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Quarterly Earnings Slides

Q2 2013

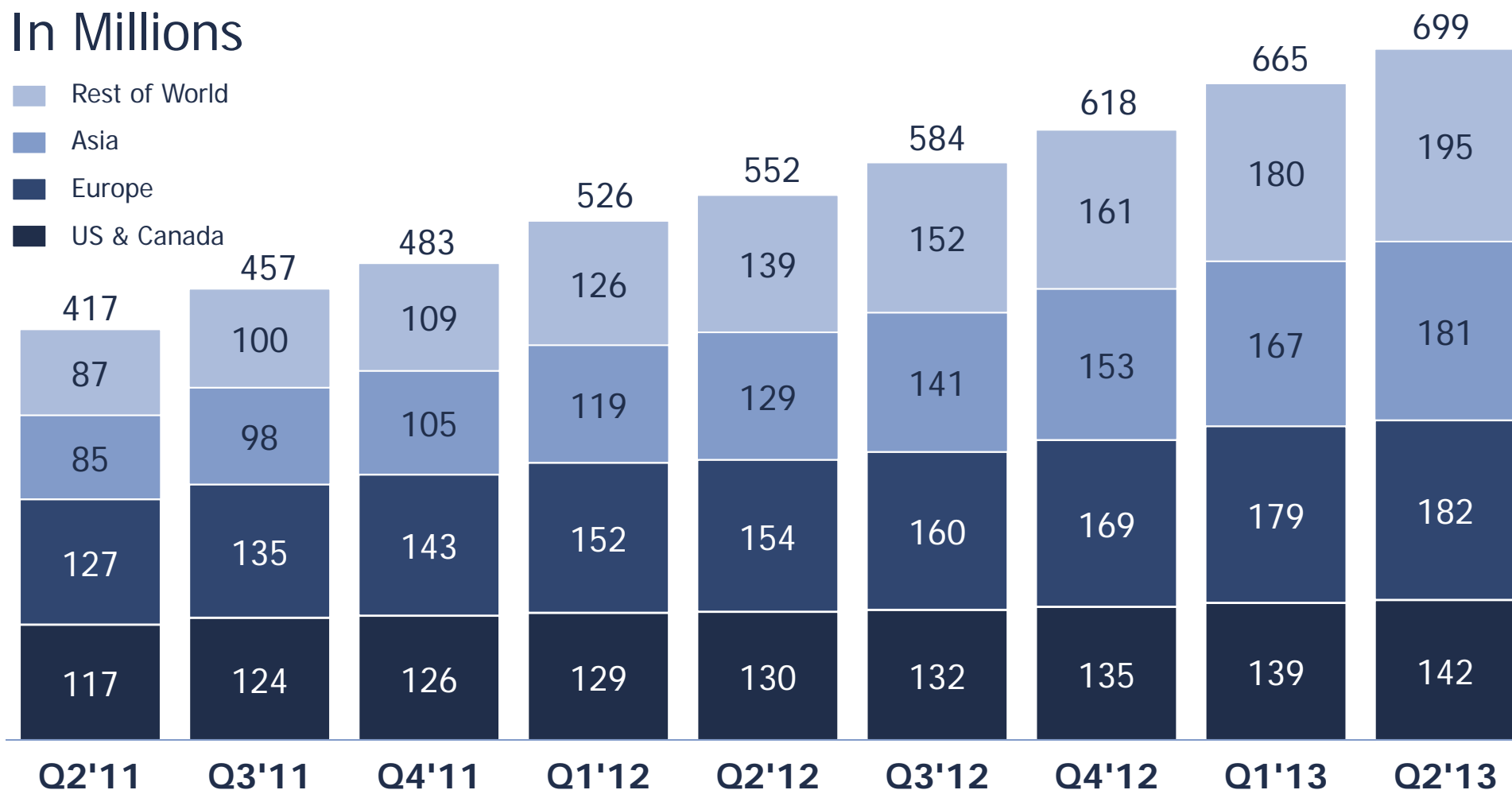
Non-GAAP Measures

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
- Europe
- US & Canada



DAUs / MAUs

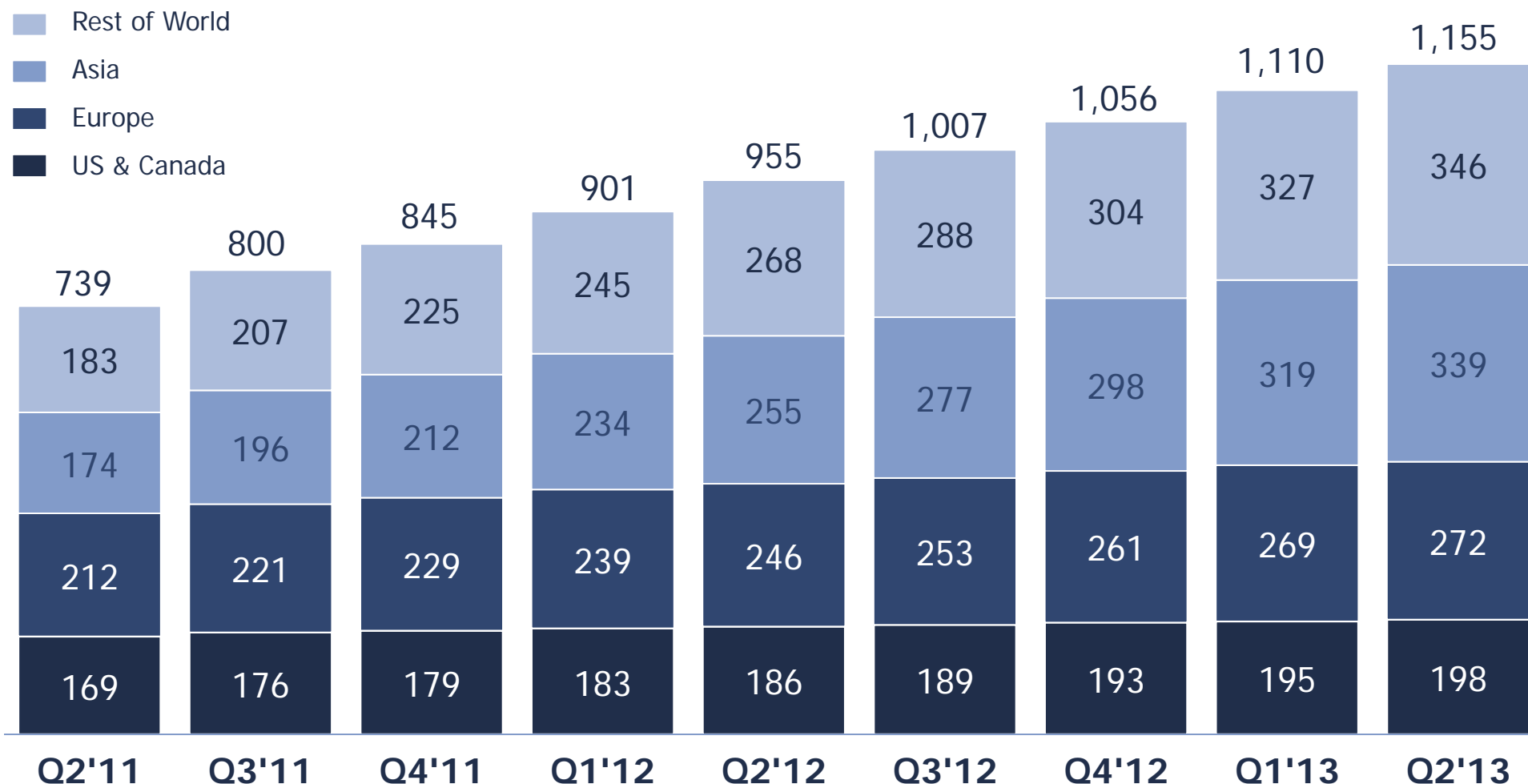
Q2'11	Q3'11	Q4'11	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13	Q2'13
56%	57%	57%	58%	58%	58%	59%	60%	61%

Please see Facebook's most recent Form 10-Q filed with the SEC for definitions of user activity used to determine the number of our DAUs, MAUs, and mobile MAUs. The number of DAUs, MAUs, and mobile MAUs do not include Instagram users unless they would otherwise qualify as such users, respectively, based on their other activities on Facebook.

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Monthly Active Users (MAUs)

In Millions

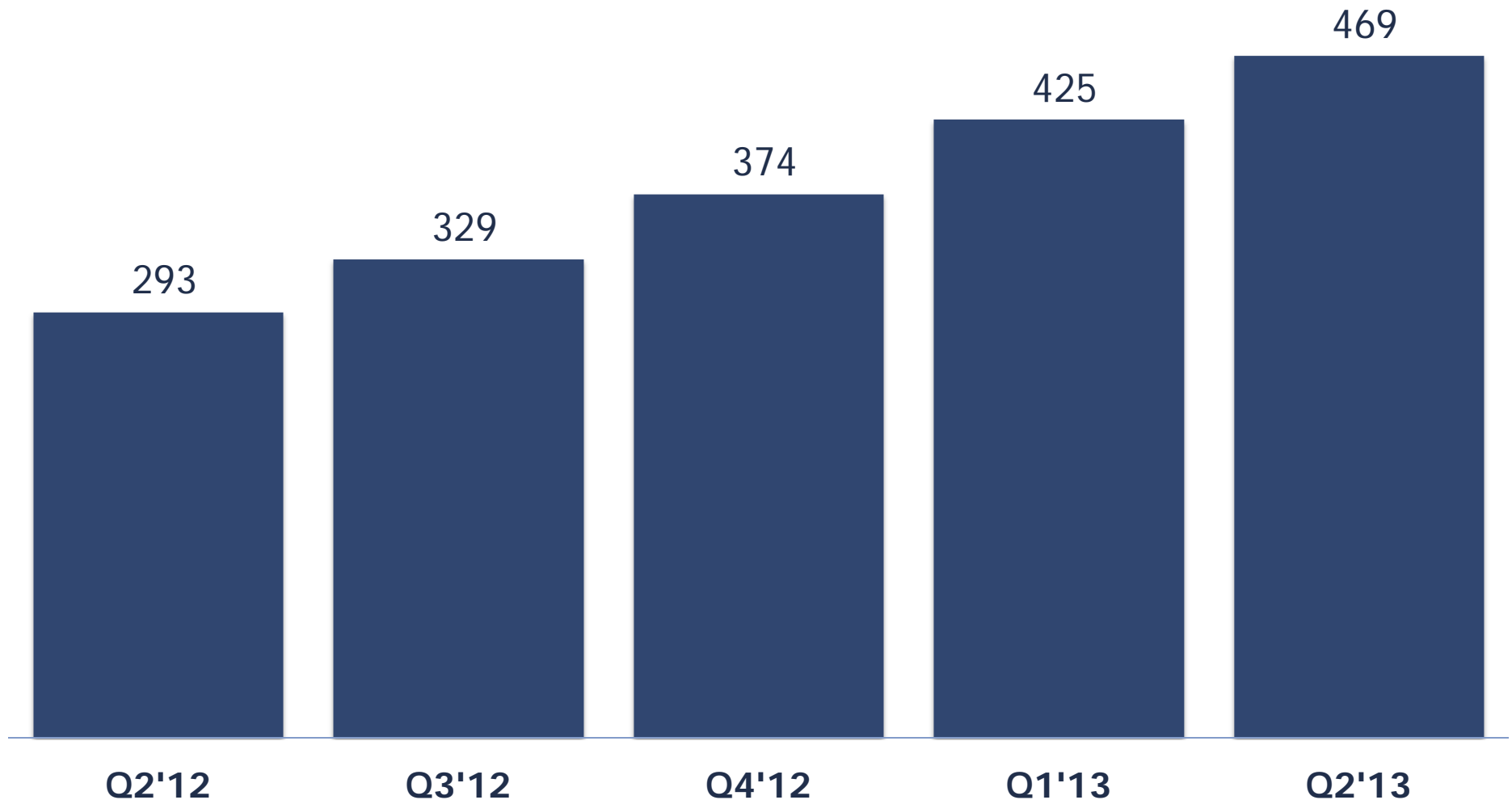


Please see Facebook's most recent Form 10-Q filed with the SEC for definitions of user activity used to determine the number of our DAUs, MAUs, and mobile MAUs. The number of DAUs, MAUs, and mobile MAUs do not include Instagram users unless they would otherwise qualify as such users, respectively, based on their other activities on Facebook.

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Mobile Daily Active Users (Mobile DAUs)

In Millions

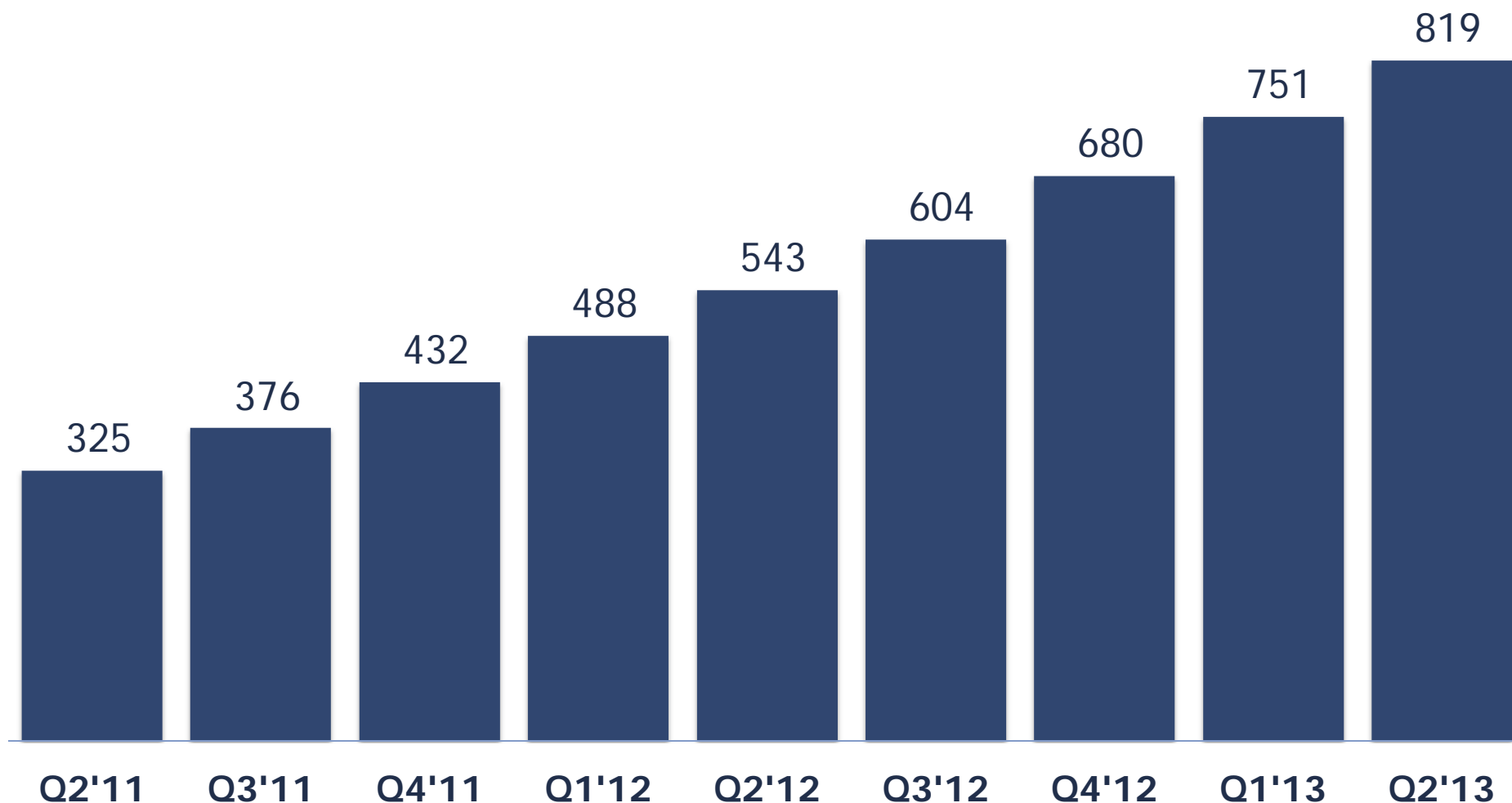


Mobile DAUs are defined as users who accessed Facebook through our mobile apps or our mobile website during a given day. The number of mobile DAUs do not include Instagram users unless they would otherwise qualify as such users based on their other activities on Facebook.

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Mobile Monthly Active Users (Mobile MAUs)

In Millions

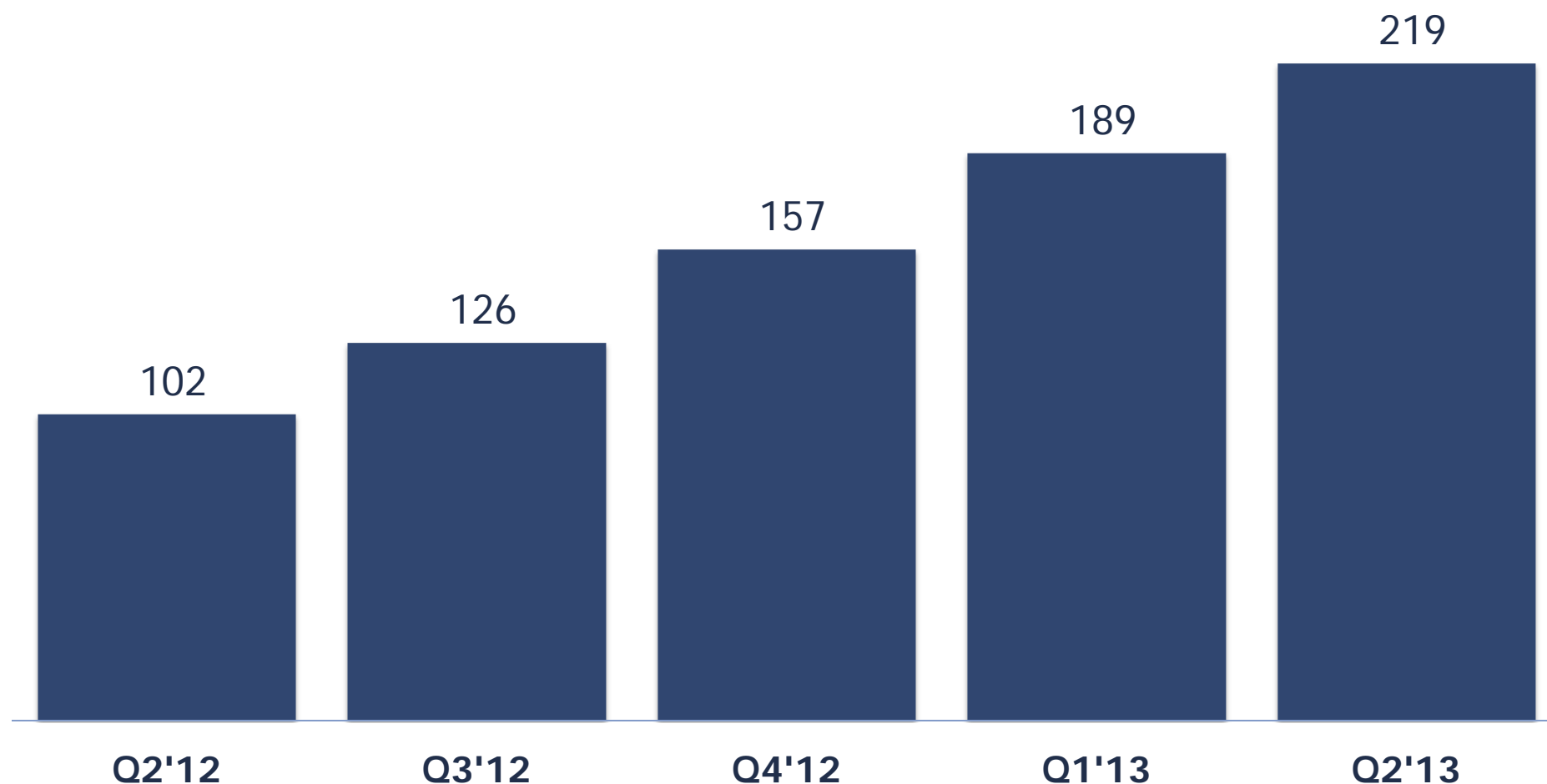


Please see Facebook's most recent Form 10-Q filed with the SEC for definitions of user activity used to determine the number of our DAUs, MAUs, and mobile MAUs. The number of DAUs, MAUs, and mobile MAUs do not include Instagram users unless they would otherwise qualify as such users, respectively, based on their other activities on Facebook.

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

In Millions



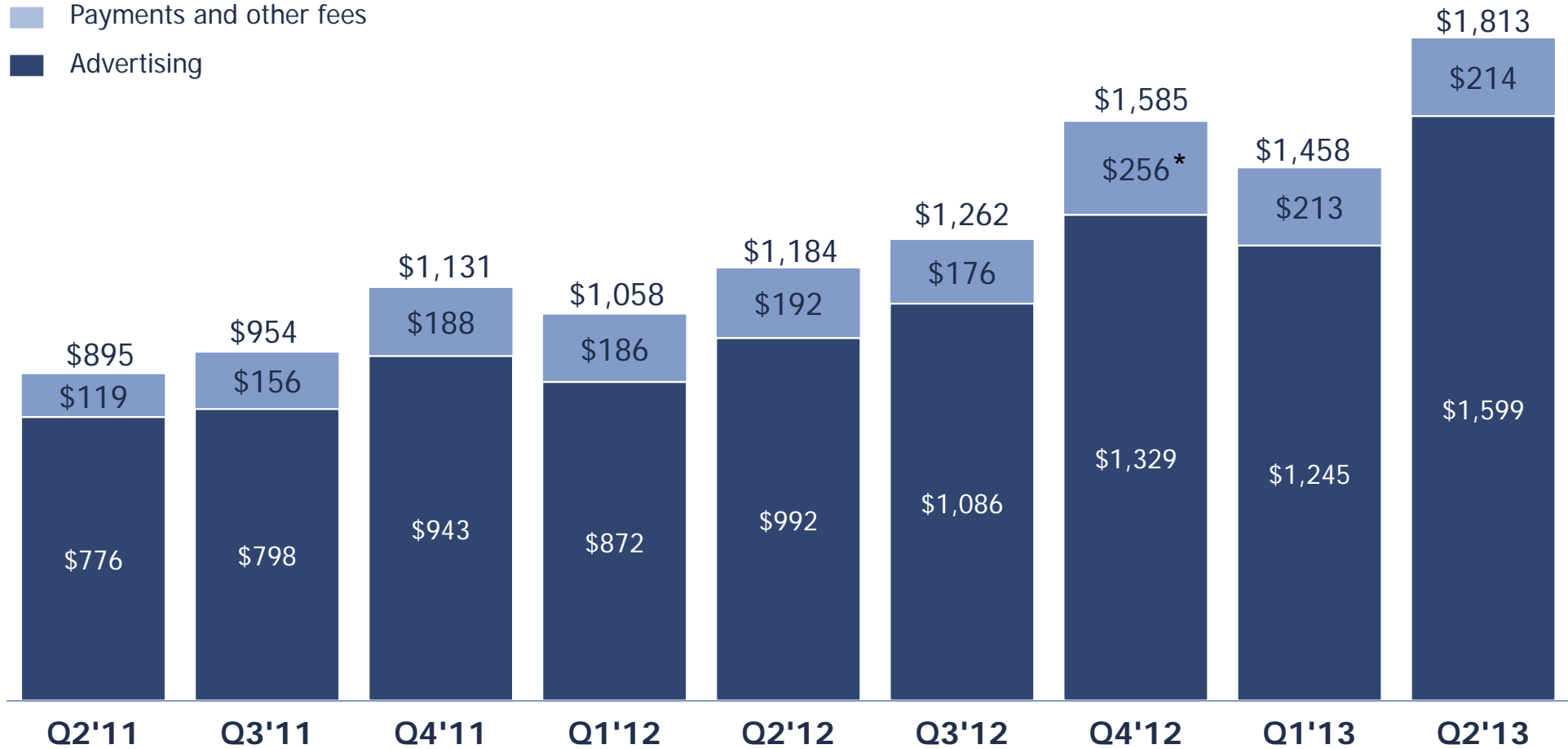
Mobile-only MAUs are defined as users who accessed Facebook solely through mobile apps or our mobile website during a given month. The number of mobile-only MAUs do not include Instagram users unless they would otherwise qualify as such users based on their other activities on Facebook.

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Revenue

In Millions

- Payments and other fees
- Advertising

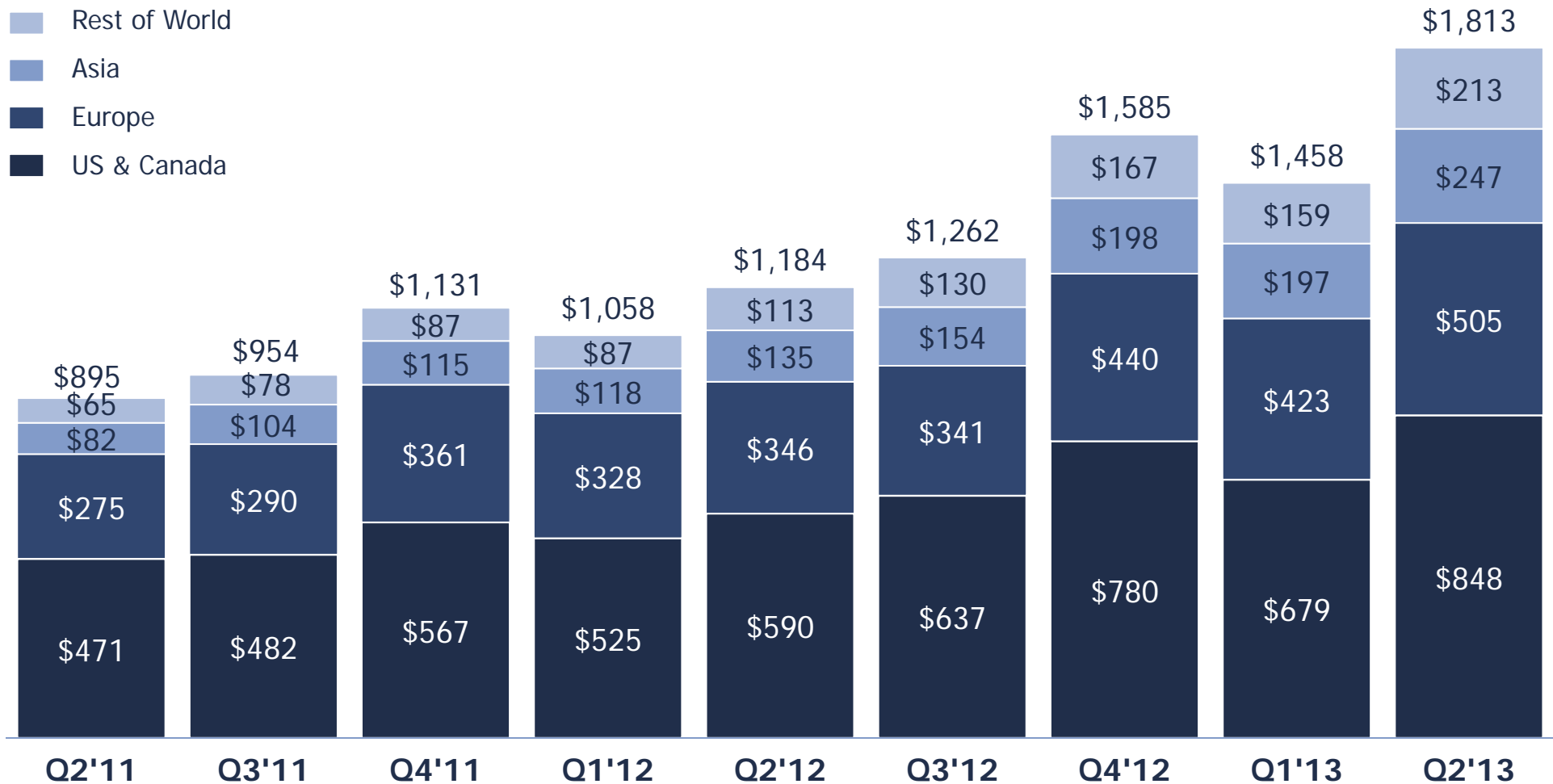
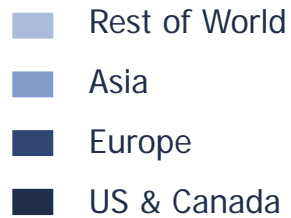


*In the fourth quarter of 2012 we recognized revenue from four months of Payments transactions for accounting reasons detailed on pages 47 and 48 of our Form 10-K filed on February 1, 2013.

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Revenue by User Geography

In Millions

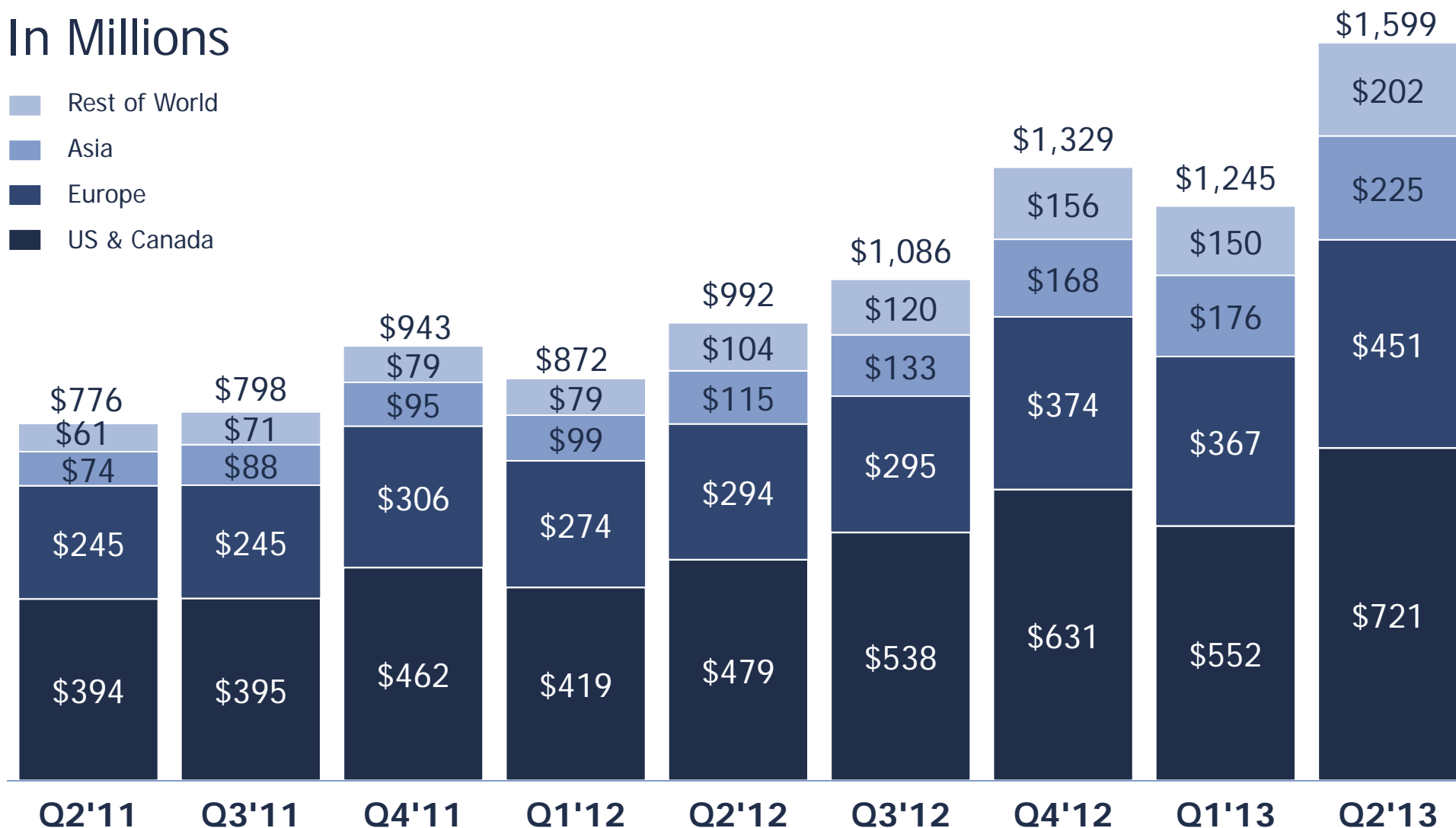
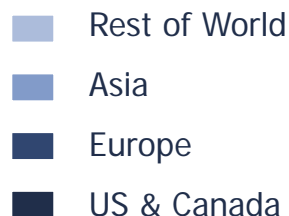


Revenue by user geography is geographically apportioned based on our estimation of the geographic location of our users when they perform a revenue-generating activity. This allocation differs from our revenue by geography disclosure in our condensed consolidated financial statements where revenue is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

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Advertising Revenue by User Geography

In Millions

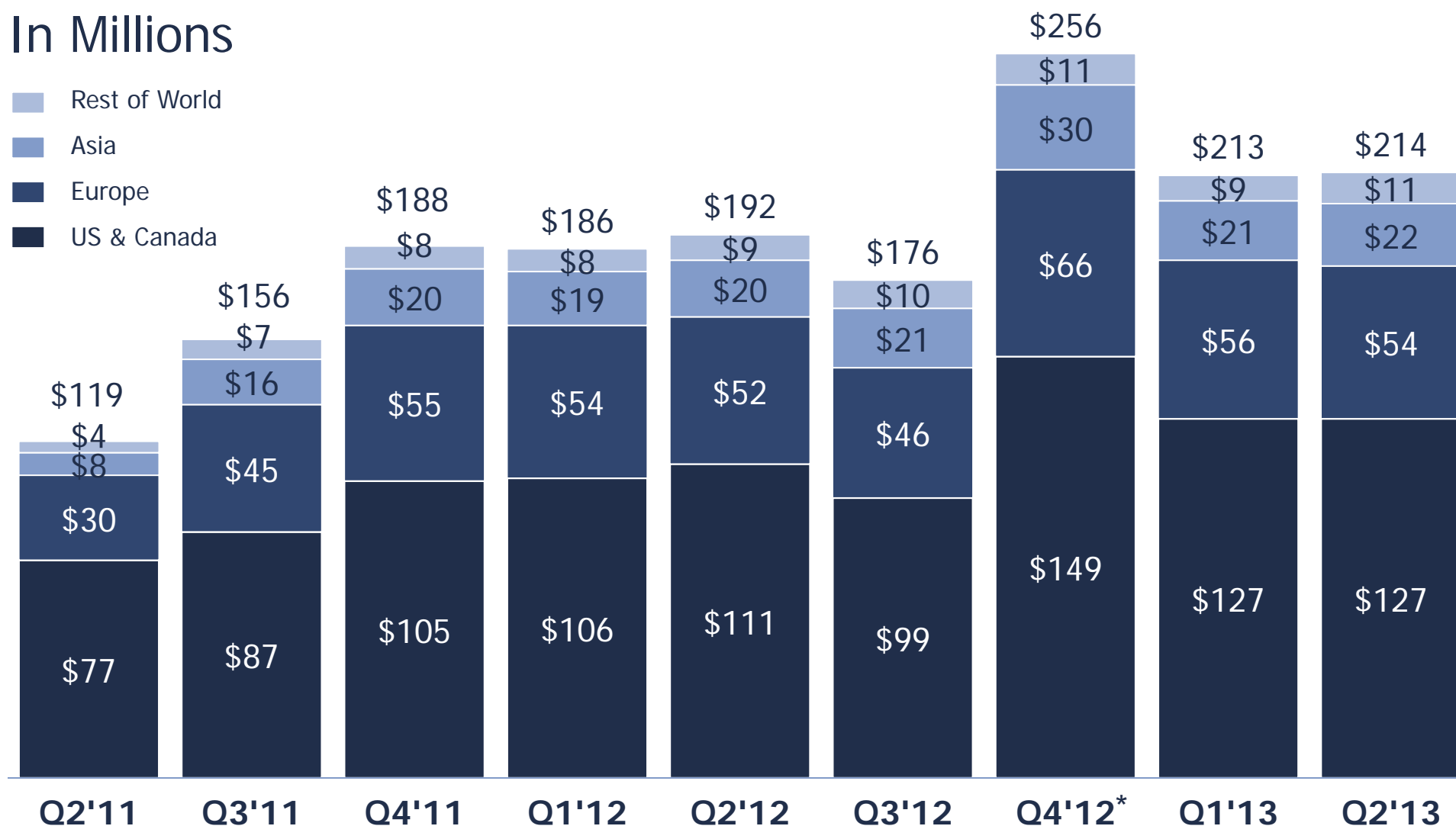
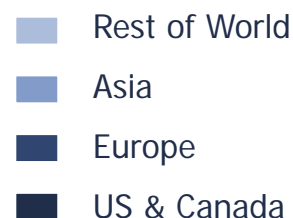


Revenue by user geography is geographically apportioned based on our estimation of the geographic location of our users when they perform a revenue-generating activity. This allocation differs from our revenue by geography disclosure in our condensed consolidated financial statements where revenue is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

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Payments & Other Revenue by User Geography

In Millions



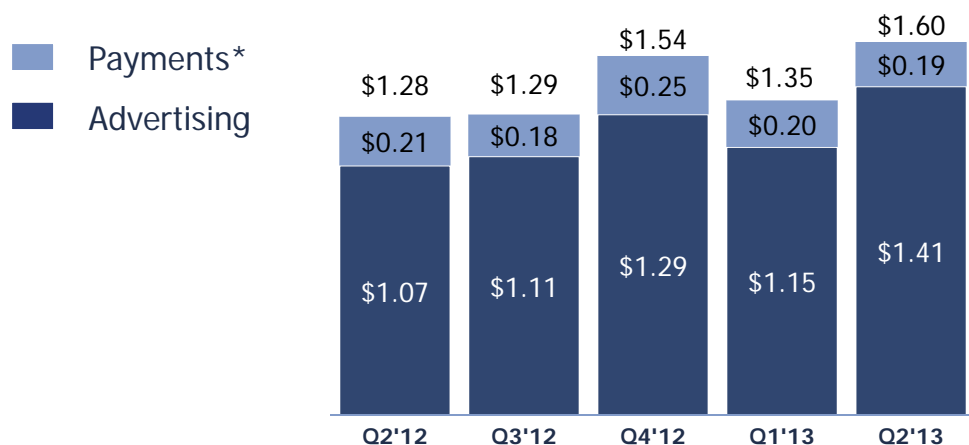
Revenue by user geography is geographically apportioned based on our estimation of the geographic location of our users when they perform a revenue-generating activity. This allocation differs from our revenue by geography disclosure in our condensed consolidated financial statements where revenue is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

*In the fourth quarter of 2012 we recognized revenue from four months of Payments transactions for accounting reasons detailed on pages 47 and 48 of our Form 10-K filed on February 1, 2013.

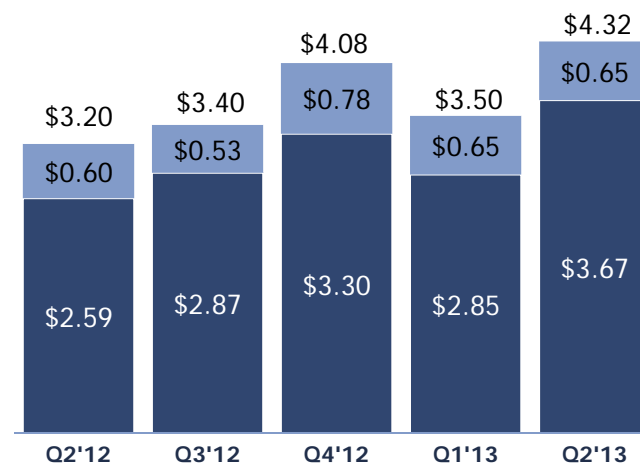
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Average Revenue per User (ARPU)

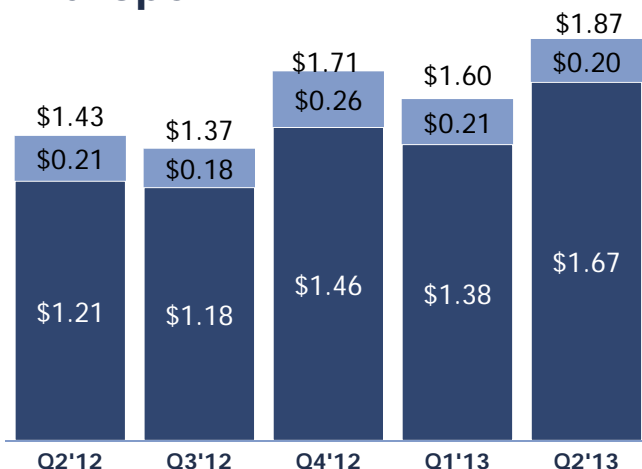
Worldwide



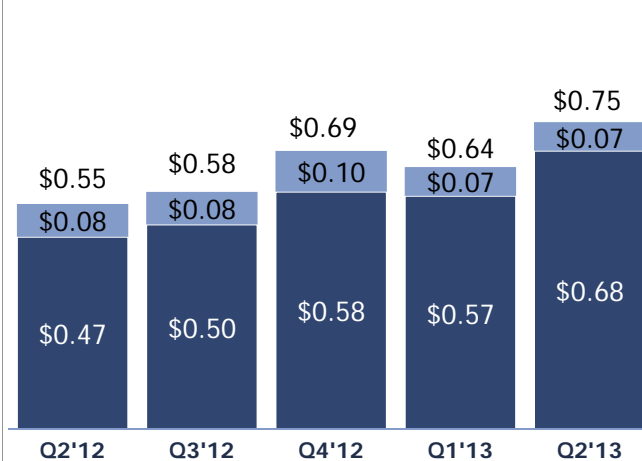
US & Canada



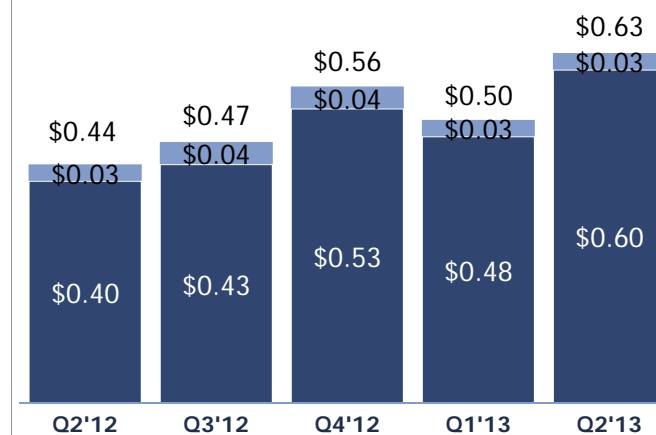
Europe



Asia



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 Form 10-Q for the quarter ended June 30, 2013 for the definition of ARPU.

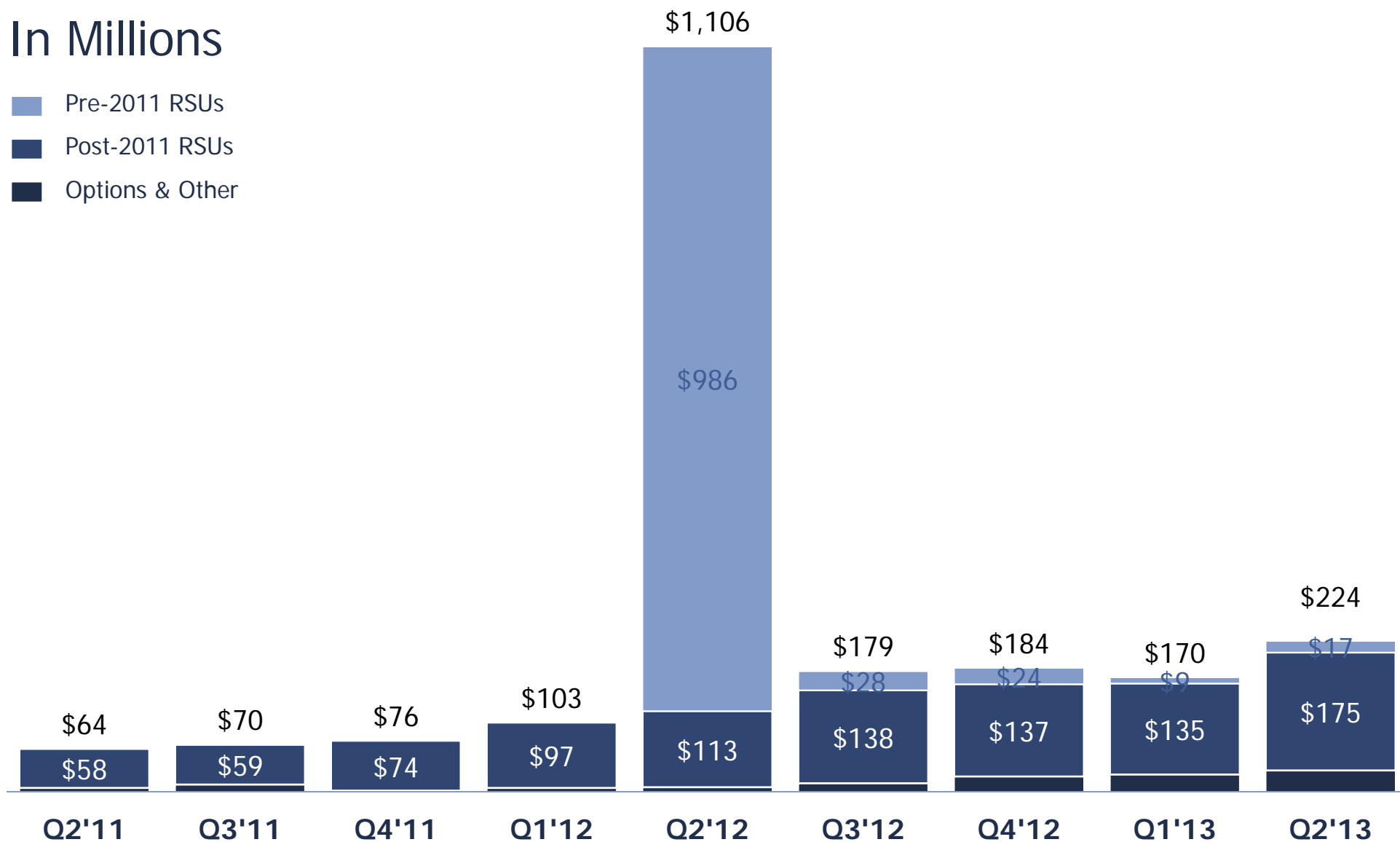
* In the fourth quarter of 2012 we recognized revenue from four months of Payments transactions for accounting reasons detailed on pages 47 and 48 of our Form 10-K filed on February 1, 2013.

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Share-Based Compensation Expense

In Millions

- Pre-2011 RSUs
- Post-2011 RSUs
- Options & Other

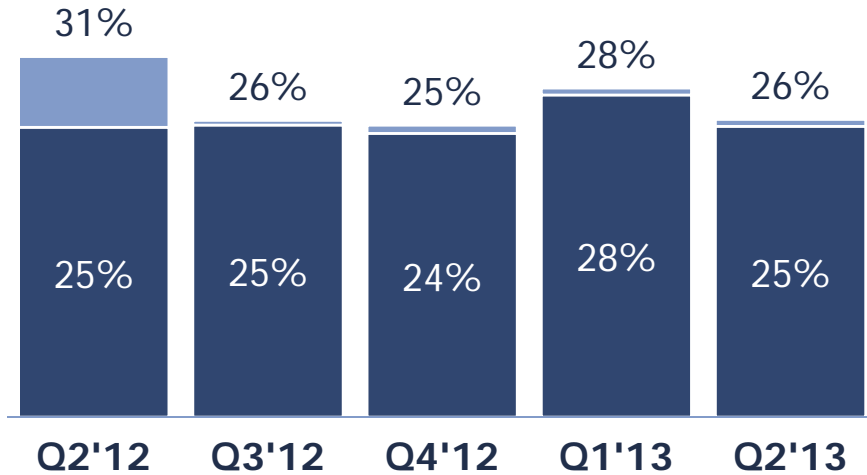


Expenses as a % of Revenue

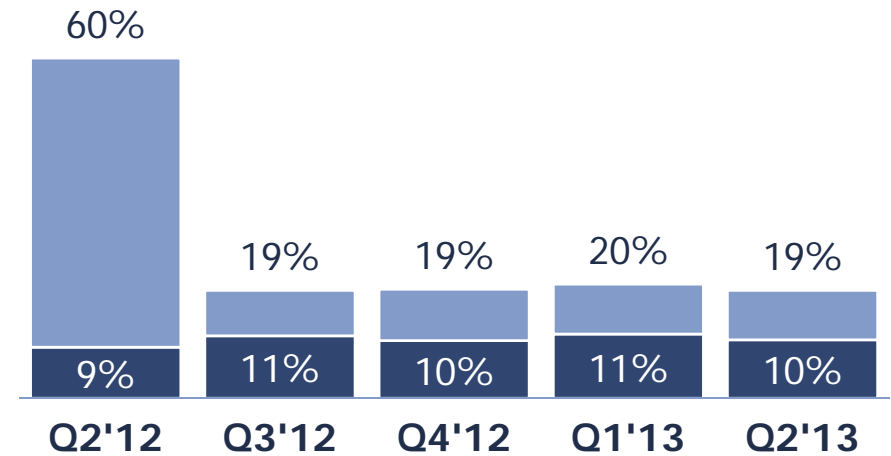
■ Share-based compensation + Payroll tax related to share-based compensation

■ All other expenses

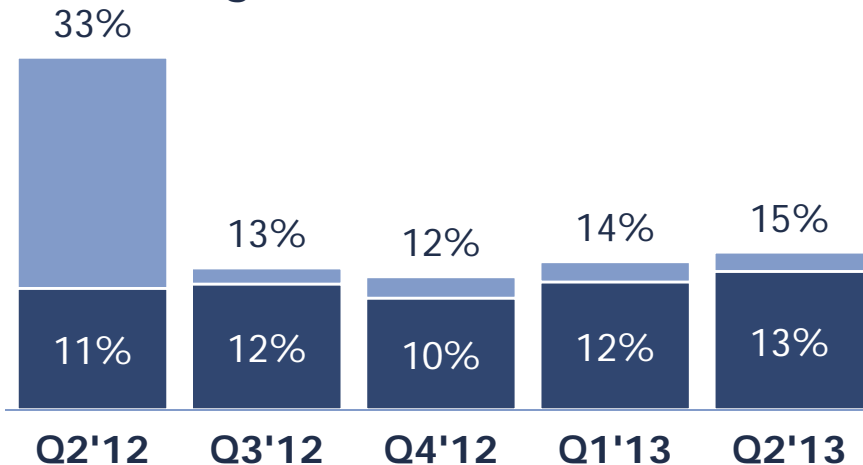
Cost of Revenue



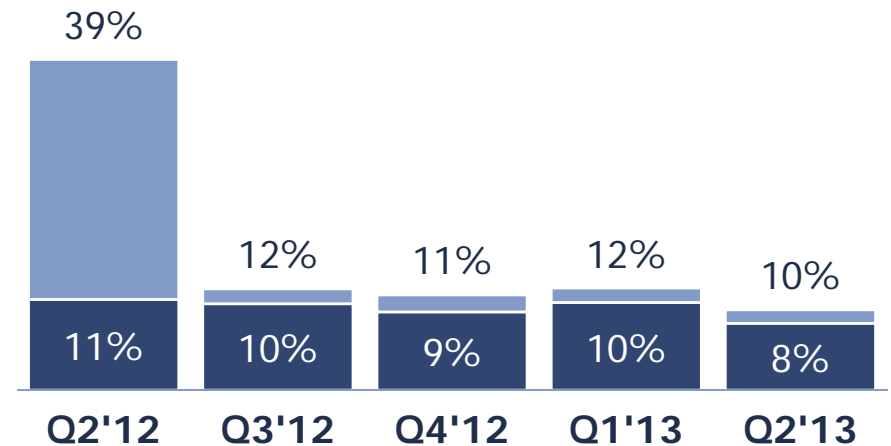
Research & Development



Marketing & Sales

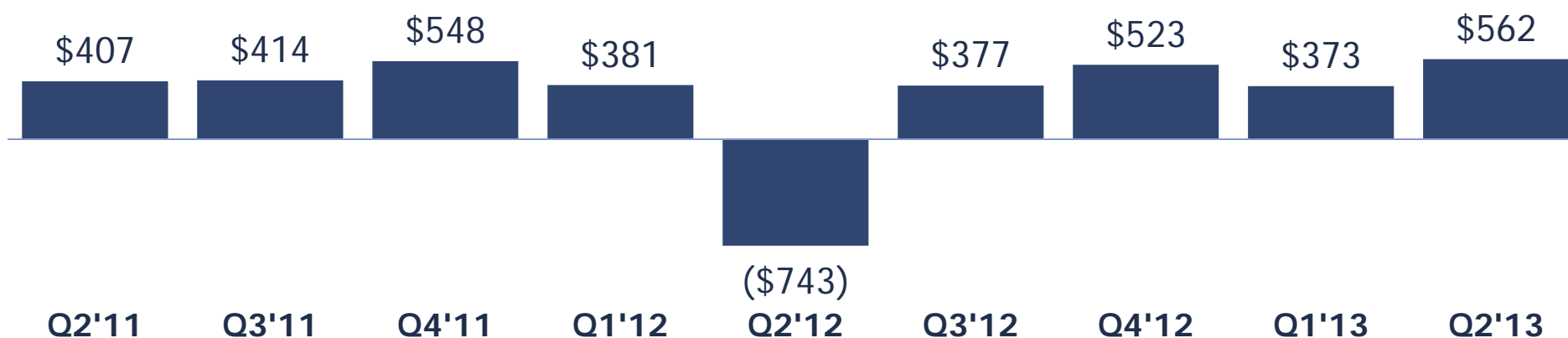


General & Administrative

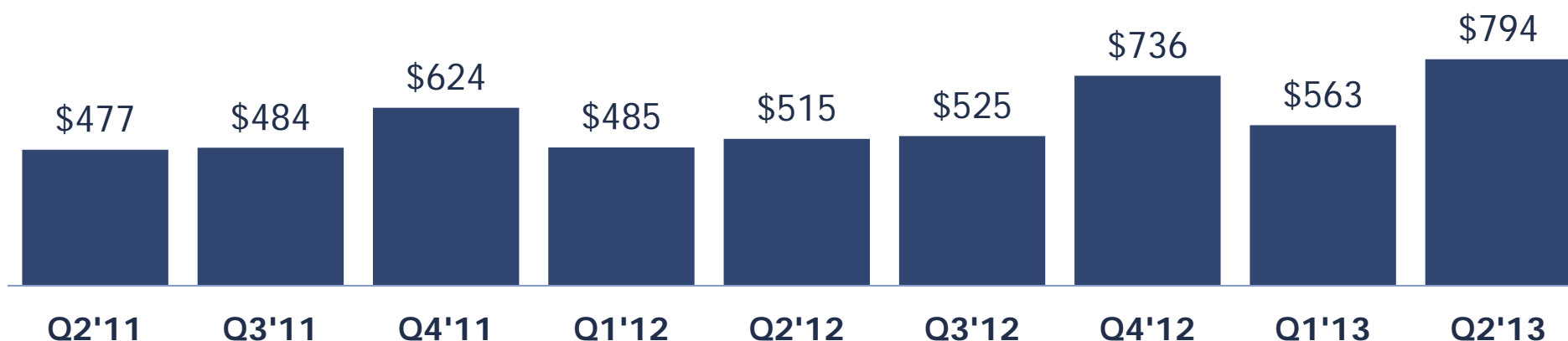


Income (Loss) from Operations

GAAP Income (Loss) from Operations (in millions)



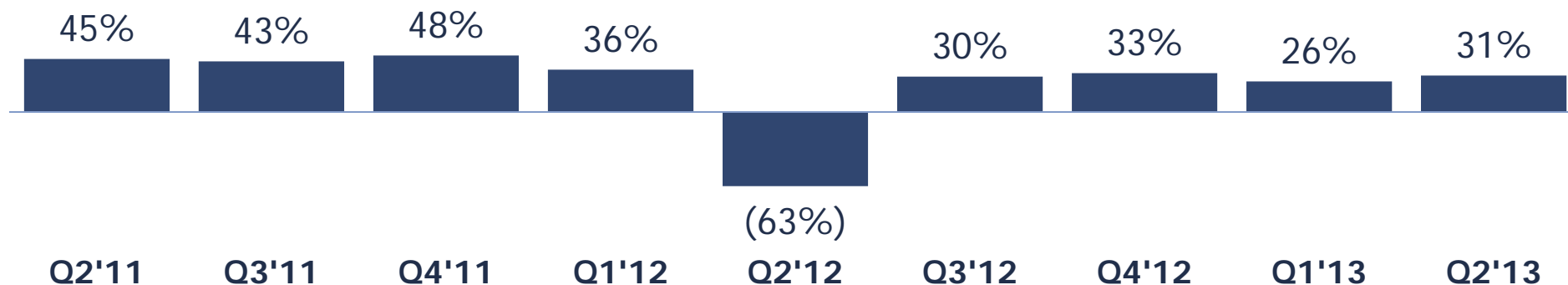
Non-GAAP Income from Operations (in millions)



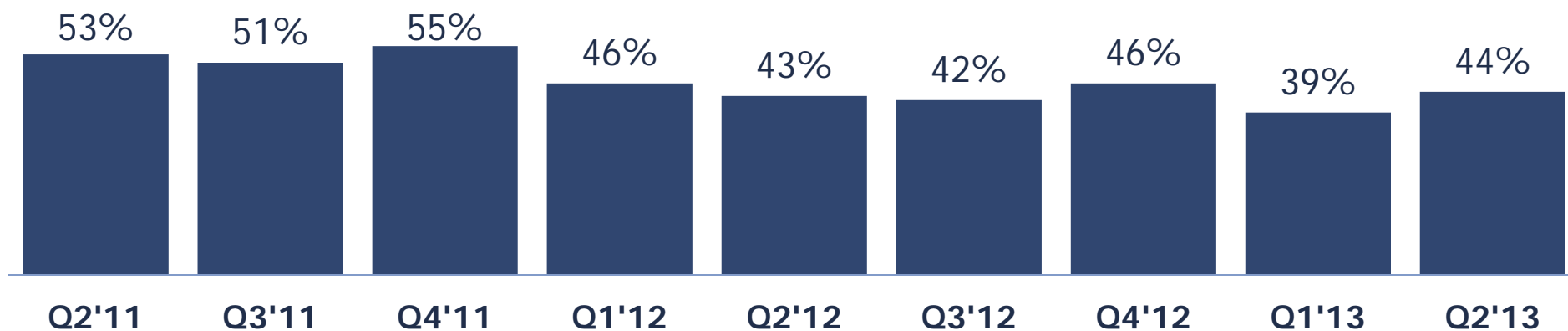
Non-GAAP income (loss) from operations excludes share-based compensation expense, payroll tax expenses related to share-based compensation, and related income tax adjustments—see the Appendix for a reconciliation of this non-GAAP measure to GAAP income (loss) from operations.

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 related income tax adjustments—see the Appendix for a reconciliation of this non-GAAP measure to GAAP operating margin.

Effective Tax Rate

GAAP Effective Tax Rate

(\$ in millions)

GAAP (loss) income before provision for income taxes

GAAP (provision for) benefit from income taxes

Effective Tax Rate

Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	FY 2011	FY 2012
\$ (765)	\$ 372	\$ 505	353	545	1,695	494
608	(431)	(441)	(134)	(212)	(695)	(441)
79%	116%	87%	38%	39%	41%	89%

Non-GAAP Effective Tax Rate

(\$ in millions)

Non-GAAP income before provision for income taxes

Non-GAAP provision for income taxes

Effective Tax Rate

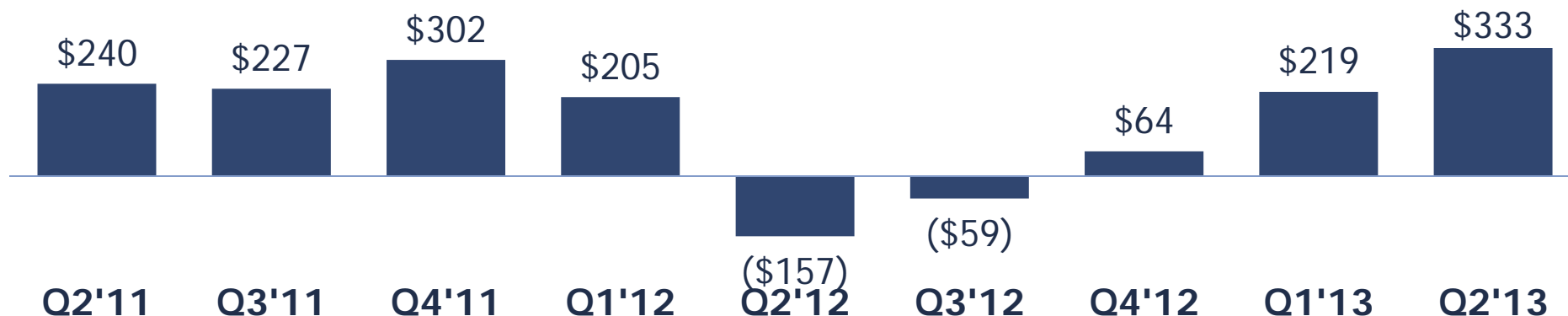
Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	FY 2011	FY 2012
493	520	718	543	777	1,919	2,217
198	209	292	231	289	755	900
40%	40%	41%	43%	37%	39%	41%

Q2'12 through Q4'12 GAAP effective tax rates were influenced by significant share-based compensation expense resulting from our initial public offering, a portion of which is not tax-deductible—see the Appendix for a reconciliation of this non-GAAP measure to GAAP effective tax rate.

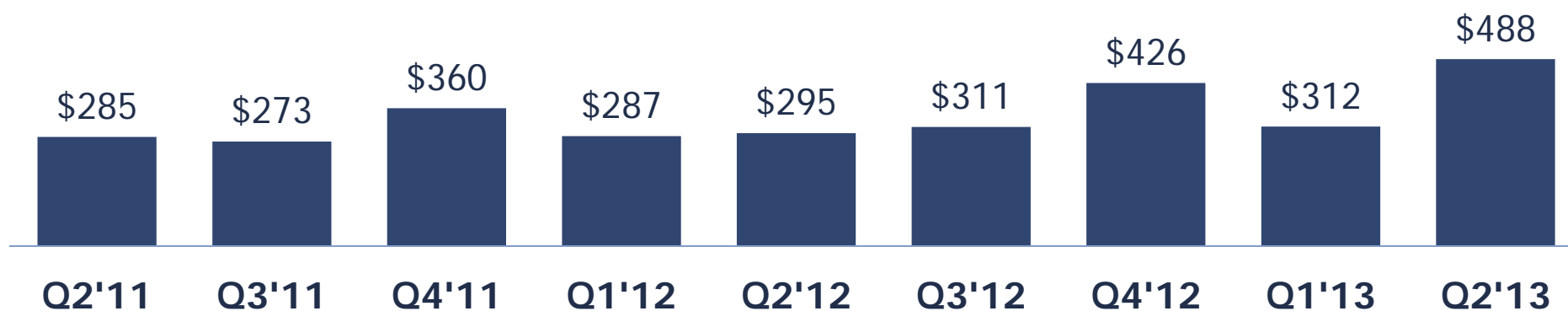
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Net Income (Loss)

GAAP Net Income (Loss) (in millions)



Non-GAAP Net Income (in millions)

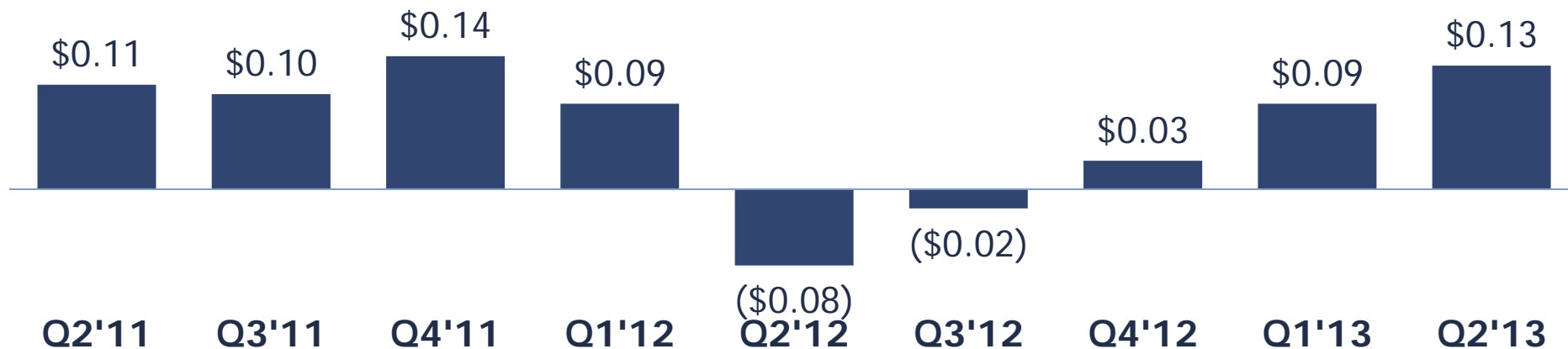


Non-GAAP net income excludes share-based compensation expense, payroll tax expenses related to share-based compensation, and related income tax adjustments—see the Appendix for a reconciliation of this non-GAAP measure to GAAP net income.

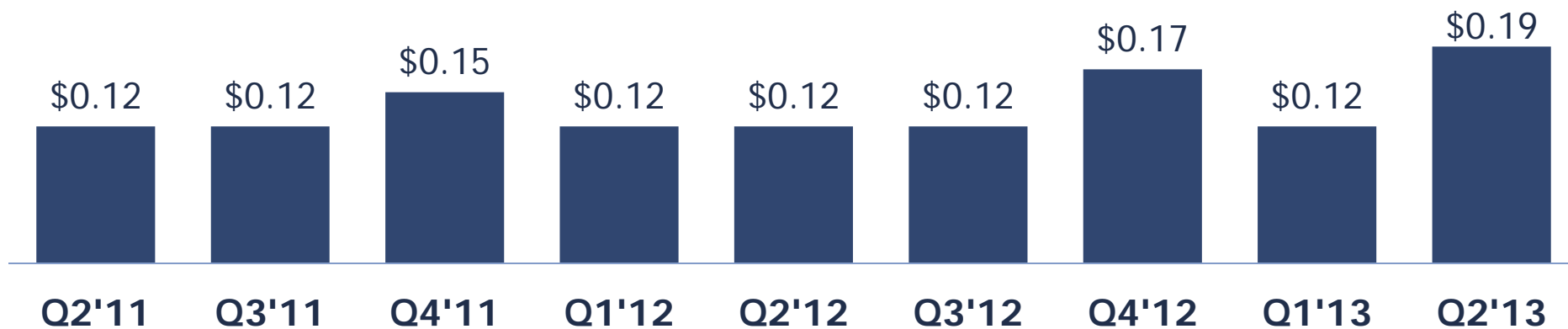
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Diluted EPS

GAAP Diluted EPS



Non-GAAP Diluted EPS

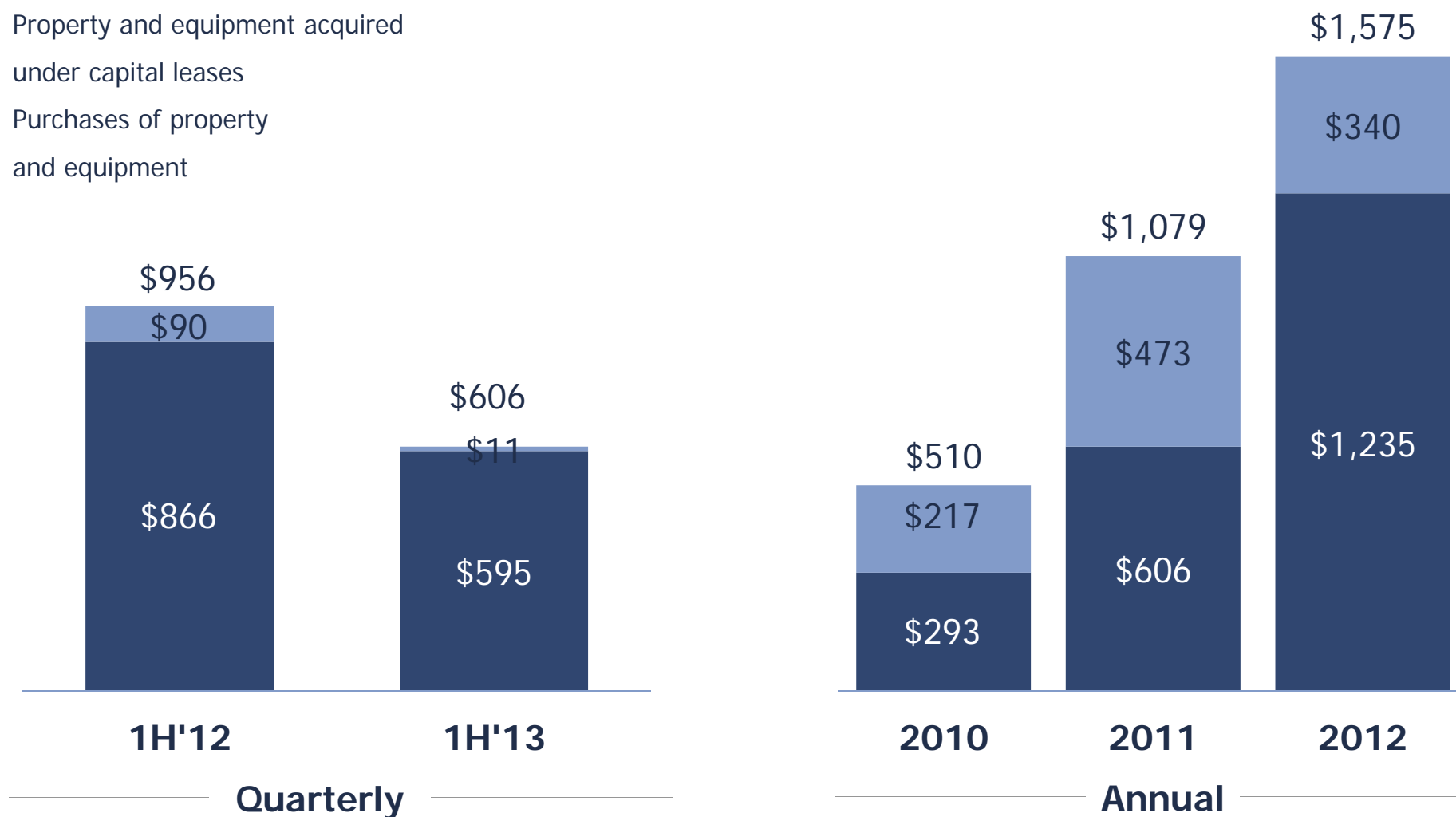


Non-GAAP diluted EPS excludes share-based compensation expense, payroll tax expenses related to share-based compensation, and related income tax adjustments—see the Appendix for a reconciliation of this non-GAAP measure to GAAP diluted EPS.

Capital Investments

Millions of Dollars

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



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Appendix

Reconciliations

Income from Operations *(in millions)*

	Q2'11	Q3'11	Q4'11	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13	Q2'13
GAAP income (loss) from operations	\$ 407	\$ 414	\$ 548	\$ 381	\$ (743)	\$ 377	\$ 523	\$ 373	\$ 562
Share-based compensation expense	64	70	76	103	1,106	179	184	170	224
Payroll tax expenses related to share-based compensation	6	-	-	1	152	(31)	29	20	8
Non-GAAP income from operations	\$ 477	\$ 484	\$ 624	\$ 485	\$ 515	\$ 525	\$ 736	\$ 563	\$ 794

Operating Margins

	Q2'11	Q3'11	Q4'11	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13	Q2'13
GAAP operating margin	45%	43%	48%	36%	(63%)	30%	33%	26%	31%
Share-based compensation expense	7%	7%	7%	10%	93%	14%	12%	12%	12%
Payroll tax expenses related to share-based compensation	1%	0%	0%	0%	13%	(2%)	2%	1%	0%
Non-GAAP operating margin	53%	51%	55%	46%	43%	42%	46%	39%	44%

Net Income (Loss) *(in millions)*

	Q2'11	Q3'11	Q4'11	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13	Q2'13
GAAP net income (loss)	\$ 240	\$ 227	\$ 302	\$ 205	\$ (157)	\$ (59)	\$ 64	\$ 219	\$ 333
Share-based compensation expense	64	70	76	103	1,106	179	184	170	224
Payroll tax expenses related to share-based compensation	6	-	-	1	152	(31)	29	20	8
Income tax adjustments	(25)	(24)	(18)	(22)	(806)	222	149	(97)	(77)
Non-GAAP net income	\$ 285	\$ 273	\$ 360	\$ 287	\$ 295	\$ 311	\$ 426	\$ 312	\$ 488

Diluted Earnings (Loss) Per Share

	Q2'11	Q3'11	Q4'11	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13	Q2'13
GAAP diluted earnings (loss) per share	\$ 0.11	\$ 0.10	\$ 0.14	\$ 0.09	\$ (0.08)	\$ (0.02)	\$ 0.03	\$ 0.09	\$ 0.13
Net income attributable to participating securities	0.05	0.05	0.05	0.04	-	-	-	-	-
Non-GAAP adjustments to net income (loss)	0.03	0.03	0.04	0.05	0.24	0.15	0.14	0.03	0.06
Non-GAAP adjustments to diluted shares	(0.07)	(0.06)	(0.08)	(0.06)	(0.04)	(0.01)	-	-	-
Non-GAAP diluted earnings per share	\$ 0.12	\$ 0.12	\$ 0.15	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.17	\$ 0.12	\$ 0.19

Reconciliations (continued)

Effective Tax Rate *(in millions)*

	<u>Q2'12</u>	<u>Q3'12</u>	<u>Q4'12</u>	<u>Q1'13</u>	<u>Q2'13</u>	<u>FY2011</u>	<u>FY2012</u>
GAAP (loss) income before tax	\$ (765)	\$ 372	\$ 505	\$ 353	\$ 545	\$ 1,695	\$ 494
GAAP benefit from (provision for) income taxes	608	(431)	(441)	(134)	(212)	(695)	(441)
GAAP effective tax rate	<u>79%</u>	<u>116%</u>	<u>87%</u>	<u>38%</u>	<u>39%</u>	<u>41%</u>	<u>89%</u>
GAAP benefit from (provision for) income taxes	\$ (765)	\$ 372	\$ 505	\$ 353	\$ 545	\$ 1,695	\$ 494
Share-based compensation and related payroll tax expenses	1,258	148	213	190	232	224	1,723
Non-GAAP income before provision for income taxes	<u>\$ 493</u>	<u>\$ 520</u>	<u>\$ 718</u>	<u>\$ 543</u>	<u>\$ 777</u>	<u>\$ 1,919</u>	<u>\$ 2,217</u>
Non-GAAP provision for income taxes	198	209	292	231	289	755	900
Non-GAAP effective tax rate	<u>40%</u>	<u>40%</u>	<u>41%</u>	<u>43%</u>	<u>37%</u>	<u>39%</u>	<u>41%</u>

Limitations of Key Metrics and Other Data

The numbers for our key metrics, daily active users (DAUs), monthly active users (MAUs), mobile MAUs, and average revenue per user (ARPU), and certain other metrics such as mobile 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, despite our efforts to detect and suppress such behavior. We estimate, for example, that “duplicate” accounts (an account that a user maintains in addition to his or her principal account) may have represented approximately 5.0% of our worldwide MAUs as of December 31, 2012. 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. As of December 31, 2012, for example, we estimate user-misclassified accounts may have represented approximately 1.3% of our worldwide MAUs and undesirable accounts may have represented approximately 0.9% 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 Australia and higher in developing markets such as Indonesia 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 be affected by improvements or changes in our methodology.

Limitations of Key Metrics and Other Data (cont.)

Some of our historical metrics through the second quarter of 2012 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. For example, we estimate that less than 5% of our estimated worldwide DAUs as of December 31, 2011 and 2010 resulted from this type of automatic mobile activity, and that this type of activity had a substantially smaller effect on our estimate of worldwide MAUs and mobile MAUs. 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. For example, in early June 2012, we discovered an error in the algorithm we used to estimate the geographic location of our users that affected our attribution of certain user locations for the period ended March 31, 2012. While this issue did not affect our overall worldwide MAU and DAU numbers, it did affect our attribution of users to different geographic regions. We estimate that the number of MAUs as of March 31, 2012 for the United States & Canada region was overstated as a result of the error by approximately 3% and this overstatement was offset by understatements in other regions. In addition, our estimates for revenue by user location are also affected by these factors. We regularly review and may adjust our processes for calculating these metrics to improve their accuracy. In addition, our MAU and DAU 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, MAUs, mobile DAUs, mobile MAUs, and mobile-only MAUs discussed in these slides, as well as ARPU, do not include users of Instagram unless they would otherwise qualify as such users, respectively, based on their other activities on Facebook.

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