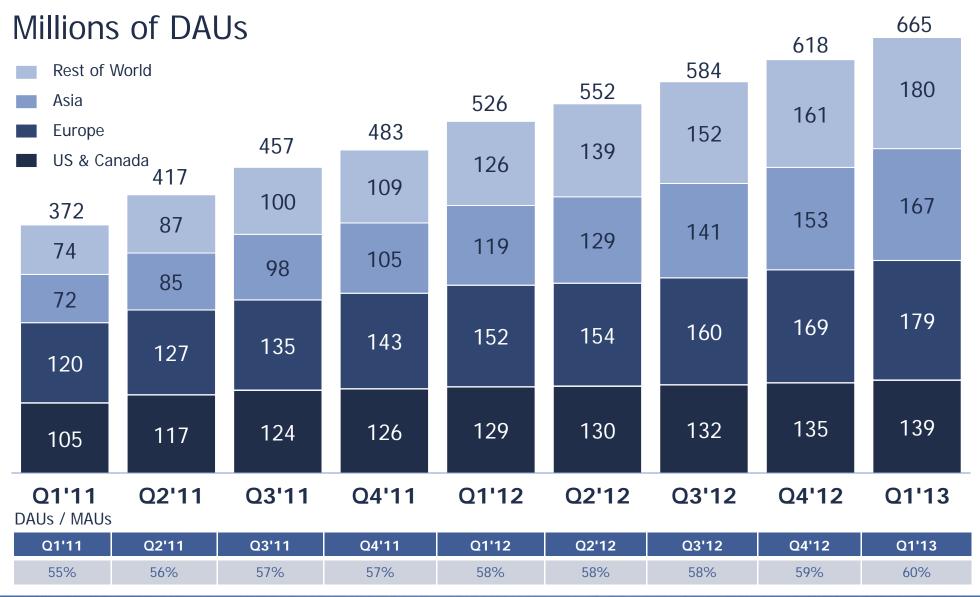
# facebook。 Quarterly Earnings Slides Q1 2013

#### 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)

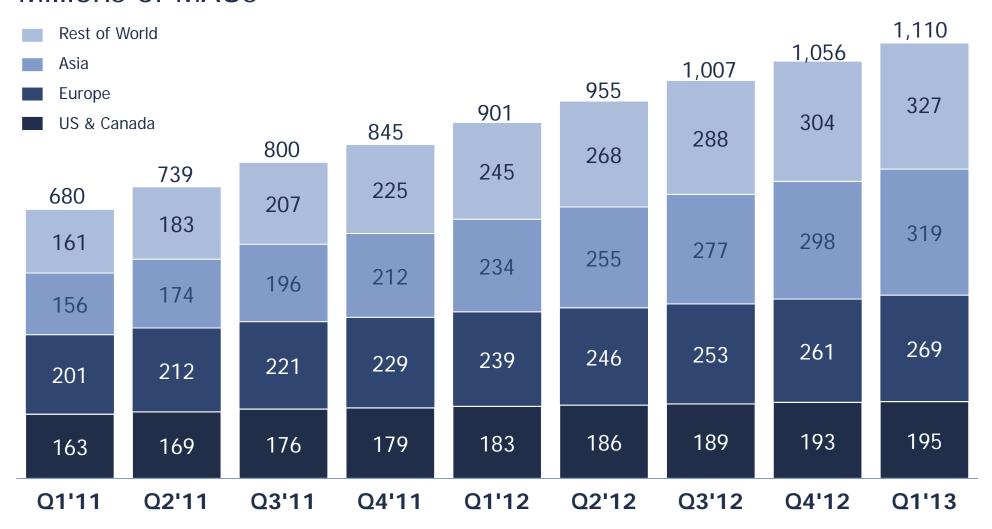


Please see Facebook's Form 10-Q for the quarter ended March 31, 2013 for definitions of user activity used to determine the number of our MAUs, DAUs and mobile MAUs. The number of MAUs, DAUs, and mobile MAUs do not include Instagram users unless such users would otherwise qualify as MAUs, DAUs, and mobile MAUs based on activity that is shared back to Facebook.



## Monthly Active Users (MAUs)

#### Millions of MAUs



Please see Facebook's Form 10-Q for the quarter ended March 31, 2013 for definitions of user activity used to determine the number of our MAUs, DAUs and mobile MAUs. The number of MAUs, DAUs, and mobile MAUs do not include Instagram users unless such users would otherwise qualify as MAUs, DAUs, and mobile MAUs based on activity that is shared back to Facebook.



## Mobile Monthly Active Users (Mobile MAUs)

#### Millions of Mobile MAUs



Please see Facebook's Form 10-Q for the quarter ended March 31, 2013 for definitions of user activity used to determine the number of our MAUs, DAUs and mobile MAUs. The number of MAUs, DAUs, and mobile MAUs do not include Instagram users unless such users would otherwise qualify as MAUs, DAUs, and mobile MAUs based on activity that is shared back to Facebook.



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

#### Millions of Mobile Only MAUs



Mobile Only MAUs are mobile MAUs that accessed Facebook solely through mobile apps or our mobile website.

#### Revenue

#### Millions of Dollars

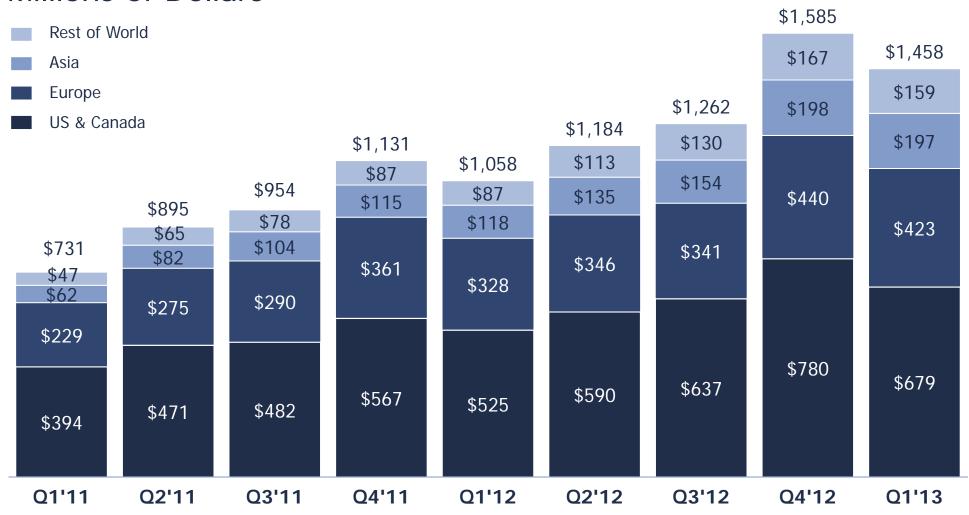


<sup>\*</sup>In the fourth quarter of 2012 we recognized revenue from four months of Payments transactions for accounting reasons detailed on pages 47 and 48 of our Form 10-K filed on February 1, 2013.



## Revenue by User Geography

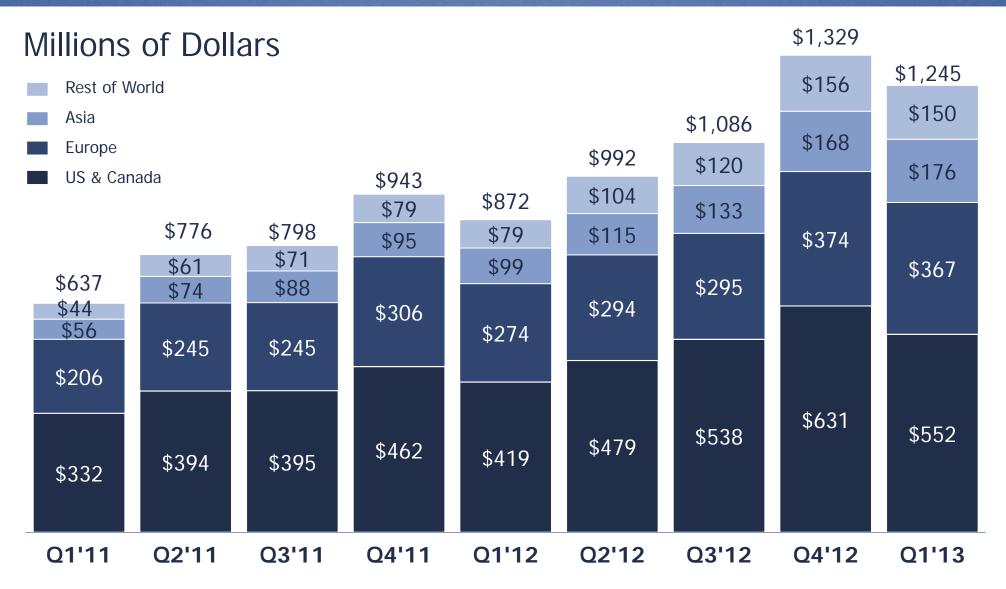
#### Millions of Dollars



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 consolidated financial statements where revenue is geographically apportioned based on the location of the advertiser or developer.



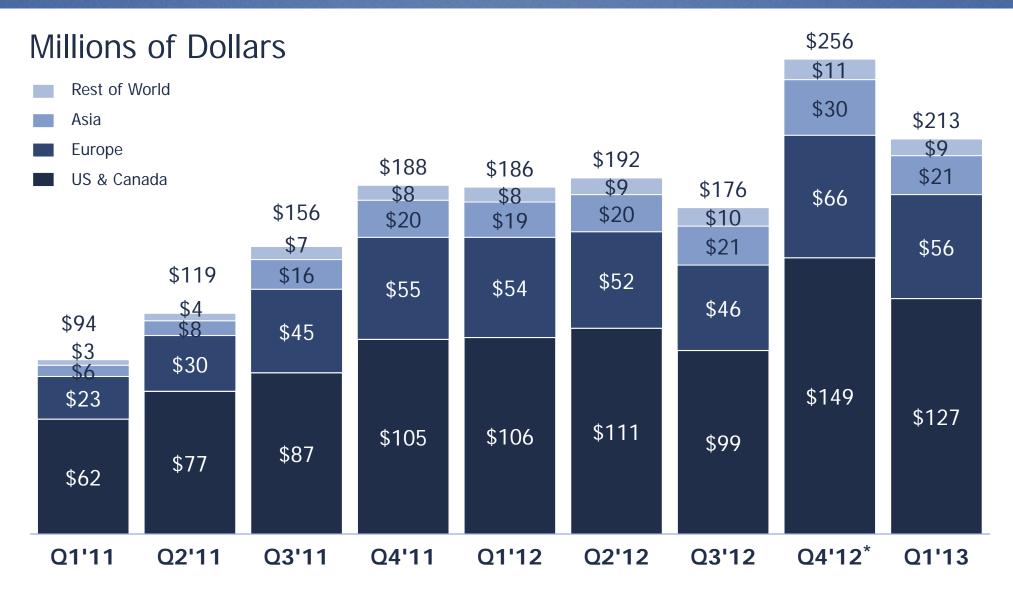
## Advertising Revenue by User Geography



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 consolidated financial statements where revenue is geographically apportioned based on the location of the advertiser or developer.



## Payments & Other Revenue by User Geography



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 consolidated financial statements where revenue is geographically apportioned based on the location of the advertiser or developer.

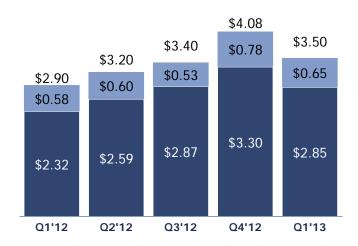
### Average Revenue per User (ARPU)



Advertising



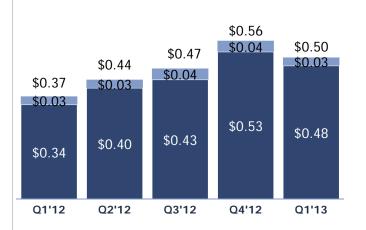
#### **US & Canada**







#### **Rest of World**

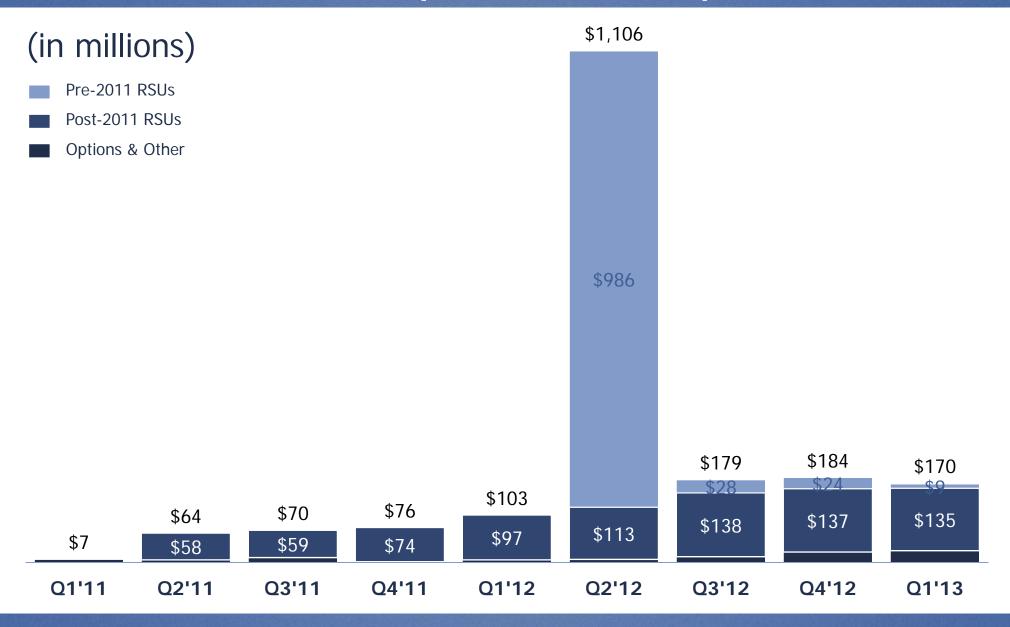


Revenue by user geography is geographically apportioned based on our estimation of the geographic location of our users when they perform a revenue-generating activity. This allocation differs from our revenue by geography disclosure in our consolidated financial statements where revenue is geographically apportioned based on the location of the advertiser or developer. Please see Facebook's Form 10-Q for the quarter ended March 31, 2013 for the definition of ARPU.

facebook.

\*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.

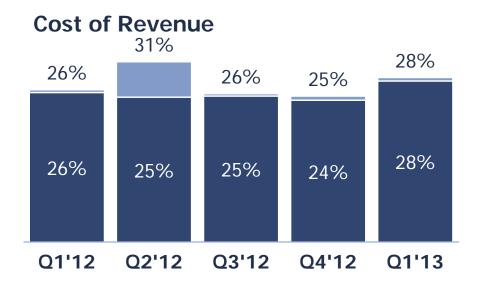
## Share-Based Compensation Expense

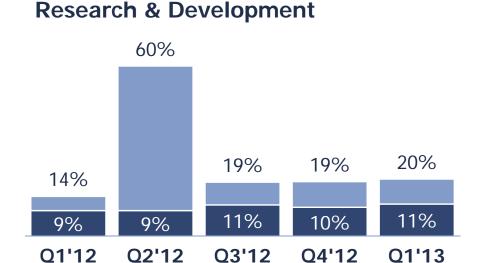


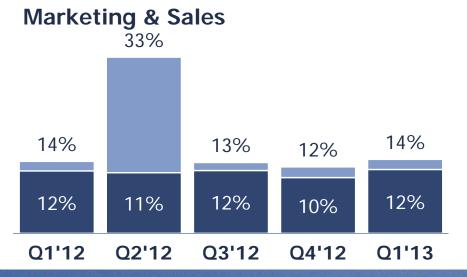
### Expenses as a % of Revenue

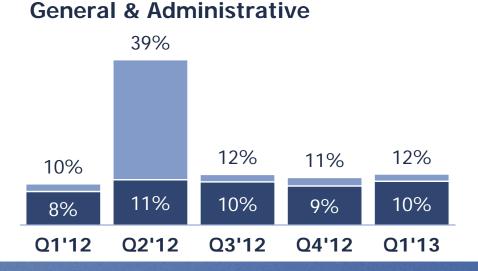
Share-based compensation + Payroll tax related to share-based compensation

All other expenses



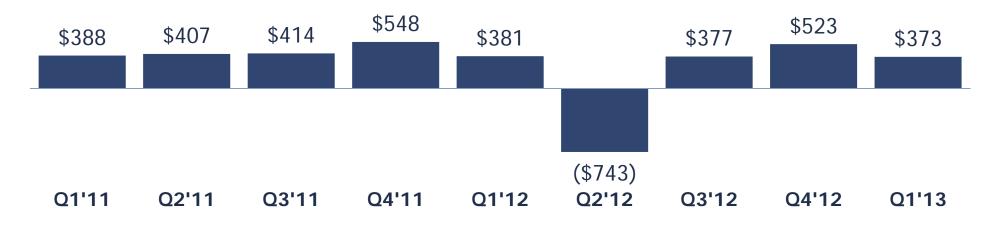




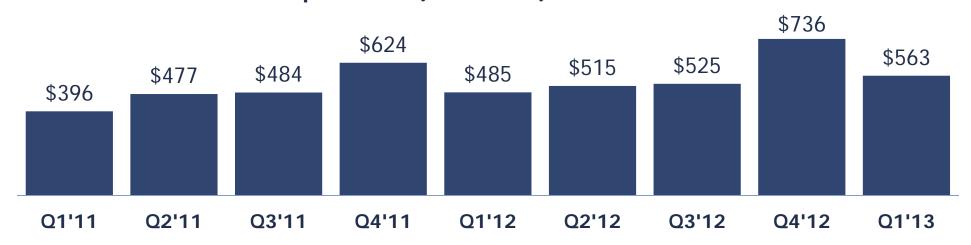


## Income (Loss) from Operations

#### **GAAP Income (Loss) from Operations (in millions)**



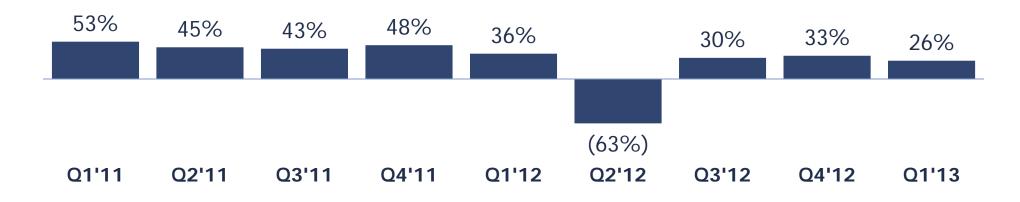
#### Non-GAAP Income from Operations (in millions)





## Operating Margin

#### **GAAP Operating Margin**



#### **Non-GAAP Operating Margin**





#### Effective Tax Rate

#### **GAAP Effective Tax Rate**

	Q1	Q2	Q3	Q4	Q1	FY	FY
(\$ in millions)	2012	2012	2012	2012	2013	2011	2012
GAAP income (loss) before provision for income taxes	382	(765)	372	505	353	1,695	494
GAAP provision for (benefit from) income taxes	177	(608)	431	441	134	695	441
Effective Tax Rate	46%	79%	116%	87%	38%	41%	89%

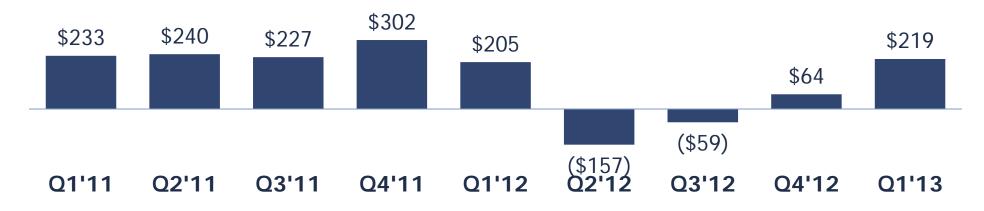
#### **Non-GAAP Effective Tax Rate**

	Q1	Q2	Q3	Q4	Q1	FY	FY
(\$ in millions)	2012	2012	2012	2012	2013	2011	2012
Non-GAAP income before provision for income taxes	486	493	520	718	543	1,919	2,217
Non-GAAP provision for income taxes	199	198	209	292	231	755	900
Effective Tax Rate	41%	40%	40%	41%	43%	39%	41%

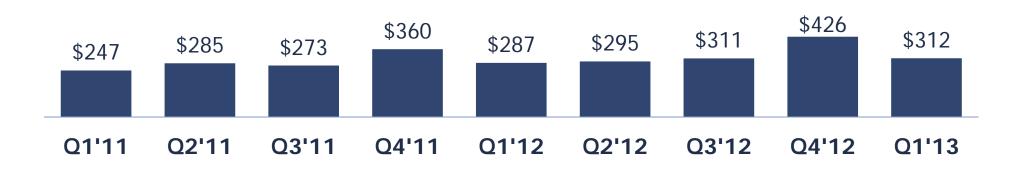


## Net Income (Loss)

#### **GAAP Net Income (Loss) (in millions)**



#### Non-GAAP Net Income (in millions)



#### Diluted EPS

#### **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.

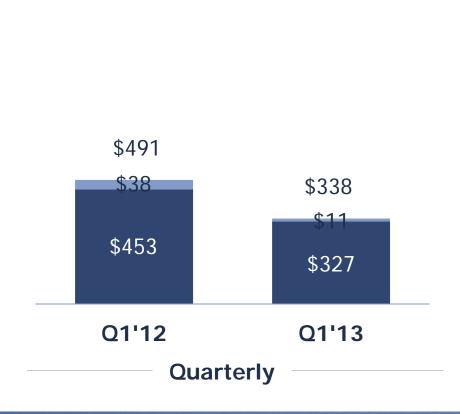


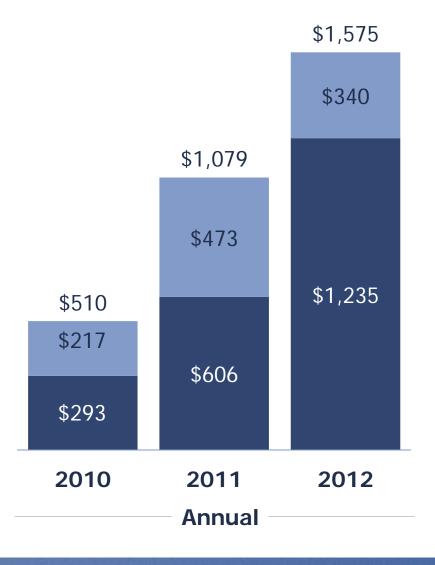
## Capital Investments

#### Millions of Dollars

Property and equipment acquired under capital leases

Purchases of propertyand equipment





## facebook. Appendix

## Reconciliations

Income from Operations (in millions)	Q	1'11	(	Q2'11	C	3'11	C	Q4'11	C	1'12	(	Q2'12	C	23'12	c	Q4'12	C	21'13
GAAP income (loss) from operations	\$	388	\$	407	\$	414	\$	548	\$	381	\$	(743)	\$	377	\$	523	\$	373
Share-based compensation expense		7		64		70		76		103		1,106		179		184		170
Payroll tax expenses related to share-based compensation		1		6		-		-		1		152		(31)		29		20
Non-GAAP income from operations	\$	396	\$	477	\$	484	\$	624	\$	485	\$	515	\$	525	\$	736	\$	563
Operating Margins	Q	1'11	(	Q2'11	C	3'11	G	Q4'11	C	1'12	(	Q2'12	c	Q3'12	c	Q4'12	C	Q1'13
GAAP operating margin		53%		45%		43%		48%		36%		(63%)		30%		33%		26%
Share-based compensation expense		1%		7%		7%		7%		10%		93%		14%		12%		12%
Payroll tax expenses related to share-based compensation		0%		1%		0%		0%		0%		13%		(2%)		2%		1%
Non-GAAP operating margin		54%		53%		51%		55%		46%		43%		42%		46%		39%
Net Income (Loss) (in millions)	Q	1'11	(	Q2'11	c	3'11	G	Q4'11	C	1'12	(	Q2'12	G	23'12	G	Q4'12	c	Q1'13
GAAP net income (loss)	\$	233	\$	240	\$	227	\$	302	\$	205	\$	(157)	\$	(59)	\$	64	\$	219
Share-based compensation expense		7		64		70		76		103		1,106		179		184		170
Payroll tax expenses related to share-based compensation		1		6		-		-		1		152		(31)		29		20
Income tax adjustments		6		(25)		(24)		(18)		(22)		(806)		222		149		(97)
Non-GAAP net income	\$	247	\$	285	\$	273	\$	360	\$	287	\$	295	\$	311	\$	426	\$	312
Diluted Share Count	Q	1'11	c	Q2'11	C	3'11	c	Q4'11	C	1'12	(	Q2'12	c	23'12	c	Q4'12	C	Q1'13
GAAP diluted shares		1,488		1,510		1,520		1,519		1,527		1,879		2,420		2,506		2,499
Assumed preferred stock conversion		548		550		548		545		546		273		· <u>-</u>		· <b>-</b>		· <u>-</u>
Dilutive securities excluded due to net loss		-		-		-		-		-		177		159		-		-
Dilutive equity awards excluded from GAAP1		245		277		278		286		233		122		-		-		-
Non-GAAP diluted shares		2,281		2,337		2,346		2,350		2,306		2,451		2,579		2,506		2,499
Diluted Earnings (Loss) Per Share	Q	1'11	(	Q2'11	c	3'11	c	Q4'11	C	1'12	(	Q2'12	c	23'12	c	Q4'12	c	Q1'13
GAAP diluted earnings (loss) per share	\$	0.11	\$	0.11	\$	0.10	\$	0.14	\$	0.09	\$	(80.0)	\$	(0.02)	\$	0.03	\$	0.09
Net income attributable to participating securities	*	0.05	•	0.05	•	0.05	•	0.05	•	0.04	,	-	•	-	,	-	•	-
Non-GAAP adjustments to net income		0.01		0.03		0.03		0.04		0.05		0.24		0.15		0.14		0.03
Non-GAAP adjustments to diluted shares		(0.06)		(0.07)		(0.06)		(80.0)		(0.06)		(0.04)		(0.01)		-		-
Non-GAAP diluted earnings per share	\$	0.11	\$	0.12	\$	0.12	\$	0.15	\$	0.12	\$	0.12	\$	0.12	\$	0.17	\$	0.12



## Reconciliations (continued)

Effective Tax Rate (in millions)	C	Q1'12		Q2'12	C	3'12	C	<b>(4'12</b>	C	21'13	Y2011	F	Y2012
GAAP profit (loss) before tax	\$	382	\$	(765)	\$	372	\$	505	\$	353	\$ 1,695	\$	494
GAAP provision for (benefit from) income taxes		177		(608)		431		441		134	695		441
GAAP effective tax rate		46%		79%		116%		87%		38%	 41%		89%
GAAP profit (loss) before tax	\$	382	\$	(765)	\$	372	\$	505	\$	353	\$ 1,695	\$	494
Share-based compensation and related payroll tax expenses		104		1,258		148		213		190	224		1,723
Non-GAAP profit before tax	\$	486	\$	493	\$	520	\$	718	\$	543	\$ 1,919	\$	2,217
Non-GAAP provision for income taxes		199		198		209		292		231	755		900
Non-GAAP effective tax rate		41%		40%		40%		41%		43%	39%		41%

## Limitations of Key Metrics

The numbers of our monthly active users (MAUs) and daily active users (DAUs) and average revenue per user (ARPU) 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 (continued)

Some of our historical metrics through the second guarter 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 number of MAUs, DAUs, mobile MAUs, and ARPU discussed in these slides do not include users of Instagram unless such users would otherwise quality as MAUs, DAUs, and mobile MAUs, respectively, based on activity that is shared back to Facebook.



## facebook®