- Revenues by source & User Geography:

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

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Advertising	$ 33,643	$ 27,237	$ 93,242	$ 82,387
Other revenue	293	192	724	624
Family of Apps	33,936	27,429	93,966	83,011
Reality Labs	210	285	825	1,433
Total revenue	$ 34,146	$ 27,714	$ 94,791	$ 84,444

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

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
United States and Canada [1]	$ 12,908	$ 11,966	$ 36,761	$ 35,931
Europe [2]	7,578	5,996	21,852	19,284
Asia-Pacific	9,790	6,797	25,634	20,480
Rest of World [2]	3,870	2,955	10,544	8,749
Total revenue	$ 34,146	$ 27,714	$ 94,791	$ 84,444

(1) United States revenue was $12.16 billion and $11.29 billion for the three months ended September 30, 2023 and 2022, respectively, and $34.60 billion and $33.81 billion for the nine months ended September 30, 2023 and 2022, respectively.
(2) Europe includes Russia and Turkey, and Rest of World includes Africa, Latin America, and the Middle East.

- Non-Marketable Equity Securities

Note 6. Non-marketable Equity Securities

Our non-marketable equity securities are investments in privately-held companies without readily determinable fair values. The following table summarizes our non-marketable equity securities that were measured using measurement alternative and equity method (in millions):

	September 30, 2023	December 31, 2022
Non-marketable equity securities under measurement alternative:		
Initial cost	$ 6,389	$ 6,388
Cumulative upward adjustments	293	293
Cumulative impairment/downward adjustments	(599)	(497)
Carrying value	6,083	6,184
Non-marketable equity securities under equity method	59	17
Total	$ 6,142	$ 6,201

- Long-term debt:

Note 10. Long-term Debt

As of September 30, 2023, we had $18.50 billion of fixed-rate senior unsecured notes (the Notes), including $10.0 billion issued in August 2022 and $8.50 billion issued in May 2023. The following table summarizes the Notes and the carrying amount of our debt (in millions, except percentages):

	Maturity	Stated Interest Rate	Effective Interest Rate	September 30, 2023	December 31, 2022
August 2022 debt:					
2027 Notes	2027	3.50%	3.63%	$ 2,750	$ 2,750
2032 Notes	2032	3.85%	3.92%	3,000	3,000
2052 Notes	2052	4.45%	4.51%	2,750	2,750
2062 Notes	2062	4.65%	4.71%	1,500	1,500
May 2023 debt:					
2028 Notes	2028	4.60%	4.68%	1,500	
2030 Notes	2030	4.80%	4.90%	1,000	
2033 Notes	2033	4.95%	5.00%	1,750	
2053 Notes	2053	5.60%	5.64%	2,500	
2063 Notes	2063	5.75%	5.79%	1,750	
Total face amount of long-term debt				18,500	10,000
Unamortized discount and issuance costs, net				(117)	(77)
Long-term debt				$ 18,383	$ 9,923

Each series of the Notes in the table above rank equally with each other. Interest on the Notes is payable semi-annually in arrears. We may redeem the Notes at any time, in whole or in part, at specified redemption prices. We are not subject to any financial covenants under the Notes. Interest expense, net of capitalized interest, recognized on the debt was $132 million and $291 million for the three and nine months ended September 30, 2023, respectively, and was immaterial for the three and nine months ended September 30, 2022.

The total estimated fair value of our outstanding debt was $16.76 billion as of September 30, 2023. The fair value was determined based on the closing trading price per $100 of the Notes as of September 30, 2023 and is categorized accordingly as Level 2 in the fair value hierarchy.

- Liabilities:
    - Significant increase in legal-related accruals which includes estimated fines, settlements or other losses in connection with legal and related matters, as well as other legal fees.

Note 11. Liabilities

The components of accrued expenses and other current liabilities are as follows (in millions):

	September 30, 2023	December 31, 2022
Legal-related accruals [1]	$ 7,119	$ 4,795
Accrued compensation and benefits	4,968	4,591
Accrued property and equipment	2,303	2,921
Accrued taxes [2]	4,608	2,339
Other current liabilities	4,931	4,906
Accrued expenses and other current liabilities	$ 23,929	$ 19,552

(1) Includes accruals for estimated fines, settlements, or other losses in connection with legal and related matters, as well as other legal fees. For further information, see *Legal and Related Matters* in Note 12 — Commitments and Contingencies.

(2) Accrued taxes as of September 30, 2023 include $1.56 billion of deferred U.S. federal income tax payments due to the California storms relief provided by the Internal Revenue Service. The deferred amount has been paid in October 2023.

- Contractual Commitments

Note 12. Commitments and Contingencies

Contractual Commitments

We have $22.34 billion of non-cancelable contractual commitments as of September 30, 2023, 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, 2023 (in millions):

The remainder of 2023	$ 8,724
2024	8,966
2025	1,521
2026	319
2027	214
Thereafter	2,596
Total	$ 22,340

- Segment Information:

expenses, are mostly allocated based on headcount.

The following table sets forth our segment information of revenue and income (loss) from operations (in millions):

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Revenue:				
Family of Apps	$ 33,936	$ 27,429	$ 93,966	$ 83,011
Reality Labs	210	285	825	1,433
Total revenue	$ 34,146	$ 27,714	$ 94,791	$ 84,444
Income (loss) from operations:				
Family of Apps	$ 17,490	$ 9,336	$ 41,841	$ 31,983
Reality Labs	(3,742)	(3,672)	(11,474)	(9,438)
Total income from operations	$ 13,748	$ 5,664	$ 30,367	$ 22,545

- **EXECUTIVE OVERVIEW OF Q2 RESULTS:**
  - Our total revenue for the third quarter of 2023 was $34.15 billion, an increase of 23% compared to the third quarter of 2022, due to an increase in advertising revenue.
    - Currency was a tailwind with 21% on constant currency.
  - Income from operations for the third quarter of 2023 was $13.75 billion, an increase of $8.08 billion, or 143%, compared to the third quarter of 2022, due to an increase in advertising revenue and a decrease in costs and expenses such as legal-related costs and marketing and promotional expenses.

Consolidated and Segment Results

We report our financial results for our two reportable segments: Family of Apps (FoA) and Reality Labs (RL). FoA includes Facebook, Instagram, Messenger, WhatsApp, and other services. RL includes our augmented and virtual reality related consumer hardware, software, and content.

	Family of Apps			Reality Labs			Total		
	Three Months Ended September 30,			Three Months Ended September 30,			Three Months Ended September 30,		
	2023	2022	% change	2023	2022	% change	2023	2022	% change
	(in millions, except percentages)								
Revenue	$ 33,936	$ 27,429	24%	$ 210	$ 285	(26)%	$ 34,146	$ 27,714	23%
Costs and expenses	$ 16,446	$ 18,093	(9)%	$ 3,952	$ 3,957	—%	$ 20,398	$ 22,050	(7)%
Income (loss) from operations	$ 17,490	$ 9,336	87%	$ (3,742)	$ (3,672)	(2)%	$ 13,748	$ 5,664	143%
Operating margin	*52 %*	*34 %*		*(1,782)%*	*(1,288)%*		*40 %*	*20 %*	

- Net income was $11.58 billion, with diluted earnings per share (EPS) of $4.39 for the three months ended September 30, 2023.
- Costs and expenses were $20.40 billion for the three months ended September 30, 2023.
- Capital expenditures, including principal payments on finance leases, were $6.76 billion for the three months ended September 30, 2023.
- Effective tax rate was 17% for the three months ended September 30, 2023.
- Cash, cash equivalents, and marketable securities were $61.12 billion as of September 30, 2023.
- Long-term debt was $18.38 billion as of September 30, 2023.
- Headcount was 66,185 as of September 30, 2023, a decrease of 24% year-over-year. A substantial majority of the employees impacted by the layoffs are no longer included in our reported headcount as of September 30, 2023.

- Restructuring:

Restructuring

Beginning in 2022, we initiated several measures to pursue greater efficiency and to realign our business and strategic priorities. As of September 30, 2023, we have substantially completed planned employee layoffs while continuing to assess facilities consolidation and data center restructuring initiatives.

A summary of our restructuring charges, including subsequent adjustments, for the three months ended September 30, 2023 by major activity type is as follows (in millions):

	Three Months Ended September 30, 2023			
	Facilities Consolidation	Severance and Other Personnel Costs	Data Center Assets	Total
Cost of revenue	$ 25	$ —	$ (12)	$ 13
Research and development	228	(70)	—	158
Marketing and sales	54	69	—	123
General and administrative	45	41	—	86
Total	$ 352	$ 40	$ (12)	$ 380

During the three months ended September 30, 2023, we recorded total restructuring charges of $305 million under our FoA segment, and $75 million under our RL segment.

We expect to incur total pre-tax restructuring charges of approximately $3.5 billion during the full-year 2023, of which $2.30 billion was recognized during the nine months ended September 30, 2023.

- Business and Macroeconomic conditions:
  - 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 from time to time by factors such as inflation, rising interest rates, and related market uncertainty, which has led to reduced marketer spending. While we saw improvement in business and macroeconomic conditions in the third quarter of 2023, continued business, macroeconomic, and geopolitical uncertainty remains, which could impact our financial results in future periods.
  - While Reels is growing in usage, it monetizes at a lower rate than our feed and Stories products and we expect it will continue to monetize at a lower rate for the foreseeable future.
    - Specified in call that Reels were net neutral??
- Investing Philosophy:
  - In the nine months ended September 30, 2023, 81% of our total costs and expenses were recognized in FoA and 19% were recognized in RL.
  - During the nine months ended September 30, 2023, our RL segment reduced our overall operating profit by approximately $11.47 billion, and we expect our RL operating losses to increase meaningfully in 2024.

- During the third quarter of 2023, worldwide ARPP was $8.71, an increase of 16% from the third quarter of 2022.

RESULTS OF OPERATIONS

FACTOR	VARIATION YOY	DRIVER

Revenue	+23%	• Family of Apps +24%
		  • The increase was mostly driven by advertising revenue.
		  • Advertising +24%
		    ○ Avg Price per Ad -6%:
		      • The decreases in average price per ad were driven by increases in the number of ads delivered, especially in geographies and in

<table>
<tr><td></td><td></td><td>products, such as Reels, that monetize at lower rates.
While the average price per ad declined, we believe the improvements to our ad targeting and measurement tools have had a favorable impact on our ad performance and advertising demand.
# of ads delivered +31%:
Ad impressions increased in all regions.
driven by increases in the number and frequency of ads displayed across our products and an increase in users.
Other revenue +53%
Reality Labs -26%
The decreases in RL revenue were primarily driven by a decrease in the volume of Meta Quest 2 sales.
In addition, year-over-year advertising revenue growth was driven mainly by marketer spending in online commerce, consumer packaged goods, and gaming while online commerce and gaming benefited from marketers based in China. We anticipate that future advertising revenue will be driven by a combination of price and the number of ads delivered.
Changes in foreign exchange rates had a favorable impact on our total revenue and advertising revenue</td></tr>
<tr><td>Cost of Revenue</td><td>+9%</td><td>The increases were primarily driven by higher operational expenses related to our data centers and technical infrastructure, partially offset by lower content costs.</td></tr>
<tr><td>R&D</td><td>+1%</td><td>The increase was driven by higher payroll and related expenses, partially offset by lower RL technology development costs.</td></tr>
<tr><td>Marketing & Sales</td><td>-24%</td><td>The decreases were primarily due to decreases in marketing and promotional expenses as well as payroll and related expenses. The payroll and related expenses decreased as a result of a 36% decrease in employee headcount from September 30, 2022 to September 30, 2023 in our marketing and sales functions.</td></tr>
<tr><td>General & Admin</td><td>-39%</td><td>The decrease was primarily due to legal-related costs.</td></tr>
</table>

Taxes	+106%	- increase in income before provision for income taxes, partially offset by a decrease in the effective tax rate. - primarily due to excess tax benefits recognized from share-based compensation, partially offset by the net effect of additional guidance issued by the IRS providing temporary relief on foreign tax credits and additional clarification regarding research and development expenses subject to mandatory capitalization, and amortization.

SEGMENT PROFITABILITY

Segment profitability

The following table sets forth income (loss) from operations by segment:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	% change	2023	2022	% change
			(in millions, except percentages)			
Family of Apps	$ 17,490	$ 9,336	87 %	$ 41,841	$ 31,983	31 %
Reality Labs	(3,742)	(3,672)	(2)%	(11,474)	(9,438)	(22)%
Total income from operations	$ 13,748	$ 5,664	143 %	$ 30,367	$ 22,545	35 %

- FAMILY OF APPS:
    - The increase was mostly driven by an increase in advertising revenue and a decrease in costs and expenses. The decrease in costs and expenses was due to decreases in legal-related costs, marketing and sales expenses, and payroll and related expenses, partially offset by an increase in costs related to our data centers and technical infrastructure.
    - The increase in loss was mainly due to an increase in payroll and related expenses and a decrease in RL revenue, partially offset by lower RL technology development costs.

- REALITY LABS:
    - The increase in loss was mainly due to an increase in payroll and related expenses and a decrease in RL revenue, partially offset by lower RL technology development costs.

Interest and other income (expense), net

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	% change	2023	2022	% change
			(in millions, except percentages)			
Interest income	$ 534	$ 142	276 %	$ 1,051	$ 319	229 %
Interest expense	(139)	(65)	(114)%	(310)	(75)	(313)%
Foreign currency exchange gains (losses), net	(98)	(131)	25 %	(305)	(138)	(121)%
Other income (expense), net	(25)	(34)	26 %	(182)	19	NM
Interest and other income (expense), net	$ 272	$ (88)	409 %	$ 254	$ 125	103 %

Interest and other income (expense), net in the three and nine months ended September 30, 2023 increased $360 million, or 409%, and $129 million, or 103%, respectively, compared to the same periods in 2022. The increases in interest income in both periods were due to a combination of higher interest rates and higher balances, compared to the same periods in 2022. Changes in other income (expense), net were primarily related to gains (losses) recognized for our equity investments.