

COMPANY CHANGES:

- In October 2021, we changed our corporate name from Facebook, Inc. to Meta Platforms, Inc.
 - The term "Family" refers to our Facebook, Instagram, Messenger, and WhatsApp products.
- We report financial results for two segments: Family of Apps (FoA) and Reality Labs (RL). For FoA, we generate substantially all of our revenue from selling advertising placements to marketers.
 - Reality Labs. Reality Labs' augmented and virtual reality products help people feel connected, anytime, anywhere. Meta Quest lets people defy distance with cutting-edge VR hardware, software, and content. Facebook Portal video calling devices help friends and families stay connected and share the moments that matter in meaningful ways.

COMPETITION:

- We face significant competition in every aspect of our business, including, but not limited to, companies that facilitate the ability of users to share, communicate, and discover content and information online or enable marketers to reach their existing or prospective audiences, including, for example, Alphabet (Google and YouTube), Amazon, Apple, ByteDance (TikTok), Microsoft, Snap (Snapchat), Tencent (WeChat), and Twitter.
- We also compete with companies that develop and deliver consumer hardware and virtual and augmented reality products and services.

RISK FACTORS:

- We may not be successful in our metaverse strategy and investments, which could adversely affect our business, reputation, or financial results.
 - We expect this will be a complex, evolving, and long-term initiative that will involve the development of new and emerging technologies, continued investment in privacy, safety, and security efforts, and collaboration with other companies, developers, partners, and other participants. However, the metaverse may not develop in accordance with our expectations, and market acceptance of features, products, or services we build for the metaverse is uncertain.
 - We expect to continue to make significant investments in virtual and augmented reality and other technologies to support these efforts, and our ability to support these efforts is dependent on generating sufficient profits from other areas of our business.
- 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.
 - beginning in September 2021, we became the subject of media, legislative, and regulatory scrutiny as a result of a former employee's allegations and release of internal company documents relating to, among other things, our algorithms, advertising and user metrics, and content enforcement practices, as well as misinformation and other undesirable activity on our platform, and user well-being.
 - For example, we have been the subject of significant media coverage involving concerns around our handling of political speech and advertising, hate speech, and other content, as well as user well-being issues, and we continue to receive negative publicity related to these topics.
- Our digital payments initiatives subject us to significant regulatory scrutiny and other risks that could adversely affect our business, reputation, or financial results.
 - We are pursuing digital payments initiatives, such as Novi, a digital wallet that we expect to offer as both a standalone application and subsequently integrated in other Meta products. These initiatives may use blockchain-based assets, such as the USDP stablecoin issued by Paxos Trust Company, which is being used in a Novi pilot program in the United States and Guatemala beginning in October 2021. Our future initiatives to support commerce in the metaverse also may use blockchain-based assets in digital payments.

OTHER INFO:

- Consolidates segment results (P.51): using new separation between FRL and Family. Includes information for 2020 in this format.
- Our annual worldwide ARPP in 2021, which represents the sum of quarterly ARPP during such period, was \$33.68, an increase of 22% from 2020.

COMPONENTS OF RESULTS OF OPERATIONS:

- REVENUE:
 - Family of Apps (FoA):
 - Advertising: generate substantially all of their revenue displaying ad products through Facebook, Instagram, Messenger and 3rd Party affiliate websites/ mobile apps.
 - Other revenue: net feed received by developers using Payment infrastructure and revenue from various other sources.
 - Reality Labs (RL):
 - Revenue is generated by the delivery of consumer hardware products, such as Meta Quest, Facebook Portal, and wearables, and related software and content.

RESULTS OF OPERATIONS

FACTOR	VARIATION YOY	DRIVER
Revenue	+ 37%	<ul style="list-style-type: none"> Family of Apps +36% <ul style="list-style-type: none"> The increase was mostly driven by an increase in advertising revenue. Advertising +37% <ul style="list-style-type: none"> increases in both the average price per ad and the number of ads delivered. Avg Price per Ad +24%: <ul style="list-style-type: none"> The increase in average price per ad in 2021 was mainly caused by a recovery from declines in advertising demand in the first two quarters of 2020, due to the onset of the COVID-19 pandemic. Additionally, overall advertising demand increased, as compared to 2020, across our ad products and in all regions in part due to the continued growth of online commerce # of ads delivered +10%: <ul style="list-style-type: none"> The increase in the ads delivered in 2021 was driven by increases in users and the number and frequency of ads displayed across our products. We anticipate that future advertising revenue growth will be driven by a combination of price and the number of ads delivered. Reality Labs +100% <ul style="list-style-type: none"> The increases in both periods were mostly driven by increases in the volume of our consumer hardware products sold. The general weakening of the U.S. dollar relative to certain foreign currencies in the full year 2021 compared to the same period in 2020 had a favorable impact on revenue.
Cost of Revenue	+36%	The majority of the increase was due to an increase in Reality Labs cost of products sold and an increase in operational expenses related to our data centers and technical infrastructure, partially offset by a decrease in the depreciation growth rate mostly due to increases in the useful lives of servers and network assets. To a lesser extent, costs associated with partner arrangements, including traffic acquisition and payment processing costs, also increased.
R&D	+34%	Payroll +30% headcount To a lesser extent, Realty Labs technology development costs also increased.
Marketing & Sales	+21%	The increase was primarily due to increases in marketing and promotional expenses, payroll and related expenses, and product and community operations expenses. Our payroll and related expenses increased as a result of a 9% increase in employee headcount from December 31, 2020 to December 31, 2021 in our marketing and sales functions.
General & Admin	+50%	The increase was primarily due to increases in legal-related costs and payroll and related expenses. Our payroll and related expenses increased as a result of a 25% increase in employee headcount from December 31, 2020 to December 31, 2021 in our general and administrative functions.
Taxes	+96%	<ul style="list-style-type: none"> primarily due to an increase in income from operations and the effects of the tax election described below. In the third quarter of 2020, as part of finalizing our U.S. income tax return, we elected to capitalize and amortize certain research and development expenses for U.S. income tax purposes. As a result, we recorded a one-time income tax benefit of \$913 million. Effective tax rate was 16.7% vs 12.2% last year.

SEGMENT PROFITABILITY

The following table sets forth income (loss) from operations by segment. For comparative purposes, amounts in prior periods have been recast:

	Year Ended December 31,			2021 vs 2020 % Change	2020 vs 2019 % Change
	2021	2020	2019		
	(dollars in millions)				
Family of Apps	\$ 56,946	\$ 39,294	\$ 28,489	45 %	38 %
Reality Labs	(10,193)	(6,623)	(4,503)	(54) %	(47) %
Total income from operations	\$ 46,753	\$ 32,671	\$ 23,986	43 %	36 %

- **FAMILY OF APPS:**
 - The increase was due to the growth in advertising revenue partially offset by an increase in costs and expenses, the majority of which was due to an increase in payroll and related expenses as a result of higher employee headcount, higher legal-related costs, and increases in costs related to our data centers and technical infrastructure.
- **REALITY LABS:**
 - The majority of the increases in loss from operations in both periods were driven by increases in payroll and related expenses primarily due to the growth in RL research and development headcount and higher gross losses from increases in volume of consumer hardware sales.

LIQUIDITY & CAPITAL RESOURCES

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 - net operating loss carryforward was \$10.61 billion
 - \$527 million of federal tax credit carryforward
 - We anticipate the utilization of a significant portion of these net operating losses and credits within the next two years.
 - In 2021, we repurchased and subsequently retired 136 million shares of our Class A common stock for \$44.81 billion. As of December 31, 2021, \$38.79 billion remain available and authorized for repurchases.
 - As of December 31, 2021, \$10.61 billion of the \$48.0 billion in cash and cash equivalents and marketable securities was held by our foreign subsidiaries.

NOTES TO CONSOLIDATED FINANCIALS:

- Recently adopted accounting pronouncements:
 - On October 1, 2021, we early adopted ASU No. 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging —Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity (ASU 2020-06), which simplifies the accounting for convertible instruments by reducing the number of accounting models available for convertible debt instruments. This guidance also eliminates the treasury stock method to calculate diluted earnings per share for convertible instruments and requires the use of the if-converted method. The new standard was effective for us beginning January 1, 2022, with early adoption permitted. The adoption of this new standard did not have a material impact on our consolidated financial statements.
 - On October 1, 2021, we early adopted ASU No. 2021-05, Leases (Topic 842): Lessors – Certain Leases with Variable Lease Payments (ASU 2016-02), which requires a lessor to classify a lease with variable lease payments that do not depend on an index or rate as an operating lease if specified criteria are met. The new standard was effective for us beginning January 1, 2022, with early adoption permitted. The adoption of this new standard did not have a material impact on our consolidated financial statements.
- Revenue by geography (P.94)
- Equity Investments (P.96)
- As of December 31, 2021, there were 2,328 million shares of Class A common stock and 413 million shares of Class B common stock issued and outstanding.

	Year Ended December 31,		
	2021	2020	2019
Revenue:			
Family of Apps	\$ 115,655	\$ 84,826	\$ 70,196
Reality Labs	2,274	1,139	501
Total revenue	\$ 117,929	\$ 85,965	\$ 70,697
Income (loss) from operations:			
Family of Apps	\$ 56,946	\$ 39,294	\$ 28,489
Reality Labs	(10,193)	(6,623)	(4,503)
Total income from operations	\$ 46,753	\$ 32,671	\$ 23,986

