

- Revenue by segment & geography (P.14)
- Contractual commitments (P.24) - **should these be capitalized?**
 - We have \$24.16 billion of non-cancelable contractual commitments as of June 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 June 30, 2022 (in millions)
- During the six months ended June 30, 2022, we repurchased and subsequently retired 60 million shares of our Class A common stock for an aggregate amount of \$14.47 billion. As of June 30, 2022, \$24.32 billion remained available and authorized for repurchases.
- Segment information (P.30):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenue:				
Family of Apps	\$ 28,370	\$ 28,772	\$ 55,583	\$ 54,409
Reality Labs	452	305	1,146	839
Total revenue	\$ 28,822	\$ 29,077	\$ 56,729	\$ 55,248
Income (loss) from operations:				
Family of Apps	\$ 11,164	\$ 14,799	\$ 22,647	\$ 28,004
Reality Labs	(2,806)	(2,432)	(5,766)	(4,259)
Total income from operations	\$ 8,358	\$ 12,367	\$ 16,881	\$ 23,745

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	Family of Apps			Reality Labs			Total		
	Three Months Ended June 30,			Three Months Ended June 30,			Three Months Ended June 30,		
	2022	2021	% change	2022	2021	% change	2022	2021	% change
<i>(dollars in millions)</i>									
Revenue	\$ 28,370	\$ 28,772	(1)%	\$ 452	\$ 305	48%	\$ 28,822	\$ 29,077	(1)%
Costs and expenses	\$ 17,206	\$ 13,973	23%	\$ 3,258	\$ 2,737	19%	\$ 20,464	\$ 16,710	22%
Income (loss) from operations	\$ 11,164	\$ 14,799	(25)%	\$ (2,806)	\$ (2,432)	(15)%	\$ 8,358	\$ 12,367	(32)%
Operating margin	39 %	51 %		(621)%	(797)%		29 %	43 %	

IMPACT FOR QUARTER:

- We experienced a reduction in advertising demand in the second quarter of 2022, which we believe was driven by reduced marketer spending as a result of a more challenging macroeconomic environment. The appreciation of the U.S. dollar relative to other foreign currencies also had a negative impact on our advertising revenue.
- In addition, our advertising revenue continues 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 iOS operating system beginning in 2021. We expect that future advertising revenue will continue to be adversely affected by these and other limitations on our ad targeting and measurement tools arising from changes to the regulatory environment and third-party mobile operating systems and browsers.
- More recently, we believe this growth has declined, and we saw continued softening of advertising demand in the second quarter of 2022 as many activities that shifted online during COVID-19 related lockdowns returned in person.
- 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.
- in connection with the war in Ukraine, access to Facebook and Instagram was restricted in Russia and the services were then prohibited by the Russian government, which adversely affected user growth and engagement in the second quarter of 2022.
- During the second quarter of 2022, worldwide ARPP was \$7.91, a decrease of 5% from the second quarter of 2021.

RESULTS OF OPERATIONS

FACTOR	VARIATION YOY	DRIVER
Revenue	-1%	<ul style="list-style-type: none"> Family of Apps -1% <ul style="list-style-type: none"> The decrease was mostly driven by an increase in advertising revenue. Advertising -1% <ul style="list-style-type: none"> Avg Price per Ad -14%: <ul style="list-style-type: none"> The decreases in average price per ad were driven by a reduction in advertising demand, an increasing proportion of the number of ads delivered in geographies and in products such as video and Reels

		<p>that monetize at lower rates, and an unfavorable foreign exchange impact.</p> <ul style="list-style-type: none"> ○ # of ads delivered +15%: <ul style="list-style-type: none"> ● 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. ● Reality Labs +48% <ul style="list-style-type: none"> ● Increase in volume of consumer hardware products sold.
Cost of Revenue	-4%	The decrease was mostly related to a \$472 million reduction in our estimated losses on purchase commitments due to an announced price increase on Meta Quest 2. This decrease was partially offset by increases in operational expenses related to our data centers and technical infrastructure, adjusted for a decrease in the depreciation growth rate due to an extension in the useful lives of servers and network assets, and content costs.
R&D	+43%	Payroll +39% headcount
Marketing & Sales	+10%	Payroll +15%
General & Admin	+53%	The increases were mainly due to increases in legal-related costs as well as payroll and related expenses. Our payroll and related expenses increased mainly due to a 34% increase in employee headcount
Taxes	-29%	<ul style="list-style-type: none"> ● mostly due to the decrease in income from operations. ● Our effective tax rate increased in the three months ended June 30, 2022 compared to the same period in 2021, which is due to a decrease in excess tax benefits 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 18% vs 17% last year.

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 June 30,			Six Months Ended June 30,		
	2022	2021	% change	2022	2021	% change
	(in millions, except percentages)					
Family of Apps	\$ 11,164	\$ 14,799	(25)%	\$ 22,647	\$ 28,004	(19)%
Reality Labs	(2,806)	(2,432)	(15)%	(5,766)	(4,259)	(35)%
Total income from operations	\$ 8,358	\$ 12,367	(32)%	\$ 16,881	\$ 23,745	(29)%

- FAMILY OF APPS:
 - The decreases were primarily due to increases in payroll and related expenses as a result of higher employee headcount, increases in costs related to our data centers and technical infrastructure, and higher legal-related costs.
- REALITY LABS:
 - The increase in loss from operations in both periods was driven by increases in payroll and related expenses due to growth in RL headcount and research and development expenses, partially offset by a \$472 million reduction in our estimated losses on purchase commitments due to an announced price increase on Meta Quest 2.

LIQUIDITY & CAPITAL RESOURCES

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 - net operating loss carryforward was \$5.35 billion (decreased from \$8.19B in Q1 2022)
 - \$391 million (decreased from \$460 million in Q1 2022) 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.

- Information of cash in foreign subsidiaries not included.