

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 2020

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____
Commission File Number: 001-35551

Facebook, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

20-1665019

(I.R.S. Employer Identification Number)

1601 Willow Road, Menlo Park, California 94025
(Address of principal executive offices and Zip Code)

(650) 543-4800

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
Class A Common Stock, par value \$0.000006

Trading Symbol(s)
FB

Name of each exchange on which registered
The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (Exchange Act) during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date.

Class	Number of Shares Outstanding
Class A Common Stock \$0.000006 par value	2,404,551,860 shares outstanding as of April 24, 2020
Class B Common Stock \$0.000006 par value	444,551,440 shares outstanding as of April 24, 2020

FACEBOOK, INC.
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NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements. All statements contained in this Quarterly Report on Form 10-Q other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, and our objectives for future operations, are forward-looking statements. The words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in Part II, Item 1A, "Risk Factors" in this Quarterly Report on Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this Quarterly Report on Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Unless expressly indicated or the context requires otherwise, the terms "Facebook," "company," "we," "us," and "our" in this document refer to Facebook, Inc., a Delaware corporation, and, where appropriate, its wholly owned subsidiaries. The term "Facebook" may also refer to our products, regardless of the manner in which they are accessed. The term "Family" refers to our Facebook, Instagram, Messenger, and WhatsApp products. For references to accessing Facebook or our other products on the "web" or via a "website," such terms refer to accessing such products on personal computers. For references to accessing Facebook or our other products on "mobile," such term refers to accessing such products via a mobile application or via a mobile-optimized version of our websites such as m.facebook.com, whether on a mobile phone or tablet.

LIMITATIONS OF KEY METRICS AND OTHER DATA

The numbers for our key metrics are calculated using internal company data based on the activity of user accounts. We have historically reported the numbers of our daily active users (DAUs), monthly active users (MAUs), and average revenue per user (ARPU) (collectively, our "Facebook metrics") based on user activity only on Facebook and Messenger and not on our other products. Beginning with our Annual Report on Form 10-K for the year ended December 31, 2019, we also report our estimates of the numbers of our daily active people (DAP), monthly active people (MAP), and average revenue per person (ARPP) (collectively, our "Family metrics") based on the activity of users who visited at least one of Facebook, Instagram, Messenger, and WhatsApp (collectively, our "Family" of products) during the applicable period of measurement. We believe our Family metrics better reflect the size of our community and the fact that many people are using more than one of our products. As a result, over time we intend to report our Family metrics as our key metrics in place of DAUs, MAUs, and ARPU in our periodic reports filed with the Securities and Exchange Commission.

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. The methodologies used to measure these metrics require significant judgment and are also susceptible to algorithm or other technical errors. In addition, we are continually seeking to improve our estimates of our user base, and such estimates may change due to improvements or changes in our methodology. We regularly review our processes for calculating these metrics, and from time to time we discover inaccuracies in our metrics or make adjustments to improve their accuracy, which can result in adjustments to our historical metrics. Our ability to recalculate our historical metrics may be impacted by data limitations or other factors that require us to apply different methodologies for such adjustments. We generally do not intend to update previously disclosed Family metrics for any such inaccuracies or adjustments that are within the error margins disclosed below.

In addition, our Facebook metrics and Family metrics estimates will differ from estimates published by third parties due to differences in methodology.

Facebook Metrics

We regularly evaluate our Facebook metrics to estimate the number of "duplicate" and "false" accounts among our MAUs. A duplicate account is one that a user maintains in addition to his or her principal account. We divide "false" accounts 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) violating accounts, which represent user profiles that we believe are intended to be used for purposes that violate our terms of service, such as bots and spam. The estimates of duplicate and false accounts are based on an internal review of a limited sample of accounts, and we apply significant judgment in making this determination. For example, to identify duplicate accounts we use data signals such as identical IP addresses and similar user names, and to identify false accounts we look for names that appear to be fake or other behavior that appears inauthentic to the reviewers. Any loss of access to data signals we use in this process, whether as a result of our own product decisions, actions by third-party browser or mobile platforms, regulatory or legislative requirements, limitations while our personnel work remotely during the COVID-19 pandemic, or other factors, also may impact the stability or accuracy of our estimates of duplicate and false accounts. Our estimates also may change as our methodologies evolve, including through the application of new data signals or technologies or product changes that may allow us to identify previously undetected duplicate or false accounts and may improve our ability to evaluate a broader population of our users. Duplicate and false accounts are very difficult to measure at our scale, and it is possible that the actual number of duplicate and false accounts may vary significantly from our estimates.

In the fourth quarter of 2019, we estimated that duplicate accounts may have represented approximately 11% of our worldwide MAUs. We believe the percentage of duplicate accounts is meaningfully higher in developing markets such as the Philippines and Vietnam, as compared to more developed markets. In the fourth quarter of 2019, we estimated that false accounts may have represented approximately 5% of our worldwide MAUs. Our estimation of false accounts can vary as a result of episodic spikes in the creation of such accounts, which we have seen originate more frequently in specific countries such as Indonesia and Vietnam. From time to time, we disable certain user accounts, make product changes, or take other actions to reduce the number of duplicate or false accounts among our users, which may also reduce our DAU and MAU estimates in a particular period. We intend to disclose our estimates of the number of duplicate and false accounts among our MAUs on an annual basis.

The numbers of DAUs and MAUs discussed in this Quarterly Report on Form 10-Q, as well as ARPU, do not include users on Instagram, WhatsApp, or our other products, unless they would otherwise qualify as DAUs or MAUs, respectively, based on their other activities on Facebook.

Family Metrics

Many people in our community have user accounts on more than one of our products, and some people have multiple user accounts within an individual product. Accordingly, for our Family metrics, we do not seek to count the total number of user accounts across our products because we believe that would not reflect the actual size of our community. Rather, our Family metrics represent our estimates of the number of unique people using at least one of Facebook, Instagram, Messenger, and WhatsApp. We do not require people to use a common identifier or link their accounts to use multiple products in our Family, and therefore must seek to attribute multiple user accounts within and across products to individual people. To calculate these metrics, we rely upon complex techniques, algorithms and machine learning models that seek to count the individual people behind user accounts, including by matching multiple user accounts within an individual product and across multiple products when we believe they are attributable to a single person, and counting such group of accounts as one person. These techniques and models require significant judgment, are subject to data and other limitations discussed below, and inherently are subject to statistical variances and uncertainties. We estimate the potential error in our Family metrics primarily based on user survey data, which itself is subject to error as well. While we expect the error margin for our Family metrics to vary from period to period, we estimate that such margin generally will be approximately 3% of our worldwide MAP. At our scale, it is very difficult to attribute multiple user accounts within and across products to individual people, and it is possible that the actual numbers of unique people using our products may vary significantly from our estimates, potentially beyond our estimated error margins. As a result, it is also possible that our Family metrics may indicate changes or trends in user numbers that do not match actual changes or trends.

To calculate our estimates of Family DAP and MAP, we currently use a series of machine learning models that are developed based on internal reviews of limited samples of user accounts and calibrated against user survey data. We apply significant judgment in designing these models and calculating these estimates. For example, to match user accounts within individual products and across multiple products, we use data signals such as similar device information, IP addresses, and user names. We also calibrate our models against data from periodic user surveys of varying sizes and frequency across our products, which are inherently subject to error. In addition, our data limitations may affect our understanding of certain details of our business and increase the risk of error for our Family metrics estimates. Our techniques and models rely on a variety of data signals from different products, and we rely on more limited data signals for some products compared to others. For example, as a result of limited visibility into encrypted products, we have fewer data signals from WhatsApp user accounts and primarily rely on phone numbers and device information to match WhatsApp user accounts with accounts on our other products. Similarly, although Messenger Kids users are included in our Family metrics, we do not seek to match their accounts with accounts on our other applications for purposes of calculating DAP and MAP. Any loss of access to data signals we use in our process for calculating Family metrics, whether as a result of our own product decisions, actions by third-party browser or mobile platforms, regulatory or legislative requirements, limitations while our personnel work remotely during the COVID-19 pandemic, or other factors, also may impact the stability or accuracy of our reported Family metrics. Our estimates of Family metrics also may change as our methodologies evolve, including through the application of new data signals or technologies, product changes, or other improvements in our user surveys, algorithms, or machine learning that may improve our ability to match accounts within and across our products or otherwise evaluate the broad population of our users. In addition, such evolution may allow us to identify previously undetected violating accounts (as defined below).

We regularly evaluate our Family metrics to estimate the percentage of our MAP consisting solely of "violating" accounts. We define "violating" accounts as accounts which we believe are intended to be used for purposes that violate our terms of service, including bots and spam. In the fourth quarter of 2019, we estimated that approximately 3% of our worldwide MAP consisted solely of violating accounts. Such estimation is based on an internal review of a limited sample of accounts, and we apply significant judgment in making this determination. For example, we look for account information and behaviors associated with Facebook and Instagram accounts that appear to be inauthentic to the reviewers, but we have limited visibility into WhatsApp user activity due to encryption. In addition, if we believe an individual person has one or more violating accounts, we do not include such person in our violating accounts estimation as long as we believe they have one account that does not constitute a violating account. From time to time, we disable certain user accounts, make product changes, or take other actions to reduce the number of violating accounts among our users, which may also reduce our DAP and MAP estimates in a particular period. We intend to disclose our estimates of the percentage of our MAP consisting solely of violating accounts on an annual basis. Violating accounts are very difficult to measure at our scale, and it is possible that the actual number of violating accounts may vary significantly from our estimates.

The numbers of Family DAP and MAP discussed in this Quarterly Report on Form 10-Q, as well as ARPP, do not include users on our other products, unless they would otherwise qualify as DAP or MAP, respectively, based on their other activities on our Family products.

User Geography

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 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 our metrics are also susceptible to algorithm or other technical errors, and our estimates for revenue by user location and revenue by user device are also affected by these factors.

PART I—FINANCIAL INFORMATION
Item 1. Financial Statements

FACEBOOK, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except for number of shares and par value)
(Unaudited)

	March 31, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 23,618	\$ 19,079
Marketable securities	36,671	35,776
Accounts receivable, net of allowances of \$370 and \$206 as of March 31, 2020 and December 31, 2019, respectively	7,289	9,518
Prepaid expenses and other current assets	1,771	1,852
Total current assets	69,349	66,225
Property and equipment, net	37,127	35,323
Operating lease right-of-use assets, net	9,359	9,460
Intangible assets, net	838	894
Goodwill	18,811	18,715
Other assets	2,887	2,759
Total assets	\$ 138,371	\$ 133,376
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 829	\$ 1,363
Partners payable	712	886
Operating lease liabilities, current	835	800
Accrued expenses and other current liabilities	12,446	11,735
Deferred revenue and deposits	247	269
Total current liabilities	15,069	15,053
Operating lease liabilities, non-current	9,509	9,524
Other liabilities	8,489	7,745
Total liabilities	33,067	32,322
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.000006 par value; 5,000 million Class A shares authorized, 2,406 million and 2,407 million shares issued and outstanding, as of March 31, 2020 and December 31, 2019, respectively; 4,141 million Class B shares authorized, 445 million shares issued and outstanding, as of March 31, 2020 and December 31, 2019	—	—
Additional paid-in capital	46,688	45,851
Accumulated other comprehensive loss	(544)	(489)
Retained earnings	59,160	55,692
Total stockholders' equity	105,304	101,054
Total liabilities and stockholders' equity	\$ 138,371	\$ 133,376

See Accompanying Notes to Condensed Consolidated Financial Statements.

FACEBOOK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In millions, except per share amounts)
(Unaudited)

	Three Months Ended March 31,	
	2020	2019
Revenue	\$ 17,737	\$ 15,077
Costs and expenses:		
Cost of revenue	3,459	2,816
Research and development	4,015	2,860
Marketing and sales	2,787	2,020
General and administrative	1,583	4,064
Total costs and expenses	11,844	11,760
Income from operations	5,893	3,317
Interest and other income (expense), net	(32)	165
Income before provision for income taxes	5,861	3,482
Provision for income taxes	959	1,053
Net income	\$ 4,902	\$ 2,429
Earnings per share attributable to Class A and Class B common stockholders:		
Basic	\$ 1.72	\$ 0.85
Diluted	\$ 1.71	\$ 0.85
Weighted-average shares used to compute earnings per share attributable to Class A and Class B common stockholders:		
Basic	2,851	2,856
Diluted	2,868	2,869
Share-based compensation expense included in costs and expenses:		
Cost of revenue	\$ 94	\$ 87
Research and development	999	723
Marketing and sales	149	113
General and administrative	93	87
Total share-based compensation expense	\$ 1,335	\$ 1,010

See Accompanying Notes to Condensed Consolidated Financial Statements.

FACEBOOK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)
(Unaudited)

	Three Months Ended March 31,	
	2020	2019
Net income	\$ 4,902	\$ 2,429
Other comprehensive income (loss):		
Change in foreign currency translation adjustment, net of tax	(376)	(175)
Change in unrealized gain/loss on available-for-sale investments and other, net of tax	321	154
Comprehensive income	<u>\$ 4,847</u>	<u>\$ 2,408</u>

See Accompanying Notes to Condensed Consolidated Financial Statements.

FACEBOOK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In millions)
(Unaudited)

	Three Months Ended March 31, 2020						Three Months Ended March 31, 2019					
	Class A and Class B Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity	Class A and Class B Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
	Shares	Par Value					Shares	Par Value				
Balances at beginning of period	2,852	\$ —	\$ 45,851	\$ (489)	\$ 55,692	\$ 101,054	2,854	\$ —	\$ 42,906	\$ (760)	\$ 41,981	\$ 84,127
Issuance of common stock	8	—	—	—	—	—	8	—	4	—	—	4
Shares withheld related to net share settlement	(3)	—	(498)	—	(192)	(690)	(3)	—	(387)	—	(125)	(512)
Share-based compensation	—	—	1,335	—	—	1,335	—	—	1,010	—	—	1,010
Share repurchases	(6)	—	—	—	(1,242)	(1,242)	(3)	—	—	—	(521)	(521)
Other comprehensive loss	—	—	—	(55)	—	(55)	—	—	—	(21)	—	(21)
Net income	—	—	—	—	4,902	4,902	—	—	—	—	2,429	2,429
Balances at end of period	2,851	\$ —	\$ 46,688	\$ (544)	\$ 59,160	\$ 105,304	2,856	\$ —	\$ 43,533	\$ (781)	\$ 43,764	\$ 86,516

See Accompanying Notes to Condensed Consolidated Financial Statements.

FACEBOOK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Three Months Ended March 31,	
	2020	2019
Cash flows from operating activities		
Net income	\$ 4,902	\$ 2,429
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,597	1,355
Share-based compensation	1,335	1,010
Deferred income taxes	477	183
Other	6	6
Changes in assets and liabilities:		
Accounts receivable	2,046	1,070
Prepaid expenses and other current assets	(29)	84
Other assets	(16)	41
Accounts payable	(44)	(96)
Partners payable	(169)	(1)
Accrued expenses and other current liabilities	980	3,154
Deferred revenue and deposits	(16)	(4)
Other liabilities	(68)	77
Net cash provided by operating activities	11,001	9,308
Cash flows from investing activities		
Purchases of property and equipment, net	(3,558)	(3,837)
Purchases of marketable securities	(7,884)	(6,603)
Sales of marketable securities	2,764	1,512
Maturities of marketable securities	4,644	2,210
Acquisitions of businesses, net of cash acquired, and purchases of intangible assets	(33)	(50)
Other investing activities, net	(42)	—
Net cash used in investing activities	(4,109)	(6,768)
Cash flows from financing activities		
Taxes paid related to net share settlement of equity awards	(690)	(512)
Repurchases of Class A common stock	(1,250)	(613)
Principal payments on finance leases	(100)	(125)
Net change in overdraft in cash pooling entities	(80)	(177)
Other financing activities, net	98	4
Net cash used in financing activities	(2,022)	(1,423)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(222)	(44)
Net increase in cash, cash equivalents, and restricted cash	4,648	1,073
Cash, cash equivalents, and restricted cash at beginning of the period	19,279	10,124
Cash, cash equivalents, and restricted cash at end of the period	\$ 23,927	\$ 11,197
Reconciliation of cash, cash equivalents, and restricted cash to the condensed consolidated balance sheets		
Cash and cash equivalents	\$ 23,618	\$ 11,076
Restricted cash, included in prepaid expenses and other current assets	137	10
Restricted cash, included in other assets	172	111
Total cash, cash equivalents, and restricted cash	\$ 23,927	\$ 11,197

See Accompanying Notes to Condensed Consolidated Financial Statements.

FACEBOOK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Three Months Ended March 31,	
	2020	2019
Supplemental cash flow data		
Cash paid for income taxes, net	\$ 209	\$ 682
Non-cash investing activities:		
Acquisition of businesses in accrued expenses and other liabilities	\$ 148	\$ —
Property and equipment in accounts payable and accrued liabilities	\$ 1,603	\$ 1,617

See Accompanying Notes to Condensed Consolidated Financial Statements.

FACEBOOK, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (GAAP) and applicable rules and regulations of the Securities and Exchange Commission (SEC) regarding interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. As such, the information included in this quarterly report on Form 10-Q should be read in conjunction with the consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2019.

The condensed consolidated balance sheet as of December 31, 2019 included herein was derived from the audited financial statements as of that date, but does not include all disclosures including notes required by GAAP.

The condensed consolidated financial statements include the accounts of Facebook, Inc., subsidiaries where we have controlling financial interests, and any variable interest entities for which we are deemed to be the primary beneficiary. All intercompany balances and transactions have been eliminated.

The accompanying condensed consolidated financial statements reflect all normal recurring adjustments that are necessary to present fairly the results for the interim periods presented. Interim results are not necessarily indicative of the results for the full year ending December 31, 2020.

Reclassifications

Certain prior year amounts on the condensed consolidated statements of cash flow have been reclassified to conform to the current year presentation. A reclassification was made to net the changes in operating lease right-of use assets with operating lease liabilities. This net change was not material and was included within the changes in other liabilities in cash flows from operating activities on the condensed consolidated statement of cash flow for the three months ended March 31, 2019. This change does not affect previously reported cash flows from operating activities in the condensed consolidated statements of cash flows. This reclassification had no effect on our other condensed consolidated financial statements for the periods ended March 31, 2020 and 2019.

Use of Estimates

Conformity with GAAP requires the use of estimates and judgments that affect the reported amounts in the consolidated financial statements and accompanying notes. These estimates form the basis for judgments we make about the carrying values of our assets and liabilities, which are not readily apparent from other sources. We base our estimates and judgments on historical information and on various other assumptions that we believe are reasonable under the circumstances. GAAP requires us to make estimates and judgments in several areas, including, but not limited to, those related to income taxes, loss contingencies, fair value of acquired intangible assets and goodwill, collectibility of accounts receivable, fair value of financial instruments, credit losses of available-for-sale (AFS) debt securities, leases, useful lives of intangible assets and property and equipment, and revenue recognition. These estimates are based on management's knowledge about current events and expectations about actions we may undertake in the future. Actual results could differ materially from those estimates.

The COVID-19 pandemic has created and may continue to create significant uncertainty in macroeconomic conditions, which may cause further business slowdowns or shutdowns, depress demand for our advertising business, and adversely impact our results of operations. During the three months ended March 31, 2020, we faced increasing uncertainties around our estimates of revenue collectibility and accounts receivable credit losses. We expect uncertainties around our key accounting estimates to continue to evolve depending on the duration and degree of impact associated with the COVID-19 pandemic. Our estimates may change as new events occur and additional information emerges, and such changes are recognized or disclosed in our consolidated financial statements.

Recently Adopted Accounting Pronouncements

Fair Value Measurements

On January 1, 2020, we adopted Accounting Standards Update No. 2018-13, *Changes to Disclosure Requirements for Fair Value Measurements (Topic 820)*, which improved the effectiveness of disclosure requirements for recurring and nonrecurring fair value measurements. The standard removes, modifies, and adds certain disclosure requirements. The adoption of this new standard did not have a material impact on our condensed consolidated financial statements.

Credit Losses

On January 1, 2020, we adopted Accounting Standards Update No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, using the modified retrospective transition method. Upon adoption, we changed our impairment model to utilize a forward-looking current expected credit losses (CECL) model in place of the incurred loss methodology for financial instruments measured at amortized cost, including our accounts receivable. In addition, we modified our impairment model to the CECL model for AFS debt securities and discontinued using the concept of "other than temporary" impairment on AFS debt securities. CECL estimates on accounts receivable are recorded as general and administrative expenses on our condensed consolidated statements of income. CECL estimates on AFS debt securities are recognized in interest and other income (expense), net on our condensed consolidated statements of income. The cumulative effect adjustment from adoption was immaterial to our condensed consolidated financial statements.

Significant Accounting Policies

There have been no material changes to our significant accounting policies from our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, except for the policies noted below which changed as a result of the adoption of Topic 326.

Cash and Cash Equivalents, Marketable Securities, and Restricted Cash

Cash and cash equivalents consist of cash on deposit with banks and highly liquid investments with maturities of 90 days or less from the date of purchase.

We hold investments in marketable securities, consisting of U.S. government securities, U.S. government agency securities, and investment grade corporate debt securities. We classify our marketable securities as AFS investments in our current assets because they represent investments of cash available for current operations. Our AFS investments are carried at estimated fair value with any unrealized gains and losses, net of taxes, included in accumulated other comprehensive income (loss) in stockholders' equity. AFS debt securities with an amortized cost basis in excess of estimated fair value are assessed to determine what amount of that difference, if any, is caused by expected credit losses. Expected credit losses on AFS debt securities are recognized in interest and other income (expense), net on our condensed consolidated statements of income, and any remaining unrealized losses, net of taxes, are included in accumulated other comprehensive loss in stockholders' equity. The amount of credit losses recorded for the three months ended March 31, 2020 was not material. We have not recorded any impairment charge for unrealized losses in the periods presented. We determine realized gains or losses on sale of marketable securities on a specific identification method, and record such gains or losses as interest and other income (expense), net.

Accounts Receivable and Allowances

Accounts receivable are recorded and carried at the original invoiced amount less an allowance for any potential uncollectible amounts. We make estimates of expected credit losses for the allowance for doubtful accounts and allowance for unbilled receivables based upon our assessment of various factors, including historical experience, the age of the accounts receivable balances, credit quality of our customers, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect our ability to collect from customers. The estimated credit loss allowance is recorded as general and administrative expenses on our condensed consolidated statements of income. As of March 31, 2020, we reported \$7.29 billion of accounts receivable, net of an allowance of \$370 million.

Credit Risk and Concentration

Our financial instruments that are potentially subject to concentrations of credit risk consist primarily of cash, cash equivalents, restricted cash, marketable securities, and accounts receivable. The majority of cash equivalents consists of money market funds that primarily invest in U.S. government and agency securities. Marketable securities consist of investments in U.S. government securities, U.S. government agency securities, and investment grade corporate debt securities. Our investment portfolio in corporate debt securities is highly liquid and diversified among individual issuers.

AFS debt securities with an amortized cost basis in excess of estimated fair value are assessed using the CECL model to determine what amount of that difference, if any, is caused by expected credit losses. Expected credit losses on AFS debt securities are recognized in interest and other income (expense), net on our condensed consolidated statements of income.

Accounts receivable are typically unsecured and are derived from revenue earned from customers across different industries and countries. We generated 43% and 42% of our revenue for the three months ended March 31, 2020 and 2019, respectively, from marketers and developers based in the United States, with the majority of revenue outside of the United States coming from customers located in western Europe, China, Canada, Japan, Brazil, and Vietnam.

We perform ongoing credit evaluations of our customers and generally do not require collateral. We maintain an allowance for estimated credit losses. Bad debt expense was \$197 million and \$4 million during the three months ended March 31, 2020 and 2019, respectively. In the event that accounts receivable collection cycles deteriorate, our operating results and financial position could be adversely affected.

Accounting Pronouncements Not Yet Adopted

In December 2019, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* (ASU 2019-12), which simplifies the accounting for income taxes. This guidance will be effective for us in the first quarter of 2021 on a prospective basis, with early adoption permitted. We will adopt the new standard effective January 1, 2021 and do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In January 2020, the FASB issued Accounting Standards Update No. 2020-01, *Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)* (ASU 2020-01), which clarifies the interaction of the accounting for equity securities under Topic 321, the accounting for equity method investments in Topic 323, and the accounting for certain forward contracts and purchased options in Topic 815. This guidance will be effective for us in the first quarter of 2021 on a prospective basis, with early adoption permitted. We are currently evaluating the impact of the new guidance, but based upon our current portfolio of investments, we do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

Note 2. Revenue

Revenue disaggregated by revenue source consists of the following (in millions):

	Three Months Ended March 31,	
	2020	2019
Advertising	\$ 17,440	\$ 14,912
Other revenue	297	165
Total revenue	<u>\$ 17,737</u>	<u>\$ 15,077</u>

Revenue disaggregated by geography, based on the billing address of our customers, consists of the following (in millions):

	Three Months Ended March 31,	
	2020	2019
United States and Canada ⁽¹⁾	\$ 8,012	\$ 6,777
Europe ⁽²⁾	4,150	3,624
Asia-Pacific	3,971	3,337
Rest of World ⁽²⁾	1,604	1,339
Total revenue	<u>\$ 17,737</u>	<u>\$ 15,077</u>

(1) United States revenue was \$7.55 billion and \$6.36 billion for the three months ended March 31, 2020 and 2019, respectively.

(2) Europe includes Russia and Turkey, and Rest of World includes Africa, Latin America, and the Middle East.

Deferred revenue and deposits consists of the following (in millions):

	March 31, 2020	December 31, 2019
Deferred revenue	\$ 210	\$ 234
Deposits	37	35
Total deferred revenue and deposits	<u>\$ 247</u>	<u>\$ 269</u>

Note 3. Earnings per Share

We compute earnings per share (EPS) of Class A and Class B common stock using the two-class method.

Basic EPS is computed by dividing net income by the weighted-average number of shares of our Class A and Class B common stock outstanding.

For the calculation of diluted EPS, net income for basic EPS is adjusted by the effect of dilutive securities under our equity compensation plans. In addition, the computation of the diluted EPS of Class A common stock assumes the conversion of our Class B common stock to Class A common stock, while the diluted EPS of Class B common stock does not assume the conversion of those shares to Class A common stock. Diluted EPS attributable to common stockholders is computed by dividing the resulting net income by the weighted-average number of fully diluted common shares outstanding.

Restricted stock units (RSUs) with anti-dilutive effect were excluded from the EPS calculation and they were not material for the three months ended March 31, 2020 and March 31, 2019.

Basic and diluted EPS are the same for each class of common stock because they are entitled to the same liquidation and dividend rights.

The numerators and denominators of the basic and diluted EPS computations for our common stock are calculated as follows (in millions, except per share amounts):

	Three Months Ended March 31,			
	2020		2019	
	Class A	Class B	Class A	Class B
Basic EPS:				
Numerator				
Net income	\$ 4,138	\$ 764	\$ 2,038	\$ 391
Denominator				
Weighted-average shares outstanding	2,407	444	2,396	460
Basic EPS	\$ 1.72	\$ 1.72	\$ 0.85	\$ 0.85
Diluted EPS:				
Numerator				
Net income	\$ 4,138	\$ 764	\$ 2,038	\$ 391
Reallocation of net income as a result of conversion of Class B to Class A common stock	764	—	391	—
Reallocation of net income to Class B common stock	—	(5)	—	—
Net income for diluted EPS	\$ 4,902	\$ 759	\$ 2,429	\$ 391
Denominator				
Number of shares used for basic EPS computation	2,407	444	2,396	460
Conversion of Class B to Class A common stock	444	—	460	—
Weighted-average effect of dilutive RSUs and employee stock options	17	—	13	2
Number of shares used for diluted EPS computation	2,868	444	2,869	462
Diluted EPS	\$ 1.71	\$ 1.71	\$ 0.85	\$ 0.85

Note 4. Cash and Cash Equivalents, and Marketable Securities

The following table sets forth the cash and cash equivalents and marketable securities (in millions):

	March 31, 2020	December 31, 2019
Cash and cash equivalents:		
Cash	\$ 4,657	\$ 4,735
Money market funds	18,155	12,787
U.S. government securities	287	815
U.S. government agency securities	217	444
Certificate of deposits and time deposits	203	217
Corporate debt securities	99	81
Total cash and cash equivalents	23,618	19,079
Marketable securities:		
U.S. government securities	19,331	18,679
U.S. government agency securities	6,617	6,712
Corporate debt securities	10,723	10,385
Total marketable securities	36,671	35,776
Total cash and cash equivalents and marketable securities	\$ 60,289	\$ 54,855

The gross unrealized gains on our marketable securities were \$631 million and \$205 million as of March 31, 2020 and December 31, 2019, respectively. The gross unrealized losses on our marketable securities were \$44 million and \$24 million as of March 31, 2020 and December 31, 2019, respectively. The allowance for credit losses was not material as of March 31, 2020.

The following table classifies our marketable securities by contractual maturities (in millions):

	March 31, 2020
Due in one year	\$ 13,070
Due after one year to five years	23,601
Total	\$ 36,671

Note 5. Fair Value Measurement

The following table summarizes our cash equivalents and marketable securities measured at fair value and the classification by level of input within the fair value hierarchy (in millions):

Description	March 31, 2020	Fair Value Measurement at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents:				
Money market funds	\$ 18,155	\$ 18,155	\$ —	\$ —
U.S. government securities	287	287	—	—
U.S. government agency securities	217	217	—	—
Certificate of deposits and time deposits	203	—	203	—
Corporate debt securities	99	—	99	—
Marketable securities:				
U.S. government securities	19,331	19,331	—	—
U.S. government agency securities	6,617	6,617	—	—
Corporate debt securities	10,723	—	10,723	—
Total cash equivalents and marketable securities	\$ 55,632	\$ 44,607	\$ 11,025	\$ —

Description	December 31, 2019	Fair Value Measurement at Reporting Date Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Cash equivalents:					
Money market funds	\$ 12,787	\$ 12,787	\$ —	\$ —	
U.S. government securities	815	815	—	—	
U.S. government agency securities	444	444	—	—	
Certificate of deposits and time deposits	217	—	217	—	
Corporate debt securities	81	—	81	—	
Marketable securities:					
U.S. government securities	18,679	18,679	—	—	
U.S. government agency securities	6,712	6,712	—	—	
Corporate debt securities	10,385	—	10,385	—	
Total cash equivalents and marketable securities	\$ 50,120	\$ 39,437	\$ 10,683	\$ —	

We classify our cash equivalents and marketable securities within Level 1 or Level 2 because we use quoted market prices or alternative pricing sources and models utilizing market observable inputs to determine their fair value.

Beginning in the three months ended March 31, 2020, we had other assets and liabilities classified within Level 3 as factors used to develop the estimated fair value are unobservable inputs that are not supported by market activity. The aggregate absolute value of these Level 3 assets and liabilities was not material to our condensed consolidated financial statements as of March 31, 2020.

Note 6. Property and Equipment

Property and equipment, net consists of the following (in millions):

	March 31, 2020	December 31, 2019
Land	\$ 1,138	\$ 1,097
Buildings	11,908	11,226
Leasehold improvements	3,382	3,112
Network equipment	17,764	17,004
Computer software, office equipment and other	1,951	1,813
Finance lease right-of-use assets	1,688	1,635
Construction in progress	10,908	10,099
Total	48,739	45,986
Less: Accumulated depreciation	(11,612)	(10,663)
Property and equipment, net	\$ 37,127	\$ 35,323

Depreciation expense on property and equipment was \$1.49 billion and \$1.20 billion for the three months ended March 31, 2020 and 2019, respectively. Construction in progress includes costs mostly related to construction of data centers, network equipment infrastructure to support our data centers around the world, and office buildings. No interest was capitalized for any period presented.

Note 7. Leases

We have entered into various non-cancelable operating lease agreements for certain of our offices, data centers, land, colocations, and equipment. We have also entered into various non-cancelable finance lease agreements for certain network equipment. Our leases have original lease periods expiring between the remainder of 2020 and 2093. Many leases include one or more options to renew. We do not assume renewals in our determination of the lease term unless the renewals are deemed to be reasonably assured. Our lease agreements generally do not contain any material residual value guarantees or material restrictive covenants.

The components of lease costs, lease term and discount rate are as follows (in millions):

	Three Months Ended	
	March 31, 2020	March 31, 2019
Finance lease cost		
Amortization of right-of-use assets	\$ 60	\$ 42
Interest	3	2
Operating lease cost	340	246
Variable lease cost and other, net	60	49
Total lease cost	\$ 463	\$ 339
Weighted-average remaining lease term		
Operating leases	12.8 years	13.1 years
Finance leases	15.2 years	15.1 years
Weighted-average discount rate		
Operating leases	3.2%	3.6%
Finance leases	3.1%	3.2%

The following is a schedule, by years, of maturities of lease liabilities as of March 31, 2020 (in millions):

	Operating Leases	Finance Leases
The remainder of 2020	\$ 795	\$ 45
2021	1,281	49
2022	1,198	38
2023	1,137	36
2024	1,061	36
Thereafter	7,657	386
Total undiscounted cash flows	13,129	590
Less: Imputed interest	(2,785)	(120)
Present value of lease liabilities	\$ 10,344	\$ 470
Lease liabilities, current	\$ 835	\$ 44
Lease liabilities, non-current	9,509	426
Present value of lease liabilities	\$ 10,344	\$ 470

As of March 31, 2020, we have additional operating and finance leases for facilities and network equipment that have not yet commenced with lease obligations of approximately \$5.07 billion and \$332 million, respectively. These operating and finance leases will commence between the remainder of 2020 and 2023 with lease terms of greater than one year to 25 years. This table does not include lease payments that were not fixed at commencement or modification.

Supplemental cash flow information related to leases are as follows (in millions):

	Three Months Ended	
	March 31, 2020	March 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 276	\$ 188
Operating cash flows from finance leases	\$ 3	\$ 2
Financing cash flows from finance leases	\$ 100	\$ 125
Lease liabilities arising from obtaining right-of-use assets:		
Operating leases	\$ 304	\$ 1,383
Finance leases	\$ 25	\$ 35

Note 8. Goodwill and Intangible Assets

During the three months ended March 31, 2020, we completed business acquisitions that were not material to our condensed consolidated financial statements, either individually or in the aggregate. Accordingly, pro forma historical results of operations related to these business acquisitions during the three months ended March 31, 2020 have not been presented. We have included the financial results of these business acquisitions in our condensed consolidated financial statements from their respective dates of acquisition.

The changes in the carrying amount of goodwill for the three months ended March 31, 2020 are as follows (in millions):

Balance as of December 31, 2019	\$	18,715
Goodwill acquired		98
Effect of currency translation adjustment		(2)
Balance as of March 31, 2020	\$	18,811

The following table sets forth the major categories of the intangible assets and the weighted-average remaining useful lives for those assets that are not already fully amortized (in millions):

	Weighted-Average Remaining Useful Lives (in years)	March 31, 2020			December 31, 2019		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Acquired users	1.5	\$ 2,056	\$ (1,622)	\$ 434	\$ 2,056	\$ (1,550)	\$ 506
Acquired technology	2.5	1,213	(1,007)	206	1,158	(986)	172
Acquired patents	4.4	805	(638)	167	805	(625)	180
Trade names	1.8	635	(609)	26	635	(604)	31
Other	3.1	162	(157)	5	162	(157)	5
Total intangible assets		\$ 4,871	\$ (4,033)	\$ 838	\$ 4,816	\$ (3,922)	\$ 894

Amortization expense of intangible assets was \$111 million and \$156 million for the three months ended March 31, 2020 and 2019, respectively.

As of March 31, 2020, expected amortization expense for the unamortized acquired intangible assets for the next five years and thereafter is as follows (in millions):

The remainder of 2020	\$	329
2021		335
2022		87
2023		33
2024		23
Thereafter		31
Total	\$	838

Note 9. Long-term Debt

In May 2016, we entered into a \$2.0 billion senior unsecured revolving credit facility, and any amounts outstanding under this facility will be due and payable on May 20, 2021. As of March 31, 2020, no amounts had been drawn down, and we were in compliance with the covenants under this facility.

Note 10. Commitments and Contingencies

Guarantee

In 2018, we established a multi-currency notional cash pool for certain of our entities with a third-party bank provider. Actual cash balances are not physically converted and are not commingled between participating legal entities. As part of the notional cash pool agreement, the bank extends overdraft credit to our participating entities as needed, provided that the overall notionally pooled balance of all accounts in the pool at the end of each day is at least zero. In the unlikely event of a default by our collective entities participating in the pool, any overdraft balances incurred would be guaranteed by Facebook, Inc.

Other contractual commitments

We also have \$7.62 billion of non-cancelable contractual commitments as of March 31, 2020, the majority of which is related to network infrastructure and our data center operations. These commitments are primarily due within five years.

Legal Matters

Beginning on March 20, 2018, multiple putative class actions and derivative actions were filed in state and federal courts in the United States and elsewhere against us and certain of our directors and officers alleging violations of securities laws, breach of fiduciary duties, and other causes of action in connection with our platform and user data practices as well as the misuse of certain data by a developer that shared such data with third parties in violation of our terms and policies, and seeking unspecified damages and injunctive relief. Beginning on July 27, 2018, two putative class actions were filed in federal court in the United States against us and certain of our directors and officers alleging violations of securities laws in connection with the disclosure of our earnings results for the second quarter of 2018 and seeking unspecified damages. These two actions subsequently were transferred and consolidated in the U.S. District Court for the Northern District of California with the putative securities class action described above relating to our platform and user data practices. On September 25, 2019, the district court granted our motion to dismiss the consolidated putative securities class action, with leave to amend. On November 15, 2019, an amended complaint was filed in the consolidated putative securities class action. We believe these lawsuits are without merit, and we are vigorously defending them. In addition, our platform and user data practices, as well as the events surrounding the misuse of certain data by a developer, became the subject of U.S. Federal Trade Commission (FTC), state attorneys general, and other government inquiries in the United States, Europe, and other jurisdictions. In July 2019, we entered into a settlement and modified consent order to resolve the FTC inquiry, which was approved by the federal court and took effect in April 2020. Among other matters, our settlement with the FTC requires us to pay a penalty of \$5.0 billion and to significantly enhance our practices and processes for privacy compliance and oversight. This penalty is reflected in accrued expenses and other current liabilities on our condensed consolidated balance sheet as of March 31, 2020. We paid the penalty in April 2020 upon the effectiveness of the modified consent order.

On April 1, 2015, a putative class action was filed against us in the U.S. District Court for the Northern District of California by Facebook users alleging that the "tag suggestions" facial recognition feature violates the Illinois Biometric Information Privacy Act, and seeking statutory damages and injunctive relief. On April 16, 2018, the district court certified a class of Illinois residents, and on May 14, 2018, the district court denied both parties' motions for summary judgment. On May 29, 2018, the U.S. Court of Appeals for the Ninth Circuit granted our petition for review of the class certification order and stayed the proceeding. On August 8, 2019, the Ninth Circuit affirmed the class certification order. On December 2, 2019, we filed a petition with the U.S. Supreme Court seeking review of the decision of the Ninth Circuit, which was denied. On January 15, 2020, the parties agreed to a settlement in principle to resolve the lawsuit, which will require a payment of \$550 million by us and is subject to approval by the district court. This settlement amount is reflected in accrued expenses and other current liabilities on our condensed consolidated balance sheet as of March 31, 2020.

Beginning on September 28, 2018, multiple putative class actions were filed in state and federal courts in the United States and elsewhere against us alleging violations of consumer protection laws and other causes of action in connection with

a third-party cyber-attack that exploited a vulnerability in Facebook's code to steal user access tokens and access certain profile information from user accounts on Facebook, and seeking unspecified damages and injunctive relief. The actions filed in the United States were consolidated in the U.S. District Court for the Northern District of California. On November 26, 2019, the district court certified a class for injunctive relief purposes, but denied certification of a class for purposes of pursuing damages. On January 16, 2020, the parties agreed to a settlement in principle to resolve the lawsuit. We believe the remaining lawsuits are without merit, and we are vigorously defending them. In addition, the events surrounding this cyber-attack became the subject of Irish Data Protection Commission (IDPC) and other government inquiries.

From time to time we also notify the IDPC, our designated European privacy regulator under the General Data Protection Regulation, of certain other personal data breaches and privacy issues, and are subject to inquiries and investigations regarding various aspects of our regulatory compliance. Although we are vigorously defending our regulatory compliance, we believe there is a reasonable possibility that the ultimate potential loss related to the inquiries and investigations by the IDPC could be material in the aggregate.

In addition, from time to time, we are subject to litigation and other proceedings involving law enforcement and other regulatory agencies, including in particular in Brazil and Europe, in order to ascertain the precise scope of our legal obligations to comply with the requests of those agencies, including our obligation to disclose user information in particular circumstances. A number of such instances have resulted in the assessment of fines and penalties against us. We believe we have multiple legal grounds to satisfy these requests or prevail against associated fines and penalties, and we intend to vigorously defend such fines and penalties.

With respect to the cases, actions, and inquiries described above, we evaluate the associated developments on a regular basis and accrue a liability when we believe a loss is probable and the amount can be reasonably estimated. In addition, we believe there is a reasonable possibility that we may incur a loss in some of these matters. With respect to the matters described above that do not include an estimate of the amount of loss or range of possible loss, such losses or range of possible losses either cannot be estimated or are not individually material, but we believe there is a reasonable possibility that they may be material in the aggregate.

We are also party to various other legal proceedings, claims, and regulatory, tax or government inquiries and investigations that arise in the ordinary course of business. With respect to these other matters, we evaluate the associated developments on a regular basis and accrue a liability when we believe a loss is probable and the amount can be reasonably estimated. In addition, we believe there is a reasonable possibility that we may incur a loss in some of these other matters. We believe that the amount of losses or any estimable range of possible losses with respect to these other matters will not, either individually or in the aggregate, have a material adverse effect on our business and condensed consolidated financial statements.

However, the outcome of the legal matters described in this section is inherently uncertain. Therefore, if one or more of these matters were resolved against us for amounts in excess of management's expectations, our results of operations and financial condition, including in a particular reporting period in which any such outcome becomes probable and estimable, could be materially adversely affected.

For information regarding income tax contingencies, see Note 12 — Income Taxes.

Note 11. Stockholders' Equity

Share Repurchase Program

Our board of directors has authorized a share repurchase program of our Class A common stock, which commenced in January 2017 and does not have an expiration date. As of December 31, 2019, \$4.90 billion remained available and authorized for repurchases. In January 2020, an additional \$10.0 billion of repurchases was authorized under this program. During the three months ended March 31, 2020, we repurchased and subsequently retired 6 million shares of our Class A common stock for an aggregate amount of \$1.24 billion. As of March 31, 2020, \$13.66 billion remained available and authorized for repurchases.

The timing and actual number of shares repurchased under the repurchase program depend on a variety of factors, including price, general business and market conditions, and other investment opportunities, and shares may be repurchased through open

market purchases or privately negotiated transactions, including through the use of trading plans intended to qualify under Rule 10b5-1 under the Securities Exchange Act of 1934, as amended.

Share-based Compensation Plans

We maintain two share-based employee compensation plans: the 2012 Equity Incentive Plan, which was amended in each of June 2016 and February 2018 (Amended 2012 Plan), and the 2005 Stock Plan (collectively, Stock Plans). Our Amended 2012 Plan serves as the successor to our 2005 Stock Plan and provides for the issuance of incentive and nonstatutory stock options, restricted stock awards, stock appreciation rights, RSUs, performance shares, and stock bonuses to qualified employees, directors and consultants. Outstanding awards under the 2005 Stock Plan continue to be subject to the terms and conditions of the 2005 Stock Plan. Shares that are withheld in connection with the net settlement of RSUs or forfeited under our Stock Plans are added to the reserves of the Amended 2012 Plan. We account for forfeitures as they occur.

Share-based compensation expense consists of our RSU expense. RSUs granted to employees are measured based on the grant-date fair value. In general, our RSUs vest over a service period of four years. Share-based compensation expense is generally recognized based on the straight-line basis over the requisite service period.

Effective January 1, 2020, there were 171 million shares of our Class A common stock reserved for future issuance under our Amended 2012 Plan. The number of shares reserved for issuance under our Amended 2012 Plan increases automatically on January 1 of each of the calendar years during the term of the Amended 2012 Plan, which will continue through April 2026, by a number of shares of Class A common stock equal to the lesser of (i) 2.5% of the total issued and outstanding shares of our Class A common stock as of the immediately preceding December 31st or (ii) a number of shares determined by our board of directors.

The following table summarizes the activities for our unvested RSUs for the three months ended March 31, 2020:

	Unvested RSUs	
	Number of Shares	Weighted-Average Grant Date Fair Value
	(in thousands)	
Unvested at December 31, 2019	78,851	\$ 165.74
Granted	39,387	\$ 155.99
Vested	(8,388)	\$ 155.51
Forfeited	(1,629)	\$ 159.15
Unvested at March 31, 2020	108,221	\$ 163.08

The fair value as of the respective vesting dates of RSUs that vested during the three months ended March 31, 2020 and 2019 was \$1.80 billion and \$1.31 billion, respectively.

As of March 31, 2020, there was \$16.76 billion of unrecognized share-based compensation expense related to RSUs awards. This unrecognized compensation expense is expected to be recognized over a weighted-average period of approximately three years based on vesting under the award service conditions.

Note 12. Income Taxes

Our tax provision for interim periods is determined using an estimated annual effective tax rate, adjusted for discrete items arising in that quarter. In each quarter, we update the estimated annual effective tax rate and make a year-to-date adjustment to the provision. The estimated annual effective tax rate is subject to significant volatility due to several factors, including our ability to accurately predict the proportion of our income (loss) before provision for income taxes in multiple jurisdictions, the U.S. tax benefits from foreign derived intangible income, the effects of acquisitions, and the integration of those acquisitions.

Our gross unrecognized tax benefits were \$8.15 billion and \$7.86 billion on March 31, 2020 and December 31, 2019, respectively. If the gross unrecognized tax benefits as of March 31, 2020 were realized in a subsequent period, this would result in a tax benefit of \$4.86 billion within our provision of income taxes at such time. The amount of interest and penalties accrued was \$789 million and \$747 million as of March 31, 2020 and December 31, 2019, respectively. We expect to continue to accrue

unrecognized tax benefits for certain recurring tax positions.

On July 27, 2015, the United States Tax Court issued a decision (Tax Court Decision) in *Altera Corp. v. Commissioner*, which concluded that related parties in a cost sharing arrangement are not required to share expenses related to share-based compensation. The Tax Court Decision was appealed by the Commissioner to the Ninth Circuit Court of Appeals (Ninth Circuit). On June 7, 2019, the Ninth Circuit issued an opinion (*Altera Ninth Circuit Opinion*) that reversed the Tax Court Decision. Based on the *Altera Ninth Circuit Opinion*, we recorded a cumulative income tax expense of \$1.11 billion in the second quarter of 2019. On July 22, 2019, the taxpayer requested a rehearing before the full Ninth Circuit and the request was denied on November 12, 2019. The taxpayer has requested a hearing before the Supreme Court of the United States. As a result, the final outcome of the case is uncertain. In November 2019, we made a \$1.64 billion payment related to this matter and recorded the payment to net against the related tax liability included within other liabilities in our consolidated balance sheets. If the *Altera Ninth Circuit Opinion* is reversed, we would anticipate recording an income tax benefit at that time.

We are subject to taxation in the United States and various other state and foreign jurisdictions. The material jurisdictions in which we are subject to potential examination include the United States and Ireland. We are under examination by the Internal Revenue Service (IRS) for our 2014 through 2016 tax years and by the Ireland tax authorities for our 2012 through 2015 tax years. Our 2017 and subsequent tax years remain open to examination by the IRS. Our 2016 and subsequent tax years remain open to examination in Ireland.

In July 2016, we received a Statutory Notice of Deficiency (Notice) from the IRS related to transfer pricing with our foreign subsidiaries in conjunction with the examination of the 2010 tax year. While the Notice applies only to the 2010 tax year, the IRS stated that it will also apply its position for tax years subsequent to 2010. We do not agree with the position of the IRS and have filed a petition in the Tax Court challenging the Notice. On January 15, 2020, the IRS filed its Pretrial Memorandum in the case stating that it planned to assert at trial an adjustment that is higher than the adjustment stated in the Notice. The first session of the trial began in February 2020 and a second session is expected to continue later in the year. It is not clear how the IRS intends to apply the revised adjustment to future years. Based on the information provided, we believe that, if the IRS prevails in its updated position, this could result in an additional federal tax liability of an estimated, aggregate amount of up to approximately \$9.0 billion in excess of the amounts in our originally filed U.S. return, plus interest and any penalties asserted.

In March 2018, we received a second Notice from the IRS in conjunction with the examination of our 2011 through 2013 tax years. The IRS applied its position from the 2010 tax year to each of these years and also proposed new adjustments related to other transfer pricing with our foreign subsidiaries and certain tax credits that we claimed. If the IRS prevails in its position for these new adjustments, this could result in an additional federal tax liability of up to approximately \$680 million in excess of the amounts in our originally filed U.S. returns, plus interest and any penalties asserted. We do not agree with the positions of the IRS in the second Notice and have filed a petition in the Tax Court challenging the second Notice.

We have previously accrued an estimated unrecognized tax benefit consistent with the guidance in ASC 740, *Income Taxes*, that is lower than the potential additional federal tax liability from the positions taken by the IRS in the two Notices and its Pretrial Memorandum. In addition, if the IRS prevails in its positions related to transfer pricing with our foreign subsidiaries, the additional tax that we would owe would be partially offset by a reduction in the tax that we owe under the mandatory transition tax on accumulated foreign earnings from the 2017 Tax Cuts and Jobs Act (Tax Act). As of March 31, 2020, we have not resolved these matters and proceedings continue in the Tax Court.

We believe that adequate amounts have been reserved in accordance with ASC 740 for any adjustments to the provision for income taxes or other tax items that may ultimately result from these examinations. The timing of the resolution, settlement, and closure of any audits is highly uncertain, and it is reasonably possible that the balance of gross unrecognized tax benefits could significantly change in the next 12 months. Given the number of years remaining that are subject to examination, we are unable to estimate the full range of possible adjustments to the balance of gross unrecognized tax benefits. If the taxing authorities prevail in the assessment of additional tax due, the assessed tax, interest, and penalties, if any, could have a material adverse impact on our financial position, results of operations, and cash flows.

Note 13. Geographical Information

The following table sets forth our long-lived assets by geographic area, which consist of property and equipment, net and operating lease right-of-use assets, net (in millions):

	March 31, 2020	December 31, 2019
United States	\$ 37,390	\$ 35,858
Rest of the world ⁽¹⁾	9,096	8,925
Total long-lived assets	<u>\$ 46,486</u>	<u>\$ 44,783</u>

(1) No individual country, other than disclosed above, exceeded 10% of our total long-lived assets for any period presented.

Note 14. Subsequent Event

On April 21, 2020, we entered into a definitive agreement to invest in Jio Platforms Limited, a subsidiary of Reliance Industries Limited, for approximately \$5.7 billion at the current exchange rate.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion of our financial condition and results of operations in conjunction with our condensed consolidated financial statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q and with our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2019, as filed with the Securities and Exchange Commission. In addition to our historical condensed consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Quarterly Report on Form 10-Q, particularly in Part II, Item 1A, "Risk Factors." For a discussion of limitations in the measurement of certain of our community metrics, see the section entitled "Limitations of Key Metrics and Other Data" in this Quarterly Report on Form 10-Q.

Certain revenue information in the section entitled "—Three Months Ended March 31, 2020 and 2019—Revenue—Foreign Exchange Impact on Revenue" is presented on a constant currency basis. This information is a non-GAAP financial measure. To calculate revenue on a constant currency basis, we translated revenue for the three months ended March 31, 2020 using the prior year's monthly exchange rates for our settlement or billing currencies other than the U.S. dollar. This non-GAAP financial measure is not intended to be considered in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with GAAP. This measure may be different from non-GAAP financial measures used by other companies, limiting its usefulness for comparison purposes. Moreover, presentation of revenue on a constant currency basis is provided for year-over-year comparison purposes, and investors should be cautioned that the effect of changing foreign currency exchange rates has an actual effect on our operating results. We believe this non-GAAP financial measure provides investors with useful supplemental information about the financial performance of our business, enables comparison of financial results between periods where certain items may vary independent of business performance, and allows for greater transparency with respect to key metrics used by management in operating our business.

Executive Overview of First Quarter Results

Our key community metrics and financial results for the first quarter of 2020 are as follows:

Community growth:

- Facebook daily active users (DAUs) were 1.73 billion on average for March 2020, an increase of 11% year-over-year.
- Facebook monthly active users (MAUs) were 2.60 billion as of March 31, 2020, an increase of 10% year-over-year.
- Family daily active people (DAP) was 2.36 billion on average for March 2020, an increase of 12% year-over-year.
- Family monthly active people (MAP) was 2.99 billion as of March 31, 2020, an increase of 11% year-over-year.

Financial results:

- Revenue was \$17.74 billion, up 18% year-over-year, and advertising revenue was \$17.44 billion, up 17% year-over-year.
- Total costs and expenses were \$11.84 billion.
- Income from operations was \$5.89 billion and operating margin was 33%.
- Net income was \$4.90 billion with diluted earnings per share of \$1.71.
- Capital expenditures, including principal payments on finance leases, were \$3.66 billion.
- Effective tax rate was 16%.
- Cash and cash equivalents and marketable securities were \$60.29 billion as of March 31, 2020.
- Headcount was 48,268 as of March 31, 2020, an increase of 28% year-over-year.

In the first quarter of 2020, we continued to focus on our main revenue growth priorities: (i) helping marketers use our products to connect with consumers where they are and (ii) making our ads more relevant and effective.

In response to the COVID-19 pandemic, we have focused on helping people stay connected, assisting the public health response, and working on the economic recovery. We have also continued to invest based on the following company priorities that we believe will further our mission to give people the power to build community and bring the world closer together: (i) continue making progress on the major social issues facing the internet and our company, including privacy, safety, and security; (ii) build new experiences that meaningfully improve people's lives today and set the stage for even bigger improvements in the future; (iii) keep building our business by supporting the millions of businesses that rely on our services to grow and create jobs; and (iv) communicate more transparently about what we're doing and the role our services play in the world.

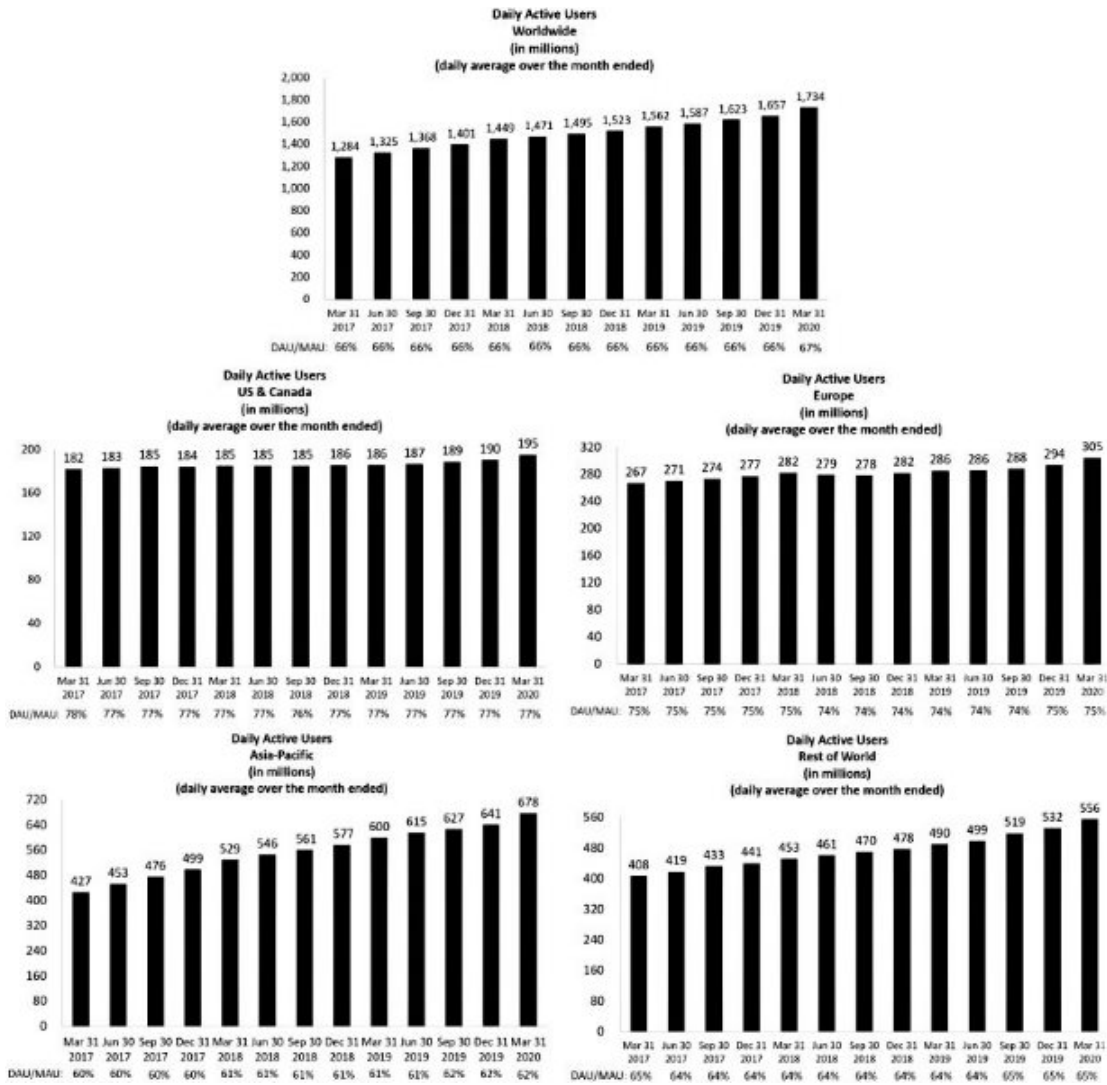
Our business has been impacted by the COVID-19 pandemic, which has resulted in authorities implementing numerous preventative measures to contain or mitigate the outbreak of the virus, such as travel bans and restrictions, limitations on business activity, quarantines, and shelter-in-place orders. These measures have caused, and are continuing to cause, business slowdowns or shutdowns in affected areas, both regionally and worldwide, which have significantly impacted our business and results of operations. We have seen a significant increase in the size of our user base and user engagement as a result of these preventative measures. At the same time, we experienced a significant reduction in the demand for advertising, as well as a related decline in the pricing of our ads, over the last three weeks of the first quarter of 2020. After the initial steep decrease in our advertising revenue growth rates in March compared to earlier in the first quarter of 2020, we have seen signs of stability reflected in the first three weeks of April, where advertising revenue has been approximately flat compared to the same period a year ago, down from the 17% year-over-year growth in the first quarter of 2020. We expect that we will lose at least some of the increased user engagement when various shelter-in-place restrictions are relaxed in the future. In addition, the demand for and pricing of our advertising services, as well as our overall results of operations, may be materially and adversely impacted by the pandemic for the duration of 2020 or longer, and we are unable to predict the duration or degree of such impact with any certainty. We also intend to continue to invest in our business based on our company priorities, and we anticipate that additional investments in our data center capacity, network infrastructure, and office facilities, as well as scaling our headcount to support our growth and certain initiatives related to the COVID-19 pandemic, will continue to drive expense growth in 2020.

Trends in Our Facebook User Metrics

The numbers for our key Facebook metrics, our DAUs, MAUs, and average revenue per user (ARPU), do not include users on Instagram, WhatsApp, or our other products, unless they would otherwise qualify as DAUs or MAUs, respectively, based on their other activities on Facebook.

Trends in the number of users affect our revenue and financial results by influencing the number of ads we are able to show, the value of our ads to marketers, the volume of Payments transactions, as well as our expenses and capital expenditures. Substantially all of our daily and monthly active users (as defined below) access Facebook on mobile devices.

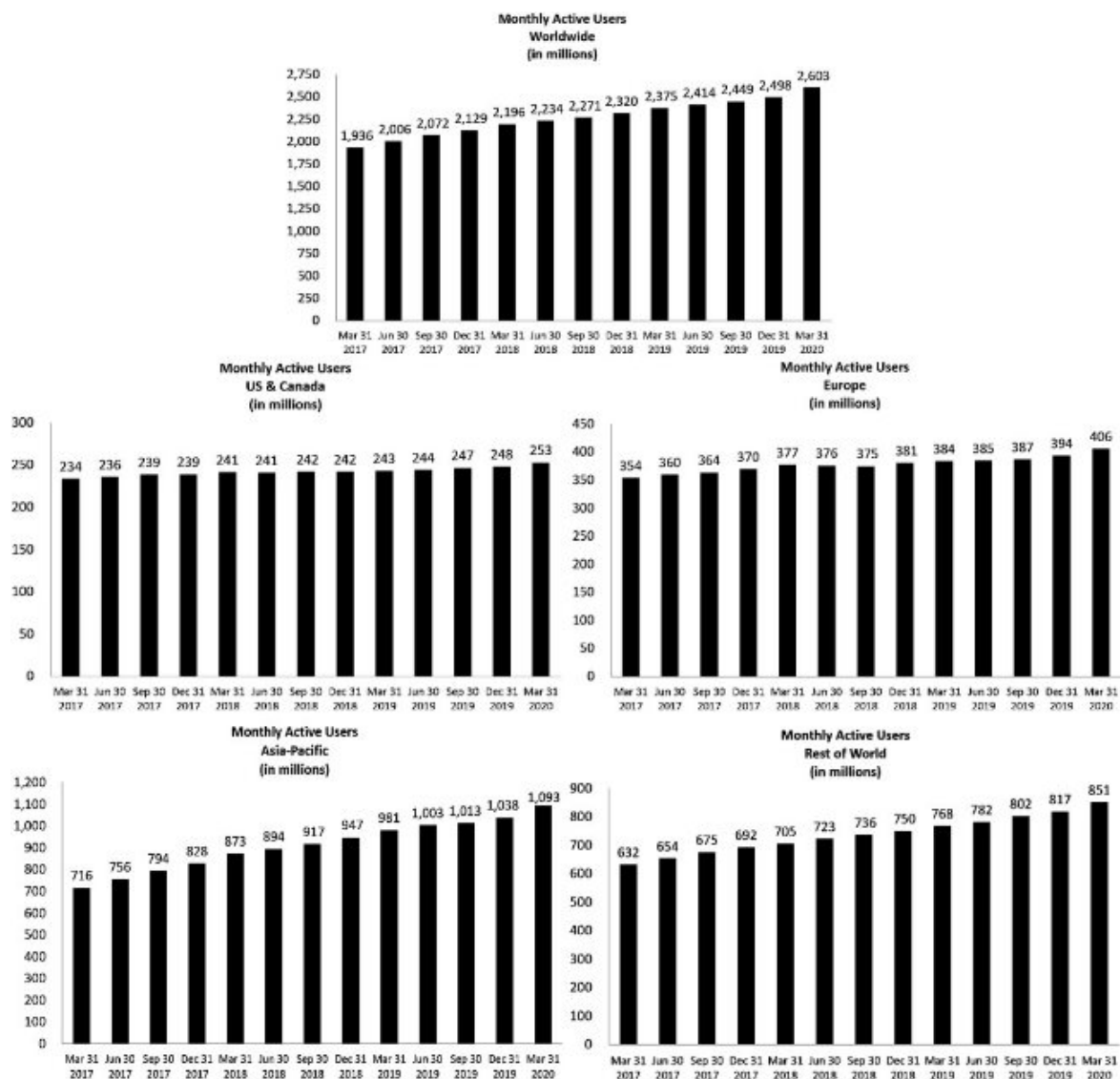
- Daily Active Users (DAUs).** We define a daily active user as a registered and logged-in Facebook user who visited Facebook through our website or a mobile device, or used our Messenger application (and is also a registered Facebook user), on a given day. We view DAUs, and DAUs as a percentage of MAUs, as measures of user engagement on Facebook.



Note: For purposes of reporting DAUs, MAUs, and ARPU by geographic region, Europe includes all users in Russia and Turkey and Rest of World includes all users in Africa, Latin America, and the Middle East.

Worldwide DAUs increased 11% to 1.73 billion on average during March 2020 from 1.56 billion during March 2019. Users in India, Indonesia, and the Philippines represented key sources of growth in DAUs during March 2020, relative to the same period in 2019.

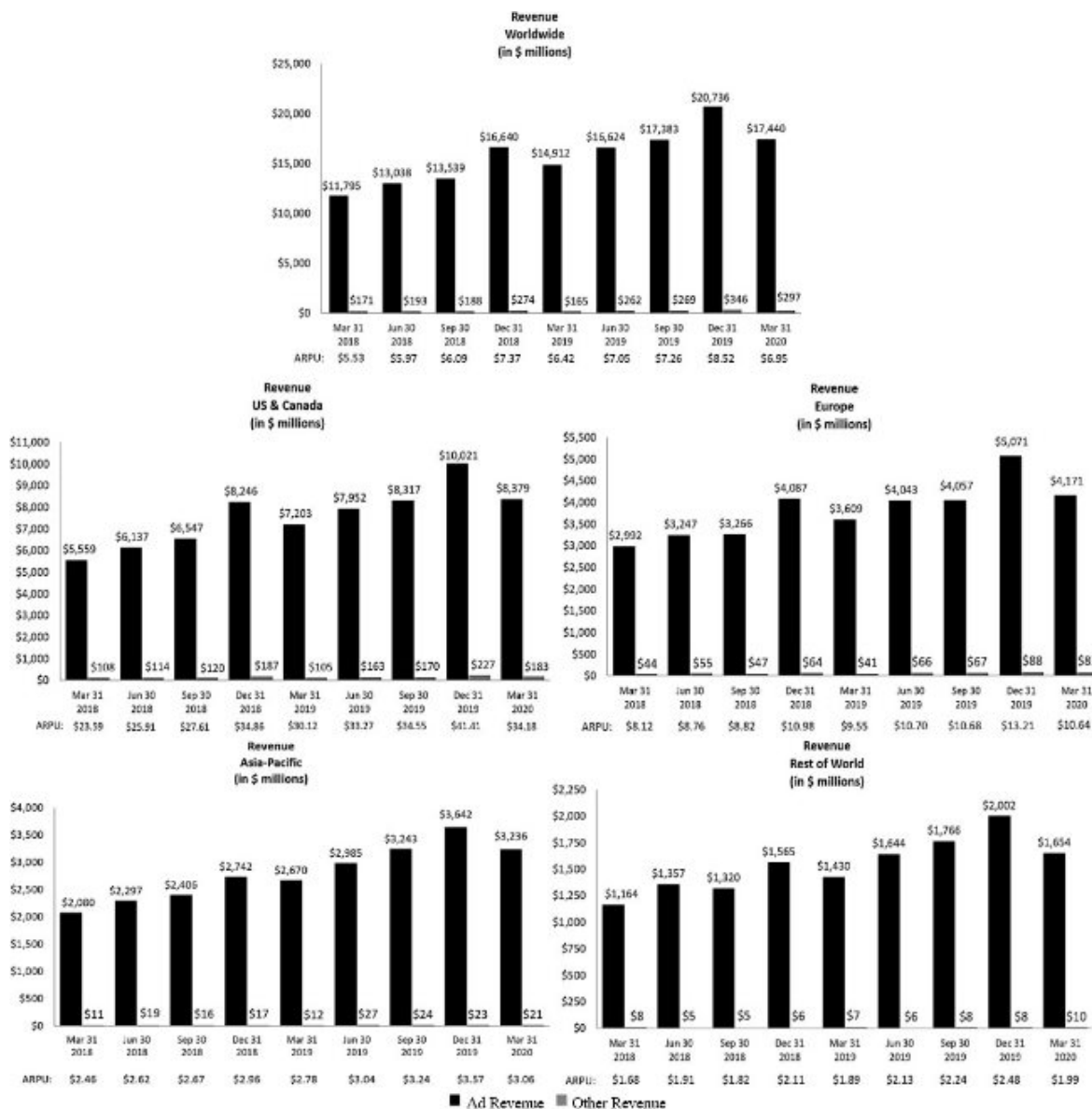
- Monthly Active Users (MAUs).** We define a monthly active user as a registered and logged-in Facebook user who visited Facebook through our website or a mobile device, or used our Messenger application (and is also a registered Facebook user), in the last 30 days as of the date of measurement. MAUs are a measure of the size of our global active user community on Facebook.



As of March 31, 2020, we had 2.60 billion MAUs, an increase of 10% from March 31, 2019. Users in India, Indonesia, and the Philippines represented key sources of growth in the first quarter of 2020, relative to the same period in 2019.

Trends in Our Monetization by Facebook User Geography

We calculate our revenue by Facebook user geography based on our estimate of the geography in which ad impressions are delivered, virtual and digital goods are purchased, or consumer hardware devices are shipped. We define ARPU as our total revenue in a given geography during a given quarter, divided by the average of the number of MAUs in the geography at the beginning and end of the quarter. While ARPU includes all sources of revenue, the number of MAUs used in this calculation only includes users of Facebook and Messenger as described in the definition of MAU above. The share of revenue from users who are not also Facebook or Messenger MAUs was not material. The geography of our users affects our revenue and financial results because we currently monetize users in different geographies at different average rates. Our revenue and ARPU in regions such as United States & Canada and Europe are relatively higher primarily due to the size and maturity of those online and mobile advertising markets. For example, ARPU in the first quarter of 2020 in the United States & Canada region was more than 11 times higher than in the Asia-Pacific region.



Note: Our revenue by Facebook user geography in the charts above is geographically apportioned based on our estimation of the geographic location of our Facebook users when they perform a revenue-generating activity. This allocation differs from our revenue disaggregated by geography disclosure in our condensed consolidated financial statements where revenue is geographically apportioned based on the billing address of the customer.

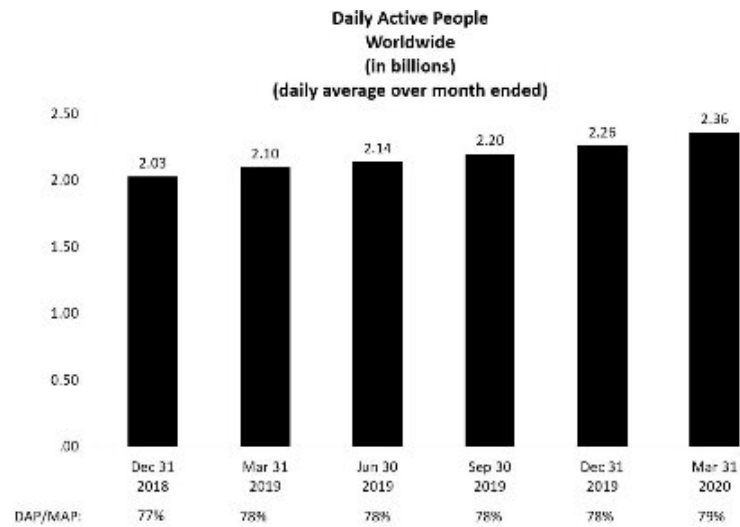
During the first quarter of 2020, worldwide ARPU was \$6.95, an increase of 8% from the first quarter of 2019. Over this period, ARPU increased by 13% in United States & Canada, 11% in Europe, 10% in Asia-Pacific and 5% in Rest of World. In addition, user growth was more rapid in geographies with relatively lower ARPU, such as Asia-Pacific and Rest of World. We expect that user growth in the future will be primarily concentrated in those regions where ARPU is relatively lower, such that worldwide ARPU may continue to increase at a slower rate relative to ARPU in any geographic region, or potentially decrease even if ARPU increases in each geographic region.

Trends in Our Family Metrics

The numbers for our key Family metrics, our DAP, MAP, and average revenue per person (ARPP), do not include users on our other products unless they would otherwise qualify as MAP or DAP, respectively, based on their other activities on our Family products.

Trends in the number of people in our community affect our revenue and financial results by influencing the number of ads we are able to show, the value of our ads to marketers, the volume of Payments transactions, as well as our expenses and capital expenditures. Substantially all of our daily and monthly active people (as defined below) access our Family products on mobile devices.

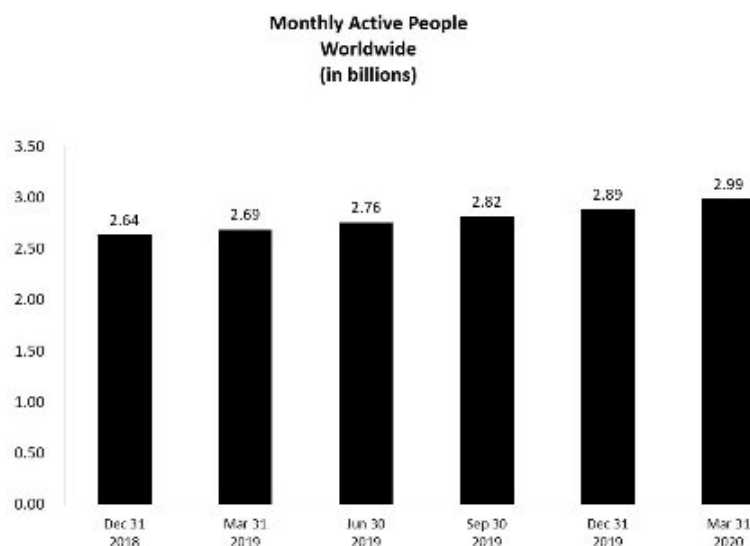
- Daily Active People (DAP).** We define a daily active person as a registered and logged-in user of Facebook, Instagram, Messenger, and/or WhatsApp (collectively, our "Family" of products) who visited at least one of these Family products through a mobile device application or using a web or mobile browser on a given day. We do not require people to use a common identifier or link their accounts to use multiple products in our Family, and therefore must seek to attribute multiple user accounts within and across products to individual people. Our calculations of DAP rely upon complex techniques, algorithms, and machine learning models that seek to estimate the underlying number of unique people using one or more of these products, including by matching user accounts within an individual product and across multiple products when we believe they are attributable to a single person, and counting such group of accounts as one person. As these techniques and models require significant judgment, are developed based on internal reviews of limited samples of user accounts, and are calibrated against user survey data, there is necessarily some margin of error in our estimates. We view DAP, and DAP as a percentage of MAP, as measures of engagement across our products. For additional information, see the section entitled "Limitations of Key Metrics and Other Data" in this Quarterly Report on Form 10-Q.



Note: We report the numbers of DAP and MAP as specific amounts, but these numbers are estimates of the numbers of unique people using our products and are subject to statistical variances and errors. While we expect the error margin for these estimates to vary from period to period, we estimate that such margin generally will be approximately 3% of our worldwide MAP. At our scale, it is very difficult to attribute multiple user accounts within and across products to individual people, and it is possible that the actual numbers of unique people using our products may vary significantly from our estimates, potentially beyond our estimated error margins. For additional information, see the section entitled "Limitations of Key Metrics and Other Data" in this Quarterly Report on Form 10-Q.

Worldwide DAP increased 12% to 2.36 billion on average during March 2020 from 2.10 billion during March 2019.

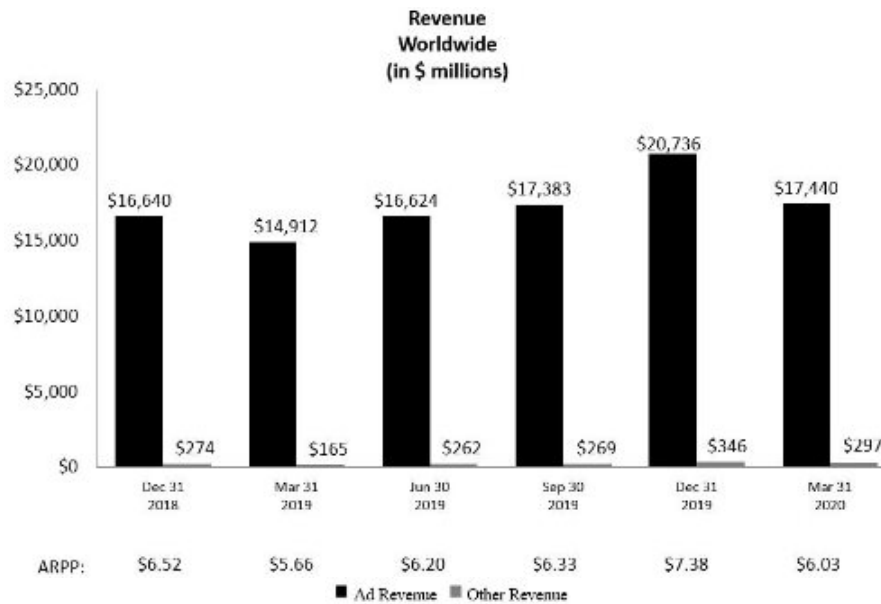
- **Monthly Active People (MAP).** We define a monthly active person as a registered and logged-in user of one or more Family products who visited at least one of these Family products through a mobile device application or using a web or mobile browser in the last 30 days as of the date of measurement. We do not require people to use a common identifier or link their accounts to use multiple products in our Family, and therefore must seek to attribute multiple user accounts within and across products to individual people. Our calculations of MAP rely upon complex techniques, algorithms, and machine learning models that seek to estimate the underlying number of unique people using one or more of these products, including by matching user accounts within an individual product and across multiple products when we believe they are attributable to a single person, and counting such group of accounts as one person. As these techniques and models require significant judgment, are developed based on internal reviews of limited samples of user accounts, and are calibrated against user survey data, there is necessarily some margin of error in our estimates. We view MAP as a measure of the size of our global active community of people using our products. For additional information, see the section entitled "Limitations of Key Metrics and Other Data" in this Quarterly Report on Form 10-Q.



Note: We report the numbers of DAP and MAP as specific amounts, but these numbers are estimates of the numbers of unique people using our products and are subject to statistical variances and errors. While we expect the error margin for these estimates to vary from period to period, we estimate that such margin generally will be approximately 3% of our worldwide MAP. At our scale, it is very difficult to attribute multiple user accounts within and across products to individual people, and it is possible that the actual numbers of unique people using our products may vary significantly from our estimates, potentially beyond our estimated error margins. For additional information, see the section entitled "Limitations of Key Metrics and Other Data" in this Quarterly Report on Form 10-Q.

As of March 31, 2020, we had 2.99 billion MAP, an increase of 11% from 2.69 billion as of March 31, 2019.

- Average Revenue Per Person (ARPP).** We define ARPP as our total revenue during a given quarter, divided by the average of the number of MAP at the beginning and end of the quarter. While ARPP includes all sources of revenue, the number of MAP used in this calculation only includes users of our Family products as described in the definition of MAP above. The share of revenue from users who are not also MAP was not material.



During the first quarter of 2020, worldwide ARPP was \$6.03, an increase of 7% from the first quarter of 2019.

Components of Results of Operations

Revenue

Advertising. We generate substantially all of our revenue from advertising. Our advertising revenue is generated by displaying ad products on Facebook, Instagram, Messenger, and third-party affiliated websites or mobile applications. Marketers pay for ad products either directly or through their relationships with advertising agencies or resellers, based on the number of impressions delivered or the number of actions, such as clicks, taken by users.

We recognize revenue from the display of impression-based ads in the contracted period in which the impressions are delivered. Impressions are considered delivered when an ad is displayed to a user. We recognize revenue from the delivery of action-based ads in the period in which a user takes the action the marketer contracted for. The number of ads we show is subject to methodological changes as we continue to evolve our ads business and the structure of our ads products. We calculate price per ad as total ad revenue divided by the number of ads delivered, representing the effective price paid per impression by a marketer regardless of their desired objective such as impression or action. For advertising revenue arrangements where we are not the principal, we recognize revenue on a net basis.

Other revenue. Other revenue consists of revenue from the delivery of consumer hardware devices and net fees we receive from developers using our Payments infrastructure, as well as revenue from various other sources.

Cost of Revenue and Operating Expenses

Cost of revenue. Our cost of revenue consists primarily of expenses associated with the delivery and distribution of our products. These include expenses related to the operation of our data centers and technical infrastructure, such as facility and server equipment depreciation, salaries, benefits, and share-based compensation for employees on our operations teams, and energy and bandwidth costs. Cost of revenue also includes costs associated with partner arrangements, including traffic acquisition and content acquisition costs, credit card and other transaction fees related to processing customer transactions, and cost of consumer hardware devices sold.

Research and development. Research and development expenses consist primarily of salaries and benefits, share-based compensation, and facilities-related costs for employees on our engineering and technical teams who are responsible for building new products as well as improving existing products. We currently expense all of our research and development costs as they are incurred.

Marketing and sales. Marketing and sales expenses consist of salaries and benefits, and share-based compensation for our employees engaged in sales, sales support, marketing, business development, and customer service functions. Our marketing and sales expenses also include marketing and promotional expenditures and professional services such as content reviewers to support our community and product operations.

General and administrative. General and administrative expenses consist of legal-related costs; salaries and benefits, and share-based compensation for certain of our executives as well as our legal, finance, human resources, corporate communications and policy, and other administrative employees; and professional services.

Results of Operations

The following table sets forth our condensed consolidated statements of income data:

	Three Months Ended March 31,	
	2020	2019
	<i>(in millions)</i>	
Revenue	\$ 17,737	\$ 15,077
Costs and expenses:		
Cost of revenue	3,459	2,816
Research and development	4,015	2,860
Marketing and sales	2,787	2,020
General and administrative	1,583	4,064
Total costs and expenses	11,844	11,760
Income from operations	5,893	3,317
Interest and other income (expense), net	(32)	165
Income before provision for income taxes	5,861	3,482
Provision for income taxes	959	1,053
Net income	\$ 4,902	\$ 2,429

The following table sets forth our condensed consolidated statements of income data (as a percentage of revenue)⁽¹⁾:

	Three Months Ended March 31,	
	2020	2019
Revenue	100%	100%
Costs and expenses:		
Cost of revenue	20	19
Research and development	23	19
Marketing and sales	16	13
General and administrative	9	27
Total costs and expenses	67	78
Income from operations	33	22
Interest and other income (expense), net	—	1
Income before provision for income taxes	33	23
Provision for income taxes	5	7
Net income	28%	16%

(1) Percentages have been rounded for presentation purposes and may differ from unrounded results.

Share-based compensation expense included in costs and expenses:

	Three Months Ended March 31,	
	2020	2019
	<i>(in millions)</i>	
Cost of revenue	\$ 94	\$ 87
Research and development	999	723
Marketing and sales	149	113
General and administrative	93	87
Total share-based compensation expense	\$ 1,335	\$ 1,010

Share-based compensation expense included in costs and expenses (as a percentage of revenue)⁽¹⁾:

	Three Months Ended March 31,	
	2020	2019
Cost of revenue	1%	1%
Research and development	6	5
Marketing and sales	1	1
General and administrative	1	1
Total share-based compensation expense	8%	7%

(1) Percentages have been rounded for presentation purposes and may differ from unrounded results.

Three Months Ended March 31, 2020 and 2019

Revenue

	Three Months Ended March 31,		
	2020	2019	% change
	(in millions, except for percentages)		
Advertising	\$ 17,440	\$ 14,912	17%
Other revenue	297	165	80%
Total revenue	\$ 17,737	\$ 15,077	18%

Revenue in the three months ended March 31, 2020 increased \$2.66 billion, or 18%, compared to the same period in 2019. The increase was almost entirely due to an increase in advertising revenue as a result of an increase in the number of ads delivered, partially offset by a decrease in the average price per ad.

During the three months ended March 31, 2020, the number of ads delivered increased by 39%, as compared with approximately 32% in the same period in 2019. The increase in the ads delivered was driven by an increase in the number and frequency of ads displayed across our products, and an increase in users and their engagement. During the three months ended March 31, 2020, the average price per ad decreased by 16%, as compared with a decrease of approximately 4%, in the same period in 2019. The decrease in average price per ad was primarily driven by a decrease in advertising demand globally due to the COVID-19 pandemic over the last three weeks of the quarter. To a lesser extent, the decrease in average price per ad was also caused by an increasing proportion of the number of ads delivered as Stories ads and in geographies that monetize at lower rates. In the near-term, we anticipate that future advertising revenue growth will be determined primarily by the extent to which the COVID-19 pandemic and related economic slowdown result in a decrease in advertising demand.

Foreign Exchange Impact on Revenue

The general strengthening of the U.S. dollar relative to certain foreign currencies in the three months ended March 31, 2020 compared to the same period in 2019 had an unfavorable impact on revenue. If we had translated revenue for the three months ended March 31, 2020 using the prior year's monthly exchange rates for our settlement or billing currencies other than the U.S. dollar, our total revenue and advertising revenue would have been \$18.01 billion and \$17.71 billion, respectively. Using these constant rates, total revenue and advertising revenue would have been \$275 million and \$274 million higher than actual total revenue and advertising revenue, respectively, for the three months ended March 31, 2020.

Cost of revenue

	Three Months Ended March 31,		% change
	2020	2019	
	<i>(in millions, except for percentages)</i>		
Cost of revenue	\$ 3,459	\$ 2,816	23%
Percentage of revenue	20%	19%	

Cost of revenue in the three months ended March 31, 2020 increased \$643 million, or 23%, compared to the same period in 2019. The increase was primarily due to an increase in operational expenses related to our data centers and technical infrastructure and, to a lesser extent, higher cost of consumer hardware devices sold and traffic acquisition costs.

Research and development

	Three Months Ended March 31,		% change
	2020	2019	
	<i>(in millions, except for percentages)</i>		
Research and development	\$ 4,015	\$ 2,860	40%
Percentage of revenue	23%	19%	

Research and development expenses in the three months ended March 31, 2020 increased \$1.15 billion, or 40%, compared to the same period in 2019. The increase was primarily due to increases in payroll and benefits expenses and facilities-related costs as a result of a 35% growth in employee headcount from March 31, 2019 to March 31, 2020 in our engineering and other technical functions.

Marketing and sales

	Three Months Ended March 31,		% change
	2020	2019	
	<i>(in millions, except for percentages)</i>		
Marketing and sales	\$ 2,787	\$ 2,020	38%
Percentage of revenue	16%	13%	

Marketing and sales expenses in the three months ended March 31, 2020 increased \$767 million, or 38%, compared to the same period in 2019. The increase was primarily driven by increases in marketing expenses and payroll and benefits expenses. Our payroll and benefits expenses increased as a result of a 20% increase in employee headcount from March 31, 2019 to March 31, 2020 in our marketing and sales functions.

General and administrative

	Three Months Ended March 31,		% change
	2020	2019	
	<i>(in millions, except for percentages)</i>		
Legal accrual related to FTC settlement	\$ —	\$ 3,000	NM
Other general and administrative	1,583	1,064	49 %
General and administrative	\$ 1,583	\$ 4,064	(61)%
Percentage of revenue	9%	27%	

General and administrative expenses in the three months ended March 31, 2020 decreased \$2.48 billion, or 61%, compared to the same period in 2019. The decrease was mostly due to the \$3.0 billion legal accrual recorded in the first quarter of 2019 related to our FTC settlement, partially offset by an increase of \$193 million in bad debt expense, a majority of which was due to an increase in our estimated credit losses as the result of economic slowdown caused by the COVID-19 pandemic. In addition, our payroll and benefits expenses increased as a result of a 29% increase in employee headcount from March 31, 2019 to March 31, 2020 in our general and administrative functions.

Interest and other income (expense), net

	Three Months Ended March 31,		
	2020	2019	% change
	(in millions, except for percentages)		
Interest income, net	\$ 228	\$ 198	15 %
Other expense, net	(260)	(33)	NM
Interest and other income (expense), net	\$ (32)	\$ 165	(119)%

Interest and other income (expense), net in the three months ended March 31, 2020 decreased \$197 million, or 119%, compared to the same period in 2019. The decrease was due to an increase in other expense, net which was mostly related to higher foreign exchange losses, compared to the same period in 2019, as a result of foreign currency transactions and re-measurement. This decrease was partially offset by an increase in interest income, net due to higher investment balances.

Provision for income taxes

	Three Months Ended March 31,		
	2020	2019	% change
	(in millions, except for percentages)		
Provision for income taxes	\$ 959	\$ 1,053	(9)%
Effective tax rate	16%	30%	

Our provision for income taxes in the first quarter of 2020 decreased \$94 million, or 9%, compared to the same period in 2019, which was mostly due to a decrease in income from operations prior to the effect of the 2019 legal accrual related to the FTC settlement that is not expected to be tax-deductible.

Our effective tax rate in the first quarter of 2020 decreased compared to the same period in 2019, mostly due to the 2019 legal accrual related to the FTC settlement that is not expected to be tax-deductible.

On July 27, 2015, the United States Tax Court issued a decision (Tax Court Decision) in *Altera Corp. v. Commissioner*, which concluded that related parties in a cost sharing arrangement are not required to share expenses related to share-based compensation. The Tax Court Decision was appealed by the Commissioner to the Ninth Circuit Court of Appeals (Ninth Circuit). On June 7, 2019, the Ninth Circuit issued an opinion (*Altera Ninth Circuit Opinion*) that reversed the Tax Court Decision. Based on the *Altera Ninth Circuit Opinion*, we recorded a cumulative income tax expense of \$1.11 billion in the second quarter of 2019. On July 22, 2019, the taxpayer requested a rehearing before the full Ninth Circuit and the request was denied on November 12, 2019. The taxpayer has requested a hearing before the Supreme Court of the United States. As a result, the final outcome of the case is uncertain. In November 2019, we made a \$1.64 billion payment related to this matter and recorded the payment to net against the related tax liability included within other liabilities in our consolidated balance sheets. If the *Altera Ninth Circuit Opinion* is reversed, we would anticipate recording an income tax benefit at that time.

Effective Tax Rate Items. Our effective tax rate in the future will depend upon the proportion between the following items and income before provision for income taxes: U.S. tax benefits from foreign derived intangible income, tax effects from share-based compensation, tax effects of integrating intellectual property from acquisitions, settlement of tax contingency items, tax effects of changes in our business, and the effects of changes in tax law.

The accounting for share-based compensation may increase or decrease our effective tax rate based upon the difference between our share-based compensation expense and the deductions taken on our tax return which depends upon the stock price at the time of employee award vesting. If our stock price remains constant to the April 24, 2020 price, we expect our effective tax rate for the full-year 2020 will be in the high-teens, although we may see fluctuations in our quarterly rate depending on our financial results.

Integrating intellectual property from acquisitions into our business generally involves intercompany transactions that have the impact of increasing our provision for income taxes. Consequently, our provision for income taxes and our effective tax rate may initially increase in the period of an acquisition and integration. The magnitude of this impact will depend upon the specific type, size, and taxing jurisdictions of the intellectual property as well as the relative contribution to income in subsequent periods.

Unrecognized Tax Benefits. As of March 31, 2020, we had net unrecognized tax benefits of \$3.95 billion which were accrued as other liabilities. These unrecognized tax benefits were predominantly accrued for uncertainties related to transfer pricing with

our foreign subsidiaries, which includes licensing of intellectual property, providing services and other transactions, as well as for uncertainties with our research tax credits. The ultimate settlement of the liabilities will depend upon resolution of tax audits, litigation, or events that would otherwise change the assessment of such items. Based upon the status of litigation described below and the current status of tax audits in various jurisdictions, we do not anticipate a material change to such amounts within the next 12 months.

In July 2016, we received a Statutory Notice of Deficiency (Notice) from the IRS related to transfer pricing with our foreign subsidiaries in conjunction with the examination of the 2010 tax year. While the Notice applies only to the 2010 tax year, the IRS stated that it will also apply its position for tax years subsequent to 2010. We do not agree with the position of the IRS and have filed a petition in the Tax Court challenging the Notice. On January 15, 2020, the IRS filed its Pretrial Memorandum in the case stating that it planned to assert at trial an adjustment that is higher than the adjustment stated in the Notice. The first sessions of the trial began in February 2020, and additional sessions are expected to continue later in the year. The IRS did not provide any information about how it intends to apply the revised adjustment to future years. Based on the information provided, we believe that, if the IRS prevails in its updated position, this could result in an additional federal tax liability of an estimated, aggregate amount of up to approximately \$9.0 billion in excess of the amounts in our originally filed U.S. return, plus interest and any penalties asserted.

In March 2018, we received a second Notice from the IRS in conjunction with the examination of our 2011 through 2013 tax years. The IRS applied its position from the 2010 tax year to each of these years and also proposed new adjustments related to other transfer pricing with our foreign subsidiaries and certain tax credits that we claimed. If the IRS prevails in its position for these new adjustments, this could result in an additional federal tax liability of up to approximately \$680 million in excess of the amounts in our originally filed U.S. returns, plus interest and any penalties asserted. We do not agree with the positions of the IRS in the second Notice and have filed a petition in the Tax Court challenging the second Notice.

We have previously accrued an estimated unrecognized tax benefit consistent with the guidance in ASC 740, *Income Taxes*, that is lower than the potential additional federal tax liability from the positions taken by the IRS in the two Notices and its Pretrial Memorandum. In addition, if the IRS prevails in its positions related to transfer pricing with our foreign subsidiaries, the additional tax that we would owe would be partially offset by a reduction in the tax that we owe under the mandatory transition tax on accumulated foreign earnings from the 2017 Tax Cuts and Jobs Act (Tax Act). As of March 31, 2020, we have not resolved these matters and proceedings continue in the Tax Court.

We believe that adequate amounts have been reserved in accordance with ASC 740, *Income Taxes*, for any adjustments to the provision for income taxes or other tax items that may ultimately result from these examinations. The timing of the resolution, settlement, and closure of any audits is highly uncertain, and it is reasonably possible that the balance of gross unrecognized tax benefits could significantly change in the next 12 months. Given the number of years remaining that are subject to examination in various jurisdictions, we are unable to estimate the full range of possible adjustments to the balance of gross unrecognized tax benefits. If the taxing authorities prevail in the assessment of additional tax due, the assessed tax, interest, and penalties, if any, could have a material adverse effect on our financial position, results of operations, and cash flows.

Liquidity and Capital Resources

Our principal sources of liquidity are our cash and cash equivalents, marketable securities, and cash generated from operations. Cash and cash equivalents and marketable securities consist mostly of cash on deposit with banks, investments in money market funds, and investments in U.S. government securities, U.S. government agency securities, and corporate debt securities. Cash and cash equivalents and marketable securities were \$60.29 billion as of March 31, 2020, an increase of \$5.43 billion from December 31, 2019. The increase was mostly due to \$11.0 billion of cash generated from operations, offset by \$3.66 billion for capital expenditures, including principal payments on finance leases, \$1.25 billion for repurchases of our Class A common stock, and \$690 million of taxes paid related to net share settlement of employee restricted stock units (RSU) awards.

Cash paid for income taxes was \$209 million in the three months ended March 31, 2020. As of March 31, 2020, our federal net operating loss carryforward was \$9.35 billion, and we anticipate that none of this amount will be utilized to offset our federal taxable income in 2020. As of March 31, 2020, we had \$324 million of federal tax credit carryforward, of which none will be available to offset our federal tax liabilities in 2020.

In May 2016, we entered into a \$2.0 billion senior unsecured revolving credit facility, and any amounts outstanding under the facility will be due and payable on May 20, 2021. As of March 31, 2020, no amounts had been drawn down and we were in compliance with the covenants under this credit facility.

Our board of directors has authorized a share repurchase program of our Class A common stock, which commenced in January 2017 and does not have an expiration date. As of December 31, 2019, \$4.90 billion remained available and authorized for repurchases. In January 2020, an additional \$10.0 billion of repurchases was authorized under this program. During the three months ended March 31, 2020, we repurchased and subsequently retired 6 million shares of our Class A common stock for an aggregate amount of \$1.24 billion. As of March 31, 2020, \$13.66 billion remained available and authorized for repurchases.

As of March 31, 2020, \$14.69 billion of the \$60.29 billion in cash and cash equivalents and marketable securities was held by our foreign subsidiaries. The Tax Act imposed a mandatory transition tax on accumulated foreign earnings and eliminated U.S. taxes on foreign subsidiary distributions. As a result, earnings in foreign jurisdictions are available for distribution to the U.S. without incremental U.S. taxes.

In July 2019, we entered into a settlement and modified consent order to resolve the inquiry of the FTC into our platform and user data practices, which was approved by the federal court and took effect in April 2020. The settlement requires us to pay a penalty of \$5.0 billion, which is included in accrued expenses and other current liabilities on our condensed consolidated balance sheet as of March 31, 2020. We paid the penalty in April 2020 upon the effectiveness of the modified consent order.

We currently anticipate that our available funds, credit facility, and cash flow from operations will be sufficient to meet our operational cash needs for the foreseeable future.

Cash Provided by Operating Activities

Cash flow from operating activities during the three months ended March 31, 2020 primarily consisted of net income adjusted for certain non-cash items, such as \$1.60 billion of depreciation and amortization and \$1.34 billion of share-based compensation expense, and cash collected from accounts receivable. The majority of the increase in cash flow from operating activities during the three months ended March 31, 2020, compared to the same period in 2019, was due to the increases in net income and cash collected from accounts receivables partially offset by a decrease in accrued expenses and other current liabilities.

Cash Used in Investing Activities

Cash used in investing activities during the three months ended March 31, 2020 consisted mostly of \$3.56 billion of net purchases of property and equipment as we continued to invest in data centers, servers, office buildings, and network infrastructure, and \$476 million of net purchases of marketable securities. The decrease in cash used in investing activities during the three months ended March 31, 2020, compared to the same period in 2019, was mostly due to a decrease in net purchases of marketable securities.

In 2020, we anticipate making capital expenditures of approximately \$14 billion to \$16 billion and a payment of approximately \$5.7 billion, at the current exchange rate, for our investment in Jio Platforms Limited. See Note 14 — Subsequent Event in the notes to the condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for information regarding our investment in Jio Platforms Limited.

Cash Used in Financing Activities

Cash used in financing activities during the three months ended March 31, 2020 consisted mostly of \$1.25 billion for repurchases of our Class A common stock, \$690 million of taxes paid related to net share settlement of RSUs, and \$100 million of principal payments on finance leases. The increase in cash used in financing activities during the three months ended March 31, 2020, compared to the same period in 2019, was mostly due to an increase in repurchases of our Class A common stock.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of March 31, 2020.

Contractual Obligations

Our principal commitments consist mostly of obligations under operating leases and other contractual commitments. Our obligations under operating leases include among others, certain of our offices, data centers, land, and colocation leases. A majority of the other contractual commitments are related to network infrastructure and data center operations. The following table summarizes our commitments to settle contractual obligations in cash as of March 31, 2020 (in millions):

	Total	Payment Due by Period			
		The remainder of 2020	2021-2022	2023-2024	Thereafter
Operating lease obligations, including imputed interest ⁽¹⁾	\$ 18,208	\$ 805	\$ 2,589	\$ 2,614	\$ 12,200
Finance lease obligations, including imputed interest ⁽¹⁾	923	204	153	87	479
Transition tax payable	1,579	—	—	880	699
Other contractual commitments	7,620	4,052	1,479	431	1,658
Total contractual obligations	\$ 28,330	\$ 5,061	\$ 4,221	\$ 4,012	\$ 15,036

(1) Includes variable lease payments that were fixed subsequent to lease commencement or modification.

As part of the normal course of the business, we may enter into multi-year agreements to purchase certain network components that do not specify a fixed or minimum price commitment or to purchase renewable energy that do not specify a fixed or minimum volume commitment. These agreements are generally entered into in order to secure either volume or price. Using projected market prices or expected volume consumption, the total estimated spend is approximately \$4.99 billion. The ultimate spend under these agreements may vary and will be based on prevailing market prices or actual volume purchased.

In addition, our other liabilities also include \$3.95 billion related to net uncertain tax positions as of March 31, 2020. Due to uncertainties in the timing of the completion of tax audits, the timing of the resolution of these positions is uncertain and we are unable to make a reasonably reliable estimate of the timing of payments in individual years beyond 12 months. As a result, this amount is not included in the above contractual obligations table.

Contingencies

We are involved in legal proceedings, claims, and regulatory, tax or government inquiries and investigations. We record a provision for a liability when we believe that it is both probable that a liability has been incurred, and that the amount can be reasonably estimated. If we determine there is a reasonable possibility that we may incur a loss and the loss or range of loss can be estimated, we disclose the possible loss in the accompanying notes to the condensed consolidated financial statements to the extent material. Significant judgment is required to determine both probability and the estimated amount of loss. Such matters are inherently unpredictable and subject to significant uncertainties, some of which are beyond our control. Should any of these estimates and assumptions change or prove to be incorrect, it could have a material impact on our results of operations, financial position, and cash flows.

See Note 10 — Commitments and Contingencies and Note 12 — Income Taxes in the notes to the condensed consolidated financial statements included in Part I, Item 1, and "Legal Proceedings" contained in Part II, Item 1 of this Quarterly Report on Form 10-Q for additional information regarding contingencies.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements are prepared in accordance with GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. These estimates form the basis for judgments we make about the carrying values of our assets and liabilities, which are not readily apparent from other sources. We base our estimates and judgments on historical experience and on various other assumptions that we believe are reasonable under the circumstances. On an ongoing basis, we evaluate our estimates and assumptions. Our actual results may differ from these estimates under different assumptions or conditions.

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, if different estimates reasonably could have been used, or if changes in the estimate that are reasonably possible could materially impact the financial statements.

In our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, we disclosed the assumptions and estimates associated with income taxes, loss contingencies, and valuation of long-lived assets including goodwill, intangible assets and their associated estimated useful lives have the greatest potential impact on our consolidated financial statements. In addition, during the quarter ended March 31, 2020, in response to the economic slowdown caused by COVID-19 pandemic, we now believe that the assumptions and estimates associated with collectibility assessment of revenue and credit losses of accounts receivable may also have a material impact to our consolidated financial statements in future periods, depending on the duration or degree of the impact of the COVID-19 pandemic on the global economy.

Collectibility assessment of revenue

Under Topic 606, we recognize revenue using a five-step model. In step one, for a revenue contract to exist, it must be probable that substantially all of the consideration to which we are entitled to will be collected. In performing such collectibility assessment, we consider various facts and circumstances including future expectations about our customer's ability and intention to pay. Collectibility assessment uses a probable threshold which requires estimation based on several objective and subjective factors, such as probability of default, customer's intention to pay, payment history, financial strength, geography, and industry sub-vertical risks. The collectibility assessment has become increasingly uncertain during the current economic environment caused by COVID-19 pandemic, and our actual experience in the future may differ from our past experiences or current assessment.

Credit losses of accounts receivable

On January 1, 2020, we adopted Accounting Standards Update No. 2016-13, Financial Instruments-Credit Losses (*Topic 326*): Measurement of Credit Losses on Financial Instruments, which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost that an entity does not expect to collect over the asset's contractual life, considering past events, current conditions, and reasonable and supportable forecasts of future economic conditions.

For accounts receivable measured at amortized cost, we use aging analysis, probability of default methods and incorporate macroeconomic variables that are most relevant to evaluating and estimating the expected credit losses. These macroeconomic variables may vary by geography, customer-type, or industry sub-vertical. The contractual life of our trade accounts receivable is generally short-term; however, we may experience increasing credit loss risks from accounts receivable in future periods depending on the duration or degree of economic slowdown caused by COVID-19 pandemic, and our actual experience in the future may differ from our past experiences or current assessment.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks, including changes to foreign currency exchange rates, interest rates, and inflation.

Foreign Currency Exchange Risk

We have foreign currency risks related to our revenue and operating expenses denominated in currencies other than the U.S. dollar, primarily the Euro. Accordingly, changes in exchange rates, and in particular a strengthening of the U.S. dollar, have negatively affected, and may continue to negatively affect, our revenue and other operating results as expressed in U.S. dollars.

We have experienced and will continue to experience fluctuations in our net income as a result of transaction gains or losses related to revaluing monetary asset and liability balances that are denominated in currencies other than the functional currency of the entities in which they are recorded. At this time, we have not entered into, but in the future we may enter into, derivatives or other financial instruments in an attempt to hedge our foreign currency exchange risk. It is difficult to predict the effect hedging activities would have on our results of operations. Foreign currency losses, net was \$251 million and \$37 million, recognized as interest and other income (expense), net in our condensed consolidated statements of income for the three months ended March 31, 2020 and 2019, respectively.

Interest Rate Sensitivity

Our exposure to changes in interest rates relates primarily to interest earned and market value on our cash and cash equivalents and marketable securities.

Our cash and cash equivalents and marketable securities consist of cash, certificates of deposit, time deposits, money market funds, U.S. government securities, U.S. government agency securities, and investment grade corporate debt securities. Our investment policy and strategy are focused on preservation of capital and supporting our liquidity requirements. Changes in U.S. interest rates affect the interest earned on our cash and cash equivalents and marketable securities, and the market value of those securities. A hypothetical 100 basis point increase in interest rates would have resulted in a decrease of \$565 million and \$525 million in the market value of our available-for-sale debt securities as of March 31, 2020 and December 31, 2019, respectively. Any realized gains or losses resulting from such interest rate changes would only occur if we sold the investments prior to maturity.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer (CEO) and chief financial officer (CFO), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a- 15(e) and 15d- 15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act)), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our CEO and CFO have concluded that as of March 31, 2020, our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission (SEC), and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the period covered by this Quarterly Report on Form 10-Q that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures and internal control over financial reporting, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures and internal control over financial reporting must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

Beginning on March 20, 2018, multiple putative class actions and derivative actions were filed in state and federal courts in the United States and elsewhere against us and certain of our directors and officers alleging violations of securities laws, breach of fiduciary duties, and other causes of action in connection with our platform and user data practices as well as the misuse of certain data by a developer that shared such data with third parties in violation of our terms and policies, and seeking unspecified damages and injunctive relief. Beginning on July 27, 2018, two putative class actions were filed in federal court in the United States against us and certain of our directors and officers alleging violations of securities laws in connection with the disclosure of our earnings results for the second quarter of 2018 and seeking unspecified damages. These two actions subsequently were transferred and consolidated in the U.S. District Court for the Northern District of California with the putative securities class action described above relating to our platform and user data practices. On September 25, 2019, the district court granted our motion to dismiss the consolidated putative securities class action, with leave to amend. On November 15, 2019, an amended complaint was filed in the consolidated putative securities class action. We believe these lawsuits are without merit, and we are vigorously defending them. In addition, our platform and user data practices, as well as the events surrounding the misuse of certain data by a developer, became the subject of U.S. Federal Trade Commission (FTC), state attorneys general, and other government inquiries in the United States, Europe, and other jurisdictions. In July 2019, we entered into a settlement and modified consent order to resolve the FTC inquiry, which was approved by the federal court and took effect in April 2020. Among other matters, our settlement with the FTC requires us to pay a penalty of \$5.0 billion and to significantly enhance our practices and processes for privacy compliance and oversight. Any other government inquiries regarding these matters could subject us to additional substantial fines and costs, require us to change our business practices, divert resources and the attention of management from our business, or adversely affect our business.

On April 1, 2015, a putative class action was filed against us in the U.S. District Court for the Northern District of California by Facebook users alleging that the "tag suggestions" facial recognition feature violates the Illinois Biometric Information Privacy Act, and seeking statutory damages and injunctive relief. On April 16, 2018, the district court certified a class of Illinois residents, and on May 14, 2018, the district court denied both parties' motions for summary judgment. On May 29, 2018, the U.S. Court of Appeals for the Ninth Circuit granted our petition for review of the class certification order and stayed the proceeding. On August 8, 2019, the Ninth Circuit affirmed the class certification order. On December 2, 2019, we filed a petition with the U.S. Supreme Court seeking review of the decision of the Ninth Circuit, which was denied. On January 15, 2020, the parties agreed to a settlement in principle to resolve the lawsuit, which will require a payment of \$550 million by us and is subject to approval by the district court.

Beginning on September 28, 2018, multiple putative class actions were filed in state and federal courts in the United States and elsewhere against us alleging violations of consumer protection laws and other causes of action in connection with a third-party cyber-attack that exploited a vulnerability in Facebook's code to steal user access tokens and access certain profile information from user accounts on Facebook, and seeking unspecified damages and injunctive relief. The actions filed in the United States were consolidated in the U.S. District Court for the Northern District of California. On November 26, 2019, the district court certified a class for injunctive relief purposes, but denied certification of a class for purposes of pursuing damages. On January 16, 2020, the parties agreed to a settlement in principle to resolve the lawsuit. We believe the remaining lawsuits are without merit, and we are vigorously defending them. In addition, the events surrounding this cyber-attack became the subject of Irish Data Protection Commission (IDPC) and other government inquiries. Any such inquiries could subject us to substantial fines and costs, require us to change our business practices, divert resources and the attention of management from our business, or adversely affect our business.

From time to time we also notify the IDPC, our designated European privacy regulator under the General Data Protection Regulation, of certain other personal data breaches and privacy issues, and are subject to inquiries and investigations regarding various aspects of our regulatory compliance. Any such inquiries or investigations could subject us to substantial fines and costs, require us to change our business practices, divert resources and the attention of management from our business, or adversely affect our business.

In addition, from time to time we are subject to inquiries and investigations, formal or informal, by competition authorities in the United States, Europe, and other jurisdictions. For example, in June 2019 we were informed by the FTC that it had opened an antitrust investigation of our company. In addition, beginning in the third quarter of 2019, we became the subject of antitrust investigations by the U.S. Department of Justice and state attorneys general. These investigations and inquiries concern, among other things, our business practices in the areas of social networking or social media services, digital advertising, and/or mobile

or online applications, as well as past acquisitions. The result of such investigations or inquiries could subject us to substantial monetary remedies and costs, interrupt or require us to change our business practices, divert resources and the attention of management from our business, or subject us to other remedies that adversely affect our business.

In addition, from time to time, we are subject to litigation and other proceedings involving law enforcement and other regulatory agencies, including in particular in Brazil and Europe, in order to ascertain the precise scope of our legal obligations to comply with the requests of those agencies, including our obligation to disclose user information in particular circumstances. A number of such instances have resulted in the assessment of fines and penalties against us. We believe we have multiple legal grounds to satisfy these requests or prevail against associated fines and penalties, and we intend to vigorously defend such fines and penalties.

We are also party to various other legal proceedings, claims, and regulatory, tax or government inquiries and investigations that arise in the ordinary course of business, and we may in the future be subject to additional legal proceedings and disputes.

Item 1A. Risk Factors

Certain factors may have a material adverse effect on our business, financial condition, and results of operations. You should consider carefully the risks and uncertainties described below, in addition to other information contained in this Quarterly Report on Form 10-Q, including our condensed consolidated financial statements and related notes. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business. If any of the following risks actually occurs, our business, financial condition, results of operations, and future prospects could be materially and adversely affected. In that event, the trading price of our Class A common stock could decline, and you could lose part or all of your investment.

Risks Related to Our Business and Industry

The COVID-19 pandemic has had, and is expected to continue to have, a significant adverse impact on our advertising revenue and also exposes our business to other risks.

The COVID-19 pandemic has resulted in authorities implementing numerous preventative measures to contain or mitigate the outbreak of the virus, such as travel bans and restrictions, limitations on business activity, quarantines, and shelter-in-place orders. These measures have caused, and are continuing to cause, business slowdowns or shutdowns in affected areas, both regionally and worldwide, which have significantly impacted our business and results of operations. In the first quarter of 2020, our advertising revenue grew 17% year-over-year, which was the slowest growth rate for our first fiscal quarter since our initial public offering and, in particular, we experienced a significant reduction in the demand for advertising, as well as a related decline in the pricing of our ads, over the last three weeks of the quarter. The demand for and pricing of our advertising services may be materially and adversely impacted by the pandemic for the duration of 2020 or longer, and we are unable to predict the duration or degree of such impact with any certainty. While our advertising revenue growth slowed in the first quarter of 2020, our total expenses grew 35% year-over-year (after excluding the \$3.0 billion legal accrual in the first quarter of 2019 related to our FTC settlement), which is approximately twice the rate of our advertising revenue growth. If this trend persists for a significant period of time, our operating margin and profitability will be adversely affected and the trading price of our Class A common stock could decline. In addition to the impact on our advertising business and operating margin, the pandemic exposes our business, operations, and workforce to a variety of other risks, including:

- our inability to sustain the significant increase in the size of our user base and user engagement, particularly for our messaging products, whether as a result of the lapse of shelter-in-place measures or otherwise;
- decreased user engagement as a result of users' inability to purchase data packs or devices to access our products and services;
- interruptions in the accessibility or performance of our products and services due to capacity constraints from increased usage, or product changes we implement to maintain accessibility of our services, such as reducing the quality of video to reduce bandwidth usage;
- delays in product development or releases, or reductions in manufacturing production and sales of consumer hardware, as a result of inventory shortages, supply chain shortages, or diversion of our efforts and resources to projects related to COVID-19;
- increased misuse of our products and services or user data by third parties, including improper advertising practices or other activity inconsistent with our terms, contracts, or policies, misinformation or other illicit or objectionable material on our platforms, election interference, or other undesirable activity;
- adverse impacts to our efforts to combat misuse of our products and services and user data as a result of limitations on our safety, security, and content review efforts while our workforce is working remotely, such as the necessity to rely more heavily on artificial intelligence to perform tasks that our workforce is unable to perform;
- our inability to recognize revenue, collect payment, or generate future revenue from marketers, including from those that have been or may be forced to close their businesses or are otherwise impacted by the economic downturn;
- increased expenses resulting from our initiatives or donations related to the pandemic;

- significant disruption of global financial markets, which could cause fluctuations in currency exchange rates or negatively impact our ability to access capital in the future;
- negative impact on our workforce productivity, product development, and research and development due to difficulties resulting from our personnel working remotely;
- illnesses to key employees, or a significant portion of our workforce, which may result in inefficiencies, delays, and disruptions in our business; and
- increased volatility and uncertainty in the financial projections we use as the basis for estimates used in our financial statements.

Any of these developments may adversely affect our business, harm our reputation, or result in legal or regulatory actions against us. The persistence of COVID-19, and the preventative measures implemented to help limit the spread of the illness, will impact our ability to operate our business and may materially and adversely impact our business, financial condition, and results of operations.

If we fail to retain existing users or add new users, or if our users decrease their level of engagement with our products, our revenue, financial results, and business may be significantly harmed.

The size of our user base and our users' level of engagement are critical to our success. Our financial performance has been and will continue to be significantly determined by our success in adding, retaining, and engaging active users of our products, particularly for Facebook and Instagram. We anticipate that our active user growth rate will generally decline over time as the size of our active user base increases, and we expect that the size of our active user base will fluctuate or decline in one or more markets from time to time, particularly in markets where we have achieved higher penetration rates. For example, in the fourth quarter of 2017, we experienced a slight decline on a quarter-over-quarter basis in the number of daily active users on Facebook in the United States & Canada region. More recently, we have experienced a significant increase in the size and engagement of our active user base across a number of regions as a result of the COVID-19 pandemic, and we expect that we will lose at least some of this increased engagement when various shelter-in-place restrictions are relaxed in the future. If people do not perceive our products to be useful, reliable, and trustworthy, we may not be able to attract or retain users or otherwise maintain or increase the frequency and duration of their engagement. A number of other social networking companies that achieved early popularity have since seen their active user bases or levels of engagement decline, in some cases precipitously. There is no guarantee that we will not experience a similar erosion of our active user base or engagement levels. Our user engagement patterns have changed over time, and user engagement can be difficult to measure, particularly as we introduce new and different products and services. Any number of factors can negatively affect user retention, growth, and engagement, including if:

- users increasingly engage with other competitive products or services;
- we fail to introduce new features, products or services that users find engaging or if we introduce new products or services, or make changes to existing products and services, that are not favorably received;
- users feel that their experience is diminished as a result of the decisions we make with respect to the frequency, prominence, format, size, and quality of ads that we display;
- users have difficulty installing, updating, or otherwise accessing our products on mobile devices as a result of actions by us or third parties that we rely on to distribute our products and deliver our services;
- user behavior on any of our products changes, including decreases in the quality and frequency of content shared on our products and services;
- we are unable to continue to develop products for mobile devices that users find engaging, that work with a variety of mobile operating systems and networks, and that achieve a high level of market acceptance;
- there are decreases in user sentiment due to questions about the quality or usefulness of our products or our user data practices, or concerns related to privacy and sharing, safety, security, well-being, or other factors;
- we are unable to manage and prioritize information to ensure users are presented with content that is appropriate, interesting, useful, and relevant to them;

- we are unable to obtain or attract engaging third-party content;
- we are unable to successfully maintain or grow usage of and engagement with mobile and web applications that integrate with Facebook and our other products;
- users adopt new technologies where our products may be displaced in favor of other products or services, or may not be featured or otherwise available;
- there are changes mandated by legislation, regulatory authorities, or litigation that adversely affect our products or users;
- there is decreased engagement with our products, or failure to accept our terms of service, as part of changes that we implemented in connection with the General Data Protection Regulation (GDPR) in Europe, other similar changes that we implemented in the United States and around the world, or other changes we have implemented or may implement in the future in connection with other regulations, regulatory actions or otherwise;
- technical or other problems prevent us from delivering our products in a rapid and reliable manner or otherwise affect the user experience, such as security breaches or failure to prevent or limit spam or similar content;
- we adopt terms, policies, or procedures related to areas such as sharing, content, user data, or advertising that are perceived negatively by our users or the general public;
- we elect to focus our product decisions on longer-term initiatives that do not prioritize near-term user growth and engagement;
- we make changes in how we promote different products and services across our family of products;
- initiatives designed to attract and retain users and engagement are unsuccessful or discontinued, whether as a result of actions by us, third parties, or otherwise;
- third-party initiatives that may enable greater use of our products, including low-cost or discounted data plans, are discontinued;
- there is decreased engagement with our products as a result of taxes imposed on the use of social media or other mobile applications in certain countries, internet shutdowns, or other actions by governments that affect the accessibility of our products in their countries;
- we fail to provide adequate customer service to users, marketers, developers, or other partners;
- we, developers whose products are integrated with our products, or other partners and companies in our industry are the subject of adverse media reports or other negative publicity, including as a result of our or their user data practices; or
- our current or future products, such as our development tools and application programming interfaces that enable developers to build, grow, and monetize mobile and web applications, reduce user activity on our products by making it easier for our users to interact and share on third-party mobile and web applications.

From time to time, certain of these factors have negatively affected user retention, growth, and engagement to varying degrees. If we are unable to maintain or increase our user base and user engagement, particularly for our significant revenue-generating products like Facebook and Instagram, our revenue and financial results may be adversely affected. Any decrease in user retention, growth, or engagement could render our products less attractive to users, marketers, and developers, which is likely to have a material and adverse impact on our revenue, business, financial condition, and results of operations. If our active user growth rate continues to slow, we will become increasingly dependent on our ability to maintain or increase levels of user engagement and monetization in order to drive revenue growth.

We generate substantially all of our revenue from advertising. The loss of marketers, or reduction in spending by marketers, could seriously harm our business.

Substantially all of our revenue is currently generated from third parties advertising on Facebook and Instagram. As is common in the industry, our marketers do not have long-term advertising commitments with us. Many of our marketers spend

only a relatively small portion of their overall advertising budget with us. Marketers will not continue to do business with us, or they will reduce the budgets they are willing to commit to us, if we do not deliver ads in an effective manner, or if they do not believe that their investment in advertising with us will generate a competitive return relative to other alternatives. We have recently implemented, and we will continue to implement, changes to our user data practices. Some of these changes reduce our ability to effectively target ads, which has to some extent adversely affected, and will continue to adversely affect, our advertising business. If we are unable to provide marketers with a suitable return on investment, the pricing of our ads may not increase, or may decline, in which case our revenue and financial results may be harmed.

Our advertising revenue can also be adversely affected by a number of other factors, including:

- decreases in user engagement, including time spent on our products;
- our inability to continue to increase user access to and engagement with our products;
- product changes or inventory management decisions we may make that change the size, format, frequency, or relative prominence of ads displayed on our products or of other unpaid content shared by marketers on our products;
- our inability to maintain or increase marketer demand, the pricing of our ads, or both;
- our inability to maintain or increase the quantity or quality of ads shown to users;
- user behavior or product changes that may reduce traffic to features or products that we successfully monetize, including as a result of our efforts to promote the Stories format or increased usage of our messaging products;
- reductions of advertising by marketers due to our efforts to implement or enforce advertising policies that protect the security and integrity of our platform;
- changes to third-party policies that limit our ability to deliver, target, or measure the effectiveness of advertising;
- the availability, accuracy, utility, and security of analytics and measurement solutions offered by us or third parties that demonstrate the value of our ads to marketers, or our ability to further improve such tools;
- loss of advertising market share to our competitors, including if prices to purchase our ads increase or if competitors offer lower priced, more integrated or otherwise more effective products;
- adverse government actions or legislative, regulatory, or other legal developments relating to advertising, including developments that may impact our ability to deliver, target, or measure the effectiveness of advertising;
- decisions by marketers to reduce their advertising as a result of adverse media reports or other negative publicity involving us, our user data practices, our advertising metrics or tools, content on our products, developers with mobile and web applications that are integrated with our products, or other companies in our industry;
- reductions of advertising by marketers due to objectionable content published on our products by third parties, questions about our user data practices, concerns about brand safety or potential legal liability, or uncertainty regarding their own legal and compliance obligations;
- the effectiveness of our ad targeting or degree to which users opt out of certain types of ad targeting, including as a result of product changes and controls that we implemented in connection with the GDPR, California Consumer Privacy Act (CCPA), or other similar changes that we implemented in the United States and around the world (for example, we have seen an increasing number of users opt out of certain types of ad targeting in Europe following adoption of the GDPR), or other product changes or controls we have implemented or may implement in the future, whether in connection with other regulations, regulatory actions or otherwise, that impact our ability to target ads;
- the degree to which users cease or reduce the number of times they engage with our ads;
- changes in the way advertising on mobile devices or on personal computers is measured or priced;
- changes in the composition of our marketer base or our inability to maintain or grow our marketer base; and

- the impact of macroeconomic conditions, whether in the advertising industry in general, or among specific types of marketers or within particular geographies.

From time to time, certain of these factors have adversely affected our advertising revenue to varying degrees. The occurrence of any of these or other factors in the future could result in a reduction in demand for our ads, which may reduce the prices we receive for our ads, or cause marketers to stop advertising with us altogether, either of which would negatively affect our revenue and financial results. For example, macroeconomic conditions have affected, and we expect will continue to affect, marketers' ability or willingness to spend with us, as we have seen with the regional and worldwide economic disruption related to the COVID-19 pandemic and associated declines in advertising activity on our products. The effects of the pandemic have resulted in reduced demand for our ads, a related decline in pricing of our ads, and additional demands on our technical infrastructure as a result of increased usage of our services, which may impair our ability to maintain or increase the quantity or quality of ads shown to users and adversely affect our revenue and financial results.

Our advertising revenue is dependent on targeting and measurement tools that incorporate data signals from user activity on websites and services that we do not control, and changes to the regulatory environment, third-party mobile operating systems and browsers, and our own products have impacted, and we expect will continue to impact, the availability of such signals, which will adversely affect our advertising revenue.

We rely on data signals from user activity on websites and services that we do not control in order to deliver relevant and effective ads to our users. Our advertising revenue is dependent on targeting and measurement tools that incorporate these signals, and any changes in our ability to use such signals will adversely affect our business. For example, legislative and regulatory changes, such as the GDPR and CCPA, have impacted, and we expect will continue to impact, our ability to use such signals in our ad products. In addition, mobile operating system and browser providers, such as Apple and Google, have announced product changes as well as future plans to limit the ability of application developers to use these signals to target and measure advertising on their platforms. Similarly, we have implemented, and may continue to implement, product changes that give users the ability to limit our use of such data signals to improve ads and other experiences on our products and services, including our Off-Facebook Activity tool and our worldwide offering of product changes we implemented in connection with the GDPR. These developments have limited our ability to target and measure the effectiveness of ads on our platform, and any additional loss of such signals in the future will adversely affect our targeting and measurement capabilities and negatively impact our advertising revenue.

Our user growth, engagement, and monetization on mobile devices depend upon effective operation with mobile operating systems, networks, technologies, products, and standards that we do not control.

The substantial majority of our revenue is generated from advertising on mobile devices. There is no guarantee that popular mobile devices will continue to feature Facebook or our other products, or that mobile device users will continue to use our products rather than competing products. We are dependent on the interoperability of Facebook and our other products with popular mobile operating systems, networks, technologies, products, and standards that we do not control, such as the Android and iOS operating systems and mobile browsers. Any changes, bugs, or technical issues in such systems, or changes in our relationships with mobile operating system partners, handset manufacturers, browser developers, or mobile carriers, or in their terms of service or policies that degrade our products' functionality, reduce or eliminate our ability to update or distribute our products, give preferential treatment to competitive products, limit our ability to deliver, target, or measure the effectiveness of ads, or charge fees related to the distribution of our products or our delivery of ads could adversely affect the usage of Facebook or our other products and monetization on mobile devices. For example, Apple previously released an update to its Safari browser that limits the use of third-party cookies, which reduces our ability to provide the most relevant ads to our users and impacts monetization, and we expect that any similar changes to its, Google's, or other browser or mobile platforms will further limit our ability to target and measure the effectiveness of ads and impact monetization. Additionally, in order to deliver high quality mobile products, it is important that our products work well with a range of mobile technologies, products, systems, networks, and standards that we do not control, and that we have good relationships with handset manufacturers, mobile carriers and browser developers. We may not be successful in maintaining or developing relationships with key participants in the mobile ecosystem or in developing products that operate effectively with these technologies, products, systems, networks, or standards. In the event that it is more difficult for our users to access and use Facebook or our other products on their mobile devices, or if our users choose not to access or use Facebook or our other products on their mobile devices or use mobile products that do not offer access to Facebook or our other products, our user growth and user engagement could be harmed. From time to time, we may also take actions regarding the distribution of our products or the operation of our business based on what we believe to be in our long-term best interests. Such actions may adversely affect our users and our relationships with the operators of

mobile operating systems, handset manufacturers, mobile carriers, browser developers, or other business partners, and there is no assurance that these actions will result in the anticipated long-term benefits. In the event that our users are adversely affected by these actions or if our relationships with such third parties deteriorate, our user growth, engagement, and monetization could be adversely affected and our business could be harmed.

Our business is highly competitive. Competition presents an ongoing threat to the success of our business.

We compete with companies that sell advertising, as well as with companies that provide social, media, and communication products and services that are designed to engage users on mobile devices and online. We face significant competition in every aspect of our business, including from companies that facilitate communication and the sharing of content and information, companies that enable marketers to display advertising, companies that distribute video and other forms of media content, and companies that provide development platforms for applications developers. We compete with companies that offer products across broad platforms that replicate capabilities we provide. For example, among other areas, we compete with Apple in messaging, Google and YouTube in advertising and video, Tencent and Snap in messaging and social media, Bytedance and Twitter in social media, and Amazon in advertising. We also compete with companies that provide regional social networks and messaging products, many of which have strong positions in particular countries. Some of our competitors may be domiciled in different countries and subject to political, legal, and regulatory regimes that enable them to compete more effectively than us. In addition, we face competition from traditional, online, and mobile businesses that provide media for marketers to reach their audiences and/or develop tools and systems for managing and optimizing advertising campaigns. We also compete with companies that develop and deliver consumer hardware and virtual reality products and services.

Some of our current and potential competitors may have greater resources or stronger competitive positions in certain product segments, geographic regions, or user demographics than we do. These factors may allow our competitors to respond more effectively than us to new or emerging technologies and changes in market conditions. We believe that some users, particularly younger users, are aware of and actively engaging with other products and services similar to, or as a substitute for, our products and services, and we believe that some users have reduced their use of and engagement with our products and services in favor of these other products and services. In the event that users increasingly engage with other products and services, we may experience a decline in use and engagement in key user demographics or more broadly, in which case our business would likely be harmed.

Our competitors may develop products, features, or services that are similar to ours or that achieve greater acceptance, may undertake more far-reaching and successful product development efforts or marketing campaigns, or may adopt more aggressive pricing policies. In addition, developers whose mobile and web applications are integrated with Facebook or our other products may use information shared by our users through our products in order to develop products or features that compete with us. Some competitors may gain a competitive advantage against us in areas where we operate, including: by making acquisitions; by limiting our ability to deliver, target, or measure the effectiveness of ads; by imposing fees or other charges related to our delivery of ads; by making access to our products more difficult or impossible; by making it more difficult to communicate with our users; or by integrating competing platforms, applications, or features into products they control such as mobile device operating systems, search engines, browsers, or e-commerce platforms. For example, each of Apple and Google have integrated competitive products with iOS and Android, respectively. As a result, our competitors may acquire and engage users or generate advertising or other revenue at the expense of our own efforts, which may negatively affect our business and financial results. In addition, from time to time, we may take actions in response to competitive threats, but we cannot assure you that these actions will be successful or that they will not negatively affect our business and financial results.

We believe that our ability to compete effectively depends upon many factors both within and beyond our control, including:

- the popularity, usefulness, ease of use, performance, and reliability of our products compared to our competitors' products;
- the size and composition of our user base;
- the engagement of users with our products and competing products;
- the timing and market acceptance of products, including developments and enhancements to our or our competitors' products;
- our safety and security efforts and our ability to protect user data and to provide users with control over their data;

- our ability to distribute our products to new and existing users;
- our ability to monetize our products;
- the frequency, size, format, quality, and relative prominence of the ads displayed by us or our competitors;
- customer service and support efforts;
- marketing and selling efforts, including our ability to measure the effectiveness of our ads and to provide marketers with a compelling return on their investments;
- our ability to establish and maintain developers' interest in building mobile and web applications that integrate with Facebook and our other products;
- our ability to establish and maintain publisher interest in integrating their content with Facebook and our other products;
- changes mandated by legislation, regulatory authorities, or litigation, some of which may have a disproportionate effect on us;
- acquisitions or consolidation within our industry, which may result in more formidable competitors;
- our ability to attract, retain, and motivate talented employees, particularly software engineers, designers, and product managers;
- our ability to cost-effectively manage and grow our operations; and
- our reputation and brand strength relative to those of our competitors.

If we are not able to compete effectively, our user base and level of user engagement may decrease, we may become less attractive to developers and marketers, and our revenue and results of operations may be materially and adversely affected.

Actions by governments that restrict access to Facebook or our other products in their countries, or that otherwise impair our ability to sell advertising in their countries, could substantially harm our business and financial results.

Governments from time to time seek to censor content available on Facebook or our other products in their country, restrict access to our products from their country entirely, or impose other restrictions that may affect the accessibility of our products in their country for an extended period of time or indefinitely. For example, user access to Facebook and certain of our other products has been or is currently restricted in whole or in part in China, Iran, and North Korea. In addition, government authorities in other countries may seek to restrict user access to our products if they consider us to be in violation of their laws or a threat to public safety or for other reasons, and certain of our products have been restricted by governments in other countries from time to time. It is possible that government authorities could take action that impairs our ability to sell advertising, including in countries where access to our consumer-facing products may be blocked or restricted. For example, we generate meaningful revenue from a limited number of resellers representing advertisers based in China, and it is possible that the Chinese government could take action that reduces or eliminates our China-based advertising revenue, whether as a result of the trade dispute with the United States, in response to content issues, or otherwise, or take other action against us, such as imposing taxes or other penalties, which could adversely affect our financial results. In the event that content shown on Facebook or our other products is subject to censorship, access to our products is restricted, in whole or in part, in one or more countries, or other restrictions are imposed on our products, or our competitors are able to successfully penetrate new geographic markets or capture a greater share of existing geographic markets that we cannot access or where we face other restrictions, our ability to retain or increase our user base, user engagement, or the level of advertising by marketers may be adversely affected, we may not be able to maintain or grow our revenue as anticipated, and our financial results could be adversely affected.

Our new products and changes to existing products could fail to attract or retain users or generate revenue and profits.

Our ability to retain, increase, and engage our user base and to increase our revenue depends heavily on our ability to continue to evolve our existing products and to create successful new products, both independently and in conjunction with developers or other third parties. We may introduce significant changes to our existing products or acquire or introduce new and unproven products, including using technologies with which we have little or no prior development or operating experience.

For example, we do not have significant experience with consumer hardware products or virtual or augmented reality technology, which may adversely affect our ability to successfully develop and market these products and technologies. We continue to incur substantial costs, and we may not be successful in generating profits, in connection with these efforts. In addition, the introduction of new products, or changes to existing products, may result in new or enhanced governmental or regulatory scrutiny or other complications that could adversely affect our business and financial results. We have also invested, and expect to continue to invest, significant resources in growing our WhatsApp and Messenger products to support increasing usage of such products. We have historically monetized messaging in only a limited fashion, and we may not be successful in our efforts to generate meaningful revenue or profits from messaging over the long term. In addition, we have announced plans to implement end-to-end encryption across our messaging services, as well as facilitate interoperability between these platforms, which plans have drawn governmental and regulatory scrutiny in multiple jurisdictions. If our new or enhanced products fail to engage users, marketers, or developers, or if our business plans are unsuccessful, we may fail to attract or retain users or to generate sufficient revenue, operating margin, or other value to justify our investments, and our business may be adversely affected.

We make product and investment decisions that may not prioritize short-term financial results and may not produce the long-term benefits that we expect.

We frequently make product and investment decisions that may not prioritize short-term financial results if we believe that the decisions are consistent with our mission and benefit the aggregate user experience and will thereby improve our financial performance over the long term. For example, we have recently implemented, and we will continue to implement, changes to our user data practices. Some of these changes reduce our ability to effectively target ads, which has to some extent adversely affected, and will continue to adversely affect, our advertising business. For example, our Off-Facebook Activity tool enables users to place limits on our storage and use of information about their interactions with advertisers' apps and websites, which will reduce our ability to deliver the most relevant and effective ads to our users. Similarly, from time to time we update our News Feed ranking algorithm to optimize the user experience, and these changes have had, and may in the future have, the effect of reducing time spent and some measures of user engagement with Facebook, which could adversely affect our financial results. From time to time, we may also change the size, frequency, or relative prominence of ads in order to improve ad quality and overall user experience. In addition, we have made, and we expect to continue to make, other changes to our products which may adversely affect the distribution of content of publishers, marketers, and developers, and could reduce their incentive to invest in their efforts on Facebook. We also may introduce new features or other changes to existing products, or introduce new stand-alone products, that attract users away from properties, formats, or use cases where we have more proven means of monetization. For example, we plan to continue to promote the Stories format, which is becoming increasingly popular for sharing content across our products, but our advertising efforts with this format are still under development and we do not currently monetize Stories at the same rate as News Feed. In addition, as we focus on growing users and engagement across our family of products, from time to time these efforts have reduced, and may in the future reduce, engagement with one or more products and services in favor of other products or services that we monetize less successfully or that are not growing as quickly. These decisions may adversely affect our business and results of operations and may not produce the long-term benefits that we expect.

If we are not able to maintain and enhance our brands, our ability to expand our base of users, marketers, and developers may be impaired, and our business and financial results may be harmed.

We believe that our brands have significantly contributed to the success of our business. We also believe that maintaining and enhancing our brands is critical to expanding our base of users, marketers, and developers. Many of our new users are referred by existing users. Maintaining and enhancing our brands will depend largely on our ability to continue to provide useful, reliable, trustworthy, and innovative products, which we may not do successfully. We may introduce new products or terms of service or policies that users do not like, which may negatively affect our brands. Additionally, the actions of our developers or advertisers may affect our brands if users do not have a positive experience using third-party mobile and web applications integrated with our products or interacting with parties that advertise through our products. We will also continue to experience media, legislative, or regulatory scrutiny of our actions or decisions regarding user privacy, encryption, content, advertising, and other issues, including actions or decisions in connection with elections or the COVID-19 pandemic, which may adversely affect our reputation and brands. For example, in March 2018, we announced developments regarding the misuse of certain data by a developer that shared such data with third parties in violation of our terms and policies. We also may fail to respond expeditiously or appropriately to the sharing of objectionable content on our services or objectionable practices by advertisers or developers, or to otherwise address user concerns, which has occurred in the past and which could erode confidence in our brands. Our brands may also be negatively affected by the actions of users that are deemed to be hostile or inappropriate to other users, by the actions of users acting under false or inauthentic identities, by the use of our products or services to disseminate

information that is deemed to be misleading (or intended to manipulate opinions), by perceived or actual efforts by governments to obtain access to user information for security-related purposes or to censor certain content on our platform, or by the use of our products or services for illicit or objectionable ends, including, for example, any such actions around the pandemic, the 2020 U.S. presidential election, or other elections around the world. Maintaining and enhancing our brands will require us to make substantial investments and these investments may not be successful. Certain of our past actions, such as the foregoing matter regarding developer misuse of data, have eroded confidence in our brands, and if we fail to successfully promote and maintain our brands or if we incur excessive expenses in this effort, our business and financial results may be adversely affected.

Security breaches, improper access to or disclosure of our data or user data, other hacking and phishing attacks on our systems, or other cyber incidents could harm our reputation and adversely affect our business.

Our industry is prone to cyber-attacks by third parties seeking unauthorized access to our data or users' data or to disrupt our ability to provide service. Our products and services involve the collection, storage, processing, and transmission of a large amount of data. Any failure to prevent or mitigate security breaches and improper access to or disclosure of our data or user data, including personal information, content, or payment information from users, or information from marketers, could result in the loss, modification, disclosure, destruction, or other misuse of such data, which could harm our business and reputation and diminish our competitive position. In addition, computer malware, viruses, social engineering (predominantly spear phishing attacks), and general hacking have become more prevalent in our industry, have occurred on our systems in the past, and will occur on our systems in the future. We also regularly encounter attempts to create false or undesirable user accounts, purchase ads, or take other actions on our platform for purposes such as spamming, spreading misinformation, or other objectionable ends. As a result of our prominence, the size of our user base, the types and volume of personal data on our systems, and the evolving nature of our products and services (including our efforts involving new and emerging technologies), we believe that we are a particularly attractive target for such breaches and attacks, including from highly sophisticated, state-sponsored, or otherwise well-funded actors. Our efforts to address undesirable activity on our platform also increase the risk of retaliatory attacks. Such breaches and attacks may cause interruptions to the services we provide, degrade the user experience, cause users or marketers to lose confidence and trust in our products, impair our internal systems, or result in financial harm to us. Our efforts to protect our company data or the information we receive, and to disable undesirable activities on our platform, may also be unsuccessful due to software bugs or other technical malfunctions; employee, contractor, or vendor error or malfeasance, including defects or vulnerabilities in our vendors' information technology systems or offerings; government surveillance; breaches of physical security of our facilities or technical infrastructure; or other threats that evolve. In addition, third parties may attempt to fraudulently induce employees or users to disclose information in order to gain access to our data or our users' data. Cyber-attacks continue to evolve in sophistication and volume, and inherently may be difficult to detect for long periods of time. Although we have developed systems and processes that are designed to protect our data and user data, to prevent data loss, to disable undesirable accounts and activities on our platform, and to prevent or detect security breaches, we cannot assure you that such measures will provide absolute security, that we will be able to react in a timely manner, or that our remediation efforts will be successful. We experience cyber-attacks and other security incidents of varying degrees from time to time, and we may incur significant costs in protecting against or remediating such incidents.

In addition, some of our developers or other partners, such as those that help us measure the effectiveness of ads, may receive or store information provided by us or by our users through mobile or web applications integrated with Facebook. We provide limited information to such third parties based on the scope of services provided to us. However, if these third parties or developers fail to adopt or adhere to adequate data security practices, or in the event of a breach of their networks, our data or our users' data may be improperly accessed, used, or disclosed.

We are subject to a variety of laws and regulations in the United States and abroad relating to cybersecurity and data protection, as well as obligations under our modified consent order with the U.S. Federal Trade Commission (FTC). As a result, affected users or government authorities could initiate legal or regulatory actions against us in connection with any actual or perceived security breaches or improper access to or disclosure of data, which has occurred in the past and which could cause us to incur significant expense and liability or result in orders or consent decrees forcing us to modify our business practices. Such incidents or our efforts to remediate such incidents may also result in a decline in our active user base or engagement levels. Any of these events could have a material and adverse effect on our business, reputation, or financial results.

For example, in September 2018, we announced our discovery of a third-party cyber-attack that exploited a vulnerability in Facebook's code to steal user access tokens, which were then used to access certain profile information from approximately 29 million user accounts on Facebook. While we took steps to remediate the attack, including fixing the vulnerability, resetting user access tokens and notifying affected users, we may discover and announce additional developments, which could further

erode confidence in our brand. In addition, the events surrounding this cyber-attack became the subject of Irish Data Protection Commission and other government inquiries. Any such inquiries could subject us to substantial fines and costs, require us to change our business practices, divert resources and the attention of management from our business, or adversely affect our business.

In addition, the changes in our work environment as a result of the COVID-19 pandemic could impact the security of our systems, as well as our ability to protect against attacks and detect and respond to them quickly. The rapid adoption of some third-party services designed to enable the transition to a remote workforce also may introduce security risk that is not fully mitigated prior to the use of these services. We may also be subject to increased cyber-attacks, such as phishing attacks by threat actors using the attention placed on the pandemic as a method for targeting our personnel.

We anticipate that our ongoing efforts related to privacy, safety, security, and content review will identify additional instances of misuse of user data or other undesirable activity by third parties on our platform.

In addition to our efforts to mitigate cybersecurity risks, we are making significant investments in privacy, safety, security, and content review efforts to combat misuse of our services and user data by third parties, including investigations and audits of platform applications that previously accessed information of a large number of users of our services. As a result of these efforts we have discovered and announced, and anticipate that we will continue to discover and announce, additional incidents of misuse of user data or other undesirable activity by third parties. We may not discover all such incidents or activity, whether as a result of our data limitations, including our lack of visibility over our encrypted services, the scale of activity on our platform, challenges related to our personnel working remotely during the COVID-19 pandemic, the re-allocation of resources to other projects, or other factors, and we may be notified of such incidents or activity by the independent privacy assessor required under our modified consent order with the FTC, the media, or other third parties. Such incidents and activities have in the past, and may in the future, include the use of user data or our systems in a manner inconsistent with our terms, contracts or policies, the existence of false or undesirable user accounts, election interference, improper advertising practices, activities that threaten people's safety on- or offline, or instances of spamming, scraping, or spreading misinformation. We may also be unsuccessful in our efforts to enforce our policies or otherwise remediate any such incidents. Any of the foregoing developments may negatively affect user trust and engagement, harm our reputation and brands, require us to change our business practices in a manner adverse to our business, and adversely affect our business and financial results. Any such developments may also subject us to additional litigation and regulatory inquiries, which could subject us to monetary penalties and damages, divert management's time and attention, and lead to enhanced regulatory oversight.

Unfavorable media coverage could negatively affect our business.

We receive a high degree of media coverage around the world. Unfavorable publicity regarding, for example, our privacy practices, terms of service, advertising policies, product changes, product quality, litigation or regulatory activity, government surveillance, the actions of our advertisers, the actions of our developers whose products are integrated with our products, the use of our products or services for illicit or objectionable ends, the substance or enforcement of our community standards, the actions of our users, the quality and integrity of content shared on our platform, or the actions of other companies that provide similar services to ours, has in the past, and could in the future, adversely affect our reputation. For example, beginning in March 2018, we were the subject of intense media coverage involving the misuse of certain data by a developer that shared such data with third parties in violation of our terms and policies, and we have continued to receive negative publicity. In addition, we may be subject to negative publicity if we are not successful in our efforts to prevent misinformation or other illicit or objectionable use of our products or services in connection with the COVID-19 pandemic, the 2020 U.S. presidential election or other elections around the world. Any such negative publicity could have an adverse effect on the size, engagement, and loyalty of our user base and result in decreased revenue, which could adversely affect our business and financial results.

Our financial results will fluctuate from quarter to quarter and are difficult to predict.

Our quarterly financial results have fluctuated in the past and will fluctuate in the future. Additionally, we have a limited operating history with the current scale of our business, which makes it difficult to forecast our future results. As a result, you should not rely upon our past quarterly financial results as indicators of future performance. You should take into account the risks and uncertainties frequently encountered by companies in rapidly evolving markets. Our financial results in any given quarter can be influenced by numerous factors, many of which we are unable to predict or are outside of our control, including:

- our ability to maintain and grow our user base and user engagement;
- our ability to attract and retain marketers in a particular period;

- our ability to recognize revenue or collect payments from marketers in a particular period, including as a result of the effects of the COVID-19 pandemic;
- fluctuations in spending by our marketers due to seasonality, such as historically strong spending in the fourth quarter of each year, episodic regional or global events, including the COVID-19 pandemic, or other factors;
- the frequency, prominence, size, format, and quality of ads shown to users;
- the success of technologies designed to block the display of ads;
- changes to third-party policies that limit our ability to deliver, target, or measure the effectiveness of advertising;
- the pricing of our ads and other products;
- the diversification and growth of revenue sources beyond advertising on Facebook and Instagram;
- our ability to generate revenue from Payments, or the sale of our consumer hardware products or other products we may introduce in the future;
- changes to existing products or services or the development and introduction of new products or services by us or our competitors;
- user behavior or product changes that may reduce traffic to features or products that we successfully monetize;
- increases in marketing, sales, and other operating expenses that we will incur to grow and expand our operations and to remain competitive, including costs related to our data centers and technical infrastructure;
- costs related to our privacy, safety, security, and content review efforts;
- costs and expenses related to the development and delivery of our consumer hardware products;
- our ability to maintain gross margins and operating margins;
- costs related to acquisitions, including costs associated with amortization and additional investments to develop the acquired technologies;
- charges associated with impairment of any assets on our balance sheet;
- our ability to obtain equipment, components, and labor for our data centers and other technical infrastructure in a timely and cost-effective manner;
- system failures or outages or government blocking, which could prevent us from serving ads for any period of time;
- breaches of security or privacy, and the costs associated with any such breaches and remediation;
- changes in the manner in which we distribute our products or inaccessibility of our products due to third-party actions;
- fees paid to third parties for content or the distribution of our products;
- refunds or other concessions provided to advertisers;
- share-based compensation expense, including acquisition-related expense;
- adverse litigation judgments, settlements, or other litigation-related costs;
- changes in the legislative or regulatory environment, including with respect to privacy and data protection, or actions by governments or regulators, including fines, orders, or consent decrees;
- the overall tax rate for our business, which may be affected by the mix of income we earn in the U.S. and in

jurisdictions with comparatively lower tax rates, the effects of share-based compensation, the effects of integrating intellectual property from acquisitions, and the effects of changes in our business;

- the impact of changes in tax laws or judicial or regulatory interpretations of tax laws, which are recorded in the period such laws are enacted or interpretations are issued, and may significantly affect the effective tax rate of that period;
- tax obligations that may arise from resolutions of tax examinations, including the examination we are currently under by the Internal Revenue Service (IRS), that materially differ from the amounts we have anticipated;
- fluctuations in currency exchange rates and changes in the proportion of our revenue and expenses denominated in foreign currencies;
- trading activity in our share repurchase program;
- fluctuations in the market values of our portfolio investments and in interest rates;
- changes in U.S. generally accepted accounting principles; and
- changes in regional or global business or macroeconomic conditions, including as a result of the COVID-19 pandemic, which may impact the other factors described above.

We expect our rates of growth to be volatile in the near term as a result of the COVID-19 pandemic and to decline over time in the future.

We expect our user and revenue growth rates to be volatile in the near term as a result of the COVID-19 pandemic, although we are unable to predict the duration or degree of such volatility with any certainty. In the long term, we expect that our user growth rate will generally decline over time as the size of our active user base increases, and it is possible that the size of our active user base may fluctuate or decline in one or more markets, particularly as we achieve greater market penetration. We also expect our revenue growth rate will continue to decline over time as our revenue increases to higher levels. As our growth rates experience volatility or decline, investors' perceptions of our business may be adversely affected and the trading price of our Class A common stock could decline.

Our costs are continuing to grow, and some of our investments have the effect of reducing our operating margin and profitability. If our investments are not successful, our business and financial performance could be harmed.

Operating our business is costly, and we expect our expenses to continue to increase in the future as we broaden our user base, as users increase the amount and types of content they consume and the data they share with us, for example with respect to video, as we develop and implement new products, as we market new and existing products and promote our brands, as we continue to expand our technical infrastructure, as we continue to invest in new and unproven technologies, and as we continue to hire additional employees and contractors to support our expanding operations, including our efforts to focus on privacy, safety, security, and content review. In addition, from time to time we are subject to settlements, judgments, fines, or other monetary penalties in connection with legal and regulatory developments that may be material to our business. We are also continuing to increase our investments in new platforms and technologies. Some of these investments, particularly our significant investments in virtual and augmented reality, have generated only limited revenue and reduced our operating margin and profitability. If our investments are not successful, our ability to grow revenue will be harmed, which could adversely affect our business and financial performance.

Given our levels of share-based compensation, our tax rate may vary significantly depending on our stock price.

The tax effects of the accounting for share-based compensation may significantly impact our effective tax rate from period to period. In periods in which our stock price is higher than the grant price of the share-based compensation vesting in that period, we will recognize excess tax benefits that will decrease our effective tax rate. For example, in the three months ended March 31, 2020, excess tax benefits recognized from share-based compensation decreased our provision for income taxes by \$86 million and our effective tax rate by one percentage point as compared to the tax rate without such benefits. In future periods in which our stock price is lower than the grant price of the share-based compensation vesting in that period, our effective tax rate may increase. The amount and value of share-based compensation issued relative to our earnings in a particular period will also affect the magnitude of the impact of share-based compensation on our effective tax rate. These tax effects are dependent on our stock price, which we do not control, and a decline in our stock price could significantly increase our effective tax rate and adversely affect our financial results.

Our business is subject to complex and evolving U.S. and foreign laws and regulations regarding privacy, data protection, content, competition, consumer protection, and other matters. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to our business practices, monetary penalties, increased cost of operations, or declines in user growth or engagement, or otherwise harm our business.

We are subject to a variety of laws and regulations in the United States and abroad that involve matters central to our business, including privacy, data protection and personal information, rights of publicity, content, intellectual property, advertising, marketing, distribution, data security, data retention and deletion, data localization and storage, data disclosure, electronic contracts and other communications, competition, protection of minors, consumer protection, telecommunications, product liability, e-commerce, taxation, economic or other trade prohibitions or sanctions, anti-corruption law compliance, securities law compliance, and online payment services. The introduction of new products, expansion of our activities in certain jurisdictions, or other actions that we may take may subject us to additional laws, regulations, or other government scrutiny. In addition, foreign data protection, privacy, content, competition, and other laws and regulations can impose different obligations or be more restrictive than those in the United States.

These U.S. federal and state and foreign laws and regulations, which in some cases can be enforced by private parties in addition to government entities, are constantly evolving and can be subject to significant change. As a result, the application, interpretation, and enforcement of these laws and regulations are often uncertain, particularly in the new and rapidly evolving industry in which we operate, and may be interpreted and applied inconsistently from country to country and inconsistently with our current policies and practices. For example, regulatory or legislative actions affecting the manner in which we display content to our users or obtain consent to various practices could adversely affect user growth and engagement. Such actions could affect the manner in which we provide our services or adversely affect our financial results.

We are also subject to laws and regulations that dictate whether, how, and under what circumstances we can transfer, process and/or receive certain data that is critical to our operations, including data shared between countries or regions in which we operate and data shared among our products and services. For example, in 2016, the European Union and United States agreed to a transfer framework for data transferred from the European Union to the United States, called the Privacy Shield, but this framework is subject to an annual review that could result in changes to our obligations and also is subject to challenge by regulators and private parties, including a pending legal challenge by a private party. In addition, the other bases upon which Facebook relies to legitimize the transfer of such data, such as Standard Contractual Clauses (SCCs), have been subjected to regulatory and judicial scrutiny. For example, the Court of Justice of the European Union is currently considering the validity of SCCs as a basis to transfer user data from the European Union to the United States following a challenge brought by the Irish Data Protection Commissioner. We have also been managing investigations and lawsuits in Europe, India, and other jurisdictions regarding the August 2016 update to WhatsApp's terms of service and privacy policy and its sharing of certain data with other Facebook products and services, including a lawsuit currently pending before the Supreme Court of India. If one or more of the legal bases for transferring data from Europe to the United States is invalidated or the transfer frameworks are amended, if we are unable to transfer data between and among countries and regions in which we operate, or if we are restricted from sharing data among our products and services, it could affect the manner in which we provide our services or our ability to target ads, which could adversely affect our financial results.

Proposed or new legislation and regulations could also significantly affect our business. For example, the European General Data Protection Regulation (GDPR) took effect in May 2018 and applies to all of our products and services used by people in Europe. The GDPR includes operational requirements for companies that receive or process personal data of residents of the European Union that are different from those previously in place in the European Union. As a result, we implemented

measures to change our service for minors under the age of 16 for certain countries in Europe that maintain the minimum age of 16 under the GDPR. We also obtain consent and/or offer new controls to existing and new users in Europe before processing data for certain aspects of our service. In addition, the GDPR requires submission of personal data breach notifications to our designated European privacy regulator, the Irish Data Protection Commission, and includes significant penalties for non-compliance with the notification obligation as well as other requirements of the regulation. Similarly, the Brazilian General Data Protection Law imposes data privacy-related requirements on products and services offered to users in Brazil and is scheduled to go in effect in August 2020, although the deadline to comply may be extended to a later date. The California Consumer Privacy Act (CCPA), which took effect in January 2020, also establishes certain transparency rules and creates new data privacy rights for users, including more ability to control how their data is shared with third parties. These laws and regulations are evolving and subject to interpretation, and resulting limitations on our advertising services, or reductions of advertising by marketers, have to some extent adversely affected, and will continue to adversely affect, our advertising business. Similarly, there are a number of legislative proposals in the European Union, the United States, at both the federal and state level, as well as other jurisdictions that could impose new obligations or limitations in areas affecting our business. In addition, some countries are considering or have passed legislation implementing data protection requirements or requiring local storage and processing of data or similar requirements that could increase the cost and complexity of delivering our services.

These laws and regulations, as well as any associated claims, inquiries, or investigations or any other government actions, have in the past led to, and may in the future lead to, unfavorable outcomes including increased compliance costs, delays or impediments in the development of new products, negative publicity and reputational harm, increased operating costs, diversion of management time and attention, and remedies that harm our business, including fines or demands or orders that we modify or cease existing business practices.

We have been subject to regulatory and other government investigations, enforcement actions, and settlements, and we expect to continue to be subject to such proceedings and other inquiries in the future, which could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business.

From time to time, we receive formal and informal inquiries from government authorities and regulators regarding our compliance with laws and regulations, many of which are evolving and subject to interpretation. We are and expect to continue to be the subject of investigations, inquiries, data requests, requests for information, actions, and audits in the United States, Europe, and around the world, particularly in the areas of privacy, data protection, law enforcement, consumer protection, and competition, as we continue to grow and expand our operations. In addition, we are currently, and may in the future be, subject to regulatory orders or consent decrees. For example, data protection, competition, and consumer protection authorities in the European Union have initiated actions, investigations, or administrative orders seeking to restrict the ways in which we collect and use information, or impose sanctions, and other authorities may do the same. In addition, beginning in March 2018, we became subject to FTC, state attorneys general, and other government inquiries in the United States, Europe, and other jurisdictions in connection with our platform and user data practices as well as the misuse of certain data by a developer that shared such data with third parties in violation of our terms and policies. In July 2019, we entered into a settlement and modified consent order to resolve the FTC inquiry, which was approved by the federal court and took effect in April 2020. Among other matters, our settlement with the FTC requires us to pay a penalty of \$5.0 billion and to significantly enhance our practices and processes for privacy compliance and oversight. Beginning in September 2018, we also became subject to Irish Data Protection Commission (IDPC) and other government inquiries in connection with a third-party cyber-attack that exploited a vulnerability in Facebook's code to steal user access tokens and access certain profile information from user accounts on Facebook. From time to time we also notify the IDPC, our designated European privacy regulator under the GDPR, of certain other personal data breaches and privacy issues, and are subject to inquiries and investigations regarding various aspects of our regulatory compliance.

In addition, competition authorities in the United States, Europe, and other jurisdictions have initiated formal and informal inquiries and investigations into many aspects of our business, including with respect to users and advertisers, as well as our industry. For example, in June 2019 we were informed by the FTC that it had opened an antitrust investigation of our company. In addition, beginning in the third quarter of 2019, we became the subject of antitrust inquiries and investigations by the U.S. Department of Justice, the U.S. House of Representatives, and state attorneys general. These inquiries and investigations concern, among other things, our business practices in the areas of social networking or social media services, digital advertising, and/or mobile or online applications, as well as past acquisitions.

Orders issued by, or inquiries or enforcement actions initiated by, government or regulatory authorities could cause us to incur substantial costs, expose us to unanticipated civil and criminal liability or penalties (including substantial monetary remedies), interrupt or require us to change our business practices in a manner materially adverse to our business, result in

negative publicity and reputational harm, divert resources and the attention of management from our business, or subject us to other remedies that adversely affect our business.

Compliance with our FTC consent order, the GDPR, the CCPA, and other regulatory and legislative privacy requirements will require significant operational resources and modifications to our business practices, and any compliance failures may have a material adverse effect on our business, reputation, and financial results.

We are engaged in ongoing privacy compliance and oversight efforts, including as a result of our modified consent order with the FTC, as well as our efforts to comply with the GDPR and other regulatory and legislative requirements around the world, including the CCPA. In particular, we have agreed with the FTC to implement a comprehensive expansion of our privacy program, including substantial management and board of directors oversight, stringent operational requirements and reporting obligations, and a process to regularly certify our compliance with the privacy program to the FTC, which will be challenging and costly to implement. We expect that these enhancements will result in both improved privacy compliance and oversight and the discovery of additional privacy issues, at least in the near-term, and we expect to continue to notify the FTC of such issues from time to time in accordance with our reporting obligations under the consent order. These compliance and oversight efforts will increase demand on our systems and resources, and will require significant investments, including investments in compliance processes, personnel, and technical infrastructure. In the near-term, we are reallocating resources internally to assist with these efforts, and this has had, and will continue to have, an adverse impact on our other business initiatives. In addition, these efforts will require substantial modifications to our business practices and make some practices such as product and ads development more difficult, time-consuming, and costly. As a result, we believe our ability to develop and launch new features, products, and services in a timely manner will be adversely affected. We also expect that our privacy compliance and oversight efforts will require significant time and attention from our management and board of directors. In addition, regulatory and legislative privacy requirements are constantly evolving and can be subject to significant change and uncertain interpretation. If we are unable to successfully implement and comply with the mandates of the FTC consent order, GDPR, CCPA, or other regulatory or legislative requirements, or if we are found to be in violation of the consent order or other requirements, we may be subject to regulatory or governmental investigations or lawsuits, which may result in significant monetary fines, judgments, or other penalties, and we may also be required to make additional changes to our business practices. Any of these events could have a material adverse effect on our business, reputation, and financial results.

If we are unable to protect our intellectual property, the value of our brands and other intangible assets may be diminished, and our business may be adversely affected.

We rely and expect to continue to rely on a combination of confidentiality, assignment, and license agreements with our employees, consultants, and third parties with whom we have relationships, as well as trademark, copyright, patent, trade secret, and domain name protection laws, to protect our proprietary rights. In the United States and internationally, we have filed various applications for protection of certain aspects of our intellectual property, and we currently hold a significant number of registered trademarks and issued patents in multiple jurisdictions and have acquired patents and patent applications from third parties. Third parties may knowingly or unknowingly infringe our proprietary rights, third parties may challenge proprietary rights held by us, and pending and future trademark and patent applications may not be approved. In addition, effective intellectual property protection may not be available in every country in which we operate or intend to operate our business. In any or all of these cases, we may be required to expend significant time and expense in order to prevent infringement or to enforce our rights. Although we have generally taken measures to protect our proprietary rights, there can be no assurance that others will not offer products or concepts that are substantially similar to ours and compete with our business. In addition, we regularly contribute software source code under open source licenses and have made other technology we developed available under other open licenses, and we include open source software in our products. For example, we have contributed certain specifications and designs related to our data center equipment to the Open Compute Project Foundation, a non-profit entity that shares and develops such information with the technology community, under the Open Web Foundation License. As a result of our open source contributions and the use of open source in our products, we may license or be required to license or disclose code and/or innovations that turn out to be material to our business and may also be exposed to increased litigation risk. If the protection of our proprietary rights is inadequate to prevent unauthorized use or appropriation by third parties, the value of our brands and other intangible assets may be diminished and competitors may be able to more effectively mimic our products, services, and methods of operations. Any of these events could have an adverse effect on our business and financial results.

We are currently, and expect to be in the future, party to patent lawsuits and other intellectual property rights claims that are expensive and time consuming and, if resolved adversely, could have a significant impact on our business, financial condition, or results of operations.

Companies in the Internet, technology, and media industries own large numbers of patents, copyrights, trademarks, and trade secrets, and frequently enter into litigation based on allegations of infringement, misappropriation, or other violations of intellectual property or other rights. In addition, various "non-practicing entities" that own patents and other intellectual property rights often attempt to aggressively assert their rights in order to extract value from technology companies. Furthermore, from time to time we may introduce or acquire new products, including in areas where we historically have not competed, which could increase our exposure to patent and other intellectual property claims from competitors and non-practicing entities.

From time to time, we receive notice from patent holders and other parties alleging that certain of our products and services, or user content, infringe their intellectual property rights. We presently are involved in a number of intellectual property lawsuits, and as we face increasing competition and gain an increasingly high profile, we expect the number of patent and other intellectual property claims against us to grow. Defending patent and other intellectual property litigation is costly and can impose a significant burden on management and employees, and there can be no assurances that favorable final outcomes will be obtained in all cases. In addition, plaintiffs may seek, and we may become subject to, preliminary or provisional rulings in the course of any such litigation, including potential preliminary injunctions requiring us to cease some or all of our operations. We may decide to settle such lawsuits and disputes on terms that are unfavorable to us. Similarly, if any litigation to which we are a party is resolved adversely, we may be subject to an unfavorable judgment that may not be reversed upon appeal. The terms of such a settlement or judgment may require us to cease some or all of our operations or pay substantial amounts to the other party. In addition, we may have to seek a license to continue practices found to be in violation of a third party's rights, which may not be available on reasonable terms, or at all, and may significantly increase our operating costs and expenses. As a result, we may also be required to develop alternative non-infringing technology or practices or discontinue the practices. The development of alternative non-infringing technology or practices could require significant effort and expense, could result in less effective technology or practices or otherwise negatively affect the user experience, or may not be feasible. We have experienced unfavorable outcomes in such disputes and litigation in the past, and our business, financial condition, and results of operations could be adversely affected as a result of an unfavorable resolution of the disputes and litigation referred to above.

We are involved in numerous class action lawsuits and other litigation matters that are expensive and time consuming, and, if resolved adversely, could harm our business, financial condition, or results of operations.

In addition to intellectual property claims, we are also involved in numerous other lawsuits, including putative class action lawsuits, many of which claim statutory damages and/or seek significant changes to our business operations, and we anticipate that we will continue to be a target for numerous lawsuits in the future. Because of the scale of our user base, the plaintiffs in class action cases filed against us typically claim enormous monetary damages even if the alleged per-user harm is small or non-existent. In addition, we have in the past, and may in the future, be subject to additional class action lawsuits based on advertiser claims, antitrust claims, employment claims, product performance or other claims related to the use of consumer hardware and software, as well as virtual reality technology and products, which are new and unproven. For example, we are currently the subject of multiple putative class action suits in connection with our platform and user data practices and the misuse of certain data by a developer that shared such data with third parties in violation of our terms and policies, as well as the disclosure of our earnings results for the second quarter of 2018. We also recently agreed to settlements in principle to resolve certain lawsuits in connection with the "tag suggestions" facial recognition feature on Facebook and a third-party cyber-attack that exploited a vulnerability in Facebook's code to steal user access tokens and access certain profile information from user accounts on Facebook. We believe the remaining lawsuits are without merit and are vigorously defending them. However, the results of such lawsuits and claims cannot be predicted with certainty, and any negative outcome from any such lawsuits could result in payments of substantial monetary damages or fines, or undesirable changes to our products or business practices, and accordingly our business, financial condition, or results of operations could be materially and adversely affected.

There can be no assurances that a favorable final outcome will be obtained in all our cases, and defending any lawsuit is costly and can impose a significant burden on management and employees. Any litigation to which we are a party may result in an onerous or unfavorable judgment that may not be reversed upon appeal or in payments of substantial monetary damages or fines, or we may decide to settle lawsuits on similarly unfavorable terms, which has occurred in the past and which could adversely affect our business, financial conditions, or results of operations.

We may incur liability as a result of information retrieved from or transmitted over the Internet or published using our products or as a result of claims related to our products, and legislation regulating content on our platform may require us to change our products or business practices.

We have faced, currently face, and will continue to face claims relating to information or content that is published or made available on our products, including our policies and enforcement actions with respect to such information or content. In particular, the nature of our business exposes us to claims related to defamation, dissemination of misinformation or news hoaxes, discrimination, harassment, intellectual property rights, rights of publicity and privacy, personal injury torts, laws regulating hate speech or other types of content, and breach of contract, among others. This risk is enhanced in certain jurisdictions outside the United States where our protection from liability for third-party actions may be unclear or where we may be less protected under local laws than we are in the United States. For example, in April 2019, the European Union passed a directive expanding online platform liability for copyright infringement and regulating certain uses of news content online, which member states must implement by June 2021. In addition, the European Union revised the European Audiovisual Media Service Directive, which must be implemented by member states by September 2020, to apply to online video-sharing platforms. In the United States, there have been various Congressional efforts to restrict the scope of the protections available to online platforms under Section 230 of the Communications Decency Act, as well as to impose new obligations on online platforms with respect to counterfeit goods, and our current protections from liability for third-party content in the United States could decrease or change. We could incur significant costs investigating and defending such claims and, if we are found liable, significant damages. We could also face fines or orders restricting or blocking our services in particular geographies as a result of content hosted on our services. For example, legislation in Germany has in the past, and may in the future, result in the imposition of fines for failure to comply with certain content removal, law enforcement cooperation, and disclosure obligations. Other countries, including Australia, France, Ireland, Singapore, and the United Kingdom, are considering or have implemented similar legislation imposing penalties for failure to remove certain types of content or follow certain processes. Such legislation also has in the past, and may in the future, require us to change our products or business practices, increase our compliance costs, or otherwise impact our operations or our ability to provide services in certain geographies. For example, the European Copyright Directive requires certain online services to obtain authorizations for copyrighted content or to implement measures to prevent the availability of that content, which may require us to make substantial investments in compliance processes. If any of the foregoing events occur, our business and financial results could be adversely affected.

Our CEO has control over key decision making as a result of his control of a majority of the voting power of our outstanding capital stock.

Mark Zuckerberg, our founder, Chairman, and CEO, is able to exercise voting rights with respect to a majority of the voting power of our outstanding capital stock and therefore has the ability to control the outcome of matters submitted to our stockholders for approval, including the election of directors and any merger, consolidation, or sale of all or substantially all of our assets. This concentrated control could delay, defer, or prevent a change of control, merger, consolidation, or sale of all or substantially all of our assets that our other stockholders support, or conversely this concentrated control could result in the consummation of such a transaction that our other stockholders do not support. This concentrated control could also discourage a potential investor from acquiring our Class A common stock, which has limited voting power relative to the Class B common stock, and might harm the trading price of our Class A common stock. In addition, Mr. Zuckerberg has the ability to control the management and major strategic investments of our company as a result of his position as our CEO and his ability to control the election or replacement of our directors. In the event of his death, the shares of our capital stock that Mr. Zuckerberg owns will be transferred to the persons or entities that he has designated. As a board member and officer, Mr. Zuckerberg owes a fiduciary duty to our stockholders and must act in good faith in a manner he reasonably believes to be in the best interests of our stockholders. As a stockholder, even a controlling stockholder, Mr. Zuckerberg is entitled to vote his shares, and shares over which he has voting control as governed by a voting agreement, in his own interests, which may not always be in the interests of our stockholders generally.

We plan to continue to make acquisitions, which could harm our financial condition or results of operations and may adversely affect the price of our common stock.

As part of our business strategy, we have made and intend to continue to make acquisitions to add specialized employees and complementary companies, products, or technologies. We may not be able to find suitable acquisition candidates, and we may not be able to complete acquisitions on favorable terms, if at all. In some cases, the costs of such acquisitions may be substantial, and there is no assurance that we will receive a favorable return on investment for our acquisitions.

We may pay substantial amounts of cash or incur debt to pay for acquisitions, which could adversely affect our liquidity.

The incurrence of indebtedness would also result in increased fixed obligations and increased interest expense, and could also include covenants or other restrictions that would impede our ability to manage our operations. We may also issue equity securities to pay for acquisitions and we regularly grant RSUs to retain the employees of acquired companies, which could increase our expenses, adversely affect our financial results, and result in dilution to our stockholders. In addition, any acquisitions we announce could be viewed negatively by users, marketers, developers, or investors, which may adversely affect our business or the price of our Class A common stock.

We may also discover liabilities or deficiencies associated with the companies or assets we acquire that were not identified in advance, which may result in significant unanticipated costs. The effectiveness of our due diligence review and our ability to evaluate the results of such due diligence are dependent upon the accuracy and completeness of statements and disclosures made or actions taken by the companies we acquire or their representatives, as well as the limited amount of time in which acquisitions are executed. In addition, we may fail to accurately forecast the financial impact of an acquisition transaction, including tax and accounting charges. Acquisitions may also result in our recording of significant additional expenses to our results of operations and recording of substantial finite-lived intangible assets on our balance sheet upon closing. Any of these factors may adversely affect our financial condition or results of operations.

We may not be able to successfully integrate our acquisitions, and we may incur significant costs to integrate and support the companies we acquire.

The integration of acquisitions requires significant time and resources, and we may not manage these processes successfully. Our ability to successfully integrate complex acquisitions is unproven, particularly with respect to companies that have significant operations or that develop products where we do not have prior experience. For example, the technology and products we acquired from Oculus were relatively new to Facebook at the time of the acquisition, and we did not have significant experience with, or structure in place to support, such technology and products prior to the acquisition. We continue to make substantial investments of resources to support our acquisitions, which will result in significant ongoing operating expenses and may divert resources and management attention from other areas of our business. We cannot assure you that these investments will be successful. If we fail to successfully integrate the companies we acquire, we may not realize the benefits expected from the transaction and our business may be harmed.

If our goodwill or finite-lived intangible assets become impaired, we may be required to record a significant charge to earnings.

We review our finite-lived intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable, such as a decline in stock price and market capitalization. We test goodwill for impairment at least annually. If such goodwill or finite-lived intangible assets are deemed to be impaired, an impairment loss equal to the amount by which the carrying amount exceeds the fair value of the assets would be recognized. We may be required to record a significant charge in our financial statements during the period in which any impairment of our goodwill or finite-lived intangible assets is determined, which would negatively affect our results of operations.

Our business is dependent on our ability to maintain and scale our technical infrastructure, and any significant disruption in our service, including as a result of the COVID-19 pandemic, could damage our reputation, result in a potential loss of users and engagement, and adversely affect our financial results.

Our reputation and ability to attract, retain, and serve our users is dependent upon the reliable performance of our products and our underlying technical infrastructure. We have in the past experienced, and may in the future experience, interruptions in the availability or performance of our products from time to time. Our systems may not be adequately designed or may not operate with the reliability and redundancy necessary to avoid performance delays or outages that could be harmful to our business. If our products are unavailable when users attempt to access them, or if they do not load as quickly as expected, users may not use our products as often in the future, or at all, and our ability to serve ads may be disrupted, any of which could adversely affect our business and financial performance. As the amount and types of information shared on Facebook and our other products continue to grow and evolve, as the usage patterns of our global community continue to evolve, and as our internal operational demands continue to grow, we will need an increasing amount of technical infrastructure, including network capacity and computing power, to continue to satisfy our needs. It is possible that we may fail to continue to effectively scale and grow our technical infrastructure to accommodate these increased demands, which may adversely affect our user engagement and advertising revenue growth. In addition, our business may be subject to interruptions, delays, or failures resulting from earthquakes, adverse weather conditions, other natural disasters, power loss, terrorism, geopolitical conflict, other physical security threats, cyber-attacks, or other catastrophic events. If such an event were to occur, users may be subject to service disruptions or outages and we may not be able to recover our technical infrastructure and user data in a timely manner to restart

or provide our services, which may adversely affect our financial results.

For example, the significant and rapid increase in the use of our products that we experienced as a result of the COVID-19 pandemic has increased demands on our technical infrastructure. Additional product development efforts during this time may put additional pressure on our technical infrastructure. We may not be able to accommodate these demands, including as a result of our reduced data center operations and personnel working remotely during the pandemic.

A substantial portion of our network infrastructure is provided by third parties. Any disruption or failure in the services we receive from these providers could harm our ability to handle existing or increased traffic and could significantly harm our business. Any financial or other difficulties these providers face may adversely affect our business, and we exercise little control over these providers, which increases our vulnerability to problems with the services they provide. The effects of the COVID-19 pandemic have increased the risk of supply shortages or other disruptions in logistics or the supply chain for our technical infrastructure. As a result, we may not be able to procure sufficient equipment or services from third parties to satisfy our needs, or we may be required to procure such services or equipment on unfavorable terms.

Any of these developments may result in interruptions in the availability or performance of our products, require unfavorable changes to existing products, delay the introduction of future products, or otherwise adversely affect our business and financial results.

We could experience unforeseen difficulties in building and operating key portions of our technical infrastructure.

We have designed and built our own data centers and key portions of our technical infrastructure through which we serve our products, and we plan to continue to significantly expand the size of our infrastructure primarily through data centers and other projects. The infrastructure expansion we are undertaking is complex and involves projects in multiple locations, and we have had to suspend certain of these projects as a result of the COVID-19 pandemic. Additional unanticipated delays or disruptions in the completion of these projects, including due to any shortage of labor necessary in building portions of such projects, or availability of components, challenges in obtaining required government or regulatory approvals, or other geopolitical challenges or actions by governments, whether as a result of the pandemic or otherwise, may lead to increased project costs, operational inefficiencies, or interruptions in the delivery or degradation of the quality or reliability of our products. In addition, there may be issues related to this infrastructure that are not identified during the testing phases of design and implementation, which may only become evident after we have started to fully utilize the underlying equipment, that could further degrade the user experience or increase our costs. Any of these events could adversely affect our business, reputation, or financial results.

Our products and internal systems rely on software and hardware that is highly technical, and any errors, bugs, or vulnerabilities in these systems, or failures to address or mitigate technical limitations in our systems, could adversely affect our business.

Our products and internal systems rely on software and hardware, including software and hardware developed or maintained internally and/or by third parties, that is highly technical and complex. In addition, our products and internal systems depend on the ability of such software and hardware to store, retrieve, process, and manage immense amounts of data. The software and hardware on which we rely has contained, and will in the future contain, errors, bugs, or vulnerabilities, and our systems are subject to certain technical limitations that may compromise our ability to meet our objectives. Some errors, bugs, or vulnerabilities inherently may be difficult to detect and may only be discovered after the code has been released for external or internal use. For example, in September 2018, we announced our discovery of a third-party cyber-attack that exploited a vulnerability in Facebook's code to steal user access tokens and access certain profile information from user accounts on Facebook. Errors, bugs, vulnerabilities, design defects, or technical limitations within the software and hardware on which we rely have in the past led to, and may in the future lead to, outcomes including a negative experience for users and marketers who use our products, compromised ability of our products to perform in a manner consistent with our terms, contracts, or policies, delayed product introductions or enhancements, targeting, measurement, or billing errors, compromised ability to protect the data of our users and/or our intellectual property, or reductions in our ability to provide some or all of our services. For example, we make commitments to our users as to how their data will be used within and across our products, and our systems are subject to errors, bugs and technical limitations that may prevent us from fulfilling these commitments reliably. In addition, any errors, bugs, vulnerabilities, or defects in our systems or the software and hardware on which we rely, failures to properly address or mitigate the technical limitations in our systems, or associated degradations or interruptions of service or failures to fulfill our commitments to our users, have in the past led to, and may in the future lead to, outcomes including damage to our reputation, loss of users, loss of marketers, loss of revenue, regulatory inquiries, litigation, or liability for fines, damages, or other remedies, any of which could adversely affect our business and financial results.

Technologies have been developed that can block the display of our ads, which could adversely affect our financial results.

Technologies have been developed, and will likely continue to be developed, that can block the display of our ads or block our ad measurement tools, particularly for advertising displayed on personal computers. We generate substantially all of our revenue from advertising, including revenue resulting from the display of ads on personal computers. Revenue generated from the display of ads on personal computers has been impacted by these technologies from time to time. As a result, these technologies have had an adverse effect on our financial results and, if such technologies continue to proliferate, in particular with respect to mobile platforms, our future financial results may be harmed.

Real or perceived inaccuracies in our community and other metrics may harm our reputation and negatively affect our business.

The numbers for our key metrics, which include our Facebook metrics (DAUs, MAUs, and average revenue per user (ARPU)) and Family metrics (DAP, MAP, and average revenue per person (ARPP)), 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. The methodologies used to measure these metrics require significant judgment and are also susceptible to algorithm or other technical errors. In addition, we are continually seeking to improve our estimates of our user base, and such estimates may change due to improvements or changes in our methodology. We regularly review our processes for calculating these metrics, and from time to time we discover inaccuracies in our metrics or make adjustments to improve their accuracy, which can result in adjustments to our historical metrics. Our ability to recalculate our historical metrics may be impacted by data limitations or other factors that require us to apply different methodologies for such adjustments. We generally do not intend to update previously disclosed Family metrics for any such inaccuracies or adjustments that are within the error margins disclosed below.

In addition, our Facebook metrics and Family metrics estimates will differ from estimates published by third parties due to differences in methodology.

We regularly evaluate our Facebook metrics to estimate the number of "duplicate" and "false" accounts among our MAUs. A duplicate account is one that a user maintains in addition to his or her principal account. We divide "false" accounts 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) violating accounts, which represent user profiles that we believe are intended to be used for purposes that violate our terms of service, such as bots and spam. The estimates of duplicate and false accounts are based on an internal review of a limited sample of accounts, and we apply significant judgment in making this determination. For example, to identify duplicate accounts we use data signals such as identical IP addresses and similar user names, and to identify false accounts we look for names that appear to be fake or other behavior that appears inauthentic to the reviewers. Any loss of access to data signals we use in this process, whether as a result of our own product decisions, actions by third-party browser or mobile platforms, regulatory or legislative requirements, limitations while our personnel work remotely during the COVID-19 pandemic, or other factors, also may impact the stability or accuracy of our estimates of duplicate and false accounts. Our estimates also may change as our methodologies evolve, including through the application of new data signals or technologies or product changes that may allow us to identify previously undetected duplicate or false accounts and may improve our ability to evaluate a broader population of our users. Duplicate and false accounts are very difficult to measure at our scale, and it is possible that the actual number of duplicate and false accounts may vary significantly from our estimates.

In the fourth quarter of 2019, we estimated that duplicate accounts may have represented approximately 11% of our worldwide MAUs. We believe the percentage of duplicate accounts is meaningfully higher in developing markets such as the Philippines and Vietnam, as compared to more developed markets. In the fourth quarter of 2019, we estimated that false accounts may have represented approximately 5% of our worldwide MAUs. Our estimation of false accounts can vary as a result of episodic spikes in the creation of such accounts, which we have seen originate more frequently in specific countries such as Indonesia and Vietnam. From time to time, we disable certain user accounts, make product changes, or take other actions to reduce the number of duplicate or false accounts among our users, which may also reduce our DAU and MAU estimates in a particular period. We intend to disclose our estimates of the number of duplicate and false accounts among our MAUs on an annual basis.

Many people in our community have user accounts on more than one of our products, and some people have multiple user accounts within an individual product. Accordingly, for our Family metrics, we do not seek to count the total number of user accounts across our products because we believe that would not reflect the actual size of our community. Rather, our Family metrics represent our estimates of the number of unique people using at least one of Facebook, Instagram, Messenger, and WhatsApp. We do not require people to use a common identifier or link their accounts to use multiple products in our Family, and therefore must seek to attribute multiple user accounts within and across products to individual people. To calculate these metrics, we rely upon complex techniques, algorithms and machine learning models that seek to count the individual people behind user accounts, including by matching multiple user accounts within an individual product and across multiple products when we believe they are attributable to a single person, and counting such group of accounts as one person. These techniques and models require significant judgment, are subject to data and other limitations discussed below, and inherently are subject to statistical variances and uncertainties. We estimate the potential error in our Family metrics primarily based on user survey data, which itself is subject to error as well. While we expect the error margin for our Family metrics to vary from period to period, we estimate that such margin generally will be approximately 3% of our worldwide MAP. At our scale, it is very difficult to attribute multiple user accounts within and across products to individual people, and it is possible that the actual numbers of unique people using our products may vary significantly from our estimates, potentially beyond our estimated error margins. As a result, it is also possible that our Family metrics may indicate changes or trends in user numbers that do not match actual changes or trends.

To calculate our estimates of Family DAP and MAP, we currently use a series of machine learning models that are developed based on internal reviews of limited samples of user accounts and calibrated against user survey data. We apply significant judgment in designing these models and calculating these estimates. For example, to match user accounts within individual products and across multiple products, we use data signals such as similar device information, IP addresses, and user names. We also calibrate our models against data from periodic user surveys of varying sizes and frequency across our products, which are inherently subject to error. In addition, our data limitations may affect our understanding of certain details of our business and increase the risk of error for our Family metrics estimates. Our techniques and models rely on a variety of data signals from different products, and we rely on more limited data signals for some products compared to others. For example, as a result of limited visibility into encrypted products, we have fewer data signals from WhatsApp user accounts and primarily rely on phone numbers and device information to match WhatsApp user accounts with accounts on our other products. Similarly, although Messenger Kids users are included in our Family metrics, we do not seek to match their accounts with accounts on our other applications for purposes of calculating DAP and MAP. Any loss of access to data signals we use in our process for calculating Family metrics, whether as a result of our own product decisions, actions by third-party browser or mobile platforms, regulatory or legislative requirements, limitations while our personnel work remotely during the COVID-19 pandemic, or other factors, also may impact the stability or accuracy of our reported Family metrics. Our estimates of Family metrics also may change as our methodologies evolve, including through the application of new data signals or technologies, product changes, or other improvements in our user surveys, algorithms, or machine learning that may improve our ability to match accounts within and across our products or otherwise evaluate the broad population of our users. In addition, such evolution may allow us to identify previously undetected violating accounts (as defined below).

We regularly evaluate our Family metrics to estimate the percentage of our MAP consisting solely of "violating" accounts. We define "violating" accounts as accounts which we believe are intended to be used for purposes that violate our terms of service, including bots and spam. In the fourth quarter of 2019, we estimated that approximately 3% of our worldwide MAP consisted solely of violating accounts. Such estimation is based on an internal review of a limited sample of accounts, and we apply significant judgment in making this determination. For example, we look for account information and behaviors associated with Facebook and Instagram accounts that appear to be inauthentic to the reviewers, but we have limited visibility into WhatsApp user activity due to encryption. In addition, if we believe an individual person has one or more violating accounts, we do not include such person in our violating accounts estimation as long as we believe they have one account that does not constitute a violating account. From time to time, we disable certain user accounts, make product changes, or take other actions to reduce the number of violating accounts among our users, which may also reduce our DAP and MAP estimates in a particular period. We intend to disclose our estimates of the percentage of our MAP consisting solely of violating accounts on an annual basis. Violating accounts are very difficult to measure at our scale, and it is possible that the actual number of violating accounts may vary significantly from our estimates.

Other data limitations also 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.

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 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 our metrics are also susceptible to algorithm or other technical errors, and our estimates for revenue by user location and revenue by user device are also affected by these factors.

In addition, from time to time we provide, or rely on, certain other metrics, including those relating to the reach and effectiveness of our ads. All of our metrics are subject to software bugs, inconsistencies in our systems, and human error. If marketers, developers, or investors do not perceive our metrics to be accurate, or if we discover material inaccuracies in our metrics, we may be subject to liability, our reputation may be harmed, and marketers and developers may be less willing to allocate their budgets or resources to Facebook or our other products, which could negatively affect our business and financial results.

We cannot assure you that we will effectively manage our growth.

Our employee headcount and the scope and complexity of our business have increased significantly, with the number of employees increasing to 48,268 as of March 31, 2020 from 37,773 as of March 31, 2019, and we expect headcount growth to continue for the foreseeable future. In addition, we plan to continue to hire a number of employees and contractors in order to address various privacy, safety, security, and content review initiatives. The growth and expansion of our business and products create significant challenges for our management, operational, and financial resources, including managing multiple relationships with users, marketers, developers, and other third parties. Additionally, the vast majority of our personnel are currently working remotely as a result of the COVID-19 pandemic, which limits their ability to perform certain job functions and may negatively impact productivity. As our operations and the number of our third-party relationships continue to grow, our information technology systems or our internal controls and procedures may not be adequate to support such growth. In addition, some members of our management do not have significant experience managing a large global business operation, so our management may not be able to manage such growth effectively. To effectively manage our growth, we must adapt to a remote work environment and continue to improve our operational, financial, and management processes and systems and to effectively expand, train, and manage our personnel. As our organization continues to grow, and we are required to implement more complex organizational management structures, we may find it increasingly difficult to maintain the benefits of our corporate culture, including our ability to quickly develop and launch new and innovative products. This could negatively affect our business performance.

The loss of one or more of our key personnel, or our failure to attract and retain other highly qualified personnel in the future, could harm our business.

We currently depend on the continued services and performance of our key personnel, including Mark Zuckerberg and Sheryl K. Sandberg. Although we have entered into employment agreements with Mr. Zuckerberg and Ms. Sandberg, the agreements have no specific duration and constitute at-will employment. In addition, many of our key technologies and systems are custom-made for our business by our personnel. The loss of key personnel, including members of management as well as key engineering, product development, marketing, and sales personnel, could disrupt our operations and have an adverse effect on our business.

As we continue to grow, we cannot guarantee we will continue to attract and retain the personnel we need to maintain our competitive position. In particular, we intend to continue to hire a significant number of technical personnel in the foreseeable future, and we expect to continue to face significant challenges in hiring such personnel, particularly in the San Francisco Bay Area, where our headquarters are located, whether as a result of competition with other companies, challenges due to the high cost of living, facilities and infrastructure constraints, or other factors. As we continue to mature, the incentives to attract, retain, and motivate employees provided by our equity awards or by future arrangements may not be as effective as in the past, and if we issue significant equity to attract additional employees or to retain our existing employees, we would incur substantial additional share-based compensation expense and the ownership of our existing stockholders would be further diluted. Our ability to attract, retain, and motivate employees may also be adversely affected by stock price volatility. As a result of these factors, it may be difficult for us to continue to retain and motivate our employees. If we do not succeed in attracting, hiring, and integrating excellent personnel, or retaining and motivating existing personnel, we may be unable to grow effectively.

We may not be able to continue to successfully maintain or grow usage of and engagement with mobile and web applications that integrate with Facebook and our other products.

We have made and are continuing to make investments to enable developers to build, grow, and monetize mobile and web applications that integrate with Facebook and our other products. Such existing and prospective developers may not be successful in building, growing, or monetizing mobile and/or web applications that create and maintain user engagement. Additionally, developers may choose to build on other platforms, including mobile platforms controlled by third parties, rather than building products that integrate with Facebook and our other products. We are continuously seeking to balance the distribution objectives of our developers with our desire to provide an optimal user experience, and we may not be successful in achieving a balance that continues to attract and retain such developers. For example, from time to time, we have taken actions to reduce the volume of communications from these developers to users on Facebook and our other products with the objective of enhancing the user experience, and such actions have reduced distribution from, user engagement with, and our monetization opportunities from, mobile and web applications integrated with our products. In addition, as part of our efforts related to privacy, safety, and security, we are conducting investigations and audits of a large number of platform applications, and we also have announced several product changes that restrict developer access to certain user data. In some instances, these actions, as well as other actions to enforce our policies applicable to developers, have adversely affected, or will adversely affect, our relationships with developers. If we are not successful in our efforts to maintain or grow the number of developers that choose to build products that integrate with Facebook and our other products or if we are unable to continue to build and maintain good relations with such developers, our user growth and user engagement and our financial results may be adversely affected.

Payment transactions may subject us to additional regulatory requirements and other risks that could be costly and difficult to comply with or that could harm our business.

Our users can purchase virtual and digital goods from developers that offer applications using our Payments infrastructure on the Facebook website. In addition, certain of our users can use our Payments infrastructure, including on Messenger, for other activities, such as sending money to other users and making donations to certain charitable organizations. We are subject to a variety of laws and regulations in the United States, Europe, and elsewhere, including those governing anti-money laundering and counter-terrorist financing, money transmission, gift cards and other prepaid access instruments, electronic funds transfer, charitable fundraising, and import and export restrictions. Depending on how our Payments product evolves, we may also be subject to other laws and regulations including those governing gambling, banking, and lending. In some jurisdictions, the application or interpretation of these laws and regulations is not clear. To increase flexibility in how our use of Payments may evolve and to mitigate regulatory uncertainty, we have received certain money transmitter licenses in the United States and an Electronic Money (E-Money) license that allows us to conduct certain regulated payment activities in the participating member countries of the European Economic Area, which will generally require us to demonstrate compliance with many domestic and foreign laws in these areas. Our efforts to comply with these laws and regulations could be costly and result in diversion of management time and effort and may still not guarantee compliance. In the event that we are found to be in violation of any such legal or regulatory requirements, we may be subject to monetary fines or other penalties such as a cease and desist order, or we may be required to make product changes, any of which could have an adverse effect on our business and financial results.

In addition, we may be subject to a variety of additional risks as a result of Payments transactions, including: increased costs and diversion of management time and effort and other resources to deal with bad transactions or customer disputes; potential fraudulent or otherwise illegal activity by users, developers, employees, or third parties; restrictions on the investment of consumer funds used to transact Payments; and additional disclosure and reporting requirements. We also intend to launch certain payments functionality on WhatsApp and have announced plans to develop digital payments products and services, which may subject us to many of the foregoing risks and additional licensing requirements.

Our participation in the Libra Association will subject us to significant regulatory scrutiny and other risks that could adversely affect our business, reputation, or financial results.

In June 2019, we announced our participation in the Libra Association, which will oversee a proposed digital payments system powered by blockchain technology, and our plans for Calibra, a digital wallet for Libra which we expect to launch in Messenger, WhatsApp, and as a standalone application.

Libra is based on relatively new and unproven technology, and the laws and regulations surrounding blockchain-based payments are uncertain and evolving. Libra has drawn significant scrutiny from governments and regulators in multiple jurisdictions and we expect that scrutiny to continue. As a primary sponsor of the initiative, we are participating in responses to

inquiries from governments and regulators, and adverse government or regulatory actions or negative publicity resulting from such participation may adversely affect our reputation and harm our business.

As this initiative evolves, we may be subject to a variety of laws and regulations in the United States and international jurisdictions, including those governing payments, financial services, anti-money laundering, counter-terrorism financing, economic sanctions, data protection, tax, and competition. In many jurisdictions, the application or interpretation of these laws and regulations is not clear, particularly with respect to evolving laws and regulations that are applied to blockchain and digital payments. These laws and regulations, as well as any associated inquiries or investigations, may delay or impede the launch of the Libra currency as well as the development of our products and services, increase our operating costs, require significant management time and attention, or otherwise harm our business.

In addition, market acceptance of such currency is subject to significant uncertainty. As such, there can be no assurance that Libra or our associated products and services will be made available in a timely manner, or at all. We do not have significant prior experience with blockchain-based payments technology, which may adversely affect our ability to successfully develop and market these products and services. We will also incur increased costs in connection with our participation in the Libra Association and the development and marketing of associated products and services, and our investments may not be successful. Any of these events could adversely affect our business, reputation, or financial results.

We have significant international operations and plan to continue expanding our operations abroad where we have more limited operating experience, and this may subject us to increased business and economic risks that could affect our financial results.

We have significant international operations and plan to continue the international expansion of our business operations and the translation of our products. We currently make Facebook available in more than 100 different languages, and we have offices or data centers in more than 30 different countries. We may enter new international markets where we have limited or no experience in marketing, selling, and deploying our products. Our products are generally available globally, but some or all of our products or functionality may not be available in certain markets due to legal and regulatory complexities. For example, Facebook and certain of our other products are not generally available in China. We also outsource certain operational functions to third-party vendors globally. If we fail to deploy, manage, or oversee our international operations successfully, our business may suffer. In addition, we are subject to a variety of risks inherent in doing business internationally, including:

- political, social, or economic instability;
- risks related to legal, regulatory, and other government scrutiny applicable to U.S. companies with sales and operations in foreign jurisdictions, including with respect to privacy, tax, law enforcement, content, trade compliance, competition, consumer protection, intellectual property, and terrestrial infrastructure matters;
- potential damage to our brand and reputation due to compliance with local laws, including potential censorship or requirements to provide user information to local authorities;
- enhanced difficulty in reviewing content on our platform and enforcing our community standards across different languages and countries;
- fluctuations in currency exchange rates and compliance with currency controls;
- foreign exchange controls and tax and other regulations and orders that might prevent us from repatriating cash earned in countries outside the United States or otherwise limit our ability to move cash freely, and impede our ability to invest such cash efficiently;
- higher levels of credit risk and payment fraud;
- enhanced difficulties of integrating any foreign acquisitions;
- burdens of complying with a variety of foreign laws, including laws related to taxation, content removal, data localization, and regulatory oversight;
- reduced protection for intellectual property rights in some countries;
- difficulties in staffing, managing, and overseeing global operations and the increased travel, infrastructure, and

legal compliance costs associated with multiple international locations;

- compliance with statutory equity requirements and management of tax consequences; and
- geopolitical events affecting us, our marketers or our industry, including trade disputes and pandemics.

In addition, we must manage the potential conflicts between locally accepted business practices in any given jurisdiction and our obligations to comply with laws and regulations, including anti-corruption laws or regulations applicable to us, such as the U.S. Foreign Corrupt Practices Act, regulations established by the U.S. Office of Foreign Assets Control and the U.K. Bribery Act 2010. Government agencies and authorities have a broad range of civil and criminal penalties they may seek to impose against companies for violations of export controls, anti-corruption laws or regulations, and other laws, rules, sanctions, embargoes, and regulations.

If we are unable to expand internationally and manage the complexity of our global operations successfully, our financial results could be adversely affected.

We face design, manufacturing, and supply chain risks that, if not properly managed, could adversely impact our financial results.

We face a number of risks related to design, manufacturing, and supply chain management with respect to our consumer hardware products. For example, the consumer hardware products we sell may have quality issues resulting from the design or manufacture of the products, or from the software used in the products. Sometimes, these issues may be caused by components we purchase from other manufacturers or suppliers. If the quality of our consumer hardware products does not meet our customers' expectations or such products are found to be defective, then our brand and financial results could be adversely affected.

We rely on third parties to manufacture and manage the logistics of transporting and distributing our consumer hardware products, which subjects us to a number of risks that have been exacerbated as a result of the COVID-19 pandemic. We may experience supply shortages or other disruptions in logistics or the supply chain that could result in shipping delays and negatively impact our operations, product development, and sales. We could be negatively affected if we are not able to engage third parties with the necessary capabilities or capacity on reasonable terms, or if those we engage with fail to meet their obligations (whether due to financial difficulties, manufacturing constraints, or other reasons), or make adverse changes in the pricing or other material terms of such arrangements with them. The manufacturing, distribution, and sale of our consumer hardware products also may be negatively impacted by macroeconomic conditions, geopolitical challenges, trade disputes, or other actions by governments that subject us to supply shortages, increased costs, or supply chain disruptions.

We also require the suppliers and business partners of our consumer hardware products to comply with laws and certain company policies regarding sourcing practices and standards on labor, health and safety, the environment, and business ethics, but we do not control them or their practices and standards. If any of them violates laws, fails to implement changes in accordance with newly enacted laws, or implements practices or standards regarded as unethical, corrupt, or non-compliant, we could experience supply chain disruptions, government action or fines, canceled orders, or damage to our reputation.

We face inventory risk with respect to our consumer hardware products.

We are exposed to inventory risks with respect to our consumer hardware products as a result of rapid changes in product cycles and pricing, unsafe or defective merchandise, changes in consumer demand and consumer spending patterns, changes in consumer tastes with respect to our consumer hardware products, and other factors. The demand for our products can also change significantly between the time inventory or components are ordered and the date of sale. While we endeavor to accurately predict these trends and avoid overstocking or understocking consumer hardware products we may sell, from time to time we have experienced difficulties in accurately predicting and meeting the consumer demand for our products. In addition, when we begin selling or manufacturing a new consumer hardware product or enter new international markets, it may be difficult to establish vendor relationships, determine appropriate product or component selection, and accurately forecast demand. The acquisition of certain types of inventory or components may require significant lead-time and prepayment and they may not be returnable. Any one of the foregoing factors may adversely affect our operating results.

We may have exposure to greater than anticipated tax liabilities.

Our tax obligations, including income and non-income taxes, are based in part on our corporate operating structure and intercompany arrangements, including the manner in which we operate our business, develop, value, manage, protect, and use our intellectual property, and the valuations of our intercompany transactions. The tax laws applicable to our business, including the laws of the United States and other jurisdictions, are subject to interpretation and certain jurisdictions are aggressively interpreting their laws in new ways in an effort to raise additional tax revenue from companies such as Facebook. We are subject to regular review and audit by U.S. federal, state, and foreign tax authorities. Tax authorities may disagree with certain positions we have taken, including our methodologies for valuing developed technology or intercompany arrangements, and any adverse outcome of such a review or audit could increase our worldwide effective tax rate, increase the amount of non-income taxes imposed on our business, and harm our financial position, results of operations, and cash flows. For example, in 2016 and 2018, the IRS issued formal assessments relating to transfer pricing with our foreign subsidiaries in conjunction with the examination of the 2010 through 2013 tax years. Although we disagree with the IRS's position and are litigating this issue, the ultimate resolution is uncertain and, if resolved in a manner unfavorable to us, may adversely affect our financial results.

The determination of our worldwide provision for income taxes and other tax liabilities requires significant judgment by management, and there are many transactions where the ultimate tax determination is uncertain. Our provision for income taxes is determined by the manner in which we operate our business, and any changes to such operations or laws applicable to such operations may affect our effective tax rate. Although we believe that our provision for income taxes and estimates of our non-income tax liabilities are reasonable, the ultimate settlement may differ from the amounts recorded in our financial statements and may materially affect our financial results in the period or periods for which such determination is made.

Our future income tax rates could be volatile and difficult to predict due to changes in jurisdictional profit split, changes in the amount and recognition of deferred tax assets and liabilities, or by changes in tax laws, regulations, or accounting principles.

Changes in tax laws or tax rulings could materially affect our financial position, results of operations, and cash flows.

The tax regimes we are subject to or operate under, including income and non-income taxes, are unsettled and may be subject to significant change. Changes in tax laws or tax rulings, or changes in interpretations of existing laws, could materially affect our financial position, results of operations, and cash flows. For example, the 2017 Tax Cuts and Jobs Act (Tax Act) enacted in December 2017 had a significant impact on our tax obligations and effective tax rate for the fourth quarter of 2017, and the issuance of additional regulatory or accounting guidance related to the Tax Act could materially affect our tax obligations and effective tax rate in the period issued. In addition, a three-judge panel from the Ninth Circuit Court of Appeals issued a decision in *Altera Corp. v. Commissioner* regarding the treatment of share-based compensation expense in a cost sharing arrangement, which had a material effect on our tax obligations and effective tax rate for the second quarter of 2019. As the taxpayer has requested a hearing before the Supreme Court of the United States, the final outcome of the case is uncertain and could have a material effect on our tax obligations and effective tax rate in future quarters. In addition, many countries in Europe, as well as a number of other countries and organizations, have recently proposed or recommended changes to existing tax laws or have enacted new laws that could significantly increase our tax obligations in many countries where we do business or require us to change the manner in which we operate our business.

The Organization for Economic Cooperation and Development has been working on a Base Erosion and Profit Shifting Project, and issued a report in 2015, an interim report in 2018, and is expected to continue to issue guidelines and proposals that may change various aspects of the existing framework under which our tax obligations are determined in many of the countries in which we do business. Similarly, the European Commission and several countries have issued proposals that would change various aspects of the current tax framework under which we are taxed. These proposals include changes to the existing framework to calculate income tax, as well as proposals to change or impose new types of non-income taxes, including taxes based on a percentage of revenue. For example, several countries have proposed or enacted taxes applicable to digital services, which includes business activities on social media platforms and online marketplaces, and would likely apply to our business.

The European Commission has conducted investigations in multiple countries focusing on whether local country tax rulings or tax legislation provides preferential tax treatment that violates European Union state aid rules and concluded that certain countries, including Ireland, have provided illegal state aid in certain cases. These investigations may result in changes to the tax treatment of our foreign operations.

Due to the large and expanding scale of our international business activities, many of these types of changes to the taxation of our activities described above could increase our worldwide effective tax rate, increase the amount of non-income taxes

imposed on our business, and harm our financial position, results of operations, and cash flows. Such changes may also apply retroactively to our historical operations and result in taxes greater than the amounts estimated and recorded in our financial statements.

We cannot guarantee that our share repurchase program will be fully consummated or that it will enhance long-term stockholder value. Share repurchases could also increase the volatility of the trading price of our stock and will diminish our cash reserves.

Although our board of directors has authorized a share repurchase program that commenced in 2017 and does not have an expiration date, the program does not obligate us to repurchase any specific dollar amount or to acquire any specific number of shares of our Class A common stock. We cannot guarantee that the program will be fully consummated or that it will enhance long-term stockholder value. The program could affect the trading price of our stock and increase volatility, and any announcement of a termination of this program may result in a decrease in the trading price of our stock. In addition, this program will diminish our cash reserves.

Risks Related to Ownership of Our Class A Common Stock

The trading price of our Class A common stock has been and will likely continue to be volatile.

The trading price of our Class A common stock has been, and is likely to continue to be, volatile. Since shares of our Class A common stock were sold in our initial public offering in May 2012 at a price of \$38.00 per share, our stock price has ranged from \$17.55 to \$224.20 through March 31, 2020. In addition to the factors discussed in this Quarterly Report on Form 10-Q, the trading price of our Class A common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- actual or anticipated fluctuations in our revenue and other operating results;
- the financial projections we may provide to the public, any changes in these projections or our failure to meet these projections;
- actions of securities analysts who initiate or maintain coverage of us, changes in financial estimates by any securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- additional shares of our stock being sold into the market by us, our existing stockholders, or in connection with acquisitions, or the anticipation of such sales;
- investor sentiment with respect to our competitors, our business partners, and our industry in general;
- announcements by us or our competitors of significant products or features, technical innovations, acquisitions, strategic partnerships, joint ventures, or capital commitments;
- announcements by us or estimates by third parties of actual or anticipated changes in the size of our user base, the level of user engagement, or the effectiveness of our ad products;
- changes in operating performance and stock market valuations of technology companies in our industry, including our developers and competitors;
- price and volume fluctuations in the overall stock market, including as a result of trends in the economy as a whole;
- the inclusion, exclusion, or deletion of our stock from any trading indices, such as the S&P 500 Index;
- media coverage of our business and financial performance;
- lawsuits threatened or filed against us, or developments in pending lawsuits;
- developments in anticipated or new legislation or regulatory actions, including interim or final rulings by tax, judicial, or regulatory bodies;
- trading activity in our share repurchase program; and

- other events or factors, including those resulting from war, incidents of terrorism, pandemics, and other disruptive external events, or responses to these events.

In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many technology companies. Stock prices of many technology companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. We are currently subject to securities litigation in connection with our platform and user data practices and the misuse of certain data by a developer that shared such data with third parties in violation of our terms and policies, as well as the disclosure of our earnings results for the second quarter of 2018. We may experience more such litigation following future periods of volatility. Any securities litigation could subject us to substantial costs, divert resources and the attention of management from our business, and adversely affect our business.

We do not intend to pay cash dividends for the foreseeable future.

We have never declared or paid cash dividends on our capital stock. We currently intend to retain any future earnings to finance the operation and expansion of our business and fund our share repurchase program, and we do not expect to declare or pay any cash dividends in the foreseeable future. As a result, you may only receive a return on your investment in our Class A common stock if the trading price of your shares increases.

The dual class structure of our common stock and a voting agreement between certain stockholders have the effect of concentrating voting control with our CEO and certain other holders of our Class B common stock; this will limit or preclude your ability to influence corporate matters.

Our Class B common stock has ten votes per share and our Class A common stock has one vote per share. Stockholders who hold shares of Class B common stock, including certain of our executive officers, employees, and directors and their affiliates, together hold a substantial majority of the voting power of our outstanding capital stock. Because of the ten-to-one voting ratio between our Class B and Class A common stock, the holders of our Class B common stock collectively control a majority of the combined voting power of our common stock and therefore are able to control all matters submitted to our stockholders for approval so long as the shares of Class B common stock represent at least 9.1% of all outstanding shares of our Class A and Class B common stock. This concentrated control will limit or preclude your ability to influence corporate matters for the foreseeable future.

Transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, subject to limited exceptions, such as certain transfers effected for estate planning or charitable purposes. The conversion of Class B common stock to Class A common stock will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term. If, for example, Mr. Zuckerberg retains a significant portion of his holdings of Class B common stock for an extended period of time, he could, in the future, continue to control a majority of the combined voting power of our outstanding capital stock.

Our status as a "controlled company" could make our Class A common stock less attractive to some investors or otherwise harm our stock price.

Because we qualify as a "controlled company" under the corporate governance rules for Nasdaq-listed companies, we are not required to have a majority of our board of directors be independent, nor are we required to have a compensation committee or an independent nominating function. In the future we could elect not to have a majority of our board of directors be independent or not to have a compensation committee or an independent nominating function. Accordingly, should the interests of our controlling stockholder differ from those of other stockholders, the other stockholders may not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance rules for Nasdaq-listed companies. Our status as a controlled company could make our Class A common stock less attractive to some investors or otherwise harm our stock price.

Delaware law and provisions in our restated certificate of incorporation and bylaws could make a merger, tender offer, or proxy contest difficult, thereby depressing the trading price of our Class A common stock.

Our status as a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law may discourage, delay, or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change of control would be beneficial to our existing stockholders. In addition, our current restated certificate of incorporation and bylaws contain provisions

that may make the acquisition of our company more difficult, including the following:

- until the first date on which the outstanding shares of our Class B common stock represent less than 35% of the combined voting power of our common stock, any transaction that would result in a change in control of our company requires the approval of a majority of our outstanding Class B common stock voting as a separate class;
- we currently have a dual class common stock structure, which provides Mr. Zuckerberg with the ability to control the outcome of matters requiring stockholder approval, even if he owns significantly less than a majority of the shares of our outstanding Class A and Class B common stock;
- when the outstanding shares of our Class B common stock represent less than a majority of the combined voting power of common stock, certain amendments to our restated certificate of incorporation or bylaws will require the approval of two-thirds of the combined vote of our then-outstanding shares of Class A and Class B common stock;
- when the outstanding shares of our Class B common stock represent less than a majority of the combined voting power of our common stock, vacancies on our board of directors will be able to be filled only by our board of directors and not by stockholders;
- when the outstanding shares of our Class B common stock represent less than a majority of the combined voting power of our common stock, our board of directors will be classified into three classes of directors with staggered three-year terms and directors will only be able to be removed from office for cause;
- when the outstanding shares of our Class B common stock represent less than a majority of the combined voting power of our common stock, our stockholders will only be able to take action at a meeting of stockholders and not by written consent;
- only our chairman, our chief executive officer, our president, or a majority of our board of directors are authorized to call a special meeting of stockholders;
- advance notice procedures apply for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders;
- our restated certificate of incorporation authorizes undesignated preferred stock, the terms of which may be established, and shares of which may be issued, without stockholder approval; and
- certain litigation against us can only be brought in Delaware.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds
a) Sales of Unregistered Securities

None.

c) Issuer Purchases of Equity Securities

The following table summarizes the share repurchase activity for the three months ended March 31, 2020:

	Total Number of Shares Purchased⁽¹⁾	Average Price Paid Per Share⁽²⁾	Total Number of Shares Purchased as Part of Publicly Announced Programs⁽¹⁾	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs ⁽¹⁾
	(in thousands)		(in thousands)	(in millions)
January 1 - 31, 2020	2,205	\$ 216.50	2,205	\$ 14,423
February 1 - 29, 2020	1,995	\$ 207.57	1,995	\$ 14,009
March 1 - 31, 2020	2,100	\$ 166.71	2,100	\$ 13,659
	<u>6,300</u>		<u>6,300</u>	

(1) Our board of directors has authorized a share repurchase program of our Class A common stock, which commenced in January 2017 and does not have an expiration date. As of December 31, 2019, \$4.90 billion remained available for repurchases under this program. In January 2020, an additional \$10.0 billion of repurchases was authorized under this program. The timing and actual number of shares repurchased depend on a variety of factors, including price, general business and market conditions, and other investment opportunities, and shares may be repurchased through open market purchases or privately negotiated transactions, including through the use of trading plans intended to qualify under Rule 10b5-1 under the Exchange Act.

(2) Average price paid per share includes costs associated with the repurchases.

Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
10.1	2012 Equity Incentive Plan, as amended.					X
10.2	2012 Equity Incentive Plan forms of award agreements (Additional Forms).					X
10.3	Offer letter, dated May 6, 2019, between Registrant and Jennifer G. Newstead.					X
31.1	Certification of Mark Zuckerberg, Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of David M. Wehner, Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1#	Certification of Mark Zuckerberg, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2#	Certification of David M. Wehner, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document.					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.					X
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document.					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.					X
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).					X

This certification is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (Exchange Act), or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Menlo Park, State of California, on this 30th day of April 2020.

FACEBOOK, INC.

Date: April 30, 2020

/s/ DAVID M. WEHNER

David M. Wehner
Chief Financial Officer
(Principal Financial Officer)

Date: April 30, 2020

/s/ SUSAN J.S. TAYLOR

Susan J.S. Taylor
Chief Accounting Officer
(Principal Accounting Officer)

FACEBOOK, INC.

2012 EQUITY INCENTIVE PLAN

(as amended and restated on June 20, 2016 and amended on February 13, 2018)

1. **PURPOSE.** The purpose of this Plan is to provide incentives to attract, retain and motivate eligible persons whose present and potential contributions are important to the success of the Company, and any Parents, Subsidiaries and Affiliates that exist now or in the future, by offering them an opportunity to participate in the Company's future performance through the grant of Awards. Capitalized terms not defined elsewhere in the text are defined in Section 27.

2. **SHARES SUBJECT TO THE PLAN.**

2.1 **Number of Shares Available.** Subject to Sections 2.6 and 21 and any other applicable provisions hereof, the total number of Shares reserved and available for grant and issuance pursuant to this Plan as of the date of adoption of the Plan by the Board, is 25,000,000 Shares, plus (i) any reserved shares not issued or subject to outstanding grants under the Company's 2005 Stock Plan (the "**Prior Plan**") on the Effective Date, (ii) shares that are subject to stock options or other awards granted under the Prior Plan that cease to be subject to such stock options or other awards by forfeiture or otherwise after the Effective Date, (iii) shares issued under the Prior Plan before or after the Effective Date pursuant to the exercise of stock options that are, after the Effective Date, forfeited, (iv) shares issued under the Prior Plan that are repurchased by the Company at the original issue price, and (v) shares that are subject to stock options or other awards under the Prior Plan that are used or withheld to pay the exercise price of an option or to satisfy the tax withholding obligations related to any award. Substitute Awards may be granted under the Plan and any such grants shall not reduce the Shares authorized for grant under the Plan.

2.2 **Lapsed, Returned Awards.** Shares subject to Awards, and Shares issued under the Plan under any Award, will again be available for grant and issuance in connection with subsequent Awards of Common Stock under this Plan to the extent such Shares: (a) are subject to issuance upon exercise of an Option or SAR granted under this Plan but which cease to be subject to the Option or SAR for any reason other than exercise of the Option or SAR; (b) are subject to Awards granted under this Plan that are forfeited or are repurchased by the Company at the original issue price; (c) are subject to Awards granted under this Plan that otherwise terminate without such Shares being issued; or (d) are surrendered pursuant to an Exchange Program. To the extent an Award under the Plan is paid out in cash rather than Shares, such cash payment will not result in reducing the number of Shares available for issuance under the Plan. Shares used or withheld to pay the exercise price of an Award or to satisfy the tax withholding obligations related to an Award will become available for future grant or sale under the Plan.

2.3 **Minimum Share Reserve.** At all times the Company shall reserve and keep available a sufficient number of Shares as shall be required to satisfy the requirements of all outstanding Awards granted under this Plan.

2.4 Automatic Share Reserve Increase. The number of Shares available for grant and issuance under the Plan shall be increased on January 1, of each of the ten (10) calendar years during the term of the Plan following April 22, 2016, by the lesser of (i) two and one half percent (2.5%) of the number of Shares issued and outstanding on each December 31 immediately prior to the date of increase or (ii) such number of Shares determined by the Board.

2.5 Limitations. No more than 120,000,000 Shares shall be issued pursuant to the exercise of ISOs.

2.6 Adjustment of Shares. If the number of outstanding Shares is changed by a stock dividend, recapitalization, stock split, reverse stock split, subdivision, combination, reclassification or similar change in the capital structure of the Company, without consideration, then (a) the number of Shares reserved for issuance and future grant under the Plan set forth in Section 2.1, (b) the Exercise Prices of and number of Shares subject to outstanding Options and SARs, (c) the number of Shares subject to other outstanding Awards, (d) the maximum number of shares that may be issued as ISOs set forth in Section 2.5, (e) the maximum number of Shares that may be issued to an individual or to a new Employee in any one calendar year set forth in Section 3 and (f) the number of Shares that are granted as Awards to Non-Employee Directors as set forth in Section 12, shall be proportionately adjusted, subject to any required action by the Board or the stockholders of the Company and in compliance with applicable securities laws; provided that fractions of a Share will not be issued.

3. ELIGIBILITY. ISOs may be granted only to Employees. All other Awards may be granted to Employees, Consultants and Non-Employee Directors; provided such Consultants and Non-Employee Directors render bona fide services not in connection with the offer and sale of securities in a capital-raising transaction. No Participant will be eligible to receive more than 2,500,000 Shares in any calendar year under this Plan pursuant to the grant of Awards except that new Employees of the Company or of a Parent, Subsidiary or Affiliate (including new Employees who are also officers and directors of the Company or any Parent, Subsidiary or Affiliate) are eligible to receive up to a maximum of 5,000,000 Shares in the calendar year in which they commence their employment.

4. ADMINISTRATION.

4.1 Committee Composition; Authority. This Plan will be administered by the Committee or by the Board acting as the Committee. Subject to the general purposes, terms and conditions of this Plan, and to the direction of the Board, the Committee will have full power to implement and carry out this Plan, except, however, the Board shall establish the terms for the grant of an Award to Non-Employee Directors. The Committee will have the authority to:

- (a) construe and interpret this Plan, any Award Agreement and any other agreement or document executed pursuant to this Plan;
 - (b) prescribe, amend and rescind rules and regulations relating to this Plan or any Award;
 - (c) select persons to receive Awards;
 - (d) determine the form and terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder. Such terms and conditions include, but are not limited to, the exercise price,
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the time or times when Awards may vest and be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Award or the Shares relating thereto, based in each case on such factors as the Committee will determine;

(e) determine the number of Shares or other consideration subject to Awards;

(f) determine the Fair Market Value in good faith and interpret the applicable provisions of this Plan and the definition of Fair Market Value in connection with circumstances that impact the Fair Market Value, if necessary;

(g) determine the date of termination of a Participant's employment or services;

(h) determine whether Awards will be granted singly, in combination with, in tandem with, in replacement of, or as alternatives to, other Awards under this Plan or any other incentive or compensation plan of the Company or any Parent, Subsidiary or Affiliate;

(i) grant waivers of Plan or Award conditions;

(j) determine the vesting, exercisability and payment of Awards;

(k) correct any defect, supply any omission or reconcile any inconsistency in this Plan, any Award or any Award Agreement;

(l) determine whether an Award has been earned;

(m) determine the terms and conditions of any, and to institute any Exchange Program;

(n) reduce or waive any criteria with respect to Performance Factors;

(o) adjust Performance Factors to take into account changes in law and accounting or tax rules as the Committee deems necessary or appropriate to reflect the impact of extraordinary or unusual items, events or circumstances to avoid windfalls or hardships provided that such adjustments are consistent with the regulations promulgated under Section 162(m) of the Code with respect to persons whose compensation is subject to Section 162(m) of the Code;

(p) adopt rules and/or procedures (including the adoption of any subplan under this Plan) relating to the operation and administration of the Plan to accommodate requirements of local law and procedures outside of the United States;

(q) make all other determinations necessary or advisable for the administration of this Plan; and

(r) delegate any of the foregoing to a subcommittee consisting of one or more executive officers pursuant to a specific delegation.

4.2 Committee Interpretation and Discretion. Any determination made by the Committee with respect to any Award shall be made in its sole discretion at the time of grant of the Award or, unless in contravention of any express term of the Plan or Award, at any later time, and such determination shall be final and binding on the Company and all persons having an interest in any Award under the Plan. Any dispute regarding the interpretation of the Plan or any Award Agreement shall be submitted by the Participant or Company to the Committee for review. The resolution of such a dispute by the Committee shall be final and binding on the Company and the Participant. The Committee may delegate to one or more executive officers the authority to review and resolve disputes with respect to Awards held by Participants who are not Insiders, and such resolution shall be final and binding on the Company and the Participant.

4.3 Section 162(m) of the Code and Section 16 of the Exchange Act. When necessary or desirable for an Award to qualify as “performance-based compensation” under Section 162(m) of the Code the Committee shall include at least two persons who are “outside directors” (as defined under Section 162(m) of the Code) and at least two (or a majority if more than two then serve on the Committee) such “outside directors” shall approve the grant of such Award and timely determine (as applicable) the Performance Period and any Performance Factors upon which vesting or settlement of any portion of such Award is to be subject. When required by Section 162(m) of the Code, prior to settlement of any such Award at least two (or a majority if more than two then serve on the Committee) such “outside directors” then serving on the Committee shall determine and certify in writing the extent to which such Performance Factors have been timely achieved and the extent to which the Shares subject to such Award have thereby been earned. Awards granted to Participants who are subject to Section 16 of the Exchange Act must be approved by two or more “non-employee directors” (as defined in the regulations promulgated under Section 16 of the Exchange Act). With respect to Participants whose compensation is subject to Section 162(m) of the Code, and provided that such adjustments are consistent with the regulations promulgated under Section 162(m) of the Code, the Committee may adjust the performance goals to account for changes in law and accounting and to make such adjustments as the Committee deems necessary or appropriate to reflect the impact of extraordinary or unusual items, events or circumstances to avoid windfalls or hardships, including without limitation (i) restructurings, discontinued operations, other extraordinary items, and other unusual or non-recurring charges, (ii) an event either not directly related to the operations of the Company or not within the reasonable control of the Company’s management, or (iii) a change in accounting standards required by generally accepted accounting principles.

4.4 Documentation. The Award Agreement for a given Award, the Plan and any other documents may be delivered to, and accepted by, a Participant or any other person in any manner (including electronic distribution or posting) that meets applicable legal requirements.

4.5 Foreign Award Recipients. Notwithstanding any provision of the Plan to the contrary, in order to comply with the laws in other countries in which the Company and its Subsidiaries or Affiliates operate or have employees or other individuals eligible for Awards or to facilitate the offering and administration of the Plan in such other countries, the Committee, in its sole discretion, shall have the power and authority to: (i) determine which Subsidiaries and Affiliates shall be covered by the Plan; (ii) determine which individuals outside the United States are eligible to participate in the Plan; (iii) modify the terms and conditions of any Award granted to or held by individuals outside the United States to comply with applicable foreign laws or facilitate the offering and administration of the Plan in view of such foreign laws; (iv) establish subplans and modify exercise procedures and other terms and procedures, to the extent the Committee determines such actions to be necessary or advisable; provided, however, that

no such subplans and/or modifications shall increase the share limitations contained in Section 2 hereof; and (v) take any action, before or after an Award is made, that the Committee determines to be necessary or advisable to obtain approval or comply or facilitate compliance with any local governmental regulatory exemptions or approvals. Notwithstanding the foregoing, the Committee may not take any actions hereunder, and no Awards shall be granted, that would violate the Exchange Act or any other applicable United States securities law, the Code, or any other applicable United States governing statute or law.

5. OPTIONS. The Committee may grant Options to eligible Employees, Consultants, and Non-Employee Directors and will determine whether such Options will be Incentive Stock Options within the meaning of the Code ("**ISOs**") or Nonqualified Stock Options ("**NQSOs**"), the number of Shares subject to the Option, the Exercise Price of the Option, the period during which the Option may vest and be exercised, and all other terms and conditions of the Option, subject to the following:

5.1 Option Grant. Each Option granted under this Plan will identify the Option as an ISO or an NQSO. An Option may be, but need not be, awarded upon satisfaction of such Performance Factors during any Performance Period as are set out in advance in the Participant's individual Award Agreement. If the Option is being earned upon the satisfaction of Performance Factors, then the Committee will: (x) determine the nature, length and starting date of any Performance Period for each Option; and (y) select from among the Performance Factors to be used to measure the performance, if any. Performance Periods may overlap and Participants may participate simultaneously with respect to Options that are subject to different performance goals and other criteria.

5.2 Date of Grant. The date of grant of an Option will be the date on which the Committee makes the determination to grant such Option, or a specified future date. The Award Agreement and a copy of this Plan will be delivered to the Participant within a reasonable time after the granting of the Option.

5.3 Exercise Period. Options may be vested and exercisable within the times or upon the conditions as set forth in the Award Agreement governing such Option; provided, however, that no Option will be exercisable after the expiration of ten (10) years from the date the Option is granted; and provided further that no ISO granted to a person who, at the time the ISO is granted, directly or by attribution owns more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of any Parent, Subsidiary or Affiliate ("**Ten Percent Stockholder**") will be exercisable after the expiration of five (5) years from the date the ISO is granted. The Committee also may provide for Options to become exercisable at one time or from time to time, periodically or otherwise, in such number of Shares or percentage of Shares as the Committee determines.

5.4 Exercise Price. The Exercise Price of an Option will be determined by the Committee when the Option is granted; provided that: (i) the Exercise Price of an Option will be not less than one hundred percent (100%) of the Fair Market Value of the Shares on the date of grant and (ii) the Exercise Price of any ISO granted to a Ten Percent Stockholder will not be less than one hundred ten percent (110%) of the Fair Market Value of the Shares on the date of grant. Payment for the Shares purchased may be made in accordance with Section 11 and the Award Agreement and in accordance with any procedures established by the Company.

5.5 Method of Exercise. Any Option granted hereunder will be vested and exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Committee and set forth in the Award Agreement. An Option may not be exercised for a fraction of a Share. An Option will be deemed exercised

when the Company receives: (i) notice of exercise (in such form as the Committee may specify from time to time) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised (together with applicable withholding taxes). Full payment may consist of any consideration and method of payment authorized by the Committee and permitted by the Award Agreement and the Plan. Shares issued upon exercise of an Option will be issued in the name of the Participant. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder will exist with respect to the Shares, notwithstanding the exercise of the Option. The Company will issue (or cause to be issued) such Shares promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 2.6 of the Plan. Exercising an Option in any manner will decrease the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

5.6 Termination. The exercise of an Option will be subject to the following (except as may be otherwise provided in an Award Agreement):

(a) If the Participant is Terminated for any reason except for Cause or the Participant's death or Disability, then the Participant may exercise such Participant's Options only to the extent that such Options would have been exercisable by the Participant on the Termination Date no later than ninety (90) days after the Termination Date (or such shorter time period or longer time period not exceeding five (5) years as may be determined by the Committee, with any exercise beyond three (3) months after the Termination Date deemed to be the exercise of an NQSO), but in any event no later than the expiration date of the Options.

(b) If the Participant is Terminated because of the Participant's death (or the Participant dies within ninety (90) days after a Termination other than for Cause or because of the Participant's Disability), then the Participant's Options may be exercised only to the extent that such Options would have been exercisable by the Participant on the Termination Date and must be exercised by the Participant's legal representative, or authorized assignee, no later than twelve (12) months after the Termination Date (or such shorter time period not less than six (6) months or longer time period not exceeding five (5) years as may be determined by the Committee), but in any event no later than the expiration date of the Options.

(c) If the Participant is Terminated because of the Participant's Disability, then the Participant's Options may be exercised only to the extent that such Options would have been exercisable by the Participant on the Termination Date and must be exercised by the Participant (or the Participant's legal representative or authorized assignee) no later than six (6) months after the Termination Date (with any exercise beyond (a) three (3) months after the Termination Date when the Termination is for a Disability that is not a "permanent and total disability" as defined in Section 22(e)(3) of the Code, or (b) twelve (12) months after the Termination Date when the Termination is for a Disability that is a "permanent and total disability" as defined in Section 22(e)(3) of the Code, deemed to be exercise of an NQSO), but in any event no later than the expiration date of the Options.

(d) If the Participant is terminated for Cause, then Participant's Options shall expire on such Participant's Termination Date, or at such later time and on such conditions as are determined by the Committee, but in any no event later than the expiration date of the Options. Unless otherwise provided in the Award Agreement, Cause will have the meaning set forth in the Plan.

5.7 Limitations on Exercise. The Committee may specify a minimum number of Shares that may be purchased on any exercise of an Option, provided that such minimum number will not prevent any Participant from exercising the Option for the full number of Shares for which it is then exercisable.

5.8 Limitations on ISOs. With respect to Awards granted as ISOs, to the extent that the aggregate Fair Market Value of the Shares with respect to which such ISOs are exercisable for the first time by the Participant during any calendar year (under all plans of the Company and any Parent, Subsidiary or Affiliate) exceeds one hundred thousand dollars (\$100,000), such Options will be treated as NQSOs. For purposes of this Section 5.8, ISOs will be taken into account in the order in which they were granted. The Fair Market Value of the Shares will be determined as of the time the Option with respect to such Shares is granted. In the event that the Code or the regulations promulgated thereunder are amended after the Effective Date to provide for a different limit on the Fair Market Value of Shares permitted to be subject to ISOs, such different limit will be automatically incorporated herein and will apply to any Options granted after the effective date of such amendment.

5.9 Modification, Extension or Renewal. The Committee may modify, extend or renew outstanding Options and authorize the grant of new Options in substitution therefor, provided that any such action may not, without the written consent of a Participant, impair any of such Participant's rights under any Option previously granted. Any outstanding ISO that is modified, extended, renewed or otherwise altered will be treated in accordance with Section 424(h) of the Code. Subject to Section 18 of this Plan, by written notice to affected Participants, the Committee may reduce the Exercise Price of outstanding Options without the consent of such Participants; provided, however, that the Exercise Price may not be reduced below the Fair Market Value on the date the action is taken to reduce the Exercise Price.

5.10 No Disqualification. Notwithstanding any other provision in this Plan, no term of this Plan relating to ISOs will be interpreted, amended or altered, nor will any discretion or authority granted under this Plan be exercised, so as to disqualify this Plan under Section 422 of the Code or, without the consent of the Participant affected, to disqualify any ISO under Section 422 of the Code.

6. RESTRICTED STOCK AWARDS

6.1 Awards of Restricted Stock. A Restricted Stock Award is an offer by the Company to sell to an eligible Employee, Consultant, or Non-Employee Director a number of Shares that are subject to restrictions ("***Restricted Stock***"). The Committee will determine to whom an offer will be made, the number of Shares the Participant may purchase, the Purchase Price, the restrictions under which the Shares will be subject and all other terms and conditions of the Restricted Stock Award, subject to the Plan.

6.2 Restricted Stock Purchase Agreement. All purchases under a Restricted Stock Award will be evidenced by an Award Agreement. Except as may otherwise be provided in an Award Agreement, a Participant accepts a Restricted Stock Award by signing and delivering to the Company an Award Agreement with full payment of the Purchase Price, within thirty (30) days from the date the Award Agreement was delivered to the Participant. If the Participant does not accept such Award within thirty (30) days, then the offer of such Restricted Stock Award will terminate, unless the Committee determines otherwise.

6.3 Purchase Price. The Purchase Price for a Restricted Stock Award will be determined by the Committee and may be less than Fair Market Value on the date the Restricted Stock Award is granted. Payment of the Purchase Price must be made in accordance with Section 11 of the Plan, and the Award Agreement and in accordance with any procedures established by the Company.

6.4 Terms of Restricted Stock Awards. Restricted Stock Awards will be subject to such restrictions as the Committee may impose or are required by law. These restrictions may be based on completion of a specified number of years of service with the Company or any Parent, Subsidiary or Affiliate or upon completion of Performance Factors, if any, during any Performance Period as set out in advance in the Participant's Award Agreement. Prior to the grant of a Restricted Stock Award, the Committee shall: (a) determine the nature, length and starting date of any Performance Period for the Restricted Stock Award; (b) select from among the Performance Factors to be used to measure performance goals, if any; and (c) determine the number of Shares that may be awarded to the Participant. Performance Periods may overlap and a Participant may participate simultaneously with respect to Restricted Stock Awards that are subject to different Performance Periods and having different performance goals and other criteria.

6.5 Termination. Except as may be set forth in the Participant's Award Agreement, vesting ceases on such Participant's Termination Date (unless determined otherwise by the Committee).

7. STOCK BONUS AWARDS

7.1 Awards of Stock Bonuses. A Stock Bonus Award is an award to an eligible Employee, Consultant, or Non-Employee Director of Shares for services to be rendered or for past services already rendered to the Company or any Parent, Subsidiary or Affiliate. All Stock Bonus Awards shall be made pursuant to an Award Agreement. No payment from the Participant will be required for Shares awarded pursuant to a Stock Bonus Award.

7.2 Terms of Stock Bonus Awards. The Committee will determine the number of Shares to be awarded to the Participant under a Stock Bonus Award and any restrictions thereon. These restrictions may be based upon completion of a specified number of years of service with the Company or upon satisfaction of performance goals based on Performance Factors during any Performance Period as set out in advance in the Participant's Stock Bonus Agreement. Prior to the grant of any Stock Bonus Award the Committee shall: (a) determine the nature, length and starting date of any Performance Period for the Stock Bonus Award; (b) select from among the Performance Factors to be used to measure performance goals; and (c) determine the number of Shares that may be awarded to the Participant. Performance Periods may overlap and a Participant may participate simultaneously with respect to Stock Bonus Awards that are subject to different Performance Periods and different performance goals and other criteria.

7.3 Form of Payment to Participant. Payment may be made in the form of cash, whole Shares, or a combination thereof, based on the Fair Market Value of the Shares earned under a Stock Bonus Award on the date of payment, as determined in the sole discretion of the Committee.

7.4 Termination. Except as may be set forth in the Participant's Award Agreement, vesting ceases on such Participant's Termination Date (unless determined otherwise by the Committee).

8. STOCK APPRECIATION RIGHTS.

8.1 Awards of SARs. A Stock Appreciation Right (“**SAR**”) is an award to an eligible Employee, Consultant, or Non-Employee Director that may be settled in cash or Shares (which may consist of Restricted Stock), having a value equal to (a) the difference between the Fair Market Value on the date of exercise over the Exercise Price multiplied by (b) the number of Shares with respect to which the SAR is being settled (subject to any maximum number of Shares that may be issuable as specified in an Award Agreement). All SARs shall be made pursuant to an Award Agreement.

8.2 Terms of SARs. The Committee will determine the terms of each SAR including, without limitation: (a) the number of Shares subject to the SAR; (b) the Exercise Price and the time or times during which the SAR may be settled; (c) the consideration to be distributed on settlement of the SAR; and (d) the effect of the Participant’s Termination on each SAR. The Exercise Price of the SAR will be determined by the Committee when the SAR is granted, and may not be less than Fair Market Value. A SAR may be awarded upon satisfaction of Performance Factors, if any, during any Performance Period as are set out in advance in the Participant’s individual Award Agreement. If the SAR is being earned upon the satisfaction of Performance Factors, then the Committee will: (x) determine the nature, length and starting date of any Performance Period for each SAR; and (y) select from among the Performance Factors to be used to measure the performance, if any. Performance Periods may overlap and Participants may participate simultaneously with respect to SARs that are subject to different Performance Factors and other criteria.

8.3 Exercise Period and Expiration Date. A SAR will be exercisable within the times or upon the occurrence of events determined by the Committee and set forth in the Award Agreement governing such SAR. The SAR Agreement shall set forth the expiration date; provided that no SAR will be exercisable after the expiration of ten (10) years from the date the SAR is granted. The Committee may also provide for SARs to become exercisable at one time or from time to time, periodically or otherwise (including, without limitation, upon the attainment during a Performance Period of performance goals based on Performance Factors), in such number of Shares or percentage of the Shares subject to the SAR as the Committee determines. Except as may be set forth in the Participant’s Award Agreement, vesting ceases on such Participant’s Termination Date (unless determined otherwise by the Committee). Notwithstanding the foregoing, the rules of Section 5.6 also will apply to SARs.

8.4 Form of Settlement. Upon exercise of a SAR, a Participant will be entitled to receive payment from the Company in an amount determined by multiplying (i) the difference between the Fair Market Value of a Share on the date of exercise over the Exercise Price; times (ii) the number of Shares with respect to which the SAR is exercised. At the discretion of the Committee, the payment from the Company for the SAR exercise may be in cash, in Shares of equivalent value, or in some combination thereof. The portion of a SAR being settled may be paid currently or on a deferred basis with such interest or dividend equivalent, if any, as the Committee determines, provided that the terms of the SAR and any deferral satisfy the requirements of Section 409A of the Code.

8.5 Termination. Except as may be set forth in the Participant’s Award Agreement, vesting ceases on such Participant’s Termination Date (unless determined otherwise by the Committee).

9. RESTRICTED STOCK UNITS.

9.1 Awards of Restricted Stock Units. A Restricted Stock Unit (“**RSU**”) is an award to an eligible Employee, Consultant, or Non-Employee Director covering a number of Shares that may be settled in cash, or by issuance of those Shares (which may consist of Restricted Stock). All RSUs shall be made pursuant to an Award Agreement.

9.2 Terms of RSUs. The Committee will determine the terms of an RSU including, without limitation: (a) the number of Shares subject to the RSU; (b) the time or times during which the RSU may be settled; (c) the consideration to be distributed on settlement; and (d) the effect of the Participant’s Termination on each RSU. An RSU may be awarded upon satisfaction of such performance goals based on Performance Factors during any Performance Period as are set out in advance in the Participant’s Award Agreement. If the RSU is being earned upon satisfaction of Performance Factors, then the Committee will: (x) determine the nature, length and starting date of any Performance Period for the RSU; (y) select from among the Performance Factors to be used to measure the performance, if any; and (z) determine the number of Shares deemed subject to the RSU. Performance Periods may overlap and participants may participate simultaneously with respect to RSUs that are subject to different Performance Periods and different performance goals and other criteria.

9.3 Form and Timing of Settlement. Payment of earned RSUs shall be made as soon as practicable after the date(s) determined by the Committee and set forth in the Award Agreement. The Committee, in its sole discretion, may settle earned RSUs in cash, Shares, or a combination of both. The Committee may also permit a Participant to defer payment under a RSU to a date or dates after the RSU is earned provided that the terms of the RSU and any deferral satisfy the requirements of Section 409A of the Code.

9.4 Termination. Except as may be set forth in the Participant’s Award Agreement, vesting ceases on such Participant’s Termination Date (unless determined otherwise by the Committee).

10. PERFORMANCE AWARDS.

10.1 Performance Awards. A Performance Award is an award to an eligible Employee, Consultant, or Non-Employee Director a cash bonus or a Performance Share bonus. Grants of Performance Awards shall be made pursuant to an Award Agreement.

10.2 Terms of Performance Awards. The Committee will determine, and each Award Agreement shall set forth, the terms of each award of Performance Award including, without limitation: (a) the amount of any cash bonus; (b) the number of Shares deemed subject to a Performance Share bonus; (c) the Performance Factors and Performance Period that shall determine the time and extent to which each Performance Award shall be settled; (d) the consideration to be distributed on settlement; and (e) the effect of the Participant’s Termination on each Performance Award. In establishing Performance Factors and the Performance Period the Committee will: (x) determine the nature, length and starting date of any Performance Period; and (y) select from among the Performance Factors to be used. Prior to settlement the Committee shall determine the extent to which Performance Awards have been earned. Performance Periods may overlap and Participants may participate simultaneously with respect to Performance Awards that are subject to different Performance Periods and different performance goals and other criteria. No Participant will be eligible to receive more than \$10,000,000 in Performance Awards in any calendar year under this Plan.

10.3 Value, Earning and Timing of Performance Shares. Any Performance Share bonus will have an initial value equal to the Fair Market Value of a Share on the date of grant. After the applicable Performance Period has ended, the holder of a Performance Share bonus will be entitled to receive a payout of the number of Shares earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding Performance Factors or other vesting provisions have been achieved. The Committee, in its sole discretion, may pay an earned Performance Share bonus in the form of cash, in Shares (which have an aggregate Fair Market Value equal to the value of the earned Performance Shares at the close of the applicable Performance Period) or in a combination thereof. Performance Share bonuses may also be settled in Restricted Stock.

10.4 Termination. Except as may be set forth in the Participant's Award Agreement, vesting ceases on such Participant's Termination Date (unless determined otherwise by the Committee).

11. PAYMENT FOR SHARE PURCHASES

Payment from a Participant for Shares purchased pursuant to this Plan may be made in cash or by check or, where expressly approved for the Participant by the Committee and where permitted by law (and to the extent not otherwise set forth in the applicable Award Agreement):

- (a) by cancellation of indebtedness of the Company to the Participant;
- (b) by surrender of shares of the Company held by the Participant that have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Award will be exercised or settled;
- (c) by waiver of compensation due or accrued to the Participant for services rendered or to be rendered to the Company or a Parent, Subsidiary or Affiliate;
- (d) by consideration received by the Company pursuant to a broker-assisted or other form of cashless exercise program implemented by the Company in connection with the Plan;
- (e) by any combination of the foregoing; or
- (f) by any other method of payment as is permitted by applicable law.

12. GRANTS TO NON-EMPLOYEE DIRECTORS

12.1 Types of Awards. Non-Employee Directors are eligible to receive any type of Award offered under this Plan except ISOs. Awards pursuant to this Section 12 may be automatically made pursuant to policy adopted by the Board, or made from time to time as determined in the discretion of the Board.

12.2 Eligibility. Awards pursuant to this Section 12 shall be granted only to Non-Employee Directors. A Non-Employee Director who is elected or re-elected as a member of the Board will be eligible to receive an Award under this Section 12.

12.3 Vesting, Exercisability and Settlement. Except as set forth in Section 21, Awards shall vest, become exercisable and be settled as determined by the Board. With respect to Options and SARs, the exercise price

granted to Non-Employee Directors shall not be less than the Fair Market Value of the Shares at the time that such Option or SAR is granted.

12.4 Election to receive Awards in Lieu of Cash. A Non-Employee Director may elect to receive his or her annual retainer payments and/or meeting fees from the Company in the form of cash or Awards or a combination thereof, as determined by the Committee. Such Awards shall be issued under the Plan. An election under this Section 12.4 shall be filed with the Company on the form prescribed by the Company.

13. WITHHOLDING TAXES.

13.1 Withholding Generally. Whenever Shares are to be issued in satisfaction of Awards granted under this Plan, the Company may require the Participant to remit to the Company, or to the Parent, Subsidiary or Affiliate employing the Participant, an amount sufficient to satisfy applicable U.S. federal, state, local and international withholding tax requirements or any other tax liability legally due from the Participant prior to the delivery of Shares pursuant to exercise or settlement of any Award. Whenever payments in satisfaction of Awards granted under this Plan are to be made in cash, such payment will be net of an amount sufficient to satisfy applicable U.S. federal, state, local and international withholding tax requirements or any other tax liability legally due from the Participant. The Fair Market Value of the Shares will be determined as of the date that the taxes are required to be withheld as required by applicable tax rules or as of a date determined by the Committee in its discretion, where permitted by applicable law.

13.2 Stock Withholding. The Committee, in its sole discretion and pursuant to such procedures as it may specify from time to time and to limitations of local law, may require or permit a Participant to satisfy such tax withholding obligation or any other tax liability legally due from the Participant, in whole or in part by (without limitation) (i) paying cash, (ii) electing to have the Company withhold otherwise deliverable cash or Shares having a Fair Market Value up to the maximum statutory amount required to be withheld unless a lesser amount of withholding is required to avoid adverse accounting treatment, or (iii) delivering to the Company already-owned Shares having a Fair Market Value up to the maximum amount required to be withheld unless a lesser amount of withholding is required to avoid adverse accounting treatment.

14. TRANSFERABILITY.

14.1 Transfer Generally. Unless determined otherwise by the Committee or pursuant to Section 14.2, an Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution. If the Committee makes an Award transferable, including, without limitation, by instrument to an inter vivos or testamentary trust in which the Awards are to be passed to beneficiaries upon the death of the trustor (settlor) or by gift to a Permitted Transferee, such Award will contain such additional terms and conditions as the Committee deems appropriate. All Awards shall be exercisable: (i) during the Participant's lifetime only by (A) the Participant, or (B) the Participant's guardian or legal representative; (ii) after the Participant's death, by the legal representative of the Participant's heirs or legatees; and (iii) in the case of all awards except ISOs, by a Permitted Transferee.

14.2 Award Transfer Program. Notwithstanding any contrary provision of the Plan, the Committee shall have all discretion and authority to determine and implement the terms and conditions of any Award Transfer

Program instituted pursuant to this Section 14.2 and shall have the authority to amend the terms of any Award participating, or otherwise eligible to participate in, the Award Transfer Program, including (but not limited to) the authority to (i) amend (including to extend) the expiration date, post-termination exercise period and/or forfeiture conditions of any such Award, (ii) amend or remove any provisions of the Award relating to the Award holder's continued service to the Company or its Parent, Subsidiary or Affiliate, (iii) amend the permissible payment methods with respect to the exercise or purchase of any such Award, (iv) amend the adjustments to be implemented in the event of changes in the capitalization and other similar events with respect to such Award, and (v) make such other changes to the terms of such Award as the Committee deems necessary or appropriate in its sole discretion.

15. PRIVILEGES OF STOCK OWNERSHIP; RESTRICTIONS ON SHARES.

15.1 Voting and Dividends. No Participant will have any of the rights of a stockholder with respect to any Shares until the Shares are issued to the Participant, except for any rights permitted by an applicable Award Agreement. After Shares are issued to the Participant, the Participant will be a stockholder and have all the rights of a stockholder with respect to such Shares, including the right to vote and receive all dividends or other distributions made or paid with respect to such Shares; provided, that if such Shares are Restricted Stock, then any new, additional or different securities the Participant may become entitled to receive with respect to such Shares by virtue of a stock dividend, stock split or any other change in the corporate or capital structure of the Company will be subject to the same restrictions as the Restricted Stock; provided, further, that the Participant will have no right to retain such stock dividends or stock distributions with respect to Shares that are repurchased at the Participant's Purchase Price or Exercise Price, as the case may be, pursuant to Section 15.2.

15.2 Restrictions on Shares. At the discretion of the Committee, the Company may reserve to itself and/or its assignee(s) a right to repurchase (a "***Right of Repurchase***") a portion of any or all Unvested Shares held by a Participant following such Participant's Termination at any time within ninety (90) days after the later of the Participant's Termination Date and the date the Participant purchases Shares under this Plan, for cash and/or cancellation of purchase money indebtedness, at the Participant's Purchase Price or Exercise Price, as the case may be.

16. CERTIFICATES. All Shares or other securities whether or not certificated, delivered under this Plan will be subject to such stock transfer orders, legends and other restrictions as the Committee may deem necessary or advisable, including restrictions under any applicable U.S. federal, state or foreign securities law, or any rules, regulations and other requirements of the SEC or any stock exchange or automated quotation system upon which the Shares may be listed or quoted and any non-U.S. exchange controls or securities law restrictions to which the Shares are subject.

17. ESCROW; PLEDGE OF SHARES. To enforce any restrictions on a Participant's Shares, the Committee may require the Participant to deposit all certificates representing Shares, together with stock powers or other instruments of transfer approved by the Committee, appropriately endorsed in blank, with the Company or an agent designated by the Company to hold in escrow until such restrictions have lapsed or terminated, and the Committee may cause a legend or legends referencing such restrictions to be placed on the certificates. Any Participant who is permitted to execute a promissory note as partial or full consideration for the purchase of Shares under this Plan will be required to pledge and deposit with the Company all or part of the Shares so purchased as collateral to secure the payment of the Participant's obligation to the Company under the promissory note; provided, however, that the Committee may require or accept other or additional forms of collateral to secure the payment of such obligation and,

in any event, the Company will have full recourse against the Participant under the promissory note notwithstanding any pledge of the Participant's Shares or other collateral. In connection with any pledge of the Shares, the Participant will be required to execute and deliver a written pledge agreement in such form as the Committee will from time to time approve. The Shares purchased with the promissory note may be released from the pledge on a pro rata basis as the promissory note is paid.

18. REPRICING; EXCHANGE AND BUYOUT OF AWARDS. Without prior stockholder approval the Committee may (i) reprice Options or SARS (and where such repricing is a reduction in the Exercise Price of outstanding Options or SARS, the consent of the affected Participants is not required provided written notice is provided to them, notwithstanding any adverse tax consequences to them arising from the repricing), and (ii) with the consent of the respective Participants (unless not required pursuant to Section 5.9 of the Plan), pay cash or issue new Awards in exchange for the surrender and cancellation of any, or all, outstanding Awards.

19. SECURITIES LAW AND OTHER REGULATORY COMPLIANCE. An Award will not be effective unless such Award is in compliance with all applicable U.S. and foreign federal and state securities laws, rules and regulations of any governmental body, and the requirements of any stock exchange or automated quotation system upon which the Shares may then be listed or quoted, as they are in effect on the date of grant of the Award and also on the date of exercise or other issuance. Notwithstanding any other provision in this Plan, the Company will have no obligation to issue or deliver certificates for Shares under this Plan prior to: (a) obtaining any approvals from governmental agencies that the Company determines are necessary or advisable; and/or (b) completion of any registration or other qualification of such Shares under any state or federal or foreign law or ruling of any governmental body that the Company determines to be necessary or advisable. The Company will be under no obligation to register the Shares with the SEC or to effect compliance with the registration, qualification or listing requirements of any foreign or state securities laws, stock exchange or automated quotation system, and the Company will have no liability for any inability or failure to do so.

20. NO OBLIGATION TO EMPLOY. Nothing in this Plan or any Award granted under this Plan will confer or be deemed to confer on any Participant any right to continue in the employ of, or to continue any other relationship with, the Company or any Parent, Subsidiary or Affiliate or limit in any way the right of the Company or any Parent, Subsidiary or Affiliate to terminate Participant's employment or other relationship at any time.

21. CORPORATE TRANSACTIONS.

21.1 Assumption or Replacement of Awards by Successor. In the event of a Corporate Transaction any or all outstanding Awards may be assumed or replaced by the successor corporation, which assumption or replacement shall be binding on all Participants. In the alternative, the successor corporation may substitute equivalent Awards or provide substantially similar consideration to Participants as was provided to stockholders (after taking into account the existing provisions of the Awards). The successor corporation may also issue, in place of outstanding Shares of the Company held by the Participant, substantially similar shares or other property subject to repurchase restrictions no less favorable to the Participant. In the event such successor or acquiring corporation (if any) refuses to assume, convert, replace or substitute Awards, as provided above, pursuant to a Corporate Transaction, then notwithstanding any other provision in this Plan to the contrary, such Awards shall have their vesting accelerate as to all shares subject to such Award (and any applicable right of repurchase fully lapse) immediately prior to the Corporate Transaction unless otherwise determined by the Board and then such Awards will terminate. In addition, in the event

such successor or acquiring corporation (if any) refuses to assume, convert, replace or substitute Awards, as provided above, pursuant to a Corporate Transaction, the Committee will notify the Participant in writing or electronically that such Award will be exercisable for a period of time determined by the Committee in its sole discretion, and such Award will terminate upon the expiration of such period. Awards need not be treated similarly in a Corporate Transaction.

21.2 Assumption of Awards by the Company. The Company, from time to time, also may substitute or assume outstanding awards granted by another company, whether in connection with an acquisition of such other company or otherwise, by either; (a) granting an Award under this Plan in substitution of such other company's award; or (b) assuming such award as if it had been granted under this Plan if the terms of such assumed award could be applied to an Award granted under this Plan. Such substitution or assumption will be permissible if the holder of the substituted or assumed award would have been eligible to be granted an Award under this Plan if the other company had applied the rules of this Plan to such grant. In the event the Company assumes an award granted by another company, the terms and conditions of such award will remain unchanged (except that the Purchase Price or the Exercise Price, as the case may be, and the number and nature of Shares issuable upon exercise or settlement of any such Award will be adjusted appropriately pursuant to Section 424(a) of the Code). In the event the Company elects to grant a new Option in substitution rather than assuming an existing option, such new Option may be granted with a similarly adjusted Exercise Price.

21.3 Non-Employee Directors' Awards. Notwithstanding any provision to the contrary herein, in the event of a Corporate Transaction, the vesting of all Awards granted to Non-Employee Directors shall accelerate and such Awards shall become exercisable (as applicable) in full prior to the consummation of such event at such times and on such conditions as the Committee determines.

22. ADOPTION AND STOCKHOLDER APPROVAL. This Plan shall be submitted for the approval of the Company's stockholders, consistent with applicable laws, within twelve (12) months before or after the date this Plan is adopted by the Board.

23. TERM OF PLAN/GOVERNING LAW. Unless earlier terminated as provided herein, this Plan will become effective on the Effective Date and will terminate ten (10) years from April 22, 2016. This Plan and all Awards granted hereunder shall be governed by and construed in accordance with the laws of the State of Delaware.

24. AMENDMENT OR TERMINATION OF PLAN. The Board may at any time terminate or amend this Plan in any respect, including, without limitation, amendment of any form of Award Agreement or instrument to be executed pursuant to this Plan; provided, however, that the Board will not, without the approval of the stockholders of the Company, amend this Plan in any manner that requires such stockholder approval; provided further, that a Participant's Award shall be governed by the version of this Plan then in effect at the time such Award was granted.

25. NONEXCLUSIVITY OF THE PLAN. Neither the adoption of this Plan by the Board, the submission of this Plan to the stockholders of the Company for approval, nor any provision of this Plan will be construed as creating any limitations on the power of the Board to adopt such additional compensation arrangements as it may deem desirable, including, without limitation, the granting of stock awards and bonuses otherwise than under this Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

26. **INSIDER TRADING POLICY**. Each Participant who receives an Award shall comply with any policy adopted by the Company from time to time covering transactions in the Company's securities by Employees, officers and/or Directors of the Company.

27. **DEFINITIONS**. As used in this Plan, and except as elsewhere defined herein, the following terms will have the following meanings:

"Affiliate" means any entity other than a Parent or Subsidiary that, directly or indirectly, is controlled by, controls or is under common control with, the Company or in which the Company has a significant equity interest, in either case as determined by the Board; *provided, however*, that the definition of Affiliate shall be limited to entities that are eligible issuers of service recipient stock (as defined in Treas. Reg. Section 1.409A-1(b)(5)(iii)(E), or applicable successor regulation) for Awards that would otherwise be subject to Section 409A, unless the Committee determines otherwise.

"Award" means any award granted pursuant to the provisions of the Plan, including any Option, Restricted Stock, Stock Bonus, Stock Appreciation Right, Restricted Stock Unit or award of Performance Shares.

"Award Agreement" means, with respect to each Award, the written or electronic agreement between the Company and the Participant setting forth the terms and conditions of the Award, which shall be in substantially a form (which need not be the same for each Participant) that the Committee has from time to time approved, and will comply with and be subject to the terms and conditions of this Plan.

"Award Transfer Program" means any program instituted by the Committee which would permit Participants the opportunity to transfer any outstanding Awards to a financial institution or other person or entity approved by the Committee.

"Board" means the Board of Directors of the Company.

"Cause" means (i) Participant's willful failure substantially to perform his or her duties and responsibilities to the Company or deliberate violation of a Company policy; (ii) Participant's commission of any act of fraud, embezzlement, dishonesty or any other willful misconduct that has caused or is reasonably expected to result in material injury to the Company; (iii) unauthorized use or disclosure by Participant of any proprietary information or trade secrets of the Company or any other party to whom the Participant owes an obligation of nondisclosure as a result of his or her relationship with the Company; or (iv) Participant's willful breach of any of his or her obligations under any written agreement or covenant with the Company. The determination as to whether a Participant is being terminated for Cause shall be made in good faith by the Company and shall be final and binding on the Participant. The foregoing definition does not in any way limit the Company's ability to terminate a Participant's employment or consulting relationship at any time as provided in Section 20 above, and the term "Company" will be interpreted to include any Subsidiary or Parent, as appropriate.

"Code" means the United States Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

"Committee" means the Compensation Committee of the Board or those persons to whom administration of the Plan, or part of the Plan, has been delegated as permitted by law.

“Common Stock” means the Class A Common Stock of the Company.

“Company” means Facebook, Inc., or any successor corporation.

“Consultant” means any individual, including an advisor or independent contractor, engaged by the Company or a Parent, Subsidiary or Affiliate to render services to such entity other than as an Employee or Non-Employee Director.

“Corporate Transaction” means the occurrence of any of the following events: (i) any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the “beneficial owner” (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company’s then-outstanding voting securities; (ii) the consummation of the sale or disposition by the Company of all or substantially all of the Company’s assets; (iii) the consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation or (iv) any other transaction which qualifies as a “corporate transaction” under Section 424(a) of the Code wherein the stockholders of the Company give up all of their equity interest in the Company (except for the acquisition, sale or transfer of all or substantially all of the outstanding shares of the Company).

“Director” means a member of the Board.

“Disability” means in the case of incentive stock options, total and permanent disability as defined in Section 22(e)(3) of the Code and in the case of other Awards, that the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

“Effective Date” means the day immediately prior to the date of the underwritten initial public offering of the Company’s Common Stock pursuant to a registration statement that is declared effective by the SEC.

“Employee” means any individual, including officers and directors, employed by the Company or any Parent, Subsidiary or Affiliate. Neither service as a Director nor payment of a Director’s fee by the Company will be sufficient to constitute “employment” by the Company.

“Exchange Act” means the United States Securities Exchange Act of 1934, as amended.

“Exchange Program” means a program pursuant to which outstanding Awards are surrendered, cancelled or exchanged for cash, the same type of Award or a different Award (or combination thereof).

“Exercise Price” means, with respect to an Option, the price at which a holder may purchase the Shares issuable upon exercise of an Option and with respect to a SAR, the price at which the SAR is granted to the holder thereof.

“**Fair Market Value**” means, as of any date, the value of a share of the Company’s Common Stock determined as follows:

(a) if such Common Stock is publicly traded and is then listed on a national securities exchange, the closing price on the date of determination on the principal national securities exchange on which the Common Stock is listed or admitted to trading as officially quoted in the composite tape of transactions on such exchange or such other source as the Committee deems reliable for the applicable date;

(b) if such Common Stock is publicly traded but is neither listed nor admitted to trading on a national securities exchange, the average of the closing bid and asked prices on the date of determination as reported in *The Wall Street Journal* or such other source as the Committee deems reliable;

(c) in the case of an Option or SAR grant made on the Effective Date, the price per share at which shares of the Company’s Common Stock are initially offered for sale to the public by the Company’s underwriters in the initial public offering of the Company’s Common Stock pursuant to a registration statement filed with the SEC under the Securities Act; or

(d) by the Board or the Committee in good faith.

“**Insider**” means an officer or Director of the Company or any other person whose transactions in the Company’s Common Stock are subject to Section 16 of the Exchange Act.

“**Non-Employee Director**” means a Director who is not an Employee of the Company or any Parent, Subsidiary or Affiliate.

“**Option**” means an award of an option to purchase Shares pursuant to Section 5.

“**Parent**” means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company if each of such corporations other than the Company owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

“**Participant**” means a person who holds an Award under this Plan.

“**Performance Award**” means cash or stock granted pursuant to Section 10 or Section 12 of the Plan.

“**Performance Factors**” means any of the factors selected by the Committee and specified in an Award Agreement, from among the following objective measures, either individually, alternatively or in any combination, applied to the Company as a whole or any business unit or Subsidiary or Affiliate, either individually, alternatively, or in any combination, on a GAAP or non-GAAP basis, and measured, to the extent applicable on an absolute basis or relative to a pre-established target, to determine whether the performance goals established by the Committee with respect to applicable Awards have been satisfied:

(a) Profit Before Tax;

(b) Billings;

- (c) Revenue;
 - (d) Net revenue;
 - (e) Earnings (which may include earnings before interest and taxes, earnings before taxes, and net earnings);
 - (f) Operating income;
 - (g) Operating margin;
 - (h) Operating profit;
 - (i) Controllable operating profit, or net operating profit;
 - (j) Net Profit;
 - (k) Gross margin;
 - (l) Operating expenses or operating expenses as a percentage of revenue;
 - (m) Net income;
 - (n) Earnings per share;
 - (o) Total stockholder return;
 - (p) Market share;
 - (q) Return on assets or net assets;
 - (r) The Company's stock price;
 - (s) Growth in stockholder value relative to a pre-determined index;
 - (t) Return on equity;
 - (u) Return on invested capital;
 - (v) Cash Flow (including free cash flow or operating cash flows)
 - (w) Cash conversion cycle;
 - (x) Economic value added;
 - (y) Individual confidential business objectives;
 - (z) Contract awards or backlog;
-

- (aa) Overhead or other expense reduction;
- (bb) Credit rating;
- (cc) Strategic plan development and implementation;
- (dd) Succession plan development and implementation;
- (ee) Improvement in workforce diversity;
- (ff) Customer indicators;
- (gg) New product invention or innovation;
- (hh) Attainment of research and development milestones;
- (ii) Improvements in productivity;
- (jj) Bookings;
- (kk) Attainment of objective operating goals and employee metrics; and
- (ll) Any other metric that is capable of measurement as determined by the Committee.

The Committee may, in recognition of unusual or non-recurring items such as acquisition-related activities or changes in applicable accounting rules, provide for one or more equitable adjustments (based on objective standards) to the Performance Factors to preserve the Committee's original intent regarding the Performance Factors at the time of the initial award grant. It is within the sole discretion of the Committee to make or not make any such equitable adjustments.

"Performance Period" means the period of service determined by the Committee, during which years of service or performance is to be measured for the Award.

"Performance Share" means a performance share bonus granted as a Performance Award.

"Permitted Transferee" means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law (including adoptive relationships) of the Employee, any person sharing the Employee's household (other than a tenant or employee), a trust in which these persons (or the Employee) have more than 50% of the beneficial interest, a foundation in which these persons (or the Employee) control the management of assets, and any other entity in which these persons (or the Employee) own more than 50% of the voting interests.

"Plan" means this Facebook, Inc. 2012 Equity Incentive Plan.

"Purchase Price" means the price to be paid for Shares acquired under the Plan, other than Shares acquired upon exercise of an Option or SAR.

“**Restricted Stock Award**” means an award of Shares pursuant to Section 6 or Section 12 of the Plan, or issued pursuant to the early exercise of an Option.

“**Restricted Stock Unit**” means an Award granted pursuant to Section 9 or Section 12 of the Plan.

“**SEC**” means the United States Securities and Exchange Commission.

“**Securities Act**” means the United States Securities Act of 1933, as amended.

“**Shares**” means shares of the Company’s Common Stock and the common stock of any successor entity.

“**Stock Appreciation Right**” means an Award granted pursuant to Section 8 or Section 12 of the Plan.

“**Stock Bonus**” means an Award granted pursuant to Section 7 or Section 12 of the Plan.

“**Subsidiary**” means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if each of the corporations other than the last corporation in the unbroken chain owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

“**Substitute Awards**” shall mean Awards granted or Shares issued by the Company in assumption of, or in substitution or exchange for, awards previously granted, or the right or obligation to make future awards, by a company acquired by the Company or any Subsidiary or Affiliate or with which the Company or any Subsidiary or Affiliate combines.

“**Termination**” or “**Terminated**” means, for purposes of this Plan with respect to a Participant, that the Participant has for any reason ceased to provide services as an employee, officer, director, consultant, independent contractor or advisor to the Company or a Parent, Subsidiary or Affiliate. The Committee will have sole discretion to determine whether a Participant has ceased to provide services for purposes of the Plan and the effective date on which the Participant ceased to provide services (the “**Termination Date**”).

“**Unvested Shares**” means Shares that have not yet vested or are subject to a right of repurchase in favor of the Company (or any successor thereto).

EXHIBIT A
FRENCH SUB-PLAN

**SUB-PLAN
TO THE FACEBOOK, INC.
2012 EQUITY INCENTIVE PLAN**

**Qualified Restricted Stock Units
(FRANCE)
(as amended on February 13, 2020)**

This Sub-Plan to the Facebook, Inc. (the “**Company**”) 2012 Equity Incentive Plan relating to Restricted Stock Units granted to Employees in France (the “**French Sub-Plan**”) was created under and pursuant to the Facebook, Inc. 2012 Equity Incentive Plan (the “**Plan**”) as amended and restated and approved by the stockholders of the Company as of June 20, 2016 and is intended to govern Restricted Stock Units (“**RSUs**”) granted to French-Resident Participants that are intended to qualify for specific treatment under French tax and social security laws. All other types of Awards shall not be governed by this French Sub-Plan, but remain governed by the terms of the Plan or any applicable sub-plan, as the case may be.

Grants made pursuant to this French Sub-Plan shall give rise to the issuance by the Board of a Restricted Stock Unit Agreement which shall specify the precise terms and conditions of each grant, subject to the provisions contained in this French Sub-Plan.

The Board may grant RSUs pursuant to this French Sub-Plan to any French-Resident Participant. All Sections and subsections of the Plan that relate to the grant of RSUs (exclusive of any other Awards) are incorporated herein and shall apply to RSUs granted pursuant to this French Sub-Plan, except that Sections 4.3, 5, 6, 7, 8, 10, 11, 12, 13.2, 15.2, 17, 18, 21.2, and 21.3 are not incorporated herein and the following Sections and subsections of the Plan shall be modified as set forth below. The modifications below, and the establishment of the French Sub-Plan, shall only affect RSUs granted pursuant to this French Sub-Plan and the recipients of such RSUs and shall not affect or modify the Plan in any other way.

**SOUS-PLAN
DU PLAN EN ACTIONS 2012 DE FACEBOOK, INC. 2012
(le « FACEBOOK, INC. 2012 EQUITY INCENTIVE PLAN »)
Plan d'attribution gratuite d'actions dit « qualifiant »
(« Qualified Restricted Stock Units »)
(FRANCE)
(as amended on February 13, 2020)**

Le présent sous-plan au plan « Equity Incentive Plan » 2012 de Facebook, Inc. (la « **Société** »), portant sur l'Attribution gratuite d'actions ou « Restricted Stock Units », octroyées aux Salariés français (le « **Sous-Plan Français** ») a été mis en œuvre en application du plan en actions 2012 de Facebook, Inc., « Facebook, Inc. 2012 Equity Incentive Plan » (le « **Plan** ») tel qu'amendé et autorisé et approuvé par les actionnaires de la Société pour la dernière fois le 20 juin 2016. Il a vocation à régir les attributions gratuites d'actions ou « AGA », faites au profit de Participants Résidents Français, qui ont vocation à être éligibles au régime fiscal et social spécifique en droit français. Les autres types d'attributions (les « Autres Attributions ») ne sont pas régis par le présent Sous-Plan Français, mais restent régis par les dispositions du Plan et/ou de tout autre sous-plan applicable, selon le cas.

Les Attributions, faites en application du présent Sous-Plan Français donnent lieu à l'établissement, par le Conseil d'administration, d'un Contrat d'Attribution qui définit les termes précis et les conditions précises de chaque attribution, sous réserve des dispositions figurant dans le présent Sous-Plan Français.

Le Conseil d'administration peut attribuer des Actions Gratuites conformément au présent Sous-Plan Français à tous les Participants Résidents Français. Tous les articles et tous les sous-articles du Plan qui ont trait à l'attribution d'Actions Gratuites (à l'exclusion de toute autre Instrument) sont incorporés au présent document et s'appliquent aux Actions Gratuites attribuées conformément au présent Sous-Plan Français, à l'exception des articles 4.3, 5, 6, 7, 8, 10, 11, 12, 13.2, 15.2, 17, 18, 21.2 et 21.3 qui ne sont pas incorporés au présent document et des articles suivants du Plan qui sont modifiés selon les modalités indiquées ci-dessous. Les modifications ci-dessous, et la mise en œuvre du Sous-Plan Français, n'affectent que les Actions Gratuites octroyées conformément au présent Sous-Plan Français et les bénéficiaires de ces Actions Gratuites, sans affecter et modifier le Plan d'aucune autre manière.

Each Section of the Plan set forth below shall be amended to read as follows in the French Sub-Plan:

1. Purpose of the Plan.

Section 1 of the Plan shall be amended to read as follows:

1. PURPOSE. The purpose of this Plan is to provide incentives to attract, retain and motivate French-Resident Participants whose present and potential contributions are important to the success of the Company, and of any Parents and Subsidiaries that exist now or in the future, by offering them an opportunity to participate in the Company's future performance through the grant of Restricted Stock Units. Capitalized terms not defined elsewhere in the text are defined in Section 27.

2. Shares Subject to the Plan.

The subsection 2.6 shall be amended to read as follows:

2.6 Adjustment of Shares. If the number of outstanding Shares is changed by a stock dividend, recapitalization, stock split, reverse stock split, subdivision, combination, reclassification or similar change in the capital structure of the Company, without consideration, then (a) the number of Shares reserved for issuance and future grant under the Plan set forth in Section 2.1, (b) the number of Shares subject to outstanding RSUs, (c) the maximum number of Shares that may be issued to a French-Resident Participant in any one calendar year set forth in Section 3, shall be proportionately adjusted, subject to any required action by the Board or the stockholders of the Company and in compliance with applicable US and French securities and corporate laws, provided that fractions of a Share will not be issued and provided further that no consideration or indemnity whatsoever shall be paid in lieu of fractional shares, if any. Notwithstanding the foregoing, the Board shall be authorized to make adjustments in the number of Shares subject to an RSU only insofar as the adjustment aims at protecting and maintaining the rights of the applicable French-Resident Participant.

3. Eligibility.

Chaque article du Plan mentionné ci-dessous du Plan est modifié, pour être rédigé comme suit dans le Sous-Plan Français :

1. Objet du Plan.

L'article 1 du Plan est modifié, pour être rédigé comme suit :

1. OBJET. L'objet du présent Plan est d'octroyer des instruments incitatifs qui attirent, retiennent et motivent les Participants Résidents Français dont la contribution actuelle et potentielle est importante pour la réussite de la Société, des Sociétés Mères et des Filiales existantes ou qui pourraient à l'avenir exister, en leur offrant l'opportunité de participer à la performance future de la Société par l'attribution d'Actions Gratuites. Les termes avec une majuscule qui ne sont pas définis ailleurs dans le texte sont définis à l'article 27.

2. Actions couvertes par le Plan.

Le présent sous-article 2.6 est modifié pour être rédigé comme suit :

2.6 Ajustement des Actions. En cas de modification du nombre d'Actions en circulation en raison d'une distribution de dividendes en Actions, d'une recapitalisation, d'une division d'Actions, d'un regroupement d'Actions, d'une subdivision, d'une combinaison, d'un reclassement ou d'un changement similaire affectant la structure du capital de la Société, sans contrepartie, alors (a) le nombre d'Actions Gratuites pouvant être attribuées à l'avenir, en application du Plan et figurant à l'article 2.1, (b) le nombre d'Actions Gratuites déjà attribuées, (c) le nombre maximum d'Actions pouvant être livrées à un Participant Résident Français par année civile figurant à l'article 3, sera ajusté proportionnellement, en respectant les mesures éventuellement préconisées par le Conseil d'administration et les actionnaires de la Société et en conformité avec les législations américaine et française en matière de droit des sociétés, étant précisé d'une part qu'il ne sera pas émis de fractions d'Actions et d'autre part, que les fractions d'Actions ne donneront lieu ni à paiement, ni à indemnisation, sous quelque forme que ce soit. Nonobstant les dispositions qui précèdent, le Conseil d'administration ne sera autorisé à ajuster le nombre d'Actions Gratuites que dans la mesure où cet ajustement vise à protéger et à préserver les droits du Participant Résident Français concerné.

3. Éligibilité.

Section 3 of the Plan shall be amended to read as follows:

3. ELIGIBILITY. RSUs granted under the Plan may be granted only to French-Resident Employees. No French-Resident Participant will be eligible to receive more than 2,500,000 Shares in any calendar year under this Plan pursuant to the grant of Awards except that new French-Resident Employees are eligible to receive up to a maximum of 5,000,000 Shares in the calendar year in which they commence their employment, subject to any applicable limitations under French law.

4. Administration.

Section 4.2 of the Plan shall be amended to read as follows:

4.2 Committee Interpretation and Discretion. Any determination made by the Committee with respect to an RSU shall be made in its sole discretion at the time of grant of such RSU or, unless in contravention of any express term of the Plan or French Sub-Plan, at any later time, and such determination shall be binding on the Company and all persons having an interest in any RSU under the Plan. Any dispute regarding the interpretation of the Plan, French Sub-Plan or any RSU Agreement shall be submitted to the Committee for resolution, and the Committee may delegate to one or more executive officers the authority to review and resolve disputes with respect to Awards held by Participants, including French-Resident Participants, who are not Insiders. Any dispute that cannot be resolved accordingly shall be submitted by the Participant or Company to the exclusive jurisdiction of the State of California.

9. Restricted Stock Units.

Subsections 9.1, 9.3 and 9.4 shall be deleted and replaced by the following, and subsections 9.5 to 9.12 will be inserted in this Section 9:

L'article 3 du Plan est modifié, pour être rédigé comme suit :

3. ÉLIGIBILITÉ. Les Actions Gratuites attribuées en application du Plan ne peuvent être octroyées qu'à des Salariés Résidents Français. Aucun Participant Résident Français ne sera éligible à recevoir plus de 2 500 000 Actions au titre d'année civile en application du Plan, à moins que les Salariés Résidents Français concernés soient nouvellement nommés dans l'exercice de leur emploi, auquel cas ils seront éligibles à recevoir un maximum de 5 000 000 Actions au cours de l'année civile de la conclusion de leur contrat de travail, sous réserve de toutes les restrictions applicables en droit français.

4. Administration.

L'article 4.2 du Plan est modifié, pour être rédigé comme suit :

4.2 Interprétation et pouvoir discrétionnaire d'appréciation du Comité. Toutes les décisions du Comité relatives aux Actions Gratuites seront prises discrétionnairement au moment de l'Attribution ou, sous réserve de ne pas contrevenir à une disposition expresse du Plan ou du Sous-Plan Français, à une date ultérieure et ces décisions seront opposables à la Société ainsi qu'à toute personne attributaire d'Actions Gratuites régies par le Plan. Les différends relatifs à l'interprétation du Plan, du Sous-Plan Français ou du Contrat d'Attribution seront soumis au Comité, et le Comité pourra déléguer à un ou plusieurs administrateurs dirigeants le pouvoir d'examiner et de régler les différends relatifs aux Attributions, pour autant que ces Participants ne soient pas des Initiés. Les différends qui ne pourront être réglés corrélativement seront déférés par le Participant ou par la Société à la compétence exclusive de l'État du California.

9. Attribution d'Action Gratuites.

Les Sous-articles 9.1, 9.3 et 9.4 du Plan sont supprimés et remplacés par les dispositions suivantes et les articles 9.5 à 9.12 seront ajoutés au présent Article 9:

9.1 Awards of Restricted Stock Units. A Restricted Stock Unit (“**RSU**”) is an award granted to a French-Resident Participant covering a number of Shares that may be settled on a given date by issuance of new Shares or the delivery of existing Shares. In the case where the RSU gives the right to receive existing Shares, the Company shall repurchase such Shares prior to the date on which the RSUs are settled. All RSU grants shall be made pursuant to an Award Agreement.

9.3 Form and Timing of Settlement. RSU Shares will be issued/transferred for free to the French-Resident Participants who satisfy the conditions of the Plan, this French Sub-Plan, and the applicable Restricted Stock Unit Agreement. French-Resident Participants will not be required to make any investment to receive the Shares. Delivery of RSU Shares pursuant to vested RSUs shall be made on the date(s) determined by the Committee and set forth in the applicable Restricted Stock Unit Agreement. The Committee must settle vested RSUs exclusively in Shares.

9.4 Vesting Conditions. Subject to the terms of the Plan, this French Sub-Plan, and the applicable Restricted Stock Unit Agreement, RSUs shall vest as set forth in the applicable Restricted Stock Unit Agreement, provided that the vesting schedule cannot provide for vesting earlier than the first annual anniversary of the Grant Date.

Notwithstanding the foregoing, in the case of the French-Resident Participant's death, any vesting conditions based on the French-Resident Participant's continuous service shall be waived and the French-Resident Participant's heir or heirs may request the delivery of the Shares within a period of six (6) months following his or her death. If the French-Resident Participant's heir or heirs do not request delivery of the Shares within a period of six (6) months following the French-Resident Participant's death, the RSUs will be forfeited.

9.5 Termination of French-Resident Participant. Except as may be set forth in the French-Resident Participant's Restricted Stock Unit Agreement, and save the case of Death, vesting shall cease upon the termination of the French-Resident Participant's continuous service (unless determined otherwise by the Committee).

9.1 Attributions d'Actions Gratuites. Une attribution d'Actions Gratuites est une attribution faite au profit d'un Participant Résident Français, du droit conditionnel de recevoir à un terme donné, un certain nombre d'Actions nouvelles ou existantes. Au cas où les Actions Gratuites donnent le droit de recevoir des Actions existantes, la Société devra racheter ces Actions avant la date de livraison des Actions. Toutes les Attributions d'Actions Gratuites devront être réalisées conformément aux termes du Contrat d'Attribution.

9.3 Forme et calendrier de livraison. Les Actions Gratuites seront émises/transférées gratuitement aux Participants Résidents Français qui remplissent les conditions du Plan, du Sous-Plan Français et du Contrat d'Attribution applicables. Les Participants Résidents Français n'auront pas à déboursier la moindre somme pour recevoir les Actions. La remise des Actions définitivement acquises interviendra à la date ou aux dates décidées par le Comité et indiquées dans le Contrat d'Attribution applicable. Le Comité livrera les Actions Gratuites définitivement acquises exclusivement en Actions.

9.4 Conditions d'acquisition. Sous réserve du respect des dispositions du Plan, du présent Sous-Plan Français et du Contrat d'Attribution applicables, les Actions Gratuites seront acquises suivant le calendrier figurant dans le Contrat d'Attribution applicable, étant précisé que le calendrier d'acquisition ne pourra prévoir que la Date d'Acquisition des Actions intervienne avant le premier anniversaire suivant la Date d'Attribution.

Nonobstant les dispositions qui précèdent, en cas de décès d'un Participant Résident Français, la condition de présence du Participant Résident Français sera levée et le ou les héritiers du Participant Résident Français pourront demander à se faire attribuer définitivement les Actions dans un délai de six (6) mois suivant son décès. Si le ou les héritiers du Participant Résident Français ne demandent pas la livraison des Actions dans un délai de six (6) mois suivant le décès du Participant Résident Français, les Actions Gratuites seront caduques.

9.5 Cessation des fonctions du Participant Résident Français. Sauf indication contraire figurant dans le Contrat d'Attribution, et hormis le cas de décès, les droits d'un Participant Résident Français à recevoir ses Actions seront caducs si le Participant Résident Français ne satisfait plus à la condition de présence au cours de la Période d'Acquisition (sauf décision contraire du Comité).

9.6 Selling Restrictions. The Shares will be delivered to the French-Resident Participants upon the settlement of RSUs on the date(s) determined by the Committee and set forth in the applicable Restricted Stock Unit Agreement. Shares will be delivered and recorded in an account opened in the name of the shareholder (inscription au nominatif) with a broker or an escrow agent or in such other manner as the Company may otherwise determine in order to ensure compliance with applicable French law. However, the French-Resident Participants will not be permitted to sell, transfer, pledge or otherwise assign the Shares received upon settlement of RSUs during the Holding Period, provided that the Holding Period shall not apply and accelerated sale will be permitted in the case of the French-Resident Participant's death or Disability.

9.6 Restrictions à la vente. Les Actions seront livrées aux Participants Résidents Français à l'issue de la Période d'Acquisition, à la date ou aux dates décidées par le Comité et figurant dans le Contrat d'Attribution applicable. Les Actions seront remises et inscrites sur un compte ouvert au nom de l'actionnaire (inscription au nominatif) chez un courtier ou chez un mandataire séquestre, ou suivant toutes les modalités décidées par ailleurs par la Société, afin d'assurer le respect du droit français applicable. Toutefois, il ne sera pas permis aux Participants Résidents Français de vendre ou de transférer sous quelque forme que ce soit les Actions pendant la Période de Conservation, étant précisé que la Période de Conservation ne s'appliquera pas, et qu'une vente anticipée sera autorisée, en cas de décès ou d'Invalidité du Participant Résident Français.

9.7 Insider Trading Restrictions. Following the expiration of the Holding Period, Shares received upon settlement of RSUs may be subject to further sale restrictions as set forth in the Plan, this French Sub-Plan and the applicable Restricted Stock Unit Agreement. Pursuant to article L 225-197-1 of the French Code de commerce, as amended from time to time, shares of a listed company cannot be sold or transferred during certain closed periods which are currently: (i) thirty calendar days before the announcement of an interim financial report or a year-end report which the Company is obliged to make public and (ii) any period during which the Chief Executive Officer (*directeur général*), any deputy chief executive officer (*directeur général délégué*), any member of the Board of Directors (*conseil d'administration*), the supervisory board (*conseil de surveillance*) or the executive board (*directoire*) of the Company, or any employee possesses knowledge of inside information (within the meaning of Article 7 of the Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse (Market Abuse Regulation) and cancelling the Directive 2003/6/UE and Directives 2003/124/CE Parliament and 2004/72/CE of the Commission) which has not been disclosed to the public. If the French Commercial Code is amended after adoption of this French Sub-Plan to modify the definition and/or the applicability of the closed periods to RSUs, such amendments shall become applicable to any RSUs granted under this French Sub-Plan, to the extent required by French law. These rules shall apply to French-Resident Participants unless they are otherwise restricted from selling Shares received upon settlement of RSUs under similar rules applicable under U.S. law, in which case the U.S. rules shall prevail. In any event, Participants are at all times required to comply with the Facebook, Inc. Insider Trading Policy as may be amended from time to time and in particular Section II re No Trading on Material Non-Public Information, Black-Out Periods, and other important matters. Persons who violate these general rules and the Insider Trading Policy may be subject to legal and financial penalties. If a French-Resident Participant trades during any applicable Black-Out Period as described in the Insider Trading Policy, or if the French tax authorities deem that the French-Resident Participant has not complied with the French closed period restrictions above and/or similar rules under applicable U.S. law, the RSUs and Shares received under the RSUs may lose Qualified status, and the French-Resident Participant may not receive specific tax treatment.

9.7 Restrictions relatives au Délit d'Initié, « Fenêtres négatives ». Après l'expiration de la Période de Conservation, les Actions Gratuites seront librement cessibles, sous réserve des restrictions supplémentaires à la cession éventuellement indiquées dans le Plan, le présent Sous-Plan Français et le Contrat d'Attribution applicables. Conformément à l'article L 225-197-1 du Code de commerce français tel qu'en vigueur, les actions d'une société cotée ne pourront être cédées (i) dans le délai de trente jours calendaires avant l'annonce d'un rapport financier intermédiaire ou d'un rapport de fin d'année que l'émetteur est tenu de rendre public ; et (ii) à tout moment par les membres du conseil d'administration ou de surveillance, par les membres du directoire ou exerçant les fonctions de directeur général ou de directeur général délégué et par les salariés ayant connaissance d'une information privilégiée, au sens de l'article 7 du règlement (UE) n° 596/2014 du Parlement européen et du Conseil du 16 avril 2014 sur les abus de marché (règlement relatif aux abus de marché), et abrogeant la directive 2003/6/ CE du Parlement européen et du Conseil et les directives 2003/124/ CE, 2003/125/ CE et 2004/72/ CE de la Commission, qui n'a pas été rendue publique. Ces règles s'appliqueront aux Participants Résidents Français, sauf s'ils sont par ailleurs soumis à des restrictions de cession des Actions en raison de règles similaires applicables en droit américain, cas dans lequel les règles américaines prévaudront. Dans tous les cas, les Participants sont tenus de satisfaire à tout moment aux Règles relatives aux Opérations d'Initiés en vigueur édictées par Facebook, Inc., et en particulier à la Section II relative à l'interdiction de négocier sur la base d'informations non-publiques significatives, aux fenêtres négatives et autres sujets importants. Les personnes qui violeront ces règles générales et les Règles relations aux Opérations d'Initiés pourront être passibles de sanctions légales et financières. Si un Participant Résident Français négocie pendant une Fenêtre Négative telle que décrite dans les Règles relatives aux Opérations d'Initiés, ou si l'administration fiscale française considère que le Participant Résident Français n'a pas satisfait aux restrictions du Code de commerce français susmentionnées et/ou aux règles similaires applicables aux termes du droit américain, le Participant Résident Français pourrait ne pas bénéficier du régime fiscal spécifique attaché à ses Actions Gratuites.

9.8 Death of a French-Resident Participant. In addition to the rules set forth in Section 9.4 above, if a French-Resident Participant dies during the Acquisition Period or the Holding Period, the Holding Period shall not apply and the Shares received upon settlement of RSUs shall be immediately transferable, except as may be required under Section 9.7 above and the Plan.

9.9 Disability of a French-Resident Participant. Notwithstanding any provisions of the Plan, this French RSU Sub-Plan, and the applicable Restricted Stock Unit Agreement, in the case of Disability of a French-Resident Participant during the Holding Period, the Holding Period shall not apply and the Shares received upon settlement of the RSUs shall be immediately transferable, except as may be required under Section 9.7 above and the Plan.

9.10 Entitlements / No Employment Rights. A French-Resident Participant's rights, if any, in respect of or in connection with any RSU are derived solely from the discretionary decision of the Company to permit the individual to participate in this French Sub-Plan and to benefit from a discretionary RSU. By accepting an RSU under the French Sub-Plan, a French-Resident Participant expressly acknowledges that there is no obligation on the part of the Company to continue the Plan or the French Sub-Plan and/or grant any additional RSUs. Any RSU granted hereunder is not intended to be compensation of a continuing or recurring nature, or part of a French-Resident Participant's normal or expected compensation, and in no way represents any portion of a Participant's salary, compensation, or other remuneration for purposes of pension benefits, severance, redundancy, resignation or any other purpose.

9.8 Décès d'un Participant Résident Français. Outre les règles indiquées à l'article 9.4 ci-dessus, si un Participant Résident Français décède au cours de la Période d'Acquisition ou de la Période de Conservation, la Période de Conservation ne s'appliquera pas et les Actions issues de l'Attribution seront immédiatement cessibles, sous réserve du respect des dispositions de l'article 9.7 ci-dessus et du Plan.

9.9 Invalidité d'un Participant Résident Français. Nonobstant toute disposition du Plan, du présent Sous-Plan Français et du Contrat d'Attribution applicable, si un Participant Résident Français est frappé d'Invalidité au cours de la Période de Conservation, la Période de Conservation ne s'appliquera pas et les Actions issues de l'Attribution seront immédiatement cessibles, sous réserve du respect des dispositions de l'article 9.7 ci-dessus et du Plan.

9.10 Droits / Absence de droit lié au contrat de travail. Les droits éventuels d'un Participant Résident Français concernant les, ou relatifs aux, Actions Gratuites résultent de la seule décision discrétionnaire de la Société de permettre à cette personne physique de participer au présent Plan et Sous-Plan Français et de bénéficier discrétionnairement d'une Attribution d'Actions Gratuites. En acceptant l'Attribution régie par le Sous-Plan Français, un Participant Résident Français reconnaît expressément qu'il n'existe aucune obligation, pour la Société, de procéder à de nouvelles Attributions à l'avenir et/ou de procéder à l'attribution d'Actions Gratuites supplémentaires. Les Actions Gratuites accordées en application du présent document ne constituent pas un élément de rémunération récurrent et ne font pas partie de la rémunération normale ou prévisible d'un Participant Résident Français. Elles ne sauraient être prises en compte dans le salaire ou la rémunération, ou dans toute autre rétribution d'un Participant Résident Français pour les besoins du calcul de ses indemnités de retraite, de licenciement, de démission ou de départ de la société qui emploie le Participant Résident Français (ou au sein de laquelle il exerce ses fonctions).

The Company, and any Parent, Subsidiary and/or affiliate (including any French Subsidiary), reserve the right to terminate the service of any person at any time, and for any reason, subject to applicable laws, applicable articles of incorporation and bylaws and any written employment agreement (if any), and such terminated person shall be deemed irrevocably to have waived any claim to future vesting, damages or specific performance with respect to the Plan this French Sub-Plan or any outstanding RSU that is forfeited and/or is terminated by its terms or to any future RSU.

9.12 Other Provisions.

The Restricted Stock Unit Agreement shall contain such other terms, provisions and conditions not inconsistent with the Plan and this French Sub-Plan as may be determined by the Committee in its sole discretion. In addition, the provisions of Restricted Stock Unit Agreements need not be the same with respect to each French-Resident Participant.

None of the provisions in the Plan and the French Sub-Plan shall have as their effect the establishment or recognition of the existence of a contract of any type whatsoever between the French-Resident Participants and Facebook, Inc.

13. Withholding Taxes.

Subsection 13 of the Plan shall be deleted and replaced by the following:

Whenever Shares are to be issued in satisfaction of RSUs granted under this Plan, the Company may require the French-Resident Participant to remit to the Company, Parent, or Subsidiary employing the French-Resident Participant or, as the case may be, to the plan administrator (if different than the Company) or the broker or escrow agent where the Shares are registered, an amount sufficient to satisfy applicable U.S. federal, state, local, French and other withholding tax requirements, as the case may be, or any other tax liability legally due from the French-Resident Participant or otherwise in respect of a French-Resident Participant's participation in the Plan as described in the Restricted Stock Unit Agreement, prior to the delivery of Shares pursuant to settlement of an RSU, or, as the case may be, prior to the delivery of the Shares sales proceeds, any time after the end of the Holding Period.

La Société, et toute Société-Mère, les Filiales et/ou les sociétés affiliées (y compris les Filiales françaises) se réservent le droit de mettre fin au contrat de travail de toute personne, à tout moment, et pour tout motif, dans le respect de la législation applicable, des statuts applicables et du contrat de travail écrit (s'il en existe un), et la personne dont l'emploi ou la fonction aura ainsi pris fin sera irrévocablement présumée avoir renoncé à intenter toute action en dommages-intérêts ou en exécution du Plan, du présent Sous-Plan Français, et à tout droit sur les Actions Gratuites qui ne lui seraient pas définitivement acquises et qui seront caduques et/ou résiliées par leurs propres stipulations, ou aux Actions Gratuites futures.

9.12 Autres dispositions.

Le Contrat d'Attribution comportera tout autre terme, disposition et condition, ne contredisant pas le Plan et le présent Sous-Plan Français, qui seront décidés par le Comité à sa seule discrétion. En outre, les dispositions des Contrats d'Attribution n'auront pas à être identiques pour chaque Participant Résident Français.

Aucune disposition du Plan et du Sous-Plan Français n'aura pour effet de créer ni de reconnaître l'existence d'un contrat, de quelque type que ce soit, entre les Participants Résidents Français et Facebook, Inc.

13. Retenues à la source.

L'article 13 du Plan est supprimé et remplacé comme suit :

13. Retenues à la source - Généralités. À chaque fois qu'il faudra émettre des Actions en application du présent Plan, la Société pourra demander au Participant Résident Français de remettre à la Société, à la Société Mère ou à la Filiale qui emploie le Participant Résident Français (ou, selon le cas, à l'administrateur du Plan (s'il est différent de la Société) ou au courtier ou au mandataire séquestre chez lequel les Actions sont inscrites, un montant suffisant pour satisfaire aux obligations fiscales en matière de retenue à la source, qu'elle soient imposées par le droit américain au niveau fédéral, étatique ou local, le droit français ou tout autre droit, ou afférente à tout autre impôt dû par un Résident Participant Français ou autrement à raison de sa participation au Plan tel qu'il est décrit dans le Contrat d'Attribution, et ce, avant de livrer les Actions à l'issue de la Période d'Acquisition ou, selon le cas, avant de lui rétrocéder le produit de cession de ses Actions, à tout moment après la fin de la Période de Conservation.

14. Transferability.

Section 14 of the Plan shall be deleted and replaced by the following:

14.1 Assignment or Transfer of RSUs. RSUs are personal to each French-Resident Participant. A French-Resident Participant cannot sell, transfer or pledge his or her right to receive Shares pursuant to an RSU under the Plan and this French Sub-Plan, except if such transfer occurs through succession to legal beneficiaries in the event of death of the Participant pursuant to Section 9.4 above.

14.2 Trusts. RSUs cannot be transferred or otherwise assigned by a French-Resident Participant to a trustee of any trust or any similar institution of any kind.

15. Privileges of Stock Ownership; Restrictions on Shares.

Section 15 of the Plan shall be deleted and replaced by the following Section 15:

15. PRIVILEGES OF STOCK OWNERSHIP. No French-Resident Participant will have any of the rights of a stockholder with respect to any Shares until the RSUs are settled and the Shares are issued to the French-Resident Participant. After Shares are issued to the French-Resident Participant, the French-Resident Participant will be a stockholder and have all the rights of a stockholder with respect to such Shares, including the right to vote and receive all dividends or other distributions made or paid with respect to such Shares, provided that additional Shares the French-Resident Participant may become entitled to receive with respect to such Shares by virtue of a stock split of the Company will be subject to the same holding restrictions as the Shares.

21. Corporate Transactions.

The following subsections of Section 21 of the Plan shall be amended to read as follows:

14. Cessibilité.

L'article 14 du Plan est supprimé et remplacé par les dispositions suivantes :

14.1 Transmission ou cession des Actions Gratuites. Les Actions Gratuites sont personnelles à chaque Participant Résident Français. Un Participant Résident Français ne pourra vendre, céder ou nantir son droit à recevoir des Actions Gratuites au terme du Plan et du présent Sous-Plan Français, sauf si ce transfert a lieu par voie de dévolution successorale, à la suite du décès du Participant, conformément à l'article 9.4 ci-dessus.

14.2 Trusts. Les Actions Gratuites ne pourront être cédées ou transférées de quelque manière que ce soit par un Participant Résident Français à un trustee en charge de la gestion d'un trust ou d'une institution similaire de tout type.

15. Droits attachés aux Actions - Restrictions pesant sur les Actions.

L'article 15 du Plan est supprimé et remplacé par l'article 15 suivant :

15. DROITS ATTACHES AUX ACTIONS. Aucun Participant Résident Français n'aura de droits d'actionnaire sur les Actions durant la Période d'Acquisition. Postérieurement à la livraison des Actions au Participant Résident Français, le Participant Résident Français sera actionnaire et disposera de tous les droits d'un actionnaire sur les Actions issues de l'Attribution, y compris le droit de voter et de recevoir des dividendes ou toute autre distribution faite ou versée au titre de ces Actions, étant précisé que les Actions supplémentaires que le Participant Résident Français pourrait le cas échéant recevoir au titre de ces Actions Gratuites en cas de division des Actions de la Société, seront soumises aux mêmes restrictions et conditions de conservation que les Actions issues de l'Attribution.

21. Opérations sur le Capital Social.

Les Sous-articles suivants de l'article 21 du Plan sont modifiés pour être rédigés comme suit :

21.1 Assumption or Replacement of Awards by Successor. In the event of a Corporate Transaction, outstanding RSUs shall be subject to the applicable agreement of merger, reorganization, or sale of assets. Such agreement may provide, without limitation, for the assumption or substitution of outstanding RSUs by the surviving corporation or its parent or for the cancellation of outstanding RSUs, with or without consideration. Notwithstanding the foregoing, the Administrator may determine, at the time of grant of RSUs or thereafter, that such RSUs shall become partially or fully vested upon the consummation of a Corporate Transaction or at some time or upon some event related to the Corporate Transaction, in which case the RSUs may no longer benefit from the specific tax and social security regime.

24. Amendment or Termination of the Plan

Section 24 of the Plan shall be deleted and replaced by the following Section 24:

24. AMENDMENT OR TERMINATION OF THE PLAN. No modification may be made to the Plan or the French Sub-Plan with respect to outstanding RSUs previously granted pursuant to the French RSU Sub-Plan unless such modification is required by law, regulation or published administrative interpretation. French-Resident Participants shall be notified of any such modifications to the Plan that affect their rights under the Plan and the French Sub-Plan rules. Such notification may be made by means of individual communication, general notice posted in the workplace, or such other means that are more adequate and appropriate. With respect to future RSUs to be granted pursuant to the French Sub-Plan, the Board may at any time amend, alter, suspend or discontinue the Plan or the French Sub-Plan. In addition, to the extent necessary and desirable to comply with the Applicable Laws, the Company shall obtain stockholder approval of any Plan amendment in such a manner and to such a degree as required.

27. Definitions.

Section 27 of the Plan shall be amended to read as follows:

21.1 Reprise ou substitution. En cas d'Opération sur le Capital Social durant la Période d'Acquisition, les Actions Gratuites seront soumises au contrat de fusion, de restructuration ou de cession d'actifs applicable. Ce contrat pourra prévoir, notamment, la reprise ou la substitution des Actions Gratuites par la société survivante ou par sa société mère, ou l'annulation des Actions Gratuites, avec ou sans paiement d'une contrepartie. Nonobstant les dispositions qui précèdent, l'Administrateur pourra décider, au moment de l'attribution des Actions Gratuites ou ultérieurement, que ces Actions Gratuites deviendront partiellement ou intégralement acquises au Participant Résident Français au moment de la réalisation d'une Opération sur le Capital Social, ou à un moment ou lors d'un événement quelconque relatif à l'Opération sur le Capital Social, auquel cas les Actions Gratuites ne pourront plus bénéficier du régime spécifique fiscal et social.

24. Modification ou terme du Plan

L'article 24 du Plan est supprimé et remplacé par l'article 24 suivant :

24. MODIFICATION OU TERME DU PLAN. Les seules modifications qui peuvent être apportées au Plan ou au Sous-Plan Français en ce qui concerne les Actions Gratuites attribuées en application du Sous-Plan Français sont les modifications imposées par la législation, la réglementation ou la doctrine administrative régulièrement publiée. Les Participants Résidents Français seront informés des modifications du Plan qui affecteront leurs droits au terme du Plan et du Sous-Plan Français. Cette information pourra être faite par voie de communication individuelle, par avis affiché sur le lieu de travail ou par tout autre moyen qui serait plus adéquat et plus approprié. En ce qui concerne les attributions futures qui pourraient être réalisées en application du Sous-Plan Français, le Conseil d'administration pourra à tout moment modifier, changer, suspendre ou interrompre le Plan ou le Sous-Plan Français. De plus, dans la mesure nécessaire et souhaitable pour respecter la Législation Applicable, la Société devra obtenir l'accord des actionnaires pour modifier l'une quelconque des clauses du Plan, selon les modalités et les conditions requises par la Législation Applicable.

27. Définitions.

L'article 27 du Plan est modifié, pour être rédigé comme suit :

27. DEFINITIONS. The terms set forth below shall have the meanings set forth in this Section 27, rather than the definition, if any, set forth in the Plan. Unless otherwise defined in this French Sub-Plan, including this Section 27, capitalized terms used in this French Sub-Plan shall have the meaning set forth in the Plan.

“**Acquisition Period**” means the period between the Grant Date and the Vesting Date.

“**Award**” means any grant of a Restricted Stock Unit made under this French Sub-Plan.

“**Committee**” means the Compensation Committee of the Board or those persons to whom administration of the Plan, or part of the Plan, has been delegated as permitted by law.

“**Disability**” means total and permanent disability established on the basis of medical evidence and corresponding to the ranking in the second or third category provided in article L.341-4 of the French Social Security Code (“Code de la sécurité sociale”).

“**French-Resident Participant**” means a French-Resident Employee, who has been selected to receive an RSU under this French Sub-Plan.

“**French-Resident Employee**” means an individual who:

(i) is employed in a salaried position by (A) a French Subsidiary, (B) the Company (if such individual works for a French branch of the Company), or (C) a non-French Subsidiary (if such individual works for a French branch of the non-French Subsidiary);

(ii) is a resident of France for tax purposes on the Grant Date; and

(iii) does not own on the Grant Date and will not own thereafter more than ten percent (10%) of the share capital of the Company.

“**Grant**” means the grant of an RSU under this French RSU Sub-Plan.

27. DÉFINITIONS. Les termes figurant ci-dessous ont la signification figurant dans le présent article 27, plutôt que la définition figurant éventuellement dans le Plan. Sauf définition contraire figurant dans le présent Sous-Plan Français, y compris dans le présent article 27, les termes avec une majuscule à l’initiale utilisés dans le présent Sous-Plan Français auront la signification figurant dans le Plan.

« **Période d'Acquisition** » désigne la période commençant à la Date d’Attribution et prenant fin à la Date d’Acquisition.

« **Attribution** » désigne l’attribution d’Actions Gratuites faite en application du présent Sous-Plan Français.

« **Comité** » désigne le Comité des Rémunérations du Conseil d’administration, ou les personnes ayant reçu une délégation pour administrer le Plan ou une partie du Plan selon les modalités autorisées par la loi.

« **Invalidité** » désigne une invalidité totale et permanente, attestée au moyen d’un certificat médical et correspondant au classement dans la deuxième ou dans la troisième catégorie prévue à l’article L. 341-4 du Code de la sécurité sociale français.

« **Résident Participant Français** » désigne un Salarié Résident Français, qui est éligible à recevoir des Actions Gratuites en application du présent Sous-Plan Français.

« **Salarié Résident Français** » désigne une personne physique qui :

(i) à la qualité de salarié de (A) une Filiale française, (B) la Société (si cette personne physique travaille pour une succursale française de la Société), ou (C) une Filiale française (si cette personne physique travaille pour une succursale française d’une Filiale non française);

(ii) est fiscalement résidente de France à la Date d’Attribution ; et

(iii) ne possède pas, à la Date d’Attribution, et ne possédera pas, à l’issue de l’Attribution, plus de dix pour cent (10 %) du capital social de la Société.

« **Attribution** » désigne l’attribution d’une Action Gratuite en application du présent Sous-Plan Français.

“**Grant Date**” means the date on which the Committee approves grants RSUs to French-Resident Participants under this French RSU Sub-Plan. Notice of the determination shall be given to each French-Resident Participant to whom an Award is so granted within a reasonable time after the date of such grant approval.

“**Holding Period**” means the period beginning on the date of transfer of ownership of RSU Shares, it being understood that the cumulative duration of the Vesting Period and the Holding Period cannot be shorter than two (2) years from the Grant Date.

“**Restricted Stock Unit**” or “**RSU**” means the right, granted in accordance with articles L.225-197-1 et seq. of the French Commerce Code (Code de Commerce), giving a French-Resident Participant the right to receive Shares pursuant to a vesting schedule and the other terms and conditions set forth in the applicable Restricted Stock Unit Agreement, it being specified that the vesting schedule cannot provide for vesting earlier than the first (1st) annual anniversary of the Grant Date.

“**RSU Share**” means a Share issued pursuant to an RSU that is subject to selling restrictions for a period determined by the Committee which, together with the Vesting Period, can be no less than two (2) years from the Grant Date. The total number of Shares subject to RSUs granted by the Company cannot exceed ten percent (10%) of its share capital at the Grant Date.

“**Subsidiary**” means a subsidiary of the Company, the share capital or voting power of which is at least ten percent (10%) owned, directly or indirectly, by the Company, and any other company in which the Company may come to own at least ten percent (10%) of the share capital or voting power, directly or indirectly.

“**Vesting Date**” means the date on which the conditions set forth in the Restricted Stock Unit Agreement are met and the RSUs are settled in Shares, it being specified that such date cannot occur earlier than the second (1st) annual anniversary of the Grant Date.

« **Date d'Attribution** » désigne la date à laquelle le Comité approuve l'Attribution des Actions Gratuites à des Participants Résidents Français en vertu du présent Sous-Plan Français. Chaque Participant Résident Français auquel une Action Gratuite est ainsi attribuée est informé de la décision d'Attribution dans un délai raisonnable après la date de cette approbation d'Attribution.

« **Période de Conservation** » désigne la période commençant à la date du transfert de propriété, étant précisé que la durée cumulée de la Période d'Acquisition et de la Période de Conservation ne peut être inférieure à deux (2) ans suivant la Date d'Attribution.

« **Action Gratuite** » ou « **AGA** », ou « Restricted Stock Unit », désigne le droit octroyé à un Participant Résident Français conformément aux dispositions des articles L.225-197-1 et suivants du Code de commerce français, lui conférant le droit conditionnel de recevoir des Actions Gratuites suivant un calendrier d'acquisition et sous réserve du respect de conditions figurant dans le Contrat d'Attribution applicable, étant précisé que le calendrier d'acquisition ne pourra prévoir que cette acquisition intervienne avant le premier (1er) anniversaire suivant la Date d'Attribution.

« **Action issue de l'Attribution** » désigne une Action attribuée gratuitement à l'issue de la Période d'Acquisition et faisant l'objet d'une obligation de conservation pendant une période fixée par le Comité et dont la durée, ajoutée à celle de la Période d'Acquisition, ne peut être inférieure à deux (2) ans suivant la Date d'Attribution. Le nombre total d'Actions attribuées par la Société en application du Sous-Plan Français ne peut excéder dix pour cent (10 %) de son capital social à la Date d'Attribution.

« **Filiale** » désigne une filiale de la Société, dont le capital social ou les droits de vote sont détenus directement ou indirectement à hauteur de dix pour cent (10 %) au moins par la Société, et toute autre société dont la Société pourrait venir à détenir, directement ou indirectement, au moins dix pour cent (10 %) du capital social ou des droits de vote.

« **Date d'Acquisition** » désigne la date à laquelle les conditions indiquées dans le Contrat d'Attribution sont remplies et les Actions Gratuites sont définitivement acquises et livrées, étant précisé que cette date ne peut intervenir avant le premier (1er) anniversaire de la Date d'Attribution.

28. Miscellaneous Provisions. The following Section shall be added to this French Sub-Plan:

(a) **Severability.** In the event that any term or condition of the Plan and this French Sub-Plan is considered to be void under applicable law in any jurisdiction with respect to any French-Resident Participant, the Plan and this French Sub-Plan shall be interpreted in respect of such French-Resident Participant as if they did not contain such term or condition. All other terms and conditions of the Plan and this French Sub-Plan that are valid shall remain fully in force and shall be interpreted and applied in the manner that most closely respects the original intention of the Plan and this French Sub-Plan.

(b) **Language.** The Plan and this French Sub-Plan shall be translated into French but if the translated versions are different than the English version, the English version will prevail.

28. Divers. L'article suivant est ajouté au Sous-Plan Français :

(a) **Dissociabilité.** Si une clause ou une condition du Plan ou du présent Sous-Plan Français venait à être considérée comme étant nulle d'après le droit applicable de n'importe quel État, le Plan et le présent Sous-Plan Français devront être interprétés, pour le Participant Résident Français concerné, comme s'ils ne renfermaient pas cette clause ou cette condition. Toutes les autres clauses et conditions du Plan et du présent Sous-Plan Français qui sont valables resteront pleinement applicables et devront être interprétées et s'appliquer d'une manière qui respecte le plus étroitement possible l'intention originale du Plan et du présent Sous-Plan Français.

(b) **Langue.** Le Plan et le présent Sous-Plan Français seront traduits en français, mais si les versions traduites sont différentes de la version anglaise, la version anglaise prévaudra.

FACEBOOK, INC.
2012 EQUITY INCENTIVE PLAN
NOTICE OF RESTRICTED STOCK UNIT AWARD
GRANT NUMBER:

Unless otherwise defined herein, the terms defined in the Facebook, Inc. (the “*Company*”) 2012 Equity Incentive Plan (the “*Plan*”) shall have the same meanings in this Notice of Restricted Stock Unit Award (the “*Notice*”).

Name:

Address:

You (“*Participant*”) have been granted an award of Restricted Stock Units (“*RSUs*”) under the Plan subject to the terms and conditions of the Plan, this Notice and the attached Award Agreement (Restricted Stock Units) (hereinafter “*RSU Agreement*”).

Number of RSUs:

Date of Grant:

Vesting Commencement Date:

Expiration Date: The date on which settlement of all RSUs granted hereunder occurs, with earlier expiration upon the Termination Date

Vesting Schedule: Subject to the limitations set forth in this Notice, the Plan and the RSU Agreement, the RSUs will vest in accordance with the following schedule:

By accepting (whether in writing, electronically or otherwise) the RSUs, and as a condition to and in consideration of the grant, vesting, and settlement of the RSUs, Participant acknowledges and agrees to the following:

Participant agrees and acknowledges that in the event Participant’s service status with the Company (or a Subsidiary or affiliate, as the case may be) changes: (i) the Vesting Schedule may change prospectively, or (ii) a portion of the award may be subject to forfeiture. Any such changes or forfeiture will occur in accordance with Company policies including but not limited to policies relating to full- or part-time status, leaves of absence, work schedules, and vesting of awards.

Participant understands that Participant’s employment or consulting relationship or service with the Company (or a Subsidiary or affiliate, as the case may be) is for an unspecified duration, can be terminated at any time in accordance with the applicable law (which may include “at-will” employment) and that nothing in this Notice, the RSU Agreement or the Plan changes the nature of that relationship. Participant acknowledges that the vesting of the RSUs pursuant to this Notice is earned only by continuing service as an Employee, Director or Consultant of the Company (or a Subsidiary or affiliate, as the case may be). By receiving the RSUs, Shares, or otherwise any benefit relating to the RSUs, Participant also acknowledges that this Notice is subject to the terms and conditions of both the RSU Agreement and the Plan, both of which are incorporated herein by reference, Participant has read both the RSU Agreement and the Plan, and Participant consents to the electronic delivery as set forth in the RSU Agreement.

Finally, please note that the RSU Agreements includes the Jurisdiction-Specific Addendum, which provides additional notices, disclaimers, and/or terms and conditions that apply to employees in the countries listed. Participant understands and agrees that if Participant works, resides, moves to, or otherwise is or becomes subject to applicable laws or Company policies of any such jurisdictions at any time, such jurisdiction-specific notices, disclaimers and/or terms and conditions will apply to Participant, unless otherwise determined by the Company in its sole discretion. In particular, any elections or special provisions for such country (including but not limited to provisions for certain tax treatment; social contributions; potential or mandatory forfeiture of grants in certain circumstances or countries, e.g., Israel or China; and applicable holding periods, sale restrictions, or processing of proceeds) may apply to Participant's RSUs or Shares as from the date of grant, even if Participant was not subject to such country laws or policies at the time of grant. However, because applicable laws and policies are subject to change, the Jurisdiction-Specific Addendum is not exhaustive. As provided for in the RSU Agreement, the Company also retains the right to impose other requirements in relation to Participant's participation in the Plan to the extent necessary or advisable in order to comply with applicable laws or facilitate the administration of the Plan or this Agreement and to require Participant to sign any additional agreements or undertakings that may be necessary or advisable to accomplish the foregoing.

If Participant does not wish to accept the RSUs and the terms and conditions of the RSU Agreement and the Plan, Participant should notify peeps@fb.com anytime prior to 14 calendar days before the first vesting event. In this case, the RSU award will be cancelled and no benefits from the RSU award nor any compensation or benefits in lieu of the RSU award will be provided to Participant.

FACEBOOK, INC.
2012 EQUITY INCENTIVE PLAN
RESTRICTED STOCK UNIT AWARD AGREEMENT

Unless otherwise defined herein, the terms defined in the Facebook, Inc. (the “**Company**”) 2012 Equity Incentive Plan (the “**Plan**”) shall have the same defined meanings in this Award Agreement (Restricted Stock Units) (the “**Agreement**”).

Participant has been granted Restricted Stock Units (“**RSUs**”) subject to the terms, restrictions and conditions of the Plan, the Notice of Restricted Stock Unit Award (the “**Notice**”) and this Agreement (including any and all exhibits and addenda thereto).

1. **Settlement.** Settlement of RSUs shall be made within 30 days following the applicable date of vesting under the vesting schedule set forth in the Notice. Settlement of RSUs shall be in Shares.
 2. **No Stockholder Rights.** Unless and until such time as Shares are issued in settlement of vested RSUs, Participant shall have no ownership of the Shares allocated to the RSUs and shall have no right to dividends or to vote such Shares.
 3. **Dividend Equivalents.** Dividends, if any (whether in cash or Shares), shall not be credited to Participant.
 4. **Non-Transferability of RSUs.** RSUs may not be sold, assigned, transferred, pledged, hypothecated, or otherwise disposed of in any manner other than by will or by the laws of descent or distribution or unless otherwise permitted by the Committee on a case-by-case basis.
 5. **Termination.** If Participant’s service Terminates for any reason, all unvested RSUs shall be forfeited to the Company forthwith, and all rights of Participant to such RSUs shall immediately terminate. In case of any dispute as to whether Termination has occurred, the Company shall have sole discretion to determine whether such Termination has occurred and the effective date of such Termination for purposes of the Plan. For the avoidance of doubt, it is noted that, except as may be agreed to in the sole discretion of the Company, if Participant is Terminated by his/her employer for any reason or if Participant’s Termination is due to his/her voluntary resignation, all unvested RSUs shall be forfeited as of the date on which Participant is no longer actively providing services, and no vesting shall continue during any notice period that may be mandated in relation to his Termination, whether specified under contract or applicable law, including any “garden leave” or similar period.
 6. **Withholding Taxes.** Prior to the settlement of Participant’s RSUs and as a condition to and in consideration of the grant, vesting, and settlement of the RSUs, Participant shall pay or make adequate arrangements satisfactory to the Company (and any Subsidiary or affiliate) to satisfy all withholding obligations of the Company (and any Subsidiary or affiliate) and any other amounts in relation to the RSUs, including any applicable taxes, social contributions, required deductions, or other payments. In this regard, Participant authorizes the Company (and any Subsidiary or affiliate) to withhold all such amounts legally payable by Participant. In this regard, Participant authorizes the Company (and any Subsidiary or affiliate), at the direction and discretion of the Committee, to satisfy all obligations by one or a combination of the following: (i) payment of a cash amount by Participant, (ii) by withholding from Participant’s wages or other cash compensation paid to Participant by the Company (and any Subsidiary or affiliate), (iii) withholding Shares based on the Fair Market Value of the Shares that otherwise would be issued to Participant when Participant’s RSUs are settled, provided that the Company does not withhold more than the amount of Shares necessary to satisfy the maximum statutory withholding amount, (iv) by withholding from proceeds of the sale of Shares acquired upon settlement of the RSUs through a voluntary or mandatory sale arranged by the Company (on Participant’s behalf pursuant to this authorization without further action by Participant), or (v) by any other arrangement approved by the Committee, all under such rules as may be established by the Committee and in compliance with the Company’s Insider Trading Policy and 10b5-1 Trading Plan Policy, if applicable. The Company may refuse to deliver the Shares or the proceeds from the sale of Shares if Participant fails to comply with Participant’s obligations in connection with the tax withholding or other payments as described in this section.
 7. **Acknowledgment.** As a condition to, and in consideration of, the grant, vesting, and settlement of the RSUs, the Company and Participant agree that the RSUs are granted under and governed by the Notice, this Agreement (including the Jurisdiction-Specific Addendum hereto) and the provisions of the Plan. By receiving the RSUs, Shares, or otherwise any benefit relating to the RSUs, Participant: (i) acknowledges receipt of a copy of the Plan and the Plan prospectus, (ii) represents that Participant has carefully read and is familiar with their provisions, and (iii) hereby accepts the RSUs subject to all of the terms and conditions set forth herein and those set forth in the Plan and the Notice.
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8. Entire Agreement; Enforcement of Rights. This Agreement, the Plan and the Notice constitute the entire agreement and understanding of the parties relating to the subject matter herein and supersede all prior discussions between them. Any prior agreements, commitments or negotiations concerning the issuance of the Shares hereunder are superseded. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing and signed by the parties to this Agreement. The failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of any rights of such party.

9. Data Protection. Unless otherwise provided for in the Jurisdiction-Specific Addendum hereto, in order to enable the Company to properly administer the Plan and the RSUs received by the Participant pursuant to the Plan, Participant hereby gives explicit consent to the Company, any Subsidiary, Parent or Affiliate of the Company, and/or any delegates to collect and process (electronically or otherwise) personal data, including sensitive and financial data, about himself or herself necessary to administer the Plan and RSUs received by Participant pursuant to the Plan. Such data may include, but is not limited to, Participant's name, work authorization, government or tax identification number, date of birth, beneficiaries' contact information, RSU grant history, and compensation information. Participant also hereby gives explicit consent to the Company and any Subsidiary, Parent or Affiliate of the Company to transfer (electronically or otherwise) any such data outside the country in which Participant is living or employed (including to the United States), as well as to third-party providers (in Participant's home country or the United States or other countries) of legal, tax, benefits, administration or other services to the Company (and any Subsidiary, Parent or Affiliate of the Company) or employees of any such entity, including but not limited to the designated broker for the Plan, Charles Schwab. The legal person for whom such personal data is intended to be used is the Company and/or any Subsidiary, Parent or Affiliate of the Company. Participant further understands that the Company and/or its Subsidiary, Parent or Affiliate may report information regarding the Participant and/or the RSU to tax authorities or other governmental agencies as may be required to comply with applicable laws.

10. Compliance with Laws and Regulations. The issuance of Shares will be subject to and conditioned upon compliance by the Company and Participant with all applicable national or local laws and regulations and with all applicable requirements of any stock exchange or automated quotation system on which the Company's Common Stock may be listed or quoted at the time of such issuance or transfer. Furthermore, the applicable laws of the jurisdiction in which Participant is living or working at the time of grant, vesting and/or settlement of the RSUs and/or disposition of the Shares received thereunder (including any rules or regulations governing securities, exchange control, tax, labor or other matters) and any other applicable laws may restrict or prevent settlement of the RSUs and/or disposition of the Shares received thereunder or may subject Participant to additional procedural or regulatory requirements. The Company will be under no obligation to register or qualify the Plan, the RSUs or the Shares with, or to effective compliance with the registration, qualification or other requirements of, any foreign governmental authority and the Company will have no liability for any inability or failure to do so.

11. Jurisdiction-Specific Addendum and Additional Requirements. The RSUs, any Shares to be issued upon settlement of the RSUs and participation in the Plan shall be subject to any different or additional terms and conditions set forth in the Jurisdiction-Specific Addendum hereto. Moreover, the Company reserves the right to impose other requirements on the RSUs, the Shares to be issued upon settlement of the RSUs and participation in the Plan to the extent necessary or advisable for legal or administrative reasons and to require Participant to sign any additional agreements or undertakings that may be necessary or advisable to accomplish the foregoing. Such requirements will apply as from the date of grant, including in circumstances where Participant moves to another country after the date of grant, unless otherwise determined by the Company in its sole discretion.

12. Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (a) such provision shall be excluded from this Agreement, (b) the balance of this Agreement shall be interpreted as if such provision were so excluded and (c) the balance of this Agreement shall be enforceable in accordance with its terms.

13. Governing Law; Choice of Venue. This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of Delaware, without giving effect to principles of conflict of laws. For purposes of litigating any dispute that may arise directly or indirectly from the Plan, the Notice and this Agreement, the parties hereby submit and consent to litigation in the exclusive jurisdiction of the State of California and agree that any such litigation shall be conducted only in the courts of California or the federal courts of the United States for the Northern District of California and no other courts.

14. No Rights as Employee, Director or Consultant. Nothing in this Agreement shall affect in any manner whatsoever the right or power of the Company, or a Parent, Subsidiary or Affiliate of the Company, to terminate Participant's service in

accordance with applicable laws, which may provide for the termination of Participant's service for any reason, with or without cause.

15. Nature of Grant. As a condition to, and in consideration of, the grant, vesting, and settlement of RSUs, and in receiving the award of RSUs, Shares, or any other benefit relating to the RSUs, Participant acknowledges, understands and agrees that:

- (a) the Plan is established voluntarily by the Company, it is discretionary in nature, and it may be unilaterally modified, amended, suspended or terminated by the Company at any time, unless otherwise provided in the Plan and this Agreement;
- (b) the grant of the RSUs is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of RSUs or other Awards, or benefits in lieu of RSUs, even if RSUs have been granted in the past;
- (c) all decisions with respect to future grants of RSUs, if any, will be at the sole discretion of the Company;
- (d) Participant is voluntarily participating in the Plan;
- (e) the RSUs and the Shares subject to the RSUs, and the income from and value of same, are an extraordinary item that do not constitute compensation of any kind for services of any kind rendered to the employer, the Company or any Subsidiary or Parent of the Company and are outside the scope of Participant's employment or service contract, if any;
- (f) the RSU and the shares of Common Stock subject to the RSU, and the income from and value of same, are not intended to replace any pension rights or compensation;
- (g) the RSUs and the Shares subject to the RSUs, and the income from and value of same, are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculation of any severance, resignation, termination, redundancy, end of service payments, bonuses, holiday pay, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the employer, the Company or any Subsidiary, Parent or Affiliate of the Company;
- (h) unless otherwise agreed with the Company, the RSU and the Shares subject to the RSUs, and the income from and value of same, are not granted as consideration for, or in connection with, the service Participant may provide as a director of a Parent, Subsidiary or Affiliate of the Company;
- (i) the RSUs and Participant's participation in the Plan will not be interpreted to form an employment or service contract or relationship with the Company or with any Parent, Subsidiary or Affiliate of the Company;
- (j) the future value of the underlying Shares to be issued when the RSUs are settled is unknown, indeterminable and cannot be predicted with certainty and neither the Company nor any Parent, Subsidiary or Affiliate of the Company will be liable for any decrease in the value of such RSUs or Shares or for any foreign exchange rate fluctuations between Participant's local currency and the United States Dollar that may affect the value of any benefit Participant may receive in relation to the RSUs or the Shares to be issued pursuant to the settlement of the RSUs; and
- (k) no claim or entitlement to compensation or damages shall arise from forfeiture of the RSUs resulting from Termination or from any diminution in value of the RSUs or Shares acquired upon settlement of the RSUs for any reason.

16. Language. Participant acknowledges that Participant is sufficiently proficient in English, or has consulted with an advisor who is sufficiently proficient in English, so as to allow Participant to understand the terms and conditions of this Agreement. If the Notice, the Plan, this Agreement or any other documents relating to the RSUs has been provided in a language other than English, the English language documents will prevail in the case of any ambiguities or divergences as a result of translation.

17. Acknowledgment and Acceptance. By Participant's acceptance (whether in writing, electronically or otherwise) of the Notice or receipt of the RSUs, Shares or any other benefit relating to the RSUs, and as a condition to and in consideration of the grant, vesting, and settlement of the RSUs:

(a) Participant and the Company agree that the RSUs are granted under and governed by the terms and conditions of the Plan, the Notice and this Agreement (including any applicable terms and conditions provided in the Jurisdiction-Specific Addendum);

(b) Participant acknowledges receipt of a copy of the Plan and the Plan prospectus and represents that Participant has carefully read and is familiar with the provisions of the Plan, the Plan prospectus, the Notice and this Agreement and has had an opportunity to obtain the advice of counsel prior to executing this Agreement;

(c) Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions relating to the Plan, the Notice and this Agreement;

(d) Participant consents to the electronic delivery of the Notice, this Agreement, the Plan, account statements, Plan prospectuses required by the SEC, U.S. financial reports of the Company, and all other documents that the Company is required to deliver to its security holders (including, without limitation, annual reports and proxy statements) or other communications or information related to the RSUs; electronic delivery may include the delivery of a link to a Company intranet or the internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other delivery determined at the Company's discretion; and

(e) Participant agrees to notify the Company upon any change in Participant's residence address.

Jurisdiction-Specific Addendum

This Jurisdiction-Specific Addendum (the “**Addendum**”) includes additional (or, if so indicated, different) terms and conditions that govern the RSUs if Participant is subject to the laws of one or more of the jurisdictions listed herein. If Participant is a citizen or resident of a jurisdiction (or is considered as such for local law purposes) other than the one in which he or she is currently residing and/or working or if Participant transfers to another jurisdiction after being granted the RSUs, the Company will, in its discretion, determine the extent to which the terms and conditions contained herein will be applicable to Participant.

This Addendum also includes notifications relating to issues of which Participant should be aware with respect to his or her participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the jurisdictions as of January 2020. Such laws are often complex and change frequently. As a result, Participant should not rely on the information in this Addendum as the only source of information relating to the consequences of his or her participation in the Plan because the information may be out of date at the time the RSUs vest or are settled or at the time Participant sells Shares acquired under the Plan. In addition, the notifications are general in nature and may not apply to Participant’s particular situation, and the Company is not in a position to assure Participant of any particular result. Accordingly, Participant should seek appropriate professional advice as to how the laws in the relevant jurisdictions may apply to Participant’s situation. If Participant is a citizen or resident of a jurisdiction (or is considered as such for local law purposes) other than the one in which Participant is currently working and/or residing or if Participant transfers to another jurisdiction after being granted the RSUs, the information contained herein may not be applicable to Participant in the same manner.

This Addendum forms part of the Agreement and should be read in conjunction with the Agreement and the Plan. Unless otherwise defined herein, the terms defined in the Plan or the Agreement, as applicable, shall have the same defined meanings in this Addendum.

**All Non-U.S.
Jurisdictions****Taxes**

The following supplements Section 6 of the Agreement:

Participant acknowledges that, regardless of any action taken by the Company or, if different, the Subsidiary or Affiliate employing Participant (the “**Employer**”), the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to participation in the Plan and legally applicable to Participant (“**Tax-Related Items**”) is and remains Participant's responsibility and may exceed the amount, if any, actually withheld by the Company or the Employer. Participant further acknowledges that the Company and/or the Employer make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the RSUs, including, but not limited to, the grant, vesting or settlement of the RSUs, the subsequent sale of Shares acquired upon settlement and the receipt of any dividends, and do not commit to and are under no obligation to structure the terms of the grant or any aspect of the RSUs to reduce or eliminate my liability for Tax-Related Items or achieve any particular tax result. Further, if Participant is subject to Tax-Related Items in more than one jurisdiction, Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Without derogating from the provisions of Section 6(iii) above, the Company may withhold or account for Tax-Related Items by considering statutory or other withholding rates, including minimum or maximum rates applicable in Participant's jurisdiction. If the Company determines the withholding amount using maximum applicable rates, any over-withheld amount may be refunded in cash in accordance with applicable laws with no entitlement to the equivalent in Shares), or if not refunded, Participant may seek a refund from the local tax authorities. In the event of under-withholding, Participant may be required to pay any additional Tax-Related Items directly to the applicable tax authority or the Company and/or the Employer. Further, if the obligation for the Tax-Related Items is satisfied by withholding Shares as described in Section 6(iii) above, for tax purposes, Participant will be deemed to have been issued the full number of Shares subject to the vested RSUs, notwithstanding that a number of the Shares is held back solely for the purpose of paying the Tax-Related Items.

Insider Trading Restrictions/Market Abuse Laws

Participant acknowledges that, depending on Participant's or Participant's broker's country of residence or where the Shares are listed, Participant may be subject to insider trading restrictions and/or market abuse laws which may affect his or her ability to accept, acquire, sell or otherwise dispose of the Shares, rights to Shares (e.g., RSUs) or rights linked to the value of Shares (e.g., phantom awards, futures) during such times Participant is considered to have “inside information” regarding the Company as defined in the laws or regulations in his or her country. Local insider trading laws and regulations may prohibit the cancellation or amendment of orders Participant placed before he or she possessed inside information. Furthermore, Participant could be prohibited from (i) disclosing the inside information to any third party and (ii) “tipping” third parties or causing them otherwise to buy or sell securities. Keep in mind third parties includes fellow employees. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under Facebook, Inc. Insider Trading Policy as may be amended from time to time. Participant acknowledges that it is his or her responsibility to comply with any restrictions and that Participant should consult his or her personal legal advisor on this matter.

Exchange Control, Foreign Asset/Account Reporting, and Other Requirements

Without limitation to any requirements noted below for any specific country, Participant may be subject to foreign asset/account, exchange control and/or tax reporting requirements as a result of the vesting and settlement of the RSUs, the acquisition, holding and/or transfer of Shares or cash resulting from participation in the Plan and/or the opening and maintaining of a brokerage or bank account in connection with the Plan. Participant may be required to report such assets, accounts, account balances and values, and/or related transactions to the applicable authorities in his or her country. Participant may also be required to repatriate sale proceeds or other funds received as a result of his or her participation in the Plan to his or her country through a designated bank or broker and/or within a certain time after receipt. Participant acknowledges that it is his or her responsibility to comply with any applicable foreign asset/account, exchange control and tax reporting and other requirements and that Participant should consult his or her personal tax and legal advisors on these matters.

Securities Law Notice

Unless otherwise noted herein, neither the Company nor the Shares are registered with any local stock exchange or under the control of any local securities regulator outside the U.S. This Agreement, the Plan, and any other communications or materials that Participant may receive regarding participation in the Plan do not constitute advertising or an offering of securities outside the U.S. The issuance of securities described in any Plan-related documents is not intended for offering or public circulation in Participant's jurisdiction.

Data Privacy

The following provision supplements Section 9 of the Agreement by describing the “**Personal Information**” that the Company collects about Participants in the context of participation in the Plan, as well as the purposes for which the Company collects and uses that information.

I. Does the Company collect Participant’s Personal Information?

When the Company says Personal Information in this Jurisdiction-Specific Addendum, the Company means information that identifies, relates to, describes, is reasonably capable of being associated with, or could reasonably be linked, directly or indirectly, with Participant. Personal Information does not include information that is aggregated or information that cannot be reasonably linked to Participant. The Company must process information about Participant, including Personal Information, for participation in the Plan. The categories of Personal Information the Company has collected or may collect about Participant include:

- **Identifiers**, such as name, contact information (e.g. home address, phone number, email address), date of birth, Employee ID number, social security number, government ID number.
- **Data with Special Protections**, such as citizenship or nationality.
- **Professional or Employment Information**, including current position, title, employment status, salary plan, pay grade or level, working hours, hours worked, leave information, and termination date.
- **Financial Information**, including payroll information and any equity, shares of stock or directorships held in the Company and its Affiliates, details of all RSUs or any other entitlement to equity granted, canceled, vested, unvested or outstanding in Participant’s favor, which the Company receives from Participant or, if different from the Company, Participant’s employer.

II. How does the Company use Personal Information?

The Company uses the Personal Information described above in the context of Participant’s participation in the Plan. Company’s business purposes for collecting this information include:

- **To manage Company’s employment relationship with Participant**, for example:
 - o To determine and administer employee benefits, such as RSUs;
 - o To pay Participant, and to determine local and foreign taxes;
 - o To respond to Participant’s inquiries (e.g., via peeps@ or via Participant’s HR Business Partner), Company will use Participant’s information in order to resolve the inquiry and answer Participant’s questions.
 - **To maintain and improve efficiencies and processes in the workplace, to inform management decisions, and for effective employee administration**, for example:
 - o To prepare management reporting and perform analysis.
 - **To maintain the safety and security of the Company, Company’s employees and others, to comply with contractual obligations, to enforce Company’s policies, and to defend Participant’s or the Company’s interests in legal proceedings**, for example:
 - o To prevent and detect inappropriate or malicious activities;
 - o To defend Participant’s or Company’s interests in actual or threatened legal proceedings, or regulatory, administrative, or legislative inquiries or investigations;
 - o Company processes Participant’s information in the context of mergers, acquisitions and divestitures, in order to manage such transactions.
 - **Where legal and regulatory obligations require Company to do so**, for example:
 - o To prevent fraud;
 - o For the purposes of financial and tax regulation, Shares required information with applicable tax, social welfare, employment authorities;
 - o To provide a working environment free from unlawful discrimination (e.g. diversity and equal opportunities monitoring) and complying with other employment protection and social security and social protection legislation.
-

European Union
("EU")/ European
Economic Area
("EEA")/ United
Kingdom

Data Privacy

The following replaces Section 9 of the Agreement:

In order to offer participation in the Plan, it is necessary for the Company to collect and process certain information about Participant. Further detail about this is set out below.

Participant's participation in the Plan is voluntary. Participant may withdraw from the Plan at any time. Withdrawal from the Plan will not affect Participant's salary as an employee or his or her employment; Participant would merely forfeit the opportunities and benefits associated with the Plan.

If Participant withdraws from the Plan, the Company will cease to use Participant's information for the purpose of the Plan (subject to the data retention requirements set out below).

Data Collection and Usage. *The Company collects, uses, processes and transfers the following information about Participant for the purpose of administration of the Plan: name, home address, telephone number and email address, date of birth, identification number (depending on Participant's jurisdiction, e.g. social insurance number, passport number, tax identification number), salary, citizenship, nationality, job title and other company details, any equity, shares of stock or directorships held in the Company and its Affiliates, details of all RSUs or any other entitlement to equity granted, canceled, vested, unvested or outstanding in Participant's favor, which the Company receives from Participant or the Employer ("Participant Data").*

The provision of Participant Data is a contractual requirement. Participant understands, however, that the only consequence of refusing to provide Participant Data is that the Company may not be able to administer or maintain such awards.

Data Processing. *The Company will process (e.g. collect, use and transfer) Participant Data for the purposes of allocating stock and implementing, administering and managing the Plan. The Company will also process Participant Data where legal and regulatory obligations require the Company to do so, and if necessary to defend Participant's or the Company's interests in legal proceedings.*

The Company processes Participant Data:

- as necessary for the performance of the Plan,*
- as necessary to comply with the Company's legal obligations,*
- as necessary for the Company's (or others') legitimate interests, including if necessary to defend Participant's or the Company's in legal proceedings.*

Stock Plan Administration Service Providers. *The Company currently uses Charles Schwab & Co., Inc. ("Charles Schwab") as its service provider for the Plan. The Company shares Participant Data with Charles Schwab for the purposes of implementing, administering and managing the Plan. Charles Schwab is based in the United States. In the future, the Company may select a different service provider and share Participant Data with another company that serves in a similar manner. The Company's service provider(s) will open an account for Participant to receive and trade stock. Participant may be asked to agree to separate terms and data processing practices with the service provider(s), which is a condition to his or her participation in the Plan.*

The Company and its affiliates (Facebook Companies) share infrastructure, systems and technology to process Participant Data, to ensure efficiency and security, as permitted by applicable law, and in accordance with this provision of the Agreement.

International Data Transfers. *The Company and its service provider(s) are based in the United States, which means that it will be necessary for Participant Data to be transferred to, and processed in, the United States. Participant should note that his or her country may have enacted data privacy laws that are different from the United States and which may offer different levels of protection. When transferring Participant Data to these service providers, the Company provides appropriate safeguards in accordance with legally binding and permissible agreements. The legal basis for the transfer of Participant Data is based on contractual necessity for the performance of the Plan and the Company's collection and use of Participant Data will continue to be governed by this provision of the Agreement. The Company utilizes standard contractual clauses approved by the European Commission, and relies on the European Commission's adequacy decisions about certain countries, as applicable, for data transfers from the EEA to the United States and other countries.*

Data Retention. *The Company will use Participant Data only as long as is necessary to implement, administer and manage his or her participation in the Plan or as may be required by the Company in order to comply with legal or regulatory obligations, including under tax and securities laws (which will generally be no more than 7 years after the Participant ceases participating in the Plan).*

Data Subject Rights. *Under the General Data Protection Regulation, Participant has the right to access, rectify, port and erase his or her Participant Data.*

Participant also has the right to object to and restrict certain processing of his or her Personal Data. This includes the right to object to the Company's processing of his or her Personal Data where the Company is performing a task in the public interest or pursuing the Company's legitimate interests or those of a third party.

Participant also has the right to lodge a complaint with his or her local data protection supervisory authority.

If Participant would like to exercise his or her rights or raise questions regarding this provision of the Agreement, please contact MyDataPrivacyRights@fb.com. If Participant has any questions about any aspect of the Plan itself, please contact [equity programs@fb.com](mailto:equityprograms@fb.com).

<p>Argentina</p>	<p>Type of Offering Neither the RSUs nor the underlying Shares are publicly offered or listed on any stock exchange in Argentina.</p> <p>Exchange Control Notice Argentine currency exchange restrictions and reporting requirements may apply to the RSUs and any Shares acquired under the Plan; the relevant laws and regulations are subject to frequent change. Participant should consult his or her personal legal advisor to ensure compliance with the applicable requirements.</p> <p>Foreign Asset/Account Reporting Notice If Participant holds Shares as of December 31 of any year, he or she is required to report the holding of the Shares on his or her personal tax return for the relevant year.</p>
<p>Australia</p>	<p>Securities Law Notice This disclosure has been prepared in connection with offers to Participants in Australia. It has been prepared to ensure that this grant of RSUs (the “<i>Offer</i>”) complies with Australian Securities and Investments Commission (“<i>ASIC</i>”) Class Order 14/1000 and the relevant provisions of the Australian Corporations Act 2001.</p> <p>Additional Documents In addition to the information set out in the Agreement, Participant is also being provided with copies of the Plan and the U.S. prospectus for the Plan (collectively, the “<i>Additional Documents</i>”). The Additional Documents provide further information to help Participant make an informed investment decision about participating in the Plan. Neither the Plan nor the U.S. prospectus for the Plan is a prospectus for the purposes of the Australian Corporations Act 2001. Participant should not rely upon any oral statements made in relation to this Offer. Participant should rely only upon the statements contained in the Agreement and the Additional Documents when considering participation in the Plan.</p> <p>Any information given to Participant in connection with the Offer is general information only. It does not take into account the objectives, financial situation and needs of any particular person. No financial product advice is provided in the documentation relating to the Plan and nothing in the documentation should be taken to constitute a recommendation or statement of opinion that is intended to influence Participant in making a decision to participate in the Plan. Participant should consider obtaining his or her own financial product advice from an independent person who is licensed by the ASIC to give such advice.</p> <p>Common Stock Common stock of a U.S. corporation is analogous to ordinary shares of an Australian corporation. A holder of a Share is entitled to one vote for every Share held. The Shares are traded on the Nasdaq in the United States of America under the symbol “FB”. The Shares are not liable to any further calls for payment of capital or for other assessment by the Company and have no sinking fund provisions, pre-emptive rights, conversion rights or redemption provisions.</p> <p>Risks of Participation in the Plan Investment in Shares involves a degree of risk. Participants should have regard to risk factors relevant to investment in securities generally and, in particular, to the holding of Shares. For example, the price at which Shares are quoted on the Nasdaq may increase or decrease due to a number of factors. There is no guarantee that the price of the Shares will increase. Factors which may affect the price of Shares include fluctuations in the domestic and international market for listed stocks, general economic conditions, including interest rates, inflation rates, commodity and oil prices, changes to government fiscal, monetary or regulatory policies, legislation or regulation, the nature of the markets in which the Company operates and general operational and business risks.</p> <p>In addition, the Australian dollar value of any Shares acquired upon settlement will be affected by the U.S. dollar/Australian dollar exchange rate. Participation in the Plan involves certain risks related to fluctuations in this rate of exchange.</p> <p>Ascertaining the Market Price of Shares Participants may ascertain the current market price of the Shares as traded on the Nasdaq at http://www.nasdaq.com under the symbol “FB.” The Australian dollar equivalent of that price can be obtained at: http://www.rba.gov.au/statistics/frequency/exchange-rates.html.</p> <p><i>This will not be a prediction of what the market price per Share will be when the RSUs vest or when the Shares are issued or of the applicable exchange rate on the actual vesting date or date the Shares are issued.</i></p> <p>Tax Information The Plan is a plan to which Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) (the “<i>Act</i>”) applies (subject to the conditions in that Act).</p>

Belgium**Foreign Asset / Account Reporting Notice**

If Participant is a resident of Belgium, he or she will be required to report any security (e.g., Shares acquired under the Plan) or bank account (including brokerage accounts) maintained outside of Belgium on his or her annual tax return. The first time Participant reports a foreign security and/or bank account on his or her annual tax return, in a separate report, he or she will be required to provide the National Bank of Belgium with details regarding such foreign accounts (including the account number, bank name and country in which any such account was opened). The form, as well as additional information on how to complete it, can be found on the website of the National Bank of Belgium, www.nbb.be, under the caption *Kredietcentrales / Centrales des crédits*.

Brazil**Compliance with Law**

In accepting the grant of this Award, Participant agrees to comply with applicable Brazilian laws and pay any and all Tax-Related Items.

Nature of Grant

This provision supplements Section 15 of the Agreement:

By accepting the RSUs, Participant agrees that (i) he or she is making an investment decision, (ii) the Shares will be issued to him or her only if the vesting conditions are met and any necessary services are rendered by Participant over the vesting period, and (iii) the value of the underlying Shares is not fixed and may increase or decrease over the vesting period without compensation to Participant.

Exchange Control Notice

If Participant is a resident of Brazil, he or she will be required to submit a declaration of assets and rights held outside of Brazil to the Central Bank of Brazil if the aggregate value of such assets and rights (including Shares, any capital gain, dividend or profit attributable to such assets) is equal to or greater than US\$100,000.

Canada

Settlement

This provision supplements Section 1 of the Agreement:

Notwithstanding any discretion in the Plan, the Notice or the Agreement to the contrary, settlement of the RSUs shall be in Shares and not, in whole or in part, in the form of cash.

Termination

This provision replaces Section 5 of the Agreement:

If Participant's service Terminates for any reason, all unvested RSUs shall be forfeited to the Company forthwith, and all rights of Participant to such RSUs shall immediately terminate. For the avoidance of doubt, it is noted that, except as may be agreed to in the sole discretion of the Company, if Participant is Terminated by his/her employer for any reason or if Participant's Termination is due to his/her voluntary resignation, all unvested RSUs shall be forfeited as of the date that is the earlier of: (i) the date Participant's employment is terminated, and (ii) the date Participant is no longer actively providing services to the Company or any of its Subsidiaries (regardless of the reason for such Termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is employed or the terms of Participant's employment agreement, if any), and no vesting shall continue during any notice period in relation to his/her Termination, whether specified under contract or statutory, regulatory or common law, including any "garden leave" or similar period. In case of any dispute as to whether Termination has occurred, the Company shall have sole discretion to determine whether such Termination has occurred and the effective date of such Termination for purposes of the Plan.

Securities Law Notice

Participant is permitted to sell the Shares acquired under the Plan through the designated broker appointed under the Plan, if any, provided the resale of Shares acquired under the Plan takes place outside of Canada through the facilities of a stock exchange on which the Shares are listed (e.g., the Nasdaq).

Foreign Asset / Account Reporting Notice

If Participant is a Canadian resident, Participant is required to report his or her foreign specified property (including Shares and rights to receive Shares such as RSUs) on Form T1135 (Foreign Income Verification Statement) if the total value of such foreign specified property exceeds C\$100,000 at any time during the year. RSUs must be reported (generally at nil cost) if the C\$100,000 cost threshold is exceeded because of other foreign property he or she holds. When Shares are acquired, their cost generally is the adjusted cost base ("**ACB**") of the Shares which would ordinarily equal the fair market value of the Shares at the time of acquisition, but if other Shares are also owned, this ACB may have to be averaged with the ACB of the other Shares.

The following provisions apply to Participants who are residents of Quebec:

Data Privacy

The following provision supplements Section 9 of the Agreement:

Participant hereby authorizes the Company and the Company's representatives to discuss with and obtain all relevant information from all personnel, professional or not, involved in the administration and operation of the Plan. Participant further authorizes the Company and any Parent, Subsidiary or Affiliate and the administrator of the Plan to disclose and discuss the Plan with their advisors. Participant further authorizes the Company and any Parent, Subsidiary or Affiliate to record such information and to keep such information in Participant's file.

Language Consent

The parties acknowledge that it is their express wish that this Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Consentement Relatif à la Langue Utilisée

Les parties reconnaissent avoir expressément souhaité que la convention («Agreement»), ainsi que tous les documents, avis et procédures judiciaires, exécutés, donnés ou intentés en vertu de, ou liés directement ou indirectement à la présente convention, soient rédigés en langue anglaise.

China

If RSUs are granted to Participants in China, the following provisions apply to Participants who are or may become subject to exchange control restrictions in the People's Republic of China ("PRC"), including the requirements imposed by the State Administration of Foreign Exchange ("SAFE"), as determined by the Company in its sole discretion.

Vesting Schedule

This provision supplements the Vesting Schedule provision in the Notice:

Participant will not be permitted to vest in any Shares unless and until the necessary approvals for the Plan have been obtained from SAFE and remain in place, as determined by the Company in its sole discretion. Further, the Company is under no obligation to issue Shares if the Company has not obtained SAFE approval or if any such SAFE approval subsequently becomes invalid or ceases to be in effect by the time Participant vests in the RSUs.

Settlement

This provision supplements the Section 1 of the Agreement:

To facilitate compliance with regulatory requirements in China, Participant understands and agrees that the Company may require any Shares acquired upon vesting of the RSUs may be immediately sold at vesting or, at the Company's discretion, at a later time. Participant agrees that the Company is authorized to instruct the broker designated by the Company to assist with the sale of such Shares (on Participant's behalf pursuant to this authorization and without further consent) and Participant expressly authorizes the broker designated by the Company to complete the sale of such Shares. Participant acknowledges that the Company and the broker designated by the Company are under no obligation to arrange for the sale of the Shares at any particular price. Upon the sale of the Shares, the cash proceeds from the sale, less any brokerage fees or commissions, will be paid to Participant in accordance with applicable exchange control laws and regulations and provided any liability for Tax-Related Items resulting from participation in the Plan has been satisfied.

If the Company, in its discretion, does not exercise its right to require the sale of Shares immediately upon vesting, as described in the preceding paragraph, Participant understands and agrees that (a) the Shares must be held with the designated broker for the Plan and (b) the Company may require that any Shares he or she acquires under the Plan be sold no later than six (6) months after Participant's termination of employment, or within such other time frame as may be permitted by the Company or required by SAFE. Participant understands that any Shares he or she acquires under the Plan that have not been sold within six (6) months of his or her termination of employment may be sold by the broker designated by the Company at the Company's direction, pursuant to this authorization by Participant without further consent.

Exchange Control Requirements

Participant understands and agrees that he or she will be required to immediately repatriate to China any cash proceeds from the sale of the Shares or any other funds he or she acquires under the Plan. Participant further understands that such repatriation of such funds will need to be effectuated through a special exchange control account established by the Company, the Employer or any other Affiliate or Subsidiary in China, and Participant hereby consents and agrees that funds resulting from participation in the Plan may be transferred to such special account prior to being delivered to Participant.

The sale proceeds (or other funds) may be paid to Participant in U.S. dollars or local currency at the Company's discretion. In the event the funds are paid to Participant in U.S. dollars, Participant understands that he or she will be required to set up a U.S. dollar bank account in China and provide the bank account details to the Employer and/or the Company, so that the funds may be deposited into this account. If the funds are paid to Participant in local currency, Participant agrees to bear any currency fluctuation risk between the time the Shares are sold (or other funds are paid) and the time the funds are distributed to Participant through any such special account.

Participant agrees to comply with any other requirements that may be imposed by the Company (or the Company's designated broker) to facilitate compliance with exchange control requirements in China.

If Participant transfers into China after the date of grant, the Company reserves the right to require that all unvested RSUs be forfeited to the Company with all rights of Participant to such RSUs immediately terminating prior to his/her transfer of employment or services.

If the Company does not require all unvested RSUs be forfeited upon transfer into China, and if Participant is subject to exchange control restrictions in the PRC, including the requirements imposed by the SAFE, as determined by the Company in its sole discretion, the above referenced terms and conditions will apply to any unvested RSUs and Shares held by such Participant.

Colombia	<p data-bbox="259 134 422 168">Nature of Grant</p> <p data-bbox="259 168 795 199">This provision supplements Section 15 of the Agreement:</p> <p data-bbox="259 220 1575 283">Participant acknowledges that pursuant to Article 128 of the Colombian Labor Code, the Plan and related benefits do not constitute a component of “salary” for any legal purpose.</p> <p data-bbox="259 304 511 336">Exchange Control Notice</p> <p data-bbox="259 336 1575 451">Participant is responsible for complying with any and all Colombian foreign exchange requirements in connection with the RSUs, any Shares acquired and funds remitted into Colombia in connection with the Plan. This may include, among others, reporting obligations to the Central Bank (Banco de la República) and, in certain circumstances, repatriation requirements. Participant is responsible for ensuring his or her compliance with any applicable requirements and should speak to his or her personal legal advisor on this matter.</p> <p data-bbox="259 472 673 504">Foreign Asset / Account Reporting Notice</p> <p data-bbox="259 504 1575 598">Participant must file an annual informative return with the Colombian Tax Office detailing any assets held abroad. If the individual value of any of these assets exceeds a certain threshold, Participant must describe each asset and indicate the jurisdiction in which it is located, its nature and its value.</p>
Czech Republic	<p data-bbox="259 640 511 672">Exchange Control Notice</p> <p data-bbox="259 672 1575 808">Participant may be required to notify the Czech National Bank of Shares acquired under the Plan and/or of foreign accounts maintained by Participant. Such notification will be required if the aggregate value of Participant’s foreign direct investments is CZK 2,500,000 or more, Participant has a certain threshold of foreign financial assets, or Participant is specifically requested to do so by the Czech National Bank. Participant should consult with his or her personal legal advisor regarding these or any other reporting requirements that may be applicable to him or her.</p>
Denmark	<p data-bbox="259 850 470 882">Employer Statement</p> <p data-bbox="259 882 1575 945">Participant acknowledges that he or she has received the attached Employer Statement, translated into Danish, which includes a description of the terms of the RSUs as required by the Danish Stock Option Act, to the extent that the Danish Stock Option Act applies to the RSUs.</p>

SPECIAL NOTICE FOR EMPLOYEES IN DENMARK
EMPLOYER STATEMENT

Pursuant to Section 3(1) of the Act on Stock Options in employment relations, as amended January 1, 2019 (the “*Stock Option Act*”), you are entitled to receive the following information regarding the restricted stock units granted to you by Facebook, Inc. (the “*Company*”) under the Facebook, Inc. 2012 Equity Incentive Plan (the “*Plan*”) in a written statement.

This statement contains information applicable to your participation in the Plan, as required under the Stock Option Act, while the other terms and conditions of your restricted stock units (“*RSUs*”) are described in detail in the Plan and the Restricted Stock Unit Award Agreement (the “*Agreement*”), both of which have been made available to you. Capitalized terms used but not defined herein shall have the same meanings given to them in the Plan or the Agreement, as applicable.

Section 1 of the Stock Option Act provides that the Stock Option Act only applies to employees. Employees are defined in section 2 of the Stock Option Act as persons who receive remuneration for their personal services in an employment relationship. Persons, including managers, who are not regarded as employees under the Stock Option Act, will not be subject to the Stock Option Act. If you are not an employee within the meaning of the Stock Option Act, the Company therefore has no obligation to issue an employer information statement to you and you will not be able to rely on this statement for legal purposes, since only the terms and conditions set out in the Plan apply.

1. Date of grant

The date of grant of your RSUs is the date that the Board or Committee that approved a grant for you determined it would be effective, which is set forth in the Notice.

2. Terms or conditions for RSU grant

The grant of RSUs under the Plan is made at the sole discretion of the Company. Employees, Non-Employee Directors and Consultants of the Company and its Affiliates, are eligible to receive grants under the Plan. The Board has broad discretion to determine who will receive RSUs and to set the terms and conditions of the RSUs. The Company may decide, in its sole discretion, not to make any grants of RSUs to you in the future. Under the terms of the Plan and the Agreement, you have no entitlement or claim to receive future grants of RSUs.

3. Vesting date or period

The RSUs will vest over a period of time (as set forth in the Agreement), subject to your continued employment through the applicable vesting date and other conditions set forth in the Plan and Agreement, and subject to Section 5 of this statement.

4. Exercise Price

No exercise price is payable upon the conversion of your RSUs into Shares in accordance with the vesting and settlement schedule described in the Agreement.

5. Your rights upon termination of employment

If your service Terminates for any reason, all unvested RSUs will be forfeited to the Company forthwith, and all rights to such RSUs shall immediately terminate. In case of any dispute as to whether Termination has occurred, the Company shall have sole discretion to determine whether such Termination has occurred and the effective date of such Termination for purposes of the Plan. For the avoidance of doubt, it is noted that, except as may be agreed to in the sole discretion of the Company, if you are Terminated by your Employer for any reason or if your Termination is due to your voluntary resignation, all unvested RSUs will be forfeited as of the date on which you are no longer actively providing services.

6. Financial aspects of participating in the Plan

The grant of RSUs has no immediate financial consequences for you. The value of the RSUs is not taken into account when calculating holiday allowances, pension contributions or other statutory consideration calculated on the basis of salary.

Shares of stock are financial instruments and investing in stock will always have financial risk. The future value of Company shares is unknown and cannot be predicted with certainty.

Facebook, Inc.

1601 Willow Road
Menlo Park, CA 94025
U.S.A.

SÆRLIG MEDDELELSE TIL MEDARBEJDERE I DANMARK
ARBEJDSGIVERERKLÆRING

I henhold til § 3, stk. 1, i lov om brug af køberet eller tegningsret mv. i ansættelsesforhold, som ændret 1. januar 2019, ("Aktieoptionsloven") er du berettiget til i en skriftlig erklæring at modtage følgende oplysninger om de betingede aktier (på engelsk: Restricted Stock Units), som du tildeles af Facebook, Inc. ("Selskabet") i henhold til Facebook, Inc.'s 2012 Equity Incentive Plan ("Planen").

Denne erklæring indeholder, i henhold til Aktieoptionsloven, de oplysninger, der er gældende for din deltagelse i Planen, mens de øvrige kriterier og betingelser for dine betingede aktier ("Betingede Aktier") er beskrevet nærmere i Planen og i Restricted Stock Unit Award Agreement ("Aftalen"), som begge er stillet til rådighed for dig. Begreber, der står med stort begyndelsesbogstav i denne arbejdsgivererklæring, men som ikke er defineret heri, har den betydning, der er defineret i Planen, hhv. Aftalen.

I henhold til Aktieoptionslovens § 1 finder loven kun anvendelse for lønmodtagere. Lønmodtagere er defineret i Aktieoptionslovens § 2 som personer, der modtager vederlag for personligt arbejde i tjenesteforhold. Personer, herunder direktører, som ikke anses for at være lønmodtagere i Aktieoptionslovens forstand, er ikke omfattet af Aktieoptionsloven. Hvis du ikke er lønmodtager i Aktieoptionslovens forstand, er Selskabet derfor ikke forpligtet til at udstede en arbejdsgivererklæring til dig, og du vil ikke i juridisk henseende kunne henholde dig til denne arbejdsgivererklæring, da alene Planens vilkår er gældende.

1. Tildelingstidspunkt

Tidspunktet for tildelingen af dine Betingede Aktier er den dag, hvor den Bestyrelse eller Komité, der godkendte din tildeling, besluttede, at den skulle træde i kraft. Tidspunktet fremgår af Meddelelsen.

2. Vilkår og betingelser for tildelingen af Betingede Aktier

Betingede Aktier, der er omfattet af Planen, tildeles udelukkende efter Selskabets skøn. Tildeling kan i henhold til Planen ske til Medarbejdere, Bestyrelsesmedlemmer og Konsulenter i Selskabet og dets Tilknyttede Selskaber. Bestyrelsen har vide beføjelser til at bestemme, hvem der skal modtage Betingede Aktier, og til at fastsætte betingelserne for de Betingede Aktier. Selskabet kan frit vælge fremover ikke at tildele dig Betingede Aktier. I henhold til bestemmelserne i Planen og Aftalen har du hverken ret til eller krav på fremover at få tildelt Betingede Aktier.

3. Modningstidspunkt eller -periode

De Betingede Aktier modnes over en periode (som anført i Aftalen), forudsat at du på det relevante modningstidspunkt opfylder betingelsen om fortsat ansættelse og de øvrige betingelser i Planen og i Aftalen, og med forbehold for pkt. 5 i denne erklæring.

4. Udnyttelseskurs

Ingen udnyttelseskurs skal betales i forbindelse med konvertering af dine Betingede Aktier til Aktier i overensstemmelse med den i Aftalen beskrevne modnings- og udnyttelsesplan.

5. Din retsstilling i forbindelse med fratræden

I tilfælde af dit ansættelsesforholds Ophør, uanset årsagen hertil, vil alle ikke-modnede Betingede Aktier straks tilfalde Selskabet, og alle rettigheder til sådanne Betingede Aktier vil bortfalde med omgående virkning. Såfremt der opstår uenighed om, hvorvidt der foreligger et Ophør, vil Selskabet være berettiget til efter eget skøn at afgøre, hvorvidt der foreligger et sådant Ophør, og fra hvilken dato et eventuelt Ophør er indtrådt. For god ordens skyld fremhæves det, at hvis dit ansættelsesforhold bringes til Ophør af din Arbejdsgiver, eller hvis dit ansættelsesforholds Ophør skyldes din egen opsigelse, vil alle ikke-modnede Betingede Aktier - medmindre Selskabet efter eget valg har accepteret andet - bortfalde med virkning fra den dato, hvor du ikke længere aktivt arbejder for din Arbejdsgiver.

6. Økonomiske aspekter ved deltagelse i Planen

Tildelingen af Betingede Aktier har ingen umiddelbare økonomiske konsekvenser for dig. Værdien af de Betingede Aktier indgår ikke i beregningen af feriepenge, pensionsbidrag eller øvrige lovbestemte, vederlagsafhængige ydelser.

Aktier er finansielle instrumenter, og investering i aktier vil altid være forbundet med en økonomisk risiko. Den fremtidige værdi af Selskabets aktier kendes ikke og kan ikke forudsiges med sikkerhed.

Facebook, Inc.
1601 Willow Road
Menlo Park, CA 94025
U.S.A.

France

French Sub-Plan

The RSUs are intended to qualify for specific treatment under French tax and social security laws and are subject to the provisions below and the Sub-Plan to the Facebook, Inc. 2012 Equity Incentive Plan, Qualified Restricted Stock Units (FRANCE) (the “**French Sub-Plan**”), which has been provided to Participant and is incorporated herein. Capitalized terms below shall have the same definitions assigned to them under the French Sub-Plan and the Agreement.

Settlement

This provision supplements Section 1 of the Agreement:

Notwithstanding any discretion in the Plan, the Notice or the Agreement to the contrary, settlement of the RSUs shall be in Shares and not, in whole or in part, in the form of cash.

Termination

This provision supplements Section 5 of the Agreement:

Notwithstanding anything to the contrary stated herein, in the Notice, the Plan or the French Sub-Plan, death of a Participant’s will not cause such Participant’s unvested RSUs to be immediately forfeited to the Company. In the case of Participant’s death, if the Participant’s heir or heirs request the delivery of the Shares subject to the RSUs within a period of six (6) months following the Participant’s death, then the RSUs will be settled in Shares as soon as practicable following the request. If no such request is made within six (6) months following the Participant’s death, the RSUs will be forfeited.

Non-Transferability of RSUs

This provision replaces Section 4 of the Agreement:

RSUs may not be sold, assigned, transferred, pledged, hypothecated, or otherwise disposed of in any manner other than by will or by the laws of descent and, in any event, always in accordance with applicable laws.

Minimum Vesting Period

Notwithstanding anything to the contrary stated herein, in the Notice, the Plan or the French Sub-Plan, save in the case of death a Participant, RSUs will not vest nor be settled before the first (1st) annual anniversary of the Grant Date (as defined under the French Sub-Plan) or such other period as is required to comply with the minimum mandatory vesting period applicable to Shares underlying French-qualified Restricted Stock Units under Section L. 225-197-1 of the French Commercial Code, as amended, or by the French Tax Code or French Social Security Code, as amended.

Mandatory Holding Period

Notwithstanding anything to the contrary stated herein, in the Notice, the Plan or the French Sub-Plan, any Shares issued to Participant upon settlement of the RSUs must be held (and cannot be sold or transferred) until the expiration of a period which, together with the vesting period, can be no less than two years from the Grant Date, or such other period as is required to comply with the minimum mandatory holding period applicable to Shares underlying French-qualified Restricted Stock Units under Section L. 225-197-1 of the French Commercial Code, as amended, or by the French Tax Code or French Social Security Code, as amended; provided that if Participant dies or becomes Disabled, this mandatory holding period will not apply. In order to enforce this provision, the Company may, in its discretion, issue appropriate “stop transfer” instructions to its transfer agent or hold the Shares until the expiration of the holding period set forth above (such Shares may be held by the Company, a transfer agent designated by the Company or with a broker designated by the Company).

Closed Periods

Pursuant to article L. 225-197-1 of the French *Code de commerce*, as amended from time to time, shares of a listed company cannot be sold or transferred during certain closed periods which are currently: (i) thirty calendar days before the announcement of an interim financial report or a year-end report which the Company is obliged to make public and (ii) any period during which the Chief Executive Officer (*directeur général*), any deputy chief executive officer (*directeur général délégué*), or any member of the Board of Directors (*conseil d’administration*), the supervisory board (*conseil de surveillance*) or the executive board (*directoire*) of the Company, or any employee possesses knowledge of inside information (within the meaning of Article 7 of the Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse (Market Abuse Regulation) and cancelling the Directive 2003/6/UE and Directives 2003/124/CE Parliament and 2004/72/CE of the Commission) which has not been disclosed to the public. If the French Commercial Code is amended after adoption of the French Sub-Plan to modify the definition and/or the applicability of the closed periods to RSUs, such amendments shall become applicable to any RSUs granted under the French Sub-Plan, to the extent required by French law. These rules will apply to Participant unless Participant is otherwise restricted from selling Shares received upon settlement of RSUs under similar rules applicable under U.S. law, in which case the U.S. rules shall prevail. In any event, Participant is at all times required to comply with the Facebook, Inc. Insider Trading Policy as may be amended from time to time, which may be accessed at <https://our.internmc.facebook.com/intern/people/portal/at-work/policies-guidance/employee-handbook-policies/insider-trading-policy> and in particular Section II re No Trading on Material Non-Public Information, Black-Out Periods, and other important matters. Persons who violate these general rules and the Insider Trading Policy may be subject to legal and financial penalties. If Participant trades during any applicable Black-Out Period as described in the Insider Trading Policy, or if the French tax authorities deem that Participant has not complied with the French closed period restrictions and/or similar rules under applicable U.S. law, the RSUs and Shares received under the RSUs may lose Qualified status, and Participant will not receive preferential tax treatment.

Acknowledgment

This provision supplements Sections 15 and 17 of the Agreement:

The Company and Participant agree that the RSUs are granted under and governed by the Notice, this Agreement (including the France section of the Jurisdiction-Specific Addendum), the provisions of the Plan and the French Sub-Plan. Participant: (i) acknowledges receipt of a copy of the Plan and the Plan prospectus and the French Sub-Plan, (ii) represents that Participant has carefully read and is familiar with their provisions, and (iii) hereby accepts the RSUs subject to all of the terms and conditions set forth herein and those set forth in the Plan, the French Sub-Plan, the Notice, and the Agreement.

Language Consent

By accepting the RSUs, Participant confirms he or she has read and understood the Plan and the French Sub-Plan and the Agreement, including all the terms and conditions set forth therein, which were provided in the English language. Participant accepts the terms of those documents accordingly.

Consentement Relatif à la Langue Utilisée

En acceptant cette attribution gratuite d'actions, le Participant confirme avoir lu et compris le Plan, le Sous-Plan Français et le présent Contrat, incluant tous leurs termes et conditions, qui ont été transmis en langue anglaise. Le Participant accepte les termes de ces documents en connaissance de cause.

Foreign Asset/Account Reporting Notice

If Participant is a French resident and holds Shares outside of France or maintain a foreign bank account, Participant is required to declare all foreign securities, bank, and brokerage accounts, whether open, current, or closed during the tax year, in his or her annual income tax return. Failure to comply could trigger significant penalties.

Germany	<p>Exchange Control Notice</p> <p>Cross-border payments in excess of €12,500 must be reported monthly to the German Federal Bank (Bundesbank). The report must be filed electronically using the “General Statistics Reporting Portal” (<i>Allgemeines Meldeportal Statistik</i>) available via Bundesbank’s website (www.bundesbank.de).</p> <p>Foreign Asset/Account Reporting Notice</p> <p>German residents holding Shares must notify their local tax office of the acquisition of Common Stock when they file their tax returns for the relevant year if (i) the value of the Shares for all Common Stock acquired exceeds €150,000 and Participant owns 1% or more of the total Shares of the Company, or (ii) in the unlikely event that the resident holds Common Stock exceeding 10% of the Company’s total Common Stock.</p>
Hong Kong	<p>Settlement</p> <p>This provision supplements Section 1 of the Agreement:</p> <p>Any Shares received at settlement of RSUs are a personal investment. If, for any reason, the RSUs vest and become non-forfeitable and Shares are issued to Participant within six months of the date of grant, Participant agrees that he or she will not offer the Shares to the public in Hong Kong or otherwise dispose of the Shares prior to the six-month anniversary of the date of grant.</p> <p>Securities Law Notice</p> <p>The RSUs and any Shares issued upon settlement of the RSUs do not constitute a public offering of securities under Hong Kong law and are available only to employees of the Company or a Parent, Subsidiary or Affiliate of the Company. The Plan, the Agreement, including this Addendum, and other incidental communication materials have not been prepared in accordance with and are not intended to constitute a “prospectus” for a public offering of securities under the applicable companies and securities legislation in Hong Kong and have not been registered with or authorized by any regulatory authority, including the Securities and Future Commission, in Hong Kong. This Agreement and the incidental communication materials are intended only for the personal use of each eligible Participant and not for distribution to any other persons. If Participant has any questions about any of the contents of this Agreement or the Plan or other incidental communication materials, Participant should obtain independent professional advice.</p>
India	<p>Exchange Control Notice</p> <p>Participant must comply with any and all applicable exchange control laws in India. Without limitation to the foregoing, he or she must repatriate any funds recognized in connection with the RSUs to India within such time as prescribed under applicable Indian exchange control laws as amended from time to time. Participant will receive a foreign inward remittance certificate (“FIRC”) from the bank where he or she deposits the foreign currency. Participant should retain the FIRC as evidence of the repatriation of funds in the event the Reserve Bank of India or the Company or the Employer requests proof of repatriation.</p> <p>Foreign Asset/Account Reporting Notice</p> <p>Participant is required to declare his or her foreign bank accounts and any foreign financial assets (including Shares held outside India) in his or her annual tax return.</p>

Indonesia

Language Consent and Notification

By accepting the RSUs, Participant (i) confirms having read and understood the documents relating to this grant (i.e., the Notice, the Plan and the Agreement) which were provided in the English language, (ii) accepts the terms of those documents accordingly, and (iii) agrees not to challenge the validity of this document based on Law No. 24 of 2009 on National Flag, Language, Coat of Arms and National Anthem or the implementing Presidential Regulation (when issued).

Persetujuan dan Pemberitahuan Bahasa

Dengan menerima pemberian Unit Saham Terbatas (RSUs) ini, Peserta (i) memberikan konfirmasi bahwa dirinya telah membaca dan memahami dokumen-dokumen berkaitan dengan pemberian ini (yaitu, Pemberitahuan Pemberian, Perjanjian Penghargaan dan Program) yang disediakan dalam Bahasa Inggris, (ii) menerima persyaratan di dalam dokumen-dokumen tersebut, dan (iii) setuju untuk tidak mengajukan keberatan atas keberlakuan dari dokumen ini berdasarkan Undang-Undang No. 24 Tahun 2009 tentang Bendera, Bahasa dan Lambang Negara serta Lagu Kebangsaan ataupun Peraturan Presiden sebagai pelaksanaannya (ketika diterbitkan)

Exchange Control Notice

If Participant remits funds (including proceeds from the sale of Shares) into Indonesia, the Indonesian bank through which the transaction is made will submit a report of the transaction to Bank Indonesia for statistical reporting purposes. For transactions of US\$10,000 or more, a more detailed description of the transaction must be included in the report and Participant may be required to provide information about the transaction (e.g., his or her relationship with the transferor of the funds, the source of the funds, etc.) to the bank in order for the bank to complete the report. In addition, Participant may be required to provide the Bank Indonesia with information on foreign exchange activities, which may include Shares held outside Indonesia, on a monthly basis. The reporting should be completed online through Bank Indonesia's website, by no later than the 15th day of the following month.

Ireland

Director Reporting Requirement Notice

If Participant is a director, shadow director or secretary of an Irish Parent, Subsidiary or Affiliate of the Company (an "**Irish Entity**"), and his or her interest in the Company represents more than 1% of the Company's voting share capital, Participant is subject to certain notification requirements under Section 53 of the Companies Act, 1990. Among these requirements is Participant's obligation to notify the Irish Entity in writing when he or she receives an interest (e.g., RSUs, Shares) in the Company and advise the Irish Entity of the number and class of shares or rights to which the interest relates. This notification requirement also applies to any rights acquired by Participant's spouse or minor children (under the age of 18). Participant should consult his or her personal legal advisor to ensure compliance with the applicable requirements.

Israel

Sub-Plan for Israeli Participants

The RSUs are granted under the Sub-Plan for Israeli Participants (the “*Israeli Sub-Plan*”), which is considered part of the Plan. The terms used herein shall have the meaning ascribed to them in the Plan or Israeli Sub-Plan. In the event of any conflict, whether explicit or implied, between the provision of this Agreement and the Israeli Sub-Plan, the provisions set out in the Israeli Sub-Plan shall prevail. By accepting this grant, Participant acknowledges that a copy of the Israeli Sub-Plan has been provided to Participant. The Israeli Sub-Plan may also be obtained by contacting peeps@fb.com.

Acknowledgment

This provision supplements Sections 15 and 17 of the Agreement:

Participant also (i) declares that she/he is familiar with Section 102 and the regulations and rules promulgated thereunder, including without limitations the provisions of the tax route applicable to the RSUs, and agrees to comply with such provisions, as amended from time to time, provided that if such terms are not met, Section 102 may not apply, and (ii) agrees to the terms and conditions of the trust deed signed between the Trustee and the Company and/or the applicable Subsidiary, which is available for the Participant’s review, during normal working hours, at Company’s offices, (iii) acknowledges that releasing the RSUs and Shares from the control of the Trustee prior to the termination of the Holding Period constitutes a violation of the terms of Section 102 and agrees to bear the relevant sanctions, (iv) authorizes the Company and/or the applicable Subsidiary to provide the Trustee with any information required for the purpose of administering the Plan including executing its obligations under the Ordinance, the trust deed and the trust agreement, including without limitation information about his/her RSUs, Shares, income tax rates, salary bank account, contact details and identification number, (v) declares that he/she is a resident of the State of Israel for tax purposes on the grant date and agrees to notify the Company upon any change in the residence address indicated above and acknowledges that if his/her engagement with the Company or Subsidiary is terminated and he/she is no longer employed by the Company or any Subsidiary, the RSUs and Shares shall remain subject to Section 102, the trust agreement, the Plan and this Agreement; (vi) understands and agrees that if he/she ceases to be employed or engaged by an Israeli resident Subsidiary but remains employed by the Company or any Parent, Subsidiary or Affiliate thereof, all unvested RSUs shall be forfeited to the Company with all rights of the Participant to such RSUs immediately terminating prior to his/her termination of employment or services, and any Shares already issued upon the previous vesting of RSUs shall remain subject to Section 102, the trust agreement, the Plan and this Agreement; (vii) warrants and undertakes that at the time of grant of the RSUs herein, or as a consequence of the grant, the Participant is not and will not become a holder of a “controlling interest” in the Company, as such term is defined in Section 32(9) of the Ordinance, and (viii) the grant of RSUs is conditioned upon the Participant signing all documents requested by the Company or the Trustee.

Section 102 Capital Gains Trustee Route

The RSUs are intended to be subject to the Capital Gains Route under Section 102 of the Ordinance, subject to Participant consenting to the requirements of such tax route by accepting the terms of this agreement and the grant of RSUs, and subject further to the compliance with all the terms and conditions of such tax route. Under the Capital Gains Route tax is only due upon sale of the Shares or upon release of the Shares from the holding or control of the Trustee.

Trustee Arrangement

The RSUs, the Shares issued upon vesting and/or any additional rights, including without limitation any right to receive any dividends or any shares received as a result of an adjustment made under the Plan that may be granted in connection with the RSUs (the “*Additional Rights*”), shall be issued to or controlled by the Trustee for the benefit of the Participant under the provisions of the 102 Capital Gains Route and will be controlled by the Trustee for at least the period stated in Section 102 of the Ordinance and the Income Tax Rules (Tax Benefits in Share Issuance to Employees) 5763-2003 (the “*Rules*”). In the event the RSUs do not meet the requirements of Section 102 of the Ordinance, such RSUs and the underlying Shares shall not qualify for the favorable tax treatment under Section 102 of the Ordinance. The Company makes no representations or guarantees that the RSUs will qualify for favorable tax treatment and will not be liable or responsible if favorable tax treatment is not available under Section 102 of the Ordinance. Any fees associated with any exercise, sale, transfer or any act in relation to the RSUs shall be borne by the Participant and the Trustee and/or the Company and/or any Subsidiary shall be entitled to withhold or deduct such fees from payments otherwise due to Participant from the Company or a Subsidiary or the Trustee. In the event there is any delay in delivering the proceeds from the sale of Shares or any other funds related to participation in the Plan, neither the Company, the Trustee nor any Subsidiary is responsible for any foreign exchange rate fluctuations that may affect any amounts deliverable to the Participant.

Restrictions on Sale

In accordance with the requirements of Section 102 of the Ordinance and the Capital Gains Route, Participant shall not sell nor transfer the Shares or Additional Rights from the Trustee until the end of the required Holding Period. Notwithstanding the above, if any such sale or transfer occurs before the end of the required Holding Period, the sanctions under Section 102 shall apply to and shall be borne by Participant.

Taxes

This provision supplements Section 6 of the Agreement and the Taxes provision in the “All Non-U.S. Jurisdictions” section of this Addendum:

The RSUs are intended to be taxed in accordance with Section 102, subject to full and complete compliance with the terms of Section 102. Participants with dual residency for tax purposes may be subject to taxation in several jurisdictions.

Any Tax imposed in respect of the RSUs and/or Shares, including, but not limited to, the grant of RSUs, and/or the vesting, transfer, waiver, or expiration of RSUs and/or Shares, and/or the sale of Shares, shall be borne solely by Participant, and in the event of death, by

Participant's heirs. The Company, any Subsidiary, the Trustee or anyone on their behalf shall not be required to bear the aforementioned Taxes, directly or indirectly, nor shall they be required to gross up such Tax in Participant's salaries or remuneration. The applicable Tax shall be withheld from the proceeds of sale of Shares or shall be paid to the Company or a Subsidiary or the Trustee by Participant. Without derogating from the aforementioned, the Company or a Subsidiary or the Trustee shall be entitled to withhold Taxes as it deems compliant with applicable law and to deduct any Taxes from payments otherwise due to Participant from the Company or a Subsidiary or the Trustee. The ramifications of any future modification of applicable law regarding the taxation of the RSUs granted to Participant shall apply to Participant accordingly and Participant shall bear the full cost thereof, unless such modified laws expressly provide otherwise.

The issuance of the Shares upon the vesting of RSUs or in respect thereto, shall be subject to the full payments of any Tax (if applicable).

Securities Law Notice

An exemption from filing a prospectus with relation to the Plan has been granted to the Company by the Israeli Securities Authority. Copies of the Plan and the Form S-8 registration statement for the Plan filed with the U.S. Securities and Exchange Commission will be made available by request from peeps@fb.com.

Italy**Acknowledgment of Certain Provisions**

This provision supplements Sections 15 and 17 of the Agreement:

In accepting the RSUs, Participant acknowledges that he or she has read and specifically and expressly approves the following provisions in the Agreement: Section 5: Termination; Section 6: Withholding Taxes, as supplemented by the Taxes provision in the "All Non-U.S. Jurisdictions" section of this Addendum; Section 11: Compliance with Laws and Regulations; Section 11: Jurisdiction-Specific Addendum and Additional Requirements; Section 13: Governing Law; Choice of Venue; Section 15: Nature of Grant; and Section 17: Acknowledgment and Acceptance.

Foreign Asset/Account Reporting Notice

Italian residents who, at any time during the fiscal year, hold foreign financial assets (including cash and Shares) that may generate income taxable in Italy are required to report these assets on their annual tax returns (UNICO Form, RW Schedule) for the year during which the assets are held, or on a special form if no tax is due. These reporting obligations will also apply to Italian residents who are the beneficial owners of foreign financial assets under Italian money laundering provisions.

Japan**Foreign Asset/Account Reporting Notice**

Participant is required to report details of any assets held outside of Japan as of December 31, including shares of Common Stock acquired under the Plan, to the extent such assets have a total net fair market value exceeding ¥50,000,000.

Kenya

There are no jurisdiction-specific provisions.

Korea**Foreign Asset/Account Reporting Notice**

Participant must declare all of his or her foreign financial accounts (*i.e.*, non-Korean bank accounts, brokerage accounts, etc.) to the Korean tax authorities and file a report with respect to such accounts if the value of such accounts exceeds a certain threshold (currently, KRW 500 million (or an equivalent amount in foreign currency)) on any month-end date during the year.

Malaysia**Securities Law Notice**

The grant of the RSUs in Malaysia constitutes or relates to an ‘excluded offer,’ ‘excluded invitation,’ or ‘excluded issue’ pursuant to Section 229 and Section 230 of the Capital Markets and Services Act (“*CMSA*”), and as a consequence no prospectus is required to be registered with the Securities Commission of Malaysia. The RSU documents do not constitute and may not be used for the purpose of a public offering or an issue, offer for subscription or purchase, invitation to subscribe for or purchase any securities requiring the registration of a prospectus with the Securities Commission in Malaysia under the CMSA.

Director Reporting Requirement Notice

If Participant is a director of a Malaysian Parent, Subsidiary or Affiliate (a “*Malaysian Entity*”), he or she is subject to certain notification requirements under the Malaysian Companies Act, 1965. Among these requirements is an obligation to notify the Malaysian Entity in writing when Participant receives an interest (e.g., RSUs, Shares, etc.) in the Company or any of its related companies. In addition, Participant must notify the Malaysian Entity when he or she sells Shares of the Company or any of its related companies (including when he or she sells Shares acquired upon vesting and settlement of the RSUs). Additionally, Participant must also notify the Malaysian Entity if there are any subsequent changes in his or her interest in the Company or any related companies. These notifications must be made within fourteen (14) days of acquiring or disposing of any interest in the Company or any of its related companies.

Mexico

Labor Law Policy and Acknowledgment

By accepting the RSUs, Participant expressly recognizes that Facebook, Inc., with registered offices at 1601 Willow Road, Menlo Park, California 94025, U.S.A., is solely responsible for the administration of the Plan and that Participant's participation in the Plan and acquisition of Shares do not constitute an employment relationship between Participant and the Company since Participant is participating in the Plan on a wholly commercial basis and Participant's sole Employer is Facebook Mexico S De RL De CV ("**Facebook-Mexico**"). Based on the foregoing, Participant expressly recognizes that the Plan and the benefits that Participant may derive from his or her participation in the Plan do not establish any rights between Participant and Facebook-Mexico, and do not form part of the employment conditions and/or benefits provided by Facebook-Mexico and any modification of the Plan or its termination shall not constitute a change or impairment of the terms and conditions of Participant's employment.

Participant further understands that his or her participation in the Plan is a result of a unilateral and discretionary decision of the Company; therefore, the Company reserves the absolute right to amend and/or discontinue Participant's participation at any time without any liability to Participant.

Finally, Participant hereby declares that he or she does not reserve any action or right to bring any claim against the Company for any compensation or damages regarding any provision of the Plan or the benefits derived under the Plan, and Participant therefore grants a full and broad release to the Company, its Affiliates, branches, representation offices, its shareholders, officers, agents or legal representatives with respect to any claim that may arise.

Plan Document Acknowledgment

By accepting the RSUs, Participant acknowledges that he or she has received a copy of the Plan, has reviewed the Plan and the Agreement in their entirety and fully understands and accepts all provisions of the Plan and the Agreement. In addition, by accepting the RSUs, Participant acknowledges that he or she has read and specifically and expressly approves the terms and conditions in Section 15 of the Agreement ("**Nature of Grant**"), in which the following is clearly described and established: (i) participation in the Plan does not constitute an acquired right; (ii) the Plan and participation in the Plan is offered by the Company on a wholly discretionary basis; (iii) participation in the Plan is voluntary; and (iv) neither the Company, the Employer nor any Affiliate is responsible for any decrease in the value of the Shares underlying the RSUs.

Política de la Ley Laboral y Reconocimiento

*Al aceptar las Unidades de Acciones Restringidas (RSU), el Participante reconoce expresamente que Facebook, Inc., con oficinas registradas ubicadas a 1601 Willow Road, Menlo Park, California 94025, U.S.A., es el único responsable de la administración del Plan y que participación del Participante en el mismo y la adquisición de Acciones no constituye de ninguna manera una relación laboral entre el Participante y la Compañía, debido a que la participación de esa persona en el Plan deriva únicamente de una relación comercial y el único Patrón del participante es Facebook Mexico S De RL De CV ("**Facebook-Mexico**"). Derivado de lo anterior, el Participante reconoce expresamente que el Plan y los beneficios que pudieran derivar para el Participante por su participación en el mismo, no establecen ningún derecho entre el Participante e Facebook-México, y no forman parte de las condiciones laborales y/o prestaciones otorgadas por Facebook-México, y cualquier modificación al Plan o la terminación del mismo de ninguna manera podrá ser interpretada como una modificación o desmejora de los términos y condiciones de trabajo del Participante.*

Asimismo, el Participante reconoce que su participación en el Plan es resultado de la decisión unilateral y discrecional de la Compañía, por lo tanto, la Compañía se reserva el derecho absoluto para modificar y/o discontinuar la participación del Participante en cualquier momento, sin ninguna responsabilidad hacia el Participante.

Finalmente el Participante manifiesta que no se reserva ninguna acción o derecho que ejercitar en contra de la Compañía, por cualquier compensación o daños o perjuicios en relación con cualquier disposición del Plan o de los beneficios derivados del mismo, y en consecuencia exime amplia y completamente a la Compañía, sus Afiliadas, sucursales, oficinas de representación, sus accionistas, administradores, agentes y representantes legales con respecto a cualquier reclamo que pudiera surgir.

Reconocimiento de Documentos del Plan

Al aceptar las Unidades de Acciones Restringidas (RSU), el Participante reconoce que ha recibido una copia del Plan, que ha revisado el Plan y el Acuerdo de Concesión en su totalidad y entiende y acepta los términos del Plan y del Acuerdo de Concesión. Adicionalmente, al aceptar los RSU, el Participante reconoce que ha leído y específicamente aprueba los términos y condiciones del Sección 15 del Acuerdo de Concesión (denominado "Naturaleza de la Concesión"), donde claramente se establece que (i) la participación en el Plan no constituye un derecho adquirido, (ii) el Plan y la participación en el Plan es ofrecido por la Compañía en forma totalmente discrecional; (iii) la participación en el Plan es voluntaria; y (iv) ni la Compañía ni el Patrón ni su Afiliada es responsable por el decremento en el valor de las acciones de los RSU.

Netherlands	There are no jurisdiction-specific provisions.
New Zealand	<p>Securities Law Notice</p> <p>WARNING: This is an offer of RSUs over Shares which, once vested and settled in accordance with the terms of the Agreement and the Plan, will give Participant a stake in the ownership of the Company. Participant may receive a return if dividends are paid. If the Company runs into financial difficulties and is wound up, Participant will only be paid after all creditors have been paid. Participant may lose some or all of his or her investment.</p> <p>New Zealand law normally requires people who offer financial products to give information to investors before they invest. This information is designed to help investors to make an informed decision. The usual rules do not apply to this offer because it is made under an employee share purchase scheme. As a result, Participant may not be given all the information usually required. Participant will also have fewer other legal protections for this investment. Ask questions, read all documents carefully, and seek independent financial advice before committing.</p> <p>The Shares are quoted on the Nasdaq. This means Participant may be able to sell them on the Nasdaq if there are interested buyers. Participant may get less than he or she invested. The price will depend on the demand for the Shares.</p> <p>For information on risk factors impacting the Company's business that may affect the value of the Shares, Participant should refer to the risk factors discussion in the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, which are filed with the U.S. Securities and Exchange Commission and are available online at www.sec.gov, as well as on the Company's "Investor Relations" website at https://investor.fb.com/.</p>
Nigeria	There are no jurisdiction-specific provisions.
Norway	There are no jurisdiction-specific provisions.
Philippines	<p>Securities Law Notice</p> <p>Participant should be aware of the risks of participating in the Plan, which include (without limitation) the risk of fluctuation in the price of the Shares on the Nasdaq and the risk of currency fluctuations between the U.S. Dollar and his or her local currency. In this regard, Participant should note that the value of any Shares he or she may acquire under the Plan may decrease, and fluctuations in foreign exchange rates between his or her local currency and the U.S. Dollar may affect the value of the RSUs or any amounts due to Participant upon vesting and settlement of the RSUs or upon sale of any Shares he or she acquires under the Plan. The Company is not making any representations, projections or assurances about the value of the Shares now or in the future.</p> <p>For further information on risk factors impacting the Company's business that may affect the value of the Shares, Participant should refer to the risk factors discussion in the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, which are filed with the U.S. Securities and Exchange Commission and are available online at www.sec.gov, as well as on the Company's "Investor Relations" website at https://investor.fb.com/.</p> <p>Participant is permitted to sell the Shares acquired under the Plan through the designated broker appointed under the Plan (or such other broker to whom he or she transfers the Shares), provided the resale of Shares acquired under the Plan takes place outside of the Philippines through the facilities of a stock exchange on which the Shares are listed (e.g., the Nasdaq).</p>
Poland	<p>Exchange Control Notice</p> <p>If Participant maintains bank or brokerage accounts holding cash and foreign securities (including Shares) outside of Poland, he or she will be required to report information to the National Bank of Poland on transactions and balances in such accounts if the value of such cash and securities exceeds PLN 7 million. If required, such reports must be filed on special forms available on the website of the National Bank of Poland. In addition, any transfer of funds in excess of EUR 15,000 into or out of Poland must be effected through a bank account in Poland. Lastly, Participant is required to store all documents connected with any foreign exchange transactions that he or she engages in for a period of five years, as measured from the end of the year in which such transaction occurred.</p>
Senegal	There are no jurisdiction-specific provisions.

Singapore

Securities Law Notice

The grant of the RSUs is being made pursuant to the “Qualifying Person” exemption” under section 273(1)(f) of the Securities and Futures Act (Chapter 289, 2006 Ed.) (“*SFA*”) and is not made with a view to the Shares being subsequently offered for sale to any other party. The Plan has not been lodged or registered as a prospectus with the Monetary Authority of Singapore. The RSUs are subject to section 257 of the SFA and Participant will not be able to make (i) any subsequent sale of the Shares in Singapore or (ii) any offer of such subsequent sale of the Shares subject to the RSUs in Singapore, unless such sale or offer is made (a) more than six months after the date of grant or (b) pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the SFA (Chapter 289, 2006 Ed.).

CEO and Director Reporting Requirement Notice

If Participant is the Chief Executive Officer (“CEO”) or a director, associate director or shadow director of a Singaporean Parent, Subsidiary or Affiliate (a “*Singaporean Entity*”), he or she is subject to certain notification requirements under the Singapore Companies Act. Among these requirements is an obligation to notify the Singaporean Entity in writing when he or she receives or dispose of an interest (e.g., RSUs, Shares) in the Company or any related companies. These notifications must be made within two business days of acquiring or disposing of any interest in the Company or any related company. In addition, a notification must be made of Participant’s interests in the Company or any related company within two business days of becoming the CEO or a director, associate director or shadow director.

Exit Tax / Deemed Vesting Rule

If Participant is (a) neither a Singapore citizen nor a Singapore permanent resident, and he or she (i) intends to leave Singapore for any period exceeding three months, (ii) will be posted overseas on a secondment, or (iii) are about to cease employment with the Singaporean Entity with which Participant was employed at the time of grant, regardless of whether he or she intends to remain in Singapore, or (b) a Singapore permanent resident, and Participant (i) intends to leave Singapore for any period exceeding three months, (ii) will be posted overseas on a secondment or (iii) are about to cease employment with the Singaporean Entity with which he or she was employed at the time of grant and intend to leave Singapore on a permanent basis, Participant may be subject to an exit tax upon his or her departure from Singapore or cessation of employment, as applicable. In such case, Participant will be taxed on his or her Award on a “deemed vesting” basis, i.e., Participant will be deemed to have vested in his or her RSUs on the later of (A) one month before the date he or she departs Singapore or cease employment, or (B) the date on which his or her RSUs were granted. If Participant is subject to the exit tax, he or she acknowledges and agrees that the Employer will report details of Participant’s departure from Singapore or cessation of employment to the Inland Revenue Authority of Singapore and will withhold any income payable to him or her for a period of up to 30 days. Participant should consult with a personal tax advisor in the event he or she may be subject to these exit tax rules.

South Africa

Taxes

This provision supplements Section 6 of the Agreement and the Taxes provision in the "All Non-U.S. Jurisdictions" section of this Addendum:

By accepting the RSUs, Participant agrees that, immediately upon vesting of the RSUs, Participant will notify his or her employer of the amount of any gain realized. If Participant fails to advise his or her employer of the gain realized upon vesting, Participant may be liable for a fine. Participant will be solely responsible for paying any difference between the actual tax liability and the amount withheld by his or her employer.

Securities Law Notice

In compliance with South African securities law, the documents listed below are available for review at the addresses listed below:

- The Company’s most recent annual financial statement:
<https://investor.fb.com/>.
- The Company’s most recent Plan prospectus:
<http://www.schwab.com/facebook>

A hard copy of the above documents will be sent to Participant free of charge upon written request to: peeps@fb.com.

Exchange Control Notice

Participant is solely responsible for complying with applicable South African exchange control regulations. Since the exchange control laws change frequently and without notice, Participant should consult his or her legal advisor prior to the acquisition or sale of Shares acquired under the Plan to ensure his or her compliance with current regulations.

Spain

Nature of Grant

This provision supplements Section 15 of the Agreement:

Participant understands that the Company has unilaterally, gratuitously and discretionally decided to grant RSUs to individuals who may be employees of the Company or a Parent, Subsidiary or Affiliate throughout the world. The decision is a limited decision that is entered into upon the express assumption and condition that any grant will not economically or otherwise bind the Company or any Parent, Subsidiary or Affiliate on an ongoing basis other than as stated in this Agreement. Consequently, Participant understands that the RSUs are granted on the assumption and condition that the RSUs and any Shares to be issued upon vesting of the RSUs are not part of any employment contract (either with the Company or any Parent, Subsidiary or Affiliate) and shall not be considered a mandatory benefit, salary for any purposes (including severance compensation) or any other right. Further, Participant understands that the RSUs would not be granted to Participant but for the assumptions and conditions referred to herein; thus, Participant acknowledges and freely accepts that should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason, then the grant of the RSUs and any right to the Shares shall be null and void.

Participant understands and agrees that, as a condition of the grant of the RSUs, Termination for any reason (including the reasons listed below) will automatically result in the loss of the RSUs that may have been granted to Participant and that have not vested as of date of Termination as described in Section 5 of the Agreement. In particular, Participant understands and agrees that any unvested RSUs as of the date of Termination will be forfeited without entitlement to the underlying Shares or to any amount of indemnification in the event of a Termination by reason of, but not limited to, resignation, retirement, disciplinary dismissal adjudged to be with cause, disciplinary dismissal adjudged or recognized to be without cause, individual or collective dismissal on objective grounds, whether adjudged or recognized to be with or without cause, material modification of the terms of employment under Article 41 of the Workers' Statute, relocation under Article 40 of the Workers' Statute, Article 50 of the Workers' Statute, unilateral withdrawal by the Participant's employer and under Article 10.3 of the Royal Decree 1382/1985. Participant acknowledges that he or she has read and specifically accepts the conditions referred to in Section 5 of the Agreement.

Exchange Control Notice

The acquisition, ownership and disposition of Shares must be declared for statistical purposes to the Spanish "*Dirección General de Comercio e Inversiones*" (the DGCI), the Bureau for Commerce and Investments, which is a department of the Ministry of Economy and Competitiveness. Generally, the declaration must be made by filing a D-6 form each January for Shares purchased or sold during (or owned by Participant as of December 31) of the prior year; however, if the value of Shares acquired or sold exceeds €1,502,530 (or Participant holds 10% or more of the share capital of the Company or such other amount that would entitle him or her to join the Company's Board of Directors), the declaration must also be filed within one month of the acquisition or sale, as applicable.

In addition, Participant may be required to declare electronically to the Bank of Spain any securities accounts (including brokerage accounts) held abroad, any foreign instruments (including Shares), and any transactions with non-Spanish residents (including any payments of Shares made to Participant by the Company) depending on the value of the transactions during the relevant year or the balances in such accounts and the value of such instruments as of December 31 of the relevant year. Participant should consult with his or her personal legal advisor regarding the applicable thresholds and corresponding reporting requirements.

Foreign Asset/Account Reporting Notice

To the extent that Participant holds assets or rights outside of Spain (e.g., Shares or cash held in a brokerage or bank account) with a value in excess of €50,000 per asset type as of December 31 (or at any time during the year in which the asset is sold), he or she will be required to report information on such assets or rights on his or her tax return (tax form 720) for such year. After such assets or rights are initially reported, the reporting obligation will apply for subsequent years only if the value of any previously-reported assets or rights increases by more than €20,000, or if the ownership of such assets or rights is transferred or relinquished during the year. The report must be completed by March 31.

Sweden

Taxes

This provision supplements Section 6 of the Agreement and the Taxes provision in the "All Non-U.S. Jurisdictions" section of this Addendum:

Without limiting the Company's and the Employer's authority to satisfy their withholding obligations for Tax-Related Items as set forth in Section 6 of the Agreement and the Taxes provision in the "All Non-U.S. Jurisdictions" section of this Addendum, in accepting the grant of RSUs, Participant authorizes the Company and/or the Employer to withhold Shares or to sell Shares otherwise deliverable to Participant upon vesting/settlement to satisfy Tax-Related Items, regardless of whether the Company and/or the Employer have an obligation to withhold such Tax-Related Items.

Switzerland**Securities Law Notice**

Neither this document nor any other materials relating to the RSUs (i) constitute a prospectus according to articles 35 et seq. of the Swiss Federal Act on Financial Services (“*FinSA*”), (ii) may be publicly distributed nor otherwise made publicly available in Switzerland to any person other than an employee of the Company, or (iii) have been or will be filed with, approved or supervised by any Swiss reviewing body according to article 51 of the FinSA or any Swiss regulatory authority (in particular, the Swiss Financial Market Supervisory Authority).

Taiwan**Securities Law Notice**

The offer of participation in the Plan is available only for employees. The offer of participation in the Plan is not a public offer of securities by a Taiwanese company.

Exchange Control Notice

Participant may acquire and remit foreign currency (including proceeds from the sale of Shares) into and out of Taiwan up to US \$5,000,000 per year through an authorized foreign exchange bank. If the transaction amount is TWD 500,000 or more in a single transaction, he or she must submit a Foreign Exchange Transaction Form, and other supporting documentation, to the satisfaction of the remitting bank. If the transaction amount is US \$500,000 or more, Participant may be required to provide additional supporting documentation to the satisfaction of the remitting bank.

Thailand**Exchange Control Notice**

If Participant receives proceeds from the sale of Shares in excess of US \$200,000 in a single transaction, he or she must immediately repatriate the funds to Thailand and convert the funds to Thai Baht within 360 days of repatriation or deposit the funds in an authorized foreign exchange account in Thailand. Participant must also report the inward remittance by submitting the Foreign Exchange Transaction Form to an authorized agent.

United Arab Emirates**Securities Law Notice**

The Plan is only being offered to qualified employees and is in the nature of providing equity incentives to employees of the Company’s Subsidiary in the United Arab Emirates (“*UAE*”). The Plan and the Agreement are intended for distribution only to such employees and must not be delivered to, or relied on by, any other person. Participant should conduct his or her own due diligence on the RSUs offered pursuant to this Agreement. If Participant does not understand the contents of the Plan and/or the Agreement, he or she should consult an authorized financial adviser. Neither the UAE Central Bank, the Emirates Securities and Commodities Authority and the Dubai Financial Services Authority, nor any other licensing authority or government agency in the UAE, has responsibility for reviewing or verifying any documents in connection with the Plan. Further, the Ministry of the Economy and the Dubai Department of Economic Development have not approved the Plan or the Agreement nor taken steps to verify the information set out therein, and have no responsibility for such documents.

United Kingdom**Taxes**

This provision supplements Section 6 of the Agreement and the Taxes provision in the "All Non-U.S. Jurisdictions" section of this Addendum:

Without limitation to Section 6 of the Agreement, Participant agrees to be liable for any Tax-Related Items related to his or her participation in the Plan and legally applicable to Participant and hereby covenants to pay any such Tax-Related Items, as and when requested by the Company or the Employer or Her Majesty’s Revenue & Customs (“*HMRC*”) (or any other tax authority or any other relevant authority). Participant also agrees to indemnify and keep indemnified the Company and the Employer against any Tax-Related Items that they are required to pay or withhold or have paid or will pay to HMRC (or any other tax authority or any other relevant authority) on Participant’s behalf.

Notwithstanding the foregoing, if Participant is an executive officer or director (as within the meaning of Section 13(k) of the Exchange Act), the terms of the immediately foregoing provision will not apply. In the event that Participant is an executive officer or director and the income tax is not collected from or paid by Participant within ninety (90) days of the end of the U.K. tax year in which an event giving rise to the indemnification described above occurs, the amount of any uncollected income tax may constitute a benefit to Participant on which additional income tax and national insurance contributions may be payable. Participant acknowledges that he or she will be responsible for reporting and paying any income tax due on this additional benefit directly to the HMRC under the self-assessment regime and for paying the Company or the Employer, as applicable, for the value of any employee national insurance contributions due on this additional benefit.

May 6, 2019

Jennifer Newstead

Dear Jennifer,

On behalf of Facebook, Inc. (the “Company” or “Facebook”), I am pleased to offer you full-time employment in the position of General Counsel. You will be working out of our Menlo Park office, under the guidance of Sheryl Sandberg. We’re excited to have you join the team.

1. Compensation

a. **Base Pay.** In this position, you will earn a starting base pay of \$680,000 per year. Your base pay will be payable pursuant to the Company’s regular payroll policy. Your base pay will be periodically reviewed as a part of the Company’s regular reviews of compensation.

b. **Bonus.** You may be eligible to receive a semi-annual discretionary bonus of up to a target of 75% of your Base Eligible Earnings as defined in the Company’s bonus plan. Based on your performance, you can over-achieve your bonus target pursuant to the Company’s bonus plan.

c. **Relocation.** The Company will provide you relocation services consistent with the Company’s policies through a third party service provider. The relocation provider will contact you directly after you accept the offer. You will have the opportunity to choose from various relocation-related services. These services will be paid for by the Company directly to any third party suppliers or as reimbursements to you directly on a receipts basis. Any taxable reportable compensation resulting from relocation services reimbursed to you or paid on your behalf will be grossed up for income tax withholding purposes so that you do not bear the withholding burden on this compensation. Certain remaining funds from your relocation budget, depending on the applicable policy, may be paid to you via a payroll payment after you begin employment with the Company. Any relocation cash payment paid pursuant to the policy will be subject to applicable withholdings and not grossed up by the Company. You will not actually earn any relocation sum paid to you or the third party supplier(s) pursuant to this section unless you remain a full time employee in active service with the Company (and have not given or been given notice of termination) through the one-year anniversary of your Start Date. In the event you resign or the Company terminates your employment for cause prior to the one-year anniversary of your Start Date, you will immediately repay a prorated amount of the relocation sum (including any amounts paid to a third party supplier) to the Company, and the Company reserves the right, subject to applicable law, to deduct this amount or any part of it from your wages, and you hereby consent to such deduction.

d. **Sign-on Bonus.** The Company will pay you a one-time, non-recurring sign-on bonus of \$4,000,000 to be paid as follows: \$2,000,000 to be paid within 30 days after your Start Date, \$1,000,000 to be paid within 30 days after January 1, 2020, and the remaining \$1,000,000 to be paid within 30 days after the one-year anniversary of your Start Date. You will not actually earn the sign-on bonus unless you remain a full-time employee with the Company through and until the one-year anniversary of your Start Date. In the event that you resign or your employment with the Company terminates for Cause (as defined in Facebook, Inc.’s 2012 Equity Incentive Plan) prior to the one-year anniversary of your Start Date, you will immediately repay a prorated portion of the sign-on bonus to the Company.

2. Employee Benefits

a. **Paid Time Off.** Subject to the Company's PTO policy, you will be eligible to accrue up to twenty-one (21) days of PTO per calendar year, pro-rated for the remainder of this calendar year.

b. **Group Plans.** The Company will provide you with the opportunity to participate in the standard benefits plans currently available to other similarly situated employees, including medical, dental, and vision, subject to any eligibility requirements imposed by such plans.

3. Restricted Stock Units

Subject to the approval of Facebook, Inc.'s Board of Directors or its designee, you will be granted a number of restricted stock units ("RSUs") under the Company's 2012 Equity Incentive Plan (the "2012 EIP") with an "Initial Value" of \$15,000,000 USD. The exact number of RSUs will be determined at the time your grant is approved by dividing the Initial Value by a "Share Value." The Share Value will be determined by reference to a trailing average closing stock price. The RSUs will be submitted for approval following your Start Date. Each RSU entitles you to receive one share of Facebook, Inc. Class A common stock following vesting. Unlike traditional stock options, you do not need to pay any exercise price for the shares of Facebook, Inc.'s stock subject to the RSUs (the "Shares"); they are simply delivered to you as a component of your compensation if and when they vest.

The RSUs are subject to a four-year quarterly vesting schedule. Facebook, Inc. has four Quarterly Vesting Dates each year: February 15th, May 15th, August 15th and November 15th. The first Quarterly Vesting Date following the date you begin your employment is considered your "RSU Start Date." For example, if you begin working on April 21st, your RSU Start Date will be May 15th and your first vesting event will be on August 15th. On each Quarterly Vest Date after your RSU Start Date, generally 6.25% of the RSUs will vest, provided that you have been continuously employed by the Company through such date. Your Restricted Stock Unit Award Agreement and Notice of Restricted Stock Unit Award will outline the actual vesting schedule of your Shares.

Before any Shares are delivered to you following vesting, the Company must satisfy its tax withholding obligations in a manner satisfactory to the Company, which may include withholding or selling a number of Shares with a fair market value equal to the amount the Company is then required to withhold for taxes. The RSUs and the Share Value shall be subject to the terms and conditions set forth in the 2012 EIP, your Restricted Stock Unit Award Agreement and Notice of Restricted Stock Unit Award, and the Company's policies in effect from time to time. In the event that the Company changes its 2012 EIP prior to granting your RSUs, including changes to the type or structure of equity instruments offered, you will be entitled to receive an equity grant of substantially equivalent value as determined by the Company. Capitalized terms set forth above will have the meanings set forth in the 2012 EIP.

4. Pre-employment Conditions.

a. **Confidentiality Agreement.** By signing and agreeing to this Offer Letter, you also agree to be bound by the terms and conditions of the enclosed Confidential Information and Invention Assignment Agreement (the "Confidentiality Agreement"). We require that you sign the Confidentiality Agreement and return it to us with this Offer Letter prior to or on your Start Date.

b. **Mutual Arbitration Agreement.** Facebook values all of its employees and fosters good relations with, and among, its employees, but we recognize that disagreements occasionally occur. We believe that the resolution of such disagreements is best accomplished by internal dispute resolution and, where that fails, by external arbitration. For these reasons, Facebook has adopted an arbitration agreement (the "Arbitration Agreement"), a copy of which is enclosed. Please review and sign the Arbitration Agreement.

c. **Right to Work.** For purposes of federal immigration law, you will be required to provide to the Company documentary evidence of your identity and eligibility for employment in the United States. Such documentation must be provided to us within three (3) business days of your Start Date, or our employment relationship with you may be terminated.

d. **Verification of Information.** This offer of employment is also contingent upon the successful verification of the information you provided to the Company during your application process, as well as a general background check performed by the Company to confirm your suitability for employment. By accepting this offer of employment, you warrant that all information provided by you is true and correct to the best of your knowledge, and you expressly release the Company from any claim or cause of action arising out of the Company's verification of such information. By signing this letter, you hereby agree to authorize such a verification and background check and agree to sign any and all documents necessary to enable the Company to conduct this verification and background check.

5. **No Conflicting Obligations.** You understand and agree that by accepting this offer of employment, you represent to the Company that your performance will not breach any other agreement to which you are a party and that you have not, and will not during the term of your employment with the Company, enter into any oral or written agreement in conflict with any of the provisions of this letter or the Company's policies. You are not to bring with you to the Company, or use or disclose to any person associated with the Company, any confidential or proprietary information belonging to any former employer or other person or entity with respect to which you owe an obligation of confidentiality under any agreement or otherwise. The Company does not need and will not use such information and we will assist you in any way possible to preserve and protect the confidentiality of proprietary information belonging to third parties. Also, we expect you to abide by any obligations to refrain from soliciting any person employed by or otherwise associated with any former employer and suggest that you refrain from having any contact with such persons until such time as any non-solicitation obligation expires.

6. **Outside Activities.** While you render services to the Company, you agree that you will not engage in any other employment, consulting or other business activity without the written consent of the Company. In addition, while you render services to the Company, you will not assist any person or entity in competing with the Company, in preparing to compete with the Company or in hiring any employees or consultants of the Company.

7. **General Obligations.** As an employee, you will be expected to adhere to the Company's standards of professionalism, loyalty, integrity, honesty, reliability and respect for all, as set forth in the Company's Code of Conduct. You will also be expected to comply with the Company's policies and procedures. The Company is an equal opportunity employer.

8. **At-Will Employment.** Employment with the Company is for no specific period of time. Your employment with the Company will be on an "at will" basis, meaning that either you or the Company may terminate your employment at any time, with or without advance notice, and for any reason or no particular reason or cause. The Company also reserves the right to modify or amend the terms of your employment at any time, with or without notice, and for any reason in its sole discretion. Any contrary representations which may have been made to you are superseded by this offer. This is the full and complete agreement between you and the Company on this term. Although your job duties, title, compensation and benefits, as well as the Company's personnel policies and procedures, may change from time to time, the "at will" nature of your employment may only be changed in an express written agreement signed by an authorized representative of the Company.

9. **Withholdings.** All forms of compensation paid to you as an employee of the Company shall be less all applicable withholdings.

10. **Definitions.** All references in this Offer Letter to the "Company" or "Facebook" shall refer to Facebook, Inc. and/or any of its direct or indirect subsidiaries or affiliates, as appropriate.

[THIS SPACE INTENTIONALLY LEFT BLANK]

We are all delighted to be able to extend you this offer and look forward to working with you. To indicate your acceptance of the Company's offer, please sign and date this letter in the space provided below and return it to me, along with a signed and dated original copy of the Confidentiality Agreement and Arbitration Agreement on or before May 7, 2019. The Company requests that you begin work in this new position on or before June 17, 2019 (the "Start Date"). This letter, and the other agreements referenced herein, supersede and replace any prior understandings or agreements, whether oral, written or implied, between you and the Company regarding the matters described in this letter. This letter will be governed by the laws of the state in which you are employed, without regard to its conflict of laws provisions.

Very truly yours,

Facebook, Inc.

/s/ Miranda Kalinowski

By: Miranda Kalinowski, VP, Global Recruiting

ACCEPTED AND AGREED:

Jennifer Newstead

/s/ Jennifer Newstead

Signature

Date: May 13, 2019

Anticipated Start Date: June 17, 2019

**CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Mark Zuckerberg, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Facebook, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 30, 2020

/s/ MARK ZUCKERBERG

Mark Zuckerberg

Chairman and Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, David M. Wehner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Facebook, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 30, 2020

/s/ DAVID M. WEHNER

David M. Wehner

Chief Financial Officer

(Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

I, Mark Zuckerberg, Chairman and Chief Executive Officer of Facebook, Inc. (Company), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2020 (Report) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: April 30, 2020

/s/ MARK ZUCKERBERG

Mark Zuckerberg

Chairman and Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

I, David M. Wehner, Chief Financial Officer of Facebook, Inc. (Company), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2020 (Report) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: April 30, 2020

/s/ DAVID M. WEHNER

David M. Wehner

Chief Financial Officer

(Principal Financial Officer)