- Long-lived assets:
  - In the third quarter of 2022, we made a decision to sublease, early terminate, or abandon several office buildings under operating leases to align our real property lease arrangements with our anticipated operating needs.
  - In connection with the above decision, in the three months ended September 30, 2022, we recorded an impairment loss of $413 million for operating lease ROU assets and leasehold improvements.
  - As we continue to evaluate our real property lease arrangements, we expect to reduce more office space and incur additional impairment charges in the foreseeable future, which may have a material adverse impact on our consolidated financial statements in the aggregate.
- Revenue by segment & geography (P.15)
- Non-marketable Equity Securities:
  - As of September 30, 2022, we had $264 million of equity investment in Giphy. Due to regulatory restrictions, we do not control or exercise significant influence over Giphy. Based on a regulatory decision announced by the United Kingdom Competition and Markets Authority in October 2022, we plan to divest Giphy but we may not be able to recover our carrying value in connection with the divestiture.
- Contractual commitments (P.24) - should these be capitalized?
  - We have $22.35 billion of non-cancelable contractual commitments as of September 30, 2022, which are primarily related to our investments in servers, network infrastructure, and consumer hardware products in Reality Labs. The following is a schedule, by years, of non-cancelable contractual commitments as of September 30, 2022 (in millions)
- During the nine months ended September 30, 2022, we repurchased and subsequently retired 101 million shares of our Class A common stock for an aggregate amount of $21.02 billion. As of September 30, 2022, $17.78 billion remained available and authorized for repurchases.
- Segment information (P.31):
-

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue:				
Family of Apps	$ 27,429	$ 28,452	$ 83,011	$ 82,861
Reality Labs	285	558	1,433	1,397
Total revenue	$ 27,714	$ 29,010	$ 84,444	$ 84,258
Income (loss) from operations:				
Family of Apps	$ 9,336	$ 13,054	$ 31,983	$ 41,058
Reality Labs	(3,672)	(2,631)	(9,438)	(6,890)
Total income from operations	$ 5,664	$ 10,423	$ 22,545	$ 34,168

- P.33
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	Family of Apps			Reality Labs			Total		
	Three Months Ended September 30,			Three Months Ended September 30,			Three Months Ended September 30,		
	2022	2021	% change	2022	2021	% change	2022	2021	% change
	(in millions, except percentages)								
Revenue	$ 27,429	$ 28,452	(4)%	$ 285	$ 558	(49)%	$ 27,714	$ 29,010	(4)%
Costs and expenses	$ 18,093	$ 15,398	18%	$ 3,957	$ 3,189	24%	$ 22,050	$ 18,587	19%
Income (loss) from operations	$ 9,336	$ 13,054	(28)%	$ (3,672)	$ (2,631)	(40)%	$ 5,664	$ 10,423	(46)%
Operating margin	*34 %*	*46 %*		*(1,288)%*	*(472)%*		*20 %*	*36 %*	

DEVELOPMENT IN ADVERTISING:

- Our advertising revenue has been, and we expect will continue to be, adversely affected by reduced marketer spending as a result of limitations on our ad targeting and measurement tools arising from changes to the regulatory environment and third-party mobile operating systems and browsers.
- In particular, legislative and regulatory developments such as the General Data Protection Regulation, ePrivacy Directive, and California Consumer Privacy Act have impacted our ability to use data signals in our ad products, and we expect these and other developments such as the Digital Markets Act will have further impact in the future. As a result, we have implemented, and we will continue to implement, changes to our products and user data practices, which reduce our ability to effectively target and measure ads. In addition, mobile operating system and browser providers, such as Apple and Google, have implemented product changes and/or announced future plans to limit the ability of websites and application developers to collect and use these signals to target and measure advertising. For example, in 2021, Apple made certain changes to its products and data use policies in connection with changes to its iOS operating system that reduce our and other iOS developers' ability to target and measure advertising, which has negatively impacted, and we expect will continue to negatively impact, the size of the budgets marketers are willing to commit to us and other advertising platforms.
- To mitigate these developments, we are working to evolve our advertising systems to improve the performance of our ad products. We are developing privacy enhancing technologies to deliver relevant ads and measurement capabilities while reducing the amount of personal information we process, including by relying more on anonymized or aggregated third-party data.
- Other global and regional business, macroeconomic, and geopolitical conditions also have had, and we believe will continue to have, an impact on our user growth and engagement and advertising revenue. In particular, we believe advertising

budgets have been pressured by factors such as inflation, rising interest rates, and related market uncertainty, which has led to reduced marketer spending.

- In addition, competitive products and services have reduced some users' engagement with our products and services. In response to competitive pressures, we have introduced new features such as Reels, which is growing in usage but is not currently monetized at the same rate as our feed or Stories products.

- During the third quarter of 2022, worldwide ARPU was $9.41, a decrease of 6% from the third quarter of 2021.

RESULTS OF OPERATIONS

FACTOR	VARIATION YOY	DRIVER

Revenue	-4%	• Family of Apps -4%
		  • The decrease was mostly driven by advertising revenue.
		  • Advertising -4%
		    ○ Avg Price per Ad -18%:
		      • The decreases in average price per ad were driven by an increase of the number of ads delivered, especially in geographies and in products such as video and Reels that monetize at lower rates, an unfavorable foreign exchange impact, and a reduction in advertising demand, which we believe was primarily driven by reduced marketer spending as a result of a more challenging macroeconomic environment.
		    ○ # of ads delivered +17%:
		      • driven by an increase in ads delivered in Asia-Pacific and Rest of World.
		      • driven by increases in the number and frequency of ads displayed across our products and an increase in users.
		    ○ We anticipate that future advertising revenue will be driven by a combination of price and the number of ads delivered.
		  • Other revenue +9%
		• Reality Labs -49%
		  • The decrease in RL revenue was primarily driven by a decrease in the volume of our consumer hardware products sold.
		• The general strengthening of the U.S. dollar relative to certain foreign currencies for the three and nine months ended September 30, 2022 compared to the same periods in 2021 had an unfavorable impact on revenue.

Cost of Revenue	-1%	The decrease was driven by a decrease in RL cost of products sold, offset by increases in operational expenses related to our data centers and technical infrastructure and content costs.
R&D	+45%	Payroll | +32% headcount
Marketing & Sales	+6%	Payroll | +14%
General & Admin	+15%	The increase was primarily due to an increase in payroll and related expenses. Our payroll and related expenses increased mainly due to a 30% increase in employee headcount
Taxes	-14%	• mostly due to the decrease in income from operations, partially offset by an increase in the effective tax rate, as described below. • Our effective tax rate increased in the three and nine months ended September 30, 2022 compared to the same periods in 2021, a majority of which was due to an increase in tax deficiencies recognized from share-based compensation and the effect of regulations on foreign tax credits issued by the U.S. Department of the Treasury in the first

		quarter of 2022, partially offset by an increase in tax benefit from foreign-derived intangible income. • Effective tax rate was 21% vs 13% last year. • On August 16, 2022, Congress passed the Inflation Reduction Act of 2022. The key tax provisions applicable to us are a 15% corporate minimum tax on book income and a 1% excise tax on stock repurchases effective January 1, 2023. We do not expect these tax law changes to have a material impact on our consolidated financial position; however, we will continue to evaluate their impact as further information becomes available.

SEGMENT PROFITABILITY

Segment profitability

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

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	% change	2022	2021	% change
			(in millions, except percentages)			
Family of Apps	$ 9,336	$ 13,054	(28)%	$ 31,983	$ 41,058	(22)%
Reality Labs	(3,672)	(2,631)	(40)%	(9,438)	(6,890)	(37)%
Total income from operations	$ 5,664	$ 10,423	(46)%	$ 22,545	$ 34,168	(34)%

- FAMILY OF APPS:
  - The decrease was mostly due to a decrease in advertising revenue and an increase in total costs and expenses in FoA, such as an increase in payroll and related expenses as a result of higher employee headcount, an increase in costs related to our data centers and technical infrastructure, and an impairment loss for operating leases and leasehold improvements.

- REALITY LABS:
  - The increase in loss from operations in both periods was mainly driven by increases in payroll and related expenses due to growth in RL headcount and research and development expenses.

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  - As of September 30, 2022, our federal net operating loss carryforward was $2.83 billion and our federal tax credit carryforward was $346 million. We anticipate the utilization of a portion of these net operating losses and credits within two years.
  - Information of cash in foreign subsidiaries not included.