GOVERNMENT REGULATION

- The new European General Data Protection Regulation (GDPR) will take effect in May 2018 and will apply to all of our products and services that provide service in Europe.

EMPLOYEES

- As of December 31, 2017 , we had 25,105 employees | 17,048 as of December 31, 2016

PURCHASE OF SECURITIES

- Continued to purchase of shares through $6B program authorized in 2016.

MONETIZATION BY USER GEOGRAPHY

- ARPU $20.21 (+26%)
  - Geography with strongest ARPU growth was Europe.

- On December 22, 2017, the 2017 Tax Cuts and Jobs Act (the Tax Act) was enacted into law and the new legislation contains several key tax provisions that affected us, including a one-time mandatory transition tax on accumulated foreign earnings and a reduction of the corporate income tax rate to 21% effective January 1, 2018, among others.

RESULTS OF OPERATIONS

FACTOR	VARIATION YOY (full year)	DRIVER

Revenue	+ 47%	• Advertising +49% | Payments -6%
		• Increase in revenue from ads in mobile (88% of total ad revenue from mobile)
		• Factors that influenced in increase of ads:
		  • Increase in avg price per ad
		  • Increase in users and their engagement
		  • Increase in # and frequency of ads (still expect this to be a less predominant factor).
		• Avg price of ad increase 29% | # of ads increase 15%
		  • Increase in demand for ad inventory increased price.
		  • Increase in number of ads due to more users and engagement.
		• Decrease in payments continues to occur due to decrease in use of PC games.
		• Weakening of US dollar had a positive impact on international revenue.

Cost of Revenue	+44%	Increase in operational expenses from datacenter and technical infrastructure.
R&D	+31%	Payroll | +49% headcount
Marketing & Sales	+25%	Payroll | +35% headcount
General & Admin	+45%	Payroll | +58% headcount
Taxes	+103%	• Effects of the Tax Act that was enacted on December 22, 2017 and an increase in income before provision for income taxes, partially offset by an increase in excess tax benefits recognized from share-based compensation. As a result of the Tax Act, we recognized a one-time mandatory transition tax on accumulated foreign subsidiary earnings, remeasured our U.S. deferred tax assets and liabilities, and reassessed the net realizability of our deferred tax assets and liabilities, which increased our provision for income taxes in 2017 by $2.27 billion. • Our effective tax rate in 2017 increased compared to 2016, mostly due to the Tax Act and a decrease in the tax rate benefit from share-based compensation compared to 2016. These effects were partially offset by an increase in income before provision for income taxes being earned in jurisdictions with tax rates lower than the U.S. statutory tax rate. • Effective tax rate = 23% vs 18% in 2016

LIQUIDITY & CAPITAL RESOURCES

- We repurchased and subsequently retired approximately 13 million shares of our Class A common stock for an aggregate amount of approximately $2.07 billion .
- Trapped Cash = $15.89B (P.51)

Notes to Consolidated Financials

- Content acquisition costs.
  - ↳ FB licenses & pays to produce content to increase engagement on the platform.
  - ↳ For licensed content: capitalize the fee per title & record a corresponding liability at the gross amount of the liability when the license period begins, the cost of the title is known & the title is accepted & available for viewing.
  - ↳ For original programming, FB capitalizes the cost associated with the production.
  - ↳ Capitalized content acquisition costs have not been material to date.
  - *These are for the Watch tab on FB that has been mentioned in earning calls. FB right now is trying to drive traffic & create use of this tab but the plan in the future is to have creators upload & establish a revenue sharing business model from ads played. Seems to be a Youtube competition platform move from FB.
- Completed acquisitions that were not material to financial statements.
- Leases P.77
- Common Stock P.78
- Reclassification of Stock was abandoned – non-voting Class C Common stock will not proceed.
- FB repurchased & retired approximately 13M shares of Class A for the aggregate amount of approximately $2.07B.
- Options P. 80
- Tax act reduces US statutory corporate tax rate from 35% to 21% for 2018.
- NOL carry forward $5.36B & $2.5B
- Federal & state tax credit $742M & $1.38B } P.82
- No country other than US represents more than 10% of Revenue. (P.83 - Geographical Information).