Exhibit C

FACEBOOK INC

FORM 10-K
(Annual Report)

Filed 02/01/13 for the Period Ending 12/31/12

Address	1601 WILLOW ROAD MENLO PARK, CA 94025
Telephone	650-618-7714
CIK	0001326801
Symbol	FB
SIC Code	7370 - Computer Programming, Data Processing, And
Industry	Computer Services
Sector	Technology

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

	Year Ended December 31,		
	2012	2011	2010
Revenue	$ 5,089	$ 3,711	$ 1,974
Costs and expenses:			
Cost of revenue	1,364	860	493
Research and development	1,399	388	144
Marketing and sales	896	393	167
General and administrative	892	314	138
Total costs and expenses	4,551	1,955	942
Income from operations	538	1,756	1,032
Interest and other income (expense), net:			
Interest expense	(51)	(42)	(22)
Other income (expense), net	7	(19)	(2)
Income before provision for income taxes	494	1,695	1,008
Provision for income taxes	441	695	402
Net income	$ 53	$ 1,000	$ 606
Less: Net income attributable to participating securities	21	332	234
Net income attributable to Class A and Class B common stockholders	$ 32	$ 668	$ 372
Earnings per share attributable to Class A and Class B common stockholders:			
Basic	$ 0.02	$ 0.52	$ 0.34
Diluted	$ 0.01	$ 0.46	$ 0.28
Weighted average shares used to compute earnings per share attributable to Class A and Class B common stockholders:			
Basic	2,006	1,294	1,107
Diluted	2,166	1,508	1,414
Share-based compensation expense included in costs and expenses:			
Cost of revenue	$ 88	$ 9	$ —
Research and development	843	114	9
Marketing and sales	306	37	2
General and administrative	335	57	9
Total share-based compensation expense	$ 1,572	$ 217	$ 20

See Accompanying Notes to Consolidated Financial Statements.

FACEBOOK, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)

	Year Ended December 31,		
	2012	2011	2010
Net income	$ 53	$ 1,000	$ 606
Other comprehensive income (loss):			
Foreign currency translation adjustment	9	—	(6)
Unrealized gain on available-for-sale investments, net of tax	1	—	—
Unrealized loss on derivative, net of tax	(2)	—	—
Comprehensive income	$ 61	$ 1,000	$ 600

See Accompanying Notes to Consolidated Financial Statements.

FACEBOOK, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In millions)

	Convertible Preferred Stock		Class A and Class B Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Par Value				
Balances at December 31, 2009	543	$ 615	1,070	$ —	$ 253	$ —	$ —	$ 868
Issuance of common stock, net of issuance costs	—	—	24	—	500	—	—	500
Issuance of common stock for cash upon exercise of stock options	—	—	70	—	6	—	—	6
Issuance of common stock related to acquisitions	—	—	6	—	60	—	—	60
Conversion of Series A preferred stock to common stock	(2)	—	2	—	—	—	—	—
Reclassification of option liability to additional paid-in capital	—	—	—	—	3	—	—	3
Share-based compensation, related to employee share-based awards	—	—	—	—	17	—	—	17
Share-based compensation, related to nonemployee share-based awards	—	—	—	—	1	—	—	1
Excess tax benefit from share-based award activity, net of deferred tax impact	—	—	—	—	107	—	—	107
Other comprehensive loss	—	—	—	—	—	(6)	—	(6)
Net income	—	—	—	—	—	—	606	606
Balances at December 31, 2010	541	615	1,172	—	947	(6)	606	2,162
Issuance of common stock, net of issuance costs	—	—	48	—	998	—	—	998
Issuance of common stock for cash upon exercise of stock options	—	—	102	—	28	—	—	28
Issuance of common stock to nonemployees for past services	—	—	—	—	3	—	—	3
Issuance of common stock related to acquisitions	—	—	2	—	58	—	—	58
Exercise of preferred stock warrants	8	—	—	—	—	—	—	—
Conversion of Series B & C preferred stock to common stock	(6)	—	6	—	—	—	—	—
Share-based compensation, related to employee share-based awards	—	—	—	—	217	—	—	217
Excess tax benefit from share-based award activity	—	—	—	—	433	—	—	433
Net income	—	—	—	—	—	—	1,000	1,000
Balances at December 31, 2011	543	615	1,330	—	2,684	(6)	1,606	4,899
Issuance of common stock, net of issuance costs	—	—	180	—	6,760	—	—	6,760
Issuance of common stock for cash upon exercise of stock options	—	—	135	—	17	—	—	17
Issuance of common stock to nonemployees for past services	—	—	—	—	1	—	—	1
Issuance of common stock related to acquisitions	—	—	26	—	274	—	—	274
Issuance of common stock for settlement of restricted stock units (RSUs)	—	—	279	—	—	—	—	—
Shares withheld related to net share settlement of RSUs	—	—	(123)	—	(2,862)	—	—	(2,862)
Conversion of Series A, B, C, D & E preferred stock to common stock	(543)	(615)	545	—	615	—	—	—
Share-based compensation, related to employee share-based awards	—	—	—	—	1,572	—	—	1,572
Excess tax benefit from share-based award activity	—	—	—	—	1,033	—	—	1,033
Other comprehensive income	—	—	—	—	—	8	—	8
Net income	—	—	—	—	—	—	53	53
Balances at December 31, 2012	—	$ —	2,372	$ —	$ 10,094	$ 2	$ 1,659	$ 11,755

See Accompanying Notes to Consolidated Financial Statements.

FACEBOOK, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Year Ended December 31,		
	2012	2011	2010
Cash flows from operating activities			
Net income	$ 53	$ 1,000	$ 606
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	649	323	139
Loss on write-off of equipment	15	4	3
Share-based compensation	1,572	217	20
Deferred income taxes	(186)	(30)	23
Tax benefit from share-based award activity	1,033	433	115
Excess tax benefit from share-based award activity	(1,033)	(433)	(115)
Changes in assets and liabilities:			
Accounts receivable	(170)	(174)	(209)
Income tax refundable	(451)	—	—
Prepaid expenses and other current assets	(14)	(24)	(38)
Other assets	2	(5)	(6)
Accounts payable	1	6	12
Platform partners payable	(2)	96	75
Accrued expenses and other current liabilities	160	37	20
Deferred revenue and deposits	(60)	49	37
Other liabilities	43	50	16
Net cash provided by operating activities	1,612	1,549	698
Cash flows from investing activities			
Purchases of property and equipment	(1,235)	(606)	(293)
Purchases of marketable securities	(10,307)	(3,025)	—
Sales of marketable securities	2,100	113	—
Maturities of marketable securities	3,333	516	—
Investments in non-marketable equity securities	(2)	(3)	—
Acquisitions of businesses, net of cash acquired, and purchases of intangible and other assets	(911)	(24)	(22)
Change in restricted cash and deposits	(2)	6	(9)
Net cash used in investing activities	(7,024)	(3,023)	(324)
Cash flows from financing activities			
Net proceeds from issuance of common stock	6,760	998	500
Taxes paid related to net share settlement of equity awards	(2,862)	—	—
Proceeds from exercise of stock options	17	28	6
Proceeds from long-term debt, net of issuance cost	1,496	—	250
Repayment of long-term debt	—	(250)	—
Proceeds from sale and lease-back transactions	205	170	—
Principal payments on capital lease obligations	(366)	(181)	(90)
Excess tax benefit from share-based award activity	1,033	433	115
Net cash provided by financing activities	6,283	1,198	781
Effect of exchange rate changes on cash and cash equivalents	1	3	(3)
Net increase (decrease) in cash and cash equivalents	872	(273)	1,152
Cash and cash equivalents at beginning of period	1,512	1,785	633
Cash and cash equivalents at end of period	$ 2,384	$ 1,512	$ 1,785

See Accompanying Notes to Consolidated Financial Statements.

FACEBOOK, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Year Ended December 31,		
	2012	2011	2010
Supplemental cash flow data			
Cash paid during the period for:			
Interest	$ 38	$ 28	$ 23
Income taxes, net	$ 53	$ 197	$ 261
Non-cash investing and financing activities:			
Net change in accounts payable and accrued expenses and other current liabilities related to property and equipment additions	$ (40)	$ 135	$ 47
Property and equipment acquired under capital leases	$ 340	$ 473	$ 217
Fair value of shares issued related to acquisitions of businesses and other assets	$ 274	$ 58	$ 60

See Accompanying Notes to Consolidated Financial Statements.

Note 1. Summary of Significant Accounting Policies

Organization and Description of Business

Facebook was incorporated in Delaware in July 2004. Our mission is to make the world more open and connected. We build products that support our mission by providing utility to Facebook users, Platform developers, and marketers. We generate substantially all of our revenue from advertising and from fees associated with our Payments infrastructure that enables users to purchase virtual and digital goods from our Platform developers.

Basis of Presentation

We prepared the consolidated financial statements in accordance with U.S. generally accepted accounting principles (GAAP). The consolidated financial statements include the accounts of Facebook, Inc. and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated.

Use of Estimates

Conformity with GAAP requires the use of estimates and judgments that affect the reported amounts in the consolidated financial statements and accompanying notes. These estimates form the basis for judgments we make about the carrying values of our assets and liabilities, which are not readily apparent from other sources. We base our estimates and judgments on historical information and on various other assumptions that we believe are reasonable under the circumstances. GAAP requires us to make estimates and judgments in several areas, including, but not limited to, those related to revenue recognition, collectability of accounts receivable, contingent liabilities, fair value of share-based awards, fair value of financial instruments, fair value of acquired intangible assets and goodwill, useful lives of intangible assets and property and equipment, and income taxes. These estimates are based on management's knowledge about current events and expectations about actions we may undertake in the future. Actual results could differ materially from those estimates.

Reclassifications

We have reclassified certain prior period amounts within our consolidated statements of income and cash flows to conform to our current year presentation. These reclassifications did not affect previously reported revenue, total costs and expenses, income from operations, net income in the consolidated statements of income, or net cash provided by operating activities in the consolidated statements of cash flows.

Revenue Recognition

We generate substantially all of our revenue from advertising and payment processing fees. We recognize revenue once all of the following criteria have been met:

- persuasive evidence of an arrangement exists;
- delivery of Facebook's obligations to our customer has occurred;
- the price is fixed or determinable; and
- collectability of the related receivable is reasonably assured.

Revenue for the years ended December 31, 2012 , 2011 , and 2010 consists of the following (in millions):

	Year Ended December 31,		
	2012	2011	2010
Advertising	$ 4,279	$ 3,154	$ 1,868
Payments and other fees	810	557	106
Total revenue	$ 5,089	$ 3,711	$ 1,974

Advertising

Advertising revenue is generated by displaying ad products on the Facebook website or mobile app and third-party affiliated websites or mobile apps. The arrangements are evidenced by either online acceptance of terms and conditions or contracts that stipulate the types of advertising to be delivered, the timing and the pricing. Marketers pay for ad products either directly or through their relationships with advertising agencies, based on the number of impressions delivered or the number of clicks made by our users. The typical term of an advertising arrangement is approximately 30 days with billing generally occurring after the delivery of the advertisement.

We recognize revenue from the delivery of click-based ads in the period in which a user clicks on the content. We recognize revenue from the display of impression-based ads in the contracted period in which the impressions are delivered. Impressions are considered delivered when an ad is displayed to users.

Payments and Other Fees

We enable Payments from our users to our Platform developers. Our users can transact and make payments on the Facebook Platform by using credit cards, PayPal or other payment methods available on our website. The primary method for users to transact with the developers on the Facebook Platform is via the purchase of our virtual currency, which enables our users to purchase virtual and digital goods in games and apps. Upon the initial sale of our virtual currency, we record consideration received from a user as a deposit.

When a user engages in a payment transaction utilizing our virtual currency for the purchase of a virtual or digital good from a Platform developer, we reduce the user's virtual currency balance by the price of the purchase, which is a price that is solely determined by the Platform developer. We remit to the Platform developer an amount that is based on the total amount of virtual currency redeemed less the processing fee that we charge the Platform developer for the transaction. Our revenue is the net amount of the transaction, representing our processing fee for the service performed. We record revenue on a net basis as we do not consider ourselves to be the principal in the sale of the virtual or digital good to the user.

Our Payments terms and conditions provide for a 30-day claim period subsequent to a Payments transaction during which the customer may dispute the virtual or digital goods transaction. Through the third quarter of 2012, we had deferred recognition of Payments revenue until the expiration of this period as we were unable to make reasonable and reliable estimates of future refunds or chargebacks arising during this claim period, due to lack of historical transactional information. Beginning in the fourth quarter of 2012, we had 24 months of historical transactional information which enabled us to estimate future refunds and chargebacks. Accordingly, in the fourth quarter of 2012, we recorded all Payments revenues at the time of the purchase of the related virtual or digital goods, net of estimated refunds or chargebacks. This change resulted in a one-time increase in Payments revenue in the fourth quarter of 2012 of approximately $66 million as we recognized revenue from four months of transactions.

Other fees, which includes user Promoted Posts and, to a lesser extent, Facebook Gifts, have not been material in all periods presented in our financial statements.

Revenue is recognized net of applicable sales and other taxes.

Cost of Revenue

Our cost of revenue consists primarily of expenses associated with the delivery and distribution of our products. These include expenses related to the operation of our data centers such as facility and server equipment depreciation, facility and server equipment rent expense, energy and bandwidth costs, support and maintenance costs, and salaries, benefits and share-based compensation for certain personnel on our operations teams. Cost of revenue also includes credit card and other transaction fees related to processing customer transactions.

Share-based Compensation

We account for share-based employee compensation plans under the fair value recognition and measurement provisions of GAAP. Those provisions require all share-based payments to employees, including grants of stock options and RSUs, to be measured based on the grant-date fair value of the awards, with the resulting expense generally recognized in our consolidated statements of income over the period during which the employee is required to perform service in exchange for the award.

Prior to January 1, 2011, we granted RSUs (Pre-2011 RSUs) under our 2005 Stock Plan to our employees and members of our board of directors that vested upon the satisfaction of both a service condition and a liquidity condition. The service condition for the majority of these awards is satisfied over four years . The liquidity condition was satisfied six months after our initial public offering (IPO) in May 2012. The vesting condition that was satisfied six months following our IPO did not affect the expense attribution period for the RSUs for which the service condition has been met as of the date of our IPO. This six-month period was not a substantive service condition and, accordingly, beginning on the effectiveness of our IPO in May 2012, we recognized cumulative share-based compensation expense for the portion of the RSUs that had met the service condition, following the accelerated attribution method (net of estimated forfeitures). In the year ended December 31, 2012 , we recognized $1.04 billion of share-based compensation expense related to our Pre-2011 RSUs. Refer to Note 11 Stockholders' Equity for disclosure with respect to the settlement of the Pre-2011 RSUs.

RSUs granted on or after January 1, 2011 (Post-2011 RSUs) under our 2005 Stock Plan or 2012 Equity Incentive Plan (2012 Plan)are not subject to a liquidity condition in order to vest, and compensation expense related to these grants is based on the grant date fair value of the RSUs and is recognized on a straight-line basis over the applicable service period. The majority of Post-2011 RSUs are earned over a service period of four to five years , and vested shares will be settled beginning in 2013.

Share-based compensation expense is recorded net of estimated forfeitures in our consolidated statements of income and as such, only those share-based awards that we expect to vest are recorded. We estimate the forfeiture rate based on historical forfeitures of equity awards and adjust the rate to reflect changes in facts and circumstances, if any. We will revise our estimated forfeiture rate if actual forfeitures differ from our initial estimates.

We have historically issued unvested restricted shares to employee stockholders of certain acquired companies. As these awards are generally subject to continued post-acquisition employment, we have accounted for them as post-acquisition share-based compensation expense. We recognize compensation expense equal to the grant date fair value of the common stock on a straight-line basis over the employee's required service period.

During the years ended December 31, 2012 , 2011 , and 2010 , we realized tax benefits from share-based award activity of $1.03 billion , $433 million and $115 million , respectively. These amounts reflect the extent that the total reduction to our income tax liability from share-based award activity was greater than the amount of the deferred tax assets that we had previously recorded in anticipation of these benefits. These amounts are the aggregate of the individual transactions in which the reduction to our income tax liability was greater than the deferred tax assets that we recorded, reduced by any individual transactions in which the reduction to our income tax liability was less than the deferred tax assets that were recorded. These net amounts were recorded as an adjustment to stockholders' equity in each period, as an increase to cash flows from operating activities, and were not recognized in our consolidated statements of income.

The tax benefits realized from share-based award activity of $1.03 billion relate to both the reduction of current year income tax liabilities and the expected refund of $451 million from income tax loss carrybacks to 2010 and 2011.

In addition, we reported excess tax benefits that decreased our cash flows from operating activities and increased our cash flows from financing activities for the years ended December 31, 2012 , 2011 , and 2010 , by $1.03 billion , $433 million , $115 million , respectively. The amounts of these excess tax benefits reflect the total of the individual transactions in which the reduction to our income tax liability was greater than the deferred tax assets that were recorded, but were not reduced by any of the individual transactions in which the reduction to our income tax liability was less than the deferred tax assets that were recorded.

Income Taxes

We recognize income taxes under the asset and liability method. We recognize deferred income tax assets and liabilities for the expected future consequences of temporary differences between the financial reporting and tax bases of assets and liabilities. These differences are measured using the enacted statutory tax rates that are expected to apply to taxable income for the years in which differences are expected to reverse. We recognize the effect on deferred income taxes of a change in tax rates in income in the period that includes the enactment date.

We record a valuation allowance to reduce our deferred tax assets to the net amount that we believe is more likely than not to be realized. We consider all available evidence, both positive and negative, including historical levels of income, expectations and risks associated with estimates of future taxable income and ongoing tax planning strategies in assessing the need for a valuation allowance.

We recognize tax benefits from uncertain tax positions only if we believe that it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. We make adjustments to these reserves when facts and circumstances change, such as the closing of a tax audit or the refinement of an estimate. The provision for income taxes includes the effects of any reserves that are considered appropriate, as well as the related net interest and penalties.

Advertising Expense

Advertising costs are expensed when incurred and are included in marketing and sales expenses in the accompanying consolidated statements of income. We incurred advertising expenses of $67 million , $28 million , and $8 million for the years ended December 31, 2012 , 2011 , and 2010 , respectively.

Cash and Cash Equivalents, and Marketable Securities

Cash and cash equivalents primarily consist of cash on deposit with banks and investments in money market funds, and U.S. government and U.S. government agency securities with maturities of 90 days or less from the date of purchase.

We hold investments in marketable securities, consisting of U.S. government and U.S. government agency securities . We classify our marketable securities as available-for-sale investments in our current assets because they represent investments of cash available for current operations. Our available-for-sale investments are carried at estimated fair value with any unrealized gains and losses, net of taxes, included in accumulated other comprehensive income/(loss) in stockholders' equity. Unrealized losses are charged against other