

**Excerpt from LinkedIn Corporation
SEC Form S-1 Registration Statement**

<http://www.sec.gov/Archives/edgar/data/1271024/000119312511016022/ds1.htm>



Member Base

- 1** New member every second
- 100%** Fortune 500 companies represented
- 200+** Countries and territories
- 2,000,000+** Groups on LinkedIn
- 90,000,000+** Members worldwide

LinkedIn member base in millions

Year	Member Base (Millions)
'03	0.1
'04	1.5
'05	4.1
'06	7.9
'07	16.7
'08	32.3
'09	55.1
'10	90+

Data and statistics as of December 31, 2010

Hiring Solutions
Over 2/3 of the Fortune 100 use LinkedIn to hire top talent

Marketing Solutions
Reaching one of the most influential and affluent audiences on the web

Premium Subscriptions
Enhanced search and communication capabilities

My product has been recommended by the web's top influencers
Online Marketing Manager

I found twelve great candidates today
VP of Talent Acquisition

Prepping for my next client meeting
VP of Sales

Premium Subscription Prices:

(from <http://www.linkedin.com/subscriptionv2>)

Business	Business Plus	Executive
Annual:\$19.95/month	Annual:\$39.95/month	Annual:\$74.95/month
Monthly:\$24.95/month	Monthly:\$49.95/month	Monthly:\$99.95/month

Our Solutions

Our solutions are designed to make professionals more productive and successful and to connect talent with opportunity at massive scale. To date our focus has been to develop products that enable our members to create, manage and share their professional identities online, build and engage with their professional networks, access shared knowledge and business insights, and find business opportunities.

Our principal free and monetized solutions are described below:

Free Solutions			
Ability to Manage Professional Identity	Enhanced Ability to Build and Engage with Professional Networks	Access to Knowledge, Insights and Opportunities	Ubiquitous Access
Profile	LinkedIn Connections	Network Updates	Mobile
Public Profile	Invitations	Groups	APIs
Profile Stats	Search	Company Profiles	Widgets
	Introductions	Career Explorer*	
	People You May Know	Polls	
	Addressbook Importer	Events	
		InApps	
		Answers	
		Personalization Platform	
Monetized Solutions			
Hiring Solutions	Marketing Solutions	Premium Subscriptions	
LCS/Recruiter	LinkedIn Ads	Business	
LinkedIn Jobs	Display Ads	Business Plus	
LinkedIn Referral Engine*	Custom Groups	Executive	
LinkedIn Recruitment Media	Sponsorships	InMail	
LinkedIn Career Pages	Whitepapers	Profile Organizer	
Talent Basic, Talent Finder, Talent Pro	Recommendation Ads		
Job Seeker Basic, Job Seeker, Job Seeker Plus			
* <i>beta product</i>			

Free Solutions

Most of our member solutions are available at no cost and are designed to provide compelling professional benefits.

Ability to Manage Professional Identity

- **Profile.** Our core offering provides every member an online professional profile. A member's profile is accessible to all members on our network and includes user-generated information including current job title and employer, education, career history, domain expertise, accomplishments, skills and additional professional information such as honors, awards, association memberships, patents, publications, certifications and languages spoken. Members populate their own profile information, enabling them to ensure their professional identity is accurate, current and under their control.
- **Public Profile.** Whereas a profile is only accessible by members, a public profile is available to anyone with an Internet connection. Members choose what information is available to the broader public and retrievable by search engines such as Google, Bing and Yahoo!. Given the richness and reliability of the professional information provided by our members on their public profiles, these profiles often show up at or near the top of search engine results.
- **Profile Stats.** Profile Stats provide real-time analytics to help members better manage their professional profile including information on who's viewed their profile, top search keywords used to reach their profile, and other details and trends on the demographics of the audience that has viewed their profile. Additional features of this product are available for members with premium subscriptions.

Enhanced Ability to Build and Engage with Professional Networks

- **LinkedIn Connections.** Once two members are connected, their profile information is shared and, subject to privacy settings, each member has access to the other member's list of connections for further networking. Connections across the network are classified to three degrees: first degree connections are members who agree to connect, second degree connections are members who share one or more mutual

connections, and third degree connections are related via two connections. Members can retrieve the contact information of their first degree connections and browse their second and third degree connections in order to find additional opportunities to network and connect.

- **Invitations.** Members can expand their networks by sending invitations. Any non-member accepting an invitation simultaneously becomes a LinkedIn member, connected to the sender, after completing the registration process. During the year ended December 31, 2010, our members sent over one billion invitations.
- **Search.** Our proprietary search technology allows users to conduct real-time, multilingual searches of our rich dataset in a completely personalized manner, as a member's profile and network affect relevance and ranking of results. Our search covers:
 - **People.** Faceted, structured search across more than 90 million member profiles.
 - **Job Postings.** Faceted, structured search across all of the available jobs listed on our network.
 - **Companies.** Faceted, structured search of over one million enterprises and professional organizations.
 - **Groups.** Search all professional groups on our network. As of December 31, 2010, we had over two million groups.
 - **Network Updates.** Search our network's shared content updates.
 - **Answers.** Search all professional questions and answers posted on our network.
 - **Inbox Messages.** Search inbox messages.
 - **Addressbook.** Detailed, structured search across all of the connections a member has on LinkedIn.

We also provide other products to help our members develop their professional networks including: Introductions, which allows one member to request an introduction to another member through a mutual connection; People You May Know, which recommends members whom you may already know and with whom you may want to create a first degree connection; and Addressbook Importer, which allows members to quickly and easily import contact information from their existing digital address books to LinkedIn.

Access to Knowledge, Insights and Opportunities

- **Network Updates.** Network Updates provide a real-time stream of data from professionals and professional sources, personalized for each member. The streams allow each member to control and select data by relevancy and remain up-to-date on what is happening in their professional world.
- **Groups.** Groups provide a forum for our members to discuss topics of interest and meet and interact with other professionals who share those interests and have opinions and domain expertise in specific areas. Group members are able to discuss, share, comment and make their group memberships part of their profiles.
- **Company Profiles.** Company Profiles provide members with a holistic view of a company. By aggregating data across the members employed at a particular company, we can show which members have recently joined a company, recently changed their title at a company or recently left a company. Members can also see who they know at a particular company. Companies can add information to their profiles including information about products and services they provide and information about careers at the company and can insert feeds to be displayed on the company profile. Members can follow companies and automatically receive recent updates and recommend products and services.
- **Career Explorer (beta).** Career Explorer is a beta product that is available within the United States. Using data on the career progressions of our existing member base on an anonymized, aggregated basis, this product enables students to dynamically explore different career trajectories, identify people in their network who can help them find out more information about a career path, companies that are hiring along a career path and identify current job postings along that career path.

We also provide other products to help our members access knowledge, insights and opportunities including: Polls, which provides a simple platform for professionals to create structured questions and share them broadly; Events, which allows members to share with their connections the events they are sponsoring or attending; InApps, which allows third parties to build and deploy new features as part of our members' online experience; Answers, which allows members to ask questions and receive answers on any professional topic; and Personalization Platform, which has a number of analytically driven customized products, such as Jobs You May Be Interested In, Groups You May Like, Companies To Follow, People Who Viewed This Profile Also Viewed and People Who Viewed This Job Also Viewed.

Ubiquitous Access

Because professionals constantly require access to critical information, our platform is accessible online anytime and anywhere, including on mobile devices.

- **LinkedIn Mobile.** LinkedIn mobile applications are provided across a range of platforms and languages, including the Android, Blackberry, iPad, iPhone and Palm mobile devices.
- **Robust set of APIs.** We believe that every modern business application is more useful and productive if it is personalized according to a professional's profile and his or her network of connections. In 2009, we launched a public website that allows any developer to agree to a standard set of guidelines and terms and then integrate our content and services into their applications leveraging standards-based technology. These applications can be hosted on third-party websites or deployed on our platform.
- **Widgets.** We provide a set of simple, embeddable widgets for standard features to allow any web developer to include rich content from our network into their website or application without complex programming. We currently provide the following widgets:
 - **Profile Widget.** Displays the public profile of a given member.
 - **Company Insider.** Displays information about whom the member knows at a particular company.
 - **Sharing.** Displays a simple button to help members easily share content with their network.
 - **Recommendation.** Displays a simple button to help members easily recommend a product or service offered by a company to their network.

Monetized Solutions

In addition to our free solutions, we also charge for certain solutions that provide members, enterprises and professional organizations with enhanced functionality and additional benefits.

Hiring Solutions

Our hiring solutions include LinkedIn Corporate Solutions, LinkedIn Jobs and Subscriptions. Our solutions aim to be the most effective way for enterprises and professional organizations to efficiently identify and acquire the right talent for their needs.

LinkedIn Corporate Solutions. LinkedIn Corporate Solutions include the following five products:

- **LinkedIn Recruiter.** Our flagship hiring solution enables enterprises and professional organizations to find, contact and hire highly qualified active and passive candidates. We believe that a substantial majority of our members are passive in that they are not actively looking to change jobs. Recruiter provides premium functionality including:
 - **Advanced Searches.** Ability to search and view every profile on our network, giving most recruiters access to tens of millions more profiles than they would have available with our free offering. Advanced searches can be conducted using keywords found anywhere in a member's profile, such as schools attended and languages spoken, or by data derived from profiles, such as years of experience.
 - **Project Management.** As enterprises and professional organizations find relevant profiles, they are able to organize them into project folders, add notes, and add reminders for follow-up.
 - **InMail.** Enterprises and professional organizations can send messages directly to candidates to tell them more about their organization or the specific opportunity, subject to the member's discretion.
 - **Collaboration.** Recruiters in the same enterprise or professional organization can see which profiles their colleagues have viewed, saved, or annotated.
- **Job Slots.** A Job Slot entitles an enterprise or professional organization to post a job. The job that is posted can be changed, updated or modified at any time over the life of the contract.
- **LinkedIn Referral Engine (beta).** Referral Engine enables enterprises and professional organizations to leverage the networks of their employees to find qualified candidates for open positions. For each job posting, Referral Engine automatically looks across the connections of the organization's employees to find candidates qualified for that position. Referral Engine then presents matches to the organization's employees, enabling them to make referrals they think are appropriate in just a few clicks.
- **LinkedIn Recruitment Media.** Enterprises and professional organizations can target career-related messaging to qualified candidates. We provide promotional material in the form of advertisements, videos, or emails to specific audiences defined by enterprises and professional organizations based on professional profile data.
- **LinkedIn Career Pages.** Enterprises and professional organizations are able to customize the career section of Company Profiles and content on Career Pages to allow potential candidates to learn more about what it is like to work at the enterprise or professional organization, whom to contact if they are interested in a

position and what relevant opportunities are available.

LinkedIn Jobs. Enterprises and professional organizations of all sizes are able to advertise job opportunities on our network. Jobs includes:

- **Self-service Posting.** During 2010, we averaged over 25,000 weekly job postings.
- **TalentMatch.** Candidate recommendations are presented to a job poster. Once a job is posted, TalentMatch evaluates the characteristics of the job and automatically finds the most relevant member profiles. TalentMatch customers can view these recommendations and directly message relevant candidates.
- **Jobs You May Be Interested In (JYMBII).** We use profile data to display relevant job postings to members even if they are not conducting a job search. Job recommendations are displayed on a member's homepage and can also be displayed on other websites.
- **Work With Us.** Enterprises and professional organizations can elect to display the JYMBII module as an add-on to each of their employee's profiles, allowing them to leverage their employee base to attract relevant candidates.

Subscriptions

- **Talent Basic, Talent Finder and Talent Pro.** The Talent family of products enables recruiters and hiring managers to find, contact and manage potential candidates, leveraging Premium Search Filters, InMail, Profile Organizer and other premium features.
- **Job Seeker Basic, Job Seeker and Job Seeker Plus.** The Job Seeker family of products enables members to stand out to recruiters and hiring managers via the Job Seeker badge, which is visible on their profile and in search results, Featured Applicant status in the applicant list for jobs they apply to, and InMail.

Marketing Solutions

The goal of our marketing solutions is to enable marketers and advertisers to reach and engage with the most relevant audience and connect them to relevant products and services.

LinkedIn Ads. Our self-service platform enables advertisers to build and target their advertisement to our members based on information in their profile. LinkedIn Ads includes the following features:

- **Targeting.** Ads are targeted to specific members based on their profile information. Targetable attributes include the member's title, function, employer, industry and geography.
- **Daily Campaign Budgets.** A maximum daily budget can be set for advertisements.
- **Campaign Management.** Advertisers can set up and manage multiple campaigns as well as multiple ad units per campaign.
- **Reporting.** Advertisers can continuously monitor clicks, impressions, click-through rates, average cost-per-click and total budget spent by ad.

LinkedIn Ads for Enterprise. These marketing solutions target larger advertisers which receive dedicated account management and have access to additional marketing solutions:

- **Display Ads.** Advertisers can use the same targeting engine used for LinkedIn Ads to serve ads in a variety of sizes and formats, including rich media.
- **Custom Groups.** Advertisers can set-up a Group around a topic, company or product and customize content in key modules of the group. Polls, videos, feeds, and news can be included in these custom modules.
- **Sponsorships.** Marketers can sponsor specific areas of our website, including Answers, Polls, Events and a variety of applications built by third parties on our platform.
- **Whitepapers.** Marketers can target whitepapers using the same targeting engine used for LinkedIn Ads. The download pages for whitepapers have pre-filled fields with members' profile data, reducing friction and maximizing leads for a marketer.
- **Recommendation Ads.** These ad units include the number of members and the profile pictures of members who have recommended a company's product or service. Members can share or recommend the product or service directly from the ad unit.

Premium Subscriptions

Our premium subscription services target small- and medium-sized enterprises and professional organizations, individual members and business groups in larger enterprises. Our Business, Business Plus and Executive subscription packages are designed for general professionals to manage their professional identity, grow their business and connect with talent. These subscriptions bundles are sold at different price points. Key features found in the subscription bundles include:

- **Profile Organizer.** A productivity suite allowing members to save and categorize profiles and add notes.
- **InMail.** A message that can be sent directly to a member to whom the sender is not connected.

- **Premium Search Filters.** Advanced filters for narrowing a search based on derived data.
 - **Saved Searches.** Members can save a search and be notified when profiles that fit their criteria are found.
 - **3rd Degree Name Visibility.** Expands network visibility of the searcher by exposing full names for 3rd degree members.
 - **Profile Stats Pro.** Members see more information about who is viewing their profile, the keywords used by others members to arrive at their profile, and the number of times they have shown up in search results.
- We also offer subscriptions to InMail and Profile Organizer on a standalone basis.

How We Generate Revenue

We generate revenue from selling our hiring solutions and marketing solutions offline through our field sales organization or online on our website. We also generate revenue from online sales of our premium subscriptions. Since 2008, net revenue from our hiring solutions has increased as a percentage of our total net revenue:

	Year Ended December 31,			Nine Months Ended September 30,	
	2007	2008	2009	2009	2010
	(dollars in thousands)				
Net revenue by product:					
Hiring solutions	\$ 7,467	\$17,352	\$ 36,136	\$23,753	\$ 65,926
Marketing solutions	7,780	25,972	38,278	23,820	51,370
Premium subscriptions	17,239	35,449	45,713	33,221	44,107
Total	<u>\$32,486</u>	<u>\$78,773</u>	<u>\$120,127</u>	<u>\$80,794</u>	<u>\$161,403</u>
Percentage of net revenue by product:					
Hiring solutions	23%	22%	30%	29%	41%
Marketing solutions	24	33	32	30	32
Premium subscriptions	53	45	38	41	27
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

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	Year Ended December 31,			Nine Months Ended September 30,	
	2007	2008	2009	2009	2010
	(Unaudited)				
Net revenue by geographic location:					
United States	\$ 25,512	\$ 61,211	\$ 88,483	\$ 60,128	\$ 118,564
All other countries ⁽¹⁾	6,974	17,562	31,644	20,666	42,839
Total	<u>\$ 32,486</u>	<u>\$ 78,773</u>	<u>\$ 120,127</u>	<u>\$ 80,794</u>	<u>\$ 161,403</u>

- (1) During the year ended December 31, 2009, 10% of total revenue was derived from customers in the United Kingdom. No other country exceeded 10% of total revenue during any of the other periods presented.

Hiring Solutions. Revenue from our hiring solutions is derived primarily from the sale of our LinkedIn Corporate Solutions and LinkedIn Jobs products. LinkedIn Corporate Solutions allow enterprises and professional organizations to identify job candidates based on industry, job function, geography, experience, education, and other specifications. Our customers can also purchase job slots to utilize job postings on our website throughout the contract term. We recognize the net revenue from sales of LinkedIn Corporate Solutions ratably over the subscription period, which is typically 12 months and billed annually, quarterly or monthly. We also sell LinkedIn Jobs on our website to enterprises and professional organizations of all sizes. These jobs are generally posted for 30 days, and revenue from individual job postings is recognized over the same period.

Growth in our hiring solutions will largely depend on our ability to grow our customer pipeline while maintaining strong renewal and upsell rates with current customers, which will depend on increased productivity from our expanded field sales organization. In addition, our growth depends in part on minimizing cancellations and reductions in the number of licensed seats.

Marketing Solutions. Revenue from our marketing solutions is derived primarily from fees we receive from marketers, principally advertising agencies and direct advertisers, for display and text ads on our website. We also provide a self-service advertising solution that allows marketers to directly create and place ads on prominent pages on our website. Revenue from display or text ads is generally recognized when the advertising “impression” is displayed on our website.

Growth in our marketing solutions will largely depend on our ability to provide marketers with targeted access to professionals, which will depend on our ability to increase our number of registered members, level of member engagement and advertising inventory. In addition, the success of our marketing solutions will depend on our ability to increase awareness of our solutions among marketers, which will depend on increased productivity from our expanded field sales organization, and overall continued growth in online advertising budgets.

Premium Subscriptions. Revenue from our premium subscriptions is derived primarily from online sales of our Business, Business Plus and Executive subscription products. These products provide our members, acting as individuals or on behalf of their enterprises or professional organizations, with access to more tools and features than our free membership, including enhanced search results, enhanced communication capability, improved organizational functionality and priority customer support. Premium subscriptions do not include other subscription revenue from sales of the Talent and Job Seeker families of products, which are part of our hiring solutions. We offer our members monthly or annual subscriptions. Revenue from our premium subscriptions is recognized ratably over the contract period, which is generally one to 12 months.

Growth in our premium subscriptions will largely depend on our ability to increase our number of registered members and level of member engagement as well as our ability to continue to offer features and content that our members, enterprises and professional organizations find compelling as sources of professional knowledge, insights and opportunities, while minimizing the number of cancellations and downgrades.

A substantial portion of our net revenue is subscription-based and exhibits characteristics that are similar to a software-as-a-service, or SaaS, business model. Specifically, LinkedIn Recruiter requires a significant upfront investment of resources to procure new business, but the resulting revenue is recognized over the contract period.

Key Metrics

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

- ***Number of Registered Members.*** We define the number of registered members in our network as the number of individual users who have created a member profile on our website as of the date of measurement. We believe the number of registered members is a key indicator of the growth of our network and our ability to receive the benefits of the network effects resulting from such growth. Growth in our member base depends, in part, on our ability to successfully develop and market our solutions to professionals who have not yet become members of our network. Member growth will also be contingent on our ability to include additional languages on our website and continued international expansion of our member base. We typically experience slower member growth in the third quarter of the year as a result of decreased Internet usage by professionals during the summer months. We believe that a higher number of registered members will result in increased sales of our hiring and marketing solutions and premium subscriptions, as customers will have access to a larger pool of professional talent.
- ***Unique Visitors.*** We define unique visitors as users who have visited our website at least once during a month regardless of whether they are a member, based on data provided by comScore, a leading provider of digital marketing intelligence. We view unique visitors as a key indicator of growth in our brand awareness among users and whether we are providing our members with useful tools and applications, thereby increasing member engagement. We believe that a higher level of member engagement will result in increased sales of our hiring and marketing solutions and premium subscriptions, as customers will have access to a larger pool of professional talent. Growth in unique visitors will be driven by our international expansion, growth in the number of registered members and improvements to features and products that drive member traffic to our website.
- ***Page Views.*** We define page views as the number of pages on our website that users view during the measurement period based on data provided by comScore. Similar to unique visitors, we believe page views is a key indicator for gaining insight into whether we are increasing member engagement and whether our members are deriving value from our solutions. We expect growth in page views will be driven, in part, by improvements in features and products that drive member traffic to our website, growth

in the number of registered members and international expansion. However, page views may not capture all of the value that our members and other users derive from our solutions because part of the benefit of certain products and features is that the member or user does not need to visit our website to receive value from our platform. For example, members can respond to emails they receive from other members without accessing their LinkedIn account or our website.

- **Number of LinkedIn Corporate Solutions Customers.** We define the number of LinkedIn Corporate Solutions customers as the number of enterprises and professional organizations that we have under active contracts for this product as of the date of measurement. Our LinkedIn Corporate Solutions include LinkedIn Recruiter, Job Slots, LinkedIn Referral Engine (beta), LinkedIn Recruitment Media and LinkedIn Career Pages. We believe the number of LinkedIn Corporate Solutions customers is a key indicator of our market penetration in the online recruiting market, the productivity of our field sales organization and the value that our products bring to both large and small enterprises and professional organizations. The number of customers subscribing to our LinkedIn Corporate Solutions product is particularly important to monitor given that we expect revenue from LinkedIn Corporate Solutions to continue to represent a significant portion of our total net revenue, and we are significantly investing in our ability to successfully sell this unique product in a new and rapidly evolving market.
- (1) The number of registered members is higher than the number of actual members due to various factors. For more information, see “Risk Factors—*The number of our registered members is higher than the number of actual members, and a substantial majority of our page views are generated by a minority of our members.*”
 - (2) Worldwide data provided by comScore, a leading provider of digital marketing intelligence. Beginning in August 2009, comScore changed the method by which it counts traffic, which makes prior data not meaningful for period over period comparison purposes.
- **Sales Channel Mix.** Depending on the specific product, we sell our hiring and marketing solutions offline through our field sales organization or online on our website. The vast majority of our premium subscriptions are sold online on our website. Our field sales organization uses a direct sales force to solicit customers, agencies and resellers. This offline channel is characterized by a longer sales cycle where price can be negotiated, higher relative average selling prices, longer contract terms, higher selling expenses and a longer cash collection cycle compared to our online channel.

Our online sales channel allows members to purchase solutions directly on our website. Members can purchase premium subscriptions as well as certain lower priced products in our hiring and marketing solutions, such as job postings and self-service advertising. This channel is characterized by lower average selling prices and higher cancellations compared to our offline channel, lower selling costs due to our automated payments platform and a highly liquid collection cycle.

Since 2007, net revenue from our field sales channel has grown significantly faster than our online channel, and this trend is expected to continue. The following table presents our net revenue by field sales and online sales:

	Year Ended December 31,						Nine Months Ended			
	2007		2008		2009		September 30,		2010	
	(dollars in thousands)									
Field sales	\$11,913	37%	\$37,329	47%	\$ 64,031	53%	\$41,717	52%	\$ 87,438	54%
Online sales	20,573	63	41,444	53	56,096	47	39,077	48	73,965	46
Net revenue	<u>\$32,486</u>	<u>100%</u>	<u>\$78,773</u>	<u>100%</u>	<u>\$120,127</u>	<u>100%</u>	<u>\$80,794</u>	<u>100%</u>	<u>\$161,403</u>	<u>100%</u>

Cost of Revenue and Expenses

Cost of Revenue. Our cost of revenue primarily consists of web hosting costs related to operating our website and salaries, benefits and stock-based compensation for our customer support, infrastructure and advertising operations teams. Credit card processing fees, direct costs related to our research products, certain uncollected valued added taxes, or VAT, and sales taxes, allocated facilities costs, costs related to solutions offered to our customers in our production environment, and other supporting overhead costs are also included in cost of revenue. We currently expect cost of revenue to increase on an absolute basis and remain relatively flat as a percentage of revenue in the near term as we continue to expand data centers and headcount associated with supporting our website.

Sales and Marketing. Our sales and marketing expenses primarily consist of salaries, benefits, stock-based compensation, travel expense and incentive compensation for our sales and marketing employees. In addition, sales and marketing expenses include customer acquisition marketing, branding, advertising and public relations costs, as well as allocated facilities and other supporting overhead costs. We plan to continue to invest heavily in sales and marketing to expand our global footprint, grow our current customer accounts and continue building brand awareness. In the near term, we expect sales and marketing expenses to increase on an absolute basis and as a percentage of revenue and to be our largest expense on an absolute basis and as a percentage of revenue.

Product Development. Our product development expenses primarily consist of salaries, benefits and stock-based compensation for our engineers and developers. In addition, product development expenses include outside services and consulting, as well as allocated facilities and other supporting overhead costs. We believe that continued investment in features, software development tools and code modification is important to attaining our strategic objectives, and, as a result, we expect product development expense to increase on an absolute basis and increase as a percentage of revenue in the near term.

General and Administrative. Our general and administrative expenses primarily consist of 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 outside consulting, legal and accounting services, and facilities and other supporting overhead costs not allocated to other departments. We expect that our general and administrative expenses will increase on an absolute basis and increase as a percentage of revenue in the near term as we continue to expand our business and incur additional expenses associated with being a publicly traded company.

Depreciation and Amortization. Depreciation and amortization expenses primarily consist of depreciation on computer equipment, software, leasehold improvements, capitalized software development costs and amortization of purchased intangibles. We expect that depreciation and amortization expenses will increase on an absolute basis as we continue to expand our technology infrastructure but decline as a percentage of revenue over time.

Other Income (Expense), Net. Other income (expense), net consists primarily of the interest income earned on our cash and cash equivalents, foreign exchange gains and losses, and changes in the fair value of a warrant.

Provision 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.

Results of Operations

The following tables set forth our results of operations for the periods presented as a percentage of net revenue for those periods (certain items may not foot due to rounding). The period-to-period comparison of financial results is not necessarily indicative of future results.

	Year Ended December 31,			Nine Months Ended September 30,	
	2007	2008	2009	2009	2010
	(as a percentage of revenue)				
Consolidated Statements of Operations Data:					
Net revenue	100%	100%	100%	100%	100%
Costs and expenses:					
Cost of revenue (exclusive of depreciation and amortization shown separately below)	23	24	22	22	19
Sales and marketing	16	22	22	22	24
Product development	36	37	33	34	27
General and administrative	21	16	16	16	15
Depreciation and amortization	6	8	10	10	8
Total costs and expenses	<u>102</u>	<u>107</u>	<u>103</u>	<u>104</u>	<u>92</u>
(Loss) income from operations	(1)	(7)	(3)	(4)	8
Other income (expense), net	2	2	0	0	0
Income (loss) before income taxes	1	(5)	(3)	(4)	8
Provision for income taxes	0	0	1	0	1
Net income (loss)	<u>1%</u>	<u>(6)%</u>	<u>(3)%</u>	<u>(4)%</u>	<u>6%</u>

Nine Months Ended September 30, 2009 and 2010

Net Revenue

Nine Months Ended

	September 30,		%
	2009	2010	
	(dollars in thousands)		
Net revenue by product:			
Hiring Solutions	\$23,753	\$ 65,926	178%
Marketing Solutions	23,820	51,370	116
Premium Subscriptions	33,221	44,107	33
Total	<u>\$80,794</u>	<u>\$161,403</u>	100%
Percentage of net revenue by product:			
Hiring Solutions	29%	41%	
Marketing Solutions	30	32	
Premium Subscriptions	41	27	
Total	<u>100%</u>	<u>100%</u>	

In the nine months ended September 30, 2010, net revenue increased \$80.6 million, or 100%, over the nine months ended September 30, 2009. Net revenue from our hiring solutions increased \$42.2 million, or 178%, as a result of an overall increase in hiring demand and further market penetration of our LinkedIn Corporate Solutions product. Net revenue from our marketing solutions increased \$27.6 million, or 116%, as a result of an increase in customers' overall online advertising budgets and improved productivity from our field sales organization. Net revenue from our premium subscriptions increased \$10.9 million, or 33%, during the same period as a result of an increase in new subscriptions and a reduction in cancellations from current customers.

Cost of Revenue

	Nine Months Ended September 30,		%
	2009	2010	
	(dollars in thousands)		
Cost of revenue	\$18,021	\$29,982	66%
Percentage of net revenue	22%	19%	
Headcount (at period end):	78	129	65%

In the nine months ended September 30, 2010, cost of revenue increased \$12.0 million, or 66%, over the nine months ended September 30, 2009. The increase was primarily attributable to increases in headcount related expenses of \$3.0 million, in part as a result of growth in our international operations, consulting and outside services expenses of \$2.0 million, certain uncollected sales and VAT taxes of \$2.0 million, web hosting service expenses of \$1.9 million and data center equipment maintenance expenses of \$1.5 million.

Sales and Marketing

	Nine Months Ended September 30,		%
	2009	2010	
	(dollars in thousands)		
Sales and marketing	\$17,577	\$38,340	118%
Percentage of net revenue	22%	24%	
Headcount (at period end):	94	262	179%

In the nine months ended September 30, 2010, sales and marketing expenses increased \$20.8 million, or 118%, over the nine months ended September 30, 2009. The increase was primarily attributable to an increase in headcount related expenses of \$12.7 million as we expanded our field sales organization. We also experienced increases in travel expenses of \$1.4 million, consulting and outside services expenses of \$1.3 million, and marketing and public relations expenses of \$1.2 million.

Product Development

	Nine Months Ended September 30,		%
	2009	2010	
	(dollars in thousands)		
Product development	\$27,307	\$44,151	62%
Percentage of net revenue	34%	27%	

Headcount (at period end):	194	343	77%
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In the nine months ended September 30, 2010, product development expenses increased \$16.8 million, or 62%, over the nine months ended September 30, 2009. The increase was primarily attributable to an increase in headcount related expenses of \$10.5 million as a result of our focus on developing new features and products to encourage member growth and engagement. We also experienced increases in expenses for third-party consultants of \$1.5 million and web hosting service expenses of \$0.7 million.

General and Administrative

	Nine Months Ended September 30,		% Change
	2009	2010	
	(dollars in thousands)		
General and administrative	\$12,831	\$23,431	83%
Percentage of net revenue	16%	15%	
Headcount (at period end):	54	128	137%

In the nine months ended September 30, 2010, general and administrative expenses increased \$10.6 million, or 83%, over the nine months ended September 30, 2009. The increase was primarily a result of an increase in headcount-related expenses of \$10.0 million to support our overall growth. We also experienced an increase in facilities-related costs of \$4.8 million and expenses for consulting and outside services of \$2.2 million. These increases were partially offset by facility allocations of \$8.8 million.

Depreciation and Amortization

	Nine Months Ended September 30,		% Change
	2009	2010	
	(dollars in thousands)		
Depreciation and amortization	\$8,399	\$12,986	55%
Percentage of net revenue	10%	8%	

In the nine months ended September 30, 2010, depreciation and amortization expenses increased \$4.6 million, or 55%, over the nine months ended September 30, 2009. The increase was primarily the result of our prior investment in expanding our technology infrastructure to support continued growth in our member base.

Other Income, Net

	Nine Months Ended September 30,	
	2009	2010
	(in thousands)	
Interest income	\$333	\$ 56
Transaction gain (loss) on foreign exchange	105	(231)
Other non-operating loss, net	(79)	(94)
Total other income (expense), net	<u>\$359</u>	<u>\$(269)</u>

In the nine months ended September 30, 2010, other income (expense), net decreased \$0.6 million over the nine months ended September 30, 2009. The decrease in other income, net was largely driven by net transaction losses on foreign exchange, coupled with a decrease in interest income as a result of lower short-term interest rates.

Provision for Income Taxes

	Nine Months Ended September 30,	
	2009	2010
	(in thousands)	
Provision for income taxes	\$399	\$2,176

In the nine months ended September 30, 2010, provision for income taxes increased \$1.8 million over the nine months ended September 30, 2009. This increase was primarily attributable to our geographic mix of income and the significant increase in pre-tax income from a pre-tax loss of \$3.0 million for the nine months ended September 30, 2009 to pre-tax income of \$12.2 million for the nine months ended September 30, 2010. The effective tax rates as of September 30, 2009 and September 30, 2010 were (13)% and 18%, respectively. The increase in our effective tax rate is due to the significant increase in pre-tax income in 2010 compared to 2009.

Years Ended December 31, 2007, 2008 and 2009

Net Revenue

	Year Ended December 31,			2007 to 2008 % Change	2008 to 2009 % Change
	2007	2008	2009		
	(dollars in thousands)				
Net revenue by product:					
Hiring solutions	\$ 7,467	\$17,352	\$ 36,136	132%	108%
Marketing solutions	7,780	25,972	38,278	234	47
Premium subscriptions	17,239	35,449	45,713	106	29
Total	<u>\$32,486</u>	<u>\$78,773</u>	<u>\$120,127</u>	142%	52%
Percentage of net revenue by product:					
Hiring solutions	23%	22%	30%		
Marketing solutions	24	33	32		
Premium subscriptions	53	45	38		
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>		

During 2007, 2008 and 2009, we focused on revenue growth across all of our products. While our revenue was primarily driven by sales of our premium subscriptions, we expanded our solution offerings during this period and made significant investments in our field sales organization to promote our hiring and marketing solutions. As a result, during 2008 and 2009, revenue attributable to our premium subscriptions declined as a percentage of our total net revenue.

2008 Compared to 2009. Total net revenue increased \$41.4 million, or 52%, from 2008 to 2009. Net revenue from our hiring solutions and premium subscriptions increased primarily as a result of higher productivity from our expanded field sales organization as well as an increase in the number of subscribers of our premium subscriptions. To a lesser extent, net revenue from our hiring solutions increased as a result of the fact that we had a full year of sales of LinkedIn Corporate Solutions in 2009, as we had only recently introduced that solution during the last half of 2008. Finally, net revenue from our marketing solutions increased primarily as a result of an increase in the number of ad impressions displayed on our website and higher productivity from our expanded field sales organization.

2007 Compared to 2008. Total net revenue increased \$46.3 million, or 142%, from 2007 to 2008. Net revenue from our hiring solutions increased primarily as a result of an increase in sales of LinkedIn Jobs and LinkedIn Corporate Solutions. Net revenue from our premium subscriptions also increased during this period due to an increase in the number of subscribers. Finally, net revenue from our marketing solutions increased primarily as a result of an increase in the number of ad impressions displayed on our website and improved productivity from our field sales organization.

Cost of Revenue

	Year Ended December 31,			2007 to 2008 % Change	2008 to 2009 % Change
	2007	2008	2009		
	(dollars in thousands)				
Cost of revenue	\$7,384	\$18,589	\$25,857	152%	39%
Percentage of net revenue	23%	24%	22%		
Headcount (at period end):	44	73	86	66%	18%

2008 Compared to 2009. Cost of revenue increased \$7.3 million, or 39%, from 2008 to 2009. The increase was primarily attributable to an increase of \$3.1 million in web hosting service expenses, an increase of \$1.5 million in product related costs coupled with an increase in headcount related expenses of \$1.3 million as we hired more employees to support the growth of our business.

2007 Compared to 2008. Cost of revenue increased \$11.2 million, or 152%, from 2007 to 2008. The increase was primarily attributable to an increase in headcount related expenses of \$3.6 million as we hired more employees to support the growth of our business and, to a lesser extent, an increase of \$2.7 million in hosting and internet services, primarily for web hosting services related to operating our website, an increase of \$1.3 million in expenses for consulting and other outside services, and an increase of \$0.8 million in certain uncollected sales and VAT taxes.

Sales and Marketing

	Year Ended December 31,			2007 to 2008 % Change	2008 to 2009 % Change
	2007	2008	2009		
	(dollars in thousands)				
Sales and marketing	\$5,037	\$16,986	\$26,847	237%	58%
Percentage of net revenue	16%	22%	22%		

Headcount (at period end):	31	68	125	119%	84%
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2008 Compared to 2009. Sales and marketing expenses increased \$9.9 million, or 58%, from 2008 to 2009. The increase was primarily attributable to an increase in headcount related expenses of \$6.7 million as a result of continued expansion of our field sales organization to promote sales of our marketing solutions and drive the growth of our hiring solutions and, to a lesser extent, increases of \$0.6 million in travel expenses and \$0.4 million in expenses related to marketing and branding activities.

2007 Compared to 2008. Sales and marketing expenses increased \$11.9 million, or 237%, from 2007 to 2008. The increase was primarily attributable to an increase in headcount related expenses of \$7.6 million as a result of expanding our field sales organization to promote sales of our marketing solutions and drive the growth of our hiring solutions and, to a lesser extent, increases of \$1.4 million in expenses related to marketing and branding activities and \$0.8 million in travel expenses.

Product Development

	Year Ended December 31,			2007 to 2008 % Change	2008 to 2009 % Change
	2007	2008	2009		
	(dollars in thousands)				
Product development	\$11,578	\$29,366	\$39,444	154%	34%
Percentage of net revenue	36%	37%	33%		

Headcount (at period end):	99	155	207	57%	34%
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2008 Compared to 2009. Product development expenses increased \$10.1 million, or 34%, from 2008 to 2009. The increase was primarily attributable to an increase in headcount related expenses of \$7.4 million as a result of hiring software engineers to further develop new features and products.

2007 Compared to 2008. Product development expenses increased \$17.8 million, or 154%, from 2007 to 2008. The increase was primarily attributable to an increase in headcount related expenses of \$11.2 million as a result of hiring software engineers to further develop new features and products and, to a lesser extent, increases of \$2.1 million in expenses related to third-party consultants and outside services, and \$0.6 million in expenses related to hosted data services.

General and Administrative

	Year Ended December 31,			2007 to 2008 % Change	2008 to 2009 % Change
	2007	2008	2009		
	(dollars in thousands)				
General and administrative	\$6,812	\$12,976	\$19,480	90%	50%
Percentage of net revenue	21%	16%	16%		

Headcount (at period end):	23	42	62	83%	48%
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2008 Compared to 2009. General and administrative expenses increased \$6.5 million, or 50%, from 2008 to 2009. The increase was primarily attributable to an increase in headcount related expenses of \$3.6 million in order to support increased operations, an increase of \$2.2 million in expenses for consulting and outside services, an increase of \$1.7 million for audit, tax and legal fees, and an increase of \$1.5 million for facilities related costs. These increases were partially offset by facility allocations of \$3.2 million.

2007 Compared to 2008. General and administrative expenses increased \$6.2 million, or 90%, from 2007 to 2008. The increase was primarily attributable to an increase in headcount related expenses of \$5.6 million as a result of hiring additional employees to support our growth and, to a lesser extent, increases of \$2.4 million in facilities related expenses, \$1.1 million for audit, tax and legal fees, and \$0.9 million in expenses for consulting and outside services. These increases were partially offset by facility allocations of \$5.3 million.

Depreciation and Amortization

	<u>Year Ended December 31,</u>			<u>2007 to 2008 % Change</u>	<u>2008 to 2009 % Change</u>
	<u>2007</u>	<u>2008</u>	<u>2009</u>		
	(dollars in thousands)				
Depreciation and amortization	\$2,107	\$6,365	\$11,854	202%	86%
Percentage of net revenue	6%	8%	10%		

2008 Compared to 2009. Depreciation and amortization expenses increased \$5.5 million, or 86%, from 2008 to 2009, primarily as a result of additional capital expenditures to build out our technology infrastructure. Although purchases of property, equipment and software decreased from 2008 to 2009, depreciation and amortization expenses increased as there was a full year of depreciation related to our significant capital expenditures in 2008 and continued investments in 2009.

2007 Compared to 2008. Depreciation and amortization expenses increased \$4.3 million, or 202%, from 2007 to 2008, primarily as a result of additional capital expenditures to build out our technology infrastructure.

Other Income, Net

	<u>Year Ended December 31,</u>		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
	(in thousands)		
Interest income	\$827	\$1,219	\$ 350
Interest expense	(12)	—	—
Transaction gain on foreign exchange	—	33	51
Other non-operating (loss) income, net	(42)	25	(171)
Total other income, net	<u>\$773</u>	<u>\$1,277</u>	<u>\$ 230</u>

2008 Compared to 2009. Other income, net decreased \$1.0 million, or 82%, from 2008 to 2009, primarily as a result of a decrease in short-term interest rates coupled with a mark-to-market adjustment of a preferred stock warrant recorded within other non-operating (loss) income, net.

2007 Compared to 2008. Other income, net increased \$0.5 million, or 65%, from 2007 to 2008, primarily as a result of an increase in interest income from higher cash and cash equivalent balances, partially offset by a decrease in short-term interest rates.

Income Taxes

	<u>Year Ended December 31,</u>		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
	(in thousands)		
Provision for income taxes	\$13	\$290	\$848

2008 Compared to 2009. Income tax expense increased \$0.6 million from 2008 to 2009, primarily as a result of a decrease in pre-tax loss in 2009 compared to 2008. In 2009, we recorded income taxes that were principally attributable to Federal alternative minimum tax, California taxes, foreign taxes and other corporate taxes. The effective tax rates as of December 31, 2008 and December 31, 2009 were (7)% and (27)%, respectively. The negative effective tax rates are due to our pre-tax losses in both 2008 and 2009. The change in the rate is primarily attributable to the increase in non-deductible stock-based compensation amounts in 2009 compared to 2008.

2007 Compared to 2008. In 2007, we recorded income taxes that were principally attributable to California alternative minimum tax and other minimum corporate taxes. We offset our federal and state taxable income through the utilization of net operating loss carryforwards. In 2008, California net operating loss utilization was suspended, and as a result, we recorded income taxes that were principally attributable to California taxes, offset by research and development credits, other minimum corporate taxes and foreign taxes. The effective tax rates as of December 31, 2007 and December 31, 2008 were 4% and (7)%, respectively. The change in the rate is primarily attributable to a pre-tax loss in 2008 and the change in valuation allowance from 2007 to 2008.