Risk Factors Comparison 2024-02-02 to 2023-02-02 Form: 10-K

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Certain factors may have a material adverse effect on our business, financial condition, and results of operations. You should consider carefully the risks and uncertainties described below, in addition to other information contained in this Annual Report on Form 10- K, including our consolidated financial statements and related notes. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business. If any of the following risks actually occurs, our business, financial condition, results of operations, and future prospects could be materially and adversely affected. In that event, the trading price of our Class A common stock could decline, and you could lose part or all of your investment. Summary Risk Factors Our business is subject to a number of risks, including risks that may prevent us from achieving our business objectives or may adversely affect our business, financial condition, results of operations, cash flows, and prospects. These risks are discussed more fully below and include, but are not limited to, risks related to: Risks Related to Our Product Offerings • our ability to add and retain users and maintain levels of user engagement with our products; • the loss of, or reduction in spending by, our marketers; • reduced availability of data signals used by our ad targeting and measurement tools; • ineffective operation with mobile operating systems or changes in our relationships with mobile operating system partners; • failure of our new products, or changes to our existing products, to attract or retain users or generate revenue; Risks Related to Our Business Operations and Financial Results • our ability to compete effectively; • fluctuations in our financial results; • unfavorable media coverage and other risks affecting our ability to maintain and enhance our brands; • ~~the COVID- 19 pandemic, including its impact on our advertising business; • acquisitions and our ability to successfully integrate our acquisitions; •~~ our ability to build, maintain, and scale our technical infrastructure, and risks associated with disruptions in our service **, catastrophic events, and crises** ; • operating our business in multiple countries around the world **; • acquisitions and our ability to successfully integrate our acquisitions** ; • litigation, including class action lawsuits; Risks Related to Government Regulation and Enforcement • government restrictions on access to Facebook or our other products, or other actions that impair our ability to sell advertising, in their countries; • complex and evolving U. S. and foreign privacy, data use and data protection, content, competition, consumer protection, and other laws and regulations **, including the General Data Protection Regulation (GDPR), Digital Markets Act (DMA), and Digital Services Act (DSA)** ; • the impact of government investigations, enforcement actions, and settlements, including litigation and investigations by privacy **, consumer protection,** and competition authorities; • our ability to comply with regulatory and legislative privacy requirements, including our consent order with the Federal Trade Commission (FTC); Risks Related to Data, Security, **Platform Integrity,** and Intellectual Property • the occurrence of security breaches, improper access to or disclosure of our data or user data, and other cyber incidents **, as well as intentional misuse of** ~~or~~ **our services and other** undesirable activity on our platform; • our ability to obtain, maintain, protect, and enforce our intellectual property rights; and Risks Related to Ownership of Our Class A Common Stock • limitations on the ability of holders of our Class A Common Stock to influence corporate matters due to the dual class structure of our common stock and the control of a majority of the voting power of our outstanding capital stock by our founder, **Board** ~~Chairman~~ --- **Chair** , and **Chief Executive Officer (** CEO **)** . If we fail to retain existing users or add new users, or if our users decrease their level of engagement with our products, our revenue, financial results, and business may be significantly harmed. The size of our **active** user base and our users' level of engagement across our products are critical to our success. Our financial performance has been and will continue to be significantly determined by our success in adding, retaining, and engaging active users of our products that deliver ad impressions, particularly for Facebook and Instagram. We have experienced, and expect to continue to experience, fluctuations and declines in the size of our active user base in one or more markets from time to time, particularly in markets where we have achieved higher penetration rates. User growth and engagement are also impacted by a number of other factors, including competitive products and services, such as TikTok, that have reduced some users' engagement with our products and services, as well as global and regional business, macroeconomic, and geopolitical conditions. For example, the COVID- 19 pandemic ~~has~~ led to increases and decreases in the size and engagement of our active user base from period to period at different points during the pandemic ~~, and may continue to have a varied impact on the size and engagement of our active user base in the future~~ . In addition, in connection with the war in Ukraine, access to Facebook and Instagram was restricted in Russia and these services were then prohibited by the Russian government, which contributed to slight **decreases** ~~declines on a quarter- over- quarter basis~~ in the ~~number~~ **size** of **our active user base following** ~~DAUs and MAUs on Facebook in Europe in~~ the **onset** ~~first quarter and the second quarter~~ of ~~2022, as well as a slight decline on a quarter- over- quarter basis in~~ the **war** ~~total number of MAUs on Facebook in the second quarter of 2022~~ . Any future declines in the size of our active user base may adversely impact our ability to deliver ad impressions and, in turn, our financial performance. If people do not perceive our products to be useful, reliable, and trustworthy, we may not be able to attract or retain users or otherwise maintain or increase the frequency and duration of their engagement. A number of other social networking companies that achieved early popularity have since seen their active user bases or levels of engagement decline, in some cases precipitously. There is no guarantee that we will not experience a similar erosion of our active user base or engagement levels. Our user engagement patterns have changed over time, and user engagement can be difficult to measure, particularly as we **and our competitors** introduce new and different products and services. Any number of factors can negatively affect user retention, growth, and engagement, including if: • users increasingly engage with other competitive products or services; • we fail to introduce new features, products, or services that users find engaging or if we introduce new products or services, or make changes to existing products and services, that are not favorably received; • users feel that their experience is diminished as a result of the decisions we make with respect to the frequency, prominence, format, size, and quality of ads that we display; • users have difficulty installing, updating, or otherwise accessing our products on mobile devices as a result of actions by us or third parties that we rely on to distribute our products and deliver our services; • user behavior on any of our products changes, including decreases in the quality and frequency of content shared on our products and services; • we are unable to continue to develop products for mobile devices that users find engaging, that work with a variety of mobile operating systems and networks, and that achieve a high level of market acceptance; • there are decreases in user sentiment due to questions about the quality or usefulness of our products or our user data practices, concerns about the nature of content made available on our products, or concerns related to privacy, safety, security, well- being, or other factors; • we are unable to manage and prioritize information to ensure users are presented with content that is appropriate, interesting, useful, and relevant to them; • we are unable to obtain or attract engaging third- party content; • we are unable to successfully maintain or grow usage of and engagement with applications that integrate with our products; • users adopt new technologies where our products may be displaced in favor of other products or services, or may not be featured or otherwise available; • there are changes mandated by legislation, government and regulatory authorities, or litigation that adversely affect our products or users; • we are unable to offer a number of our most significant products and services, including Facebook and Instagram, in Europe, or are otherwise limited in our business operations, as a result of European **courts invalidating the EU- U. S. DPF or** regulators, courts, or legislative bodies determining that ~~our reliance on Standard Contractual Clauses (SCCs) or other~~ -- **the** legal bases we rely upon to transfer user data from the European Union to the United States ~~is~~ **are** invalid; • there is decreased engagement with our products, or failure to accept our terms of service, as part of ~~privacy- focused~~ changes that we have implemented or may implement in the future, whether voluntarily, in connection with the ~~General Data Protection Regulation (~~ GDPR ~~)~~ , the European Union' s ePrivacy Directive, **the DMA, the DSA, U. S. state privacy and youth social media laws including the California Consumer Privacy Act (CCPA), as amended by** the California Privacy Rights Act (CPRA), **Arkansas Social Media Safety Act, Ohio Parental Notification Act, Utah Social Media Regulation Act,** or other laws, regulations, or regulatory actions, or otherwise; • technical or other problems prevent us from delivering our products in a rapid and reliable manner or otherwise affect the user experience, such as security breaches or failure to prevent or limit spam or ~~similar~~ **otherwise objectionable** content, or users feel their experience is diminished as a result of our efforts to protect the security and integrity of our platform; • we adopt terms, policies, or procedures related to areas such as sharing, content, user data, or advertising, or we take, or fail to take, actions to enforce our policies, that are perceived negatively by our users or the general public, including as a result of decisions or recommendations from the independent Oversight Board regarding content on our platform; • we elect to focus our product decisions on longer- term initiatives that do not prioritize near- term user growth and engagement (for example, we have announced plans to focus product decisions on optimizing the young adult experience in the long term); • we make changes in our user account login or registration processes or changes in how we promote different products and services across our family of products; • initiatives designed to attract and retain users and engagement, including the use of ~~new~~ **evolving** technologies such as **generative** artificial intelligence, are unsuccessful or discontinued, whether as a result of actions by us, our competitors, or other third parties, or otherwise; • third- party initiatives that may enable greater use of our products, including low- cost or discounted data plans, are scaled back or discontinued, or the pricing of data plans otherwise increases; • there is decreased engagement with our products as a result of taxes imposed on the use of social media or other mobile applications in certain countries, internet shutdowns, or other actions by governments that affect the accessibility of our products in their countries (for example, beginning in the first quarter of 2022, our user growth and engagement were adversely affected by the war in Ukraine and service restrictions imposed by the Russian government); • we fail to provide adequate customer service to users, marketers, developers, or other partners; • we, developers whose products are integrated with our products, or other partners and companies in our industry are the subject of adverse media reports or other negative publicity, including as a result of our or their user data practices; or • our current or future products, such as our development tools and application programming interfaces that enable developers to build, grow, and monetize applications, reduce user activity on our products by making it easier for our users to interact and share on third- party applications. From time to time, certain of these factors have negatively affected user retention, growth, and engagement to varying degrees. If we are unable to maintain or increase our user base and user engagement, particularly for our significant revenue- generating products like Facebook and Instagram, our revenue and financial results may be adversely affected. Any significant decrease in user retention, growth, or engagement could render our products less attractive to users, marketers, and developers, which is likely to have a material and adverse impact on our ability to deliver ad impressions and, accordingly, our revenue, business, financial condition, and results of operations. As the size of our active user base fluctuates in one or more markets from time to time, we will become increasingly dependent on our ability to maintain or increase levels of user engagement and monetization in order to grow revenue. We generate substantially all of our revenue from advertising. The loss of marketers, or reduction in spending by marketers, could seriously harm our business. Substantially all of our revenue is currently generated from marketers advertising on Facebook and Instagram. As is common in the industry, our marketers do not have long- term advertising commitments with us. Many of our marketers spend only a relatively small portion of their overall advertising budget with us. Marketers will not continue to do business with us, or they will reduce the budgets they are willing to commit to us, if we do not deliver ads in an effective manner, if they do not believe that their investment in advertising with us will generate a competitive return relative to other alternatives, or if they are not satisfied for any other reason. We have implemented, and we will continue to implement, changes to our user data practices. Some of these changes reduce our ability to effectively target ads, which has to some extent adversely affected, and will continue to adversely affect, our advertising business. If we are unable to provide marketers with a suitable return on investment, the demand for our ads may not increase, or may decline, in which case our revenue and financial results may be harmed. Our advertising revenue can also be adversely affected by a number of other factors, including: • decreases in user engagement, including time spent on our products; • our inability to continue to increase user access to and engagement with our products; • product changes or inventory management decisions we may make that change the size, format, frequency, or relative prominence of ads displayed on our products or of other unpaid content shared by marketers on our products; • our inability to maintain or increase marketer demand, the pricing of our ads, or both; • our inability to maintain or increase the quantity or quality of ads shown to users; • changes to the content or application of third- party policies that limit our ability to deliver, target, or measure the effectiveness of advertising, including changes by mobile operating system and browser providers such as Apple and Google; • adverse litigation, government actions, or legislative, regulatory, or other legal developments relating to advertising, including developments that may impact our ability to deliver, target, or measure the effectiveness of advertising; • user behavior or product changes that may reduce traffic to features or products that we ~~successfully~~ monetize **at a higher rate** , such as our feed and Stories products, including as a result of increased usage of our Reels or other video or messaging products; • reductions of advertising by marketers due to our efforts to implement or enforce advertising policies that protect the security and integrity of our platform; • the availability, accuracy, utility, and security of analytics and measurement solutions offered by us or third parties that demonstrate the value of our ads to marketers, or our ability to further improve such tools; • loss of advertising market share to our competitors, including if prices to purchase our ads increase or if competitors offer lower priced, more integrated, or otherwise more effective products; • limitations on our ability to offer a number of our most significant products and services, including Facebook and Instagram, in Europe as a result of European **courts invalidating the EU- U. S. DPF or** regulators, courts, or legislative bodies determining that ~~our reliance on SCCs or other~~ -- **the** legal bases we rely upon to transfer user data from the European Union to the United States ~~is~~ **are** invalid **; • limitations on our ability to deliver ads to users under the age of 18 and, in some cases, to continue to offer certain products or services to certain cohorts of users, whether voluntarily, as a result of new laws and regulations in the United States and other jurisdictions, or otherwise** ; • changes in our marketing and sales or other operations that we are required to or elect to make as a result of risks related to complying with ~~foreign~~ laws or regulatory requirements or other government actions; • decisions by marketers to reduce their advertising as a result of announcements by us or adverse media reports or other negative publicity involving us, our user data practices, our advertising metrics or tools, content on our products, our interpretation, implementation, or enforcement of policies relating to content on our products (including as a result of decisions or recommendations from the independent Oversight Board), developers with applications that are integrated with our products, or other companies in our industry; • reductions of advertising by marketers due to **illegal, illicit, or otherwise** objectionable content made available on our products by third parties, questions about our user data practices or the security of our platform, concerns about brand safety or potential legal liability, or uncertainty regarding their own legal and compliance obligations; • the effectiveness of our ad targeting or degree to which users **consent to or** opt ~~in or~~ out of the use of data for ads, including as a result of product changes and controls that we have implemented or may implement in the future in connection with the GDPR, ePrivacy Directive, ~~California Privacy Rights Act (~~ **CCPA, as amended by the** CPRA ~~)~~, ~~the Digital Markets Act (~~ DMA ~~)~~, other laws, regulations, regulatory actions, or litigation, or otherwise, that impact our ability to use data for advertising purposes **(for example, in November 2023, in response to regulatory developments in Europe, we began offering our users a" subscription for no ads" alternative in the EU, EEA, and Switzerland)** ; • the degree to which users cease or reduce the number of times they engage with our ads; • changes in the way advertising on mobile devices or on personal computers is measured or priced; • the success of technologies designed to block the display of ads or ad measurement tools; • changes in the composition of our marketer base or our inability to maintain or grow our marketer base; and • the impact of macroeconomic and geopolitical conditions, whether in the advertising industry in general, or among specific types of marketers or within particular geographies **, which in turn can have broader effects in other regions** (for example, the war in Ukraine and service restrictions imposed by the Russian government have adversely affected our advertising business in Europe and other regions **, and advertiser spending also can be subject to adverse effects from the Israel- Hamas war**). From time to time, certain of these factors have adversely affected our advertising revenue to varying degrees. The occurrence of any of these or other factors in the future could result in a reduction in demand for our ads, which may reduce the prices we receive for our ads, or cause marketers to stop advertising with us altogether, either of which would negatively affect our revenue and financial results. Our ad targeting and measurement tools incorporate data signals from user activity on websites and services that we do not control, as well as signals generated within our products, and changes to the regulatory environment, third- party mobile operating systems and browsers, and our own products have impacted, and we expect will continue to impact, the availability of such signals, which will adversely affect our advertising revenue. Our ad targeting and measurement tools rely on data signals from user activity on websites and services that we do not control, as well as signals generated within our products, in order to deliver relevant and effective ads to our users, and any changes in our ability to use such signals will adversely affect our business. For example, legislative and regulatory developments, such as the GDPR, ePrivacy Directive, and ~~California Consumer Privacy Act (~~ CCPA ~~)~~, as amended by the CPRA, have impacted, and we expect will continue to impact, our ability to use such signals in our ad products. In particular, we have seen increases in the number of users opting to control certain types of ad targeting in Europe following product changes implemented in connection with our GDPR and ePrivacy Directive compliance, and we have introduced product changes that limit data signal use for certain users in California following adoption of the CCPA. **Judicial and** ~~Regulatory~~ **regulatory** guidance, decisions **, or enforcement actions** , or new legislation in these or other jurisdictions, such as the DMA, may require us to make additional changes to our products in the future that further reduce our ability to use these signals, which has occurred in the past. For example, ~~we expect to implement additional changes~~ in response to ~~the December 2022 decision by the IDPC regarding~~ **regulatory developments in Europe, we announced plans to change** the legal basis for ~~our delivery of~~ behavioral advertising **on Facebook and Instagram** in **the** ~~Europe~~ **European Union, European Economic Area, and Switzerland from" legitimate interests" to" consent," and in November 2023 we began offering users in the region a" subscription for no ads" alternative. We are continuing to engage with regulators on our new consent model, including regarding compliance with requirements under the GDPR,**

DMA, and EU consumer laws . In addition, mobile operating system and browser providers, such as Apple and Google, have implemented product changes and / or announced future plans to limit the ability of websites and application developers to collect and use these signals to target and measure advertising. For example, in 2021, Apple made certain changes to its products and data use policies in connection with changes to its iOS operating system that reduce our and other iOS developers' ability to target and measure advertising, which has negatively impacted, and we expect will continue to negatively impact, the size of the budgets marketers are willing to commit to us and other advertising platforms. In addition, we have implemented, and may continue to implement, product changes that give users the ability to limit our use of such data signals to improve ads and other experiences on our products and services, including changes implemented in connection with the GDPR **, ePrivacy Directive, DMA,** and other regulatory frameworks. These developments have limited our ability to target and measure the effectiveness of ads on our platform and negatively impacted our advertising revenue. For example, our advertising revenue has been negatively impacted by marketer reaction to targeting and measurement challenges associated with iOS changes beginning in 2021. If we are unable to mitigate these developments as they take further effect in the future, our targeting and measurement capabilities will be materially and adversely affected, which would in turn significantly impact our advertising revenue. Our user growth, engagement, and monetization on mobile devices depend upon effective operation with mobile operating systems, networks, technologies, products, and standards that we do not control. The substantial majority of our revenue is generated from advertising on mobile devices. There is no guarantee that popular mobile devices will continue to feature our products, or that mobile device users will continue to use our products rather than competing products. We are dependent on the interoperability of our products with popular mobile operating systems, networks, technologies, products, and standards that we do not control, such as the Android and iOS operating systems and mobile browsers. Changes, bugs, or technical issues in such systems, or changes in our relationships with mobile operating system partners, handset manufacturers, browser developers, or mobile carriers, or in the content or application of their terms of service or policies (which they have made in the past and continue to seek to implement) that degrade our products' functionality, reduce or eliminate our ability to update or distribute our products, give preferential treatment to competitive products, limit our ability to deliver, target, or measure the effectiveness of ads, or charge fees related to the distribution of our products or our delivery of ads have ~~in the past~~ adversely affected, and could in the future adversely affect, the usage of our products and monetization on mobile devices. For example, Apple previously released an update to its Safari browser that limits the use of third- party cookies, which reduces our ability to provide the most relevant ads to our users and impacts monetization, and also released changes to iOS that limit our ability to target and measure ads effectively, while expanding their own advertising business. **In addition, in January 2024, Google began the process of phasing out third- party cookies in its Chrome browser.** We expect that any similar changes to ~~its~~ **Apple' s** , Google' s, or other browser or mobile platforms will further limit our ability to target and measure the effectiveness of ads and impact monetization. Additionally, in order to deliver high quality mobile products, it is important that our products work well with a range of mobile technologies, products, systems, networks, and standards that we do not control, and that we have good relationships with handset manufacturers, mobile carriers, and browser developers. We may not be successful in maintaining or developing relationships with key participants in the mobile ecosystem or in developing products that operate effectively with these technologies, products, systems, networks, or standards. In the event that it is more difficult for our users to access and use our products on their mobile devices, or if our users choose not to access or use our products on their mobile devices or use mobile products that do not offer access to our products, our user growth and user engagement could be harmed. From time to time, we may also take actions regarding the distribution of our products or the operation of our business based on what we believe to be in our long- term best interests. Such actions may adversely affect our users and our relationships with the operators of mobile operating systems, handset manufacturers, mobile carriers, browser developers, other business partners, or advertisers, and there is no assurance that these actions will result in the anticipated long- term benefits. In the event that our users are adversely affected by these actions or if our relationships with such third parties deteriorate, our user growth, engagement, and monetization could be adversely affected and our business could be harmed. We have ~~in the past~~ experienced challenges in operating with mobile operating systems, networks, technologies, products, and standards that we do not control, and any such occurrences in the future may negatively impact our user growth, engagement, and monetization on mobile devices, which may in turn materially and adversely affect our business and financial results. Our new products and changes to existing products could fail to attract or retain users or generate revenue and profits, or otherwise adversely affect our business. Our ability to retain, increase, and engage our user base and to increase our revenue depends heavily on our ability to continue to evolve our existing products and to create successful new products, both independently and in conjunction with developers or other third parties. We may introduce significant changes to our existing products or acquire or introduce new and unproven products, including using technologies with which we have little or no prior development or operating experience. For example, we ~~do not~~ have ~~significant~~ **relatively limited** experience with consumer hardware products ~~or~~ **and** virtual ~~or~~ **and** augmented reality technology, which may adversely affect our ability to successfully develop and market these **evolving** products and technologies ~~. We continue to incur substantial costs, and we may not be successful in generating profits, in connection with these efforts~~ . We are also making significant investments in artificial intelligence (AI) initiatives **across our business. For example, we recently launched new AI features on our products** , including **conversational AIs, stickers, and editing tools. We continue** to **incur substantial costs, and we may not be successful in generating profits, in connection with these efforts. In addition, we have invested, and expect to continue to invest, significant resources in growing our messaging products to support increasing usage of such products. We have historically monetized messaging in only a limited fashion, and we may not be successful in our efforts to generate meaningful revenue or profits from messaging over the long term. We also recently commenced implementation of end- to- end encryption across our messaging services on Facebook and Instagram, which has been subject to governmental and regulatory scrutiny in multiple jurisdictions. If our new products or changes to existing products fail to engage users, marketers, or developers, or if our business plans**

are unsuccessful, we may fail to attract or retain users or to generate sufficient revenue, operating margin, or other value to justify our investments, and our business may be adversely affected. We may not be successful in our artificial intelligence initiatives, which could adversely affect our business, reputation, or financial results. We are making significant investments in AI initiatives, including generative AI, to, among other things, recommend relevant ~~unconnected~~ content across our products, enhance our advertising tools, ~~and~~ develop new ~~product~~ **products , and develop new** features ~~using~~ **for existing products. In particular, we expect our AI initiatives will require increased investment in infrastructure and headcount. There are significant risks involved in developing and deploying AI and there can be no assurance that the usage of AI will enhance our products or services or be beneficial to our business, including our efficiency or profitability. For example, our AI- related efforts, particularly those related to** generative AI ~~. These efforts~~ , **subject us to risks related to harmful or illegal content, accuracy, misinformation (** including **related to elections), bias, discrimination, toxicity, intellectual property infringement or misappropriation, defamation, data privacy, cybersecurity, and sanctions and export controls, among others. It is also uncertain how various laws related to online services, intermediary liability, and** ~~the~~ **other issues will apply** ~~introduction of new products or changes~~ to ~~existing products~~ **content generated by AI. In addition** , ~~may result in~~ **we are subject to the risks of** new or enhanced governmental or regulatory scrutiny, litigation, **or other legal liability,** ethical concerns **, negative consumer perceptions as to automation and AI, activities that threaten people' s safety or well- being on- or offline** , or other complications that could adversely affect our business, reputation, or financial results. **As a result of the complexity and rapid development of AI, it is also the subject of evolving review by various governmental and regulatory agencies in jurisdictions around the world, which are applying, or are considering applying, platform moderation, intellectual property, cybersecurity, and data protection laws to AI and / or are considering general legal frameworks on AI.** We ~~have also invested, and expect to continue to invest, significant resources in growing our messaging products to support increasing usage of such products. We have historically monetized messaging in only a limited fashion, and we~~ may not **always** be ~~successful in~~ **able to anticipate how courts and regulators will apply existing laws to AI, predict how new legal frameworks will develop to address AI,** ~~our~~ - **or** ~~efforts~~ **otherwise respond** to ~~generate meaningful revenue~~ **these frameworks as they are still rapidly evolving. We may also have to expend resources to adjust** ~~or~~ **our** ~~profits~~ **offerings in certain jurisdictions if the legal frameworks on AI are not consistent across jurisdictions. Further, we face significant competition** from ~~messaging~~ **other companies that are developing their own AI features and technologies. Other companies may develop AI features and technologies that are similar or superior to our technologies or are more cost- effective to develop and deploy. Given the long history of development in the AI sector, other parties may have (or in the future may obtain) patents or other proprietary rights that would prevent, limit, or interfere with our ability to make, use, or sell our own AI features. Further, our ability to continue to develop and effectively deploy AI technologies is dependent on access to specific third- party equipment and other physical infrastructure, such as processing hardware and network capacity, as to which we cannot control the availability or pricing, especially in a highly competitive environment. We are also developing AI technology that we make available via open source, commercial, and non- commercial license agreements to third- parties that can use this technology for use in their own products and services. We may not have insight into, or control** over **, the practices of third parties who may utilize such AI technologies. As such, we cannot guarantee that third parties will not use such AI technologies for improper purposes, including through the dissemination of illegal, inaccurate, defamatory or harmful content, intellectual property infringement or misappropriation, furthering bias or discrimination, cybersecurity attacks, data privacy violations,** ~~the~~ **other** ~~long term. In addition~~ **activities that threaten people' s safety or well- being on- or offline** , **or to develop competing technologies. While** we ~~are moving forward~~ **may mitigate certain risks associated** with ~~plans to implement end~~ **the improper use of our AI models through both technical measures and the inclusion of contractual restrictions on third** - **party use in any agreement** ~~to- end encryption across our messaging services, as well as facilitate cross- app communication~~ between ~~these platforms~~ **us and any third party** , ~~which are~~ **we cannot guarantee that such measures will be effective. Such improper use by any third party could adversely affect our business, reputation, or financial results or** subject **us** to **legal liability** ~~governmental and regulatory scrutiny in multiple jurisdictions~~ . ~~If our new products or~~ **It is not possible to predict all of the risks related to the use of AI and** changes ~~to existing products fail to engage~~ **in laws, rules, directives, and regulations governing the** ~~users~~ -- **use of AI** ~~, marketers, or developers, or if our business plans are unsuccessful, we~~ may ~~fail to attract or retain users or to generate sufficient revenue, operating margin, or other value to justify our investments, and our business may be~~ adversely ~~affected~~ -- **affect our ability to develop and use AI or subject us to legal liability** . We make product and investment decisions that may not prioritize short- term financial results and may not produce the long- term benefits that we expect. We frequently make product and investment decisions that may not prioritize short- term financial results if we believe that the decisions are consistent with our mission and benefit the aggregate user experience and will thereby improve our financial performance over the long term. For example, we have implemented, and we will continue to implement, changes to our user data practices. Some of these changes reduce our ability to effectively target ads, which has to some extent adversely affected, and will continue to adversely affect, our advertising business. For example, our Off- Facebook Activity tool enables users to place limits on our storage and use of information about their interactions with advertisers' apps and websites, which reduces our ability to deliver the most relevant and effective ads to our users. Similarly, from time to time we update our feed display and ranking algorithms or other product features to ~~optimize~~ **improve** the user experience, and these changes have had, and may in the future have, the effect of reducing time spent and some measures of user engagement with our products, which could adversely affect our financial results. From time to time, we also change the size, frequency, or relative prominence of ads as part of our product and monetization strategies. In addition, we have made, and we expect to continue to make, other changes to our products which may adversely affect the distribution of content of publishers, marketers, and developers, and could reduce their incentive to invest in their efforts on our products. We also may introduce new features or other changes to existing products, or introduce new stand- alone products, that attract users away from properties, formats, or use cases where we have more proven means of monetization, such as our feed products. In addition, as we focus on growing users and engagement across our family of products, from time to time these efforts have reduced, and may in the future reduce, engagement with one or more products and services in favor of other products or services that we monetize less successfully or that are not growing as quickly. For example, we plan to continue to promote Reels, which we ~~do not currently~~ **expect will continue to** monetize at ~~the same~~ **a lower** rate ~~as~~ **than** our feed ~~or~~ **and** Stories products **for the foreseeable future** . These decisions may adversely affect our business and results of operations and may not produce the long- term benefits that we expect. We may not be successful in our metaverse strategy and investments, which could adversely affect our business, reputation, or financial results. We believe the metaverse, an embodied internet where people have immersive experiences beyond two- dimensional screens, is the next evolution in social technology. In 2021, we announced a shift in our business and product strategy to focus on helping to bring the metaverse to life. We expect this will be a complex, evolving, and long- term initiative that will involve the development of new and emerging technologies, continued investment in infrastructure as well as privacy, safety, and security efforts, and collaboration with other companies, developers, partners, and other participants. However, the metaverse may not develop in accordance with our expectations, and market acceptance of features, products, or services we build for the metaverse is uncertain. We regularly evaluate our product roadmaps and make significant changes as our understanding of the technological challenges and market landscape and our product ideas and designs evolve. In addition, we have **relatively** limited experience with consumer hardware products and virtual and augmented reality technology, which may enable other companies to compete more effectively than us. We may be unsuccessful in our research and product development efforts, including if we are unable to develop relationships with key participants in the metaverse or develop products that operate effectively with metaverse technologies, products, systems, networks, or standards. Our metaverse efforts may also divert resources and management attention from other areas of our business. We expect to continue to make significant investments in virtual and augmented reality and other technologies to support these efforts, and our ability to support these efforts is dependent on generating sufficient profits from other areas of our business. In addition, as our metaverse efforts evolve, we may be subject to a variety of existing or new laws and regulations in the United States and international jurisdictions, including in the areas of privacy, safety, competition, content regulation, consumer protection, and e- commerce, which may delay or impede the development of our products and services, increase our operating costs, require significant management time and attention, or otherwise harm our business. As a result of these or other factors, our metaverse strategy and investments may not be successful in the foreseeable future, or at all, which could adversely affect our business, reputation, or financial results. If we are not able to maintain and enhance our brands, our ability to **maintain or** expand our base of users, marketers, and developers may be impaired, and our business and financial results may be harmed. We believe that our brands have significantly contributed to the success of our business. We also believe that maintaining and enhancing our brands is critical to **maintaining and** expanding our base of users, marketers, and developers. Many of our new users are referred by existing users. Maintaining and enhancing our brands will depend largely on our ability to continue to provide useful, reliable, trustworthy, and innovative products, which we may not do successfully. We may introduce new products ~~or~~ **,** terms of service **,** or policies that users do not like, which may negatively affect our brands. Additionally, the actions of our developers or advertisers may affect our brands if users do not have a positive experience using third- party applications integrated with our products or interacting with parties that advertise through our products. We will also continue to experience media, legislative, or regulatory scrutiny of our actions or decisions regarding user privacy, data use, encryption, content, product design, algorithms, advertising, competition, **generative AI, younger users,** and other issues, including actions or decisions in connection with elections ~~, the COVID- 19 pandemic,~~ or geopolitical events, which has ~~in the past~~ adversely affected, and may in the future adversely affect, our reputation and brands. For example, beginning in September 2021, we became the subject of media, legislative, and regulatory scrutiny as a result of a former employee' s allegations and release of internal company documents relating to, among other things, our algorithms, advertising and user metrics, and content enforcement practices, as well as misinformation and other undesirable activity on our platform, and user well- being. In addition, in March 2018, we announced developments regarding the misuse of certain data by a developer that shared such data with third parties in violation of our terms and policies. We also may fail to respond expeditiously or appropriately to the sharing of ~~objectionable~~ content on our services **,** or ~~objectionable~~ **to** practices by advertisers or developers, **that are illegal, illicit, or in violation of** ~~or~~ **our policies, or fail** to otherwise enforce our policies ~~or~~ **,** address **objectionable content or practices on our services, or address other** user concerns, which has occurred in the past and which could erode confidence in our brands. Our brands may also be negatively affected by the actions of users that are deemed to be hostile or inappropriate to other users, by the actions of users acting under false or inauthentic identities, by the use of our products or services to disseminate information that is deemed to be misleading (or intended to manipulate opinions), by perceived or actual efforts by governments to obtain access to user information for security- related purposes or to censor certain content on our platform, by the use of our products or services for illicit or objectionable ends, including, for example, any such actions around ~~the pandemic,~~ geopolitical events ~~,~~ or elections in the United States and around the world, by decisions or recommendations regarding content on our platform from the independent Oversight Board, by research or media reports concerning the perceived or actual impacts of our products or services on user well- being, ~~or~~ by our decisions regarding whether to remove content or suspend participation on our platform by persons who violate our community standards or terms of service **, or by any negative sentiment associated with our management** . Maintaining and enhancing our brands will require us to make substantial investments and these investments may not be successful. Certain of our actions, such as the foregoing matter regarding developer misuse of data and concerns around our handling of political speech and advertising, hate speech, and other content, as well as user well- being issues, have eroded confidence in our brands and may continue to do so in the future. If we fail to successfully promote and maintain our brands or if we incur excessive expenses in this effort, our business and financial results may be adversely affected. We may not be able to continue to successfully maintain or grow usage of and engagement with applications that integrate with our products. We have made and are continuing to make investments to enable developers to build, grow, and monetize applications that integrate with our products. Such existing and prospective developers may not be successful in building, growing, or monetizing applications that create and maintain user engagement. Additionally, developers may choose to build on other platforms, including platforms controlled by third parties, rather than building products that integrate with our products. We are continuously seeking to balance the distribution objectives of our developers with our desire to provide an optimal user experience, and we may not be successful in achieving a balance that continues to attract and retain such developers. For example, from time to time, we have taken actions to reduce the volume of communications from these developers to users on our products with the objective of enhancing the user experience, and such actions have reduced distribution from, user engagement with, and our monetization opportunities from, applications integrated with our products. In addition, as part of our efforts related to privacy, safety, and security, we conduct investigations and audits of platform applications from time to time, and we also have announced several product changes that restrict developer access to certain user data. In some instances, these actions, as well as other actions to enforce our policies applicable to developers, have adversely affected, or will adversely affect, our relationships with developers. If we are not successful in our efforts to maintain or grow the number of developers that choose to build products that integrate with our products or if we are unable to continue to build and maintain good relations with such developers, our user growth and user engagement and our financial results may be adversely affected. Our business is highly competitive. Competition presents an ongoing threat to the success of our business. We compete with companies providing connection, sharing, discovery, and communication products and services to users online, as well as companies that sell advertising to businesses looking to reach consumers and / or develop tools and systems for managing and optimizing advertising campaigns. We face significant competition in every aspect of our business, including, but not limited to, companies that facilitate the ability of users to create, share, communicate, and discover content and information online or enable marketers to reach their existing or prospective audiences. We compete to attract, engage, and retain people who use our products, to attract and retain businesses that use our free or paid business and advertising services, and to attract and retain developers who build compelling applications that integrate with our products. We also compete with companies that develop and deliver consumer hardware and virtual and augmented reality products and services. ~~As~~ **We also expect to face additional competition as** we introduce or acquire new products, as our existing products evolve, or as other companies introduce new products and services, including as part of efforts to develop the metaverse or innovate through the **development and** application of new technologies such as **AI** ~~artificial intelligence, we may become subject to additional competition~~. Some of our current and potential competitors may have greater resources, experience, or stronger competitive positions in certain product segments, geographic regions, or user demographics than we do. For example, some of our competitors may be domiciled in different countries and subject to political, legal, and regulatory regimes that enable them to compete more effectively than us. These factors may allow our competitors to respond more effectively than us to new or emerging technologies and changes in market conditions. We believe that some users, particularly younger users, are aware of and actively engaging with other products and services similar to, or as a substitute for, our products and services, and we believe that some users have reduced their use of and engagement with our products and services in favor of these other **products and services. In addition, from time to time we make updates to our products and services to improve the user experience (including to help provide users with safe, positive, age- appropriate experiences), and these changes have had, and may in the future have, the effect of reducing time spent and some measures of user engagement with our** products and services. In the event that users increasingly engage with other products and services, we may experience a decline in use and engagement in key user demographics or more broadly, in which case our business would likely be harmed. Our competitors may develop products, features, or services that are similar to ours or that achieve greater acceptance, may undertake more far- reaching and successful product development efforts or marketing campaigns, or may adopt more aggressive pricing policies. Some competitors may gain a competitive advantage against us in areas where we operate, including: by making acquisitions; by limiting our ability to deliver, target, or measure the effectiveness of ads; by imposing fees or other charges related to **our applications or** our delivery of ads; by making access to our products more difficult or impossible; by making it more difficult to communicate with our users; or by integrating competing platforms, applications, or features into products they control such as mobile device operating systems, search engines, browsers, or e- commerce platforms. For example, each of Apple and Google have integrated competitive products with iOS and Android, respectively. In addition, Apple has released changes to iOS that limit our ability, and the ability of others in the digital advertising industry, to target and measure ads effectively. As a result, our competitors may, and in some cases will, acquire and engage users or generate advertising or other revenue at the expense of our own efforts, which would negatively affect our business and financial results. In addition, from time to time, we may take actions in response to competitive threats, but we cannot assure you that these actions will be successful or that they will not negatively affect our business and financial results. We believe that our ability to compete effectively depends upon many factors both within and beyond our control, including: • the popularity, usefulness, ease of use, performance, and reliability of our products compared to our competitors' products; • the size and composition of our user base; • the engagement of users with our products and competing products; • our ability to attract and retain businesses who use our free or paid business and advertising services; • the timing and market acceptance of products, including developments and enhancements to our or our competitors' products; • our safety and security efforts and our ability to protect user data and to provide users with control over their data; • our ability to distribute our products to new and existing users; • our ability to monetize our products; • the frequency, size, format, quality, and relative prominence of the ads displayed by us or our competitors; • customer service and support efforts; • marketing and selling efforts, including our ability to measure the effectiveness of our ads and to provide marketers with a compelling return on their investments; • our ability to establish and maintain developers' interest in building applications that integrate with our products; • our ability to establish and maintain publisher interest in integrating their content with our products; • changes mandated by legislation, regulatory authorities, or litigation, some of which may have a disproportionate effect on us; • acquisitions or consolidation within our industry, which may result in more formidable competitors; • our ability to attract, retain, and motivate talented employees, particularly software engineers, designers, and product managers; • our ability to cost-effectively manage ~~and grow~~ our operations; and • our reputation and brand strength relative to those of our competitors. If we are not able to compete effectively, our user base, level of user engagement, and ability to deliver ad impressions may decrease, we may become less attractive to developers and marketers, and our revenue and results of operations may be materially and adversely affected. Our financial results will fluctuate from quarter to quarter and are difficult to predict. Our quarterly financial results have fluctuated in the past and will fluctuate in the future. Additionally, we have a limited operating history with the current scale of our business, which makes it difficult to forecast our future results. As a result, you should not rely upon our past quarterly financial results as indicators of future performance. You should take into account the risks and uncertainties frequently encountered by companies in rapidly evolving markets. Our financial results in any given quarter can be influenced by numerous factors, many of which we are unable to predict or are outside of our control, including: • our ability to maintain and grow our user base and user engagement, particularly for our products that deliver ad impressions; • our ability to attract and retain marketers in a particular period; • our ability to recognize revenue or collect payments from marketers **or advertising agencies or resellers** in a particular period; • fluctuations in spending by our marketers due to seasonality, such as historically strong spending in the fourth quarter of each year, episodic regional or global events, ~~including the COVID- 19 pandemic,~~ or other factors; • the frequency, prominence, size, format, and quality of ads shown to users; • the success of technologies designed to block the display of ads **; • changes to the content or application of third- party policies that limit our ability to deliver, target, or measure the effectiveness of advertising, including changes by mobile operating system and browser providers such as Apple and Google** ; • the pricing of our ads and other products; • the diversification and growth of revenue sources beyond advertising on Facebook and Instagram; • our ability to generate revenue from Payments, or the sale of our consumer hardware products or other products we may introduce in the future; • changes to existing products or services or the development and introduction of new products or services by us or our competitors; • user behavior or product changes that may reduce traffic to features or products that we successfully monetize; • increases in marketing, sales, and other operating expenses that we will incur to grow and expand our ~~operations~~ **business** and to remain competitive, including costs related to our data centers and technical infrastructure; • costs related to our privacy, safety, security, and content review efforts, including as a result of implementing changes to our practices, whether voluntarily, in connection with laws, regulations, regulatory actions, or decisions or recommendations from the independent Oversight Board, or otherwise; • costs and expenses related to the development, manufacturing, and delivery of our consumer hardware products; • our ability to maintain gross margins and operating margins; • costs related to acquisitions, including costs associated with amortization and additional investments to develop the acquired technologies; • charges associated with impairment or abandonment of any assets on our balance sheet, including as a result of changes to our real property lease arrangements and data center assets; • our ability to obtain equipment, components, and labor for our data centers and other technical infrastructure in a timely and cost- effective manner; • system failures or outages or government blocking that prevent us from serving ads for any period of time; • breaches of security or privacy, and the costs associated with any such breaches and remediation; • changes in the manner in which we distribute our products or inaccessibility of our products due to third- party actions; • fees paid to third parties for content or the distribution of our products; • refunds or other concessions provided to advertisers; • share- based compensation expense, including acquisition- related expense; • adverse litigation judgments, settlements, or other litigation- related costs; • changes in the legislative or regulatory environment, including with respect to privacy, data protection, ~~and~~ **antitrust,** content **, or AI** , or actions by governments or regulators, including fines, orders, or consent decrees; • the overall tax rate for our business, which is affected by the mix of income we earn in the U. S. and in jurisdictions with different tax rates, the effects of share- based compensation, the effects of integrating intellectual property from acquisitions, the effects of changes in our business or structure, and the effects of discrete items such as legal and tax settlements and tax elections; • the impact of changes in tax laws or judicial or regulatory interpretations of tax laws, which are recorded in the period such laws are enacted or interpretations are issued, and may significantly affect the effective tax rate of that period; • tax obligations that may arise from resolutions of tax examinations, including the examination we are currently under by the Internal Revenue Service (IRS), that materially differ from the amounts we have anticipated; • fluctuations in currency exchange rates and changes in the proportion of our revenue and expenses denominated in foreign currencies; • trading activity in our share repurchase program; • fluctuations in the market values of our investments in marketable securities, in the valuation of our non- marketable equity securities, and in interest rates; • the incurrence of indebtedness or our ability to refinance existing indebtedness on acceptable terms; • changes in U. S. generally accepted accounting principles; and • changes in regional or global business, macroeconomic, or geopolitical conditions, ~~including as a result of the COVID- 19 pandemic,~~ which may impact the other factors described above. Unfavorable media coverage negatively affects our business ~~from time to time~~ . We receive a high degree of media coverage around the world. **Our reputation has been, and could in the future be, adversely affected by** ~~Unfavorable~~ **unfavorable** publicity regarding, for example, our privacy practices, advertising policies, product decisions, product quality, litigation or regulatory activity, government surveillance, the actions of our advertisers, the actions of our developers whose products are integrated with our products, the use of our products or services for illicit or objectionable ends, the substance or enforcement of our community standards, terms of service, or other policies, the actions of our users, the quality and integrity of content shared on our platform, the perceived or actual impacts of our products or services on user well- being, **our management,** or the actions of other companies that provide similar services to ours ~~, has in the past, and could in the future, adversely affect our reputation~~ . For example, we have been the subject of significant media coverage involving concerns around our handling of political speech and advertising, hate speech, and other content, as well as user well- being issues, and we continue to receive negative publicity related to these topics. Beginning in September 2021, we became the subject of significant media coverage as a result of allegations and the release of internal company documents by a former employee. In addition, we have been, and may in the future be, subject to negative publicity in connection with our handling of misinformation and other illicit or objectionable use of our products or services, including in connection with ~~the COVID- 19 pandemic,~~ geopolitical events ~~,~~ and elections in the United States and around the world. Any such negative publicity could have an adverse effect on the size, engagement, and loyalty of our user base and marketer demand for advertising on our products, which could result in decreased revenue and adversely affect our business and financial results, and we have experienced such adverse effects to varying degrees from time to time. ~~The COVID- 19 pandemic has previously had,~~ **We are subject to the risk of catastrophic events** and **crises, which** may ~~in the future~~ have ~~,~~ a significant adverse impact on our ~~advertising revenue and also exposes our~~ business **and operations** ~~to other risks~~ . We are subject to **the risk of** public health crises such as **pandemics, earthquakes, adverse weather conditions, other natural disasters, terrorism, geopolitical conflict, other physical security threats, power loss, cyber- attacks, and other catastrophic events and crises. For example,** the COVID- 19 pandemic ~~, which has~~ previously significantly impacted ~~, and may in the future impact,~~ our business and results of operations. ~~For example~~ **In particular** , the ~~COVID- 19~~ pandemic resulted in authorities implementing numerous preventative measures from time to time to contain or mitigate the outbreak of the virus, such as travel bans and restrictions, limitations on business activity, quarantines, and shelter- in- place orders, which ~~have previously~~ caused ~~, and may in the future cause,~~ business slowdowns or shutdowns in certain affected countries and regions. These developments led to volatility in the demand for and pricing of our advertising services at various points throughout the pandemic, and we may experience similar effects in the future **as a result of** ~~. In addition to the impact on our advertising business,~~ the pandemic **or other catastrophic events. Such events also** ~~exposes~~ - **expose** our business, operations, and workforce to a variety of other risks, including: • volatility in the size of our user base and user engagement **; • delays in** ~~, particularly for our messaging products~~ - **product development or releases** , ~~whether~~ **or reductions in manufacturing production and sales of consumer hardware,** as a result of ~~shelter- in- place measures or other factors; • delays in product development or releases, or reductions in manufacturing production and sales of consumer hardware, as a result of~~ inventory shortages, supply chain or labor shortages ~~; • increased misuse of our products and services or user data by third parties, including improper advertising practices or other activity inconsistent with our terms, contracts, or policies, misinformation or other illicit or objectionable material on our platforms, election interference, or other undesirable activity~~ ; • significant volatility and disruption of global financial markets, which could cause fluctuations in currency exchange rates or negatively impact our ability to access capital in the future; • illnesses to key employees, or a significant portion of our workforce, which may result in inefficiencies, delays, and disruptions in our business; and • increased volatility and uncertainty in the financial projections we use as the basis for estimates used in our financial statements. Any of these developments may adversely affect our business, harm our reputation, or result in legal or regulatory actions against us. ~~Our costs are continuing to grow~~ **We incur significant expenses in operating our business** , and some of our investments, particularly our investments in ~~virtual and augmented reality~~ **Reality Labs** , have the effect of reducing our operating margin and profitability. If our investments are not successful longer- term, our business and financial performance will be harmed. **We incur significant expenses in** ~~Operating~~ **operating** our business ~~is costly~~ , and we expect our expenses to continue to increase in the future as we broaden our user base, as users increase the amount and types of content they consume and the data they share with us, for example with respect to video, as we develop and implement new products, as we market new and existing products and promote our brands, as we continue to expand our technical infrastructure, as we continue to invest in new and unproven technologies, including **AI** ~~artificial intelligence~~ and machine learning, and as we continue our efforts to focus on privacy, safety, security, and content review. We have recently undertaken cost reduction measures in light of a more challenging operating environment, which may adversely affect these or other business initiatives, and some of these measures have involved, and may in the future involve, up- front charges and outlays of cash to reduce certain longer- term expenses. In addition, from time to time we are subject to settlements, judgments, fines, or other monetary penalties in connection with legal and regulatory developments that may be material to our business. We are also continuing to increase our investments in new platforms and technologies, including as part of our efforts related to building the metaverse. Some of these investments, particularly our significant investments in ~~virtual and augmented reality~~ **Reality Labs** , have generated only limited revenue and reduced our operating margin and profitability, and we expect the adverse financial impact of such investments to continue for the foreseeable future. For example, our investments in Reality Labs reduced our ~~2022~~ **2023** overall operating profit by approximately $ ~~13~~ **16** . ~~72~~ **12** billion, and we expect our **Reality Labs** investments **and operating losses** to increase **meaningfully** in **2024** ~~the future~~ . If our investments are not successful longer- term, our business and financial performance will be harmed. We plan to continue to make acquisitions...... and our business may be harmed. Our business is dependent on our ability to maintain and scale our technical infrastructure, and any significant disruption in our **products and** ~~service~~ **services** could damage our reputation, result in a potential loss of users and engagement, and adversely affect our financial results. Our reputation and ability to attract, retain, and serve our users is dependent upon the reliable performance of our products and **services and** our underlying technical infrastructure. We have ~~in the past~~ experienced, and may in the future experience, interruptions in the availability or performance of our products **and services** from time to time. Our systems may not be adequately designed or may not operate with the reliability and redundancy necessary to avoid performance delays or outages that could be harmful to our business. If our products **or services** are unavailable when users attempt to access them, or if they do not load as quickly as expected, users may not use our products **or services** as often in the future, or at all, and our ability to serve ads may be disrupted, any of which could adversely affect our business and financial performance. We have experienced such issues to varying degrees from time to time. ~~For example, in October 2021, a combination of an error and a bug resulted in an approximately six- hour outage of our services.~~ In addition, as the amount and types of information shared on our products continue to grow and evolve, as the usage patterns of our global community continue to evolve, and as our internal operational demands continue to grow **, especially with the deployment of AI technologies** , we will need an increasing amount of technical infrastructure, including network capacity and computing power, to continue to satisfy our needs. It is possible that we may fail to continue to effectively scale and grow our technical infrastructure to accommodate these increased demands, which may adversely affect our user engagement and advertising revenue. In addition, our business may be subject to interruptions, delays, or failures resulting from earthquakes, adverse weather conditions, other natural disasters, power loss, terrorism, geopolitical conflict, other physical security threats, cyber-attacks, or other catastrophic events **and crises** . Global climate change could result in certain types of natural disasters occurring more frequently or with more intense effects. Any such events may result in users being subject to service disruptions or outages and we may not be able to recover our technical infrastructure and user data in a timely manner to restart or provide our services, which may adversely affect our financial results. We also have been, and may in the future be, subject to increased energy and / or other costs to maintain the availability or performance of our products **and services** in connection with any such events. A substantial portion of our ~~network~~ **technical** infrastructure is provided by third parties. Any disruption or failure in the services we receive from these providers could harm our ability to handle existing or increased traffic and could significantly harm our business. Any financial or other difficulties these providers face may adversely affect our business, and we exercise little control over these providers, which increases our vulnerability to problems with the services they provide. **We** ~~Due to the effects of the COVID- 19 pandemic, we~~ have experienced, and expect to continue to experience, **various challenges with** ~~supply and labor shortages and other disruptions in logistics and~~ the supply chain ~~for~~ **related to supporting** our technical infrastructure. As a result, we have ~~had~~ **adjusted, and may continue** to ~~make certain changes to~~ **adjust in the future,** our procurement practices ~~, and in~~ **to adapt to** the ~~future we~~ **evolving landscape. We** may not be able to ~~procure~~ **secure** sufficient components, equipment, or services from third parties to satisfy our needs, or we may be required to procure such components, equipment, or services on unfavorable terms. Any of these developments may result in interruptions in the availability or performance of our products **or services** , require unfavorable changes to existing products **or services** , delay the introduction of future products **or services** , or otherwise adversely affect our business and financial results. We **have experienced, and** could experience ~~unforeseen~~ **in the future,** difficulties in building and operating key portions of our technical infrastructure. We have designed and built our own data centers and key portions of our technical infrastructure through which we serve our products, and we plan to continue to significantly expand the size of our infrastructure primarily through data centers, subsea and terrestrial fiber optic cable systems, and other projects. The infrastructure expansion we are undertaking is complex and involves projects in multiple locations around the world, including in ~~emerging markets~~ **developing regions** that expose us to increased risks relating to anti- corruption compliance **, trade compliance,** and political challenges, among others. We have **changed,** ~~in the past~~ suspended, and **terminated** ~~may in the future suspend,~~ certain of these projects as a result of **various** ~~the COVID- 19 pandemic or other~~ factors **, and may continue to do so in the future** . Additional unanticipated delays or disruptions in the completion of these projects, including due to **the availability of components, power, or network capacity, or** any shortage of labor necessary in building portions of such projects ~~, or availability of components~~ , challenges in obtaining required government or regulatory approvals, or other geopolitical challenges or actions by governments, whether as a result of ~~the pandemic,~~ trade disputes ~~,~~ or otherwise, may lead to increased project costs, operational inefficiencies, interruptions in the delivery or degradation of the quality or reliability of our products **and services** , or impairment of assets on our balance sheet **. For example, like others in our industry, we rely on certain third- party equipment and components for our technical infrastructure that are manufactured by a small number of third parties, often with significant operations in a single region such as Asia. Any of the foregoing delays or disruptions, including actions by governments or geopolitical events such as international conflicts, could result in tariffs, sanctions, export controls, and other measures that restrict international trade, could reduce or eliminate the ability of our suppliers, manufacturers, or other third- party providers to continue their operations to manufacture, or limit or eliminate our ability to purchase, key components of our technical infrastructure** . In addition, there may be issues related to this infrastructure that are not identified during the testing phases of design and implementation, which may only become evident after we have started to fully utilize the underlying equipment, that could further degrade the user experience or increase our costs. Further, much of our technical infrastructure is located outside the United States, and action by a foreign government, or our response to such government action, has resulted ~~in the past~~ , and may result in the future, in the impairment of a portion of our technical infrastructure, which may interrupt the delivery or degrade the quality or reliability of our products and lead to a negative user experience or increase our costs. Any of these events could adversely affect our business, reputation, or financial results. Real or perceived inaccuracies in our community and other metrics may harm our reputation and negatively affect our business. The numbers for our key metrics, which include our Family metrics (DAP, MAP, and average revenue per person (ARPP)) and Facebook metrics (DAUs, MAUs, and average revenue per user (ARPU)), are calculated using internal company data based on the activity of user accounts. While these numbers are based on what we believe to be reasonable estimates of our user base for the applicable period of measurement, there are inherent challenges in measuring usage of our products across large online and mobile populations around the world. The methodologies used to measure these metrics require significant judgment and are also susceptible to algorithm or other technical errors. In addition, we are continually seeking to improve our estimates of our user base, and such estimates may change due to improvements or changes in our methodology. We regularly review our processes for calculating these metrics, and from time to time we discover inaccuracies in our metrics or make adjustments to improve their accuracy, which can result in adjustments to our historical metrics. Our ability to recalculate our historical metrics may be impacted by data limitations or other factors that require us to apply different methodologies for such adjustments. We generally do not intend to update previously disclosed Family metrics for any such inaccuracies or adjustments that are within the error margins disclosed below. In addition, our Family metrics and Facebook metrics estimates will differ from estimates published by third parties due to differences in methodology **or other factors such as data limitations or other challenges in measuring large online and mobile populations. For example, our Family metrics estimates in some instances exceed estimates of addressable online and mobile populations that are based on data published by third parties** . Many people in our community have user accounts on more than one of our products, and some people have multiple user accounts within an individual product. Accordingly, for our Family metrics, we do not seek to count the total number of user accounts across our products because we believe that would not reflect the actual size of our community. Rather, our Family metrics represent our estimates of the number of unique people using at least one of Facebook, Instagram, Messenger, and WhatsApp. We do not require people to use a common identifier or link their accounts to use multiple products in our Family, and therefore must seek to attribute multiple user accounts within and across products to individual people. To calculate these metrics, we rely upon complex techniques, algorithms and machine learning models that seek to count the individual people behind user accounts, including by matching multiple user accounts within an individual product and across multiple products when we believe they are attributable to a single person, and counting such group of accounts as one person. These techniques and models require significant judgment, are subject to data and other limitations discussed below, and inherently are subject to statistical variances and uncertainties. We estimate the potential error in our Family metrics primarily based on user survey data, which itself is subject to error as well. While we expect the error margin for our Family metrics to vary from period to period, we estimate that such margin generally will be approximately 3 % of our worldwide MAP. At our scale, it is very difficult to attribute multiple user accounts within and across products to individual people, and it is possible that the actual numbers of unique people using our products may vary significantly from our estimates, potentially beyond our estimated error margins. As a result, it is also possible that our Family metrics may indicate changes or trends in user numbers that do not match actual changes or trends. To calculate our estimates of Family DAP and MAP, we currently use a series of machine learning models that are developed based on internal reviews of limited samples of user accounts and calibrated against user survey data. We apply significant judgment in designing these models and calculating these estimates. For example, to match user accounts within individual products and across multiple products, we use data signals such as similar device information, IP addresses, and user names. We also calibrate our models against data from periodic user surveys of varying sizes and frequency across our products, which are inherently subject to error. The timing and results of such user surveys have in the past contributed, and may in the future contribute, to changes in our reported Family metrics from period to period. In addition, our data limitations may affect our understanding of certain details of our business and increase the risk of error for our Family metrics estimates. Our techniques and models rely on a variety of data signals from different products, and we rely on more limited data signals for some products compared to others. For example, as a result of limited visibility into encrypted products, we have fewer data signals from WhatsApp user accounts and primarily rely on phone numbers and device information to match WhatsApp user accounts with accounts on our other products. ~~Similarly, although Messenger Kids users are included in our Family metrics, we do not seek to match their accounts with accounts on our other applications for purposes of calculating DAP and MAP.~~ Any loss of access to data signals we use in our process for calculating Family metrics, whether as a result of our own product decisions, actions by third- party browser or mobile platforms, regulatory or legislative requirements, or other factors, also may impact the stability or accuracy of our reported Family metrics, as well as our ability to report these metrics at all. Our estimates of Family metrics also may change as our methodologies evolve, including through the application of new data signals or technologies, product changes, or other improvements in our user surveys, algorithms, or machine learning that may improve our ability to match accounts within and across our products or otherwise evaluate the broad population of our users. In addition, such evolution may allow us to identify previously undetected violating accounts (as defined below). We regularly evaluate our Family metrics to estimate the percentage of our MAP consisting solely of" violating" accounts. We define" violating" accounts as accounts which we believe are intended to be used for purposes that violate our terms of service, including bots and spam. In the fourth quarter of ~~2022~~ **2023** , we estimated that approximately 3 % of our worldwide MAP consisted solely of violating accounts. Such estimation is based on an internal review of a limited sample of accounts, and we apply significant judgment in making this determination. For example, we look for account information and behaviors associated with Facebook and Instagram accounts that appear to be inauthentic to the reviewers, but we have limited visibility into WhatsApp user activity due to encryption. In addition, if we believe an individual person has one or more violating accounts, we do not include such person in our violating accounts estimation as long as we believe they have one account that does not constitute a violating account. From time to time, we disable certain user accounts, make product changes, or take other actions to reduce the number of violating accounts among our users, which may also reduce our DAP and MAP estimates in a particular period ~~. We intend to disclose our estimates of the percentage of our MAP consisting solely of violating accounts on an annual basis~~ . Violating accounts are very difficult to measure at our scale, and it is possible that the actual number of violating accounts may vary significantly from our estimates. We also regularly evaluate our Facebook metrics to estimate the number of" duplicate" and" false" accounts among our MAUs. A duplicate account is one that a user maintains in addition to his or her principal account. We divide" false" accounts into two categories: (1) user- misclassified accounts, where users have created personal profiles for a business, organization, or non-human entity such as a pet (such entities are permitted on Facebook using a Page rather than a personal profile under our terms of service); and (2) violating accounts, which represent user profiles that we believe are intended to be used for purposes that violate our terms of service, such as bots and spam. The estimates of duplicate and false accounts are based on an internal review of a limited sample of accounts, and we apply significant judgment in making this determination. For example, to identify duplicate accounts we use data signals such as identical IP addresses and similar user names, and to identify false accounts we look for names that appear to be fake or other behavior that appears inauthentic to the reviewers. Any loss of access to data signals we use in this process, whether as a result of our own product decisions, actions by third- party browser or mobile platforms, regulatory or legislative requirements, or other factors, also may impact the stability or accuracy of our estimates of duplicate and false accounts. Our estimates also may change as our methodologies evolve, including through the application of new data signals or technologies or product changes that may allow us to identify previously undetected duplicate or false accounts and may improve our ability to evaluate a broader population of our users. Duplicate and false accounts are very difficult to measure at our scale, and it is possible that the actual number of duplicate and false accounts may vary significantly from our estimates. In the fourth quarter of ~~2022~~ **2023**, we estimated that duplicate accounts may have represented approximately ~~11~~ **10**% of our worldwide MAUs. We believe the percentage of duplicate accounts is meaningfully higher in developing markets such as the Philippines and Vietnam, as compared to more developed markets. In the fourth quarter of ~~2022~~ **2023**, we estimated that false accounts may have represented approximately 4 ~~5~~% of our worldwide MAUs. Our estimation of false accounts can vary as a result of episodic spikes in the creation of such accounts, which we have seen originate more frequently in specific countries such as Indonesia, **Vietnam, and** Nigeria ~~, and Vietnam~~. From time to time, we disable certain user accounts, make product changes, or take other actions to reduce the number of duplicate or false accounts among our users, which may also reduce our DAU and MAU estimates in a particular period ~~. We intend to disclose our estimates of the number of duplicate and false accounts among our MAUs on an annual basis~~. Other data limitations also may affect our understanding of certain details of our business. For example, while user- provided data indicates a decline in usage among younger users, this age data may be unreliable because a disproportionate number of our younger users register with an inaccurate age. Accordingly, our understanding of usage by age group may not be complete. In addition, our data regarding the geographic location of our users is estimated based on a number of factors, such as the user' s IP address and self- disclosed location. These factors may not always accurately reflect the user' s actual location. For example, a user may appear to be accessing Facebook from the location of the proxy server that the user connects to rather than from the user' s actual location. The methodologies used to measure our metrics are also susceptible to algorithm or other technical errors, and our estimates for revenue by user location and revenue by user device are also affected by these factors. In addition, from time to time we provide, or rely on, certain other metrics and estimates, including those relating to the reach and effectiveness of our ads. Many of our metrics involve the use of estimations and judgments, and our metrics and estimates are subject to software bugs, inconsistencies in our systems, and human error. Such metrics and estimates also change from time to time due to improvements or changes in our terminology or methodology, including as a result of loss of access to data signals we use in calculating such metrics and estimates. We have ~~in the past~~ been, and may in the future be, subject to litigation as well as marketer, regulatory, and other inquiries regarding the accuracy of such metrics and estimates. Where marketers, developers, or investors do not perceive our metrics or estimates to be accurate, or where we discover material inaccuracies in our metrics or estimates, we may be subject to liability, our reputation may be harmed, and marketers and developers may be less willing to allocate their budgets or resources to our products that deliver ad impressions, which could negatively affect our business and financial results. We cannot assure you that we will effectively manage our scale. Our employee headcount and the scale and complexity of our business have increased significantly over time. The scale of our business and breadth of our products create significant challenges for our management, operational, and financial resources, including managing multiple relationships with users, marketers, developers, and other third parties, and maintaining information technology systems and internal controls and procedures that support the scale and complexity of our business. In addition, some members of our management do not have significant experience managing a large global business operation, so our management may not be able to manage our scale effectively. To effectively manage our scale, we must maintain, and continue to adapt, our operational, financial, and management processes and systems, manage our headcount and facilities, and effectively train and manage our personnel. Many of our personnel work remotely, which may lead to challenges in productivity and collaboration. In addition, from time to time, we implement organizational changes to pursue greater efficiency and realign our business and strategic priorities. For example, in 2022 **and 2023**, we announced ~~a layoff of approximately 11, 000 employees and initiated~~ several **initiatives, including restructurings, employee layoffs, and** measures to scale down our office facilities **, but we cannot guarantee that they will achieve our intended results. These efforts also subject us to risks such as greater than anticipated costs, adverse effects on employee retention, and increased difficulty managing the scale and complexity of our business. For example, we could face delays or challenges with product development, other business and strategic initiatives, or legal and regulatory compliance, as well as other disruptions to our operations**. As our organization continues to evolve, and we are required to implement and adapt complex organizational management structures, we may find it difficult to maintain the benefits of our corporate culture, including our ability to quickly develop and launch new and innovative products. ~~This~~ **Any of these developments** could negatively affect our business ~~performance~~ **, reputation, or financial results**. We have significant international operations ~~and plan to continue expanding our operations abroad where we have more limited operating experience~~, **which** ~~and this may~~ subject us to increased business, economic, and legal risks that could affect our financial results. We have significant international operations ~~and plan to continue the international expansion of our business operations and the translation of our products~~. We currently make Facebook available in more than 100 different languages, and we have offices or data centers in approximately 40 different countries. We may enter new international ~~markets~~ **regions** where we have limited or no experience in marketing, selling, and deploying our products. Our products are generally available globally, but some or all of our products or functionality may not be available in certain ~~markets~~ **regions** due to legal and regulatory complexities. For example, several of our products are not generally available in China. We also outsource certain operational functions to third parties globally. If we fail to deploy, manage, or oversee our international operations successfully, our business may suffer. In addition, we are subject to a variety of risks inherent in doing business internationally, including: • political, social, or economic instability; • risks related to legal, regulatory, and other government scrutiny applicable to U. S. companies with sales and operations in foreign jurisdictions, including with respect to privacy, tax, law enforcement, content, trade compliance, supply chain, competition, consumer protection, intellectual property, environmental, health and safety, licensing, and infrastructure matters; • potential damage to our brand and reputation due to compliance with local laws, including potential censorship or requirements to provide user information to local authorities; • enhanced difficulty in reviewing content on our platform and enforcing our community standards across different languages and countries; • fluctuations in currency exchange rates and compliance with currency controls; • foreign exchange controls and tax and other regulations and orders that might prevent us from repatriating cash earned in countries outside the United States or otherwise limit our ability to move cash freely, and impede our ability to invest such cash efficiently; • higher levels of credit risk and payment fraud; • enhanced difficulties of integrating any foreign acquisitions; • burdens of complying with a variety of foreign laws, including laws related to taxation, content removal, content moderation, data localization, data protection **, competition** , e- commerce and payments, and regulatory oversight; • reduced protection for intellectual property rights in some countries; • difficulties in staffing, managing, and overseeing global operations and the increased travel, infrastructure, and legal compliance costs associated with multiple international locations, including difficulties arising from personnel working remotely; • compliance with statutory equity requirements and management of tax consequences; and • geopolitical events affecting us, our marketers or our industry, including trade disputes, armed conflicts, and pandemics. In addition, we must manage the potential conflicts between locally accepted business practices in any given jurisdiction and our obligations to comply with laws and regulations, including anti- corruption laws or regulations applicable to us, such as the U. S. Foreign Corrupt Practices Act and the U. K. Bribery Act 2010. We also must manage our obligations to comply with laws and regulations related to import and export controls, trade restrictions, and sanctions, including regulations established by the U. S. Office of Foreign Assets Control. Government agencies and authorities have a broad range of civil and criminal penalties they may seek to impose against companies for violations of anti- corruption laws or regulations, import and export controls, trade restrictions, sanctions, and other laws, rules, and regulations. If we are unable to expand internationally and manage the complexity of our global operations successfully, our financial results could be adversely affected. We also may be required to or elect to cease or modify our operations or the offering of our products and services in certain regions, including as a result of the risks described above, which could adversely affect our business, user growth and engagement, and financial results. We face design, manufacturing, and supply chain risks **with respect to our consumer hardware products** that, if not properly managed, could adversely impact our financial results. We face a number of risks related to design, manufacturing, and supply chain management with respect to our consumer hardware products. For example, the consumer hardware products we sell from time to time have had, and in the future may have, quality issues resulting from the design or manufacture of the products, or from the software used in the products. Sometimes, these issues may be caused by components we purchase from other manufacturers or suppliers. Our brand and financial results could be adversely affected by any such quality issues, other failures to meet our customers' expectations, or findings of our consumer hardware products to be defective. We rely on third parties to manufacture and manage the logistics of transporting and distributing our consumer hardware products, which subjects us to a number of risks ~~that have been exacerbated~~ **. The manufacturing of our consumer hardware products depends on a small number of third parties, often with significant operations in a single region such** as **Asia** ~~a result of the COVID- 19 pandemic~~ . We have experienced, and may in the future experience, supply or labor shortages or other disruptions in logistics and the supply chain, which could result in shipping delays and negatively impact our operations, product development, and sales. We could be negatively affected if we are not able to engage third parties with the necessary capabilities or capacity on reasonable terms, or if those we engage with fail to meet their obligations (whether due to financial difficulties, manufacturing or supply constraints, or other reasons), or make adverse changes in the pricing or other material terms of such arrangements with them. The manufacturing, distribution, and sale of our consumer hardware products also may be negatively impacted by macroeconomic conditions, geopolitical challenges, trade disputes, or other actions by governments **(including international conflicts that could result in tariffs, sanctions, export controls, and other measures that restrict international trade)** that subject us to supply shortages, increased costs, or supply chain or logistics disruptions. We also require the suppliers and business partners of our consumer hardware products to comply with laws and certain company policies regarding sourcing practices and standards on labor, trade compliance, health and safety, the environment, and business ethics, but we do not control them or their practices and standards. If any of them violates laws, fails to implement changes in accordance with newly enacted laws, or implements practices or standards regarded as unethical, corrupt, or non- compliant, we could experience supply chain disruptions, government action or fines, canceled orders, or damage to our reputation. We face inventory risk with respect to our consumer hardware products. We are exposed to inventory risks with respect to our consumer hardware products as a result of rapid changes in product cycles and pricing, unsafe or defective merchandise, supply chain disruptions, changes in consumer demand and consumer spending patterns, changes in consumer tastes with respect to our consumer hardware products, and other factors. The demand for our products can also change significantly between the time inventory or components are ordered and the date of sale. While we endeavor to accurately predict these trends and avoid overstocking or understocking consumer hardware products we may sell, from time to time we have experienced difficulties in accurately predicting and meeting the consumer demand for our products. In addition, when we begin selling or manufacturing a new consumer hardware product or enter new international ~~markets~~ **regions** , it may be difficult to establish vendor relationships, determine appropriate product or component selection, and accurately forecast demand. The acquisition of certain types of inventory or components may require significant lead- time and prepayment and they may not be returnable. Any one of the foregoing factors may adversely affect our operating results **We plan to continue** to make acquisitions and pursue other strategic transactions,which could impact our financial condition or results of operations and may adversely affect the price of our common stock.As part of our business strategy,we have made and intend to continue to make acquisitions to add specialized employees and complementary companies,products,or technologies,and from time to time may enter into other strategic transactions such as investments and joint ventures.We may not be able to find suitable acquisition candidates,and we may not be able to complete acquisitions or other strategic transactions on favorable terms,or at all,including as a result of regulatory challenges.For example, ~~we completed our divestiture of Giphy~~ in ~~2023~~ **2022** ~~following~~ **,** the United Kingdom Competition and Markets Authority **directed** ~~' s order directing~~ us to divest **our** Giphy ~~post-~~ acquisition.In addition, ~~although we were able to successfully complete the acquisition after prevailing~~ in **2022** ~~federal court~~ ,the FTC ~~sought~~ **filed lawsuits against us** to enjoin our proposed acquisition of Within Unlimited.In some cases,the costs of such acquisitions or other strategic transactions may be substantial,and there is no assurance that we will realize expected synergies and potential monetization opportunities for our acquisitions or a favorable return on investment for our strategic investments.We may pay substantial amounts of cash or incur debt to pay for acquisitions or other strategic transactions,which has occurred in the past and could adversely affect our liquidity.The incurrence of indebtedness also results in increased fixed obligations and increased interest expense,and could also include covenants or other restrictions that would impede our ability to manage our operations.We may also issue equity securities to pay for acquisitions and we regularly grant **RSUs** ~~restricted stock units~~ to retain the employees of acquired companies,which could increase our expenses,adversely affect our financial results,and result in dilution to our stockholders.In addition,any acquisitions or other strategic transactions we announce could be viewed negatively by users,marketers,developers,or investors,which may adversely affect our business or the price of our Class A common stock.We may also discover liabilities,deficiencies,or other claims associated with the companies or assets we acquire that were not identified in advance,which may result in significant unanticipated costs.The effectiveness of our due diligence review and our ability to evaluate the results of such due diligence are dependent upon the accuracy and completeness of statements and disclosures made or actions taken by the companies we acquire or their representatives,as well as the limited amount of time in which acquisitions are executed.In addition,we may fail to accurately forecast the financial impact of an acquisition or other strategic transaction,including tax and accounting charges.Acquisitions or other strategic transactions may also result in our recording of significant additional expenses to our results of operations and recording of substantial finite- lived intangible assets on our balance sheet upon closing.Any of these factors may adversely affect our financial condition or results of operations.We may not be able to successfully integrate our acquisitions,and we incur significant costs to integrate and support the companies we acquire.The integration of acquisitions requires significant time and resources,particularly with respect to companies that have significant operations or that develop products where we do not have prior experience,and we may not manage these processes successfully.We **continue to** ~~have made,and may in the future~~ make ~~,~~ substantial investments of resources to support our acquisitions,which ~~can~~ **has in the past resulted,and we expect will in the future** result **,** in significant ongoing operating expenses and the diversion of resources and management attention from other areas of our business.We cannot assure you that these investments will be successful.If we fail to successfully integrate the companies we acquire,we may not realize the benefits **expected from the transaction and our business may be harmed.** . We are involved in numerous class action lawsuits and other litigation matters that are expensive and time consuming, and, if resolved adversely, could harm our business, financial condition, or results of operations. We are involved in numerous lawsuits, including stockholder derivative lawsuits and putative class action lawsuits, many of which claim statutory damages and / or seek significant changes to our business operations, and we anticipate that we will continue to be a target for numerous lawsuits in the future. Because of the scale of our user, advertiser, and developer base, the plaintiffs in class action cases filed against us typically claim enormous monetary damages even if the alleged per- user or entity harm is small or non- existent. In addition, we have faced, currently face, and will continue to face additional class action and other lawsuits based on claims related to advertising, antitrust, privacy, security, biometrics, content, algorithms, **copyright,** user well- being, employment **, contingent workers** , activities on our platform, consumer protection, or product performance or other claims related to the use of consumer hardware and software, including virtual reality technology and products, which are new and unproven. For example, we are currently the subject of multiple putative class action suits in connection with our platform and user data practices and the misuse of certain data by a developer that shared such data with third parties in violation of our terms and policies; the disclosure of our earnings results for the second quarter of 2018; our acquisitions of Instagram and WhatsApp, as well as other alleged anticompetitive conduct; a former employee' s allegations and release of internal company documents beginning in September 2021; the disclosure of our earnings results for the fourth quarter of 2021; and allegations that we inflated our estimates of the potential audience size for advertisements, resulting in artificially increased demand and higher prices. We are also the subject of multiple lawsuits related to our alleged **use of facial recognition technology, our alleged** recommendation of and / or failure to remove harmful content **, information from third- party websites or apps via our business tools, our alleged use of copyright- protected content to train our AI models, and allegations that Facebook and Instagram cause" social media addiction" in users and allegations of violations of the Children' s Online Privacy Protection Act (COPPA)** . The results of any such lawsuits and claims cannot be predicted with certainty, and any negative outcome from any such lawsuits could result in payments of substantial monetary damages or fines, or undesirable changes to our products or business practices, and accordingly our business, financial condition, or results of operations could be materially and adversely affected. There can be no assurances that a favorable final outcome will be obtained in all our cases, and defending any lawsuit is costly and can impose a significant burden on management and employees. Any litigation to which we are a party may result in an onerous or unfavorable judgment that may not be reversed upon appeal or in payments of substantial monetary damages or fines, or we may decide to settle lawsuits on similarly unfavorable terms, which has occurred in the past and which could adversely affect our business, financial conditions, or results of operations. We may have exposure to greater than anticipated tax liabilities. Our tax obligations, including income and non- income taxes, are based in part on our corporate operating structure and intercompany arrangements, including the manner in which we operate our business, develop, value, manage, protect, and use our intellectual property, and the valuations of our intercompany transactions. The tax laws applicable to our business, including the laws of the United States and other jurisdictions, are subject to interpretation and certain jurisdictions are aggressively interpreting their laws in new ways in an effort to raise additional tax revenue from companies such as Meta. We are subject to regular review and audit by U. S. federal, state, and foreign tax authorities. Tax authorities may disagree with certain positions we have taken, including our methodologies for valuing developed technology or intercompany arrangements, and any adverse outcome of such a review or audit could increase our worldwide effective tax rate, increase the amount of non- income taxes imposed on our business, and harm our financial position, results of operations, and cash flows. For example, in 2016 and 2018, the IRS issued formal assessments relating to transfer pricing with our foreign subsidiaries in conjunction with the examination of the 2010 through 2013 tax years. Although we disagree with the IRS' s position and are litigating this issue, the ultimate resolution is uncertain and, if resolved in a manner unfavorable to us, may adversely affect our financial results. The determination of our worldwide provision for income taxes and other tax liabilities requires significant judgment by management, and there are many transactions where the ultimate tax determination is uncertain. Our provision for income taxes is determined by the manner in which we operate our business, and any changes to such operations or laws applicable to such operations may affect our effective tax rate. Although we believe that our provision for income taxes and estimates of our non- income tax liabilities are reasonable, the ultimate settlement may differ from the amounts recorded in our financial statements and may materially affect our financial results in the period or periods for which such determination is made. Our future income tax rates could be volatile and difficult to predict due to changes in jurisdictional profit split, changes in the amount and recognition of deferred tax assets and liabilities, or by changes in tax laws, regulations, or accounting principles. Changes in tax laws or tax rulings could materially affect our financial position, results of operations, and cash flows. The tax regimes we are subject to or operate under, including income and non- income taxes, are unsettled and may be subject to significant change. Changes in tax laws or tax rulings, or changes in interpretations of existing laws, could materially affect our financial position, results of operations, and cash flows. For example, the 2017 Tax Cuts and Jobs Act (Tax Act) enacted in December 2017 had a significant impact on our tax obligations and effective tax rate for the fourth quarter of 2017. The issuance of additional regulatory or accounting guidance related to the Tax Act, or other executive or Congressional actions in the United States or globally could materially increase our tax obligations and significantly impact our effective tax rate in the period such guidance is issued or such actions take effect, and in future periods. In addition, many countries have recently proposed or recommended changes to existing tax laws or have enacted new laws that could significantly increase our tax obligations in many countries where we do business or require us to change the manner in which we operate our business. Over the last several years, the Organization for Economic Cooperation and Development has been working on a Base Erosion and Profit Shifting Project that, if implemented, would change various aspects of the existing framework under which our tax obligations are determined in many of the countries in which we do business. ~~In~~ **As of July** ~~2021~~ **2023** , **nearly** ~~more than~~ 140 countries **have approved** ~~tentatively signed on to~~ a framework that imposes a minimum tax rate of 15 %, among other provisions. As this framework is subject to further negotiation and implementation by each member country, the timing and ultimate impact of any such changes on our tax obligations are uncertain. Similarly, the European Commission and several countries have issued proposals that would apply to various aspects of the current tax framework under which we are taxed. These proposals include changes to the existing framework to calculate income tax, as well as proposals to change or impose new types of non- income taxes, including taxes based on a percentage of revenue. For example, several jurisdictions have proposed or enacted taxes applicable to digital services, which include business activities on digital advertising and online marketplaces, and which apply to our business. The European Commission has conducted investigations in multiple countries focusing on whether local country tax rulings or tax legislation provides preferential tax treatment that violates European Union state aid rules and concluded that certain member states, including Ireland, have provided illegal state aid in certain cases. These investigations may result in changes to the tax treatment of our foreign operations. Due to the large and expanding scale of our international business activities, many of these types of changes to the taxation of our activities described above could increase our worldwide effective tax rate, increase the amount of non- income taxes imposed on our business, and harm our financial position, results of operations, and cash flows. Such changes may also apply retroactively to our historical operations and result in taxes greater than the amounts estimated and recorded in our financial statements. Given our levels of share- based compensation, our tax rate **has in the past varied, and** may **in the future** vary **,** significantly depending on our stock price. The tax effects of the accounting for share- based compensation **have in the past impacted, and** may ~~significantly~~ **in the future** impact **,** our effective tax rate **, sometimes significantly,** from period to period. In periods in which our stock price varies from the grant price of the share- based compensation vesting in that period, we will recognize excess tax benefits or shortfalls that will impact our effective tax rate. For example, in ~~2022~~ **2023** , **excess** tax ~~shortfalls~~ **benefits** recognized from share- based compensation ~~increased~~ **decreased** our provision for income taxes by $ ~~471~~ **708** million and our effective **income** tax rate by ~~two~~ **one** percentage ~~points~~ - **point** as compared to the tax rate without such ~~shortfalls~~ **benefits** . In future periods in which our stock price varies in comparison to the grant price of the share- based compensation vesting in that period, our effective tax rate may be inversely impacted. The amount and value of share- based compensation issued relative to our earnings in a particular period will also affect the magnitude of the impact of share- based compensation on our effective tax rate. These tax effects are dependent on our stock price, which we do not control, and a decline in our stock price could significantly increase our effective tax rate and adversely affect our financial results. If our goodwill or intangible assets become impaired, we may be required to record a significant charge to earnings. We review our intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable, such as a decline in stock price and market capitalization. We test goodwill for impairment at the reporting unit level at least annually. If such goodwill or intangible assets are deemed to be impaired, an impairment loss equal to the amount by which the carrying amount exceeds the fair value of the assets would be recognized. We may be required to record a significant charge in our financial statements during the period in which any impairment of our goodwill or intangible assets is determined, which would negatively affect our results of operations. The loss of one or more of our key personnel, or our failure to attract and retain other highly qualified personnel in the future, could harm our business. We currently depend on the continued services and performance of our key personnel, including Mark Zuckerberg. ~~Although we have entered into an employment agreement with~~ Mr. Zuckerberg ~~,~~ **and certain** ~~the~~ **other members of management participate in various high** ~~agreement has no specific duration and constitutes at~~ - ~~will employment. In~~ **risk activities, such as combat sports, extreme sports, and recreational** ~~addition~~ **aviation** , ~~many~~ **which carry the risk** of **serious injury** ~~our key technologies~~ and ~~systems are custom- made~~ **death. If Mr. Zuckerberg were to become unavailable** for **any reason, there could be a material adverse impact on** our **operations** ~~business by our personnel~~ . The loss of **other** key personnel, including members of management as well as key engineering, product development, marketing, and sales personnel, could **also** disrupt our operations and have an adverse effect on our business. In addition, we cannot guarantee we will continue to attract and retain the personnel we need to maintain our competitive position. In particular, we expect to continue to face significant challenges in hiring **specialized** technical personnel, particularly ~~for~~ **senior** engineering talent, whether as a result of competition with other companies or other factors. As we continue to mature, the incentives to attract, retain, and motivate employees provided by our equity awards or by future arrangements may not be as effective as in the past, and if we issue significant equity to attract additional employees or to retain our existing employees, we would incur substantial additional share- based compensation expense and the ownership of our existing stockholders would be further diluted. Our ability to attract, retain, and motivate employees may also be adversely affected by stock price volatility. In addition, restrictive immigration policies or legal or regulatory developments relating to immigration may negatively affect our efforts to attract and hire new personnel as well as retain our existing personnel. If we do not succeed in attracting, hiring, and integrating excellent personnel, or retaining and motivating existing personnel, we may be unable to grow effectively. Our CEO has control over key decision making as a result of his control of a majority of the voting power of our outstanding capital stock. Mark Zuckerberg, our founder, **Board** ~~Chairman~~ --- **Chair** , and CEO, is able to exercise voting rights with respect to a majority of the voting power of our outstanding capital stock and therefore has the ability to control the outcome of all matters submitted to our stockholders for approval, including the election of directors and any merger, consolidation, or sale of all or substantially all of our assets. This concentrated control could delay, defer, or prevent a change of control, merger, consolidation, or sale of all or substantially all of our assets that our other stockholders support, or conversely this concentrated control could result in the consummation of such a transaction that our other stockholders do not support. This concentrated control could also discourage a potential investor from acquiring our Class A common stock, which has limited voting power relative to the Class B common stock, and might harm the trading price of our Class A common stock. In addition, Mr. Zuckerberg has the ability to control the management and major strategic investments of our company as a result of his position as our CEO and his ability to control the election or, in some cases, the replacement of our directors. In the event of his death, the shares of our capital stock that Mr. Zuckerberg owns will be transferred to the persons or entities that he has designated. As a board member and officer, Mr. Zuckerberg owes a fiduciary duty to our stockholders and must act in good faith in a manner he reasonably believes to be in the best interests of our stockholders. As a stockholder, even a controlling stockholder, Mr. Zuckerberg is entitled to vote his shares ~~, and shares over which he has voting control as governed by a voting agreement,~~ in his own interests, which may not always be in the interests of our stockholders generally. We cannot guarantee that our share repurchase program will be fully consummated or that it will enhance long- term stockholder value. Share repurchases **and dividend payments** could also increase the volatility of the trading price of our stock and will diminish our cash reserves. Although our board of directors has authorized a share repurchase program that does not have an expiration date, the program does not obligate us to repurchase any specific dollar amount or to acquire any specific number of shares of our Class A common stock. **The specific timing and amount of any share repurchases, and the specific timing and amount of any dividend payments, will depend on prevailing share prices, general economic and market conditions, company performance, and other considerations.** We cannot guarantee that the **repurchase** program will be fully consummated or that it will enhance long- term stockholder value. The **repurchase** program **and dividend payments** could affect the trading price of our stock and increase volatility, and any announcement of a termination of this **repurchase** program **or dividend payments** may result in a decrease in the trading price of our stock. In addition, this **repurchase** program **and dividend payments** will diminish our cash reserves **. There can be no assurance that we will continue to declare cash dividends. On February 1, 2024, we announced the initiation of our first- ever quarterly cash dividend. The payment of any cash dividends in the future is subject to continued capital availability, market conditions, applicable laws and agreements, and our board of directors continuing to determine that the declaration of dividends are in the best interests of our stockholders. The declaration and payment of any dividend may be discontinued or reduced at any time, and there can be no assurance that we will declare cash dividends in the future in any particular amounts, or at all** . Actions by governments that restrict access to Facebook or our other products in their countries, censor or moderate content on our products in their countries, or otherwise impair our ability to sell advertising in their countries, could substantially harm our business and financial results. Governments from time to time seek to censor or moderate content available on Facebook or our other products in their country, restrict access to our products from their country partially or entirely, or impose other restrictions that may affect the accessibility of our products in their country for an extended period of time or indefinitely. For example, user access to Facebook and certain of our other products has been or is currently restricted in whole or in part in China, Iran, and North Korea. In addition, government authorities in other countries may seek to restrict user access to our products if they consider us to be in violation of their laws or a threat to public safety or for other reasons, and certain of our products have been restricted by governments in other countries from time to time. For example, in 2020, Hong Kong adopted a National Security Law that provides authorities with the ability to obtain information, remove and block access to content, and suspend user services, and if we are found to be in violation of this law then the use of our products may be restricted **. Hong Kong is also expected to pass additional national security legislation in 2024** . In addition, if we are required to or elect to make changes to our marketing and sales or other operations in Hong Kong as a result of the National Security Law or other legislation, our revenue and business in the region will be adversely affected. In addition, in connection with the war in Ukraine in the first quarter of 2022, access to Facebook and Instagram was restricted in Russia and the services were then prohibited by the Russian government, which has adversely affected, and will likely continue to adversely affect, our revenue and business in the region. It is also possible that government authorities could take action that impairs our ability to sell advertising, including in countries where access to our consumer- facing products may be blocked or restricted. For example, we generate meaningful revenue from a ~~limited~~ **small** number of resellers serving advertisers based in China, and it is possible that the Chinese government could take action that reduces or eliminates our China- based advertising revenue, whether as a result of the trade dispute with the United States, in response to content issues or information requests in Hong Kong or elsewhere, or for other reasons, or take other action against us, such as imposing taxes or other penalties, which could adversely affect our financial results. Similarly, if we are found to be out of compliance with certain legal requirements for ~~social media~~ companies in Turkey, the Turkish government could take action to reduce or eliminate our Turkey- based advertising revenue or otherwise adversely impact access to our products. In the event that content shown on Facebook or our other products is subject to censorship, access to our products is restricted, in whole or in part, in one or more countries, we are required to or elect to make changes to our operations, or other restrictions are imposed on our products, or our competitors are able to successfully penetrate new geographic markets or capture a greater share of existing geographic markets that we cannot access or where we face other restrictions, our ability to retain or increase our user base, user engagement, or the level of advertising by marketers may be adversely affected, we may not be able to maintain or grow our revenue as anticipated, and our financial results could be adversely affected. Our business is subject to complex and evolving U. S. and foreign laws and regulations regarding privacy, data use and data protection, content, competition, safety and consumer protection, e- commerce, and other matters. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to our products and business practices, monetary penalties, increased cost of operations, or declines in user growth or engagement, or otherwise harm our business. We are subject to a variety of laws and regulations in the United States and abroad that involve matters central to our business, including privacy, data use, data protection and personal information, **the provision of our services to younger users,** biometrics, encryption, rights of publicity, content, integrity, intellectual property, advertising, marketing, distribution, data security, data retention and deletion, data localization and storage, data disclosure, **AI** ~~artificial intelligence~~ and machine learning, electronic contracts and other communications, competition, protection of minors, consumer protection, civil rights, accessibility, telecommunications, product liability, e- commerce, taxation, economic or other trade controls including sanctions, anti- corruption and political law compliance, securities law compliance, and online payment services. The introduction of new products, expansion of our activities in certain jurisdictions, or other actions that we may take may subject us to additional laws, regulations, or other government scrutiny. In addition, foreign data protection, privacy, content, competition, consumer protection, and other laws and regulations can impose different obligations or be more restrictive than those in the United States **, and create the potential for significant fines to be imposed** . These U. S. federal ~~,~~ **and** state, **EU,** and ~~foreign~~ **other international** laws and regulations, which in some cases can be enforced by private parties in addition to government entities, are constantly evolving and can be subject to significant change. As a result, the application, interpretation, and enforcement of these laws and regulations are often uncertain, particularly in the new and rapidly evolving industry in which we operate, and may be interpreted and applied inconsistently from jurisdiction to jurisdiction and inconsistently with our current policies and practices. For example, regulatory or legislative actions or litigation ~~affecting~~ **concerning** the manner in which we display content to our users, moderate content, **provide** ~~or~~ **our services** ~~obtain consent~~ to **younger users, or are able to use data in** various ~~practices~~ **ways, including for advertising,** could adversely affect user growth and engagement. Such actions could affect the manner in which we provide our services or adversely affect our financial results **, including by imposing significant fines that increasingly may be calculated based on global revenue** . We are also subject to evolving laws and regulations that dictate whether, how, and under what circumstances we can transfer, process ~~and /~~ or receive certain data that is critical to our operations, including data shared between countries or regions in which we operate and data shared among our products and services. For example, in 2016, the European Union and United States agreed to a transfer framework for data transferred from the European Union to the United States, called the Privacy Shield, but the Privacy Shield was invalidated in July 2020 by the Court of Justice of the European Union (CJEU). In addition, the other bases upon which Meta relies to transfer such data, such as Standard Contractual Clauses (SCCs), have been subjected to regulatory and judicial scrutiny. For example, the CJEU considered the validity of SCCs as a basis to transfer user data from the European Union to the United States following a challenge brought by the Irish Data Protection Commission (IDPC). Although the CJEU upheld the validity of SCCs in July 2020, ~~our continued reliance~~ on **May 12** ~~SCCs will be the subject of future regulatory consideration. In particular~~ , ~~in August 2020~~ **2023** , ~~we received~~ **the IDPC issued** a **Final** ~~preliminary draft decision~~ **Decision concluding** ~~from the IDPC that preliminarily concluded~~ that Meta Platforms Ireland' s reliance on SCCs in respect of ~~European Union /~~ **certain transfers of** European Economic Area **(EEA)** Facebook user data ~~does~~ **was** not ~~achieve~~ **in** compliance with the GDPR ~~and preliminarily proposed that such transfers should therefore be suspended. In February 2022, we received a revised preliminary draft decision in which the IDPC maintained its preliminary conclusion that these transfers should be suspended~~ . The IDPC ~~' s draft~~ **issued an administrative fine of EUR € 1. 2 billion as well as corrective orders requiring Meta Platforms Ireland to suspend the relevant transfers and to bring its processing operations into compliance with Chapter V GDPR by ceasing the unlawful processing, including storage, of such data in the United States. We are appealing this** decision ~~was~~ **and** ~~then~~ - **the** ~~further refined~~ **corrective orders are currently subject to** ~~and~~ - **an interim stay from** ~~shared on July 6, 2022 with other~~ -- **the Irish High Court** ~~European data protection regulators (CSAs) as part of the GDPR' s consistency mechanism~~ . **On** ~~Separately, on~~ March 25, 2022, the European Union and United States announced that they had reached an agreement in principle on a new EU- U. S. Data Privacy Framework (EU- U. S. DPF). On October 7, 2022, President Biden signed the Executive Order on Enhancing Safeguards for United States Signals Intelligence Activities (E. O.), and on ~~December 13~~ **June 30** , ~~2022~~ **2023 , the European Union and the three additional countries making up the EEA were designated by the United States Attorney General as a" qualifying state" under Section 3 (f) of the E. O. On July 10, 2023** , the European Commission **adopted an** ~~published its draft~~ adequacy decision ~~on~~ **in relation to** the ~~proposed new~~ **United States. The adequacy decision concludes that the United States ensures an adequate level of protection for personal data transferred from the European Union to organizations in the United States that are included in the" Data Privacy Framework List," maintained and made publicly available by the United States Department of Commerce pursuant to the** EU- U. S. DPF. **The implementation** ~~On January 19, 2023, the IDPC referred the inquiry to a vote by the European Data Protection Board (EDPB), pursuant to the dispute resolution process under Article 65 GDPR, in respect~~ of ~~elements of~~ the **EU- U** ~~draft decision over which consensus could not be reached between concerned~~

~~supervisory authorities~~ . **S** ~~We believe a final decision in this inquiry may issue as early as the first quarter of 2023~~ . **DPF** ~~Although the E. O. is a significant~~ and **the** ~~positive step, if no~~ adequacy decision ~~is adopted~~ **are important and welcome milestones, and we are implementing steps to comply with the above corrective orders following engagement with the IDPC. If we are required to take additional steps to comply with the corrective orders, this could increase the cost and complexity of delivering our products and services in Europe. Furthermore, the EU- U. S. DPF replaces two prior adequacy frameworks which were invalidated** by the **CJEU. A further invalidation of** ~~European Commission and we are unable to continue to rely on SCCs or rely upon other~~ -- **the** ~~alternative means of data transfers from~~ **EU- U. S. DPF by** the ~~European Union~~ **CJEU could create considerable uncertainty and lead** to **us being** ~~the United States, we will likely be~~ unable to offer a number of our most significant products and services, including Facebook and Instagram, in Europe, which would materially and adversely affect our business, financial condition, and results of operations ~~. In addition, we have been managing investigations and lawsuits in Europe, India, and other jurisdictions regarding the 2016 and 2021 updates to WhatsApp' s terms of service and privacy policy and its sharing of certain data with other Meta products and services, including a lawsuit currently pending before the Supreme Court of India. If we are unable to transfer data between and among countries and regions in which we operate, or if we are restricted from sharing data among our products and services, it could affect our ability to provide our services, the manner in which we provide our services or our ability to target ads, which could adversely affect our financial results~~ . We have been subject to other significant legislative and regulatory developments ~~in the past~~ , ~~and~~ **which together with** proposed or new legislation and regulations could significantly affect our business in the future. For example, we have implemented a number of product changes and controls as a result of requirements under the European General Data Protection Regulation (GDPR), and may implement additional changes in the future. The GDPR also requires submission of personal data breach notifications to our lead European Union privacy regulator, the IDPC, and includes significant penalties for non- compliance with the notification obligation as well as other requirements of the regulation. The interpretation of the GDPR is still evolving **, including through decisions of the CJEU,** and draft decisions in investigations by the IDPC are subject to review by other European privacy regulators as part of the GDPR' s consistency mechanism, which may lead to significant changes in the final outcome of such investigations. As a result, the interpretation and enforcement of the GDPR, as well as the imposition and amount of penalties for non- compliance, are subject to significant uncertainty **, and as it evolves, could potentially have a negative impact on our business and / or our operations** . In addition, Brazil, the United Kingdom, and other countries have enacted similar data protection regulations imposing data privacy- related requirements on products and services offered to users in their respective jurisdictions. The California Consumer Privacy Act (CCPA), as amended by the California Privacy Rights Act (CPRA), also establishes certain transparency rules and ~~create~~ **creates** ~~new~~ **certain** data privacy rights for users, including limitations on our use of certain sensitive personal information and more ability for users to control the purposes for which their data is shared with third parties. Other states have proposed or enacted similar comprehensive privacy laws that afford users with similar data privacy rights and controls. These laws and regulations are evolving and subject to interpretation, and resulting limitations on our advertising services, or reductions of advertising by marketers, have to some extent adversely affected, and will continue to adversely affect, our advertising business. **Some** ~~For example, state~~ **states** ~~regulators in California~~ **have also proposed or enacted laws specifically focused on the privacy rights** and ~~Colorado~~ **controls for users under 18 years old and their parents or guardians. Like comprehensive privacy laws, these laws** are ~~considering adopting regulations that could further limit how companies can use personal information~~ **evolving and subject to interpretation, and may restrict our ability to offer certain products and services provided to all** ~~for~~ - **or certain cohorts of users in those states, adversely affecting our** advertising ~~purposes~~ **business** . In Europe, regulators continue to ~~issue~~ **enforce** guidance concerning the ePrivacy Directive' s requirements regarding the use of cookies and similar technologies, and may impose specific measures in the future which could directly impact our use of such technologies. In addition, the ePrivacy Directive and national implementation laws impose additional limitations on the use of data across messaging products and include significant penalties for non- compliance. Changes to our products or business practices as a result of these or similar developments have ~~in the past~~ adversely affected, and may in the future adversely affect, our advertising business **. For example, in response to regulatory developments in Europe, we announced plans to change the legal basis for behavioral advertising on Facebook and Instagram in the EU, EEA, and Switzerland from" legitimate interests" to" consent," and in November 2023 we began offering users in the region a" subscription for no ads" alternative. We are continuing to engage with regulators on our new consent model, including regarding compliance with requirements under the GDPR, DMA, and EU consumer laws. These or any similar developments in the future may negatively impact our user growth and engagement, revenue, and financial results** . Similarly, there are a number of legislative proposals or recently enacted laws in the European Union, the United States, at both the federal and state level, as well as other jurisdictions that could impose new obligations or limitations in areas affecting our business. For example, the DMA in the European Union imposes ~~new~~ restrictions and requirements on companies like ours, including in areas such as the combination of data across services, mergers and acquisitions, and product design. The DMA also includes significant penalties for non- compliance, and its key requirements will be enforceable against designated gatekeeper companies **beginning** in ~~early~~ **March** 2024. **The** ~~We expect the~~ DMA ~~will~~ **has caused, and may in the future** cause **,** us to incur significant compliance costs and make ~~additional~~ changes to our products or business practices. The requirements under the DMA will likely be subject to further interpretation and regulatory engagement. Pending or future proposals to modify competition laws in the United States and other jurisdictions could have similar effects. Further, the Digital Services Act (DSA) in the European Union, which ~~will~~ **started to** apply to our business as **of August** ~~early as June~~ 2023, ~~will impose~~ **imposes** ~~new~~ **certain** restrictions and requirements for our products and services and ~~may significantly~~ **subjects us to** ~~increase~~ **increased** ~~our~~ compliance costs. The DSA also includes significant penalties for non- compliance. In addition, some countries, such as India and Turkey, are considering or have passed legislation implementing data protection requirements **, new competition requirements,** or requiring local storage and processing of data or similar requirements that could **require substantial changes to our products,** increase the cost and complexity of delivering our services, cause us to cease the offering of our products and services in certain countries, **and /** or result in fines or other penalties. New legislation or regulatory decisions that restrict our ability to collect and use information about minors may also result in limitations on our advertising services or our ability to offer products and services to minors in certain jurisdictions. These laws and regulations, as well as any associated claims, inquiries, or investigations or any ~~other~~ government actions, have ~~in the past~~ led to, and may in the future lead to, unfavorable outcomes including increased compliance costs, loss of revenue, delays or impediments in the development of new products, negative publicity and reputational harm, increased operating costs, diversion of management time and attention, and remedies that harm our business, including fines or demands or orders that we modify or cease existing business practices. We have been subject to regulatory and other government investigations, enforcement actions, and settlements, and we expect to continue to be subject to such proceedings and other inquiries in the future, which could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business. We receive formal and informal inquiries from government authorities and regulators regarding our compliance with laws and regulations, many of which are evolving and subject to interpretation. We are and expect to continue to be the subject of investigations, inquiries, data requests, requests for information, actions, and audits in the United States, Europe, and around the world, particularly in the areas of privacy **, data use** and data protection, including with respect to **processing of sensitive data, data from third parties, data for advertising purposes, data security,** minors **, safety** , law enforcement, consumer protection, civil rights, content moderation, ~~and~~ **use of our platform for illegal, illicit, or otherwise objectionable activity,** competition **, AI, and machine learning** . In addition, we are currently, and may in the future be, subject to regulatory orders or consent decrees. For example, data protection, competition, and consumer protection authorities in the European Union **, United States,** and other jurisdictions have initiated actions, investigations, or administrative orders seeking to restrict the ways in which we collect and use information, or impose sanctions, and other authorities may do the same **. In addition, we have been and continue to be the subject of litigation and investigations related to the ways in which we collect and use information, including where advertisers are subject to additional regulation such as housing, employment, credit, and financial services** . In addition, beginning in March 2018, we became subject to FTC, state attorneys general, and other government inquiries in the United States, Europe, and other jurisdictions in connection with our platform and user data practices as well as the misuse of certain data by a developer that shared such data with third parties in violation of our terms and policies. In July 2019, we entered into a settlement and modified consent order to resolve the FTC inquiry, which ~~was approved by the federal court and~~ took effect in April 2020 ~~.~~ **and,** ~~Among~~ **among** other ~~matters~~ **things** , ~~our settlement with the FTC~~ required us ~~to pay a penalty of $ 5. 0 billion and~~ to significantly enhance our practices and processes for privacy compliance and oversight. The state attorneys general inquiry and certain government inquiries in other jurisdictions remain ongoing **. The FTC also continues to monitor us and our compliance with the modified consent order and initiated an administrative proceeding against us, which we are challenging, that alleges deficient compliance and violations of the Children' s Online Privacy Protection Act (COPPA), the COPPA Rule, and Section 5 of the Federal Trade Commission Act and seeks changes to our business. If we are unsuccessful in our challenge to the FTC' s action and the agency imposes its proposed order in its current form, we would be subject to significant limitations, including on our ability to launch new and modified products or use data of users under 18 years old** . We also notify the IDPC, our lead European Union privacy regulator under the GDPR, and other regulators of certain other personal data breaches and privacy issues, and are subject to inquiries and investigations by the IDPC and other regulators regarding various aspects of our regulatory compliance. We have ~~in the past~~ been, and may in the future be, subject to **penalties,** fines **,** and requirements to ~~changes~~ **change** ~~to~~ our business practices as a result of such inquiries and investigations. In addition, we are subject to a lawsuit by the state of Texas in connection with the ~~“~~ **"** tag suggestions ~~”~~ **" feature** and other **uses of** facial recognition **technology** ~~features on our products~~ . We are also subject to various litigation and formal and informal inquiries and investigations by competition authorities in the United States, Europe, and other jurisdictions, which relate to many aspects of our business, including with respect to users and advertisers **. Such inquiries, investigations, and lawsuits concern, among other things, our business practices in the areas of social networking or social media services, messaging services, digital advertising, and / or mobile or online applications** , as well as our ~~industry. Such inquiries, investigations, and lawsuits concern, among other things, our business practices in the areas of social networking or social media services, digital advertising, and / or mobile or online applications, as well as our~~ acquisitions. For example, ~~in June 2019 we were informed by the FTC that it had opened an antitrust investigation of our company. In addition,~~ beginning in ~~the third quarter of~~ 2019, we became the subject of antitrust inquiries and investigations by the **FTC and the** U. S. Department of Justice ~~and state attorneys general~~ . Beginning in ~~December~~ 2020, we ~~also~~ became subject to **a** ~~lawsuits~~ **lawsuit** by the FTC ~~and the attorneys general from 46 states, the territory of Guam, and the District of Columbia in the U. S. District Court for the District of Columbia~~ alleging that we violated antitrust laws, including by acquiring Instagram in 2012 and WhatsApp in 2014 ~~and by maintaining conditions on access to our platform, among other things~~ . The ~~complaints~~ **complaint seeks** ~~of the FTC and attorneys general both sought~~ a permanent injunction against our company' s alleged violations of the antitrust laws, and other equitable relief, including divestiture or reconstruction of Instagram and WhatsApp. In addition, in December 2022, the European Commission issued a Statement of Objections alleging that we tie Facebook Marketplace to Facebook and use data in a manner that infringes European Union competition rules. We are also subject to other government inquiries and investigations relating to our business activities and disclosure practices. For example, beginning in September 2021, we became subject to government investigations and requests relating to allegations and the release of internal company documents by a former employee. Orders issued by, or inquiries or enforcement actions initiated by, government or regulatory authorities could cause us to incur substantial costs, expose us to civil and criminal liability (including liability for our personnel) or penalties (including substantial monetary remedies), interrupt or require us to change our business practices in a manner materially adverse to our business (including changes to our products or user data practices), result in negative publicity and reputational harm, divert resources and the time and attention of management from our business, or subject us to other structural or behavioral remedies that adversely affect our business, and we have experienced some of these adverse effects to varying degrees from time to time. Compliance with our FTC consent order, the GDPR, **the CCPA, as amended by** the CPRA, the ePrivacy Directive, the DMA, the DSA, and other regulatory and legislative privacy requirements require significant operational resources and modifications to our business practices, and any compliance failures may have a material adverse effect on our business, reputation, and financial results. We are engaged in ongoing privacy compliance and oversight efforts, including in connection with our modified consent order with the FTC, requirements of the GDPR, and other current and anticipated regulatory and legislative requirements around the world, such as the **CCPA, as amended by the** CPRA, ePrivacy Directive, DMA, ~~and~~ DSA **, the Korean Personal Information Protection Act, and the Indian Digital Personal Data Protection Act** . In particular, we are maintaining a comprehensive privacy program in connection with the FTC consent order that includes substantial management and board of directors oversight, stringent operational requirements and reporting obligations, prohibitions against making misrepresentations relating to user data, a process to regularly certify our compliance with the privacy program to the FTC, and regular assessments of our privacy program by an independent third- party assessor, which has been and will continue to be challenging and costly to maintain and enhance. These compliance and oversight efforts are increasing demand on our systems and resources, and require significant new and ongoing investments, including investments in compliance processes, personnel, and technical infrastructure. We ~~are~~ **continually** ~~reallocating~~ **reallocate** resources internally to assist with these efforts, and this has had, and will continue to have, an adverse impact on our other business initiatives. In addition, these efforts require substantial modifications to our business practices and make some practices such as product and ads development more difficult, time-consuming, and costly. As a result, we believe our ability to develop and launch new features, products, and services in a timely manner has been and will continue to be adversely affected. **Further,** ~~We also expect that~~ our privacy compliance and oversight efforts **have required, and we expect** will **continue to** require **,** significant time and attention from our management and board of directors. The requirements of the FTC consent order and other privacy- related laws and regulations are complex and apply broadly to our business, and from time to time we notify relevant authorities of instances where we are not in full compliance with these requirements or otherwise discover privacy issues, and we expect to continue to do so as any such issues arise in the future. In addition, regulatory and legislative privacy requirements are constantly evolving and can be subject to significant change and uncertain interpretation. For example, we **are** ~~will be~~ subject to ~~new~~ restrictions and requirements under the DMA, including in areas such as the combination of data across services and product design, which will likely be subject to further interpretation and regulatory engagement. **The FTC initiated** ~~If we are unable to successfully implement and~~ - **an** ~~comply~~ **administrative proceeding against us alleging, among other things, deficient compliance** with ~~the mandates of~~ the FTC consent order **and seeking substantial modifications to the requirements of the consent order, including a prohibition on our use of minors' data for any commercial purposes, changes to the composition of our board of directors, and significant limitations on our ability to modify and launch new products. We are challenging the FTC' s administrative proceeding. If the challenge is unsuccessful and the FTC is able to impose the proposed order in its current form, it would limit our ability to provide certain features and services, engage in certain business practices, require us to further increase the time, resources, and costs we spend on compliance and oversight efforts, and would adversely affect our business and financial results. If we are unable to successfully implement and comply with the mandates of the FTC consent order (including any future modifications to the order)** , GDPR, **U. S. state privacy laws, including the** ~~CPRA~~ - **CCPA** , ePrivacy Directive, DMA, DSA, or other regulatory or legislative requirements, or if **any relevant authority believes that** we are ~~found to be~~ in violation of the consent order or other applicable requirements, we may be subject to regulatory or governmental investigations or lawsuits, which may result in significant monetary fines, judgments, **penalties,** or other ~~penalties~~ **remedies** , and we may also be required to make additional changes to our business practices. Any of these events could have a material adverse effect on our business, reputation, and financial results. We may incur liability as a result of information retrieved from or transmitted over the internet or published using our products or as a result of claims related to our products, and legislation regulating content on our platform may require us to change our products or business practices and may adversely affect our business and financial results. We have faced, currently face, and will continue to face claims **and government inquiries** relating to information or content that is published or made available on our products, including **claims, inquiries, and investigations relating to** our policies, algorithms, and enforcement actions with respect to such information or content. In particular, the nature of our business exposes us to claims related to defamation, dissemination of misinformation or news hoaxes, **deceptive and fraudulent advertising,** discrimination, harassment, intellectual property rights, rights of publicity and privacy, personal injury torts, laws regulating hate speech or other types of content, **on- or** ~~online~~ **offline** safety **and well-being (such as acts of violence, terrorism, improper promotion or distribution of pharmaceuticals and illicit drugs, human exploitation, child exploitation, illegal gaming, and other fraudulent or otherwise illegal activity)** , products liability, consumer protection, and breach of contract, among others. For example, we have recently seen an increase in claims brought by younger users related to well- being issues based on allegedly harmful content that is shared on or recommended by our products. **In addition, we have been subject to litigation alleging that our ad targeting and delivery practices constitute violations of anti- discrimination laws.** The potential risks relating to any of the foregoing types of claims are currently enhanced in certain jurisdictions outside the United States where our protection from liability for third- party actions may be unclear or where we may be less protected under local laws than we are in the United States. For example, in April 2019, the European Union passed a directive (the European Copyright Directive) expanding online platform liability for copyright infringement and regulating certain uses of news content online, which **most** member states ~~are currently~~ **have already** ~~implementing~~ **implemented** into their national laws. In addition, the European Union revised the European Audiovisual Media Service Directive to apply to online video- sharing platforms, which member states **are** ~~have begun to implement~~

implementing . In the United States, **in 2023,** the U. S. Supreme Court ~~recently agreed to review~~ **heard oral argument in** a matter in which the scope of the protections available to online platforms under Section 230 of the Communications Decency Act (Section 230) ~~is~~ **was** at issue ~~. In addition~~ , **but it ultimately declined to address Section 230 in its decision.** ~~there~~ **There also** have been, and continue to be, various **other litigation concerning, and** state and federal legislative and executive efforts to remove or restrict **,** the scope of the protections under Section 230, as well as to impose new obligations on online platforms with respect to commerce listings, user **access and** content, counterfeit goods and copyright- infringing material, and our current protections from liability for third- party content in the United States could decrease or change. We could incur significant costs investigating and defending such claims and, if we are found liable, significant damages. We could also face fines, orders restricting or blocking our services in particular geographies, or other **judicial or** government- imposed remedies as a result of content hosted on our services. For example, legislation in Germany and India has resulted ~~in the past~~ , and may result in the future, in the imposition of fines or other penalties for failure to comply with certain content removal, law enforcement cooperation, and disclosure obligations. Numerous other countries in Europe, the Middle East, Asia- Pacific, and Latin America are considering or have implemented similar legislation imposing **liability or** potentially significant penalties, including fines, service throttling, or advertising bans, for failure to remove certain types of content or follow certain processes. For example, we have been subject to fines and may in the future be subject to other penalties in connection with social media legislation in Turkey, and we have been subject to fines and service blocking and prohibition in Russia. Content- related legislation also has required us ~~in the past~~ , and may require us in the future, to change our products or business practices, increase our costs, or otherwise impact our operations or our ability to provide services in certain geographies. For example, the European Copyright Directive requires certain online services to obtain authorizations for copyrighted content or to implement measures to prevent the availability of that content, which may require us to make substantial investments in compliance processes. Member states' laws implementing the European Copyright Directive may also require online platforms to pay for content. In addition, our products and services **are** ~~will be~~ subject to ~~new~~ restrictions and requirements, and ~~our~~ **we are subject to increased** compliance costs ~~may significantly increase~~ , as a result of the Digital Services Act in the European Union, which ~~will~~ **started to** apply to our business as **of August** ~~early as June~~ 2023, and ~~potentially~~ other content- related legislative developments such as ~~proposed~~ **the** ~~online~~ **Online** ~~safety~~ **Safety** ~~bills~~ **and Media Regulation Act** in Ireland and **the Online Safety Act in** the United Kingdom. Certain countries have also **implemented or** proposed legislation that may require us to pay publishers for certain news content shared on our products. **For example, as a result of such legislation in Canada, we have removed the availability of news content for Canadian users on Facebook and Instagram.** In the United States, changes to the protections available under Section 230 or the First Amendment to the U. S. Constitution or new state or federal content- related legislation may increase our costs or require significant changes to our products, business practices, or operations, which could adversely affect user growth and engagement. Any of the foregoing events could adversely affect our business and financial results. Payment ~~transactions~~ **- related activities** may subject us to additional regulatory requirements **, regulatory actions,** and other risks that could be costly and difficult to comply with or that could harm our business. Several of our products offer Payments functionality, including enabling our users to purchase tangible, virtual, and digital goods from merchants and developers that offer applications using our Payments infrastructure, send money to other users, and make donations to certain charitable organizations, among other activities. We are subject to a variety of laws and regulations in the United States, Europe, and elsewhere, including those governing anti- money laundering and counter- terrorist financing, money transmission, stored value, gift cards and other prepaid access instruments, electronic funds transfer, virtual currency, consumer protection, charitable fundraising, ~~trade~~ **economic** sanctions, and import and export restrictions **. In addition, we could become subject to new consumer protection laws and regulations that may be adopted or amended, including those related to payments activity as well as sharing, collection, and use of payments- related data** . Depending on how our Payments products evolve, we may also be subject to other laws and regulations including those governing gambling, banking, and lending. In some jurisdictions, the application or interpretation of these laws and regulations is not clear. **We** ~~To increase flexibility in how our use of Payments may evolve and to mitigate regulatory uncertainty, we~~ have received certain payments licenses in the United States, the European Economic Area, and other jurisdictions **for our regulated Payments- related products and activities. These licenses increase flexibility in how our use of Payments may evolve** , ~~which~~ **help mitigate regulatory uncertainty, and** will generally require us to demonstrate compliance with many domestic and foreign laws in ~~these areas~~ **relation to our regulated Payments products and activities** . Our efforts to comply with these laws and regulations could be costly and result in diversion of management time and ~~effort~~ **attention** and may still not guarantee compliance. In the event that we are found to be in violation of any such legal or regulatory requirements, we may be subject to monetary fines or other penalties such as a cease and desist order, or we may be required to make product changes, any of which could have an adverse effect on our business and financial results. In addition, we are subject to a variety of additional risks as a result of Payments transactions, including: increased costs and diversion of management time and ~~effort~~ **attention** and other resources to **address** ~~deal with~~ bad transactions or customer disputes; potential fraudulent or otherwise illegal activity by users, developers, employees, or third parties; restrictions on the investment of consumer funds used to transact Payments; and additional disclosure and reporting requirements. We have also launched payments functionality on certain of our applications and may in the future undertake additional payments initiatives, including as part of our metaverse efforts, which may subject us to many of the foregoing risks and additional licensing requirements. Security breaches, improper access to or disclosure of our data or user data, other hacking and phishing attacks on our systems, or other cyber incidents could harm our reputation and adversely affect our business. Our industry is prone to cyber- attacks by third parties seeking unauthorized access to our data or users' data or to disrupt our ability to provide service. Our products and services involve the collection, storage, processing, and transmission of a large amount of data. Any failure to prevent or mitigate security breaches and improper access to or disclosure of our data or user data, including personal information, content, or payment information from users, or information from marketers, could result in the loss, modification, disclosure, destruction, or other misuse of such data, which could harm our business and reputation and diminish our competitive position. In addition, computer malware, viruses, social engineering (such as spear phishing attacks), scraping, and general hacking continue to be prevalent in our industry, have occurred on our systems ~~in the past~~ , and will occur on our systems in the future. We also regularly encounter attempts to create false or undesirable user accounts, purchase ads, or take other actions on our platform for purposes such as spamming, spreading misinformation, or other **illegal, illicit, or otherwise** objectionable ends. As a result of our prominence, the size of our user base, the types and volume of personal data and content on our systems, and the evolving nature of our products and services (including our efforts involving new and emerging technologies), we believe that we are a particularly attractive target for such breaches and attacks, including from nation states and highly sophisticated, state- sponsored, or otherwise well- funded actors, and we experience heightened risk from time to time as a result of geopolitical events. Our efforts to address undesirable activity on our platform also increase the risk of retaliatory attacks. Such breaches and attacks may cause interruptions to the services we provide, degrade the user experience **or otherwise adversely affect users** , cause users or marketers to lose confidence and trust in our products, impair our internal systems, or result in financial harm to us. Our efforts to protect our company data or the information we receive, and to disable undesirable activities on our platform, may also be unsuccessful due to software bugs or other technical malfunctions; employee, contractor, or vendor error or malfeasance, including **social engineering or other cyber- attacks directed towards our personnel, misuse of company data or systems by our personnel, as well as** defects or vulnerabilities in our vendors' information technology systems or offerings; government surveillance; breaches of physical security of our facilities ~~or~~ **,** technical infrastructure **, or other equipment** ; or other threats that evolve. In addition, third parties may attempt to fraudulently induce employees or users to disclose information in order to gain access to our data or our users' data. Cyber- attacks continue to evolve in sophistication and volume, and inherently may be difficult to detect for long periods of time. Although we have developed systems and processes that are designed to protect our data and user data, to ~~prevent~~ **reduce the risk of** data loss **or misuse** , to disable undesirable accounts and activities on our platform, and to ~~prevent~~ **reduce the risk of** or detect security breaches, **such measures will not provide absolute security, and** we cannot assure you that ~~such measures will provide absolute security, that~~ we will be able to react in a timely manner **to any cyber- attacks or other security incidents** , or that our remediation efforts will be successful. ~~The changes in our work environment as a result~~ **Our business and operations span numerous geographies around the world and involve thousands** of ~~certain personnel working remotely could also impact~~ **employees, contractors, vendors, developers, partners, and** ~~the~~ **other third parties. At any given time, we face known and unknown cybersecurity risks and threats that are not fully mitigated, and we discover vulnerabilities in our** security **efforts** ~~of our systems, as well as our ability to protect against attacks and detect and respond to them quickly~~ . In addition, some of our developers or other partners, such as those that help us measure the effectiveness of ads, may receive or store information provided by us or by our users through mobile or web applications integrated with our products. We provide limited information to such third parties based on the scope of services provided to us. However, if these third parties or developers fail to adopt or adhere to adequate data security practices, or in the event of a breach of their networks, our data or our users' data may be improperly accessed, used, or disclosed. We **regularly** experience such cyber- attacks and other security incidents of varying degrees ~~from time to time~~ , and we incur significant costs in protecting against or remediating such incidents. In addition, we are subject to a variety of laws and regulations in the United States and abroad relating to cybersecurity and data protection, as well as obligations under our modified consent order with the FTC. As a result, affected users or government authorities could initiate legal or regulatory actions against us in connection with any actual or perceived security breaches or improper access to or disclosure of data, which has occurred in the past and which could cause us to incur significant expense and liability or result in orders or consent decrees forcing us to modify our business practices. Such incidents or our efforts to remediate such incidents may also result in a decline in our active user base or engagement levels. Any of these events could have a material and adverse effect on our business, reputation, or financial results. For example, in September 2018, we announced our discovery of a third-party cyber- attack that exploited a vulnerability in Facebook' s code to steal user access tokens, which were then used to access certain profile information from approximately 29 million user accounts on Facebook. The events surrounding this cyber- attack became the subject of Irish Data Protection Commission and other government inquiries. Any such inquiries could subject us to substantial fines and costs, require us to change our business practices, divert resources and the attention of management from our business, or adversely affect our business. **Intentional** ~~We anticipate that our ongoing efforts related to privacy, safety, security, and content review will identify additional instances of~~ misuse of **our services and** user data ~~or~~ **and** other undesirable activity by third parties on our platform **could adversely affect** ~~. In addition to~~ our ~~efforts to mitigate cybersecurity risks~~ **business. We have experienced** , ~~we are making significant investments in privacy, safety, security,~~ and **expect** ~~content review efforts~~ to ~~combat~~ **continue to experience, intentional** misuse of our services and user data by third parties **, as well as other undesirable, illicit, or high- risk activity on our platform. We are making significant investments in privacy, safety, security, and content review efforts to combat these activities** , including investigations and audits of platform applications, as well as other enforcement efforts. **We** ~~As a result of these efforts we~~ have discovered and announced, and anticipate that we will continue to discover and announce, additional incidents of misuse of user data or other undesirable **or illicit** activity by third parties. We ~~may~~ **will** not discover all such incidents or activity, whether as a result of our data or technical limitations, including our lack of visibility over our encrypted services, the scale of activity on our platform, the allocation of resources to other projects, or other factors, and we may be notified of such incidents or activity by the independent privacy assessor required under our modified consent order with the FTC, **government authorities,** the media, or other third parties. Such incidents and activities ~~have in the past, and may in the future,~~ include the use of user data or our systems in a manner inconsistent with our terms, contracts or policies, the existence of false or undesirable user accounts, election interference, improper advertising practices, activities that threaten people' s safety **or well- being** on- or offline **(such as acts of violence** , **terrorism, improper promotion** or **distribution of pharmaceuticals and illicit drugs, human exploitation, child exploitation, and illegal**

gaming), instances of spamming **, surveillance** , scraping, data harvesting, unsecured datasets, or spreading misinformation **, or other fraudulent or otherwise illegal activity** . We may also be unsuccessful in our efforts to enforce our policies or otherwise **prevent or** remediate any such incidents. Consequences of any of the foregoing developments include negative effects on user trust and engagement, harm to our reputation and brands, changes to our business practices in a manner adverse to our business, and adverse effects on our business and financial results. ~~Any such~~ **Such** developments **have subjected, and** may ~~also~~ **in the future** subject **,** us to additional litigation and regulatory inquiries, which could subject us to monetary penalties and damages, divert management' s time and attention, and lead to enhanced regulatory oversight. Our products and internal systems rely on software and hardware that is highly technical, and any errors, bugs, or vulnerabilities in these systems, or failures to address or mitigate technical limitations in our systems, could adversely affect our business. Our products and internal systems rely on software and hardware, including software and hardware developed or maintained internally and / or by third parties **(including open source software)** , that is highly technical and complex. In addition, our products and internal systems depend on the ability of such software and hardware to store, retrieve, process, and manage immense amounts of data. The software and hardware on which we rely has contained, and will in the future contain, errors, bugs, or vulnerabilities, and our systems are subject to certain technical limitations that may compromise our ability to meet our objectives. Some errors, bugs, or vulnerabilities inherently may be difficult to detect and may only be discovered after the code has been released for external or internal use. For example, in September 2018, we announced our discovery of a third- party cyber- attack that exploited a vulnerability in Facebook' s code to steal user access tokens and access certain profile information from user accounts on Facebook. Errors, bugs, vulnerabilities, design defects, or technical limitations within the software and hardware on which we rely, or human error in using such systems, have ~~in the past~~ led to, and may in the future lead to, outcomes including a negative experience **or other adverse effects** for users and marketers who use our products, compromised ability of our products to perform in a manner consistent with our terms, contracts, or policies, delayed product introductions or enhancements, targeting, measurement, or billing errors, compromised ability to protect the data of our users and / or our intellectual property or other data, or reductions in our ability to provide some or all of our services. For example, we make commitments to our users as to how their data will be collected, used, shared, and retained within and across our products, and our systems are subject to errors, bugs and technical limitations that may prevent us from fulfilling these commitments reliably. In addition, any errors, bugs, vulnerabilities, or defects in our systems or the software and hardware on which we rely, failures to properly address or mitigate the technical limitations in our systems, or associated degradations or interruptions of service or failures to fulfill our commitments to our users, have ~~in the past~~ led to, and may in the future lead to, outcomes including damage to our reputation, loss of users, loss of marketers, loss of revenue, regulatory inquiries, litigation, or liability for fines, damages, or other remedies, any of which could adversely affect our business and financial results. If we are unable to protect our intellectual property, the value of our brands and other intangible assets may be diminished, and our business may be adversely affected. We rely and expect to continue to rely on a combination of confidentiality, assignment, and license agreements with our employees, consultants, and third parties with whom we have relationships, as well as trademark, copyright, patent, trade secret, and domain name protection laws, to protect our proprietary rights. In the United States and internationally, we have filed various applications for protection of certain aspects of our intellectual property, and we currently hold a significant number of registered trademarks and issued patents in multiple jurisdictions and have acquired patents and patent applications from third parties. Third parties may knowingly or unknowingly infringe our proprietary rights, third parties may challenge proprietary rights held by us, and pending and future trademark and patent applications may not be approved. In addition, effective intellectual property protection may not be available in every country in which we operate or intend to operate our business. In any or all of these cases, we may be required to expend significant time and expense in order to prevent infringement or to enforce our rights. Although we have generally taken measures to protect our proprietary rights, there can be no assurance that others will not offer products or concepts that are substantially similar to ours and compete with our business. In addition, we regularly contribute software source code under open source **and other permissive** licenses and have made other technology we developed available under **such** ~~other open~~ licenses, and we include open source software in our products **. Additionally, our AI is trained on data sets that may include open source software and the outputs of our AI may be subject to open source license restrictions or obligations** . As a result of our open source contributions and the use of open source in our products, we may license or be required to license or disclose code and / or innovations that turn out to be material to our business and may also be exposed to increased litigation risk. If the protection of our proprietary rights is inadequate to prevent unauthorized use or appropriation by third parties, the value of our brands and other intangible assets may be diminished and competitors may be able to more effectively mimic our products, services, and methods of operations. Any of these events could have an adverse effect on our business and financial results. We are currently, and expect to be in the future, party to patent **, trademark, and copyright** lawsuits and other intellectual property rights claims that are expensive and time consuming and, if resolved adversely, could have a significant impact on our business, financial condition, or results of operations. Companies in the internet, technology, and media industries own large numbers of patents, copyrights, trademarks, and trade secrets, and frequently enter into litigation based on allegations of infringement, misappropriation, or other violations of intellectual property or other rights. In addition, various" non- practicing entities" that own patents and other intellectual property rights often attempt to aggressively assert their rights in order to extract value from technology companies. Furthermore, from time to time we may introduce or acquire new products, including in areas where we historically have not competed, **or introduce new features for existing products,** which could increase our exposure to ~~patent and other~~ intellectual property claims from competitors ~~and~~ **,** non- practicing entities **, and other rights holders** . From time to time, we receive notice from patent **, copyright, and trademark** holders and other parties alleging that certain of our products and services, **trademarks,** or user content, infringe their intellectual property rights. We presently are involved in a number of intellectual property lawsuits, and as we face increasing competition and develop new products and services, we expect the number of ~~patent and other~~ intellectual property claims against us to grow. Defending ~~patent and other~~ intellectual property litigation is **often** costly and can impose a significant burden on management and employees, and there can be no assurances that favorable final outcomes will be obtained in all cases. In addition, plaintiffs may seek, and we may become subject to, preliminary or provisional rulings in the course of any such litigation, including potential preliminary injunctions requiring us to **change or** cease some or all of our operations. We may decide to settle such lawsuits and disputes on terms that are unfavorable to us. Similarly, if any litigation to which we are a party is resolved adversely, we may be subject to an unfavorable judgment that may not be reversed upon appeal. The terms of such a settlement or judgment may require us to **change or** cease some or all of our operations or pay substantial amounts to the other party. In addition, we may have to seek a license to continue practices found to be in violation of a third party' s rights, which may not be available on reasonable terms, or at all, and may significantly increase our operating costs and expenses. As a result, we may also be required to develop alternative non- infringing technology or practices **, or branding** or discontinue the practices **or branding** . The development of alternative non- infringing technology **, branding** or practices could require significant effort and expense, could result in less effective technology **, branding** or practices or otherwise negatively affect the user experience, or may not be feasible. We have experienced unfavorable outcomes in such disputes and litigation in the past, and our business, financial condition, and results of operations could be adversely affected as a result of an unfavorable resolution of the disputes and litigation referred to above. The trading price of our Class A common stock has been and will likely continue to be volatile. The trading price of our Class A common stock has been, and is likely to continue to be, volatile. Since shares of our Class A common stock were sold in our initial public offering in May 2012 at a price of $ 38. 00 per share, our stock price has ranged from $ 17. 55 to $ 384. 33 through December 31, ~~2022~~ **2023** . In addition to the factors discussed in this Annual Report on Form 10- K, the trading price of our Class A common stock has in the past fluctuated and may in the future fluctuate significantly in response to numerous factors, many of which are beyond our control, including: • actual or anticipated fluctuations in our revenue and other operating results for either of our reportable segments; • the financial projections we may provide to the public, any changes in these projections, or our failure to meet these projections; • actions of securities analysts who initiate or maintain coverage of us, changes in financial estimates by any securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors; • additional shares of our stock being sold into the market by us, our existing stockholders, or in connection with acquisitions, or the anticipation of such sales; • investor sentiment with respect to our competitors, our business partners, and our industry in general; • announcements by us or our competitors of significant products or features, technical innovations, acquisitions, strategic partnerships, joint ventures, or capital commitments; • announcements by us or estimates by third parties of actual or anticipated changes in the size of our user base, the level of user engagement, or the effectiveness of our ad products; • changes in operating performance and stock market valuations of technology companies in our industry, including our developers and competitors; • price and volume fluctuations in the overall stock market, including as a result of trends in the economy as a whole; • the inclusion, exclusion, or deletion of our stock from any trading indices, such as the S & P 500 Index; • media coverage of our business and financial performance; • lawsuits threatened or filed against us, or developments in pending lawsuits; • adverse government actions or legislative or regulatory developments relating to advertising, competition, content, privacy, or other matters, including interim or final rulings by tax, judicial, or regulatory bodies; • trading activity in our share repurchase program; and • other events or factors, including those resulting from war, incidents of terrorism, pandemics, and other disruptive external events, or responses to these events. In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many technology companies. We are currently subject to securities litigation in connection with our platform and user data practices and the misuse of certain data by a developer that shared such data with third parties in violation of our terms and policies; the disclosure of our earnings results for the second quarter of 2018; a former employee' s allegations and release of internal company documents beginning in September 2021; and the disclosure of our earnings results for the fourth quarter of 2021. We may experience more such litigation following future periods of volatility. Any securities litigation could subject us to substantial costs, divert resources and the attention of management from our business, and adversely affect our business. ~~We do not intend to pay cash dividends for the foreseeable future. We have never declared or paid cash dividends on our capital stock. We currently intend to retain any future earnings to finance the operation and expansion of our business and fund our share repurchase program, and we do not expect to declare or pay any cash dividends in the foreseeable future. As a result, you may only receive a return on your investment in our Class A common stock if the trading price of your shares increases.~~ The dual class structure of our common stock **has** ~~and a voting agreement between certain stockholders have~~ the effect of concentrating voting control with our CEO and certain other holders of our Class B common stock; this will limit or preclude your ability to influence corporate matters. Our Class B common stock has ten votes per share and our Class A common stock has one vote per share. Holders of our Class B common stock, including our founder, **Board** ~~Chairman~~ --- **Chair** , and CEO, together hold a majority of the combined voting power of our outstanding capital stock, and therefore are able to control the outcome of all matters submitted to our stockholders for approval so long as the shares of Class B common stock represent at least 9. 1 % of all outstanding shares of our Class A and Class B common stock. This concentrated control will limit or preclude your ability to influence corporate matters for the foreseeable future. Transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, subject to limited exceptions, such as certain transfers effected for estate planning or charitable purposes. The conversion of Class B common stock to Class A common stock will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term. If, for example, Mr. Zuckerberg retains a significant portion of his holdings of Class B common stock for an extended period of time, he could, in the future, continue to control a majority of the combined voting power of our outstanding capital stock. Our status as a" controlled company" could make our Class A common stock less attractive to some investors or otherwise harm our stock price. Because we qualify as a" controlled company" under the corporate governance rules for Nasdaq- listed companies, we are not required to have a majority of our board of directors be independent, nor are we required to have a compensation committee or an independent nominating function. In the future we could elect not to have a majority of our board of directors be independent or not to have a compensation committee or an independent nominating function. Accordingly, should the interests of our controlling stockholder differ from those of other stockholders, the other stockholders may not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance rules for Nasdaq- listed companies. Our status as a controlled company could make our Class A common stock less attractive to some investors or otherwise harm our stock price. Delaware law and provisions in our certificate of incorporation and bylaws could make a merger, tender offer, or proxy contest difficult, thereby depressing the trading price of our Class A common stock. Our status as a Delaware corporation and the anti- takeover provisions of the Delaware General Corporation Law may discourage, delay, or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change of control would be beneficial to our existing stockholders. In addition, our current certificate of incorporation and bylaws contain provisions that may make the acquisition of our company more difficult, including the following: • until the first date on which the outstanding shares of our Class B common stock represent less than 35 % of the combined voting power of our common stock, any transaction that would result in a change in control of our company requires the approval of a majority of our outstanding Class B common stock voting as a separate class; • we currently have a dual class common stock structure, which provides Mr. Zuckerberg with the ability to control the outcome of matters requiring stockholder approval, even if he owns significantly less than a majority of the shares of our outstanding Class A and Class B common stock; • when the outstanding shares of our Class B common stock represent less than a majority of the combined voting power of common stock, certain amendments to our certificate of incorporation or bylaws will require the approval of two- thirds of the combined vote of our then- outstanding shares of Class A and Class B common stock; • when the outstanding shares of our Class B common stock represent less than a majority of the combined voting power of our common stock, vacancies on our board of directors will be able to be filled only by our board of directors and not by stockholders; • when the outstanding shares of our Class B common stock represent less than a majority of the combined voting power of our common stock, our board of directors will be classified into three classes of directors with staggered three- year terms and directors will only be able to be removed from office for cause; • when the outstanding shares of our Class B common stock represent less than a majority of the combined voting power of our common stock, our stockholders will only be able to take action at a meeting of stockholders and not by written consent; • only our **board** ~~chairman~~ --- **chair** , our chief executive officer, our president, or a majority of our board of directors are authorized to call a special meeting of stockholders; • advance notice procedures apply for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders; • our certificate of incorporation authorizes undesignated preferred stock, the terms of which may be established, and shares of which may be issued, without stockholder approval; and • certain litigation against us can only be brought in Delaware.