

Facebook Q4 2015 Results

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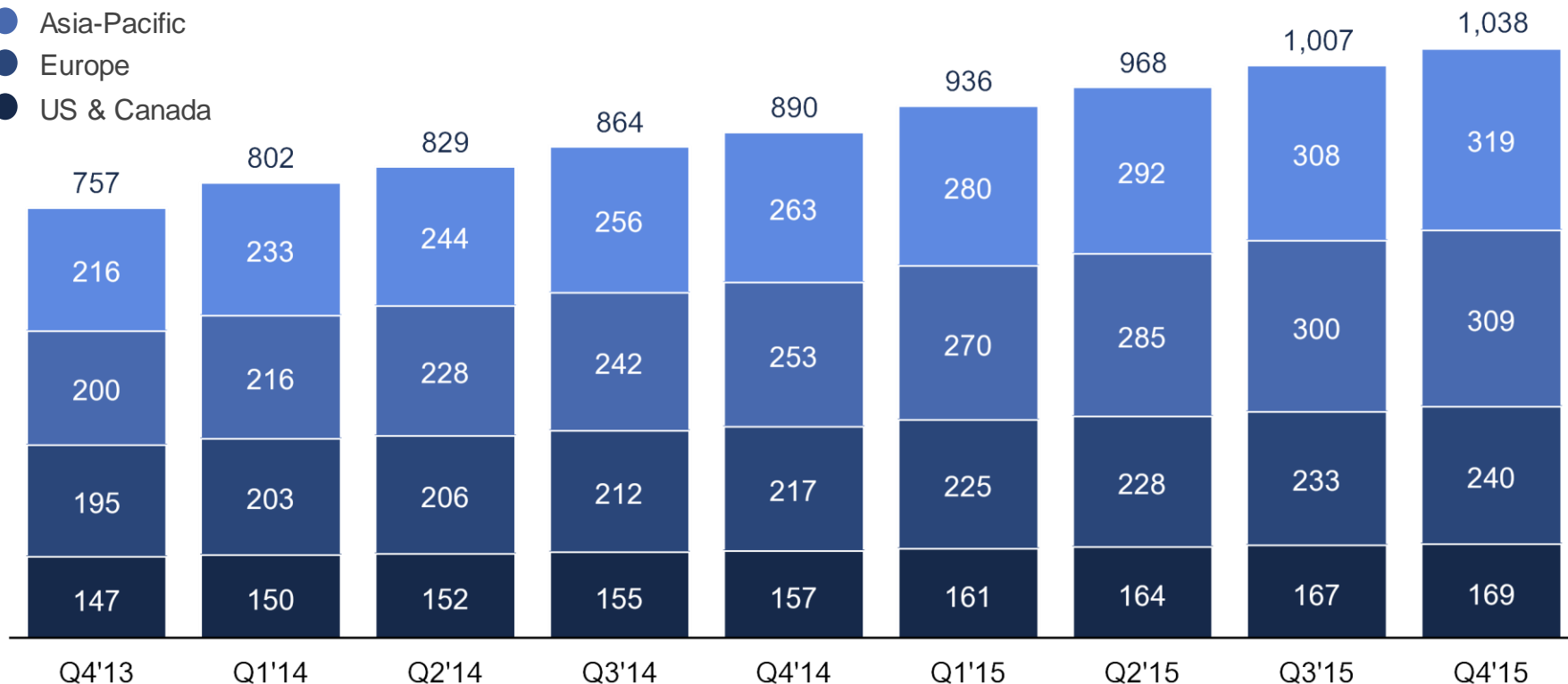
Non-GAAP Measures

In addition to U.S. GAAP financials, this presentation includes certain non-GAAP financial measures. These non-GAAP measures are in addition to, not a substitute for or superior to, measures of financial performance prepared in accordance with U.S. GAAP. A reconciliation of non-GAAP financial measures to the corresponding GAAP measures is provided in the appendix to this presentation.

Daily Active Users (DAUs)

In Millions

- Rest of World
- Asia-Pacific
- Europe
- US & Canada



DAUs / MAUs

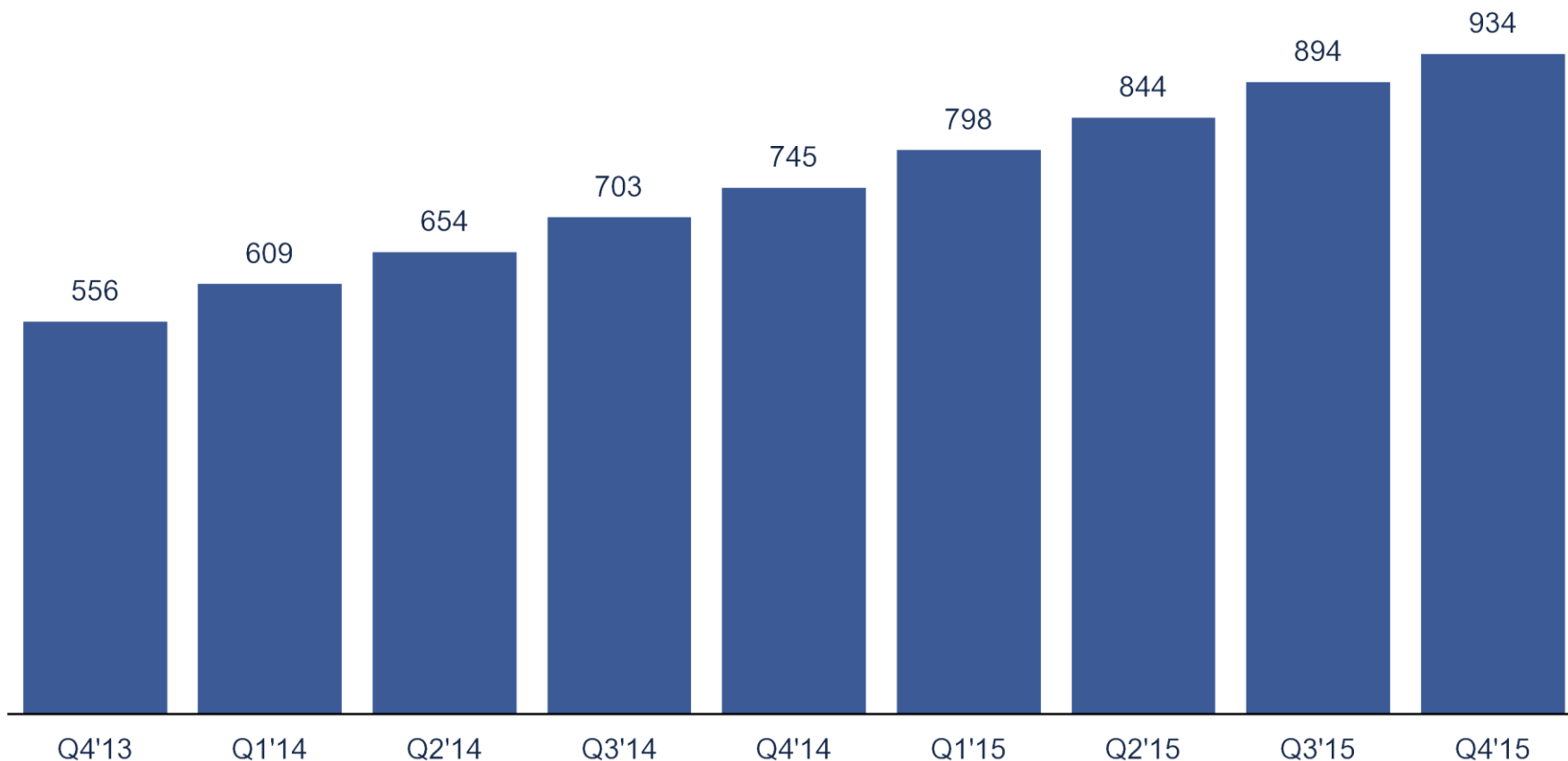
Quarter	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15
DAUs / MAUs	62%	63%	63%	64%	64%	65%	65%	65%	65%

Please see Facebook's most recent quarterly and annual reports filed with the SEC for definitions of user activity used to determine the number of our DAUs, mobile DAUs, MAUs, and mobile MAUs. The number of DAUs, mobile DAUs, MAUs, and mobile MAUs do not include Instagram or WhatsApp users unless they would otherwise qualify as such users, respectively, based on their other activities on Facebook.



Mobile Daily Active Users (Mobile DAUs)

In Millions



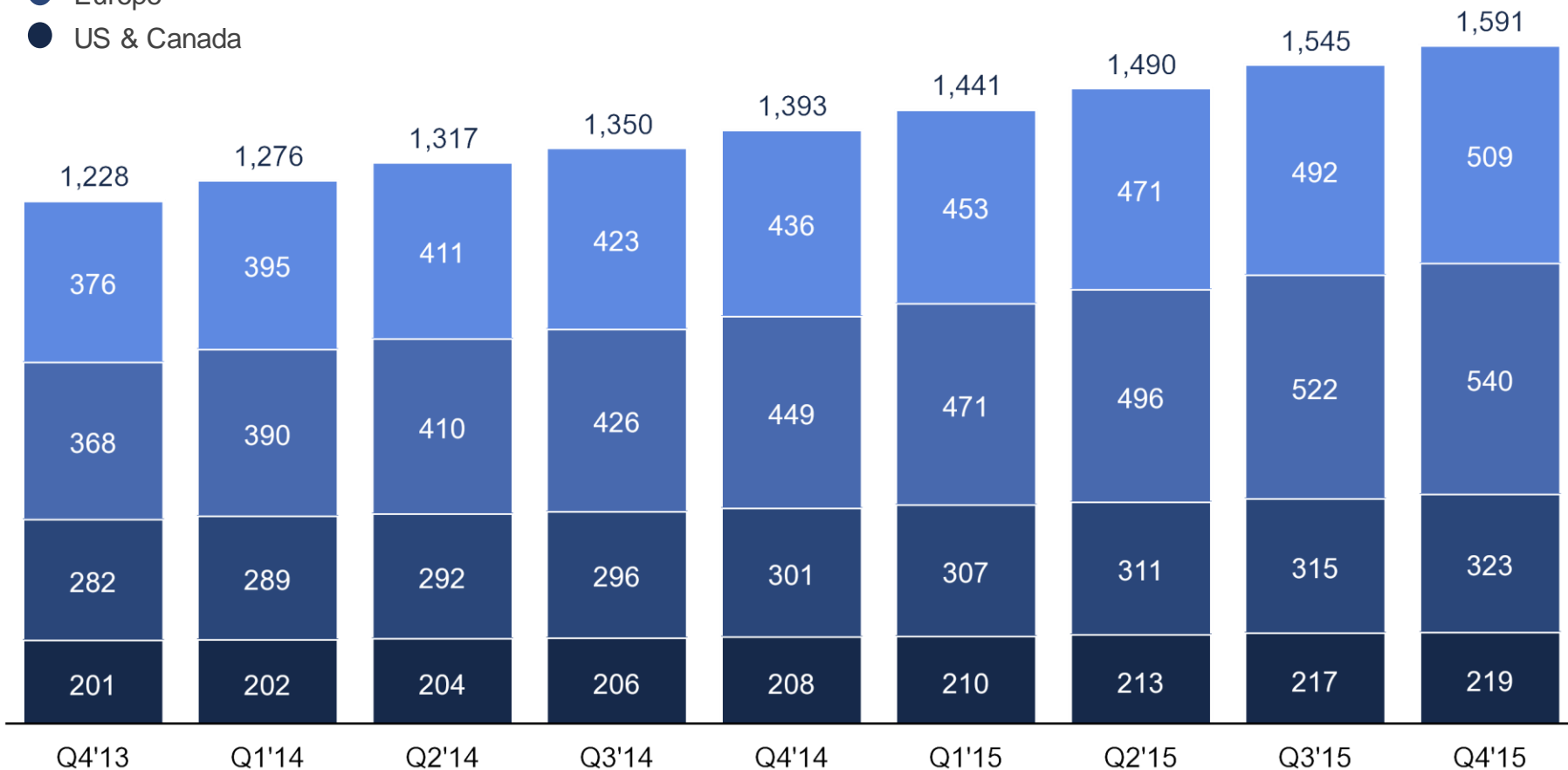
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Monthly Active Users (MAUs)

In Millions

- Rest of World
- Asia-Pacific
- Europe
- US & Canada

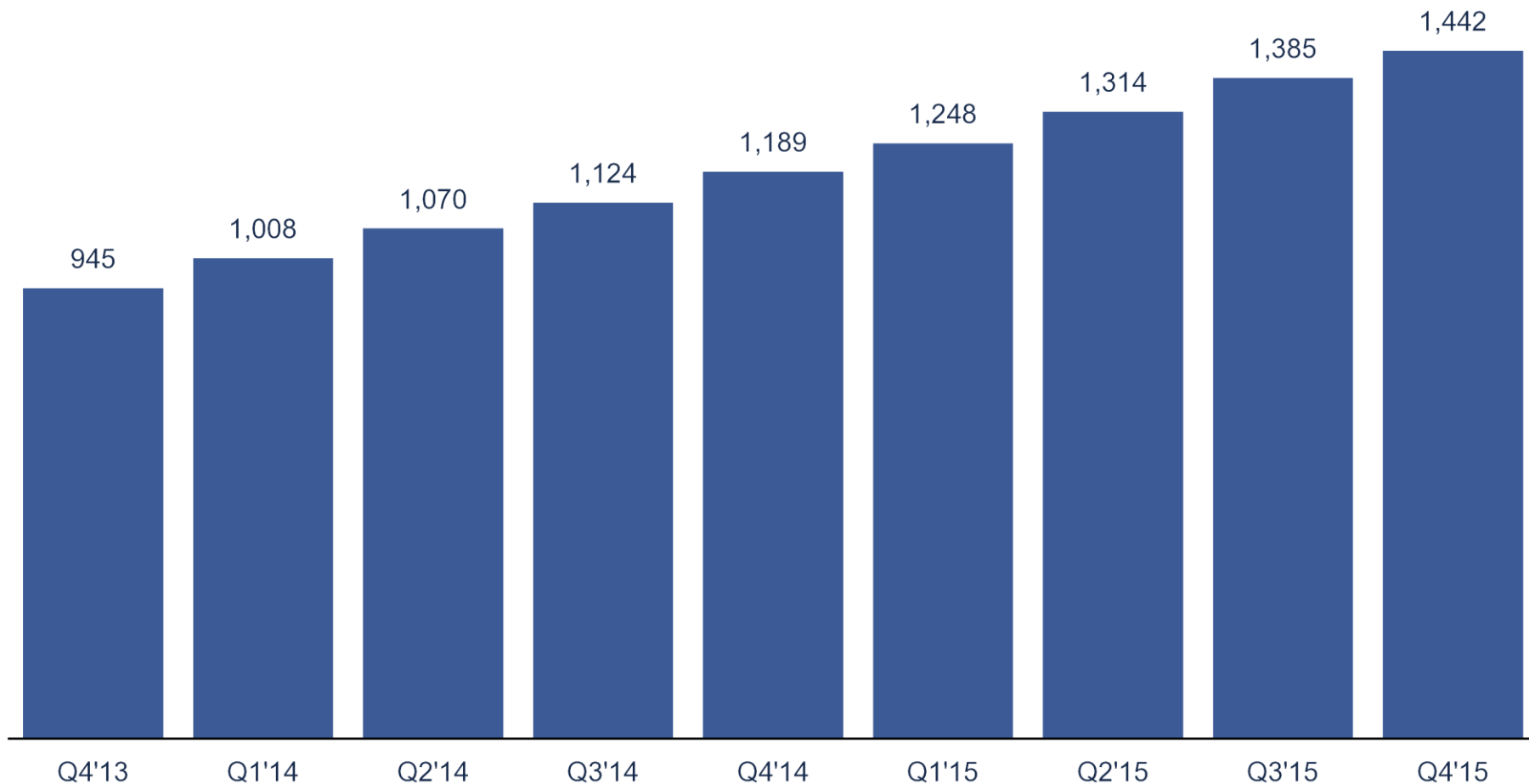


Please see Facebook's most recent quarterly and annual reports filed with the SEC for definitions of user activity used to determine the number of our DAUs, mobile DAUs, MAUs, and mobile MAUs. The number of DAUs, mobile DAUs, MAUs, and mobile MAUs do not include Instagram or WhatsApp users unless they would otherwise qualify as such users, respectively, based on their other activities on Facebook.

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Mobile Monthly Active Users (Mobile MAUs)

In Millions

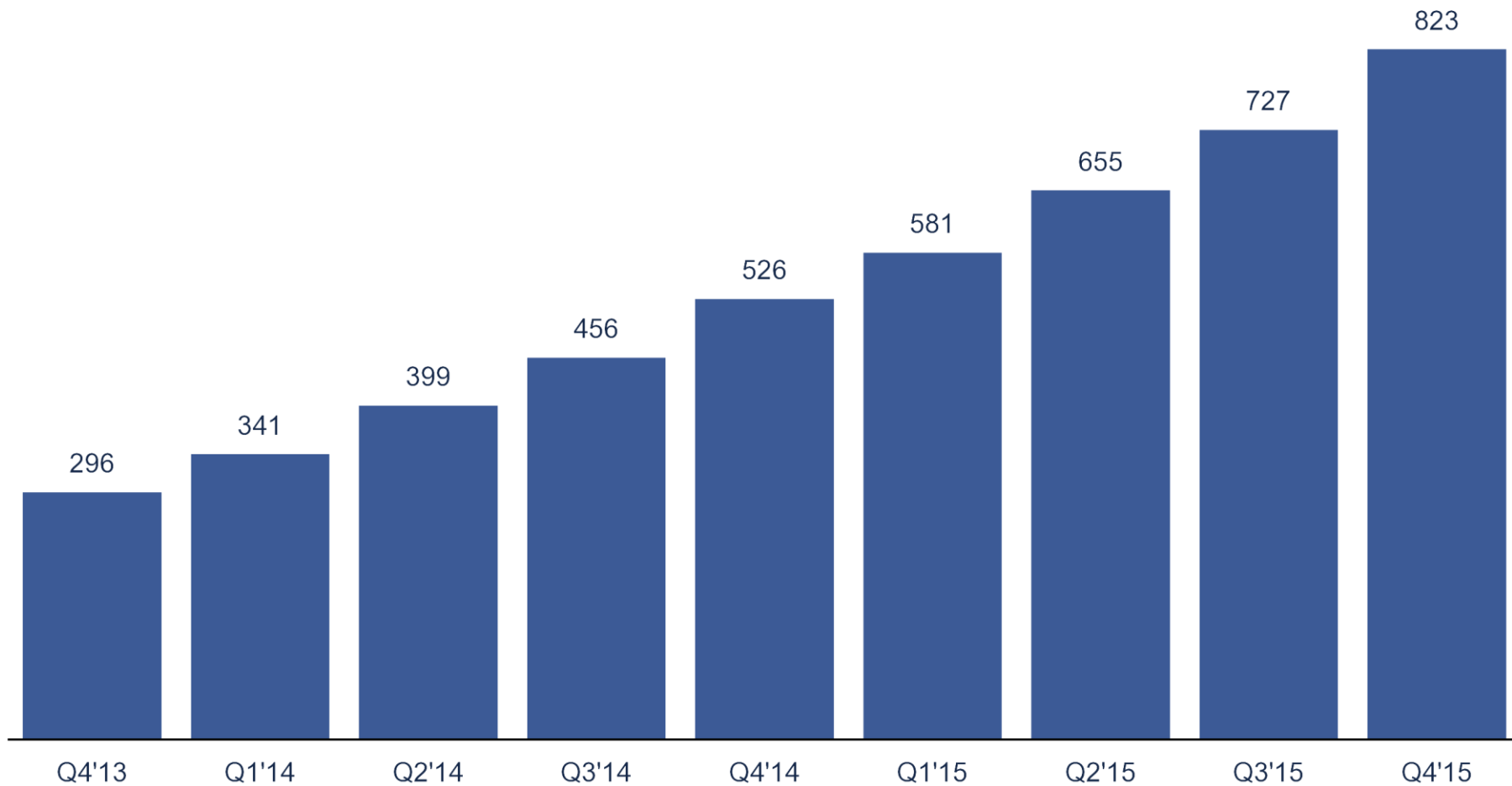


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Mobile-Only Monthly Active Users (Mobile-Only MAUs)

In Millions



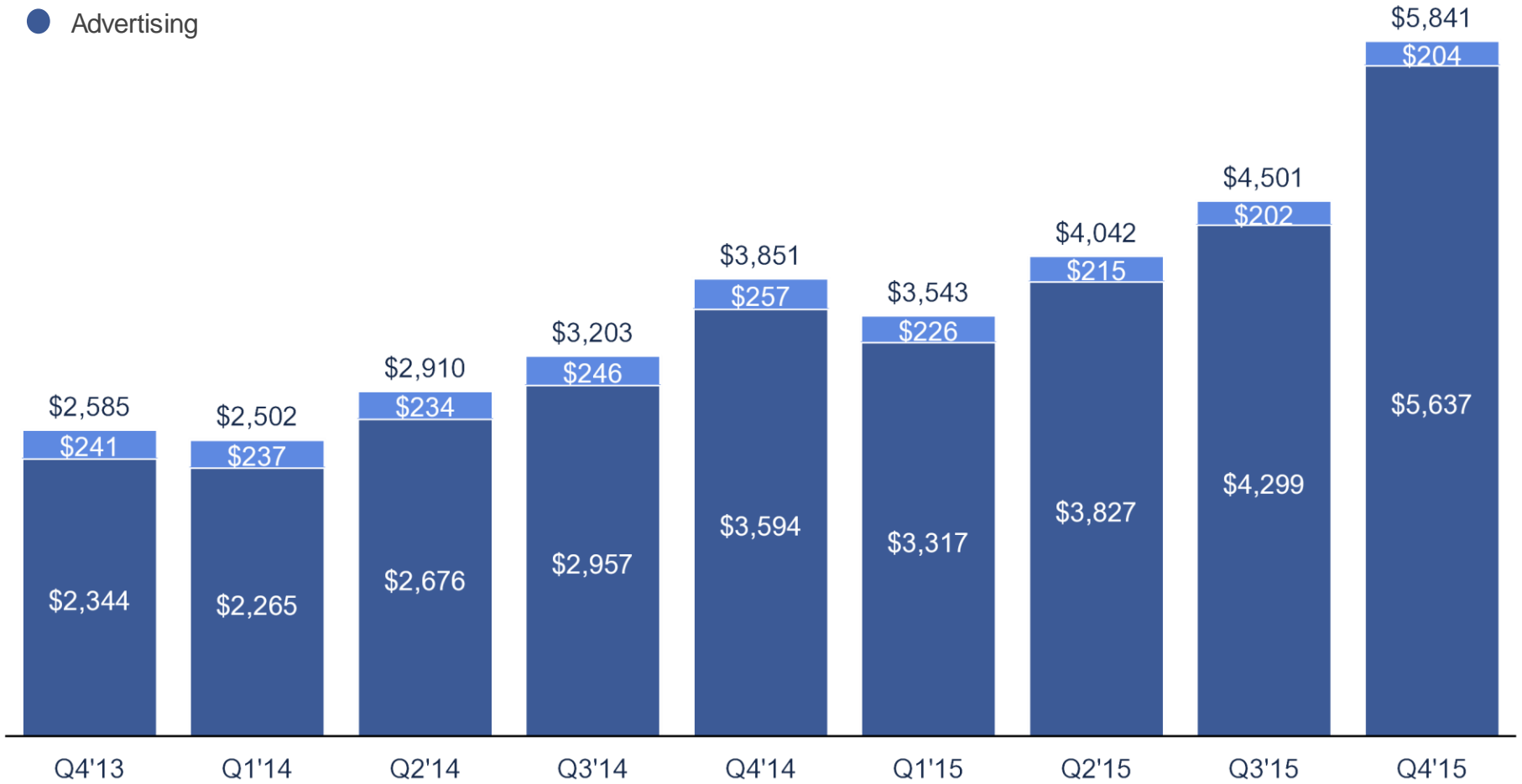
Mobile-only MAUs are defined as users who accessed Facebook solely through mobile apps or mobile versions of our website, or used our Messenger app (and is also a registered Facebook user) during the period of measurement. The number of mobile-only MAUs do not include Instagram or WhatsApp users unless they would otherwise qualify as such users based on their other activities on Facebook.

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Revenue

In Millions

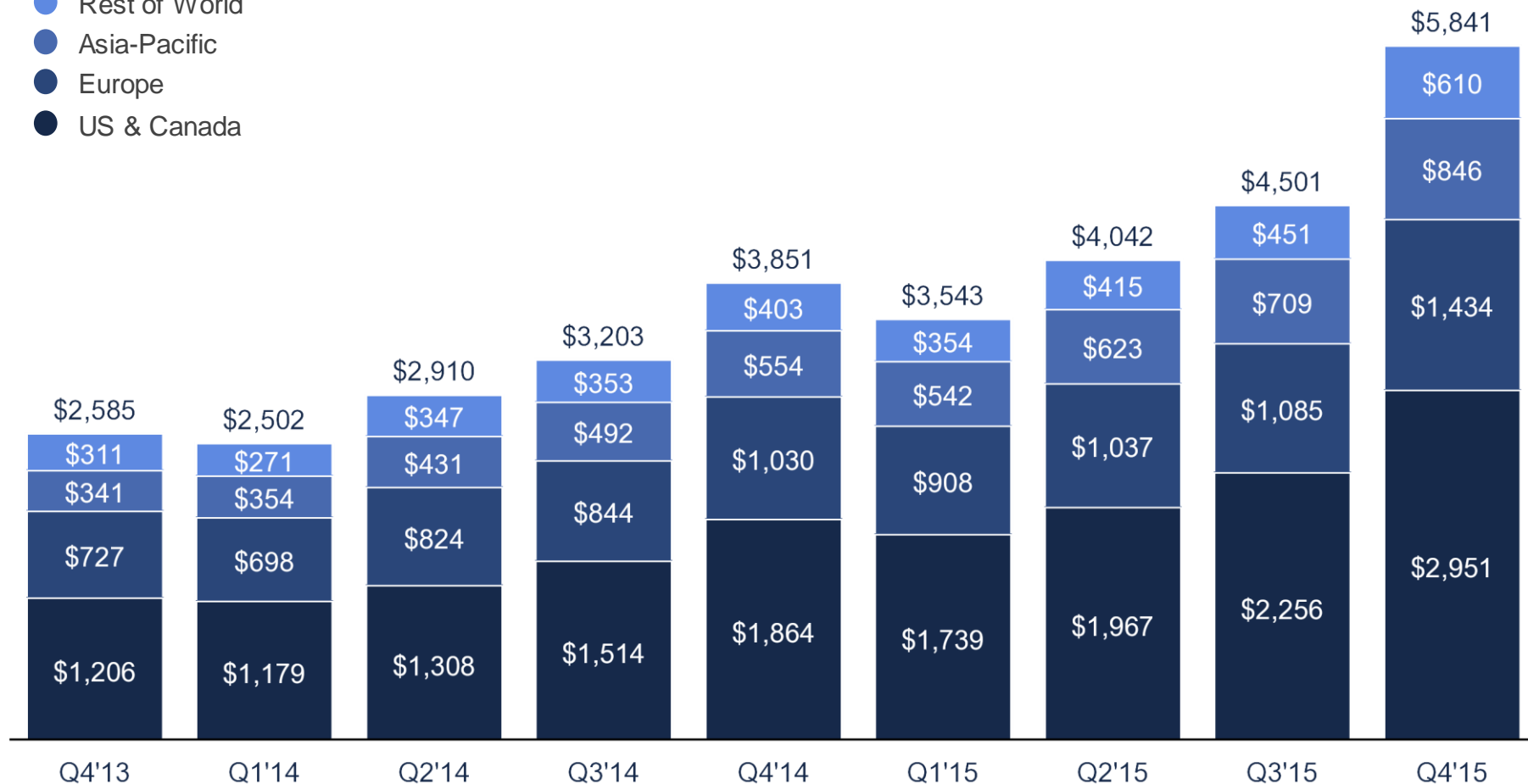
- Payments and Other Fees
- Advertising



Revenue by User Geography

In Millions

- Rest of World
- Asia-Pacific
- Europe
- US & Canada

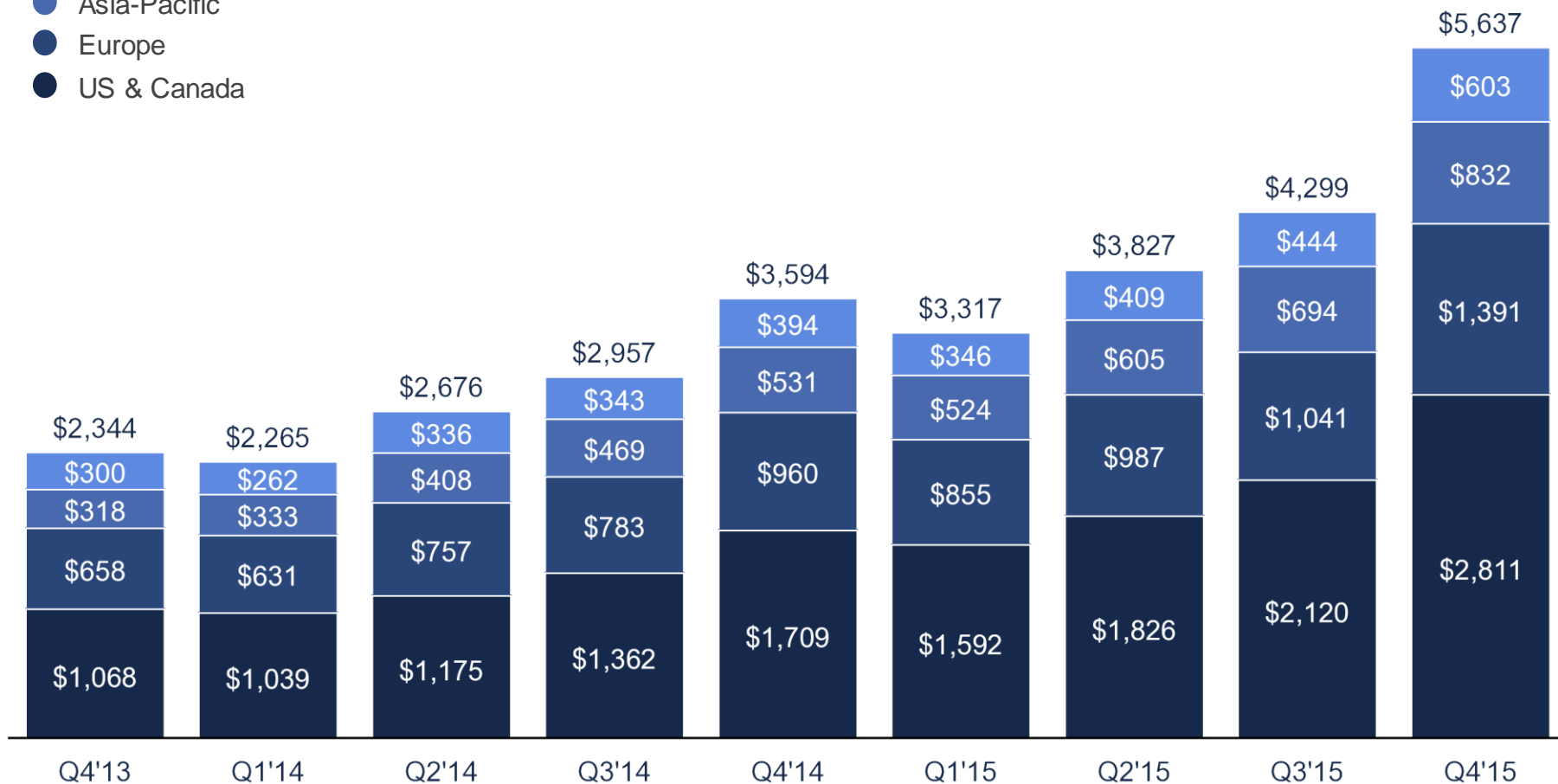


Revenue by user geography is geographically apportioned based on our estimation of the geographic location of our users when they perform a revenue-generating activity. This allocation differs from our revenue by geography disclosure in our condensed consolidated financial statements where revenue is geographically apportioned based on the location of the marketer or developer.

Advertising Revenue by User Geography

In Millions

- Rest of World
- Asia-Pacific
- Europe
- US & Canada

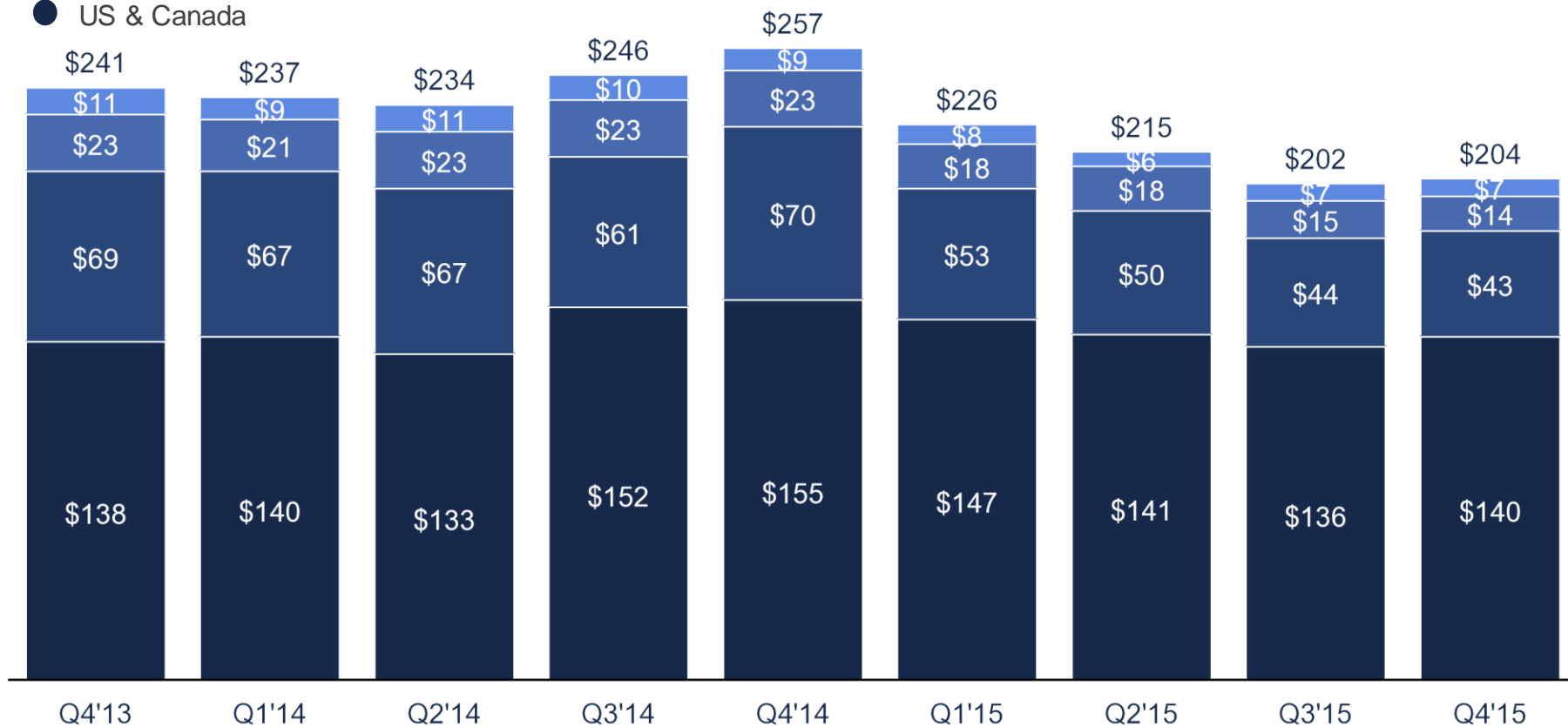


Revenue by user geography is geographically apportioned based on our estimation of the geographic location of our users when they perform a revenue-generating activity. This allocation differs from our revenue by geography disclosure in our condensed consolidated financial statements where revenue is geographically apportioned based on the location of the marketer or developer.

Payments & Other Fees Revenue by User Geography

In Millions

- Rest of World
- Asia-Pacific
- Europe
- US & Canada

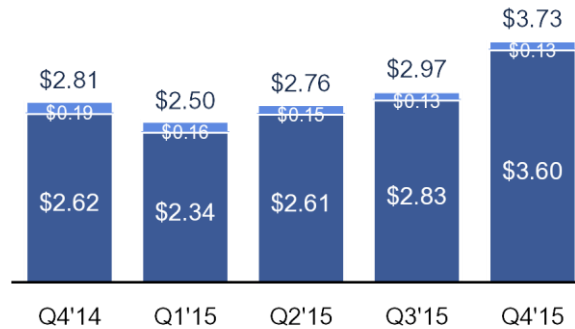


Revenue by user geography is geographically apportioned based on our estimation of the geographic location of our users when they perform a revenue-generating activity. This allocation differs from our revenue by geography disclosure in our condensed consolidated financial statements where revenue is geographically apportioned based on the location of the marketer or developer.

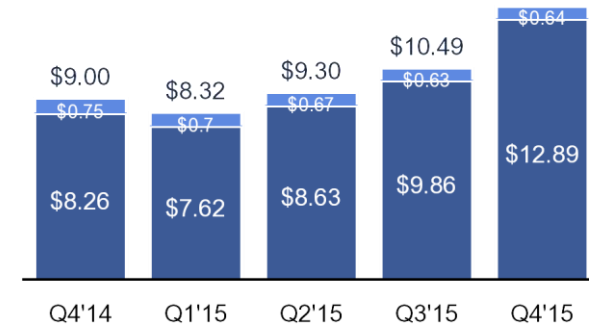
Average Revenue per User (ARPU)

- Payments and Other Fees
- Advertising

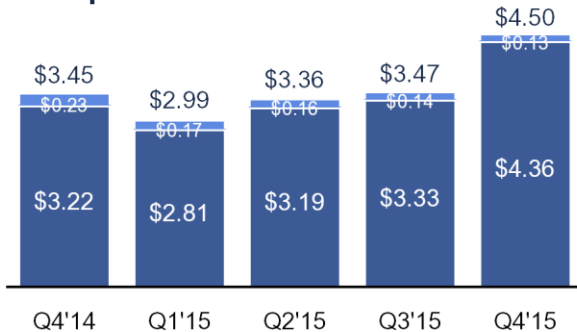
Worldwide



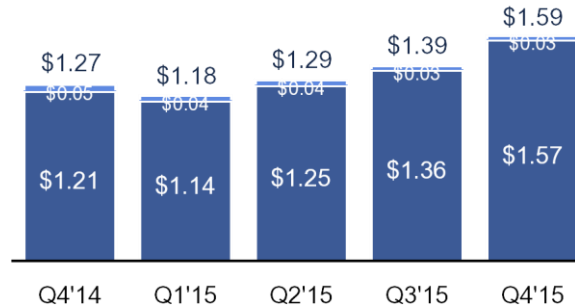
US & Canada



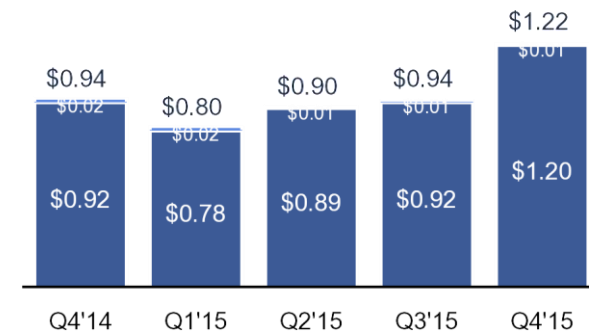
Europe



Asia-Pacific



Rest of World

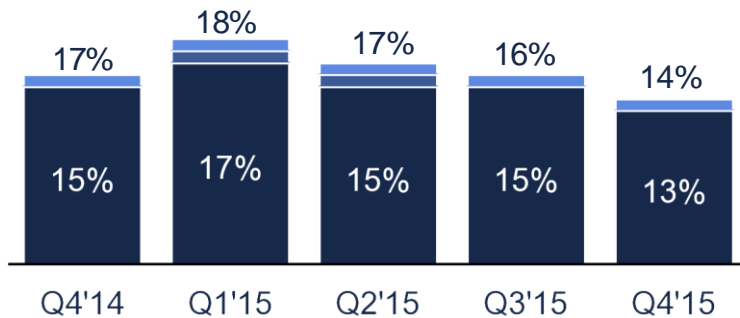


Revenue by user geography is geographically apportioned based on our estimation of the geographic location of our users when they perform a revenue-generating activity. This allocation differs from our revenue by geography disclosure in our condensed consolidated financial statements where revenue is geographically apportioned based on the location of the marketer or developer. Please see Facebook's most recent quarterly or annual report filed with the SEC for the definition of ARPU.

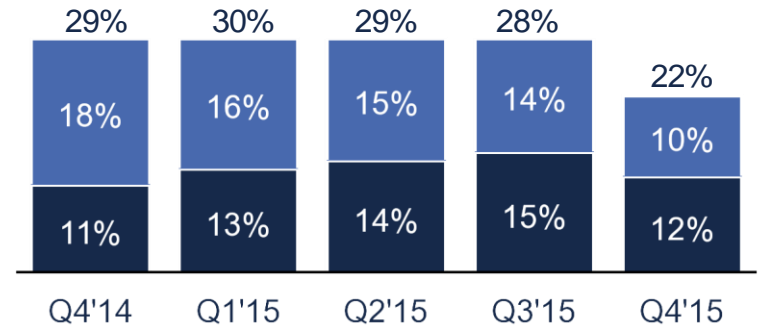
Expenses as a % of Revenue

- Amortization of intangibles
- Share-based compensation + payroll tax expenses related to share-based compensation
- All other expenses

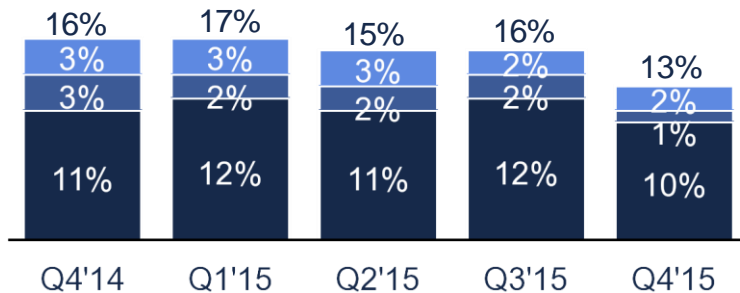
Cost of Revenue



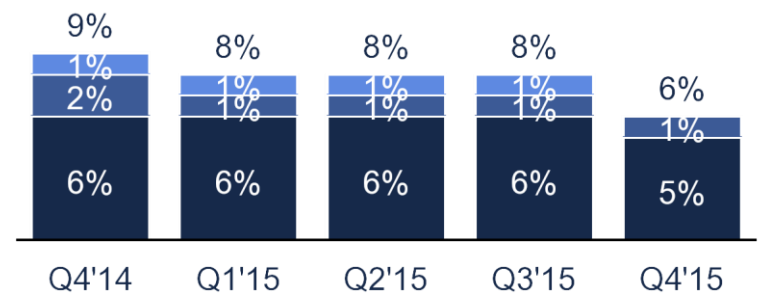
Research & Development



Marketing & Sales



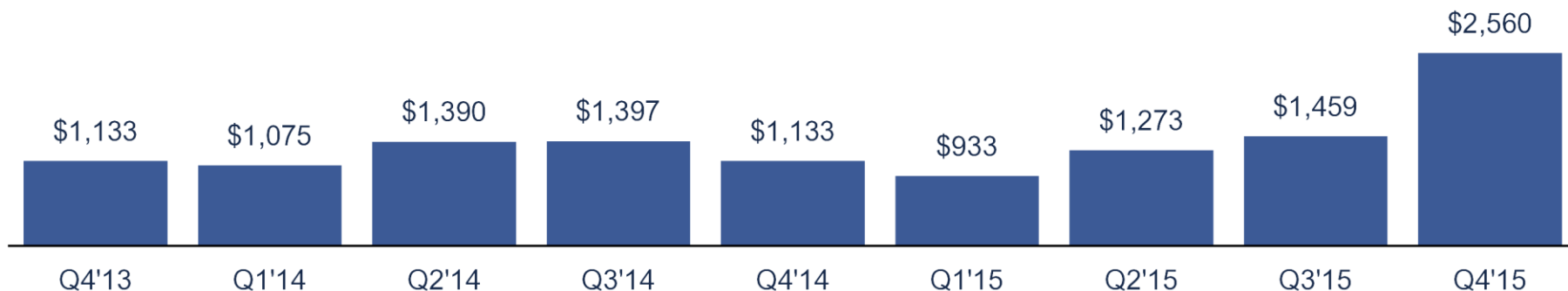
General & Administrative



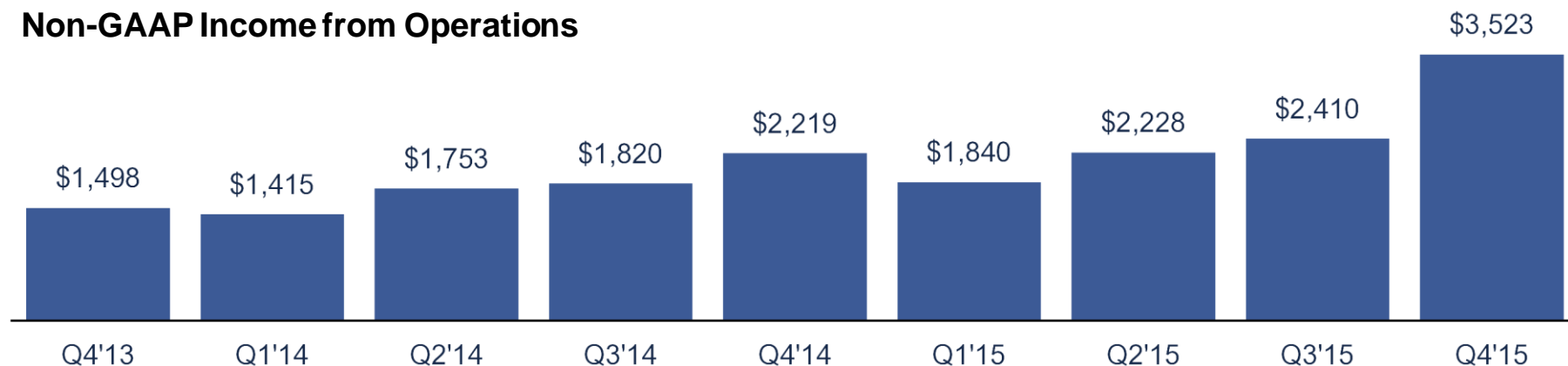
Income from Operations

In Millions

GAAP Income from Operations



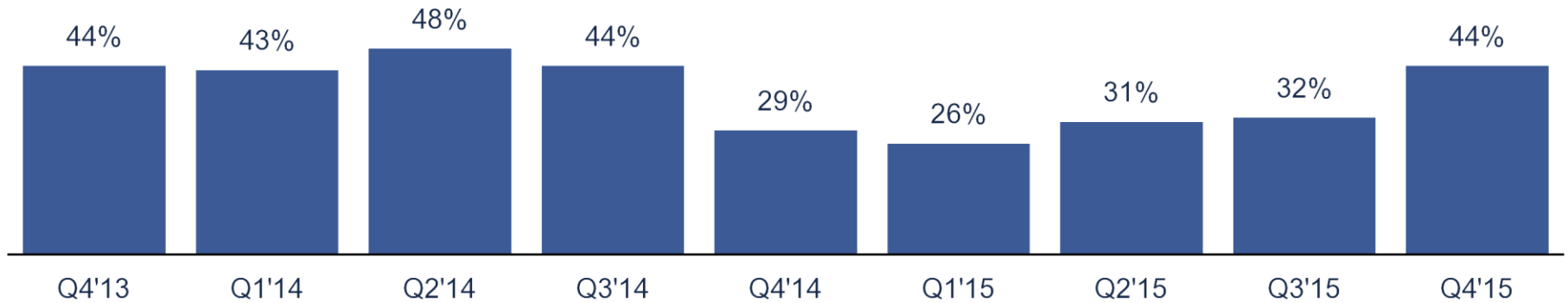
Non-GAAP Income from Operations



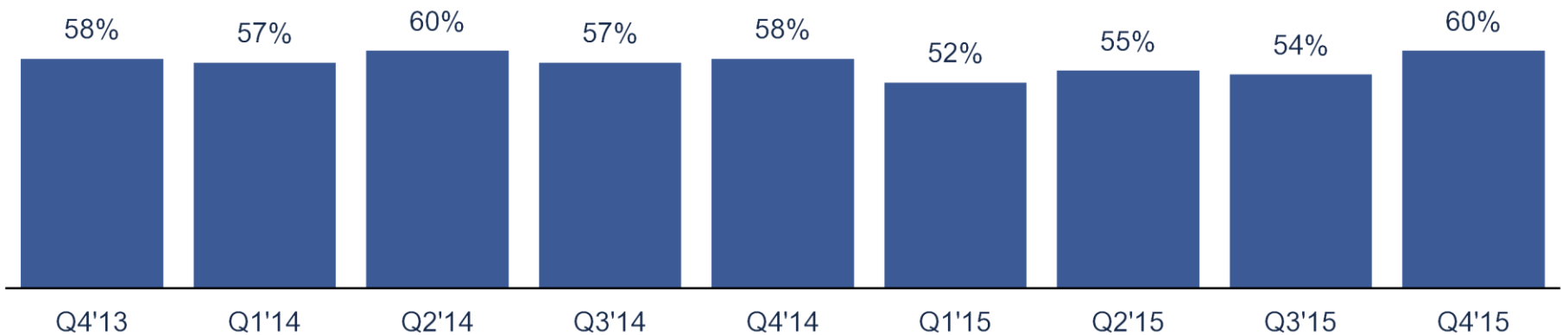
Non-GAAP income from operations excludes share-based compensation expense, payroll tax expenses related to share-based compensation, and amortization of intangibles—see the Appendix for a reconciliation of this non-GAAP measure to GAAP income from operations.

Operating Margin

GAAP Operating Margin



Non-GAAP Operating Margin



Non-GAAP operating margin excludes share-based compensation expense, payroll tax expenses related to share-based compensation, and amortization of intangibles—see the Appendix for a reconciliation of this non-GAAP measure to GAAP operating margin.

Effective Tax Rate

GAAP Effective Tax Rate

(\$ in millions)

	<u>Q4'13</u>	<u>Q1'14</u>	<u>Q2'14</u>	<u>Q3'14</u>	<u>Q4'14</u>	<u>Q1'15</u>	<u>Q2'15</u>	<u>Q3'15</u>	<u>Q4'15</u>
GAAP income before provision for income taxes	\$ 1,130	\$ 1,075	\$ 1,386	\$ 1,336	\$ 1,114	\$ 932	\$ 1,273	\$ 1,432	\$ 2,557
GAAP provision for income taxes	607	433	595	530	413	420	554	536	995
GAAP Effective Tax Rate	54%	40%	43%	40%	37%	45%	44%	37%	39%

Non-GAAP Effective Tax Rate

(\$ in millions)

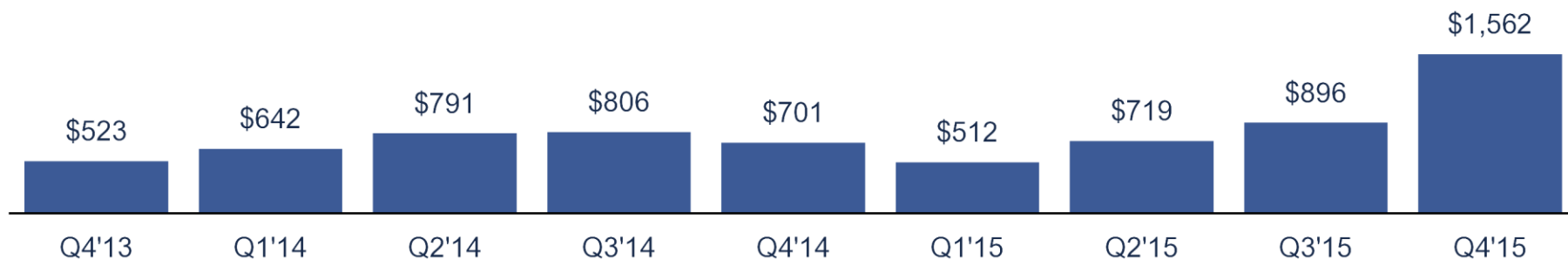
	<u>Q4'13</u>	<u>Q1'14</u>	<u>Q2'14</u>	<u>Q3'14</u>	<u>Q4'14</u>	<u>Q1'15</u>	<u>Q2'15</u>	<u>Q3'15</u>	<u>Q4'15</u>
Non-GAAP income before provision for income taxes	\$ 1,495	\$ 1,415	\$ 1,749	\$ 1,759	\$ 2,200	\$ 1,839	\$ 2,228	\$ 2,383	\$ 3,520
Non-GAAP provision for income taxes	681	489	627	610	682	650	791	755	1,255
Non-GAAP Effective Tax Rate	46%	35%	36%	35%	31%	35%	36%	32%	36%

Non-GAAP effective tax rate excludes share-based compensation expense, payroll tax expenses related to share-based compensation, amortization of intangibles, and related income tax adjustments—see the Appendix A for a reconciliation of this non-GAAP measure to GAAP effective tax rate.

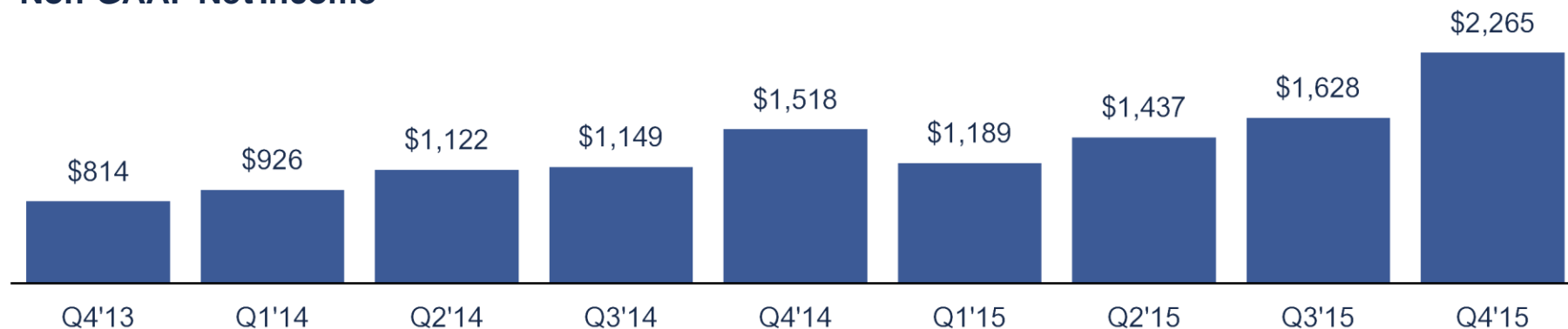
Net Income

In Millions

GAAP Net Income



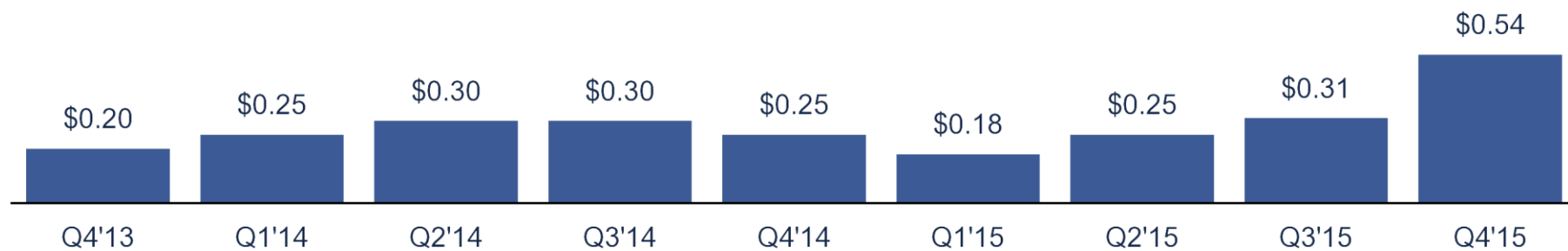
Non-GAAP Net Income



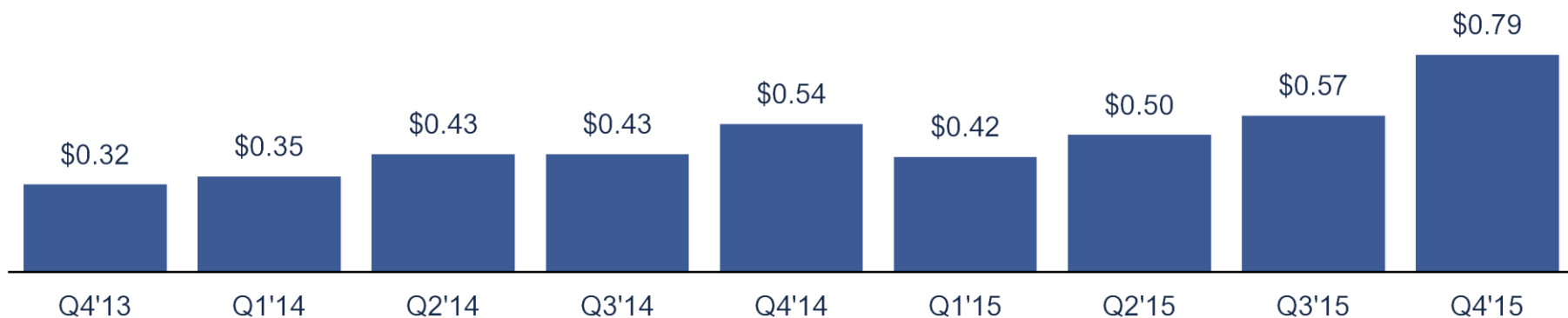
Non-GAAP net income excludes share-based compensation expense, payroll tax expenses related to share-based compensation, amortization of intangibles, and related income tax adjustments—see the Appendix for a reconciliation of this non-GAAP measure to GAAP net income.

Diluted Earnings Per Share

GAAP Diluted Earnings Per Share



Non-GAAP Diluted Earnings Per Share

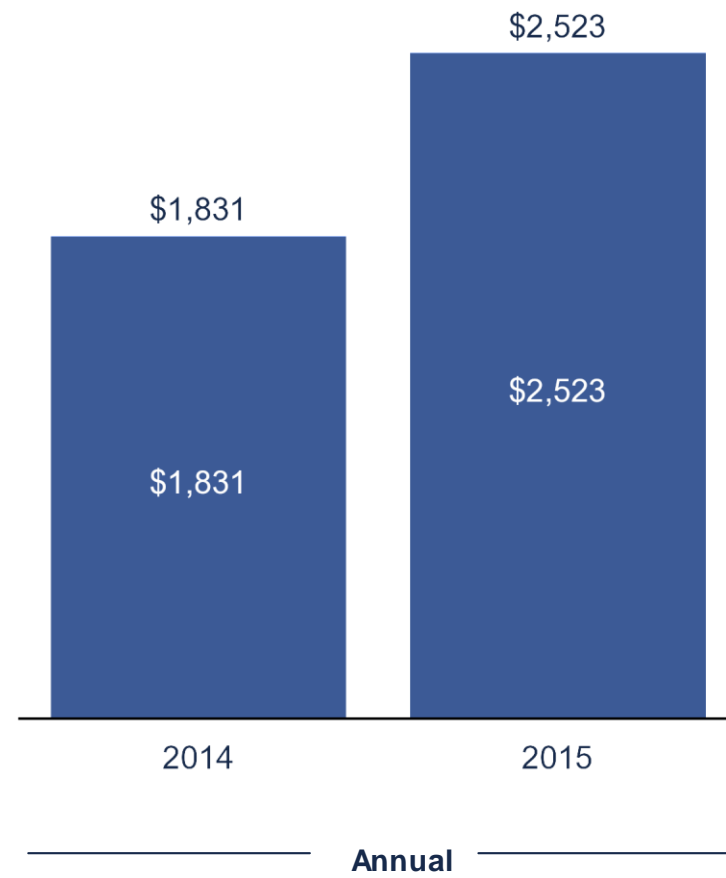
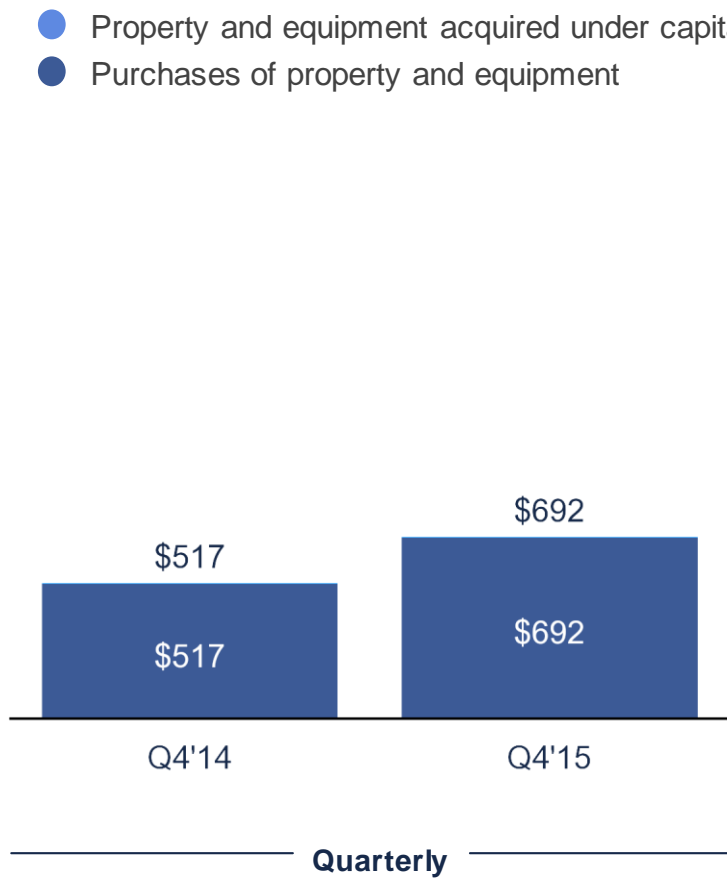


Non-GAAP diluted earnings per share excludes share-based compensation expense, payroll tax expenses related to share-based compensation, amortization of intangibles, and related income tax adjustments—see the Appendix for a reconciliation of this non-GAAP measure to GAAP diluted earnings per share.

Capital Investments

In Millions

- Property and equipment acquired under capital leases
- Purchases of property and equipment



Appendix

Reconciliations

Income from Operations (\$ in millions)	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15
GAAP income from operations	\$ 1,133	\$ 1,075	\$ 1,390	\$ 1,397	\$ 1,133	\$ 933	\$ 1,273	\$ 1,459	\$ 2,560
Share-based compensation expense	273	274	314	353	896	703	763	757	746
Payroll tax expenses related to share-based compensation	53	25	8	11	13	25	12	14	26
Amortization of intangible assets	39	41	41	59	177	179	180	180	191
Non-GAAP income from operations	\$ 1,498	\$ 1,415	\$ 1,753	\$ 1,820	\$ 2,219	\$ 1,840	\$ 2,228	\$ 2,410	\$ 3,523
Operating Margin	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15
GAAP operating margin	44%	43%	48%	44%	29%	26%	31%	32%	44%
Share-based compensation expense	11%	11%	11%	11%	23%	20%	19%	17%	13%
Payroll tax expenses related to share-based compensation	2%	1%	—%	—%	—%	1%	—%	—%	—%
Amortization of intangible assets	2%	2%	1%	2%	5%	5%	4%	4%	3%
Non-GAAP operating margin	58%	57%	60%	57%	58%	52%	55%	54%	60%
Net Income (\$ in millions)	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15
GAAP net income	\$ 523	\$ 642	\$ 791	\$ 806	\$ 701	\$ 512	\$ 719	\$ 896	\$ 1,562
Share-based compensation expense	273	274	314	353	896	703	763	757	746
Payroll tax expenses related to share-based compensation	53	25	8	11	13	25	12	14	26
Amortization of intangible assets	39	41	41	59	177	179	180	180	191
Income tax adjustments	(74)	(56)	(32)	(80)	(269)	(230)	(237)	(219)	(260)
Non-GAAP net income	\$ 814	\$ 926	\$ 1,122	\$ 1,149	\$ 1,518	\$ 1,189	\$ 1,437	\$ 1,628	\$ 2,265
Diluted Earnings Per Share	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15
GAAP diluted earnings per share	\$0.20	\$0.25	\$0.30	\$0.30	\$0.25	\$0.18	\$0.25	\$0.31	\$0.54
Non-GAAP adjustments to net income	0.12	0.10	0.13	0.13	0.29	0.24	0.25	0.26	0.25
Non-GAAP diluted earnings per share	\$0.32	\$0.35	\$0.43	\$0.43	\$0.54	\$0.42	\$0.50	\$0.57	\$0.79

Reconciliations (continued)

GAAP Tax (\$ in millions)	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15
GAAP income before provision for income taxes	\$ 1,130	\$ 1,075	\$ 1,386	\$ 1,336	\$ 1,114	\$ 932	\$ 1,273	\$ 1,432	\$ 2,557
GAAP provision for income taxes	607	433	595	530	413	420	554	536	995
GAAP Effective Tax Rate	54%	40%	43%	40%	37%	45%	44%	37%	39%

Non-GAAP Tax (\$ in millions)	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15
GAAP income before provision for income taxes	\$ 1,130	\$ 1,075	\$ 1,386	\$ 1,336	\$ 1,114	\$ 932	\$ 1,273	\$ 1,432	\$ 2,557
Share-based compensation and related payroll tax expenses	326	299	322	364	909	728	775	771	772
Amortization of intangible assets	39	41	41	59	177	179	180	180	191
Non-GAAP income before provision for income taxes	\$ 1,495	\$ 1,415	\$ 1,749	\$ 1,759	\$ 2,200	\$ 1,839	\$ 2,228	\$ 2,383	\$ 3,520
Non-GAAP provision for income taxes	681	489	627	610	682	650	791	755	1,255
Non-GAAP Effective Tax Rate	46%	35%	36%	35%	31%	35%	36%	32%	36%

Reconciliations (continued)

Free Cash Flow (\$ in millions)	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15
Net cash provided by operating activities	\$ 1,231	\$ 1,285	\$ 1,341	\$ 1,248	\$ 1,583	\$ 1,700	\$ 1,880	\$ 2,192	\$ 2,827
Purchases of property and equipment	483	363	469	482	517	502	549	780	692
Free Cash Flow	\$ 748	\$ 922	\$ 872	\$ 766	\$ 1,066	\$ 1,198	\$ 1,331	\$ 1,412	\$ 2,135

Limitations of Key Metrics and Other Data

The numbers for our key metrics, which include our daily active users (DAUs), mobile DAUs, monthly active users (MAUs), mobile MAUs, and average revenue per user (ARPU), as well as certain other metrics such as mobile-only DAUs and mobile-only MAUs, are calculated using internal company data based on the activity of user accounts. While these numbers are based on what we believe to be reasonable estimates of our user base for the applicable period of measurement, there are inherent challenges in measuring usage of our products across large online and mobile populations around the world.

For example, there may be individuals who maintain one or more Facebook accounts in violation of our terms of service. We estimate, for example, that "duplicate" accounts (an account that a user maintains in addition to his or her principal account) may have represented less than 5% of our worldwide MAUs in 2015. We also seek to identify "false" accounts, which we divide into two categories: (1) user-misclassified accounts, where users have created personal profiles for a business, organization, or non-human entity such as a pet (such entities are permitted on Facebook using a Page rather than a personal profile under our terms of service); and (2) undesirable accounts, which represent user profiles that we determine are intended to be used for purposes that violate our terms of service, such as spamming. In 2015, for example, we estimate user-misclassified and undesirable accounts may have represented less than 2% of our worldwide MAUs. We believe the percentage of accounts that are duplicate or false is meaningfully lower in developed markets such as the United States or United Kingdom and higher in developing markets such as India and Turkey. However, these estimates are based on an internal review of a limited sample of accounts and we apply significant judgment in making this determination, such as identifying names that appear to be fake or other behavior that appears inauthentic to the reviewers. As such, our estimation of duplicate or false accounts may not accurately represent the actual number of such accounts. We are continually seeking to improve our ability to identify duplicate or false accounts and estimate the total number of such accounts, and such estimates may change due to improvements or changes in our methodology.

Limitations of Key Metrics and Other Data (continued)

Our data limitations may affect our understanding of certain details of our business. For example, while user-provided data indicates a decline in usage among younger users, this age data is unreliable because a disproportionate number of our younger users register with an inaccurate age. Accordingly, our understanding of usage by age group may not be complete.

Some of our metrics have also been affected by applications on certain mobile devices 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 impact of this automatic activity on our metrics varies by geography because mobile usage varies in different regions of the world. In addition, our data regarding the geographic location of our users is estimated based on a number of factors, such as the user's IP address and self-disclosed location. These factors may not always accurately reflect the user's actual location. For example, a mobile-only user may appear to be accessing Facebook from the location of the proxy server that the user connects to rather than from the user's actual location. The methodologies used to measure user metrics may also be susceptible to algorithm or other technical errors. Our estimates for revenue by user location and revenue by user device are also affected by these factors. We regularly review our processes for calculating these metrics, and from time to time we may discover inaccuracies in our metrics or make adjustments to improve their accuracy, including adjustments that may result in the recalculation of our historical metrics. We believe that any such inaccuracies or adjustments are immaterial unless otherwise stated. In addition, our DAU and MAU estimates will differ from estimates published by third parties due to differences in methodology. For example, some third parties are not able to accurately measure mobile users or do not count mobile users for certain user groups or at all in their analyses.

The numbers of DAUs, mobile DAUs, MAUs, mobile MAUs, and mobile-only MAUs discussed in this presentation, as well as ARPU, do not include users of Instagram or WhatsApp unless they would otherwise qualify as such users, respectively, based on their other activities on Facebook.

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