ii) the date of a change in control. On the settlement dates for the Pre-2013 RSUs, we may choose to allow our employees who are not executive officers to sell shares of our common stock received upon the vesting and settlement of Pre-2013 RSUs in the public market to satisfy their income tax obligations related to the vesting and settlement of such awards, or we may choose to undertake a net settlement and withhold shares and remit income taxes on behalf of the holders of the Pre-2013 RSUs at the applicable minimum statutory rates. We expect the applicable minimum statutory rates to be approximately 40% on average, and the income taxes due would be based on the then-current value of the underlying shares of our common stock. Based on the number of Pre-2013 RSUs outstanding as of September 30, 2013 for which the service condition had been satisfied on that date, and assuming (i) the performance condition had been satisfied on that date and (ii) that the price of our common stock at the time of settlement was equal to \$26.00, which is the initial public offering price per share, we estimate that this tax obligation on the initial settlement date would be approximately \$123.3 million in the aggregate. The amount of this obligation could be higher or lower, depending on the price of shares of our common stock, and the actual number of Pre-2013 RSUs outstanding for which the service condition has been satisfied, on the initial settlement date for the Pre-2013 RSUs. To settle these Pre-2013 RSUs on the initial settlement date, assuming a 40% tax withholding rate, if we choose to undertake a net settlement of all of these awards rather than allowing our employees who are not executive officers to sell shares of our common stock in the public market to satisfy their income tax obligations related to the vesting and settlement of Pre-2013 RSUs, we would expect to deliver an aggregate of approximately 7.1 million shares of our common stock to Pre-2013 RSU holders after withholding an aggregate of approximately 4.8 million shares of our common stock. In connection with these net settlements, we would withhold and remit the tax liabilities on behalf of the Pre-2013 RSU holders to the relevant tax authorities in cash.

If we choose to undertake a net settlement of our Pre-2013 RSUs, then in order to fund the tax withholding and remittance obligations on behalf of our Pre-2013 RSU holders, we would expect to use a substantial portion of our cash and cash equivalent balances, or, alternatively, we may choose to borrow funds or a combination of cash and borrowed funds to satisfy these obligations.

***Operating Activities***

Cash provided by (used in) operating activities consisted of net loss adjusted for certain non-cash items including depreciation and amortization, stock-based compensation, deferred income taxes and non-cash expense related to acquisitions, as well as the effect of changes in working capital and other activities.

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Cash provided by operating activities in the nine months ended September 30, 2013 was \$4.3 million, an increase in cash inflow of \$37.6 million compared to the nine months ended September 30, 2012. Cash provided by operating activities was driven by a net loss of \$133.9 million, as adjusted for the exclusion of non-cash expenses totaling \$159.8 million and the effect of changes in working capital and other carrying balances that resulted in cash outflow of \$21.6 million.

Cash used in operating activities in 2012 was \$27.9 million, a decrease in cash outflow of \$42.7 million compared to 2011. Cash used in operating activities was driven by a net loss of \$79.4 million, as adjusted for the exclusion of non-cash expenses totaling \$104.8 million and the effect of changes in working capital and other carrying balances that resulted in cash outflow of \$53.3 million.

Cash used in operating activities in 2011 was \$70.6 million, an increase in cash outflow of \$21.9 million compared to 2010. Cash used in operating activities was driven by a net loss of \$128.3 million, as adjusted for the exclusion of non-cash expenses totaling \$86.9 million and the effect of changes in working capital and other carrying balances that resulted in cash outflow of \$29.2 million.

## ***Investing Activities***

Our primary investing activities consisted of purchases of property and equipment, particularly purchases of servers and networking equipment, purchases and disposal of marketable securities, leasehold improvements for our facilities and acquisitions of businesses.

Cash used in investing activities in the nine months ended September 30, 2013 was \$8.9 million, an increase in cash outflow of \$43.3 million compared to the nine months ended September 30, 2012. The increase in cash outflow was due to a decrease in the proceeds from maturities of marketable securities of \$196.7 million and a \$20.4 million increase in expenditure on other investing activities, including business combinations, purchases of property and equipment and restricted cash, partially offset by the decrease in the purchases of marketable securities of \$159.3 million and an increase in sales of marketable securities of \$14.5 million.

Cash provided by investing activities in 2012 was \$49.4 million, an increase in cash inflow of \$374.3 million compared to 2011. The increase in cash inflow was due to the increase in sales and maturities of marketable securities of \$449.5 million and a reduction in use of cash as acquisition consideration of \$17.4 million. Such increases in cash inflow were partially offset by increased purchases of marketable securities of \$55.0 million and property and equipment of \$39.1 million.

Cash used in investing activities in 2011 was \$324.9 million, an increase in cash outflow of \$373.8 million compared to 2010. The increase in cash outflow was due to an increase in purchases of marketable securities of \$439.9 million, an increase in cash used as acquisition consideration of \$17.4 million and an increase in purchases of property and equipment of \$5.9 million. Such increases in cash outflow were partially offset by the increase of proceeds from sales and maturities of marketable securities of \$93.9 million.

We anticipate making capital expenditures in 2013 of approximately \$215 million to \$235 million, a portion of which we will finance through capital leases, as we continue to expand our co-located data centers and our office facilities.

## ***Financing Activities***

Our primary financing activities consisted of private sales of convertible preferred stock, capital lease financing and stock option exercises by employees and other service providers.

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Cash used in financing activities in the nine months ended September 30, 2013 was \$43.4 million, an increase of \$18.4 million in cash outflow compared to the nine months ended September 30, 2012. The increase in cash outflow was due to an increase in repayments of capital lease obligations and payments for deferred offering costs, partially offset by an increase in proceeds from option exercises.

Cash used in financing activities in 2012 was \$37.1 million, an increase in cash outflow of \$517.3 million compared to 2011. The increase in cash outflow was due to the absence of equity financing transactions, an increase in repayments of capital lease obligations and a decrease in proceeds from option exercises.

Cash provided by financing activities in 2011 was \$480.2 million, an increase in cash inflow of \$365.9 million compared to 2010. The increase in cash inflow was due to increased equity financing and an increase in proceeds from option exercises, partially offset by an increase in repayments of capital lease obligations.

**Off Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements and did not have any such arrangements in the nine months ended September 30, 2013 or in 2012, 2011 or 2010.

**Contractual Obligations**

Our principal commitments consist of obligations under capital and operating leases for equipment, office space and co-located data center facilities. The following table summarizes our commitments to settle contractual obligations in cash as of December 31, 2012.

	Total	Payments Due by Period			More than 5 years
		Less than 1 year	1-3 years	3-5 years	
			(In thousands)		
Operating lease obligations	\$ 160,091	\$ 26,906	\$ 58,524	\$ 50,091	\$ 24,570
Capital lease obligations	121,366	52,861	65,893	2,612	
Total contractual obligations	\$ 281,457	\$ 79,767	\$ 124,417	\$ 52,703	\$ 24,570

In addition, we entered into amendments to certain lease agreements in 2013 to expand the capacity of existing data center facilities through 2020, and increased our total commitments under such leases to \$230.3 million.

As of December 31, 2012, we had liabilities of \$12.2 million related to uncertain tax positions. Due to uncertainties in the timing of potential tax audits, the timing of the resolution of these positions is uncertain and we are unable to make a reasonably reliable estimate of the timing of payments in individual years beyond 12 months. As a result, this amount is not included in the above table. We also have \$18.5 million of non-cancelable contractual commitments as of December 31, 2012, primarily related to our bandwidth and other services arrangements. These commitments are generally due within one to three years.

**Critical Accounting Policies and Estimates**

We prepare our consolidated financial statements in accordance with generally accepted accounting principles in the United States, or U.S. GAAP. In doing so, we have to make estimates and assumptions that affect our reported amounts of assets, liabilities, revenue and expenses, as well as

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related disclosure of contingent assets and liabilities. To the extent that there are material differences between these estimates and actual results, our financial condition or operating results would be affected. We base our estimates on past experience and other assumptions that we believe are reasonable under the circumstances, and we evaluate these estimates on an ongoing basis. We refer to accounting estimates of this type as critical accounting policies and estimates, which we discuss further below.

***Revenue Recognition***

We generate the substantial majority of our revenue from the sale of advertising services with the balance coming from data licensing arrangements. We generate our advertising revenue primarily from the sale of our three Promoted Products: (i) Promoted Tweets, (ii) Promoted Accounts and (iii) Promoted Trends. Promoted Tweets and Promoted Accounts are pay-for-performance advertising products priced through an auction. Promoted Trends are featured by geography and offered on a fixed-fee-per-day basis. Advertisers are obligated to pay when a user engages with a Promoted Tweet or follows a Promoted Account or when a Promoted Trend is displayed. Users engage with Promoted Tweets by expanding, retweeting, favoriting or replying to Tweets or following the account that tweets a Promoted Tweet. These products may be sold in combination as a multiple element arrangement or separately on a stand-alone basis. Fees for these advertising services are recognized in the period when advertising is delivered as evidenced by a user engaging with a Promoted Tweet, as captured by a click, following a Promoted Account or through the display of a Promoted Trend on our platform. Data licensing revenue is generated based on monthly service fees charged to the data partners over the period in which Twitter data is made available to them.

Revenue is recognized only when (1) persuasive evidence of an arrangement exists; (2) the price is fixed or determinable; (3) the service is performed; and (4) collectability of the related fee is reasonably assured. While the majority of our revenue transactions are based on standard business terms and conditions, we also enter into non-standard sales agreements with advertisers and data partners that sometimes involve multiple elements.

For arrangements involving multiple deliverables, judgment is required to determine the appropriate accounting, including developing an estimate of the stand-alone selling price of each deliverable. When neither vendor-specific objective evidence nor third-party evidence of selling price exists, we use our best estimate of selling price (BESP) to allocate the arrangement consideration on a relative selling price basis to each deliverable. The objective of BESP is to determine the selling price of each deliverable when it is sold to advertisers on a stand-alone basis. In determining BESP, we take into consideration various factors, including, but not limited to, prices we charge for similar offerings, sales volume, geographies, pricing strategies and market conditions. Multiple deliverable arrangements primarily consist of combinations of our pay-for-performance products, Promoted Trends and Promoted Accounts, which are priced through an auction, and Promoted Trends, which are priced on a fixed-fee-per day per geography basis. For arrangements that include a combination of these products, we develop an estimate of the selling price for these products in order to allocate any potential discount to all advertising products in the arrangement. The estimate of selling price for pay-for-performance products is determined based on the winning bid price; and the estimate of selling price for Promoted Trends is based on Promoted Trends sold on a stand-alone basis and/or separately priced in a bundled arrangement by reference to a list price by geography which is approved periodically. We believe the use of BESP results in revenue recognition in a manner consistent with the underlying economics of the transaction and allocates the arrangement consideration on a relative selling price basis to each deliverable.

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### ***Income Taxes***

We are subject to income taxes in the United States and several foreign jurisdictions. Significant judgment is required in evaluating our uncertain tax positions and determining our provision for income taxes.

Although we believe we have adequately reserved for our uncertain tax positions, no assurance can be given that the final outcome of these matters will not be different. We adjust these reserves in light of changing facts and circumstances, such as the closing of a tax audit or the refinement of an estimate. To the extent that the final outcome of these matters is different than the amounts recorded, such differences will impact the provision for income taxes in the period in which such determination is made. The provision for income taxes includes the impact of reserve provisions and changes to reserves that are considered appropriate, as well as any related interest or penalties.

Our effective tax rates have differed from the statutory rate primarily due to the tax impact of foreign operations, state taxes, certain benefits realized in recording the tax effects of business combinations, and the recording of U.S. valuation allowance. Our future provision for income taxes could be adversely affected by earnings being lower than anticipated in countries where we have lower statutory rates and higher than anticipated in countries where we have higher statutory tax rates, changes in the valuation of our deferred tax assets or liabilities, or changes in tax laws, regulations or accounting principles. In addition, we are subject to examination of our income tax returns by tax authorities in the United States and foreign jurisdictions. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes.

On January 2, 2013, the American Taxpayer Relief Act of 2012 was enacted, which includes a reinstatement of the federal research and development credit for the tax year ended December 31, 2012. Our consolidated financial statements reflected the effect of the American Taxpayer Relief Act of 2012 in the nine months ended September 30, 2013, the reporting period of enactment. The American Taxpayer Relief Act of 2012 did not have a material effect on our consolidated financial statements in the nine months ended September 30, 2013 due to our U.S. valuation allowance position.

### ***Stock-Based Compensation***

Our stock-based compensation expense for stock options granted to employees and other service providers is estimated based on the option's fair value as calculated by the Black-Scholes option pricing model and is recognized as expense over the requisite service period. The Black-Scholes model requires various highly judgmental assumptions, including expected volatility and expected term. If any of the assumptions used in the Black-Scholes model change significantly, stock-based compensation expense may differ materially in the future from that recorded in the current period. In addition, we are required to estimate the expected forfeiture rate and only recognize expense for those shares that are subject to stock options that are expected to vest. We estimate the expected forfeiture rate based on historical experience and our expectations regarding future pre-vesting termination behavior of employees and other service providers. To the extent our actual forfeiture rate is different from our estimate, stock-based compensation expense is adjusted accordingly.

Stock-based compensation expense for employees is recorded net of estimated forfeiture on a straight-line basis over the requisite service period. Stock options granted have a contractual term of ten years and generally vest over four years. Stock-based compensation expense for other service providers is remeasured at each reporting period as services are performed.

We also issued restricted Class A junior preferred stock subject to a lapsing right of repurchase to certain continuing employees in connection with acquisitions. The lapsing of the right of repurchase is

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dependent on the respective employee's continued employment with us during the requisite service period, which is generally four years from the issuance date. We have the option to repurchase the unvested shares upon termination of employment prior to the right of repurchase lapsing. The fair value of the restricted Class A junior preferred stock issued to employees is recorded as compensation expense on a straight-line basis over the requisite service period. These shares of restricted Class A junior preferred stock are included as part of other long-term liabilities on the consolidated balance sheets. The fair value of these shares is remeasured at each reporting period until the restricted Class A junior preferred stock is settled through conversion or redemption or until the redemption feature expires, and the change in fair value is recorded as an addition to or reduction in compensation expense during the period of change. The fair value of these shares is determined based on the fair value of the underlying Class A junior preferred stock estimated as part of the capital stock and business enterprise valuation process.

Our stock-based compensation expense for RSUs is estimated at the grant date based on the fair value of our common stock. Under our 2007 Plan, we have granted RSUs to domestic and international employees and other service providers. The Pre-2013 RSUs vest upon the satisfaction of both a service condition and a performance condition. The service condition for a majority of the Pre-2013 RSUs is satisfied over a period of four years. The performance condition will be satisfied on the earlier of (i) the date that is the earlier of (x) six months after the effective date of this offering or (y) March 8th of the calendar year following the effective date of this offering (which we may elect to accelerate to February 15th); and (ii) the date of a change in control. The RSU shares are to be delivered no later than 30 days following the satisfaction of the service and performance conditions.

Post-2013 RSUs are not subject to a performance condition in order to vest. The service condition for a majority of the Post-2013 RSUs is satisfied over a period of four years. Under the terms of our 2007 Plan, the shares underlying Post-2013 RSUs that satisfy the service condition are to be delivered to holders no later than the fifteenth day of the third month following the end of the calendar year the service condition is satisfied, but no earlier than August 15, 2014. The stock-based compensation expense associated with the Pre-2013 RSUs is recorded net of estimated forfeiture on a straight-line basis over the requisite service period.

As of September 30, 2013, no stock-based compensation expense had been recognized for Pre-2013 RSUs because a qualifying event for the awards vesting was not probable. In the quarter in which this offering is completed, we will begin recording stock-based compensation expense based on the grant-date fair value of the Pre-2013 RSUs using the accelerated attribution method, net of estimated forfeiture. The following table summarizes, on an unaudited pro forma basis, the stock-based compensation expense related to the Pre-2013 RSUs that we would incur during the quarter in which this offering is completed, assuming this offering was effective on September 30, 2013 (in thousands).

As of September 30, 2013		From inception to September 30, 2013
Vested Pre-2013 RSUs Outstanding	Unvested Pre-2013 RSUs Outstanding <sup>(2)</sup>	Pro Forma Stock-Based Compensation Expense
11,852	32,072	\$385,214

(1) For purposes of this table, Vested RSUs represent the shares underlying Pre-2013 RSUs for which the service condition had been satisfied as of September 30, 2013.

(2) For purposes of this table, Unvested RSUs represent the shares underlying Pre-2013 RSUs for which the service condition had not been satisfied as of September 30, 2013 and excludes estimated forfeitures of RSUs.

We estimate that the remaining unrecognized stock-based compensation expense relating to the Pre-2013 RSUs would be approximately \$199.6 million, after giving effect to estimated forfeitures and would be recognized over a weighted-average period of approximately three years if this offering was effective on September 30, 2013.

**Table of Contents****Summary of Projected Stock-Based Compensation Expense, Net of Estimated Forfeitures**

	Remainder of 2013	2014	2015	2016	Beyond 2016	Total
	(Unaudited, in thousands)					
Pre-2013 RSUs	\$ 45,891	\$ 105,010	\$ 40,531	\$ 7,442	\$ 773	\$ 199,647
Post-2013 RSUs	48,986	184,146	167,156	151,835	63,545	615,668
Restricted Class A junior and common stock	8,787	21,562	16,917	11,365	1,999	60,630
Stock Options	2,260	9,292	7,621	2,719	120	22,012
<b>Total</b>	<b>\$ 105,924</b>	<b>\$ 320,010</b>	<b>\$ 232,225</b>	<b>\$ 173,361</b>	<b>\$ 66,437</b>	<b>\$ 897,957</b>

In addition to stock-based compensation expense associated with the Pre-2013 RSUs, as of September 30, 2013, we had unrecognized stock-based compensation expense of approximately \$698.3 million related to other outstanding equity awards, which we expect to recognize over a weighted-average period of approximately four years. Further, we made grants of equity awards after September 30, 2013, and we have unrecognized stock-based compensation expense of \$108.7 million related to such equity awards, after giving effect to estimated forfeitures, which we expect to recognize over a weighted-average period of approximately four years.

**Valuation of Our Common Stock**

The historical valuations of our common stock were determined in accordance with the guidelines outlined in the American Institute of Certified Public Accountants Practice Aid, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*. In the absence of a public trading market, we considered all relevant facts and circumstances known at the time of valuation, made certain assumptions based on future expectations and exercised significant judgment to determine the fair value of our common stock. The factors considered in determining the fair value include, but are not limited to, the following:

third-party valuations of our common stock completed as of November 18, 2011, March 15, 2012, October 15, 2012, December 4, 2012, February 25, 2013, May 15, 2013 and August 5, 2013;

recent issuances of preferred stock, as well as the rights, preferences and privileges of our preferred stock relative to our common stock;

recent private stock sale transactions;

our historical financial results and estimated trends and projections for our future operating and financial performance;

the likelihood of achieving a liquidity event, such as an initial public offering or sale of our company, given prevailing market conditions;

the market performance of comparable, publicly-traded companies; and

the overall economic and industry conditions and outlook.



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We have granted the following RSUs and stock options since January 1, 2012:

Grant Date	Shares Underlying RSUs	Shares Underlying Options	Grant-Date Fair Value Per Share (RSUs)	Exercise Price Per Share (Options)
<b>2012</b>				
<b>First Quarter</b>				
January 13, 2012	474,000		\$ 13.05	
February 10, 2012	7,875,221		\$ 13.05	
March 9, 2012	837,500		\$ 13.05	
<b>Second Quarter</b>				
April 12, 2012	4,487,575	1,880,049	\$ 14.42	\$ 14.42
May 11, 2012	4,334,375		\$ 14.42	
June 19, 2012	1,604,376	116,532	\$ 14.42	\$ 14.42
<b>Third Quarter</b>				
July 19, 2012	3,498,000		\$ 14.42	
August 9, 2012	2,411,000		\$ 14.42	
September 27, 2012	555,000		\$ 14.42	
<b>Fourth Quarter</b>				
October 1, 2012	2,276,500		\$ 14.42	
October 12, 2012	1,938,100		\$ 14.42	
November 7, 2012	200,000		\$ 18.40	
November 12, 2012	3,200,582		\$ 18.40	
December 20, 2012	2,241,500		\$ 17.00	
<b>2013</b>				
<b>First Quarter</b>				
January 24, 2013	1,985,700		\$ 17.00	
February 13, 2013	1,875,964		\$ 17.00	
March 8, 2013	9,439,306		\$ 17.00	
<b>Second Quarter</b>				
April 2, 2013	265,500		\$ 17.00	
April 10, 2013	1,677,650		\$ 17.00	
April 24, 2013	240,000		\$ 17.00	
May 10, 2013	1,778,567		\$ 17.00	
June 20, 2013	2,288,206		\$ 17.41	
<b>Third Quarter</b>				
August 9, 2013	26,972,280		\$ 20.62	
September 5, 2013	29,760		\$ 20.62	
<b>Fourth Quarter</b>				
October 23, 2013	7,202,952		\$ 18.50	

In order to determine the fair value of our common stock underlying stock option and RSU grants, we generally first determine our business enterprise value, or BEV, and then allocate the BEV to each element of our capital structure (preferred stock, common stock, warrant and options). Our BEV was estimated using the subject company transaction method, which is one of the three primary methodologies of the market-based approach. This methodology utilizes the most recent negotiated arm's-length transactions involving the sale or transfer of our stock or equity interests. Our indicated BEV at each valuation date was allocated to the shares of preferred stock, common stock, warrant and options using the Black-Scholes option-pricing model. Estimates of the volatility of our common stock were based on available information on the volatility of our common stock of comparable, publicly-traded companies and estimates of expected term were based on the estimated time to liquidity event.

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### *November 18, 2011 Valuation*

We determined the fair value of our common stock to be \$13.05 per share as of November 18, 2011. In estimating our BEV, we utilized the pre-money valuation implied in the Series G convertible preferred stock financing completed in July 2011 as the most appropriate indication of our aggregate equity value, adjusted by an estimated rate of return. The BEV resulting from this analysis was then allocated to our capital structure using the Black-Scholes option-pricing model and a non-marketability discount of 15% was applied. Based on the valuation of our common stock completed in November 2011, the fair value of RSUs granted through March 9, 2012 was determined to be \$13.05 per share.

### *March 15, 2012 Valuation*

We determined the fair value of our common stock to be \$14.42 per share as of March 15, 2012. In estimating our BEV, we utilized the pre-money valuation implied in the Series G convertible preferred stock financing as the most appropriate indication of our aggregate equity value, adjusted by the estimated rate of return. We determined that an increase in the aggregate equity value consistent with a required rate of return was appropriate considering our rapid growth and developments since the date of the Series G convertible preferred stock financing. The increase in valuation was further supported by improvements in our business and financial results as evidenced by our sequential revenue growth between July 2011 and March 2012 of \$54.3 million in the three months ended March 31, 2012 compared to \$26.4 million in the three months ended September 30, 2011. We also continued to progress on our business plan. The operating metrics also continued to improve in the three months ended March 31, 2012 compared to the three months ended September 30, 2011. The BEV resulting from this analysis was then allocated to our capital structure using the Black-Scholes option-pricing model and a non-marketability discount of 15% was applied. Based on the valuation of our common stock completed in March 2012, the fair value of RSUs and exercise price of stock options granted through October 12, 2012 was determined to be \$14.42 per share.

### *October 15, 2012 Valuation*

We determined the fair value of our common stock to be \$18.40 per share as of October 15, 2012 based on the subject company transaction method.

In the absence of a recent equity financing from which we historically derived the implied BEV, we utilized the arm's-length transactions of our equity in the secondary market from our most recent common stock valuation date of March 15, 2012 through October 15, 2012 to calculate the fair value of our common stock. Factors considered in this methodology included size and amount of equity sold, relationship of the parties involved, timing compared to the valuation date and our financial condition at the time of the sale. In recent secondary market common stock transactions, the price of our common stock ranged between \$15.50 and \$25.50 per share, with a weighted-average transaction price of approximately \$18.40 per share. Based on the valuation of our common stock completed in October 2012, the fair value of RSUs granted through November 12, 2012 was determined to be \$18.40 per share.

### *December 4, 2012 Valuation*

We determined the fair value of our common stock to be \$17.00 per share as of December 4, 2012. In estimating our BEV, we utilized the pre-money valuation implied in the then-pending negotiations for a third-party tender offer to purchase stock from existing stockholders. As of the valuation date, we had entered into a non-binding term sheet for a tender offer, which outlined the third-party investor's intent to purchase \$75 million worth of our common stock and Class A junior preferred stock from employees, consultants and other stockholders at \$17.00 per share. The BEV, which was derived from the proposed tender offer transaction price of \$17.00 per share of our common

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stock and Class A junior preferred stock, was then allocated to our capital structure using the Black-Scholes option-pricing model. We also considered secondary market activity and determined that such activity was consistent with the \$17.00 per share price in the proposed tender offer. Based on the valuation of our common stock completed in December 2012, the fair value of RSUs granted through February 13, 2013 was determined to be \$17.00 per share.

### *February 25, 2013 Valuation*

We determined the fair value of our common stock to be \$17.00 per share as of February 25, 2013. In estimating our BEV, we utilized the pre-money valuation implied in the then-recently launched, but not yet closed, third party tender offer. As of the valuation date, the tender offer was ongoing. The tender offer was completed on March 4, 2013 with a total of \$59.6 million worth of shares of our common stock and Class A junior preferred stock being purchased. The BEV, which was derived from the tender offer transaction price of \$17.00 per share of our common stock and Class A junior preferred stock, was then allocated to our capital structure using the Black-Scholes option-pricing model. We also considered secondary market activity and determined that such activity was consistent with the \$17.00 per share price in the tender offer. Based on the valuation of our common stock completed in February 2013, the fair value of RSUs granted through May 10, 2013 was determined to be \$17.00 per share.

### *May 15, 2013 Valuation*

We determined the fair value of our common stock to be \$17.41 per share as of May 15, 2013 based on the subject company transaction method. We utilized the arm's-length transactions of our equity securities in the secondary market since our most recent common stock valuation date, February 25, 2013, and the tender offer completed on March 4, 2013 to estimate the fair value of our common stock. Factors considered in this methodology included the number of shares sold, relationship of the parties involved, timing of the transactions in relation to the valuation date and our financial condition. The weighted-average transaction price of the recent secondary market common stock transactions and the tender offer was approximately \$17.41 per share. Based on the valuation of our common stock completed in May 2013, the fair value of RSUs granted through June 20, 2013 was determined to be \$17.41 per share.

### *August 5, 2013 Valuation*

We determined the fair value of our common stock to be \$20.62 per share as of August 5, 2013 based on the subject company transaction method. We utilized the arm's-length transactions of our equity securities in the secondary market since our most recent common stock valuation date, May 15, 2013, to estimate the fair value of our common stock. Factors considered in this methodology included the number of shares sold, relationship of the parties involved, timing of the transactions in relation to the valuation date and our financial condition. The weighted-average transaction price of the recent secondary market common stock transactions was approximately \$20.62 per share. Based on the valuation of our common stock completed in August 2013, the fair value of RSUs granted through September 5, 2013 was determined to be \$20.62 per share.

### *October 2013 Underwriter Valuation*

In October 2013, we and our underwriters determined an estimated offering price range of \$17.00 to \$20.00 per share of our common stock to be sold in this offering. This estimated offering price range was based upon valuation information regarding comparable companies and an equity market analysis prepared by the underwriters. After considering the estimated offering price range and other factors, we determined that the assumed initial public offering price of \$18.50, which was the midpoint of the

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estimated offering price range set forth on the cover page of the preliminary prospectus included in the registration statement filed with the SEC on October 24, 2013, was an appropriate estimate of the fair value of our common stock as of October 23, 2013. We have not granted any stock options or RSUs after October 23, 2013.

### *Estimated Initial Public Offering Price Range*

As discussed above, in October 2013, we and our underwriters determined an estimated offering price range of \$17.00 to \$20.00 per share of our common stock to be sold in this offering, and this estimated initial public offering price range was determined prior to conducting any marketing activities related to this offering. Subsequently, on November 3, 2013, we and the underwriters determined to increase the estimated offering price range to \$23.00 to \$25.00 per share. This revised estimated offering price range was the result of discussions between ourselves and the underwriters following the commencement of marketing efforts for the offering and reflect initial indications of interest from potential investors.

## **Quantitative and Qualitative Disclosure about Market Risk**

We have operations both within the United States and internationally, and we are exposed to market risks in the ordinary course of our business. These risks include primarily interest rate and foreign exchange risks.

### *Interest Rate Fluctuation Risk*

Our investment portfolio mainly consists of short-term and long-term interest-bearing obligations, including government and investment-grade debt securities and money market funds. These securities are classified as available-for-sale and, consequently, are recorded on the consolidated balance sheets at fair value with unrealized gains or losses reported as a separate component of accumulated other comprehensive income (loss), net of tax. Our investment policy and strategy is focused on the preservation of capital and supporting our liquidity requirements. We do not enter into investments for trading or speculative purposes.

A rise in interest rates could have a material adverse impact on the fair value of our investment portfolio. Based on our investment portfolio balance as of December 31, 2012 and September 30, 2013, a hypothetical increase in interest rates of 100 basis points would result in a decrease of approximately \$0.6 million in the market value of our available-for-sale securities. We currently do not hedge these interest rate exposures.

### *Foreign Currency Exchange Risk*

#### *Transaction Exposure*

We transact business in various foreign currencies and have international revenue, as well as costs denominated in foreign currencies, primarily the Euro, British Pound and Japanese Yen. This exposes us to the risk of fluctuations in foreign currency exchange rates. Accordingly, changes in exchange rates, and in particular a strengthening of the U.S. dollar, would negatively affect our revenue and other operating results as expressed in U.S. dollars.

We have experienced and will continue to experience fluctuations in our net loss as a result of transaction gains or losses related to revaluing certain current asset and current liability balances that are denominated in currencies other than the functional currency of the entities in which they are recorded. Foreign currency gain and loss were not significant in 2010, 2011 or 2012 or in the nine

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months ended September 30, 2013. At this time we do not, but we may in the future, enter into derivatives or other financial instruments in an attempt to hedge our foreign currency exchange risk. It is difficult to predict the impact hedging activities would have on our results of operations.

*Translation Exposure*

We are also exposed to foreign exchange rate fluctuations as we convert the financial statements of our foreign subsidiaries into U.S. dollars in consolidation. If there is a change in foreign currency exchange rates, the conversion of our foreign subsidiaries' financial statements into U.S. dollars would result in a gain or loss recorded as a component of accumulated other comprehensive income (loss) which is part of stockholders' deficit.

Revenue and related expenses generated from our international subsidiaries are generally denominated in the currencies of the local countries. Primary currencies include the Euros, British Pound and Japanese Yen. The statements of income of our international operations are translated into U.S. dollars at exchange rates indicative of market rates during each applicable period. To the extent the U.S. dollar strengthens against foreign currencies, the translation of these foreign currency-denominated transactions would result in reduced consolidated revenue and operating expenses. Conversely, our consolidated revenue and operating expenses would increase if the U.S. dollar weakens against foreign currencies. Foreign currency translation gains and losses were not significant in 2010, 2011 or 2012 or in the nine months ended September 30, 2013.

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**LETTER FROM @TWITTER**

Twitter was born on March 21, 2006 with just 24 characters:

We started with a simple idea: share what you're doing, 140 characters at a time. People took that idea and strengthened it by using @names to have public conversations, #hashtags to organize movements, and Retweets to spread news around the world. Twitter represents a service shaped by the people, for the people.

The mission we serve as Twitter, Inc. is to give everyone the power to create and share ideas and information instantly without barriers. Our business and revenue will always follow that mission in ways that improve and do not detract from a free and global conversation.

Thank you for supporting us through your Tweets, your business, and now, your potential ownership of this service we continue to build with you.

Yours,

@twitter

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### BUSINESS

#### Overview

Twitter is a global platform for public self-expression and conversation in real time. By developing a fundamentally new way for people to create, distribute and discover content, we have democratized content creation and distribution, enabling any voice to echo around the world instantly and unfiltered.

Our platform is unique in its simplicity: Tweets are limited to 140 characters of text. This constraint makes it easy for anyone to quickly create, distribute and discover content that is consistent across our platform and optimized for mobile devices. As a result, Tweets drive a high velocity of information exchange that makes Twitter uniquely live. We aim to become an indispensable daily companion to live human experiences.

People are at the heart of Twitter. People come to Twitter for many reasons, and we believe that two of the most significant are the breadth of Twitter content and our broad reach. We have already achieved significant global scale, and we continue to grow. We have more than 230 million MAUs, and more than 100 million daily active users, spanning nearly every country. Our users include millions of people from around the world, as well as influential individuals and organizations, such as world leaders, government officials, celebrities, athletes, journalists, sports teams, media outlets and brands. Our users create approximately 500 million Tweets every day.

Twitter is a public, real-time platform where any user can create a Tweet and any user can follow other users. We do not impose restrictions on whom a user can follow, which greatly enhances the breadth and depth of available content and allows users to discover the content they care about most. Additionally, users can be followed by thousands or millions of other users without requiring a reciprocal relationship, which we refer to as an asymmetric follow model. This asymmetric follow model significantly enhances the ability of our users to reach a broad audience. The public nature of our platform allows us and others to extend the reach of Twitter content beyond our properties. Media outlets distribute Tweets beyond our properties to complement their content by making it more timely, relevant and comprehensive. Tweets have appeared on over one million third-party websites, and in the third quarter of 2013 there were approximately 48 billion online impressions of Tweets off of our properties.

Twitter provides a compelling and efficient way for people to stay informed about their interests, discover what is happening in their world right now and interact directly with each other. We enable the timely creation and distribution of ideas and information among people and organizations at a local and global scale. Our platform allows users to browse through Tweets quickly and explore content more deeply through links, photos, media and other applications that can be attached to each Tweet. As a result, when events happen in the world, whether planned, like sporting events and television shows, or unplanned, like natural disasters and political revolutions, the digital experience of those events happens in real time on Twitter. People can communicate with each other during these events as they occur, creating powerful shared experiences.

Our platform partners and advertisers enhance the value we create for our users.

*Platform Partners.* Over six million websites have integrated with Twitter, adding value to our user experience by contributing content to our platform, broadly distributing content from our platform across their properties and using Twitter content and tools to enhance their websites and applications. Many of the world's most trusted media outlets, including the BBC, CNN and Times of India, regularly use Twitter as a platform for content distribution. In addition, over three million applications have been registered by developers to enable them to integrate with

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our platform, and leverage Twitter content to enhance and extend their applications in new and creative ways.

*Advertisers.* Advertisers use our Promoted Products, the majority of which are pay-for-performance, to promote their brands, products and services, amplify their visibility and reach, and complement and extend the conversation around their advertising campaigns. We enable our advertisers to target an audience based on a variety of factors, including a user's Interest Graph. The Interest Graph maps, among other things, interests based on users followed and actions taken on our platform, such as Tweets created and engagement with Tweets. We believe a user's Interest Graph produces a clear and real-time signal of a user's interests, greatly enhancing the relevance of the ads we can display for users and enhancing our targeting capabilities for advertisers. Our Promoted Products are incorporated into our platform without disrupting or detracting from the user experience and are designed to be as compelling and useful to our users as organic content on our platform.

Although we do not generate revenue directly from users or platform partners, we benefit from network effects where more activity on Twitter results in the creation and distribution of more content, which attracts more users, platform partners and advertisers, resulting in a virtuous cycle of value creation.

Mobile has become the primary driver of our business. Our mobile products are critical to the value we create for our users, and they enable our users to create, distribute and discover content in the moment and on-the-go. The 140 character constraint of a Tweet emanates from our origins as an SMS-based messaging system, and we leverage this simplicity to develop products that seamlessly bridge our user experience across all devices. In the three months ended September 30, 2013, 76% of our average MAUs accessed Twitter from a mobile device and over 70% of our advertising revenue was generated from mobile devices. We expect that the proportion of active users on, and advertising revenue generated from, mobile devices, will continue to grow in the near term.

We have experienced rapid growth in our user base and revenue in recent periods. In the three months ended September 30, 2013, our average MAUs increased by 39% to 231.7 million, compared to the three months ended September 30, 2012. From 2011 to 2012, revenue increased by 198% to \$316.9 million, net loss decreased by 38% to \$79.4 million and Adjusted EBITDA increased by 149% to \$21.2 million. From the nine months ended September 30, 2012 to the nine months ended September 30, 2013, revenue increased by 106% to \$422.2 million, net loss increased by 89% to \$133.9 million and Adjusted EBITDA increased by \$27.1 million to \$30.7 million. For information on how we define and calculate the number of MAUs and factors that can affect this metric, see the sections titled "Industry Data and Company Metrics" and "Management's Discussion and Analysis of Financial Condition and Results of Operations - Key Metrics." For information on how we define and calculate Adjusted EBITDA, and a reconciliation of net loss to Adjusted EBITDA, see the section titled "Prospectus Summary - Summary Consolidated Financial and Other Data - Non-GAAP Financial Measures."

**The Evolution of Content Creation, Distribution and Discovery**

The Internet and digitization have allowed for virtually all content to be made available online, but the vast array of content has made it difficult for people to find what is important or relevant to them. Over time, technologies have been developed to address this challenge:

*Web Browsers.* In the early to mid-1990s, browsers, including Netscape Navigator and Internet Explorer, presented content on the Internet in a visually appealing manner and provided a better user interface to retrieve content by navigating specific websites and from one website to another. Early browsers were pre-loaded with bookmarks directing people to popular websites, but the content experience was generally not personalized or tailored to a person's interests and information was often difficult to find unless the person knew what they were looking for and where to find it.

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*Web Portals.* In the mid to late-1990s, Yahoo!, AOL, MSN and other web portals aggregated and categorized popular content and other communication features to help people discover relevant information on the Internet. These portals, while convenient and with some ability to personalize, offer access to a limited amount of content.

*Search Engines.* In the early-2000s, Google and other search engines rose to prominence by developing new ways to search for information on the Internet. Search engines provide much greater depth and breadth of relevant information than portals. Although search engines focus on delivering comprehensive and relevant information as directed by a specific user request, the search results are often only as good as the search algorithm and the amount of content in the search index. In addition, given the lag between live events and the creation and indexing of digital content, search engine results may lack real-time information. Because search engines only respond to specific user requests, they also generally do not surface content that a person has not requested, but may find interesting.

*Social Networks.* In the mid-2000s, social networks, such as Facebook, emerged as a new way to connect with friends and family online. Social networks allow people to share information with their friends and family and discover information based on the interests of their connections. Although social networks enable their users to create and share content, they are generally closed, private networks that do not include content from outside the user's friends, family and mutual connections. Consequently, while the content delivered by a social network may be relevant, the source is generally limited to those people with whom the user has a mutual, symmetric relationship, and, therefore, the depth and breadth of content available to people is also generally limited. Additionally, because most social network users have the expectation that only a limited portion of the content they create will be made available to the public, most social network content is generally only available within the particular social network on which it originated and is not broadly available off their networks, such as on other websites, applications or traditional media outlets like television, radio and print.

### ***Twitter Continues the Evolution***

Twitter continues the evolution of content creation, distribution and discovery by combining the following four elements at scale to create a global platform for public self-expression and conversation in real time. We believe Twitter can be the content creation, distribution and discovery platform for the Internet and evolving mobile ecosystem.

#### *Public.* Twitter is open to the world.

Content on Twitter is broadly accessible to our users and unregistered visitors. All users can create Tweets and follow other users. Since the vast majority of users on Twitter choose to communicate publicly on our platform, users can follow other users without requiring a reciprocal relationship. This asymmetric follow model significantly increases the breadth and depth of content available to users on our properties. In addition, the public nature of Twitter allows people to benefit from Twitter content even if they are not Twitter users or following the user that originally tweeted, as that content can travel virally on and off our properties to other websites and media, such as television and print.

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For example, during Hurricane Sandy in the United States in October 2012, Twitter provided a powerful tool for crucial emergency response as government officials, such as Dawn Zimmer (@dawnzimmernj), mayor of Hoboken, New Jersey, and Mike Bloomberg (@MikeBloomberg), mayor of New York City, relief organizations and the public used our platform to instantly broadcast essential information.

*Real-Time.* News breaks on Twitter.

Real-time content allows our users to enhance experiences by digitally connecting to a global conversation as events unfold, and enables our users to engage with each other directly and instantly in the moment and on-the-go. The combination of our tools, technology and format enables our users to quickly create and distribute content globally in real time with 140 keystrokes or the flash of a photo, and the click of a button. The ease with which our users can create content combined with our broad reach results in users often receiving content faster than other forms of media. Additionally, because our platform allows any of our over 230 million MAUs to contribute content, we have a vastly larger production capability than traditional media and news outlets.

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For example, when US Airways Flight 1549 landed on the Hudson River near New York City, Twitter user Jānis Krūms (@jkrums) was among the first on the scene and tweeted his account of the situation for the world to see, all in real time.

*Conversational.* Twitter is where users come to express themselves and interact with the world. Our users can interact on Twitter directly with other users, including people from around the world, as well as influential individuals and organizations. Importantly, these interactions can occur in public view, thereby creating an opportunity for all users to follow and participate in conversations on Twitter. These public conversations offer a complementary communication channel to media companies and advertisers and an opportunity for them to increase their ad engagement and reach through Twitter.

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For example, when a Twitter user sought cooking advice from chef Mario Batali (@Mariobatali), the user received a response from @Mariobatali and musician Gavin Rossdale (@GavinRossdale) joined the conversation and provided some advice of his own.

*Distributed.* Tweets go everywhere.

Tweets are distributed not only on Twitter, but also off our properties by millions of websites around the world. Media outlets distribute Tweets beyond our properties to complement their content by making it more timely, relevant and comprehensive. The simple format of a Tweet, the public nature of content on Twitter and the ease of distribution off our properties allow media outlets to display Tweets on their online and offline properties, thereby extending the reach of Tweets beyond our properties. A 2013 study conducted by Arbitron Inc. and Edison Research found that 44% of Americans hear about Tweets through media channels other than Twitter almost every day.

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For example, when President Barack Obama (@barackobama) won the 2012 U.S. presidential election, he first declared victory publicly not on television or other public media, but on Twitter. The President's Tweet was viewed approximately 25 million times on our platform and widely distributed offline in print and broadcast media.

The combination of being public, real-time, conversational and distributed forms the foundation of our ability to provide value to our users, platform partners and advertisers.

### **Our Value Proposition to Users**

People are at the heart of Twitter. We have more than 230 million MAUs from around the world. People come to Twitter for many reasons, and we believe that two of the most significant are the breadth of Twitter content and our broad reach. Our users consume content and engage in conversations that interest them by discovering and following the people and organizations they find most compelling. Our broad reach allows our users to express themselves publicly to a large global audience, and participate in global conversations.

Our platform has been used for charitable campaigns, disaster relief efforts, bearing witness to history, communicating with elected officials, political movements, responding to fans, empathizing with one another, parody as social commentary, product announcements and live play-by-play of sporting events.

Our users contribute to the vibrancy of our platform by creating unique content and by favoriting, mentioning and retweeting content they discover. The interaction among our users, including some of the world's most influential individuals and organizations, combined with the public, real-time, conversational and widely distributed nature of our platform creates a unique value proposition for our users, whether they are contributing content or discovering and consuming it.

Specifically, our platform provides our users with the following benefits:

*Sharing Content with the World.* Users leverage our platform to express themselves publicly to the world, share with their friends and family and participate in conversations by tweeting

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messages, photos and videos to their followers in real time. The public, real-time nature and tremendous global reach of our platform make it the content distribution platform of choice for many of the world's most influential individuals and organizations, as well as millions of people and small businesses. Musicians tweet to launch albums, bloggers and journalists tweet to promote their latest posts or stories, professional athletes tweet to announce trades from one team to another, astronauts tweet photos from space and CEOs tweet corporate news.

For example, NASA tweeted the discovery of ice on Mars by the Mars Phoenix Rover (@MarsPhoenix).

Nobukazu Kuriki (@kurikiyama\_EN) tweeted his journey up Mount Everest.

*Discovering Unique and Relevant Content.* Twitter's over 230 million MAUs, spanning nearly every country, provide great breadth and depth of content across a broad range of topics, including literature, politics, finance, music, movies, comedy, sports and news. Twitter uniquely allows a user to filter the vast amount of content by choosing other users that they want to follow, thereby creating a highly relevant timeline of information that is personalized to their interests. We provide search and other discovery features, including trends, hashtags and #Discover, that help users find content ranging from well-known to obscure sources to follow events or topics that are most interesting to them. We further improve the relevancy of content our users receive by making recommendations for additional content based on their Interest Graph.

*Breaking News and Engaging in Live Events.* Users come to Twitter to discover what is happening in the world right now directly from other Twitter users. On Twitter, users tweet about live events instantly, whether it is celebrities tweeting to their fans, journalists breaking news or people providing eyewitness accounts of events as they unfold. Many individuals and organizations choose to break news first on Twitter because of the unique reach and speed of distribution on our platform. These events may be planned, like sporting events and television shows, or unplanned, like natural disasters and political revolutions. Users tweet about these events to entertain, editorialize, or commiserate and, in some cases, as a public service. We believe that no other platform complements live experiences as well as Twitter. As a result, Twitter is a primary source of information for our users. In addition, Twitter serves as a second screen to traditional media, enhancing the overall experience of an event by allowing users to

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share the experience with other users in real time. We believe this makes Twitter the social soundtrack to life in the moment. For example, when the power at the Mercedes-Benz Superdome in New Orleans went out during the 2013 Super Bowl, the creative team at Oreo (@Oreo) was quick to tweet about the situation to engage users during the live event.

The British Monarchy (@ClarenceHouse) announced the birth of Prince George of Cambridge on Twitter.

*Participating in Conversations.* We believe Twitter is the largest source of public conversation in the world. Through Twitter, users not only communicate with friends and family, but they also participate in conversations with other people from around the world, in ways that would not otherwise be possible.

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For example, during the NBA lockout, Oklahoma City Thunder player Kevin Durant (@KDTrey5) was looking to get some exercise and he turned to Twitter. @KDTrey5 tweeted and as a result connected with college student George Overbey (@groverbey) and joined a flag football game at Oklahoma State University that night.

In addition to participating in conversations, users can simply follow conversations on Twitter or express interest in the conversation by retweeting or favoriting.

### **Our Value Proposition to Platform Partners**

The value we create for our users is enhanced by our platform partners, which include publishers, media outlets and developers. These platform partners have integrated with Twitter through an API that we provide which allows them to contribute their content to our platform, distribute Twitter content across their properties and use Twitter content and tools to enhance their websites and applications.

We provide a set of development tools, APIs and embeddable widgets that allow our partners to seamlessly integrate with our platform. More than three million applications have been registered by developers to enable them to integrate with our platform and leverage Twitter content to enhance and extend their applications in new and creative ways.

Specifically, we provide our platform partners with the following benefits:

*Distribution Channel.* Platform partners use Twitter as a complementary distribution channel to expand their reach and engage with their audiences. Publishers and media outlets contribute content created for other media channels to Twitter and tweet content specifically created for Twitter. We provide platform partners with a set of widgets that they can embed on their websites and an API for their mobile applications to enable Twitter users to tweet content

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directly from those properties. As our users engage with this content on Twitter, they can be directed back to our partners' websites and applications. We also provide our platform partners with a set of analytics tools to measure the user engagement and traffic generated by Twitter users.

*Complementary Real-Time and Relevant Content.* Twitter enables platform partners to embed or display relevant Tweets on their online and offline properties to enhance the experience for their users. Additionally, by enhancing the activity related to their programming or event on Twitter, media outlets can drive tune-in and awareness of their original content, leveraging Twitter's strength as a second screen for television programming. For example, during Super Bowl XLVII, over 24 million Tweets regarding the Super Bowl were sent during the game alone and 45% of television ads shown during the Super Bowl used a hashtag to invite viewers to engage in conversation about those television ads on Twitter. In addition, in August 2013, Nielsen released the findings of a study which demonstrated that the volume of Tweets about a television program caused an increase in live television ratings in 29% of sampled television programs. Nielsen has also launched a measurement product based exclusively on Twitter data. This metric will measure the reach of the television conversation on Twitter and will serve to complement Nielsen's existing television ratings, giving television networks and advertisers real-time metrics to better understand television audience social activity.

*Canvas for Enhanced Content with Twitter Cards.* Platform partners use Twitter Cards to embed images, video and interactive content directly into a Tweet. Twitter Cards allow platform partners to create richer content that all users can interact with and distribute. In addition, by integrating Twitter Cards functionality into their websites, platform partners can ensure that whenever they or any user tweets from their websites or applications, the Tweet will automatically include rich content like a photo, a video, a sound clip, an article summary or information about a product, and make it instantly accessible to any other user on Twitter.

*Building with Twitter Content.* Platform partners leverage Tweets to enhance the experience for their users. Developers incorporate Twitter content and use Twitter tools to build a broad range of applications. Media partners incorporate Twitter content to enrich their programming and increase viewer engagement by providing real-time Tweets that express public opinion and incorporate results from viewer polls on Twitter. For example, one developer uses access to Twitter content to provide alerts for its clients about a variety of topics and industries in advance of mainstream news. The developer's application scans through all Tweets generated on our platform and identifies Tweets that appear to be credible and newsworthy based on certain aspects of a Tweet, such as the influence of the user who tweeted it, the user's geographic location and patterns of the user's Tweets. Another developer uses its algorithms and access to content on our platform to generate reports for brands, media companies and political campaigns that let the developer's clients know what people are saying about them on Twitter and why.

**Our Value Proposition to Advertisers**

We provide compelling value to our advertisers by delivering the ability to reach a large global audience through our unique set of advertising services, the ability to target ads based on our deep understanding of our users and the opportunity to generate significant earned media. Advertisers can use Twitter to communicate directly with their followers for free, but many choose to purchase our advertising services to reach a broader audience and further promote their brands, products and services.

Advertisers can market on our platform in a variety of ways, from broad global campaigns to highly-targeted local ads. Our Promoted Products enable our advertisers to promote their brands,

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products and services, amplify their visibility and reach, and complement and extend the conversation around their advertising campaigns. By leveraging our targeting capabilities, advertisers can reach users that are more likely to engage with their ads and improve the return on their spending on advertising.

We use an auction for our pay-for-performance Promoted Products. The algorithms underlying the auction take into account the predicted ad engagement rate of an advertiser's campaign. As such, advertisers with higher quality and more relevant ads generally have a higher probability of being successful in the auction and can win the auction with lower bids.

Specifically, our platform provides our advertisers with the following benefits:

*Unique Ad Formats Native to the User Experience.* Our Promoted Products provide advertisers with an opportunity to reach our users without disrupting or detracting from the user experience on our platform. For example, Promoted Tweets appear within a user's timeline just like an organic Tweet, regardless of device, whether it be desktop or mobile. Advertisers can incorporate Twitter Cards into Promoted Tweets for many purposes, including to drive product webpage visits or application installs. Similarly, Promoted Accounts and Promoted Trends also appear in the same format and place as organic account recommendations and trends, respectively. All of our Promoted Products are labeled as promoted.

*Targeting.* Our pay-for-performance Promoted Products enable advertisers to reach users based on many factors. Importantly, because our asymmetric follow model does not require mutual follower relationships, people can follow the users that they find most interesting. These follow relationships are then combined with information regarding a user's activity on our platform, including who the user replies to, what Tweets the user favorites or retweets, links the user clicks, the location of the user and what the user tweets about, to form a user's Interest Graph. Twitter's asymmetric follow model makes it easy for users to follow and unfollow other users. As a result, our users regularly add and remove accounts from their follow list, improving and updating their Interest Graphs. We believe a user's Interest Graph produces a clear and real-time signal of a user's interests, greatly enhancing our targeting capability.

For example, New Relic (@newrelic) uses Twitter to target its business-to-business audience of developers and IT decision makers using a combination of interest and keyword targeting. Its goal on Twitter is to drive purchases and installs of its application performance management services. @newrelic has used Twitter to drive traffic to blog posts, share infographics and offer discounts. In July 2013, @newrelic offered a free trial of Code School, an online learning platform, for deploying its service. This promotion nearly doubled the number of Twitter-driven deployments compared to the month before.

*Earned Media and Viral Global Reach.* The public and widely distributed nature of our platform enables Tweets to spread virally, potentially reaching all of our users and people around the world. Our users retweet, reply to or start conversations about interesting Tweets,

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whether those Tweets are Promoted Tweets or organic Tweets by advertisers. An advertiser only gets charged when a user engages with a Promoted Tweet that was placed in a user's timeline because of its promotion. By creating highly compelling and engaging ads, our advertisers can benefit from users retweeting their content across our platform at no incremental cost.

For example, Mondelez International has promoted Wheat Thins (@WheatThins) with a "Must. Have. Wheat. Thins." slogan that appears on its advertising campaigns on TV and Twitter. During the campaign, @WheatThins asked its customers to send Tweets and Vines about having their Wheat Thins eaten or stolen by other fans of the product. Customers could win boxes of Wheat Thins by tweeting #MustHaveWheatThins. The integration across screens and promotion on Twitter drove over 242,000 Tweets mentioning the Wheat Thins brand during the advertising campaign and resulted in a significant increase in followers on Twitter.

*Advertising in the Moment.* Twitter's real-time nature allows our advertisers to capitalize on live events, existing conversations and trending topics. By using our Promoted Products, advertisers can create a relevant ad in real time that is shaped by these events, conversations and topics.

*Pay-for-Performance and Attractive Return on Investment.* Our advertisers pay for Promoted Tweets and Promoted Accounts on a pay-for-performance basis. Our advertisers only pay us when a user engages with their ad, such as when a user clicks on a link in a Promoted Tweet,

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expands a Promoted Tweet, replies to or favorites a Promoted Tweet, retweets a Promoted Tweet for the first time, follows a Promoted Account or follows the account that tweets a Promoted Tweet. The pay-for-performance structure aligns our interests in delivering relevant and engaging ads to our users with those of our advertisers.

In 2012, we commissioned a survey with Nielsen to measure the impact of our advertising services on brand awareness and purchase intent. Nielsen's study found that users who engaged with a brand's Promoted Tweet reported on average 30% higher brand favorability and 53% higher purchase intent than users who did not engage. These results highlight the value of an ad engagement on Twitter and the importance of reaching a relevant audience with compelling content to further drive ad engagement.

For example, Bonobos (@Bonobos), an online men's apparel retailer, wanted to make room for its fall season line and recruit new customers. @Bonobos held a Twixclusive, a 24-hour sale exclusively on Twitter. The company increased anticipation of the sale with Tweets several days in advance. On the day of the sale, @Bonobos used Promoted Tweets in timelines to announce an exclusive Twitter deal for \$49 chinos. The deal was only available through Twitter and not advertised anywhere else. @Bonobos encouraged users to spread the word to unlock the deal, which was done almost immediately. The advertising campaign netted a number of first-time purchasers.

*Extension of Offline Advertising Campaigns.* Twitter advertising complements offline advertising campaigns, such as television ads. Integrating hashtags allows advertisers to extend the reach of an offline ad by driving significant earned media and continued conversation on Twitter. Additionally, we enable advertisers to engage directly on Twitter with users who have been exposed to their ads on television. We believe that synchronizing Twitter and television advertising campaigns makes brand messages more engaging and interactive.

*Connect in Context.* Because the vast majority of Tweets are public, advertisers can gain meaningful insights and market intelligence from, and respond directly to, the feedback in customers' and others' Tweets. Our users discuss what they care about and what is happening around them right now. Our advertisers have powerful context to connect their messages to what is most meaningful to users in real time, and can engage with their customers in a way that is unique to Twitter.

*Twitter Amplify.* Advertisers and media outlets can use Twitter Amplify to drive ad engagement and conversation on our platform during live programs. With Twitter Amplify, media outlets can attach real-time video clips about live events to Promoted Tweets, including instant replays of sports highlights and behind-the-scenes content, providing users with timely content that complements their television experience or reminds users to tune in to what they may be missing. For example, during the NCAA college basketball tournament, which began in March 2013, some of our users received Promoted Tweets containing video highlights of plays from tournament games in real time, allowing them to view these highlights within the Promoted

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Tweet directly in their timelines. Twitter Amplify provides advertisers with the opportunity to embed short video ads before and after the real-time video clip in a Promoted Tweet, complementing the conversation that is happening about these live events on our platform and in the world. Twitter Amplify partners include large advertisers and prominent media partners.

### **Our Value Proposition to Data Partners**

We offer data licenses that allow our data partners to access, search and analyze historical and real-time data on our platform. Since the first Tweet, our users have created over 350 billion Tweets spanning nearly every country. Our data partners use this data to generate and monetize data analytics, from which data partners can identify user sentiment, influence and other trends.

Specifically, our platform provides our data partners with the following benefits:

*Access to Actionable Data.* Our platform enables data partners to analyze and act upon data that is current, unfiltered and public. Our data is the foundation for applications and tools that can draw relationships between social interactions and business results, and even derive signals that influence economic, political and public health and safety decisions. For example, one of our data partners applies its algorithms to Twitter data to create and sell products to its customers that identify activity trends across Twitter which may be relevant to its customers' investment portfolios.

*Ability to Create Measurement Standards.* We provide our data partners with the tools and data to find the right signal for the right audience. Our users tweet to express their thoughts and opinions about what is happening around them, creating data that can be analyzed to identify trends and other valuable insights.

### **Our Market Opportunity**

We offer advertising services to help advertisers better achieve their goals, particularly as people worldwide spend more time engaging with mobile content. We provide advertisers with a platform to take on a human voice and reach a broad set of users and the tools to target users and generate interest. We design our advertising services to be engaging for users and personalized to their interests. Twitter's public, real-time, conversational and widely distributed content and our differentiated ability to target users through their Interest Graphs enable advertisers to promote their brands, products and services, amplify their visibility and reach, and complement and extend the conversation around their advertising campaigns.

We believe our advertising services address the large online and mobile advertising markets:

*Online Advertising.* From 2012 to 2017, the worldwide online advertising market, excluding mobile advertising, is projected to increase from \$91.1 billion to \$124.7 billion, representing a 6.5% compounded annual growth rate, according to industry sources.

*Mobile Advertising.* From 2012 to 2017, the worldwide mobile advertising market is projected to increase from \$10.0 billion to \$52.2 billion, representing a 39.2% compounded annual growth rate, according to industry sources.

### **Growth Strategy**

We believe that the growth of our business is driven by a virtuous cycle that starts with what is best for our users. Growth in our user base drives more unique content, which in turn drives the viral, organic promotion of content on and off our properties, thereby attracting more platform partners and advertisers. As we attract more users, the value proposition for advertisers increases, thereby

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incentivizing advertisers to develop unique and compelling content for our platform. We have aligned our growth strategy around these three primary constituents.

*Users.* Growth in our user base and user engagement is a fundamental driver to the growth of our business, and we believe that there is a significant opportunity to expand our user base. Since our inception, our user base has primarily grown organically and virally. Industry sources estimate that as of 2012 there were 2.4 billion Internet users and 1.2 billion smartphone users, of which only 230 million are MAUs of Twitter.

*Geographic Expansion.* We continue to focus on growing our user base across all geographies. We plan to develop a broad set of partnerships globally to increase relevant local content on our platform and make Twitter more accessible in new and emerging markets.

*Mobile Applications.* In the three months ended September 30, 2013, 76% of our average MAUs accessed Twitter from a mobile device. Our most engaged users are those who access Twitter via our mobile applications. We plan to continue to develop and improve our mobile applications to drive user adoption of these applications.

*Product Development.* We plan to continue to build and acquire new technologies to develop and improve our products and services and make our platform more valuable and accessible to people around the world. We also plan to continue to focus on making Twitter simple and easy to use, particularly for new users.

*Platform Partners.* We believe growth in our platform partners is complementary to our user growth strategy and the overall expansion of our platform.

*Expand the Twitter Platform to Integrate More Content.* We plan to continue to build and acquire new technologies to enable our platform partners to distribute content of all forms.

*Partner with Traditional Media.* Twitter has a complementary relationship with other media, including music services, news outlets and television networks. We plan to continue to leverage our media relationships to drive more content distribution on our platform and create more value for our users and advertisers.

*Advertisers.* We believe we can increase the value of our platform for our advertisers by enhancing our advertising services and making our platform more accessible.

*Targeting.* We plan to continue to improve the targeting capabilities of our advertising services. We recently introduced keyword targeting, which allows advertisers to reach users based on words, including words marked with a hashtag, in their recent Tweets and the Tweets with which users recently engaged and television targeting, which enables advertisers to engage directly with people on Twitter who have been exposed to their ads on television.

*Opening Our Platform to Additional Advertisers.* We believe that advertisers outside of the United States represent a substantial opportunity and we plan to invest to increase our advertising revenue from international advertisers. Approximately 26% of our total revenue in the three months ended September 30, 2013, came from advertisers with billing locations outside of the United States, but approximately 77% of our average MAUs in the three months ended September 30, 2013 were from outside of the United States. We recently launched our self-serve advertising platform in the United States and we intend to

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launch our self-serve advertising platform in selected international markets. Our self-serve advertising platform allows advertisers to purchase advertising on Twitter through an automated online platform rather than through our direct sales force or our resellers. In international markets, our Promoted Products are currently only available for sale through our direct sales force or our resellers. As such, the number of advertisers on

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our platform in international markets is currently limited to those parties that our direct sales force or resellers contact and enlist as advertisers. Since our self-serve advertising platform opens our advertising platform to all advertisers, opening our self-serve advertising platform in international markets will allow us to reach many more potential advertisers than is currently possible.

*New Advertising Formats.* We intend to develop new and unique ad formats for our advertisers. For example, we recently introduced our lead generation and application download Twitter Cards, and Twitter Amplify, which allows advertisers to embed ads into real-time video content.

### **Our Products and Services**

We design our products to create a user-centric, interactive experience. Our development efforts focus on simplicity and ensuring that content can be accessed on any platform.

#### *Products for Users*

*Twitter.* Twitter allows users to express themselves and create, distribute and discover content.

*Home Timeline.* The timeline is a key component of the user experience. A user's timeline displays the user's individual Tweets as well as Tweets from the users they follow, with the most recent Tweets appearing at the top of the timeline. The timeline prompts the user to refresh whenever a followed user sends a new Tweet. The timeline is designed to be simple and easy to digest, and displays only the user profile picture and text content of each Tweet. If a Tweet contains rich media content, or is part of a broader conversation involving favorites, replies and Retweets, the user can expand the Tweet to display this content in the timeline.

#### *Self-Expression Mechanisms.*

*Tweet Composer.* When a user wants to create a Tweet, they can do so by simply clicking on the "Compose new Tweet" box or icon, composing a Tweet and clicking "Tweet" to send the Tweet to their followers.

*Profile.* The user profile includes a user's name, Twitter username, location, website, photograph and short biography, and also includes lists of the accounts that the user is following, the user's followers, the user's Tweets and media gallery.

*Lists.* A list is a curated group of Twitter users. Users can create their own lists or subscribe to lists created by other users. Viewing a list timeline will show the user a stream of Tweets from only the users on that list.

#### *Social Mechanisms.*

*Follow.* Users select which other users they want to follow based on what interests them. The Tweets of the users they follow are displayed in their timeline.

*Who to Follow.* Our user recommendation engine, "Who to Follow," provides users with recommendations for other users to follow based on their interests and who they are currently following.

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*Favorites, @Replies and Retweets.* Various features enable users to interact with Tweets created by other users. Users can click on the `Favorite` button on a Tweet to demonstrate their support of or interest in the Tweet. Users can also reply to a Tweet created by another user by clicking the `Reply` button on the Tweet, which we refer to as an `@reply`, building on the original content and sharing their thoughts and opinions with the sender. A Tweet can also be resent, or retweeted, by a user that has received it by

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clicking the Retweet button on the Tweet, which enables users to redistribute the original Tweet to their followers.

*Mentions.* Users can refer to, or mention, other users in their Tweets and Retweets by denoting the recipient with the @ symbol followed by their username. We display mentions, including @replies, on the @Connect page of the user mentioned.

*@Connect.* Users can see their history of interactions with other Twitter users by going to their @Connect page, which collects and displays information about a user's followers and interactions with other users on Twitter.

*Direct Messages.* In order to allow non-public communication among Twitter users, Twitter allows users to send private messages, known as direct messages. Users can only send a direct message to a user who is following them and can only receive direct messages from users they follow.

*Protected Tweets.* Twitter also provides its users with the ability to make their Tweets private. A user who chooses to utilize this feature must choose to accept a new follower request before his or her Tweets are visible to that follower.

### *Discovery Mechanisms.*

*Trends.* Topics that are tweeted about at a high rate can become trends on Twitter. Trends are often indicators of what is current and popular at any given moment in a particular country or worldwide. Some trends are preceded by #, which we refer to as a hashtag. The use of hashtags on our platform was initiated by our users and hashtags are included in Tweets to mark them as relating to a topic, enabling trends to be more easily identified and conversations on a given topic to be more easily found.

*Search.* Twitter Search enables users to find a real-time targeted list of the Tweets and users most relevant to their search topic by keyword, hashtag or username.

*#Discover.* The Twitter #Discover tool enables users to find interesting and relevant information that they may not have found in their own timeline or through searches. A user's interests, their followers and activity determine what is displayed on the user's #Discover page.

### *Notifications.*

*Email, SMS and Push Notifications.* Users can customize how they are notified about activity on Twitter. They may elect to receive email notifications, SMS messages and mobile push notifications, which are alerts sent to the home screen of a mobile device by a mobile application.

*Platform Ubiquity.* We make Twitter available across a variety of mobile and desktop applications and websites.

*Mobile Applications.* Twitter is available across a wide range of mobile devices, including Android phones and tablets, iPhone, iPad, Blackberry, Windows Phone and Nokia S40. We tailor our products and services to each system to create a rich Twitter experience for our users, taking advantage of the capabilities of each device and its operating system.

*Mobile Web and Twitter.com.* Twitter is available on the web at [mobile.twitter.com](http://mobile.twitter.com) and [twitter.com](http://twitter.com). We operate tailored versions of our mobile website for smartphone browsers and feature phone browsers to deliver a compelling user experience for users, regardless of how they access our platform.

*SMS.* Users in many countries around the world can register, follow accounts, receive notifications and send Tweets entirely through SMS. Our relationships with over 250

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mobile carriers enable users who are customers of these carriers to engage with Twitter through SMS.

*Desktop Applications.* Our TweetDeck application enables users to view multiple streams of Tweets in real time, and execute custom search queries against real-time content. A Twitter application is available on the Macintosh and Windows 8 platforms.

*Vine.* Vine is a mobile application available on the iOS and Android operating systems that enables users to create and distribute short looping videos of up to six seconds in length. Vine users create and distribute their videos to their followers on Vine, with the option of tweeting them to their Twitter followers and sharing them on social networks. Users on Vine can follow other users, re-broadcast to their followers by reviving, comment on videos and embed videos on websites. We do not currently place, or currently plan to place, ads on Vine.

*#Music.* #Music is a mobile application that helps users discover new music and artists based on Tweets. #Music is available on the iOS platform. #Music uses data from the Twitter API to surface trending music artists in a variety of genres, and allows users to browse through artists based on social relationships on Twitter. We do not currently place, or currently plan to place, ads on #Music.

Our terms of service govern our users' access to and use of our products and services, as well as any content uploaded, downloaded or appearing on our products and services. By agreeing to our terms of service, our users agree to be responsible for their use of our products and services, for any content they post to our products and services and for any consequences thereof. Our terms of service allow us to alter or limit use of our products and services or terminate a user's right to use them at our sole discretion. We have the right to remove or refuse to distribute any content and to suspend or terminate users at any time. Our users retain their rights to any content they submit, post or display on our products and services and grant us a license to use, publish and distribute such content, including to our third-party partners. Our users also agree to our privacy policy which describes our collection and use of their information. Our users agree that we, and the third parties with whom we partner, may place targeted advertising on our products and services. Any user may terminate this agreement with us at any time for any reason by deactivating their account and discontinuing their use of our products and services.

### ***Products for Platform Partners***

We provide a set of tools, public APIs and embeddable widgets that developers can use to contribute their content to our platform, distribute Twitter content across their properties and enhance their websites and applications with Twitter content. Over six million websites have integrated with Twitter, adding value to our user experience. In addition, over three million applications have been registered by developers to enable them to integrate with our platform, and leverage Twitter content to enhance and extend their applications in new and creative ways. The goal of our platform product development is to make it easy for developers to integrate seamlessly with Twitter.

Key elements of the Twitter platform products include:

*Twitter Cards.* Twitter Cards enable developers to attach content and functionality to Tweets, and have that content appear wherever a Tweet is displayed throughout web and mobile applications. Developers can link Twitter Cards directly to their own mobile application or website, in order to drive visits and application installs.

*The Twitter Public API.* The Twitter public API allows platform partners to integrate Twitter content and follower relationships into their applications. For example, a platform partner can connect to the Twitter public API in order to collect, filter and integrate real-time content from Twitter into a live television program or a third-party website to integrate Tweets into a

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sentiment monitoring application to help companies monitor and measure conversation on Twitter about their brand.

*Twitter for Websites.* Twitter for Websites is a set of tools that enable platform partners to integrate Twitter content and functionality into their websites. Sites can embed single Tweets or timelines of Tweets, or add Tweet buttons to their websites that make it easy for visitors to follow particular accounts or Tweet about the content they are viewing.

***Products and Services for Advertisers***

Our Promoted Products enable our advertisers to promote their brands, products and services, amplify their visibility and reach, and extend the conversation around their advertising message. Currently, our Promoted Products consist of the following:

*Promoted Tweets.* Promoted Tweets, which are labeled as promoted, appear within a user's timeline or search results just like an ordinary Tweet regardless of device, whether it be desktop or mobile. Using our proprietary algorithm and understanding of the interests of each user, we can deliver Promoted Tweets that are intended to be relevant to a particular user.

*Promoted Accounts.* Promoted Accounts, which are labeled as promoted, appear in the same format and place as accounts suggested by our Who to Follow recommendation engine. Promoted Accounts provide a way for our advertisers to grow a community of users who are interested in their business, products or services.

*Promoted Trends.* Promoted Trends, which are labeled as promoted, appear at the top of the list of trending topics for an entire day in a particular country or on a global basis. When a user clicks on a Promoted Trend, search results for that trend are shown in a timeline and a Promoted Tweet created by our advertisers is displayed to the user at the top of those search results. We feature one Promoted Trend per day per geography.

Our technology platform and information database enable us to provide targeting capabilities that make it possible for advertisers to promote their brands, products and services, amplify their visibility and reach, and complement and extend the conversation around their advertising campaigns, including the following:

*Interest and Gender Targeting.* Advertisers can target Promoted Tweets and Promoted Account campaigns based on interests and gender of users, which we predict based on the accounts that a user follows, and their history of interaction with content on Twitter.

*Geographic Targeting.* Advertisers can target Promoted Tweet and Promoted Account campaigns based on user geography. Advertisers can also purchase a Promoted Trend on a country-by-country or worldwide basis. We receive information regarding a user's location based upon the user's IP address or, if the user has turned on location services on their mobile device, the location of the user's mobile device at the time of user engagement to the extent possible. In the event that real-time location information is not available, we estimate the user's location based upon an aggregation of IP addresses from which the user has recently accessed Twitter. If a user's current geographic location is not available or we are unable to assign a geographic location to a user at the time the user engages with Twitter based on recent data, we deliver advertising that is based on the geographic location of the user at the time that such user initially registered for an account on Twitter based on the user's IP address.

*Keyword Targeting.* Advertisers can target specific words that users engage with on Twitter, including words marked with a hashtag, either through search queries, the Tweets a user creates or the Tweets a user engages with.

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*Television Targeting.* Advertisers can target users who have been exposed to their ads on television. We provide advertisers with this targeting capability by analyzing a user's Tweets to determine which television shows a user has tweeted about and matching this information with information regarding which commercials were aired during these shows.

*Device Targeting.* Advertisers can target based on specific mobile or desktop devices to reach users in specific contexts. When our customers purchase advertising services they have the ability to monitor their advertising campaigns as follows:

*Campaign Management.* Our campaign management capability tools allow advertisers to monitor and make changes to campaigns in real time as ads are delivered. This allows advertisers to actively manage their campaigns as they gain deeper insight into their target audience and react to events and user reactions as they unfold.

*Real-Time Analytics.* Our analytics tools give our advertisers insight into user response to their ads, which helps them to understand the success of campaigns as well as customer preferences.

*Advertiser API.* Our APIs enable advertisers to integrate with Twitter and build websites and applications that integrate our campaign management and analytics tools.

### *MoPub Inc.*

On October 28, 2013 we completed our acquisition of MoPub, a mobile-focused advertising exchange. We plan to invest to grow MoPub's current business, including by extending advertising across the mobile ecosystem through the MoPub exchange. We also plan to use MoPub's technology to build real-time bidding into the Twitter ads platform so that our advertisers can more easily automate and scale their advertising purchases.

Pursuant to the MoPub Merger Agreement, upon the closing of the acquisition, all of the issued and outstanding shares of capital stock of MoPub were converted into 13,178,040 shares of our common stock and all equity awards to purchase shares of MoPub common stock held by individuals who will continue to provide services to us were converted into the right to receive an aggregate of 1,237,847 shares of our common stock, subject to certain adjustments and vesting terms described in the MoPub Merger Agreement, and MoPub became one of our wholly-owned subsidiaries. The shares of our common stock that have been or will be issued pursuant to the MoPub Merger Agreement will be subject to the same market standoff agreements with us and lock-up agreements with the underwriters as are described in the section titled Shares Eligible for Future Sale.

### *Products for Data Partners*

We offer subscription access to our data feed for data partners who wish to access data beyond the public API.

## **Competition**

We face significant competition for users, advertisers and personnel.

*Users.* We compete against many companies to attract and engage users, some of which have greater financial resources and substantially larger user bases, such as Facebook (including Instagram), Google, LinkedIn, Microsoft and Yahoo!. We also compete against smaller companies such as Sina Weibo, LINE and Kakao, each of which is based in Asia.

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We believe that our ability to compete effectively for users depends upon many factors, including the usefulness, ease of use, performance and reliability of our products and services; the amount, quality and timeliness of content generated by our users; our ability to establish and maintain relationships with platform partners that integrate with our platform; and our reputation and the strength of our brand.

*Advertisers.* We also face significant competition for advertiser spend. The substantial majority of our revenue is generated from the sale of advertising services, and we compete against online and mobile businesses and traditional media outlets, such as television, radio and print, for spending on advertising.

We believe that our ability to compete effectively for advertiser spend depends upon many factors, including the size and composition of our user base; our ad targeting capabilities; the timing and market acceptance of our advertising services; our marketing and selling efforts; the return our advertisers receive from our advertising services; and our reputation and the strength of our brand.

*Personnel.* We also experience significant competition for highly skilled personnel, including senior management, engineers, designers and product managers. Our growth strategy depends in part on our ability to retain our existing personnel and add additional highly skilled employees. Competition for highly skilled personnel is intense, particularly in the San Francisco Bay Area, where our headquarters is located, and we compete for personnel against online and mobile businesses, other companies in the technology industry and traditional media businesses, such as television, radio and print.

We believe that our ability to compete effectively for highly skilled personnel depends upon many factors, including a work environment that encourages independence, creativity and innovation; opportunities to work on challenging, meaningful and important products; the reputation and strength of our brand; and compensation.

We believe that we compete favorably on the factors described above. However, our industry is evolving rapidly and is becoming increasingly competitive. See the sections titled *Risk Factors* If we are unable to compete effectively for users and advertiser spend, our business and operating results could be harmed and *Risk Factors* We depend on highly skilled personnel to grow and operate our business, and if we are unable to hire, retain and motivate our personnel, we may not be able to grow effectively.

## **Technology, Research and Development**

Twitter is composed of a set of core, scalable and distributed services that are built from proprietary and open source technologies. These systems are capable of delivering billions of short messages to hundreds of millions of people a day in an efficient and reliable way.

*Twitter's Scale.* Tweets are delivered to users via the twitter.com website, through over a dozen owned and operated Twitter applications, and through widgets that appear on over six million different websites. We deliver more than 200 billion Tweets per day to our users. Each time a user creates a Tweet, it is delivered to each follower of such user that requests a timeline. If a follower then retweets it, the Tweet is delivered to each of their followers who request a timeline. In addition, we deliver to users any Tweets that may be generated through our trends, search or #Discover functions. This process requires our infrastructure to collect and efficiently deliver large volumes of information daily.

*Real-time, Service Oriented Architecture.* Twitter's architecture is optimized so users perceive instantaneous change. The time between a Tweet being created and having it available for

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users to see and interact with in the product is measured in tenths of a second. In general, the latency between two events occurring in our infrastructure is measured in millisecond increments.

*Foundational Infrastructure and Data.* Our users have created over 350 billion Tweets. Our customized technology replicates and balances this data across multiple geographically distributed databases and allows us to store, access and modify it at scale.

*Relevancy and Content Analysis.* We have built systems and algorithms to organize content to enable users to find and discover the most relevant content, people and topics on Twitter. Our key technologies include a distributed, fixed-latency, high performance search system that allows us to efficiently index, retrieve and score users and their content in real time. We have also built a trending platform to determine trending topics on Twitter.

*Advertising Technology.* Our advertising platform allows advertisers to reach users based on many factors, including their Interest Graphs. We use sophisticated algorithms to determine the likelihood of user engagement with specific ads. We use these algorithms to match advertiser demand with Twitter users by placing Promoted Tweets and Promoted Accounts into a user's Twitter experience in a way that optimizes for both user experience and the value we deliver to advertisers.

## **Sales and Marketing**

We have a global sales force and sales support staff that is focused on attracting and retaining advertisers. Our sales force and sales support staff assists advertisers throughout the advertising campaign cycle, from pre-purchase decision making to real-time optimizations as they utilize our campaign management tools, and to post-campaign analytics reports to assess the effectiveness of their advertising campaigns. Our advertisers also use our self-serve advertising platform to launch and manage their advertising campaigns.

Since our inception, our user base has grown primarily by word-of-mouth. Our marketing efforts to date have focused on amplifying and accelerating this word-of-mouth momentum. Through these efforts and people's increased usage of Twitter worldwide, we have been able to build our brand with relatively minimal marketing costs.

## **Intellectual Property**

We seek to protect our intellectual property rights by relying on federal, state and common law rights in the United States and other countries, as well as contractual restrictions. We generally enter into confidentiality and invention assignment agreements with our employees and contractors, and confidentiality agreements with other third parties, in order to limit access to, and disclosure and use of, our confidential information and proprietary technology. In addition to these contractual arrangements, we also rely on a combination of trademarks, trade dress, domain names, copyrights, trade secrets and patents to help protect our brand and our other intellectual property.

As of September 30, 2013, we had 9 issued patents and approximately 95 filed patent applications in the United States and foreign countries relating to message distribution, graphical user interfaces, security and related technologies. Our issued United States patents are expected to expire between 2029 and 2031.

We may be unable to obtain patent or trademark protection for our technologies and brands, and our existing patents and trademarks, and any patents or trademarks that may be issued in the future, may not provide us with competitive advantages or distinguish our products and services from those of our competitors. In addition, any patents and trademarks may be contested, circumvented or found

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unenforceable or invalid, and we may not be able to prevent third parties from infringing, diluting or otherwise violating them.

In May 2013, we implemented our Innovator's Patent Agreement, or IPA, which we enter into with our employees and consultants, including our founders. We implemented the IPA because we were concerned about the recent proliferation of offensive patent lawsuits, including lawsuits by non-practicing entities. We are also encouraging other companies to implement the IPA in an effort to reduce the number of patents with offensive rights which may be transferred to third parties, including non-practicing entities. We believe that a reduction in the number of patents with transferrable offensive rights may reduce the number of offensive lawsuits that may be filed, particularly by non-practicing entities.

The IPA, which applies to our current and future patents, allows us to assert our patents defensively. The IPA also allows us to assert our patents offensively with the permission of the inventors of that particular patent. Under the IPA, an assertion of claims is considered for a defensive purpose if the claims are asserted: (i) against an entity that has filed, maintained, threatened or voluntarily participated in a patent infringement lawsuit against us or any of our users, affiliates, customers, suppliers or distributors; (ii) against an entity that has used its patents offensively against any other party in the past ten years, so long as the entity has not instituted the patent infringement lawsuit defensively in response to a patent litigation threat against the entity; or (iii) otherwise to deter a patent litigation threat against us or our users, affiliates, customers, suppliers or distributors. In addition, the IPA provides that the above limitations apply to any future owner or exclusive licensee of any of our patents, which could limit our ability to sell or license our patents to third parties including to non-practicing entities.

Companies in the Internet, technology and media industries own large numbers of patents, copyrights, trademarks and trade secrets, and frequently enter into litigation based on allegations of infringement, misappropriation, or other violations of intellectual property or other rights. In addition, various non-practicing entities that own patents and other intellectual property rights often attempt to aggressively assert their rights in order to extract value from technology companies. We are presently involved in a number of intellectual property lawsuits, and from time to time we face, and we expect to face in the future, allegations that we have infringed or otherwise violated the patents, copyrights, trademarks, trade secrets, and other intellectual property rights of third parties, including our competitors and non-practicing entities. As we face increasing competition and as our business grows, we will likely face more intellectual property-related claims and litigation matters. For additional information, see the sections titled Risk Factors. We are currently, and expect to be in the future, party to intellectual property rights claims that are expensive and time consuming to defend, and, if resolved adversely, could have a significant impact on our business, financial condition or operating results and Legal Proceedings.

**Government Regulation**

We are subject to a number of U.S. federal and state and foreign laws and regulations that involve matters central to our business. These laws and regulations may involve privacy, rights of publicity, data protection, content regulation, intellectual property, competition, protection of minors, consumer protection, taxation or other subjects. Many of these laws and regulations are still evolving and being tested in courts and could be interpreted in ways that could harm our business. In addition, the application and interpretation of these laws and regulations often are uncertain, particularly in the new and rapidly evolving industry in which we operate.

We are also subject to federal, state and foreign laws regarding privacy and the protection of user data. Foreign data protection, privacy, consumer protection, content regulation and other laws and

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regulations are often more restrictive than those in the United States. There are also a number of legislative proposals pending before the U.S. Congress, various state legislative bodies and foreign governments concerning data protection that could affect us. For example, regulation relating to the 1995 European Union Data Protection Directive is currently being considered by European legislative bodies that may include more stringent operational requirements for entities processing personal information and significant penalties for non-compliance.

In March 2011, to resolve an investigation into various incidents, we entered into a settlement agreement with the FTC that, among other things, requires us to establish an information security program designed to protect non-public consumer information and also requires that we obtain biennial independent security assessments. The FTC investigation was the result of two separate incidents in which unauthorized intruders obtained administrative passwords of certain Twitter employees. In one of the incidents, the intruder accessed the employee's administrative capabilities to fraudulently reset various user passwords and post unauthorized Tweets. The obligations under the settlement agreement remain in effect until the latter of March 2, 2031, or the date 20 years after the date, if any, on which the U.S. government or the FTC files a complaint in federal court alleging any violation of the order. Violation of existing or future regulatory orders, settlements, or consent decrees could subject us to substantial monetary fines and other penalties that could negatively affect our financial condition and results of operations.

Twitter users may be restricted from accessing Twitter from certain countries, and other countries have intermittently restricted access to Twitter. For example, Twitter is not directly accessible in China. It is possible that other governments may seek to restrict access to or our block our website or mobile applications, censor content available through our products or impose other restrictions that may affect the accessibility or usability of Twitter for an extended period of time or indefinitely.

We have a public policy team that monitors legal and regulatory developments in the U.S., as well as a number of foreign countries, and works with policymakers and regulators in the U.S. and internationally.

For additional information, see the section titled "Risk Factors." Our business is subject to complex and evolving U.S. and foreign laws and regulations. These laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to our business practices, monetary penalties, increased cost of operations or declines in user growth, user engagement or ad engagement, or otherwise harm our business.

## **Employees**

As of September 30, 2013, we had over 2,300 full-time employees.

## **Legal Proceedings**

We are currently involved in, and may in the future be involved in, legal proceedings, claims and government investigations in the ordinary course of business. We are involved in litigation, and may in the future be involved in litigation, with third parties asserting, among other things, infringement of their intellectual property rights. In addition, the nature of our business exposes us to claims related to defamation, rights of publicity and privacy, and personal injury torts resulting from information that is published or made available on our platform. This risk is enhanced in certain jurisdictions outside the United States where our protection from liability for content published on our platform by third parties may be unclear and where we may be less protected under local laws than we are in the United States. Although the results of the legal proceedings, claims and government investigations in which we are involved cannot be predicted with certainty, we do not believe that there is a reasonable

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possibility that the final outcome of these matters will have a material adverse effect on our business, financial condition or operating results.

Future litigation may be necessary, among other things, to defend ourselves, our platform partners and our users by determining the scope, enforceability, and validity of third-party proprietary rights or to establish our proprietary rights. The results of any current or future litigation cannot be predicted with certainty, and regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

**Facilities**

In April 2011, we entered into a lease effective through April 2018 for approximately 214,950 square feet of office space that houses our principal offices in San Francisco, California. In June 2012, we amended the lease to include approximately 85,259 square feet of additional office space for a term effective through November 2021. We have leases with data center operators in the United States pursuant to various lease agreements and co-location arrangements. We believe our facilities are sufficient for our current needs.

**Table of Contents****MANAGEMENT****Executive Officers and Directors**

The following table provides information regarding our executive officers and directors as of September 30, 2013:

<b>Name</b>	<b>Age</b>	<b>Position</b>
<i>Executive Officers:</i>		
Richard Costolo	50	Chief Executive Officer and Director
Ali Rowghani	40	Chief Operating Officer
Mike Gupta	42	Chief Financial Officer
Adam Bain	40	President of Global Revenue
Christopher Fry	43	Senior Vice President of Engineering
Vijaya Gadde	38	General Counsel and Secretary
<i>Non-Employee Directors:</i>		
Jack Dorsey	36	Chairman
Peter Chernin	62	Director
Peter Currie	57	Director
Peter Fenton	41	Director
David Rosenblatt	45	Director
Evan Williams	41	Director
<i>Executive Officers</i>		

*Richard Costolo.* Mr. Costolo has served as our Chief Executive Officer since October 2010 and as a member of our board of directors since September 2009. From September 2009 to October 2010, Mr. Costolo served as our Chief Operating Officer. From June 2007 to June 2009, Mr. Costolo served as Group Product Manager at Google Inc., a provider of Internet-related products and services. From October 2003 to May 2007, Mr. Costolo served as Co-Founder and Chief Executive Officer of FeedBurner, Inc., an RSS subscription feed provider, which was acquired by Google in 2007. Mr. Costolo holds a B.S. in Computer Science from the University of Michigan, Ann Arbor.

Mr. Costolo was selected to serve on our board of directors because of his extensive background as a founder and an executive of companies in the technology industry and the perspective and experience he brings as our Chief Executive Officer.

*Ali Rowghani.* Mr. Rowghani has served as our Chief Operating Officer since December 2012 and served as our Chief Financial Officer from March 2010 to December 2012. From June 2002 to March 2010, Mr. Rowghani served in several roles at Pixar Animation Studios, Inc., a computer animation film studio, including as Chief Financial Officer and Senior Vice President of Strategic Planning. Mr. Rowghani holds a B.A. in International Relations and an M.B.A. from Stanford University.

*Mike Gupta.* Mr. Gupta has served as our Chief Financial Officer since December 2012 and served as our Vice President of Corporate Finance and Treasurer from November 2012 to December 2012. From May 2011 to November 2012, Mr. Gupta served in two roles at Zynga Inc., an online provider of social game services, including as Senior Vice President and Treasurer. From February 2003 to May 2011, Mr. Gupta served in several roles at Yahoo! Inc., an Internet company, including as Senior Vice President of Corporate Development and Finance and Chief Treasury Officer. Mr. Gupta holds a B.S. in Accounting and Economics from New York University and an M.B.A. from the University of Chicago.

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*Adam Bain.* Mr. Bain has served as our President of Global Revenue since September 2010. From September 1999 to September 2010, Mr. Bain served in several roles at News Corporation, a diversified media company, including as Executive Vice President of Products & Technology and as President of its advertising arm, Fox Audience Network, Inc. Mr. Bain holds a B.A. in English Journalism from Miami University.

*Christopher Fry.* Mr. Fry has served as our Senior Vice President of Engineering since March 2013. From April 2012 to March 2013, Mr. Fry served as our Vice President of Engineering. From June 2005 to April 2012, Mr. Fry served in several roles at salesforce.com, inc., an enterprise software company, including as Senior Vice President, Development. Mr. Fry holds a B.A. in Cognitive Science from Vassar College and a Ph.D. in Cognitive Science from the University of California, San Diego.

*Vijaya Gadde.* Ms. Gadde has served as our General Counsel and Secretary since August 2013 and served as our Director, Legal from July 2011 to August 2013. From October 2010 to July 2011, Ms. Gadde served as Senior Director and Associate General Counsel, Corporate, at Juniper Networks, Inc., a provider of network infrastructure products and services. From October 2000 to April 2010, Ms. Gadde was an attorney at Wilson Sonsini Goodrich & Rosati, P.C. Ms. Gadde holds a B.S. in Industrial and Labor Relations from Cornell University and a J.D. from New York University School of Law.

### ***Non-Employee Directors***

*Jack Dorsey.* Mr. Dorsey is one of our founders and has served as the Chairman of our board of directors since October 2008 and as a member of our board of directors since May 2007. Mr. Dorsey served as our President and Chief Executive Officer from May 2007 to October 2008. Since February 2009, Mr. Dorsey has served as Co-Founder and Chief Executive Officer of Square, Inc., a provider of payment processing services.

Mr. Dorsey was selected to serve on our board of directors because of the perspective and experience he brings as one of our founders and as one of our largest stockholders, as well as his extensive experience with technology companies.

*Peter Chernin.* Mr. Chernin has served as a member of our board of directors since November 2012. Since June 2009, Mr. Chernin has served as Founder and Chairman of Chernin Entertainment, LLC, a film and television production company, and The Chernin Group LLC, which is involved in strategic opportunities in media, technology and entertainment. Since October 2010, Mr. Chernin has served as Co-Founder and Chairman of CA Media, LP, which builds and manages media, technology and entertainment businesses throughout the Asia Pacific region. From October 1996 to June 2009, Mr. Chernin served in several roles at News Corporation, most recently as President and Chief Operating Officer, and served as Chairman and Chief Executive Officer of The Fox Group, a subsidiary of News Corporation. Mr. Chernin currently serves on the boards of directors of American Express Company, a diversified financial services company, and Pandora Media, Inc., an online music streaming company. Mr. Chernin previously served on the boards of directors of various companies in the media industry and the technology industry, including News Corporation, DirecTV, Inc., E\*Trade Financial Corporation and Gemstar-TV Guide International, Inc. Mr. Chernin holds a B.A. in English Literature from the University of California, Berkeley.

Mr. Chernin was selected to serve on our board of directors because of his operating and management experience at global media companies, his expertise in online and mobile markets and other new technologies and his service on the boards of directors of numerous other companies.

*Peter Currie.* Mr. Currie has served as a member of our board of directors since November 2010. Since April 2004, Mr. Currie has served as President of Currie Capital LLC, a private investment

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firm. Mr. Currie previously served as Executive Vice President and Chief Administrative Officer of Netscape Communications Corporation, a software company, and as Executive Vice President and Chief Financial Officer of McCaw Cellular Communications, Inc., a wireless communications company. Mr. Currie currently serves on the boards of directors of Schlumberger Limited, a petroleum industry services company, and a number of privately held companies. Mr. Currie previously served on the boards of directors of Clearwire Corporation, CNET Networks, Inc., Safeco Corporation and Sun Microsystems, Inc. Mr. Currie currently serves as President of the board of trustees of Phillips Academy. Mr. Currie holds a B.A. in Economics and French Literature from Williams College and an M.B.A. from Stanford University.

Mr. Currie was selected to serve on our board of directors because of his strong financial and operational expertise as a result of his service on the boards of directors of numerous other companies and experience serving in senior operating roles in high-growth, technology-driven companies.

*Peter Fenton.* Mr. Fenton has served as a member of our board of directors since February 2009. Since September 2006, Mr. Fenton has served as a General Partner of Benchmark Capital, a venture capital firm. From October 1999 to May 2006, Mr. Fenton served as a Managing Partner at Accel Partners, a venture capital firm. Mr. Fenton currently serves on the boards of directors of Yelp, Inc., a local directory and user review service, and a number of privately held companies. Mr. Fenton holds a B.A. in Philosophy and an M.B.A. from Stanford University.

Mr. Fenton was selected to serve on our board of directors because of his extensive experience in the venture capital industry and his knowledge of technology companies.

*David Rosenblatt.* Mr. Rosenblatt has served as a member of our board of directors since December 2010. Since November 2011, Mr. Rosenblatt has served as Chief Executive Officer of 1stdibs.com, Inc., an online luxury marketplace. From October 2008 to May 2009, Mr. Rosenblatt served as President of Global Display Advertising at Google. Mr. Rosenblatt joined Google in March 2008 in connection with Google's acquisition of DoubleClick, Inc., a provider of digital marketing technology and services. Mr. Rosenblatt joined DoubleClick in 1997 as part of its initial management team and served in several executive positions during his tenure, including as Chief Executive Officer from July 2005 to March 2008 and President from 2000 to July 2005. Mr. Rosenblatt currently serves on the boards of directors of IAC/InterActiveCorp, a media and Internet company, and a number of privately held companies. Mr. Rosenblatt holds a B.A. in East Asian Studies from Yale University and an M.B.A. from Stanford University.

Mr. Rosenblatt was selected to serve on our board of directors because of his operating and management experience with a range of Internet and technology companies, particularly his experience with companies that focused on monetizing large online audiences.

*Evan Williams.* Mr. Williams is one of our founders and has served as a member of our board of directors since May 2007. From October 2008 to October 2010, Mr. Williams served as our President and Chief Executive Officer, from July 2009 to March 2010, as our Chief Financial Officer and from February 2008 to October 2008, as our Chief Product Officer. Since April 2011, Mr. Williams has served as Chief Executive Officer of Medium, an online publishing platform, and since October 2006, as Chief Executive Officer of The Obvious Corporation, a technology systems innovator.

Mr. Williams was selected to serve on our board of directors because of the perspective and experience he brings as one of our founders and as one of our largest stockholders, as well as his extensive experience with technology companies.

Each executive officer serves at the discretion of our board of directors and holds office until his successor is duly elected and qualified or until his earlier resignation or removal. There are no family relationships among any of our directors or executive officers.

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### **Code of Business Conduct and Ethics**

Our board of directors has adopted a code of business conduct and ethics that applies to all of our employees, officers and directors, including our Chief Executive Officer, Chief Financial Officer and other executive and senior financial officers. The full text of our code of business conduct and ethics will be posted on the investor relations page on our website. We intend to disclose any amendments to our code of business conduct and ethics, or waivers of its requirements, on our website or in filings under the Exchange Act.

### **Board of Directors**

Our business and affairs are managed under the direction of our board of directors. Our board of directors consists of, and our current certificate of incorporation authorizes, seven directors, four of whom qualify as independent under the listing standards of the New York Stock Exchange. Pursuant to our current certificate of incorporation and amended and restated voting agreement, our current directors were elected as follows:

Mr. Costolo was elected as the designee reserved for the person serving as our Chief Executive Officer;

Mr. Dorsey was elected as the designee nominated by the person serving as our Chief Executive Officer and approved by a majority of the other members of our board of directors;

Messrs. Currie and Rosenblatt were elected as the designees nominated by our nominating and corporate governance committee;

Messrs. Chernin and Fenton were elected as the designees nominated by our nominating and corporate governance committee and approved by holders of a majority of shares of our capital stock owned by certain parties to our amended and restated voting agreement; and

Mr. Williams was elected as the designee nominated by holders of a majority of shares of our Series A convertible preferred stock owned by certain parties to our amended and restated voting agreement.

Our amended and restated voting agreement will terminate and the provisions of our current certificate of incorporation by which our directors were elected will be amended and restated in connection with this offering. After this offering, the number of directors will be fixed by our board of directors, subject to the terms of our amended and restated certificate of incorporation and amended and restated bylaws that will become effective immediately prior to the completion of this offering. Each of our current directors will continue to serve as a director until the election and qualification of his successor, or until his earlier death, resignation or removal.

### ***Classified Board of Directors***

We intend to adopt an amended and restated certificate of incorporation that will become effective immediately prior to the completion of this offering. Our amended and restated certificate of incorporation will provide that, immediately after the completion of this offering, our board of directors will be divided into three classes with staggered three-year terms. Only one class of directors will be elected at each annual meeting of stockholders, with the other classes continuing for the remainder of their respective three-year terms. Our current directors will be divided among the three classes as follows:

the Class I directors will be Messrs. Costolo and Fenton, and their terms will expire at the annual meeting of stockholders to be held in 2014;

the Class II directors will be Messrs. Rosenblatt and Williams, and their terms will expire at the annual meeting of stockholders to be held in 2015; and



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the Class III directors will be Messrs. Chernin, Currie and Dorsey, and their terms will expire at the annual meeting of stockholders to be held in 2016.

Each director's term will continue until the election and qualification of his successor, or his earlier death, resignation or removal. Any increase or decrease in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of our directors.

This classification of our board of directors may have the effect of delaying or preventing changes in control of our company.

### **Director Independence**

Our board of directors has undertaken a review of the independence of each director. Based on information provided by each director concerning his background, employment and affiliations, our board of directors has determined that Messrs. Chernin, Currie, Fenton and Rosenblatt do not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is independent as that term is defined under the listing standards of the New York Stock Exchange. In making these determinations, our board of directors considered the current and prior relationships that each non-employee director has with our company and all other facts and circumstances our board of directors deemed relevant in determining their independence, including the beneficial ownership of our capital stock by each non-employee director, and the transactions involving them described in the section titled "Certain Relationships and Related Party Transactions."

### **Lead Independent Director**

Our board of directors has adopted corporate governance guidelines that provide that one of our independent directors should serve as our Lead Independent Director at any time when our Chief Executive Officer serves as the Chairman of our board of directors or if the Chairman is not otherwise independent. Because Mr. Dorsey is our Chairman, our board of directors has appointed Mr. Currie to serve as our Lead Independent Director. As Lead Independent Director, Mr. Currie will preside over periodic meetings of our independent directors, serve as a liaison between our Chairman and our independent directors and perform such additional duties as our board of directors may otherwise determine and delegate.

### **Committees of the Board of Directors**

Our board of directors has established an audit committee, a compensation committee and a nominating and corporate governance committee. The composition and responsibilities of each of the committees of our board of directors is described below. Members will serve on these committees until their resignation or until as otherwise determined by our board of directors.

#### ***Audit Committee***

Our audit committee consists of Messrs. Currie, Fenton and Rosenblatt, with Mr. Currie serving as Chairman, each of whom meets the requirements for independence under the listing standards of the New York Stock Exchange and SEC rules and regulations. Each member of our audit committee also meets the financial literacy and sophistication requirements of the listing standards of the New York Stock Exchange. In addition, our board of directors has determined that Mr. Currie is an audit committee financial expert within the meaning of Item 407(d) of Regulation S-K under the Securities Act of 1933, as amended, or the Securities Act. Our audit committee, among other things:

selects a qualified firm to serve as the independent registered public accounting firm to audit our financial statements;

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helps to ensure the independence and performance of the independent registered public accounting firm;

discusses the scope and results of the audit with the independent registered public accounting firm, and reviews, with management and the independent registered public accounting firm, our interim and year-end operating results;

develops procedures for employees to submit concerns anonymously about questionable accounting or audit matters;

reviews our policies on risk assessment and risk management;

reviews related party transactions; and

approves or, as required, pre-approves, all audit and all permissible non-audit services, other than de minimis non-audit services, to be performed by the independent registered public accounting firm.

Our audit committee operates under a written charter that satisfies the applicable rules and regulations of the SEC and the listing standards of the New York Stock Exchange.

### ***Compensation Committee***

Our compensation committee consists of Messrs. Chernin, Fenton and Rosenblatt, with Mr. Fenton serving as Chairman, each of whom meets the requirements for independence under the listing standards of the New York Stock Exchange and SEC rules and regulations. Each member of our compensation committee is also a non-employee director, as defined pursuant to Rule 16b-3 promulgated under the Exchange Act, or Rule 16b-3, and an outside director, as defined pursuant to Section 162(m) of the Code, or Section 162(m). Our compensation committee, among other things:

reviews, approves and determines, or makes recommendations to our board of directors regarding, the compensation of our executive officers;

administers our equity compensation plans;

reviews and approves and makes recommendations to our board of directors regarding incentive compensation and equity compensation plans; and

establishes and reviews general policies relating to compensation and benefits of our employees.

Our compensation committee operates under a written charter that satisfies the applicable rules and regulations of the SEC and the listing standards of the New York Stock Exchange.

### ***Nominating and Corporate Governance Committee***

Our nominating and corporate governance committee consists of Messrs. Chernin, Currie and Rosenblatt, with Mr. Currie serving as Chairman, each of whom meets the requirements for independence under the listing standards of the New York Stock Exchange and SEC rules and regulations. Our nominating and corporate governance committee, among other things:

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identifies, evaluates and selects, or makes recommendations to our board of directors regarding, nominees for election to our board of directors and its committees;

evaluates the performance of our board of directors and of individual directors;

considers and makes recommendations to our board of directors regarding the composition of our board of directors and its committees;

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reviews developments in corporate governance practices;

evaluates the adequacy of our corporate governance practices and reporting; and

develops and makes recommendations to our board of directors regarding corporate governance guidelines and matters.

Our nominating and corporate governance committee operates under a written charter that satisfies the applicable listing standards of the New York Stock Exchange.

**Compensation Committee Interlocks and Insider Participation**

None of the members of our compensation committee is or has been an officer or employee of our company. None of our executive officers currently serves, or in the past year has served, as a member of the board of directors or compensation committee (or other board committee performing equivalent functions) of any entity that has one or more of its executive officers serving on our board of directors or compensation committee. From December 2010 through January 2011, we sold an aggregate of 1,192,544 shares of our Series F convertible preferred stock to Benchmark Capital Partners VI, L.P. at a purchase price of approximately \$7.63 per share, for an aggregate purchase price of \$9,104,119. Mr. Fenton is a General Partner of Benchmark Capital. The sale of our Series F convertible preferred stock to Benchmark Capital Partners VI, L.P. was made in connection with our Series F convertible preferred stock financing and on substantially the same terms and conditions as all other sales of our Series F convertible preferred stock by us.

**Non-Employee Director Compensation**

Our non-employee directors do not currently receive, and did not receive in 2012, any cash compensation for their service on our board of directors and committees of our board of directors. As of December 31, 2012, Messrs. Currie and Rosenblatt were the only non-employee directors who held options to purchase shares of our common stock that would have been subject to accelerated vesting if their services had been terminated in connection with a change in control.

The following table provides information regarding the total compensation that was granted to each of our directors who was not serving as an executive officer in 2012.

Name	Stock Awards <sup>(1)</sup>	Total
Jack Dorsey <sup>(2)</sup>		
Peter Chernin <sup>(3)</sup>	\$ 3,680,000	\$ 3,680,000
Peter Currie <sup>(4)</sup>		
Peter Fenton		
David Rosenblatt <sup>(5)</sup>		
Evan Williams		

(1) The amounts reported represent the aggregate grant-date fair value of the RSUs awarded to the director in 2012, calculated in accordance with ASC Topic 718. Such grant-date fair value does not take into account any estimated forfeitures related to service-vesting conditions. The assumptions used in calculating the grant-date fair value of the RSUs reported in this column are set forth in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates - Stock-Based Compensation."

(2) As of December 31, 2012, Mr. Dorsey had one option to purchase a total of 2,000,000 shares of our common stock. 25% of the shares of our common stock subject to this option vested on May 9, 2012, and the balance vests in 36 successive equal monthly installments, subject to continued service through each such date. 791,666 of the shares of our common stock subject to this option were vested as of December 31, 2012.

(3) As of December 31, 2012, Mr. Chernin had 200,000 RSUs. The RSUs vest upon the satisfaction of a service condition and a performance condition. The service condition will be satisfied as to 25% of the shares underlying the RSUs upon completion of one year of service measured from the vesting commencement date, subject to continued service through such date.

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Thereafter, but prior to satisfaction of the performance condition, an additional 1/48th of the total number of shares underlying the RSUs vests in monthly installments, subject to continued service through each such vesting date. After satisfaction of the performance condition, an additional 3/48th of the total number of shares underlying the RSUs will vest in quarterly installments, subject to continued service through each such vesting date. The performance condition will be satisfied on the earlier of (i) the date that is the earlier of (x) six months after the effective date of this offering or (y) March 8th of the calendar year following the effective date of this offering (which we may elect to accelerate to February 15th); and (ii) a change in control. The service condition was satisfied as to none of the shares of our common stock underlying the RSUs as of December 31, 2012. In July 2013, Mr. Chernin transferred all of his rights, title and interest with respect to the RSUs to The Chernin Group, LLC.

- (4) As of December 31, 2012, Mr. Currie had one option to purchase a total of 400,000 shares of our common stock. 25% of the shares of our common stock subject to this option vested on November 18, 2011, and the balance vests in 36 successive equal monthly installments, subject to continued service through each such date. 208,333 of the shares of our common stock subject to this option were vested as of December 31, 2012.
- (5) As of December 31, 2012, Mr. Rosenblatt had one option to purchase a total of 400,000 shares of our common stock. 25% of the shares of our common stock subject to this option vested on December 21, 2011, and the balance vests in 36 successive equal monthly installments, subject to continued service through each such date. 200,000 of the shares of our common stock subject to this option were vested as of December 31, 2012.

Directors who are also our employees receive no additional compensation for their service as directors. During 2012, Mr. Costolo was an employee. See the section titled [Executive Compensation](#) for additional information about his compensation. In addition, Mr. Dorsey was our Executive Chairman in January 2012. Mr. Dorsey did not receive in 2012 any additional compensation for his service as Executive Chairman.

Although compensation has been paid to our non-employee directors prior to the completion of this offering, we do not currently have a policy or plan to make equity award grants or pay cash retainers to our non-employee directors at a particular time, of a particular value or of a particular amount. Following the completion of this offering, we intend to implement a formal policy pursuant to which our non-employee directors would be eligible to receive equity awards and cash retainers as compensation for service on our board of directors and committees of our board of directors. As described in its summary below, our 2013 Plan contains maximum limits, which will be approved by our stockholders prior to the 2013 Plan becoming effective, on the size of the equity awards that can be granted to each of our non-employee directors in any fiscal year, but those maximum limits do not reflect the intended size of any potential grants or a commitment to make any equity award grants to our non-employee directors in the future.

**Table of Contents****EXECUTIVE COMPENSATION****Summary Compensation Table**

The following table provides information regarding the total compensation for services rendered in all capacities that was earned by each individual who served as our principal executive officer at any time in 2012, and our two other most highly compensated executive officers who were serving as executive officers as of December 31, 2012. These individuals were our named executive officers for 2012.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$) <sup>(1)</sup>	Option Awards (\$) <sup>(1)</sup>	Non-Equity	Non-Qualified	All	Total (\$)
						Incentive Plan Compensation (\$) <sup>(2)</sup>	Deferred Compensation Earnings (\$)	Other Compensation (\$)	
Richard Costolo Chief Executive Officer	2012	200,000 <sup>(3)</sup>		8,401,957	2,903,783				11,505,740
Adam Bain President of Global Revenue	2012	200,000		4,705,102	1,613,325	200,000			6,718,427
Christopher Fry Senior Vice President of Engineering	2012	145,513	100,000	10,094,000					10,339,513

(1) The amounts reported represent the aggregate grant-date fair value of the stock options and RSUs awarded to the named executive officer in 2012, calculated in accordance with ASC Topic 718. Such grant-date fair value does not take into account any estimated forfeitures related to service-vesting conditions. The assumptions used in calculating the grant-date fair value of the RSUs reported in this column are set forth in the section titled Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates Stock-Based Compensation.

(2) The amounts reported represent the total performance-based commissions earned and payable under our sales commission arrangement established for Mr. Bain.

(3) Mr. Costolo's annual salary was reduced to \$14,000, effective August 2013.

**Executive Officer Employment Letters****Richard Costolo**

We entered into an executive employment letter dated October 1, 2013 with Richard Costolo, our Chief Executive Officer. The letter has no specific term and provides for at-will employment. The letter supersedes all existing agreements and understandings Mr. Costolo may have concerning his employment relationship with us. The letter also provides that Mr. Costolo's current annual base salary is \$14,000.

**Ali Rowghani**

We entered into an executive employment letter dated October 1, 2013 with Ali Rowghani, our Chief Operating Officer. The letter has no specific term and provides for at-will employment. The letter supersedes all existing agreements and understandings Mr. Rowghani may have concerning his employment relationship with us. The letter also provides that Mr. Rowghani's current annual base salary is \$250,000.

**Mike Gupta**

We entered into an executive employment letter dated October 1, 2013 with Mike Gupta, our Chief Financial Officer. The letter has no specific term and provides for at-will employment. The letter supersedes all existing agreements and understandings Mr. Gupta may have concerning his employment relationship with us. The letter also provides that Mr. Gupta's current annual base salary is \$250,000.

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### ***Adam Bain***

We entered into an executive employment letter dated October 1, 2013 with Adam Bain, our President of Global Revenue. The letter has no specific term and provides for at-will employment. The letter supersedes all existing agreements and understandings Mr. Bain may have concerning his employment relationship with us. The letter also provides that Mr. Bain's current annual base salary is \$250,000 and his annual commission opportunity is \$250,000 based on achieving target levels of the performance objectives set forth in his commission plan.

### ***Christopher Fry***

We entered into an executive employment letter dated October 1, 2013 with Christopher Fry, our Senior Vice President of Engineering. The letter has no specific term and provides for at-will employment. The letter supersedes all existing agreements and understandings Mr. Fry may have concerning his employment relationship with us. The letter also provides that Mr. Fry's current annual base salary is \$250,000.

### ***Vijaya Gadde***

We entered into an executive employment letter dated October 1, 2013 with Vijaya Gadde, our General Counsel and Secretary. The letter has no specific term and provides for at-will employment. The letter supersedes all existing agreements and understandings Ms. Gadde may have concerning her employment relationship with us. The letter also provides that Ms. Gadde's current annual base salary is \$250,000.

## **Non-Equity Incentive Plan Awards**

Adam Bain, our President of Global Revenue, was eligible to participate in a sales commission arrangement providing for the opportunity to receive incentive compensation based on the achievement of specified revenue targets throughout the year. For 2012, his target incentive compensation was equal to \$200,000. The amounts earned under his incentive compensation opportunity were calculated by multiplying the applicable commission rate by the quarterly revenue actually achieved. The total amount of commissions paid to Mr. Bain under his 2012 sales commission arrangement is set forth under the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.

For 2013, Mr. Bain's target incentive compensation is equal to \$250,000. We entered into a commission plan dated January 1, 2013 with Mr. Bain that describes the terms and conditions that apply to his 2013 commission opportunity. Under the commission plan, Mr. Bain is eligible to earn quarterly commissions in 2013 based on achievement against his net revenue quotas. Net revenue is measured based on payments we receive from advertisers for invoiced and served advertisements as described in the plan. Subject to certain exceptions, Mr. Bain must be employed on the date the commissions are paid to receive payment.

## **Pension Benefits and Nonqualified Deferred Compensation**

We do not provide a pension plan for our employees, and none of our named executive officers participated in a nonqualified deferred compensation plan in 2012.

**Table of Contents****Outstanding Equity Awards at 2012 Year-End**

The following table sets forth information regarding outstanding stock options and stock awards held by our named executive officers as of December 31, 2012:

Name	Grant Date <sup>(2)</sup>	Option Awards			Stock Awards <sup>(1)</sup>		
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$) <sup>(3)</sup>	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(4)</sup>
Richard Costolo	9/4/2009 <sup>(5)</sup>	2,863,494	1,222,572	0.43	9/3/2019		
	11/23/2010 <sup>(6)</sup>	2,140,772	1,969,512	1.83	11/22/2020		
	4/12/2012 <sup>(7)</sup>		388,440	14.42	4/11/2022		
	4/12/2012 <sup>(8)</sup>					582,660	15,149,160
Adam Bain	9/24/2010 <sup>(9)</sup>	1,488,631	1,157,825	0.85	9/23/2020		
	11/23/2010 <sup>(6)</sup>	208,332	191,668	1.83	11/22/2020		
	4/12/2012						