
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 or 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of report (Date of earliest event reported): April 27, 2016

Facebook, Inc.

(Exact Name of Registrant as Specified in Charter)

Delaware

001- 35551

20-1665019

(State or Other Jurisdiction
of Incorporation)

(Commission
File Number)

(IRS Employer
Identification No.)

**1601 Willow Road
Menlo Park, California**

94025

(Address of Principal Executive Offices)

(Zip Code)

(650) 543-4800

(Registrant's Telephone Number, Including Area Code)

N/A

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the Registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02 Results of Operations and Financial Condition.

On April 27, 2016, Facebook, Inc. ("Facebook") issued a press release and will hold a conference call regarding its financial results for the quarter ended March 31, 2016. A copy of the press release is furnished as Exhibit 99.1 to this report.

The information furnished with this Item 2.02, including Exhibit 99.1, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference into any other filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Facebook is making reference to non-GAAP financial information in both the press release and the conference call. A reconciliation of these non-GAAP financial measures to the nearest comparable GAAP financial measures is contained in the attached Exhibit 99.1 press release.

Facebook uses the investor.fb.com and newsroom.fb.com websites as well as Mark Zuckerberg's Facebook Page (<https://www.facebook.com/zuck>) as means of disclosing material non-public information and for complying with its disclosure obligations under Regulation FD.

Item 8.01 Other Events

On April 27, 2016, Facebook announced that its board of directors has approved a proposal to amend and restate its existing certificate of incorporation to provide for a new class of non-voting capital stock, known as the Class C capital stock, and potentially issue two shares of Class C capital stock as a one-time stock dividend for each outstanding share of Facebook's Class A and Class B common stock (the "Reclassification Proposal"). The adoption of the Reclassification Proposal is subject to the approval of Facebook's stockholders at its 2016 Annual Meeting of Stockholders ("2016 Annual Meeting") to be held on June 20, 2016.

Copies of (i) Facebook's Newsroom post and FAQ, (ii) a note from Mark Zuckerberg, and (iii) Facebook's internal communications documents relating to the Reclassification Proposal are filed as Exhibits 99.2, 99.3, and 99.4, respectively, to this Form 8-K and are incorporated herein by reference.

Additional Information and Where to Find It

This Current Report on Form 8-K may be deemed to be solicitation material in respect of the solicitation of proxies from stockholders for the 2016 Annual Meeting. Facebook intends to file with the Securities and Exchange Commission (the "SEC") and make available to the stockholders of Facebook of record on April 29, 2016 a proxy statement containing important information about the Reclassification Proposal and certain other matters to be considered by the stockholders of Facebook at its 2016 Annual Meeting. BEFORE MAKING ANY VOTING DECISION, FACEBOOK'S STOCKHOLDERS ARE URGED TO READ THE PROXY STATEMENT (INCLUDING ANY AMENDMENTS OR SUPPLEMENTS THERETO) WHEN IT BECOMES AVAILABLE CAREFULLY AND IN ITS ENTIRETY BECAUSE IT WILL CONTAIN IMPORTANT INFORMATION ABOUT THE RECLASSIFICATION PROPOSAL AND CERTAIN OTHER MATTERS TO BE CONSIDERED AT THE 2016 ANNUAL MEETING.

Investors will be able to obtain the proxy statement and other relevant materials, when available, free of charge at the SEC's website (<http://www.sec.gov>). In addition, documents filed with the SEC by Facebook, including the proxy statement when available, and the Annual Report on Form 10-K for the year ended December 31, 2015, will be available free of charge from Facebook's Investor Relations website at investor.fb.com.

Participants in the Solicitation

Facebook and its directors, nominees, and executive officers may be deemed to be participants in the solicitation of proxies from Facebook's stockholders with respect to the matters to be considered at the 2016 Annual Meeting, including the Reclassification Proposal. Information regarding the names, affiliations, and direct or indirect interests (by security holdings or otherwise) of these persons will be described in the proxy statement to be filed with the SEC.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit Number	Exhibit Title or Description
99.1	Press release dated April 27, 2016
99.2	Facebook Newsroom Post and FAQ
99.3	Note from Mark Zuckerberg
99.4	Facebook Internal Communications

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

FACEBOOK, INC.

Date: April 27, 2016

By: /s/ Colin S. Stretch

Name: Colin S. Stretch

Title: Vice President and General Counsel

Exhibit Index

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99.1	Press release dated April 27, 2016
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99.4	Facebook Internal Communications

Facebook Reports First Quarter 2016 Results and Announces Proposal for New Class of Stock

MENLO PARK, Calif. – April 27, 2016 – Facebook, Inc. (NASDAQ: FB) today reported financial results for the quarter ended March 31, 2016 .

"We had a great start to the year," said Mark Zuckerberg, Facebook founder and CEO. "We're focused on our 10 year roadmap to give everyone in the world the power to share anything they want with anyone."

We also announced today that our board of directors has approved a proposal to amend and restate our existing certificate of incorporation to create a new class of non-voting capital stock, known as the Class C capital stock. If the proposal is approved, we intend to issue two shares of Class C capital stock as a one-time stock dividend in respect of each outstanding share of our Class A and Class B common stock. This proposal is designed to create a capital structure that will, among other things, allow us to remain focused on Mr. Zuckerberg's long-term vision for our company and encourage Mr. Zuckerberg to remain in an active leadership role at Facebook. The adoption of the proposal is subject to the approval of our stockholders at our 2016 Annual Meeting of Stockholders to be held on June 20, 2016, and the record date for the payment of the Class C stock dividend would be set by the board of directors at a later date. More information will be available on our Investor Relations site and in our forthcoming proxy statement to be filed today.

First Quarter 2016 Financial Summary

<i>In millions, except percentages and per share amounts</i>	Three Months Ended March 31,	
	2016	2015
Revenue	\$ 5,382	\$ 3,543
Income from Operations		
GAAP	\$ 2,009	\$ 933
Non-GAAP*	\$ 2,977	\$ 1,840
Operating Margin		
GAAP	37%	26%
Non-GAAP*	55%	52%
Net Income		
GAAP	\$ 1,510	\$ 512
Non-GAAP*	\$ 2,229	\$ 1,189
Diluted Earnings per Share (EPS)		
GAAP	\$ 0.52	\$ 0.18
Non-GAAP*	\$ 0.77	\$ 0.42

* Non-GAAP financial measures exclude amortization of intangible assets, share-based compensation and related payroll tax expenses. Non-GAAP net income and EPS also exclude the income tax effects of these non-GAAP adjustments. See the table below titled "Reconciliation of GAAP to Non-GAAP Results."

First Quarter 2016 Operational Highlights

- **Daily active users (DAUs)** – DAUs were 1.09 billion on average for March 2016 , an increase of 16% year-over-year.
- **Mobile DAUs** – Mobile DAUs were 989 million on average for March 2016 , an increase of 24% year-over-year.
- **Monthly active users (MAUs)** – MAUs were 1.65 billion as of March 31, 2016 , an increase of 15% year-over-year.
- **Mobile MAUs** – Mobile MAUs were 1.51 billion as of March 31, 2016 , an increase of 21% year-over-year.

First Quarter 2016 Financial Highlights

<i>In millions, except percentages and per share amounts</i>	GAAP		Year-over-Year % Change
	Three Months Ended March 31,		
	2016	2015	
Revenue:			
Advertising ⁽¹⁾	\$ 5,201	\$ 3,317	57 %
Payments and other fees	181	226	(20)%
Total revenue ⁽²⁾	5,382	3,543	52 %
Total costs and expenses	3,373	2,610	29 %
Income from operations	\$ 2,009	\$ 933	115 %
<i>Operating margin</i>	<i>37%</i>	<i>26%</i>	
Provision for income taxes	555		
<i>Effective tax rate</i>	<i>27%</i>		
Net income	\$ 1,510	\$ 512	195 %
Diluted EPS	\$ 0.52	\$ 0.18	189 %

(1) Excluding the impact of year-over-year changes in foreign exchange rates, advertising revenue would have increased by 63% .

(2) Excluding the impact of year-over-year changes in foreign exchange rates, total revenue would have increased by 58% .

<i>In millions, except percentages and per share amounts</i>	Non-GAAP		Year-over-Year % Change
	Three Months Ended March 31,		
	2016	2015	
GAAP revenue	\$ 5,382	\$ 3,543	52%
Total costs and expenses	2,405	1,703	41%
Income from operations	\$ 2,977	\$ 1,840	62%
<i>Operating margin</i>	<i>55%</i>	<i>52%</i>	
<i>Effective tax rate</i>	<i>27%</i>		
Net income	\$ 2,229	\$ 1,189	87%
Diluted EPS	\$ 0.77	\$ 0.42	83%

First Quarter 2016 Other Financial Highlights

- **Mobile advertising revenue** – Mobile advertising revenue represented approximately 82% of advertising revenue for the first quarter of 2016 , up from 73% of advertising revenue in the first quarter of 2015 .
- **Capital expenditures** – Capital expenditures for the first quarter of 2016 were \$ 1.13 billion .
- **Cash and cash equivalents and marketable securities** – Cash and cash equivalents and marketable securities were \$20.62 billion at the end of the first quarter of 2016 .
- **Free cash flow** – Free cash flow for the first quarter of 2016 was \$1.85 billion .

Webcast and Conference Call Information

Facebook will host a conference call to discuss the results at 2 p.m. PT / 5 p.m. ET today. The live webcast of Facebook's earnings release call can be accessed at investor.fb.com, along with the earnings press release, financial tables and slide presentation. Facebook uses the investor.fb.com and newsroom.fb.com websites as well as Mark Zuckerberg's Facebook Page (<https://www.facebook.com/zuck>) as means of disclosing material non-public information and for complying with its disclosure obligations under Regulation FD.

Following the call, a replay will be available at the same website. A telephonic replay will be available for one week following the conference call at +1 (404) 537-3406 or +1 (855) 859-2056, conference ID 77447218.

About Facebook

Founded in 2004, Facebook's mission is to give people the power to share and make the world more open and connected. People use Facebook to stay connected with friends and family, to discover what's going on in the world, and to share and express what matters to them.

Additional Information and Where to Find it

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Investors will be able to obtain the proxy statement and other relevant materials, when available, free of charge at the SEC's website (<http://www.sec.gov>). In addition, documents filed with the SEC by us, including the proxy statement when available, and the Annual Report on Form 10-K for the year ended December 31, 2015, will be available free of charge from us at our website at <http://investor.fb.com>.

Participants in the Solicitation

We and our directors, nominees, and executive officers may be deemed to be participants in the solicitation of proxies from our stockholders with respect to the matters to be considered at the 2016 Annual Meeting, including the Reclassification Proposal. Information regarding the names, affiliations, and direct or indirect interests (by security holdings or otherwise) of these persons will be described in the proxy statement to be filed with the SEC.

Contacts

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Forward Looking Statements

This press release contains forward-looking statements regarding our future business expectations, which are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are only predictions and may differ materially from actual results due to a variety of factors including: our ability to retain or increase users and engagement levels; our reliance on advertising revenue; our dependency on mobile operating systems, networks, and standards that we do not control; risks associated with new product development and their introduction as well as other new business initiatives; our emphasis on user growth and engagement and the user experience over short-term financial results; competition; litigation; privacy and regulatory concerns; risks associated with acquisitions; security breaches; and our ability to manage growth and geographically-dispersed operations. These and other potential risks and uncertainties that could cause actual results to differ from the results predicted are more fully detailed under the caption "Risk Factors" in our Annual Report on Form 10-K filed with the SEC on January 28, 2016, which is available on our Investor Relations website at investor.fb.com and on the SEC website at www.sec.gov. Additional information will also be set forth in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2016. In addition, please note that the date of this press release is April 27, 2016, and any forward-looking statements contained herein are based on assumptions that we believe to be reasonable as of this date. We undertake no obligation to update these statements as a result of new information or future events.

Non-GAAP Financial Measures

To supplement our condensed consolidated financial statements, which are prepared and presented in accordance with GAAP, we use the following non-GAAP financial measures: revenue excluding foreign exchange effect and advertising revenue excluding foreign exchange effect; non-GAAP costs and expenses; non-GAAP income from operations; non-GAAP net income; non-GAAP diluted shares; non-GAAP diluted earnings per share; non-GAAP operating margin; non-GAAP effective tax rate; and free cash flow. The presentation of these financial measures is not intended to be considered in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with GAAP. Investors are cautioned that there are material limitations associated with the use of non-GAAP financial measures as an analytical tool. In particular, many of the adjustments to our GAAP financial measures reflect the exclusion of items, specifically amortization of intangible assets, share-based compensation expense, and payroll tax related to share-based compensation expense, and the related income tax effects of the aforementioned exclusions, that are recurring and will be reflected in our financial results for the foreseeable future. In addition, these measures may be different from non-GAAP financial measures used by other companies, limiting their usefulness for comparison purposes. We compensate for these limitations by providing specific information regarding the GAAP amounts excluded from these non-GAAP financial measures.

We believe these non-GAAP financial measures provide investors with useful supplemental information about the financial performance of our business, enable comparison of financial results between periods where certain items may vary independent of business performance, and allow for greater transparency with respect to key metrics used by management in operating our business.

We exclude the following items from one or more of our non-GAAP financial measures:

Amortization of intangible assets. We amortize intangible assets acquired in connection with acquisitions. We exclude these amortization expenses because we do not believe these expenses are reflective of ongoing operating results in the period. These amounts arise from our prior acquisitions and have no direct correlation to the operation of our business.

Share-based compensation expense . We exclude share-based compensation expense because we believe that the non-GAAP financial measures excluding this item provide meaningful supplemental information regarding operational performance. In particular, because of varying available valuation methodologies, subjective assumptions and the variety of award types that companies can use under FASB ASC 718, we believe that providing non-GAAP financial measures that exclude this expense allows investors to make more meaningful comparisons between our operating results and those of other companies. Accordingly, we believe that excluding this expense provides investors and management with greater visibility to the underlying performance of our business operations, facilitates comparison of our results with other periods, and may also facilitate comparison with the results of other companies in our industry.

Payroll tax expense related to share-based compensation . We exclude payroll tax expense related to share-based compensation expense because, without excluding these tax expenses, investors would not see the full effect that excluding share-based compensation expense had on our operating results. These expenses are tied to the exercise or vesting of underlying equity awards and the price of our common stock at the time of vesting or exercise, which factors may vary from period to period independent of the operating performance of our business. Similar to share-based compensation expense, we believe that excluding this payroll tax expense provides investors and management with greater visibility to the underlying performance of our business operations and facilitates comparison with other periods as well as the results of other companies.

Income tax effect of amortization of intangible assets, share-based compensation and related payroll tax expenses . We believe excluding the income tax effect of non-GAAP adjustments assists investors and management in understanding the tax provision related to those adjustments and provides useful supplemental information regarding the underlying performance of our business operations.

Foreign exchange effect on revenue . We translated revenue for the three months ended March 31, 2016 using the prior year's monthly exchange rates for our settlement currencies other than the U.S. dollar, which we believe is a useful metric that facilitates comparison to our historical performance.

Purchases of property and equipment. We subtract purchases of property and equipment in our calculation of free cash flow because we believe that this methodology can provide useful supplemental information to help investors better understand underlying trends in our business.

For more information on our non-GAAP financial measures and a reconciliation of GAAP to non-GAAP measures, please see the "Reconciliation of GAAP to Non-GAAP Results" table in this press release.

FACEBOOK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In millions, except for per share amounts)
(Unaudited)

	Three Months Ended March	
	31,	
	2016	2015
Revenue	\$ 5,382	\$ 3,543
Costs and expenses:		
Cost of revenue	838	654
Research and development	1,343	1,062
Marketing and sales	826	620
General and administrative	366	274
Total costs and expenses	<u>3,373</u>	<u>2,610</u>
Income from operations	2,009	933
Interest and other income/(expense), net	56	(1)
Income before provision for income taxes	2,065	932
Provision for income taxes	555	420
Net income	<u>\$ 1,510</u>	<u>\$ 512</u>
Less: Net income attributable to participating securities	5	3
Net income attributable to Class A and Class B common stockholders	<u>\$ 1,505</u>	<u>\$ 509</u>
Earnings per share attributable to Class A and Class B common stockholders:		
Basic	<u>\$ 0.53</u>	<u>\$ 0.18</u>
Diluted	<u>\$ 0.52</u>	<u>\$ 0.18</u>
Weighted average shares used to compute earnings per share attributable to Class A and Class B common stockholders:		
Basic	<u>2,843</u>	<u>2,784</u>
Diluted	<u>2,888</u>	<u>2,836</u>
Share-based compensation expense included in costs and expenses:		
Cost of revenue	\$ 22	\$ 17
Research and development	586	566
Marketing and sales	82	72
General and administrative	57	48
Total share-based compensation expense	<u>\$ 747</u>	<u>\$ 703</u>
Payroll tax expenses related to share-based compensation included in costs and expenses:		
Cost of revenue	\$ 2	\$ 1
Research and development	29	17
Marketing and sales	5	4
General and administrative	5	3
Total payroll tax expenses related to share-based compensation	<u>\$ 41</u>	<u>\$ 25</u>
Amortization of intangible assets included in costs and expenses:		
Cost of revenue	\$ 44	\$ 44
Research and development	9	10
Marketing and sales	104	102
General and administrative	23	23
Total amortization of intangible assets	<u>\$ 180</u>	<u>\$ 179</u>

FACEBOOK, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)

(Unaudited)

	March 31, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,456	\$ 4,907
Marketable securities	14,165	13,527
Accounts receivable, net of allowances for doubtful accounts of \$63 and \$68 as of March 31, 2016 and December 31, 2015, respectively	2,348	2,559
Prepaid expenses and other current assets	843	659
Total current assets	23,812	21,652
Property and equipment, net	6,467	5,687
Intangible assets, net	3,067	3,246
Goodwill	18,029	18,026
Other assets	700	796
Total assets	\$ 52,075	\$ 49,407
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 149	\$ 196
Partners payable	216	217
Accrued expenses and other current liabilities	1,389	1,449
Deferred revenue and deposits	55	56
Current portion of capital lease obligations	—	7
Total current liabilities	1,809	1,925
Capital lease obligations, less current portion	—	107
Other liabilities	3,116	3,157
Total liabilities	4,925	5,189
Stockholders' equity		
Common stock and additional paid-in capital	36,129	34,886
Accumulated other comprehensive loss	(276)	(455)
Retained earnings	11,297	9,787
Total stockholders' equity	47,150	44,218
Total liabilities and stockholders' equity	\$ 52,075	\$ 49,407

FACEBOOK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

	Three Months Ended March 31,	
	2016	2015
Cash flows from operating activities		
Net income	\$ 1,510	\$ 512
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	552	457
Share-based compensation	747	694
Deferred income taxes	(65)	(223)
Tax benefit from share-based award activity	494	423
Excess tax benefit from share-based award activity	(494)	(423)
Other	13	6
Changes in assets and liabilities:		
Accounts receivable	267	84
Prepaid expenses and other current assets	(106)	(43)
Other assets	15	(32)
Accounts payable	2	(15)
Partners payable	(3)	(13)
Accrued expenses and other current liabilities	(16)	134
Deferred revenue and deposits	(2)	(10)
Other liabilities	69	149
Net cash provided by operating activities	2,983	1,700
Cash flows from investing activities		
Purchases of property and equipment	(1,132)	(502)
Purchases of marketable securities	(3,126)	(3,055)
Sales of marketable securities	2,013	608
Maturities of marketable securities	537	339
Acquisitions of businesses, net of cash acquired, and purchases of intangible assets	(1)	(257)
Change in restricted cash and deposits	33	23
Net cash used in investing activities	(1,676)	(2,844)
Cash flows from financing activities		
Principal payments on capital lease and other financing obligations	(312)	(47)
Excess tax benefit from share-based award activity	494	423
Other financing activities, net	2	(5)
Net cash provided by financing activities	184	371
Effect of exchange rate changes on cash and cash equivalents	58	(123)
Net increase (decrease) in cash and cash equivalents	1,549	(896)
Cash and cash equivalents at beginning of period	4,907	4,315
Cash and cash equivalents at end of period	\$ 6,456	\$ 3,419

FACEBOOK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

	Three Months Ended March	
	31,	
	2016	2015
Supplemental cash flow data		
Cash paid during the period for:		
Interest	\$ 11	\$ 3
Income taxes, net	\$ 170	\$ 119
Non-cash investing and financing activities:		
Net change in accounts payable, accrued expenses and other current liabilities, and other liabilities related to property and equipment additions	\$ 52	\$ 186
Promissory note payable issued in connection with an acquisition	\$ —	\$ 198

Reconciliation of GAAP to Non-GAAP Results
(In millions, except percentages and per share amounts)
(Unaudited)

	Three Months Ended March 31,	
	2016	2015
GAAP revenue	\$ 5,382	\$ 3,543
Foreign exchange effect on 2016 revenue using 2015 rates	202	
Revenue excluding foreign exchange effect	\$ 5,584	
GAAP revenue year-over-year change %	52%	
Revenue excluding foreign exchange effect year-over-year change %	58%	
GAAP advertising revenue	\$ 5,201	\$ 3,317
Foreign exchange effect on 2016 advertising revenue using 2015 rates	202	
Advertising revenue excluding foreign exchange effect	\$ 5,403	
GAAP advertising revenue year-over-year change %	57%	
Advertising revenue excluding foreign exchange effect year-over-year change %	63%	
GAAP costs and expenses	\$ 3,373	\$ 2,610
Share-based compensation expense	(747)	(703)
Payroll tax expenses related to share-based compensation	(41)	(25)
Amortization of intangible assets	(180)	(179)
Non-GAAP costs and expenses	\$ 2,405	\$ 1,703
GAAP income from operations	\$ 2,009	\$ 933
Share-based compensation expense	747	703
Payroll tax expenses related to share-based compensation	41	25
Amortization of intangible assets	180	179
Non-GAAP income from operations	\$ 2,977	\$ 1,840
GAAP net income	\$ 1,510	\$ 512
Share-based compensation expense	747	703
Payroll tax expenses related to share-based compensation	41	25
Amortization of intangible assets	180	179
Income tax adjustments	(249)	(230)
Non-GAAP net income	\$ 2,229	\$ 1,189
GAAP and Non-GAAP diluted shares	2,888	2,836
GAAP diluted earnings per share	\$ 0.52	\$ 0.18
Non-GAAP adjustments to net income	0.25	0.24
Non-GAAP diluted earnings per share	\$ 0.77	\$ 0.42
GAAP operating margin	37%	26%
Share-based compensation expense	14%	20%
Payroll tax expenses related to share-based compensation	1%	1%
Amortization of intangible assets	3%	5%
Non-GAAP operating margin	55%	52%
GAAP income before provision for income taxes	\$ 2,065	\$ 932
GAAP provision for income taxes	555	420
GAAP effective tax rate	27%	45%
GAAP income before provision for income taxes	\$ 2,065	\$ 932
Share-based compensation and related payroll tax expenses	788	728
Amortization of intangible assets	180	179

Non-GAAP income before provision for income taxes	\$ 3,033	\$ 1,839
Non-GAAP provision for income taxes	804	650
Non-GAAP effective tax rate	27%	35%
Net cash provided by operating activities	\$ 2,983	\$ 1,700
Purchases of property and equipment	(1,132)	(502)
Free cash flow	\$ 1,851	\$ 1,198

Preserving Founder-Led Structure to Focus on the Long Term
Proposal to create new class of publicly listed, non-voting Class C capital stock

By Colin Stretch, General Counsel, Facebook, Inc.

From the beginning, Facebook has been managed for the long term, focusing on its mission of connecting the world. Today, Facebook's board of directors is proposing the creation of a new class of publicly listed, non-voting Class C capital stock to ensure that the company maintains this long-term focus. The board believes that a large part of Facebook's success has stemmed from the leadership, creative vision and management of Mark Zuckerberg, and that the company's future success will depend on Mark's continued leadership. Specifically, the board believes this structure will benefit Facebook and its stockholders by:

- allowing the company to maintain focus on Mark's long-term vision for Facebook;
- encouraging Mark to remain involved with Facebook in a leadership role;
- mitigating succession risk; and
- better mitigating potential future voting dilution.

Before Facebook went public, a dual-class capital structure was created to allow the company to focus on its long-term vision without being distracted by short-term pressures. As Mark said in his stockholder letter at the time of the IPO:

"By focusing on our mission and building great services, we believe we will create the most value for our shareholders and partners over the long-term - and this in turn will enable us to keep attracting the best people and building more great services. We don't wake up in the morning with the primary goal of making money, but we understand that the best way to achieve our mission is to build a strong and valuable company."

Four years later this remains just as true. Facebook's long-term roadmap is focused on building the technology to give everyone in the world the power to share anything they want, with anyone, and the company is building the communication platforms that enable this. Many of these technologies will take years to build and achieve their full potential.

More recently, Mark announced that over the course of his life, he plans to give away 99% of his Facebook shares to advance human potential and promote equality via the Chan Zuckerberg Initiative, focused on efforts like personalized learning, curing disease, connecting people, and building strong communities. This too is a long-term engagement that will take many years.

The board's proposal will allow Facebook to maintain and improve upon the structure that has served shareholders well, while also enabling Mark to pursue his important goals through the Chan Zuckerberg Initiative.

For each outstanding Class A and Class B share held by our stockholders, Facebook intends to issue two new Class C shares as a one-time stock dividend. The Class C shares will have the same economic rights as the existing Class A and Class B shares. The primary difference is that the Class C shares are non-voting. This proposal will be subject to stockholder approval at the annual meeting of stockholders on June 20, and the actual record date for the payment of the Class C stock dividend will be set by the board at a later date. As part of this proposal, the preservation of this new multi-class capital structure would be based on Mark's maintaining an active leadership role at Facebook.

This is not a traditional governance model, but Facebook was not built to be a traditional company. The board believes that a founder-led approach has been and continues to be in the best interests of Facebook, its stockholders, and the community.

For more details you can review the proposal in our preliminary proxy filing, which has been filed with the SEC.

FAQ

All of the following information is qualified in its entirety by the information in our preliminary proxy statement, which has been filed with the SEC.

What is happening? How are the new Class C shares different than the existing Class A shares?

Today, Facebook filed a preliminary proxy statement that includes a proposal to create a new class of publicly listed, non-voting Class C capital stock and, if approved, to issue a one-time dividend of two shares of that new class of capital stock for each outstanding Class A and Class B share held by stockholders (referred to in the rest of this FAQ as the “Reclassification”). The Class C shares will have the same economic rights as the existing Class A and Class B shares. The primary difference is that the Class C shares are non-voting. This proposal will be subject to stockholder approval at the annual stockholder meeting on June 20.

How will these shares be traded?

The Class A shares will continue to trade under the “FB” ticker symbol, while the Class C shares will trade under a different ticker symbol following the payment of the stock dividend. Stockholders will be able to trade the new Class C shares, just as they can with Class A shares today.

What is the timeline for the change?

The board of directors hasn't yet set a record date for the payment of the stock dividend. The actual record date will be communicated at a later date.

Will this change my percentage ownership in the company?

No. Following the Reclassification, each stockholder will hold 3x as many shares as they did before the Reclassification and, similarly, the total number of outstanding shares will be 3x greater than it was before the Reclassification. Shareholders' percentage ownership interest in the company will not change.

How did the board arrive at this proposal?

In August 2015, the board of directors established a special committee, comprised of independent, non-management directors (Susan Desmond-Hellmann, Marc Andreessen, and Erskine Bowles) to evaluate a potential reclassification of our capital structure. The committee considered and received advice from its own independent advisors on the likely effects of a reclassification on our share price, capital structure, governance, management, operations, and investor relations. Following these discussions, the special committee unanimously recommended, and the board of directors unanimously approved (with Mark and the other management directors not participating) the Reclassification proposal.

Additional Information and Where to Find It

This document may be deemed to be solicitation material in respect of the solicitation of proxies from stockholders for the 2016 Annual Meeting of Stockholders (the “2016 Annual Meeting”). Facebook intends to file with the Securities and Exchange Commission (the “SEC”) and make available to the Facebook stockholders of record on April 29, 2016 a proxy statement containing important information about the Reclassification proposal and certain other matters to be considered by the stockholders of Facebook at its 2016 Annual Meeting. **BEFORE MAKING ANY VOTING DECISION, FACEBOOK STOCKHOLDERS ARE URGED TO READ THE PROXY STATEMENT (INCLUDING ANY AMENDMENTS OR SUPPLEMENTS THERETO) WHEN IT BECOMES AVAILABLE CAREFULLY AND IN ITS ENTIRETY BECAUSE IT WILL CONTAIN IMPORTANT INFORMATION ABOUT THE RECLASSIFICATION PROPOSAL AND CERTAIN OTHER MATTERS TO BE CONSIDERED AT THE 2016 ANNUAL MEETING.**

Investors will be able to obtain the proxy statement and other relevant materials, when available, free of charge at the SEC's website (<http://www.sec.gov>). In addition, documents filed with the SEC by Facebook, including the proxy statement when available, and the Annual Report on Form 10-K for the year ended December 31, 2015, will be available

free of charge from Facebook's Investor Relations website at investor.fb.com.

Participants in the Solicitation

Facebook and its directors, nominees, and executive officers may be deemed to be participants in the solicitation of proxies from Facebook's stockholders with respect to the matters to be considered at the 2016 Annual Meeting, including the Reclassification proposal. Information regarding the names, affiliations, and direct or indirect interests (by security holdings or otherwise) of these persons will be described in the proxy statement to be filed with the SEC.

Note from Mark Zuckerberg

Everything we do at Facebook is focused on our mission to make the world more open and connected.

To maintain our focus on this mission, we have always been a founder-led company. This structure has helped us resist the short term pressures that often hurt companies. It has helped us grow our community, build our business and create shareholder value. It has given us the freedom to prioritize your product experience and invest in new apps like Instagram -- decisions that don't always pay off right away, but that we believe help us serve our community and our shareholders.

When I look out at the future, I see more bold moves ahead of us than behind us. We're focused not on what Facebook is today, but on what it can be, and what it needs to be for our community. That means investing in areas like spreading connectivity, building artificial intelligence and developing virtual and augmented reality. I am committed to our mission and to leading Facebook there over the long term.

While helping to connect the world will always be the most important thing I do, there are more global challenges that I feel a responsibility to help solve -- like helping to cure all diseases by the end of this century, upgrading our education system so it's personalized for each student, and protecting our environment from climate change. That's why Priscilla and I created the Chan Zuckerberg Initiative and committed to give 99 percent of our Facebook shares during our lives to advance human potential and promote equality.

Today, Facebook's board of directors is announcing a proposal to create a new class of stock that will allow us to achieve both goals. I'll be able to keep founder control of Facebook so we can continue to build for the long term, and Priscilla and I will be able to give our money to fund important work sooner. Right now, there are amazing scientists, educators and doctors around the world doing incredible work. We want to help them make a bigger difference today, not 30 or 40 years down the road.

If this proposal goes into effect, we'll get to keep improving your Facebook experience the way we do today. And over the long term, I think you'll have better services and be part of a stronger community as a result. I believe in our community and the good we can do in the world, and I'm looking forward to continuing this journey with you.

Additional Information and Where to Find It

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Facebook Internal Communications**FAQ****What is happening? How are the new Class C shares different than the existing Class A shares?**

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How will these shares be traded?

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What is the timeline for the change?

The board of directors hasn't yet set a record date for the payment of the stock dividend. The actual record date will be communicated at a later date.

Will this change my percentage ownership in the company?

No. Following the Reclassification, each stockholder will hold 3x as many shares as they did before the Reclassification and, similarly, the total number of outstanding shares will be 3x greater than it was before the Reclassification. Shareholders' percentage ownership interest in the company will not change.

How did the board arrive at this proposal?

In August 2015, the board of directors established a special committee, comprised of independent, non-management directors (Susan Desmond-Hellmann, Marc Andreessen, and Erskine Bowles) to evaluate a potential reclassification of our capital structure. The committee considered and received advice from its own independent advisors on the likely effects of a reclassification on our share price, capital structure, governance, management, operations, and investor relations. Following these discussions, the special committee unanimously recommended, and the board of directors unanimously approved (with Mark and the other management directors not participating), the Reclassification proposal.

Equity award and related FAQ**What will be the effect of the Reclassification on Facebook's share price?**

The proposed Class C dividend will have the effect of a 3:1 stock split. Accordingly, we expect our shares to trade at approximately one-third of the pre-dividend price immediately after the Reclassification goes into effect.

How is this different for RSUs than what we have today?

Currently, you receive Class A common stock when your RSUs vest and all new equity grants (e.g., new hire and refreshers) are for Class A shares. After the Reclassification, all pre-existing equity awards would be adjusted to account for the dividend of Class C shares and all new equity awards granted would be for only Class C shares.

What happens to unvested RSUs?

After the Reclassification, outstanding RSUs will become issuable for the same number of Class A shares plus, for each such Class A share, an additional two Class C shares. For example, if you had 50 Class A RSUs before the Reclassification, you would have 50 Class A RSUs and 100 Class C RSUs after the Reclassification.

What happens to shares of FB stock I hold?

If you hold shares of FB stock at the time of the Reclassification, including from prior RSU vest events, you will be issued a stock dividend in the form of an additional two Class C shares for every one share (Class A or Class B) that you own. For example, if you had 50 Class A shares before the Reclassification, you would have 50 Class A shares and 100 Class C shares after the Reclassification.

Will my RSU vesting schedule change?

No. Your vesting schedule will stay the same. Following the Reclassification, when an RSU vests you will receive the original number of Class A shares that are scheduled to vest plus, for each such share, an additional two Class C shares. For example, if you were scheduled to vest in 10 Class A RSUs on a specified vesting date before the Reclassification, you would vest in 10 Class A RSUs and 20 Class C RSUs on that same vesting date after the Reclassification.

How does this impact future RSU grants?

All RSUs granted following the Reclassification will be for only Class C shares.

I have a restricted stock award from an acquisition - what happens to that?

Following the Reclassification, when your restricted stock vests you will receive the original number of Class A or Class B shares that are scheduled to vest plus, for each such Class A or Class B share, an additional two Class C shares. Your vesting schedule will not change.

I live and work in the United States. How would this affect my taxes?

For US taxpayers, the stock dividend should not be taxable for federal income tax purposes, but you should discuss the dividend with your accountant or financial advisor if you have questions about your particular tax situation. More specifics regarding tax withholding and reporting for RSUs will be provided in subsequent communications and FYI Live sessions.

I live in [insert country name here]. Anything different for my country?

We do not expect the stock dividend to be a taxable event in most countries. We are in the process of evaluating tax implications for non-US countries and will update you with country-specific details in subsequent communications and FYI Live sessions. You should discuss the stock dividend with your accountant or financial advisor if you have questions about your particular tax situation.

Do I need to do anything specific with Schwab?

Following the Reclassification, Schwab will be adjusting any outstanding Facebook shares or equity awards in your account(s) to reflect the Class C stock dividend. We are working with Schwab on an implementation plan and will provide additional information in subsequent communications and FYI Live sessions on this topic in the future.

A dividend? Are we getting cash?

No. the Reclassification dividend will be issued in shares of Class C capital stock.

Is anything changing in our overall equity compensation practices?

No. Nothing is changing on the way we think about our overall equity compensation program.

Would there be any changes to how we can trade these new Class C shares?

We plan to list the Class C shares on Nasdaq just like our Class A shares. They will be publicly-traded and subject to Facebook's insider trading policy, but will trade under a different ticker symbol than our Class A shares.

Can I choose to keep all Class A or Class B stock?

No. The Class C dividend will be automatically applied to all outstanding shares of Class A and Class B common stock and equity awards at the time of Reclassification.

Where can I learn more about this?

You can read Colin's Newsroom post, Mark's note to our community, and our preliminary proxy statement, which contains more exhaustive details about the Reclassification proposal under Quick Links.

Why can't you answer all of my questions right now?

SEC rules that govern proxy proposals generally treat our written communications to employees about this proposal as a "solicitation" of your vote on the matter. A consequence of this rule is that we are required to publicly file such written communications with the SEC as they are disseminated. You can imagine that this makes it challenging to respond to individual employees questions and comments. So we think the best course of action is to attempt to answer as many of your questions in advance via this FAQ, and then provide additional information in subsequent communications and FYI Live sessions in the future, as needed. In addition, we will be available to answer questions in person at Q&A.

You haven't answered my question - when will you tell us more?

If the Reclassification is approved, we will provide additional details in subsequent communications and FYI Live sessions on this topic in the future. Don't worry, we will be sure to answer all of your questions before the Reclassification takes effect!

Additional Information and Where to Find It

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