

- Revenue by geographic region (P. 12)
- Operating lease (P. 18)
- During the six months ended June 30, 2018, we repurchased and subsequently retired approximately 29 million shares of our Class A common stock for an aggregate amount of approximately \$5.13 billion.
- Stock options (P. 20)
- During the second quarter of 2018, worldwide ARPU was \$5.97, an increase of 26% from the second quarter of 2017

## RESULTS OF OPERATIONS

FACTOR	VARIATION YOY	DRIVER
Revenue	+ 42%	<ul style="list-style-type: none"> <li>• Advertising +42%   Payments +23% <ul style="list-style-type: none"> <li>• First positive YoY payment revenue in various quarters.</li> </ul> </li> <li>• Increase in revenue from ads in mobile (91% of total ad revenue from mobile)</li> <li>• Factors that influenced in increase of ads: <ul style="list-style-type: none"> <li>• Increase in avg price per ad</li> <li>• Increase in # of ads delivered</li> </ul> </li> <li>• Avg price of ad increase 17%   # of ads increase 21% <ul style="list-style-type: none"> <li>• Increase in demand for ad inventory increased price.</li> <li>• Increase in number of ads due to more users and engagement.</li> </ul> </li> <li>• Future revenue will increase due to a combination of above factors.</li> <li>• Weakening of US dollar had favorable impact on revenue.</li> </ul>
Cost of Revenue	+79%	The increases in both periods were mostly due to increases in operational expenses related to our data centers and technical infrastructure and, to a lesser extent, higher costs associated with partnership agreements, including traffic acquisition and content acquisition costs.
R&D	+31%	Payroll   +46% headcount
Marketing & Sales	+65%	Payroll   +37% headcount
General & Admin	+21%	Payroll   +57% headcount
Taxes	+28%	<ul style="list-style-type: none"> <li>• Increase in income. Effective tax rate remains at 13%</li> </ul>

## LIQUIDITY & CAPITAL RESOURCES

- NOL = \$6.1B
- Federal Tax credit = \$203M
- Trapped Cash (P.34): \$14.03B

## RISK FACTORS:

- 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 first six months of 2018, excess tax benefits recognized from share-based compensation decreased our provision for income taxes by \$463 million and our effective tax rate by four percentage points 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.
- On July 24, 2018, the Committee approved an annual pre-tax allowance of \$10 million to Mr. Zuckerberg to cover additional costs related to his and his family's personal security.