

## **Non-GAAP Financial Measures**

This supplemental financial information contains financial measures that have not been prepared in accordance with generally accepted accounting principles in the United States (GAAP). We use the following non-GAAP financial measures: non-GAAP gross profit; non-GAAP gross margin; non-GAAP operating expenses; non-GAAP operating income; non-GAAP net income; non-GAAP diluted shares; non-GAAP net income per share; and adjusted EBITDA. The presentation of these financial measures is not intended to be considered in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with GAAP.

We use non-GAAP measures to internally evaluate and analyze financial results. We believe these non-GAAP financial measures provide investors with useful supplemental information about the financial performance of our business, enable comparison of financial results between periods where certain items may vary independent of business performance, and enable comparison of our financial results with other public companies, many of which present similar non-GAAP financial measures.

There are limitations associated with the use of non-GAAP financial measures as an analytical tool. In particular, many of the adjustments to our GAAP financial measures reflect the exclusion of items, specifically stock-based compensation expense, amortization of intangible assets, and the related income tax effects of the aforementioned exclusions, that are recurring and will be reflected in our financial results for the foreseeable future. In addition, these measures may be different from non-GAAP financial measures used by other companies, limiting their usefulness for comparison purposes.

The following are explanations of the adjustments that are reflected in one or more of our non-GAAP financial measures:

- In March 2014, we recalled the Fitbit Force after some of our users experienced allergic reactions to adhesives in the wristband. This recall primarily impacted our results for the fourth quarter of 2013 and the first quarter of 2014.
- Stock-based compensation expense relates to equity awards granted primarily to our employees. We exclude stock-based compensation expense because we believe that the non-GAAP financial measures excluding this item provide meaningful supplemental information regarding operational performance. In particular, companies calculate stock-based compensation expense using a variety of valuation methodologies and subjective assumptions.
- Revaluation of redeemable convertible preferred stock warrant liability is a non-cash charge that will not recur in the periods following our initial public offering.
- Amortization of intangible assets relates to our acquisition of FitStar. We exclude these amortization expenses because we do not believe these expenses have a direct correlation to the operation of our business.
- The change in contingent consideration relates to our acquisition of FitStar. This is a non-recurring benefit that has no direct correlation to our business performance.
- Income tax effect of non-GAAP adjustments relates to the tax effect of the adjustments that we incorporate into non-GAAP financial measures in order to provide a more meaningful measure of non-GAAP net income.

Fitbit, Inc.

Condensed Consolidated Balance Sheets - Fiscal Quarters

(in thousands)

	As of											
	Mar 31 2013	Jun 30 2013	Sep 30 2013	Dec 31 2013	Mar 31 2014	Jun 30 2014	Sep 30 2014	Dec 31 2014	Mar 31 2015	Jun 30 2015	Sep 30 2015	
<b>Assets</b>												
Current assets:												
Cash and cash equivalents	\$ 15,119	\$ 36,535	\$ 57,231	\$ 81,728	\$ 98,703	\$ 103,990	\$ 63,957	\$ 195,626	\$ 237,849	\$ 461,276	\$ 462,280	
Marketable securities	-	-	-	-	-	-	-	-	-	-	113,198	
Restricted cash	-	-	-	2,310	-	-	-	-	-	-	-	
Accounts receivable, net	14,982	28,146	45,527	80,624	49,683	51,126	77,933	238,859	161,736	252,023	244,921	
Inventories	15,202	16,938	23,952	56,441	53,051	54,235	60,641	115,072	137,509	186,870	276,083	
Deferred tax assets	-	-	-	-	-	-	26,125	33,555	35,454	49,625	56,846	
Prepaid expenses and other current assets	492	1,016	3,554	3,185	5,763	6,492	7,165	13,614	22,012	18,163	21,199	
Total current assets	45,795	82,635	130,264	224,288	207,200	215,843	235,821	596,726	594,560	967,957	1,174,527	
Property and equipment, net	2,527	4,809	5,619	6,486	7,162	15,278	24,376	26,435	28,022	30,945	35,728	
Goodwill	-	-	-	-	-	-	-	-	22,562	22,157	22,157	
Intangible assets, net	-	-	-	-	-	-	-	-	13,812	13,263	12,749	
Other assets	-	-	-	-	483	442	2,154	9,890	10,393	12,308	17,296	
Total assets	\$ 48,322	\$ 87,444	\$ 135,833	\$ 230,774	\$ 214,845	\$ 231,563	\$ 262,351	\$ 633,051	\$ 669,349	\$ 1,046,630	\$ 1,262,457	
<b>Liabilities, Convertible Preferred Stock, and Stockholders' Equity (Deficit)</b>												
Current liabilities:												
Fitbit Force Recall reserve	\$ -	\$ -	\$ -	\$ 82,938	\$ 84,239	\$ 57,074	\$ 31,029	\$ 22,476	\$ 15,104	\$ 12,894	\$ 11,659	
Accounts payable	14,040	15,881	22,058	70,896	29,798	47,597	57,401	195,666	136,425	193,594	320,195	
Accrued liabilities	6,158	10,021	14,316	28,565	21,773	20,173	27,752	70,940	73,860	79,618	98,258	
Deferred revenue	1,337	2,031	2,693	5,606	5,756	7,520	8,204	9,009	17,024	21,346	27,077	
Income taxes payable	1,606	4,274	10,366	17,841	9,541	16,375	10,264	30,631	17,723	795	2,472	
Long-term debt, current portion	778	1,713	2,849	3,985	38,523	37,789	7,548	132,589	159,611	-	-	
Total current liabilities	23,919	33,920	52,282	209,831	189,630	186,528	142,198	461,311	419,747	308,247	459,661	
Long-term debt, less current portion	10,448	9,475	8,124	6,725	-	-	-	-	-	-	-	
Redeemable convertible preferred stock warrant liability	834	1,329	2,553	4,028	5,381	9,222	9,346	15,797	26,132	-	-	
Other liabilities	585	1,221	3,579	7,420	7,870	8,421	10,418	12,867	13,750	15,031	18,624	
Total liabilities	35,786	45,945	66,538	228,004	202,881	204,171	161,962	489,975	459,629	323,278	478,285	
Redeemable convertible preferred stock	23,425	49,248	66,236	66,236	66,236	66,236	67,814	67,814	67,814	-	-	
Total stockholders' equity (deficit)	(10,889)	(7,749)	3,109	(63,466)	(54,272)	(38,844)	32,575	75,262	141,906	723,352	784,172	
Total liabilities, convertible preferred stock, and stockholders' equity (deficit)	\$ 48,322	\$ 87,444	\$ 135,833	\$ 230,774	\$ 214,845	\$ 231,563	\$ 262,351	\$ 633,051	\$ 669,349	\$ 1,046,630	\$ 1,262,457	

**Fitbit, Inc.**  
**Condensed Consolidated Statements of Operations - Fiscal Quarters**  
(in thousands)

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015
Revenue (GAAP)	\$ 33,121	\$ 47,169	\$ 83,667	\$ 107,130	\$ 108,815	\$ 113,572	\$ 152,862	\$ 370,184	\$ 336,754	\$ 400,412	\$ 409,262
Plus:											
Impact of Fitbit Force recall	-	-	-	30,607	11,561	-	-	(3,449)	-	-	-
Revenue (Non-GAAP)	\$ 33,121	\$ 47,169	\$ 83,667	\$ 137,737	\$ 120,376	\$ 113,572	\$ 152,862	\$ 366,735	\$ 336,754	\$ 400,412	\$ 409,262
Cost of revenue	18,132	25,947	42,412	124,345	64,046	55,183	69,257	199,290	167,545	212,870	213,249
Gross profit (GAAP)	14,989	21,222	41,255	(17,215)	44,769	58,389	83,605	170,894	169,209	187,542	196,013
Gross margin (GAAP)	45.3%	45.0%	49.3%	(16.1)%	41.1%	51.4%	54.7%	46.2%	50.2%	46.8%	47.9%
Plus:											
Stock-based compensation expense	2	4	8	23	59	129	346	356	446	825	1,351
Impact of Fitbit Force recall	-	-	-	81,812	22,163	-	(1,485)	(1,227)	(2,040)	-	-
Intangible assets amortization	-	-	-	-	-	-	-	-	-	467	432
Gross profit (Non-GAAP)	14,991	21,226	41,263	64,620	66,991	58,518	82,466	170,023	167,615	188,834	197,796
Gross margin (Non-GAAP)	45.3%	45.0%	49.3%	46.9%	55.7%	51.5%	53.9%	46.4%	49.8%	47.2%	48.3%
Operating expenses:											
Research and development	5,346	6,507	7,766	8,254	9,088	11,809	14,945	18,325	22,426	30,492	42,890
Sales and marketing	4,217	5,433	6,159	11,038	11,273	13,311	17,539	69,882	43,867	69,690	65,115
General and administrative	1,338	2,154	2,853	8,140	8,617	7,443	7,849	9,647	12,981	14,648	20,698
Change in contingent consideration	-	-	-	-	-	-	-	-	-	(7,704)	-
Total operating expenses (GAAP)	10,901	14,094	16,778	27,432	28,978	32,563	40,333	97,854	79,274	107,126	128,703
Less:											
Stock-based compensation expense	(63)	(112)	(157)	(252)	(255)	(532)	(2,124)	(3,003)	(4,457)	(6,922)	(11,683)
Impact of Fitbit Force recall	-	-	-	(2,838)	(2,876)	(1,483)	(2)	972	142	(69)	(20)
Intangible assets amortization	-	-	-	-	-	-	-	-	-	(82)	(82)
Change in contingent consideration	-	-	-	-	-	-	-	-	-	7,704	-
Total operating expenses (Non-GAAP)	10,838	13,982	16,621	24,342	25,847	30,548	38,207	95,823	74,959	107,757	116,918
Operating income (GAAP)	4,088	7,128	24,477	(44,647)	15,791	25,826	43,272	73,040	89,935	80,416	67,310
Plus:											
Stock-based compensation expense	65	116	165	275	314	661	2,470	3,359	4,903	7,747	13,034
Impact of Fitbit Force recall	-	-	-	84,650	25,039	1,483	(1,483)	(2,199)	(2,182)	69	20
Intangible assets amortization	-	-	-	-	-	-	-	-	-	549	514
Change in contingent consideration	-	-	-	-	-	-	-	-	-	(7,704)	-
Operating income (Non-GAAP)	4,153	7,244	24,642	40,278	41,144	27,970	44,259	74,200	92,656	81,077	80,878
Interest and other expense, net	(405)	(923)	(1,495)	(1,908)	(1,628)	(4,139)	(3,496)	(8,893)	(13,544)	(45,687)	(960)
Income before income taxes	3,683	6,205	22,982	(46,555)	14,163	21,687	39,776	64,147	76,391	34,729	66,350
Income tax expense	1,974	3,325	12,297	20,341	5,291	6,934	(29,136)	24,907	28,394	17,048	20,516
Net income (GAAP)	\$ 1,709	\$ 2,880	\$ 10,685	\$ (66,896)	\$ 8,872	\$ 14,753	\$ 68,912	\$ 39,240	\$ 47,997	\$ 17,681	\$ 45,834
Plus:											
Stock-based compensation expense	65	116	165	275	314	661	2,470	3,359	4,903	7,747	13,034
Impact of Fitbit Force recall	-	-	-	84,650	25,039	1,483	(1,483)	(2,199)	(2,182)	69	20
Revaluation of redeemable convertible preferred stock warrant liability	345	496	1,224	1,305	1,353	3,842	1,626	6,451	10,335	46,320	-
Intangible assets amortization	-	-	-	-	-	-	-	-	-	549	514
Change in contingent consideration	-	-	-	-	-	-	-	-	-	(7,704)	-
Income tax effect of non-GAAP adjustments	(164)	(245)	(556)	(34,492)	(10,682)	(2,394)	(44,437)	(3,044)	(4,857)	(13,349)	(183)
Net income (Non-GAAP)	\$ 1,955	\$ 3,247	\$ 11,518	\$ (15,158)	\$ 24,896	\$ 18,345	\$ 27,088	\$ 43,807	\$ 56,196	\$ 51,313	\$ 59,219

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015
Less: undistributed earnings to participating securities and noncumulative dividends to preferred stockholders					(7,183)	(11,750)	(53,763)	(30,701)	(37,374)	(12,456)	-
Net income attributable to common stockholders - basic					1,689	3,003	15,149	8,539	10,623	5,225	45,834
Add: adjustments for undistributed earnings to participating securities					570	1,058	5,387	3,326	4,992	1,862	-
Net income attributable to common stockholders - diluted					\$ 2,259	\$ 4,061	\$ 20,536	\$ 11,865	\$ 15,615	\$ 7,087	\$ 45,834
Net income per share attributable to common stockholders:											
Basic					\$ 0.04	\$ 0.07	\$ 0.38	\$ 0.21	\$ 0.26	\$ 0.09	\$ 0.22
Diluted (GAAP)					\$ 0.04	\$ 0.07	\$ 0.34	\$ 0.19	\$ 0.22	\$ 0.07	\$ 0.19
Shares used to compute net income per share attributable to common stockholders:											
Basic					40,155	40,193	40,376	40,676	41,201	58,548	206,657
Diluted (GAAP)					59,478	60,487	61,003	63,742	70,289	95,190	243,660
Plus:											
Diluted effect of redeemable convertible preferred common stock conversion					139,504	139,504	139,708	139,851	139,851	126,020	-
Initial public offering shares					-	-	-	-	-	20,173	-
Other dilutive equity awards					1,701	1,886	1,802	1,756	1,839	1,766	-
Diluted shares (Non-GAAP)					200,683	201,877	202,513	205,349	211,979	243,149	243,660
Diluted net income per share (Non-GAAP)					\$ 0.12	\$ 0.09	\$ 0.13	\$ 0.21	\$ 0.27	\$ 0.21	\$ 0.24
<b>Adjusted EBITDA</b>											
Net income	\$ 1,709	\$ 2,880	\$ 10,685	\$ (66,896)	\$ 8,872	\$ 14,753	\$ 68,912	\$ 39,240	\$ 47,997	\$ 17,681	\$ 45,834
Impact of Fitbit Force recall	-	-	-	84,650	25,039	1,483	(1,483)	(2,199)	(2,182)	69	20
Stock-based compensation expense	65	116	165	275	314	661	2,470	3,359	4,903	7,747	13,034
Revaluation of redeemable convertible preferred stock warrant liability	345	496	1,224	1,305	1,353	3,842	1,626	6,451	10,335	46,320	-
Depreciation and amortization	451	680	700	1,180	750	963	1,251	3,167	3,469	4,705	5,367
Change in contingent consideration	-	-	-	-	-	-	-	-	-	(7,704)	-
Interest expense, net	196	268	274	344	409	452	680	681	467	379	216
Income tax expense	1,974	3,325	12,297	20,341	5,291	6,934	(29,136)	24,907	28,394	17,048	20,516
Adjusted EBITDA	\$ 4,740	\$ 7,765	\$ 25,345	\$ 41,199	\$ 42,028	\$ 29,088	\$ 44,320	\$ 75,606	\$ 93,383	\$ 86,245	\$ 84,987
<b>Devices Sold</b>	521	745	1,291	1,919	1,575	1,720	2,332	5,277	3,866	4,458	4,773

**Fitbit, Inc.**
**Condensed Consolidated Statements of Cash Flows - Fiscal Quarters**

(in thousands)	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015
<b>Cash Flows from Operating activities:</b>											
Net income (loss)	\$ 1,709	\$ 2,880	\$ 10,685	\$ (66,896)	\$ 8,872	\$ 14,753	\$ 68,912	\$ 39,240	\$ 47,997	\$ 17,681	\$ 45,834
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities											
Provision for (recovery of) doubtful accounts	-	-	-	651	(63)	12	66	849	73	(101)	(5)
Provision for inventory obsolescence	201	272	422	204	757	473	(707)	2,441	1,761	2,776	-
Provision for inventory obsolescence related to Fitbit Force recall	-	-	-	10,251	-	-	-	-	-	-	-
Depreciation and amortization	451	680	700	1,181	750	963	1,250	3,168	3,363	4,156	4,853
Write-off of property and equipment	-	-	-	1,712	-	-	-	1,004	-	-	-
Amortization of intangible assets	-	-	-	-	-	-	-	-	106	549	514
Revaluation of redeemable convertible preferred stock warrants liability	346	495	1,224	1,305	1,353	3,841	1,627	6,451	10,335	46,320	-
Amortization of issuance costs and discount on debt	17	22	21	22	160	56	398	181	161	161	162
Stock-based compensation	64	116	165	275	314	661	2,470	3,359	4,903	7,747	13,034
Change in contingent consideration	-	-	-	-	-	-	-	-	-	(7,704)	-
Deferred income taxes	-	-	-	-	-	-	(26,693)	(15,308)	(3,875)	(16,236)	(12,177)
Excess tax benefit from stock-based compensation	-	-	-	(38)	-	-	-	(13)	-	-	-
Accretion (amortization) of discount (premium) on marketable securities, net	-	-	-	-	-	-	-	-	-	-	(560)
Changes in operating assets and liabilities											
Accounts receivable	10,663	(13,164)	(17,381)	(35,748)	31,004	(1,456)	(26,872)	(161,464)	77,371	(90,205)	7,334
Inventories	(5,239)	(2,008)	(7,436)	(32,693)	2,633	(1,657)	(5,699)	(56,872)	(24,198)	(52,136)	(88,819)
Prepaid expenses and other assets	468	(524)	(2,538)	369	(2,457)	(729)	(235)	(6,258)	(8,220)	5,725	(2,169)
Fitbit Force recall reserve	-	-	-	72,687	1,300	(27,164)	(26,045)	(8,553)	(7,371)	(2,210)	(1,236)
Accounts payable	(4,493)	904	7,104	47,366	(39,616)	12,510	10,642	140,225	(59,478)	53,918	125,328
Accrued liabilities and other liabilities	(2,369)	4,499	6,653	18,260	(6,340)	(1,052)	9,576	45,549	(4,826)	13,656	21,827
Deferred revenue	(3,410)	694	662	2,913	150	1,764	684	805	7,467	4,322	5,731
Income taxes payable	1,522	2,668	6,092	7,513	(8,300)	6,834	(6,111)	20,381	(12,909)	(16,927)	1,677
Net cash provided by (used in) operating activities	(70)	(2,466)	6,373	29,334	(9,483)	9,809	3,263	15,185	32,660	(28,508)	121,328
<b>Cash Flows from Investing activities:</b>											
Change in restricted cash	-	-	-	(2,310)	2,310	-	-	-	-	-	-
Purchase of property and equipment	(775)	(2,024)	(2,437)	(2,288)	(2,909)	(3,789)	(11,187)	(8,610)	(5,009)	(6,736)	(6,003)
Purchase of marketable securities	-	-	-	-	-	-	-	-	-	-	(124,713)
Sales of marketable securities	-	-	-	-	-	-	-	-	-	-	12,070
Acquisitions, net of cash acquired	-	-	-	-	-	-	-	-	(11,037)	-	-
Net cash used in investing activities	(775)	(2,024)	(2,437)	(4,598)	(599)	(3,789)	(11,187)	(8,610)	(16,046)	(6,736)	(118,646)
<b>Cash Flows from Financing activities:</b>											
Net proceeds from initial public offering	-	-	-	-	-	-	-	-	-	420,885	-
Proceeds from issuance of debt and revolving credit facility, net debt discount	2,830	-	-	-	30,000	-	8,000	125,000	160,000	-	-
Repayment of debt	(59)	(60)	(237)	(240)	(2,347)	(749)	(38,250)	-	(134,503)	(160,000)	-
Payment of issuance costs	-	-	-	(45)	(604)	-	(1,971)	-	-	-	-
Payments of offering costs	-	-	-	-	-	-	-	-	(1)	(2,522)	(2,249)
Proceeds from the issuance of redeemable convertible preferred stock, net of issuance costs	-	25,823	16,988	-	-	-	-	-	-	-	-
Proceeds from exercise of stock options	45	143	9	8	3	9	20	65	70	372	498
Excess tax benefit from stock-based compensation	-	-	-	38	-	-	-	13	-	-	-
Proceeds from exercise of redeemable convertible preferred stock warrants	-	-	-	-	-	-	75	-	-	-	-
Net cash provided by (used in) financing activities	2,816	25,906	16,760	(239)	27,052	(740)	(32,126)	125,078	25,566	258,735	(1,751)
Net increase (decrease) in cash and cash equivalents	1,971	21,416	20,696	24,497	16,970	5,280	(40,050)	131,653	42,180	223,491	931
Effect of exchange rate changes on cash	-	-	-	-	5	7	17	16	43	(64)	73
Cash and cash equivalents at beginning of period	13,148	15,119	36,535	57,231	81,728	98,703	103,990	63,957	195,626	237,849	461,276
Cash and cash equivalents at end of period	\$ 15,119	\$ 36,535	\$ 57,231	\$ 81,728	\$ 98,703	\$ 103,990	\$ 63,957	\$ 195,626	\$ 237,849	\$ 461,276	\$ 462,280