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Quarterly Earnings Slides

Q3 2012

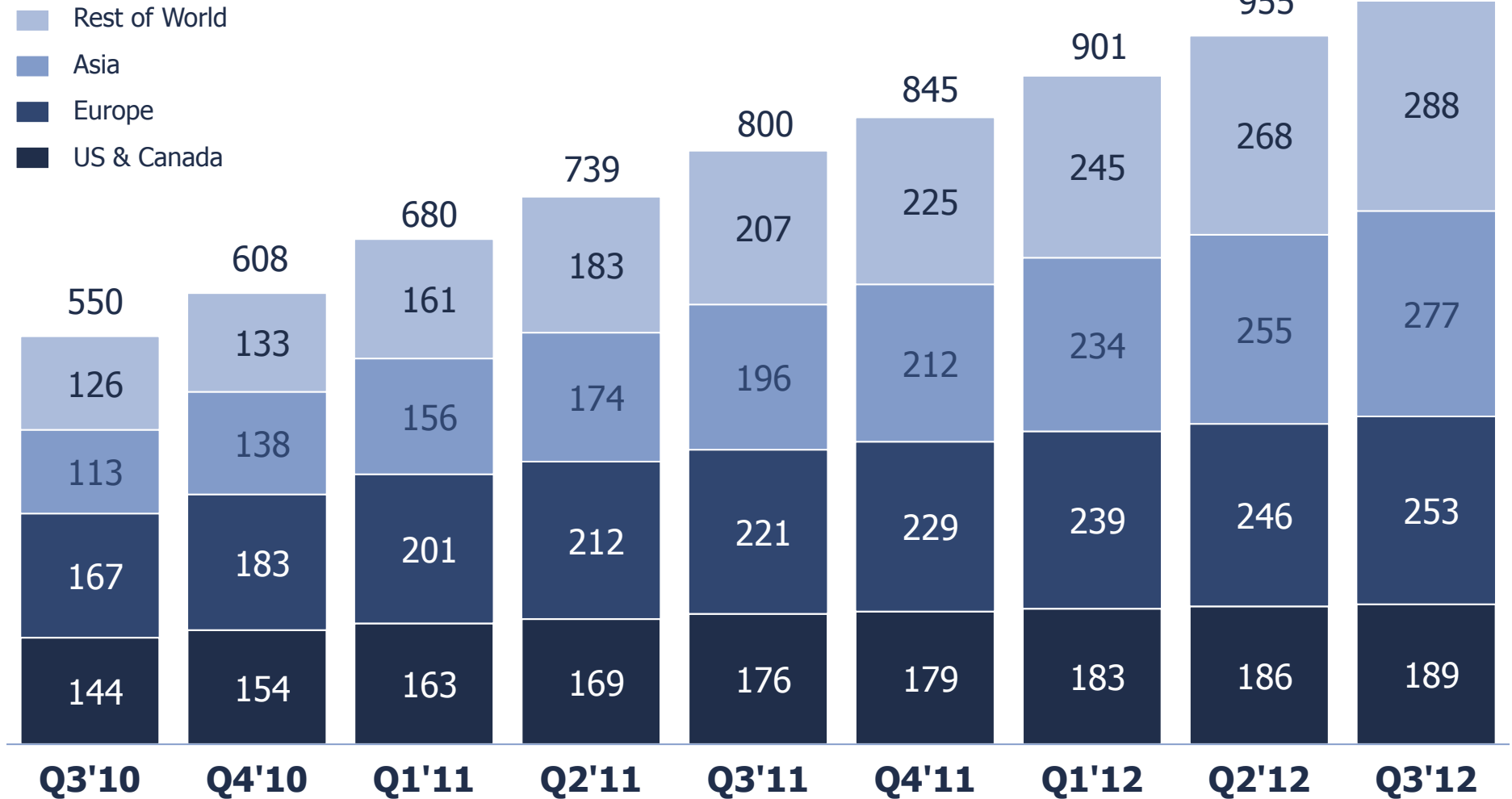
Safe Harbor

This presentation contains forward-looking statements, which are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts contained in this presentation, including statements regarding our estimates of future stock-based compensation expense, are forward-looking statements. These forward-looking statements are only predictions and may differ materially from actual results due to a variety of factors, including variations in the future price of our common stock as well as future grants and forfeitures of equity awards. In addition, please note that the date of this presentation is October 23, 2012, and any forward-looking statements contained herein are based on assumptions that we believe to be reasonable as of this date. We undertake no obligation to update these statements as a result of new information or future events.

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. Please also see the appendix to this presentation for information concerning limitations of our key user metrics.

Monthly Active Users (MAUs)

Millions of MAUs



Please see Facebook's Form 10-Q for the quarter ended September 30, 2012 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.

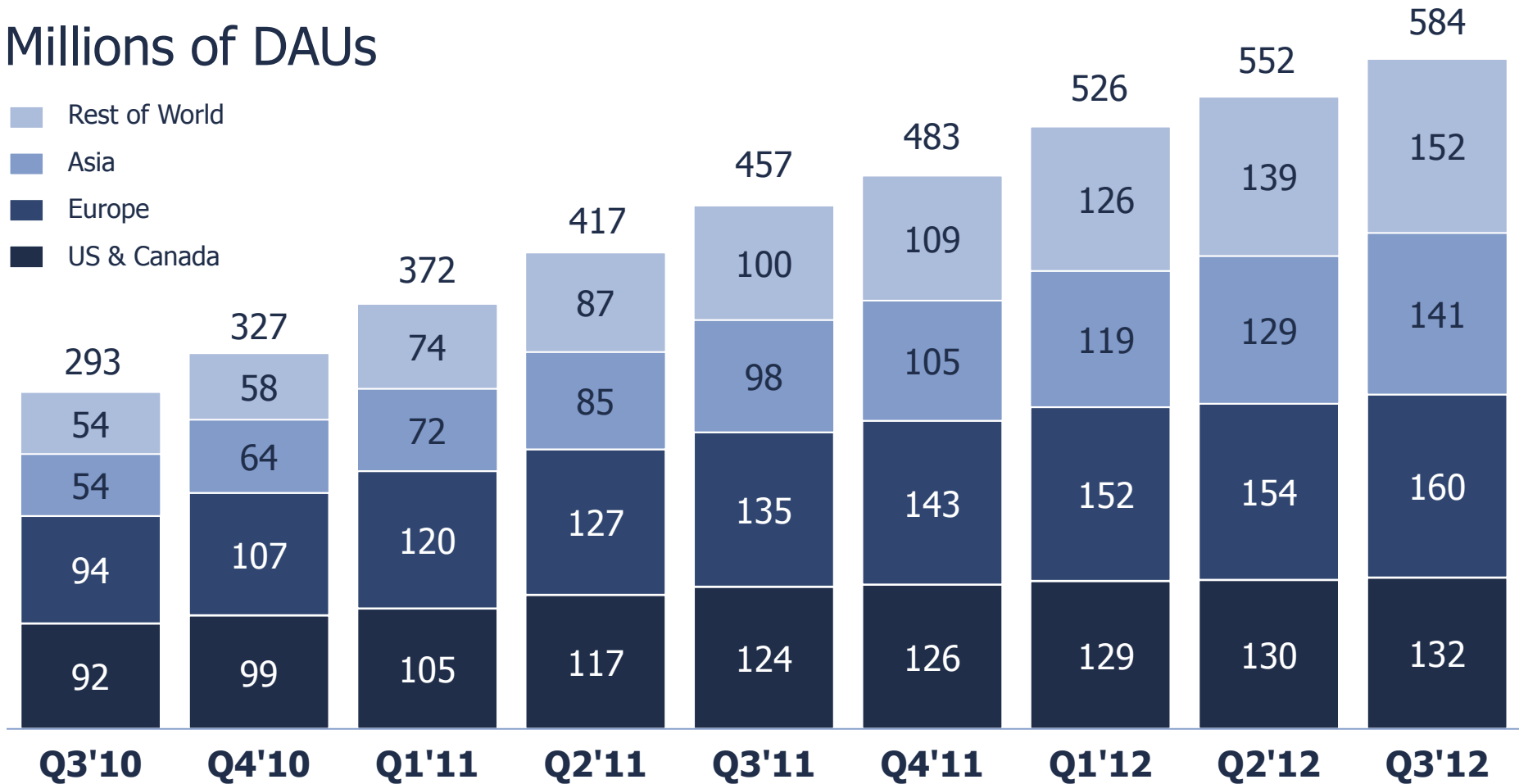
In June 2012, we discovered an error in the algorithm we used to estimate the geographic location of our users that affected our attribution of certain user locations for the first quarter of 2012. The first quarter of 2012 user metrics reflect a reclassification to more correctly attribute users by geographic region.

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Daily Active Users (DAUs)

Millions of DAUs

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



DAUs / MAUs

Q3'10	Q4'10	Q1'11	Q2'11	Q3'11	Q4'11	Q1'12	Q2'12	Q3'12
53%	54%	55%	56%	57%	57%	58%	58%	58%

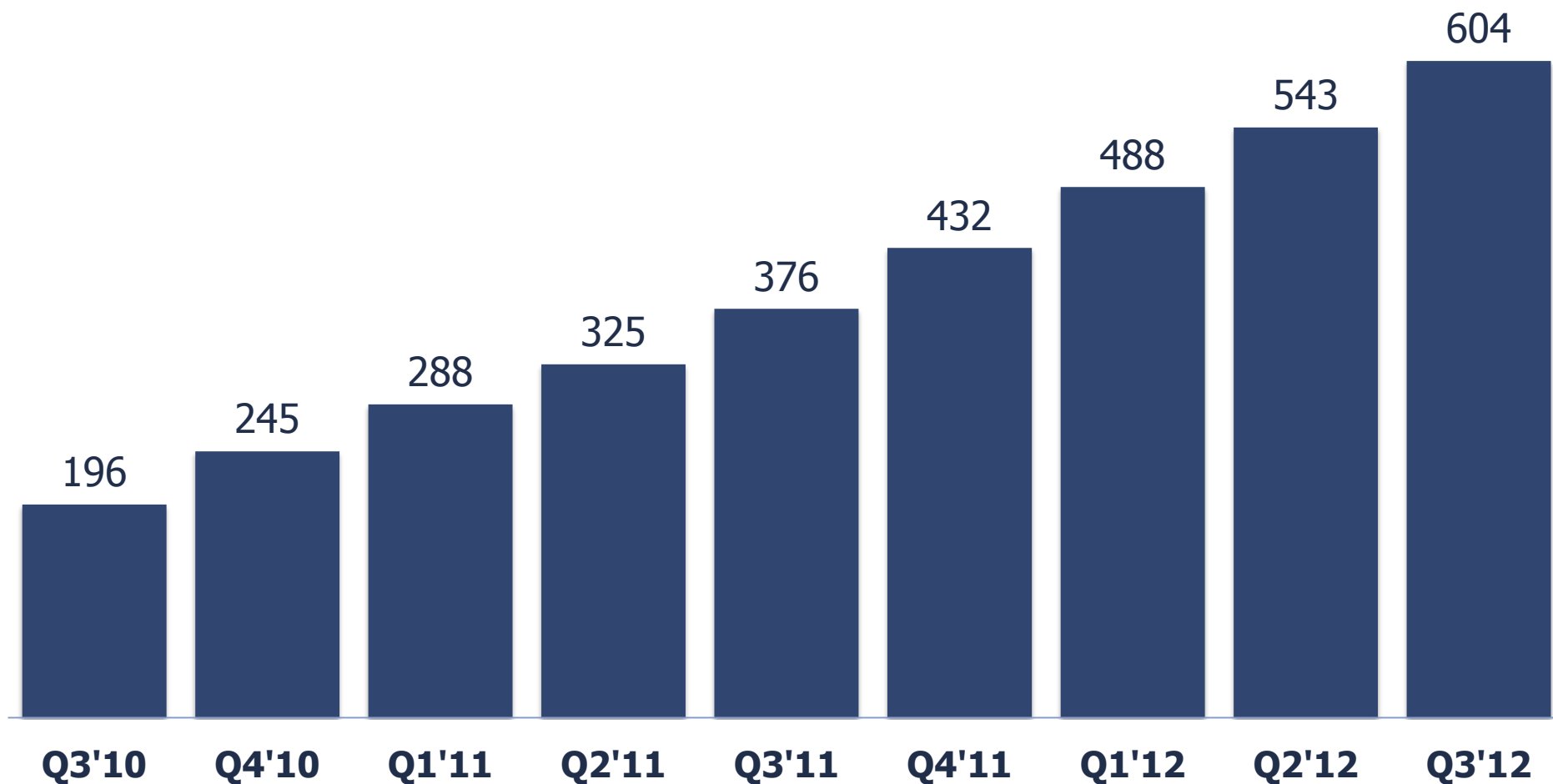
Please see Facebook's Form 10-Q for the quarter ended September 30, 2012 for definitions of user activity used to determine the number of our MAUs, DAUs and mobile MAUs. The number of MAUs, DAUs, and mobile MAUs do not include Instagram users unless such users would otherwise qualify as MAUs, DAUs, and mobile MAUs based on activity that is shared back to Facebook.

For non-worldwide DAU user numbers presented for the periods marked March 31, 2012 and June 30, 2012, the figures represent an average of the first 25 days of the period and the last 27 days of the period, respectively, due to the algorithm error described in the MAU note on slide 3. These average numbers do not meaningfully differ from the average numbers when calculated over a full month.



Mobile Monthly Active Users (Mobile MAUs)

Millions of Mobile MAUs



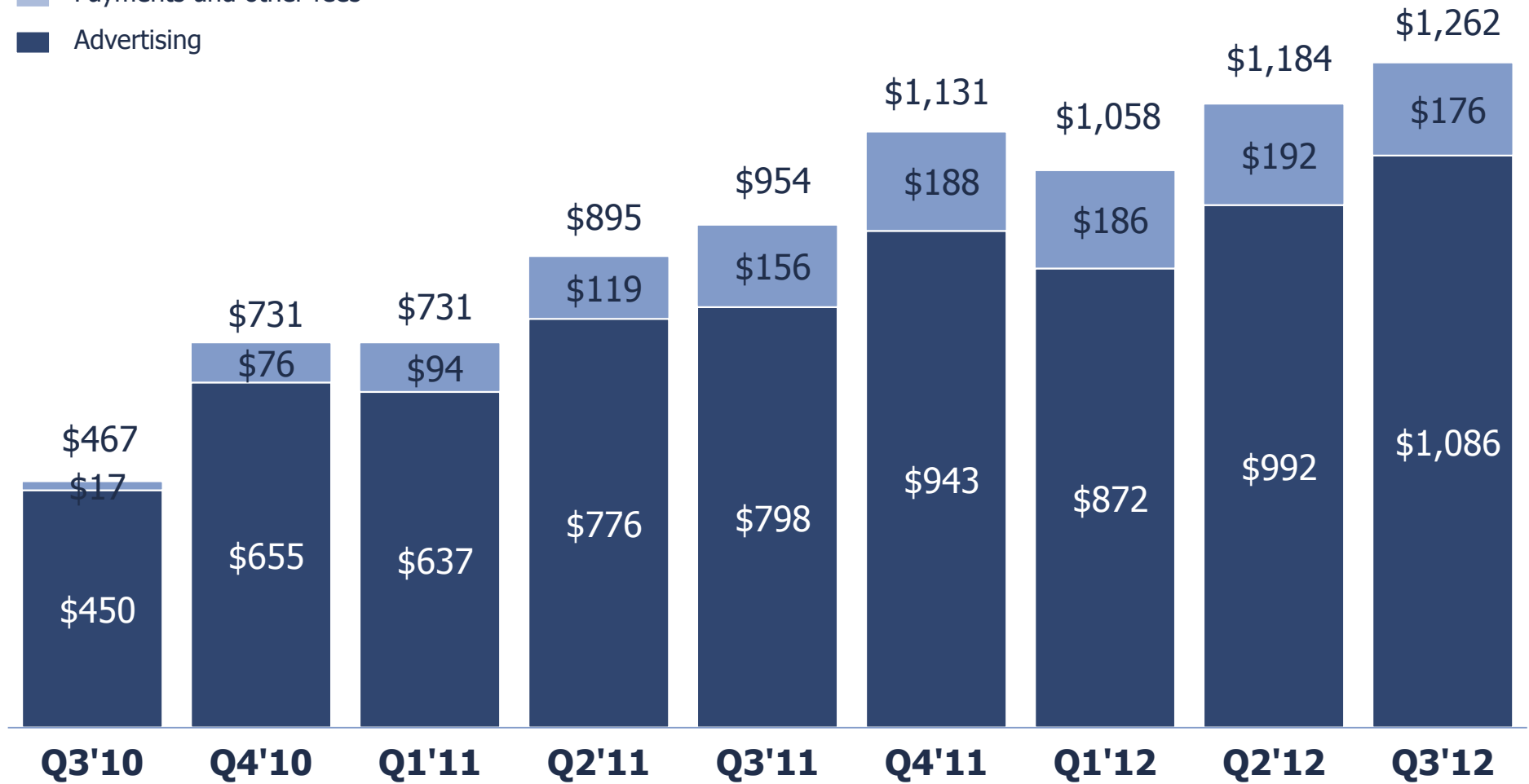
Please see Facebook's Form 10-Q for the quarter ended September 30, 2012 for definitions of user activity used to determine the number of our MAUs, DAUs and mobile MAUs. The number of MAUs, DAUs, and mobile MAUs do not include Instagram users unless such users would otherwise qualify as MAUs, DAUs, and mobile MAUs based on activity that is shared back to Facebook.

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Revenue

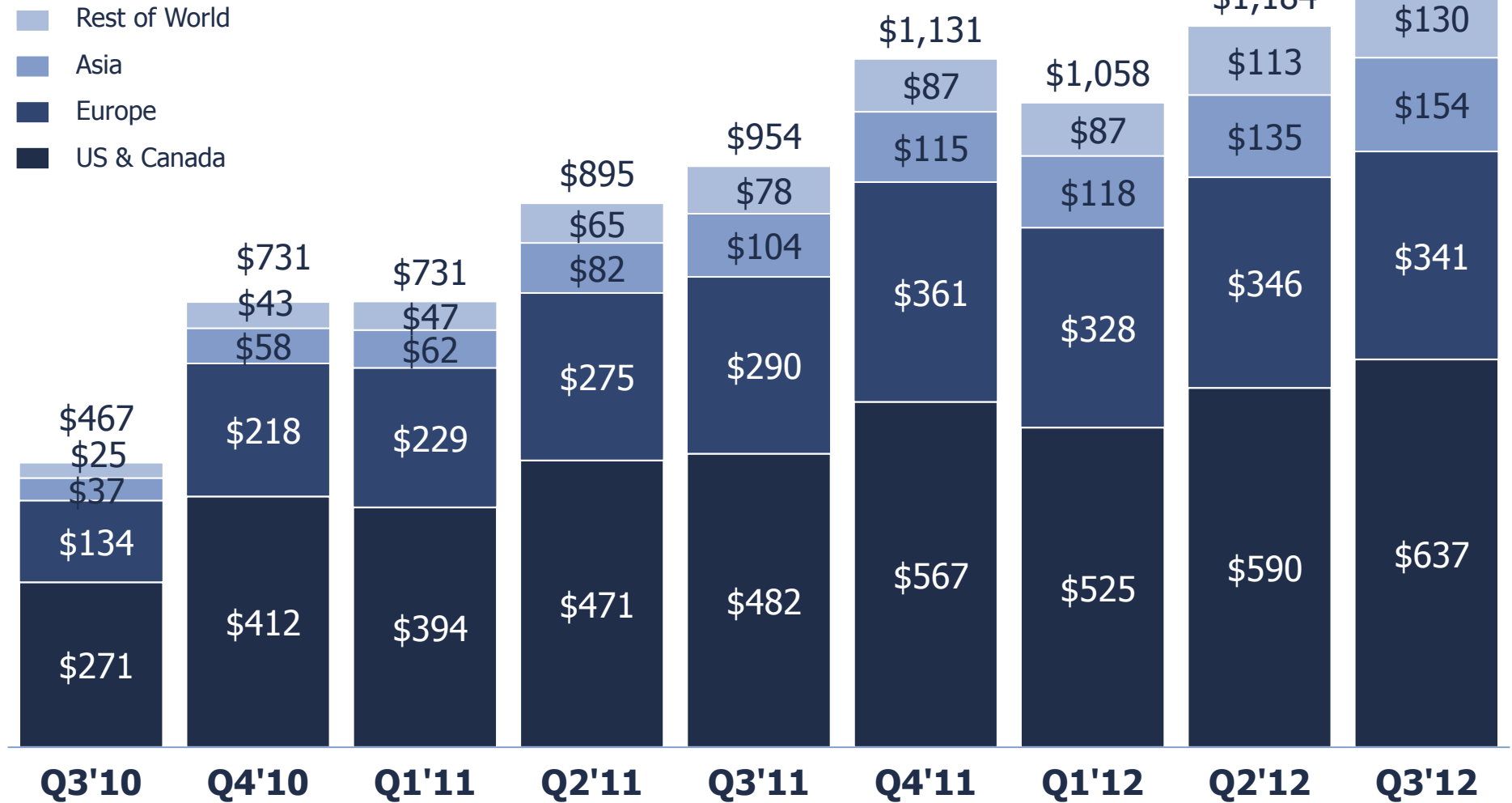
Millions of Dollars

- Payments and other fees
- Advertising



Revenue by User Geography

Millions of Dollars

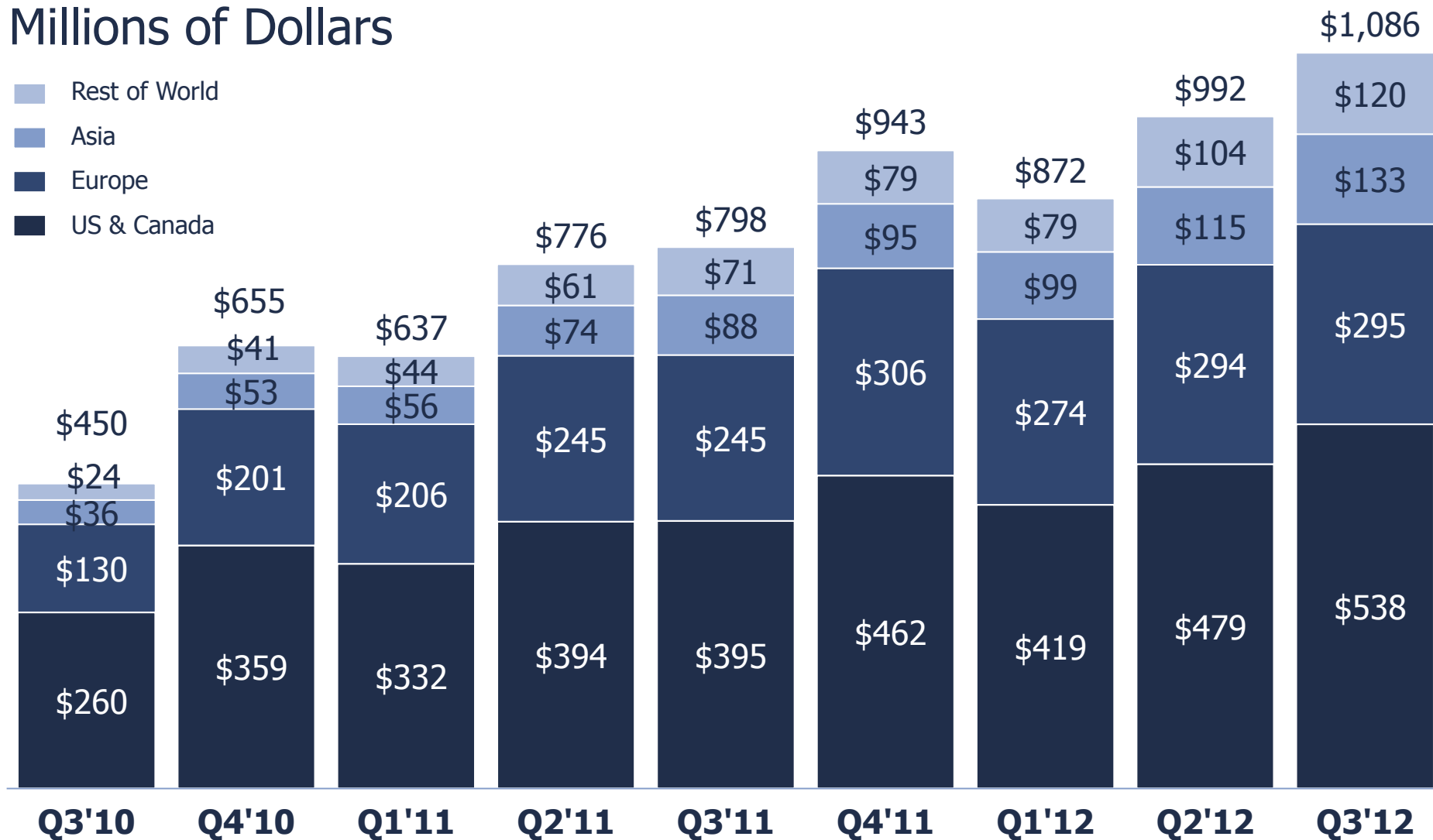


Revenue by user geography is geographically apportioned based on our estimation of the geographic location of our users when they perform a revenue-generating activity. This allocation differs from our revenue by geography disclosure in our consolidated financial statements where revenue is geographically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

Advertising Revenue by User Geography

Millions of Dollars

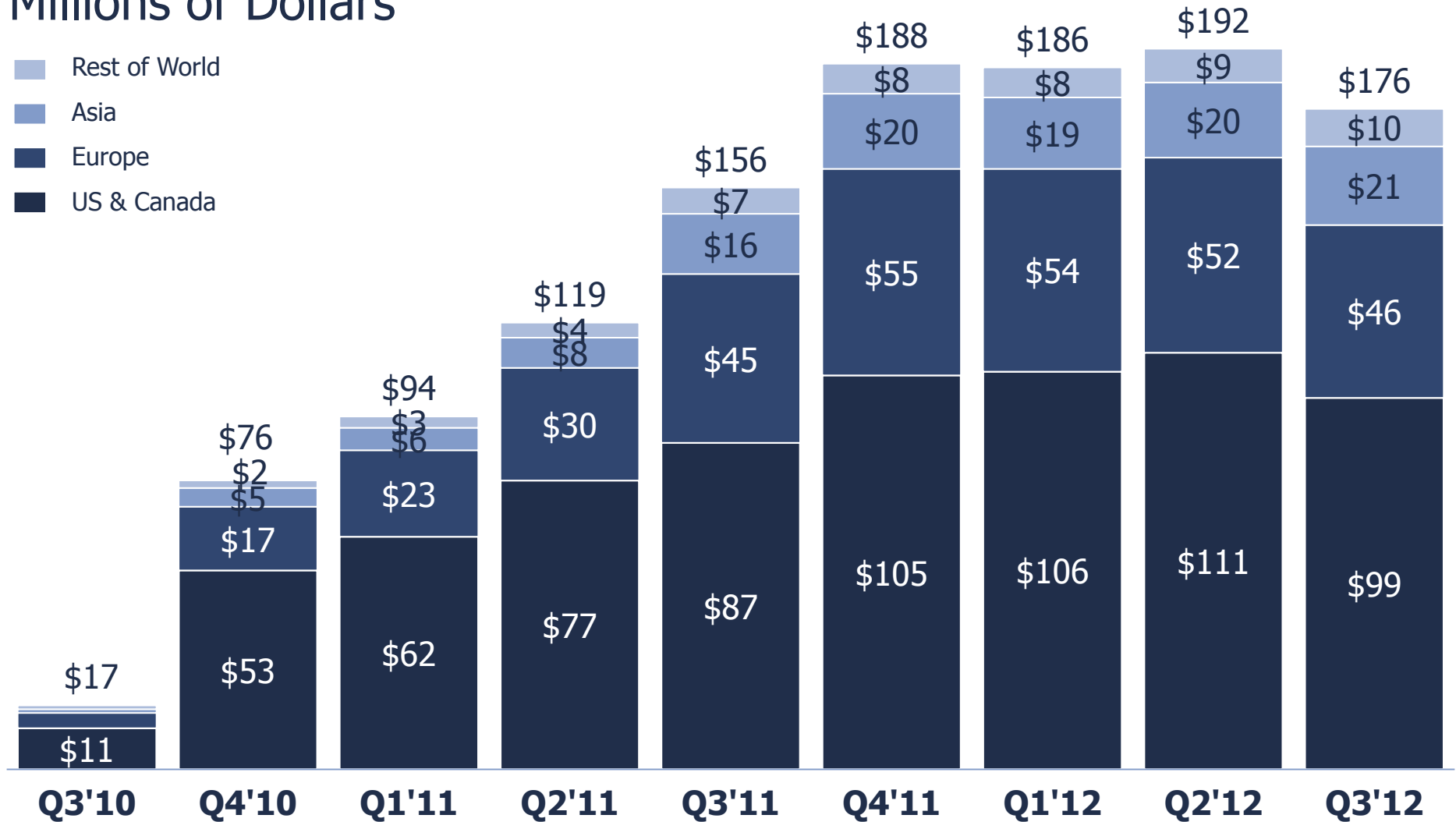
- Rest of World
- Asia
- Europe
- US & Canada



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

Payments & Other 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.

Payments Revenue Recognition Timing

Payments terms and conditions provide for a 30-day claim period following a Payments transaction during which the customer may dispute the transaction.

- In Q3 and prior, due to insufficient transaction history, Payments revenues have been recognized after the claim period lapses.
 - For example, transactions occurring in June are recognized as revenue 30 days later, in July, and included in Q3 revenue. So Q3 revenue reflects transactions that occurred during the months of June, July and August.
- In Q4 we will have 24 months of historical transactional information at which time we believe we will be able to reasonably estimate future refunds and chargebacks.
- Therefore starting in Q4, we expect to record all Payments revenues in the month the transaction occurs, net of estimated refunds or chargebacks. **We anticipate that this change will result in a one-time increase in Payments revenue in the fourth quarter as we recognize revenue from an extra month of payments transactions (those occurring in September through December.)**



Average Revenue per User (ARPU)

Worldwide



US & Canada



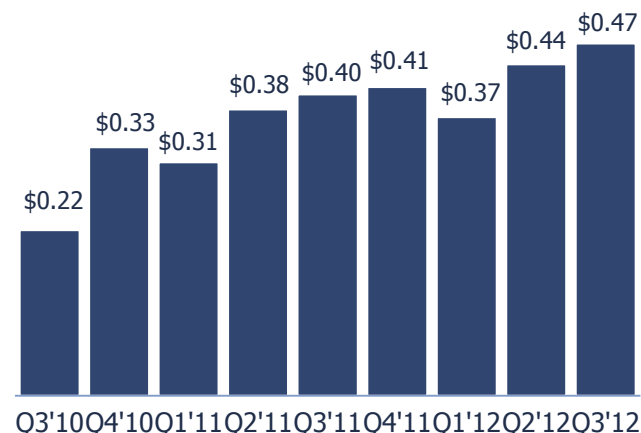
Europe



Asia



Rest of the World

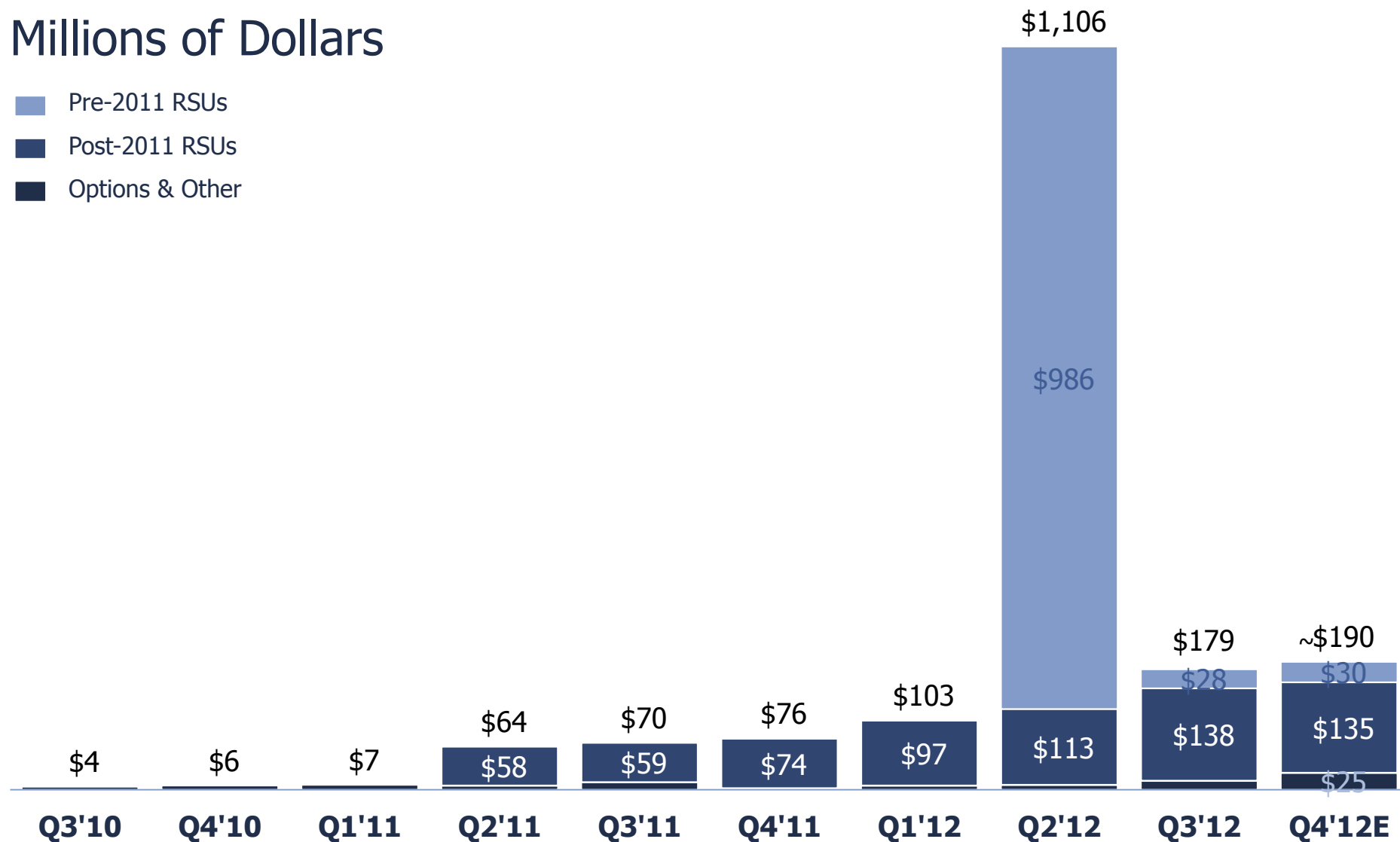


Revenue by user geography is geographically apportioned based on our estimation of the geographic location of our users when they perform a revenue-generating activity. This allocation differs from our revenue by geography disclosure in our consolidated financial statements where revenue is geographically apportioned based on the location of the advertiser or developer. The ARPU amount for US & Canada region in Q1 2012 reflects an adjustment based on the reclassification of certain users between geographical regions to more correctly attribute users by geographic region.

Share-Based Compensation Expense

Millions of Dollars

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



Q4 2012 expenses are estimates and exclude any potential impact of future acquisitions.

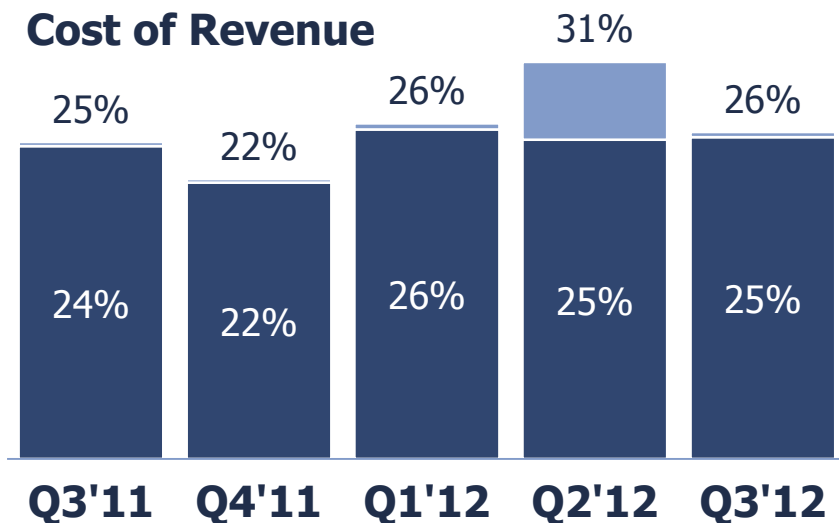
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Expenses as a % of Revenue

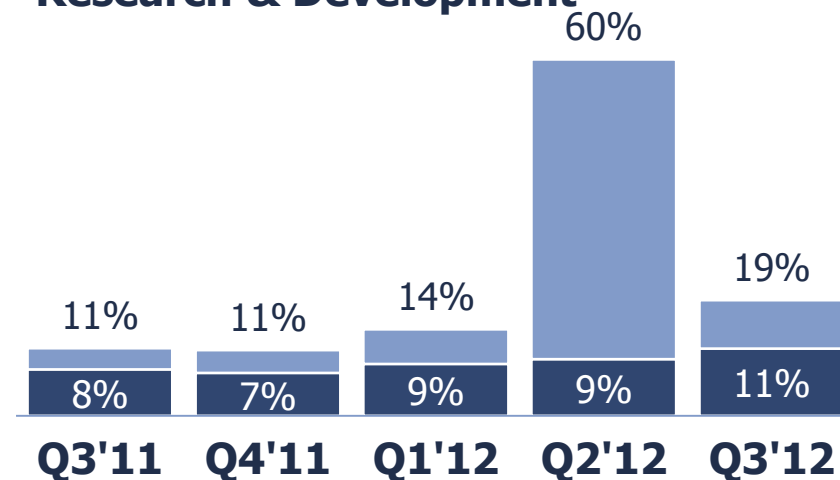
■ Share-based compensation + Payroll tax related to share-based compensation

■ All other expenses

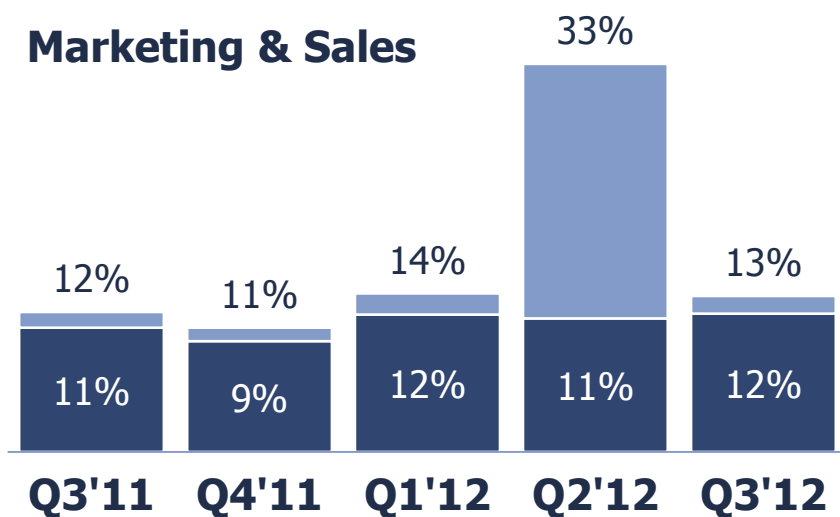
Cost of Revenue



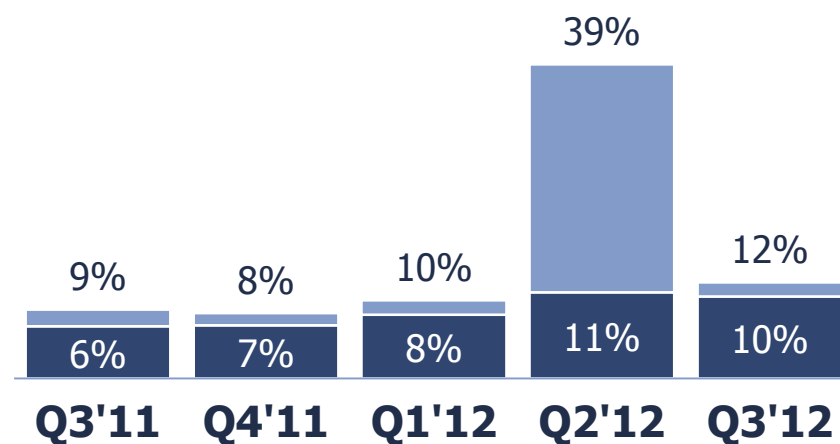
Research & Development



Marketing & Sales



General & Administrative

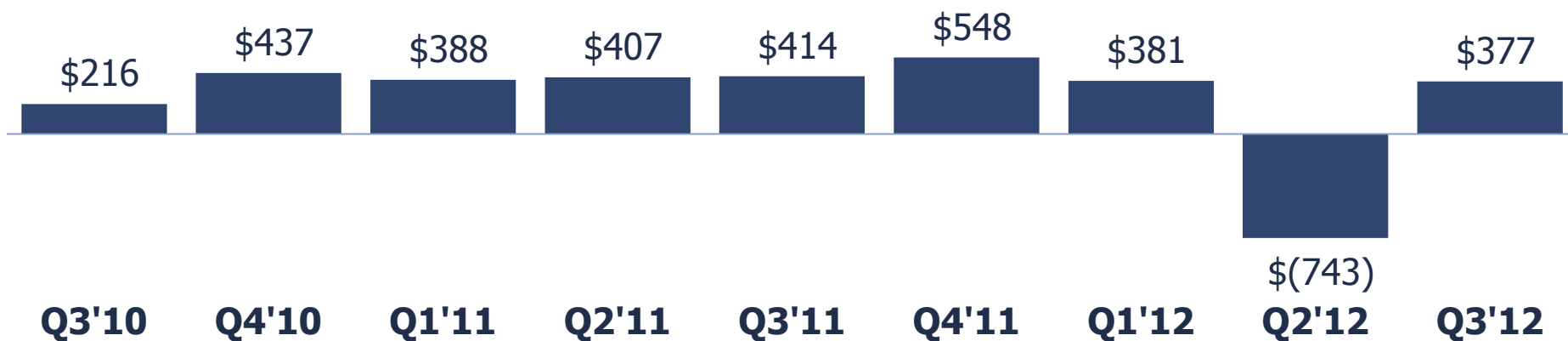


We have reclassified certain prior period amounts in marketing and sales to general and administrative expense to conform to our current period presentation. These reclassifications did not affect revenue, total costs and expenses, income (loss) from operations, or net (loss) income.

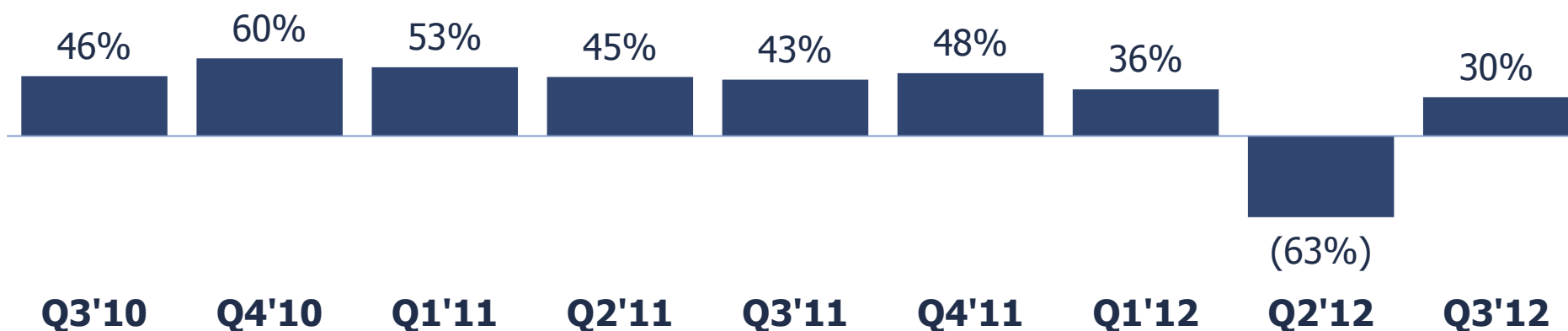
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GAAP Income (Loss) from Operations & Margin

Income (Loss) from Operations (\$M)



Operating Margin



Effective Tax Rate

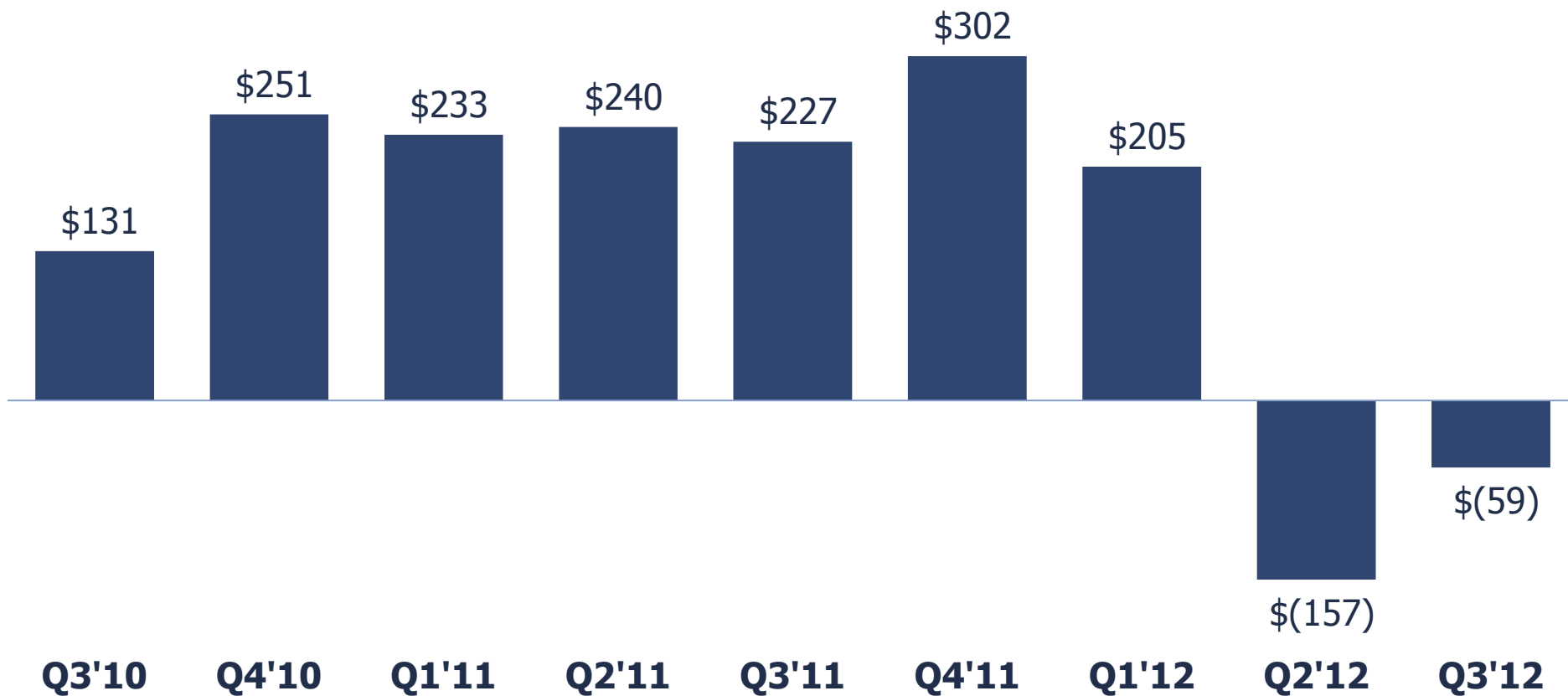
(in millions)

	Q1 2012	Q2 2012	Q3 2012	YTD 2012
Revenue	\$ 1,058	\$ 1,184	\$ 1,262	\$ 3,504
Costs and expenses:				
Cost of revenue	277	367	322	967
Research and development	153	705	244	1,102
Marketing and sales	143	392	168	703
General and administrative	104	463	151	717
Total costs and expenses	<u>677</u>	<u>1,927</u>	<u>885</u>	<u>3,489</u>
Income from operations	381	(743)	377	15
Interest and other income (expense), net				
Interest expense	(13)	(10)	(11)	(35)
Other income (expense), net	14	(12)	6	9
Income (loss) before provision for income taxes	<u>382</u>	<u>(765)</u>	<u>372</u>	<u>(11)</u>
Provision for (benefit from) income taxes	<u>177</u>	<u>(608)</u>	<u>431</u>	<u>-</u>
Net income (loss)	<u>\$ 205</u>	<u>\$ (157)</u>	<u>\$ (59)</u>	<u>\$ (11)</u>
Effective Tax Rate	46%	79%	116%	0%

Q2 and Q3 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. A combination of tax benefits recorded in Q2 and tax provisions in Q1 and Q3 result in an approximately 0% effective tax rate in the year-to-date period.

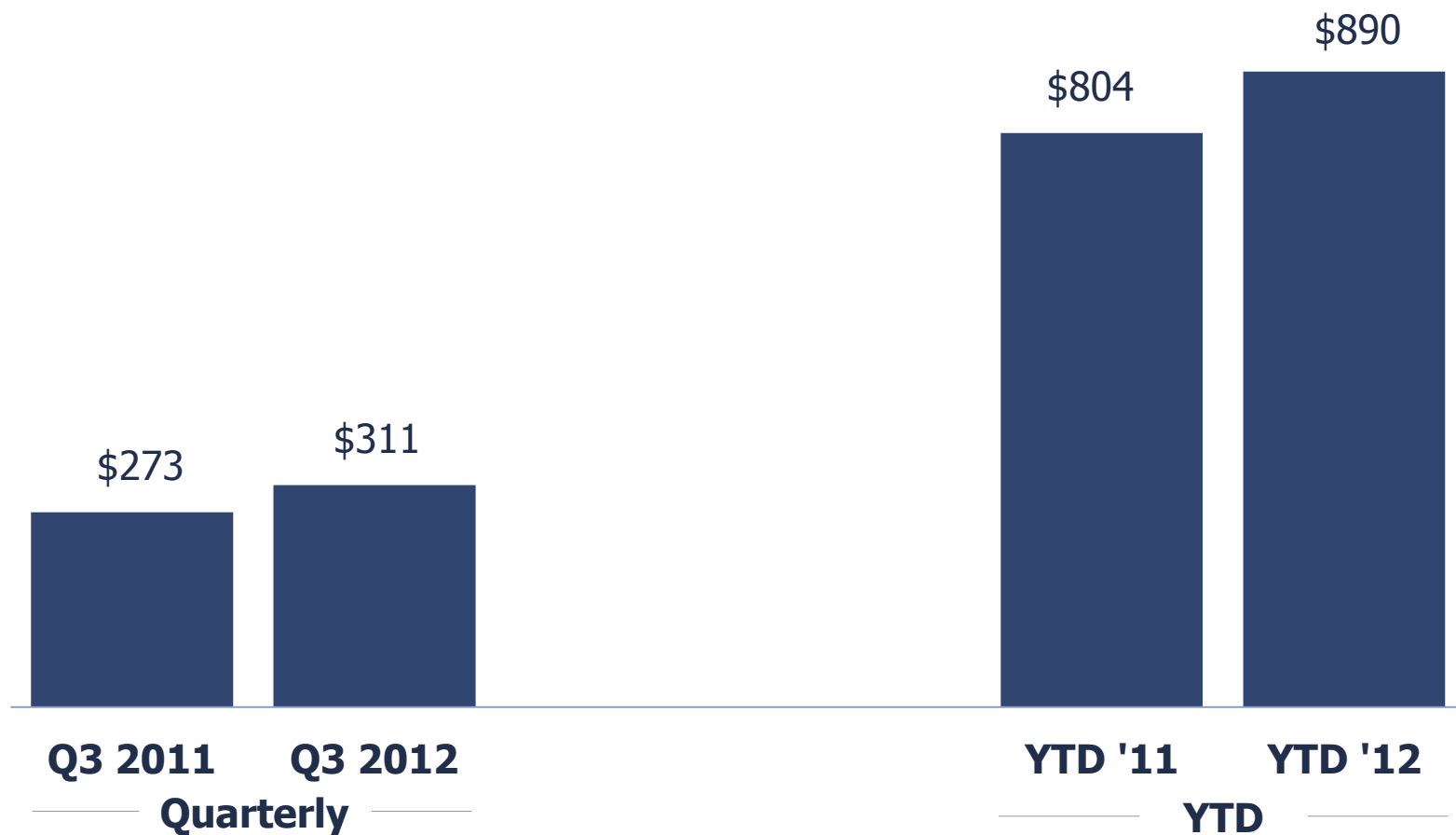
GAAP Net Income (Loss)

Millions of Dollars



Non-GAAP Net Income

Millions of Dollars



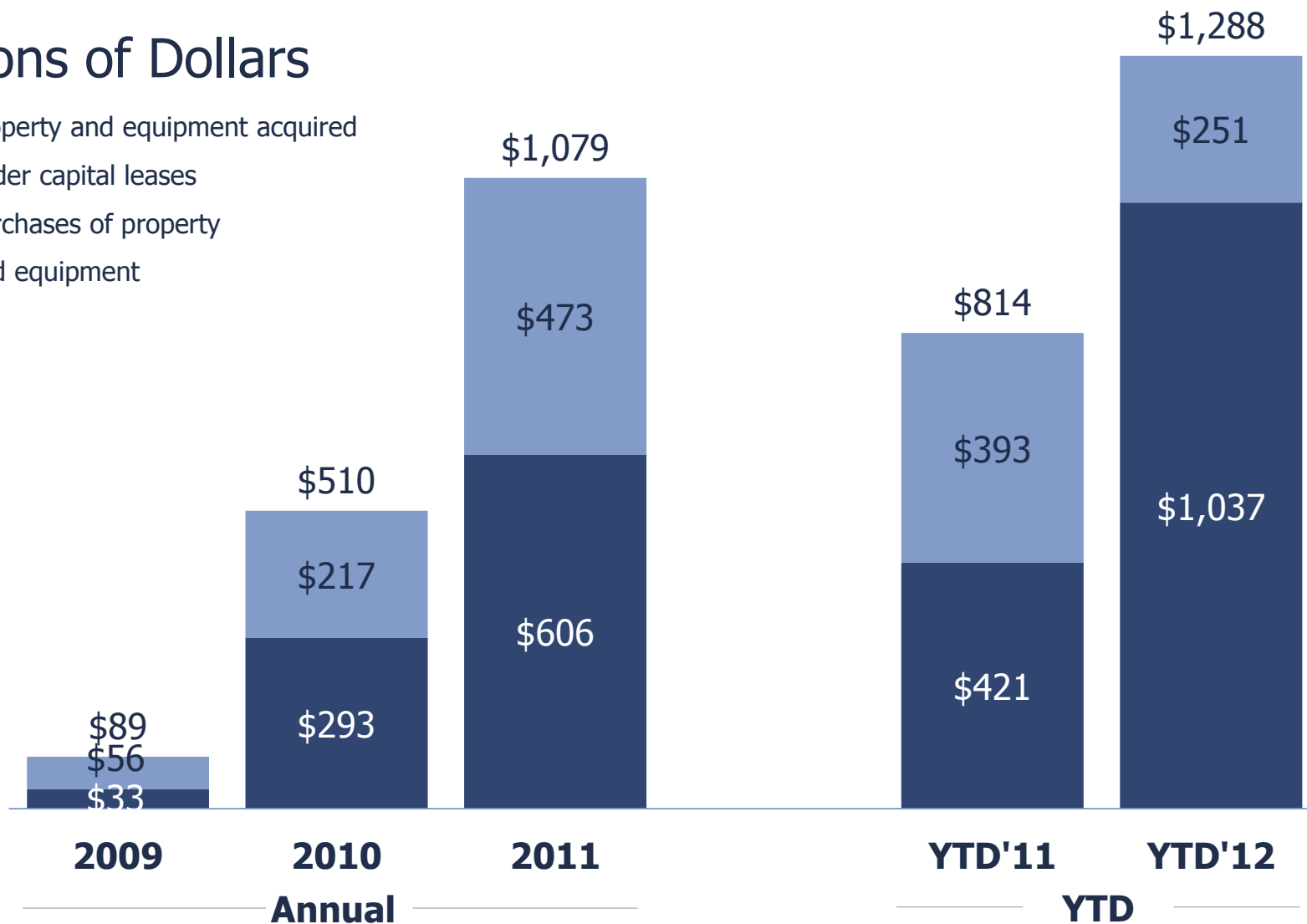
Non-GAAP net income excludes share based compensation expense, payroll tax expenses related to share-based compensation, and related income tax adjustments—see the Appendix for a reconciliation of this non-GAAP measure to GAAP net income.

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Capital Investments

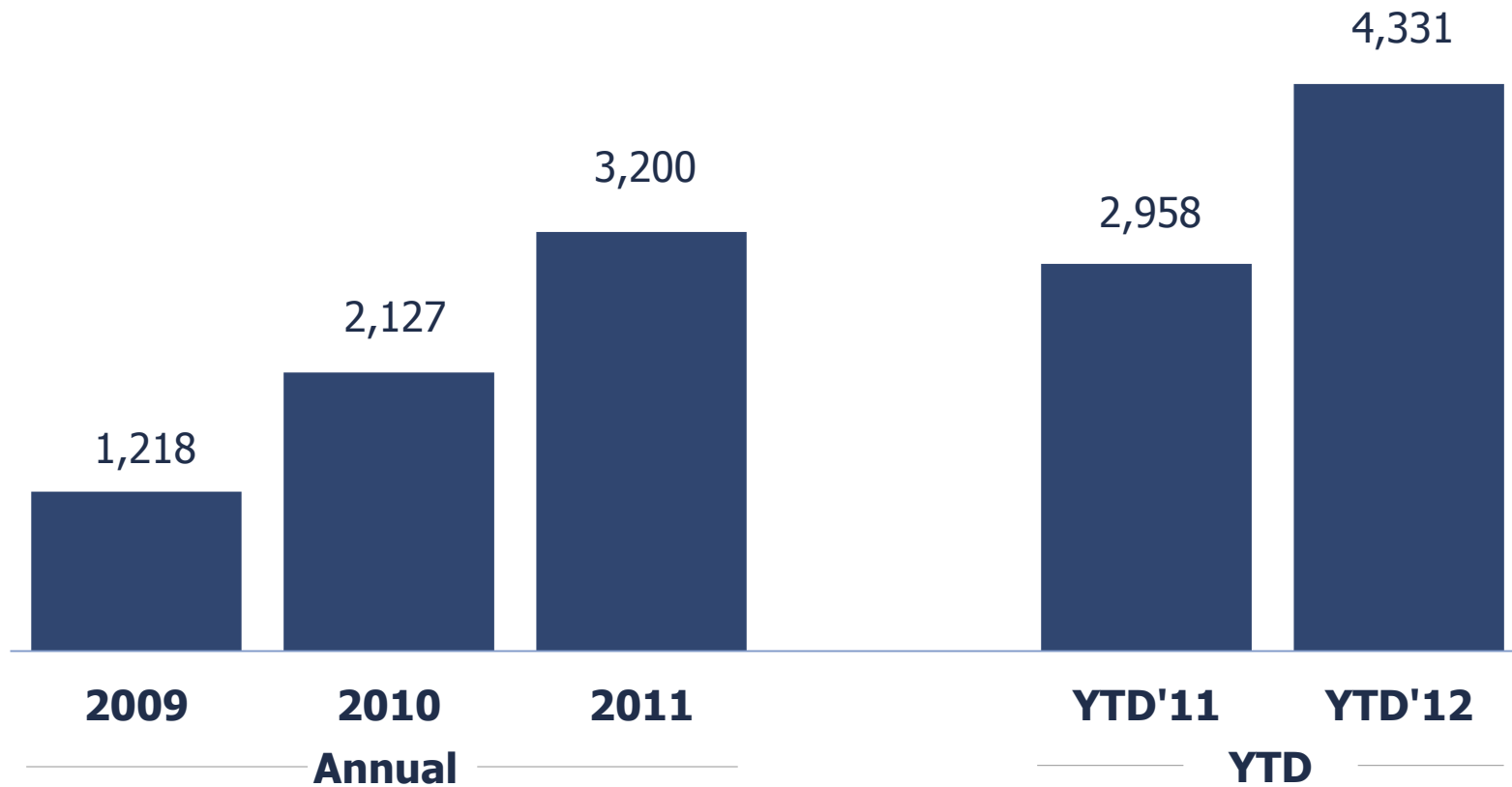
Millions of Dollars

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



Employees

Period-end Headcount



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Appendix

Reconciliations

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2012	2011	2012
GAAP net income (loss)	\$ 227	\$ (59)	\$ 698	\$ (11)
Share-based compensation expense	70	179	141	1,388
Payroll tax expenses related to share-based compensation	-	(31)	7	122
Income tax adjustments	(24)	222	(42)	(609)
Non-GAAP net income	\$ 273	\$ 311	\$ 804	\$ 890

Limitations of Key Metrics

The numbers of our MAUs and DAUs and average revenue per user (ARPU) are calculated using internal company data. 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 4.8% of our worldwide MAUs as of June 30, 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 June 30, 2012, for example, we estimate user-misclassified accounts may have represented approximately 2.4% of our worldwide MAUs and undesirable accounts may have represented approximately 1.5% 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)

Our metrics are also 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 use 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 number, 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 and Canada region was overstated as a result of the error by approximately 3% and these overstatements were 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.

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