Facebook Denmark ApS
Havnegade 39, 1058 København K

CVR nr. 39 17 44 99

Annual Report for the period from 19 December 2017 to 31 December 2018

The annual report was presented and adopted at the company's Annual General Meeting on 28 / 05 / 2019.

Chairman, Susan Jennifer Simone Taylor

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DIRECTORS' REPORT

Directors' report for the period ended 31 December 2018

The Executive Board have today discussed and approved the annual report of Facebook Denmark ApS for 2018.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

It is our opinion that financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations and cash flows for the financial period 19 December 2017 to 31 December 2018.

We recommend that the annual report be approved at the annual general meeting.

Executive Board

Susan Jennifer Simone Taylor Director	David William Kling Director
28 May 2019	28 May 2019

INDEPENDENT AUDITORS’ REPORT - continued

To the Shareholders of Facebook Denmark ApS

Opinion

We have audited the financial statements of Facebook Denmark ApS for the financial period 19 December 2017 to 31 December 2018, which comprise statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations and cash flows for the financial period 19 December 2017 to 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

INDEPENDENT AUDITORS' REPORT - continued

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, 28 May 2019
Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Christian Schwenn Johansen
State Authorised Public Accountant
mne33234

FINANCIAL HIGHLIGHTS
Financial Period Ended 31 December 2018

The Company	Facebook Denmark ApS Havnegade 39 1058 København K Company registration No: 39 17 44 99 Financial period: 19 December 2017 to 31 December 2018 Incorporated: 19 December 2017 Municipality of registered office: København
Executive Board	Susan Jennifer Simone Taylor David William Kling
Auditors	ERNST & YOUNG Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4 2000 Frederiksberg

The Company was established on 19 December 2017. Financial highlights for the reporting period are disclosed below:

	2018 DKK
Profit (19 December 2017 to 31 December 2018)	
Revenue	22,183,036
Operating profit	5,540,360
Net financial income/expenses	(252,598)
Profit for the period	3,874,662
Balance sheet (31 December 2018)	
Balance sheet total	229,858,450
Total equity	11,771,252
Number of employees	7
Ratios	
Gross margin	89%
Profit margin	25%
Return on assets	2%
Solvency ratio	5%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policy note 1.13.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Financial Period Ended 31 December 2018

	Notes	19 December 2017 to 31 December 2018 DKK
Continuing operations		
Revenue	4	22,183,036
Cost of sales		(2,343,991)
Gross profit		**19,839,045**
Administration expenses	5,6	(14,298,685)
Operating profit		**5,540,360**
Financial income	7	450,108
Financial expenses	8	(702,706)
Profit before tax		**5,287,762**
Income tax expense	9	(1,413,100)
Profit for the period		3,874,662
Total comprehensive income for the period:		
- attributable to owners of the parent		3,874,662

There is no comprehensive income or expenses other than those in the Income Statement above and therefore no separate Statement of Other Comprehensive Income has been presented.

The notes on pages 10 to 24 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
Financial Period Ended 31 December 2018

	Notes	31 December 2018 DKK
ASSETS		
Current assets		
Trade and other receivables	10,15	193,170,773
Cash and cash equivalents	17	36,472,097
Deferred tax asset	9	215,580
		229,858,450
Total assets		229,858,450
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	11	50,000
Retained earnings		11,721,252
Total equity		11,771,252
Current liabilities		
Debt to credit institutions	13	42,000,000
Trade and other payables	14,16	157,774,079
Other liabilities	12	16,684,439
Current income tax liability	9	1,628,680
Total liabilities		218,087,198
Total equity and liabilities		229,858,450

The notes on pages 10 to 24 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
Financial Period Ended 31 December 2018

	Share capital DKK	Share premium DKK	Retained earnings DKK	Total equity DKK
Profit for financial period	-	-	3,874,662	3,874,662
Total comprehensive income for the period	-	-	3,874,662	3,874,662
Equity at 19 December 2017	50,000	3,595	-	53,595
Proceeds from capital contribution	-	-	6,899,580	6,899,580
Share Based Payment	-	-	943,415	943,415
Transfers from share premium account	-	(3,595)	3,595	-
Balance at 31 December 2018	**50,000**	**-**	**11,721,252**	**11,771,252**

The notes on pages 10 to 24 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
Financial Period Ended 31 December 2018

	Notes	31 December 2018 DKK
Cash flow from operating activities		
Profit before tax		**5,287,762**
Adjustments for:		
Share-based payment expense	18	943,415
Change in trade and other receivables	10	(193,170,773)
Change in trade and other payables	12,14	174,458,517
Net cash outflow from operating activities		**(12,481,079)**
Cash flows from investing activities		
Purchase of property, plant and equipment		-
Net cash flow from investing activities		**-**
Cash flows from financing activities		
Proceeds from borrowings	13	42,000,000
Proceeds from capital contribution		6,953,176
Net cash inflow from financing activities		**48,953,176**
Net increase in cash and cash equivalents		36,472,097
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at 31 December 2018	17	**36,472,097**

The notes on pages 10 to 24 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
Financial Period Ended 31 December 2018

1 Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. The accounting policies have been applied to the period, unless otherwise stated, in dealing with items which are considered material in relation to the financial statements.

1.1 Basis of presentation

The financial statements are presented in Danish Krone ("DKK") which represents the functional currency and presentational currency of the company as it is the currency of the primary economic environment in which the entity operates.

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and further requirements in the Danish Financial Statements Act. The financial statements are prepared under the historical cost convention, unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future years if the revision affects both current and future years.

As this is the first financial reporting period for the company, no comparative figures have been included.

1.2 Revenue from contracts with customer

The Company recognises revenue when control of the promised goods or services are transferred to the customer, for an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. We determine revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, we satisfy a performance obligation

Revenue is recognised for the major business activities outlined below.

Advertiser reseller revenue
The Company acts as a reseller of advertising services to larger Danish customers through a reseller agreement with another group company and generates revenues primarily through resale of advertising inventory on Facebook. These revenues consist primarily of advertising revenues generated by displaying ad products on Facebook, Instagram, Messenger, and third-party affiliated websites or mobile applications. The Company reports revenues from advertising sales net of associated direct cost of sales on a net basis.

Advertiser reseller revenue comprise revenue from the display of impression-based ads in the contracted period in which the impressions are delivered. Impressions are considered delivered when an ad is displayed to a user. The Company recognises revenue from the delivery of action-based ads in the period in which a user takes the action the marketer contracted for.

NOTES TO THE FINANCIAL STATEMENTS
Financial Period Ended 31 December 2018

1 Significant accounting policies

1.2 Revenue from contracts with customer – continued

Services
Revenue comprises of the fair value of the consideration receivable for the provision of contract sales support and marketing services to another group company. The Company recognises revenue when control of services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

1.3 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets, or the arrangement conveys a right to use the asset.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

Benefits received as an incentive to enter into an operating lease, such as rent-free periods are also spread on a straight-line basis over the lease term as a reduction of the rental expense.

1.4 Financial income and expenses

Financial income and expenses comprise of interest income, interest expenses, exchange gains and losses on transactions denominated in foreign currencies, and surcharges and allowances under the on-account tax scheme.

1.5 Income tax

Income tax in the statement of profit or loss for the period comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

(a) Current tax
Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the statement of financial position date.

(b) *Deferred tax*
Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and for the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Company is jointly taxed with Danish group enterprises. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

NOTES TO THE FINANCIAL STATEMENTS
Financial Period Ended 31 December 2018

1 Significant accounting policies - continued

1.6 Foreign currency

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transitional and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except, when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents and other foreign exchange gains and losses are presented in the statement of profit or loss within “Financial Income/Expenses”.

1.7 Cash and cash equivalents

Cash and cash equivalents include cash balances on hand, held for the purpose of meeting short-term cash commitments, and bank deposits. Cash at bank and bank deposits earn interest at floating rates based on daily deposit bank rates.

1.8 Trade receivables and other

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables that do not have a financing component are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Recognition and measurement of these financial instruments is dealt with in note 1.11.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis. Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

1.9 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are present as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Recognition and measurement of these financial instruments is dealt with in note 1.11.

1.10 Ordinary share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTES TO THE FINANCIAL STATEMENTS
Financial Period Ended 31 December 2018

1 Significant accounting policies - continued

1.11 Financial instruments

The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

- Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains and losses and impairment expenses in other expenses.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit or loss within other gains/(losses) in the period in which it arises.

Financial liabilities are subsequently measured at amortised cost.

(a) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(b) Impairment of financial assets

The group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, other receivables have been grouped based on shared credit risk characteristics. The company uses judgement in making assumptions around the risk of default and expected loss rates, based on the company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS
Financial Period Ended 31 December 2018

1 Significant accounting policies - continued

1.12 Share-based payments

Facebook, Inc. (the “ultimate holding company”) operates a share-based compensation plan. Employees of the company receive remuneration in the form of equity instruments (restricted stock units "RSUs") of its ultimate holding company as consideration for services rendered.

The fair value of the employee services received in exchange for the grant of the RSUs is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the RSUs granted.

Non-market performance and service conditions are included in assumptions about the number of RSUs that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the ultimate holding company revises its estimates of the number of RSUs that are expected to vest based on the non-market vesting conditions. The company recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income.

When the RSUs are exercised, the ultimate holding company issues new shares.

The grant of equity instruments by the ultimate holding company to the employees of the company is treated as equity-settled, with a corresponding increase in equity as a contribution from the ultimate holding company.

1.13 Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	$\frac{\text{Operating profit x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Operating profit x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Total Equity x 100}}{\text{Total assets}}$

NOTES TO THE FINANCIAL STATEMENTS
Financial Period Ended 31 December 2018

1 Significant accounting policies - continued

1.14 Recent accounting pronouncements

Certain new and revised accounting standards and new International Financial Reporting Interpretations Committee ('IFRIC') interpretations have been issued. The company intends to adopt the relevant new and revised standards when they become effective and the company's assessment of the impact of the standard and interpretations is set out below:

IFRS 16 Leases:
In January 2016, the IASB issued IFRS 16 'Leases', which replaces IAS 17 'Leases' and related interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. IFRS 16 eliminates the classification of leases as either operating leases or finance leases, introduces a single lease accounting model and enhances disclosures surrounding the amount, timing and uncertainty of cash flows arising from leasing arrangements. IFRS 16 requires lessees to recognise a right of use asset representing its right to use the underlying asset and a corresponding lease liability representing the obligations to make lease payments over the term of the lease. This guidance will be effective for the Company from 1 January 2019 and the Company has elected to adopt the modified retrospective basis of transition and comparative periods will not be restated.

The application of IFRS 16 will result in the recognition of additional assets and liabilities on the Company's Balance Sheet and the straight line operating lease expense recorded under IAS 17 in the Company Income Statement will be replaced by depreciation on the right of use asset and an interest expense on the lease liability.

While the Company continues to evaluate the effect of adopting IFRS 16 on the financial statements and related disclosures (including the impact of the use of the optional practical expedients) the Company's non-cancellable operating lease commitments on an undiscounted basis as at 31 December 2018 are set out in note 19 and provide indication of the scale of leases held by the Company.

2 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying the Company's accounting policies.

Significant estimates and judgements
Estimates and judgements are continually evaluated. They are based on historical experience and other factors. Including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions
The company makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results.

There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3 Key activities

The principal activity of the company in the period was that of providing sales support and marketing services to the Facebook group and to act as a reseller of advertising services to designated Danish customers.

NOTES TO THE FINANCIAL STATEMENTS
Financial Period Ended 31 December 2018

4 Revenue

Amounts invoiced to advertisers and others amounted to DKK 277,265,168 which resulted in recognised revenue of DKK 22,183,036.

All revenue recognised relates to revenue from contracts with customers.

	2018 DKK
Net advertising reseller revenue	15,928,859
Sales support and marketing services	6,254,177
Total revenue from continuing operations	**22,183,036**

As disclosed in accounting polices Note 1.2., the Company reports advertising reseller revenue and associated direct cost of sales for reseller activity on a net basis. The below table provides a reconciliation between amounts invoiced to advertisers and others with the advertising reseller and other revenue reported:

	2018 DKK
Amounts invoiced to advertisers and others	277,265,168
Advertising reseller purchase price	(255,082,132)
Total revenue from continuing operations	**22,183,036**

5 Employees - Administration expenses

	2018 Number
The average number of employees of the company during the period was as follows:	6

	2018 DKK
Staff costs for all employees consist of:	
Wages and salaries	7,502,477
Pension expenses	441,311
Other social security costs	11,929
Share-based payments	943,415
	8,899,132

The directors of the company during the period were also executives of and were remunerated by other Facebook entities and received no remuneration for services to this company.

6 Auditors' remuneration

	2018 DKK
During the period the company obtained the following services from the company's auditor:	
Audit services	150,000
	150,000

NOTES TO THE FINANCIAL STATEMENTS
Financial Period Ended 31 December 2018

7 Financial Income

	2018 DKK
Foreign exchange gains	450,108
	450,108

8 Financial expenses

	2018 DKK
Interest expenses	179,987
Foreign exchange loss	522,719
	702,706

9 Taxation

	2018 DKK
Analysis of income statement charge:	
Current tax	1,628,680
Change in deferred tax for the period	(215,580)
	1,413,100

Reconciliation of the expected tax charge at the statutory tax rate to the actual tax charge at the effective rate
The assessed tax charge for the period is different to the statutory rate of corporation tax in Denmark (22%). The differences are explained below:

Profit on ordinary activities before tax	5,287,762
Profit on ordinary activities multiplied by statutory rate of corporation tax in Denmark of 22%	1,163,308
Effects of:	
Expenses not deductible for tax purposes	249,792
	1,413,100

Deferred tax:

Deferred tax at beginning of the period	-
Deferred taxes relating to bad debt provision	184,045
Deferred taxes relating to tangible assets	31,535
Deferred tax asset at 31 December	215,580

The deferred tax asset relates to temporary differences in bad debt provisions and tangible assets.

The Danish group companies are jointly and severally liable for tax on the Group's jointly taxed income. Cassin Networks ApS is the administration company of the joint taxation. The Danish group companies are also jointly and severally liable for Danish withholding tax on dividend, royalties and interest.

NOTES TO THE FINANCIAL STATEMENTS
Financial Period Ended 31 December 2018

10 Trade and other receivables

	2018 DKK
Trade receivables	135,530,843
Amounts receivable from related parties (note 16)	57,639,930
	193,170,773

11 Share capital

	2018 DKK
Authorised equity	
50,000 ordinary shares of DKK 1 each	50,000
Ordinary shares issued and fully paid	
50,000 ordinary shares of DKK 1 each approximated their fair values	50,000

12 Other liabilities

	2018 DKK
Value added tax	14,073,592
A-tax	377,749
Labour Market Supplementary Pension (ATP)	2,319
Accrued commission	1,073,522
Accrued pension	5,963
Accrued holiday pay	110,391
Accrued bonus	107,517
Other accrued expenses	933,386
	16,684,439

13 Debt to credit institutions

2018: DKK 42,000,000

The company together with other legal entities in the Facebook group is a member of a multi-currency notional cash pooling arrangement (the arrangement) with third-party bank provider. Actual cash balances are not physically converted and are not commingled between participating legal entities. As part of the notional cash pool agreement, the bank extends overdraft credit to participating entities as needed, provided that the overall notionally pooled balance of all accounts in the pool at the end of each day is least zero.

At the 31 December 2018, the overall notionally pooled balance of all accounts in the pool was zero.

The terms of the Bank overdraft are as follows:

- Repayment period: Repayable on demand
- Interest rate: Determined day-to-day by the bank, based on overnight interbank/swap rates.
  The closing interest rate on 31 December 2018 for DKK balances was 0%.

The company is a beneficiary of a guarantee given by Facebook, Inc. under the arrangement to guarantee the amounts owed to the third party-bank provider. In addition, as part the arrangement, other Facebook legal entities that are party to the cash pool arrangement have pledged cash held under the arrangement as security in respect of the obligations of the company.

The only changes in liabilities arising from financing activities relates to borrowings.

NOTES TO THE FINANCIAL STATEMENTS
Financial Period Ended 31 December 2018

14 Trade and other payables

	2018 DKK
Amounts payable to related parties (note 16)	157,378,057
Other trade payables	396,022
	157,774,079

Trade payables are non-interest bearing and are usually settled on 30-60 day terms.

For terms and conditions relating to related parties refer to note 16.

The carrying amounts of all trade and other payables at the statement of financial position date approximated their fair values.

15 Financial instruments and associated risks

The company maintains positions in a variety of non-derivative financial instruments. The company's activities expose it to various types of risk that are associated with the financial instruments and markets in which it operates. The most important types of financial risk to which the company is exposed are market risk, credit risk and liquidity risk.

The nature and extent of the financial instruments outstanding at the balance sheet date and the risk management policies employed by the company are discussed below.

(a) Market risk
Market risk embodies the potential for both losses and gains and includes currency risk and interest rate risk.

(i) Currency risk
Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the functional currency. The company has no exposure to foreign exchange risk.

At 31 December 2018, had the Danish Krone strengthened by 5% in relation to all currencies, with all other variables held constant, net assets of the group and company would have increased/(decreased) by the DKK 422. A 5% weakening of the Danish Krone would have resulted in an equal but opposite effect on the above financial statement amounts to the amounts shown above, on the basis that all other variables remain constant.

(ii) Interest rate risk
Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The majority of the company's excess cash is placed with third party financial institutions in current cash accounts earning minimal amounts of interest. The company's liabilities are non interest-bearing. As a result the company does not face significant exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates therefore management does not consider this to be a risk to the company.

(b) Credit risk
Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the company. The Board of Directors has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date. This relates also to financial assets carried at amortised cost, as they have a short-term maturity.

NOTES TO THE FINANCIAL STATEMENTS
Financial Period Ended 31 December 2018

15 Financial instruments and associated risks - continued

(b) Credit risk – continued

At the reporting date, the company's financial assets exposed to credit risk amounted to the following:

	2018 DKK
Trade and other receivables	193,170,773
Cash and cash equivalents	36,472,097
Total	229,642,870

Substantially, all of the cash of the company is held by Citibank. Bankruptcy or insolvency by this bank may cause the company's rights with respect to the cash held to be delayed or limited. The company selected Citibank as a banking partner on the basis of Citibank being a reputable financial institution with a low risk of bankruptcy and insolvency. The expected credit loss on cash and cash equivalents at 31 December 2018 was not material.

Accounts receivable are derived from revenues earned from customers located in various countries. The risk with respect to accounts receivable is partially mitigated by ongoing credit evaluations. The company performs ongoing credit evaluations of its customers to determine credit worthiness. Credit lines are granted and approved in accordance with company policy and an approved authority matrix.

	2018 DKK
Movements in the company's provision for impairment of trade receivables are as follows:	
As at 19 December 2017	-
Provision for receivables impairment	838,953
As at 31 December 2018	838,953

The following table presents the maximum credit exposure relating to assets included on the company's balance sheet at 31 December 2018:

Year ended 31 December 2018	Gross amount receivable DKK	Bad debt provision DKK	Net amount receivable DKK
Not past due	129,949,690	650,009	129,299,681
Past due > 30 days	5,526,006	138,206	5,387,800
Past due 60 - 90 days	547,817	13,701	534,116
Past due 90 - 120 days	(42)	(3)	(39)
Past due > 120 days	346,324	34,653	311,671
Past due by more than one year			
Total	136,369,795	836,566	135,533,229

The totals above relate to trade receivables only and does not take into consideration unapplied cash of DKK 2,386.

NOTES TO THE FINANCIAL STATEMENTS
Financial Period Ended 31 December 2018

15 Financial instruments and associated risks – continued

(b) Credit risk – continued

For receivables owed by related parties, as at the end period, the provision for impairment on other receivables was not deemed to be material to the financial statements.

For a detailed breakdown of trade and other receivables refer to note 10.

The Net Amounts Receivable in the tables above reflect the total maximum credit exposure to the company as at 31 December 2018.

(c) Liquidity risk

Liquidity risk is the risk that the company is unable to meet its obligations when they fall due. The company monitors its risk to shortage of funds on a regular basis, its objective being to ensure sufficient funds are available to meet its obligations as they fall due. The company's trade and other payables as at 31 December 2018 are payable in less than three months.

(d) Capital Management

The primary objective of the company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholder value. The company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the company may issue new shares and retains the ability to adjust the dividend payment to shareholders or return capital to shareholders. No changes were made in the objectives, policies or processes during the period ended 31 December 2018.

There are no capital requirements such as bank covenants imposed on the company.

The company monitors capital using net cash to equity ratio, which is net cash divided by total equity. The group includes within net cash, trade and other payables, trade and other receivables, current tax, less cash and cash equivalents. Equity includes equity attributable to the owners of the parent. The net cash to equity ratio at the period end was 0.98

(e) Fair value information

There are no financial instruments in the company's statement of financial position which are carried at fair value. For all financial instruments held in 2018, the carrying amounts approximate their fair values due to the immediate or short-term nature of these financial instruments.

(f) Offsetting financial assets and liabilities

There are no financial instruments in the company's statement of financial position which have been set off in accordance with paragraph 42 of IAS 32, nor is there any financial instruments that are subject to a master netting agreement.

NOTES TO THE FINANCIAL STATEMENTS
Financial Period Ended 31 December 2018

16 Related party transactions

The company has a related party relationship with its intermediate parent, ultimate parent company, and other related group companies. In the course of normal operations related party transactions entered into by the company are contracted on an arm's length basis.

The following transactions are considered to be related parties for the purposes of International Accounting Standards No. 24 "Related Party Disclosures":

	2018 DKK
(a) Sales of services	
Other related parties	6,254,177
Total	6,254,177

Sales of services are transacted with the company's other related entities in accordance with sales and marketing services agreements.

	2018 DKK
(b) Purchases of services	
Other related parties	255,082,132
Total	255,082,132

The company pays for advertising inventory to other related parties in accordance with an advertising reseller agreement. "Advertising Inventory" shall mean the advertising or other content inventory available for display through the Facebook Online Platform, including, but not limited to, audio spots, text banners, or videos.

	2018 DKK
(c) Period end balances arising from sales/purchases of services	
Receivables from related parties (note 10):	
- Other related parties	57,639,930
Total	57,639,930
Payables to related parties (note 14):	
- Ultimate parent	1,570,160
- Other related parties	155,807,897
Total	157,378,057

The receivables from related parties arise mainly from sale transactions and are settled in accordance with intercompany agreements. The receivables are unsecured in nature and bear no interest. No provisions are held against receivables from related parties.

The payables to related parties arise mainly from purchase transactions and are settled in accordance with intercompany agreements. The payables bear no interest.

17 Cash and cash equivalents

	2018 DKK
At 19 December 2017	-
Movement during the period	36,472,097
At 31 December 2018	36,472,097

Cash at bank earns interest at floating rates based on daily bank deposit rates.

NOTES TO THE FINANCIAL STATEMENTS
Financial Period Ended 31 December 2018

18 Share-based payment

At 31 December 2018 Facebook, Inc. had one active stock based employee compensation plan (the 2012 Equity Incentive Plan ("the Plan")) under which new awards may be granted. Awards may include incentive share options, non-statutory share options, share purchase rights or restricted ordinary shares. The company has granted only restricted ordinary shares ('RSUs') to employees of Facebook Denmark ApS. RSUs may be settled in cash or equity however the company intends to equity settle all RSUs. The vesting condition of the RSUs is that the employees must remain in employment until the initial vesting event.

The Plan permits the grant of RSUs over ordinary shares (class B common stock) in Facebook, Inc. The per-share exercise price of RSUs granted is generally nil.

The fair value of each RSU is estimated on the date of grant as the share price at the date of grant.

RSUs are granted to employees under the Plan upon hire, or based on performance criteria established by management. RSUs are independent of ordinary share options and are subject to forfeiture if employment terminates prior to the release of the restrictions.

During the vesting period, ownership of the shares cannot be transferred. Once shares are issued pursuant to the terms of an RSU agreement, these shares have the same dividend and voting rights as other ordinary shares.

	2018 Number
A reconciliation of movements in the number of RSUs outstanding are as follows:	
Granted during the period	1,275
Movements	1,671
Settled	(929)
Forfeited during the period	-
Outstanding as at 31 December	2,017

The fair value of RSUs granted in the period was DKK 1,102.79 (USD 179.09).

The weighted average share price during the period for RSUs settled was DKK 1,082.19 (USD 171.67).

The total charge for the period relating to employee share based payment plans was DKK 943,415 (USD 148,928).

NOTES TO THE FINANCIAL STATEMENTS
Financial Period Ended 31 December 2018

19 Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2018 DKK
Expiring:	
No later than one year	1,308,960
Later than one year and no later than five years	436,320
	1,745,280

The company leases several floors situated at Havnegade 39, 1058 Copenhagen, under non-cancellable operating lease agreements. The lease terms are between four and five years, and the majority of lease agreements are renewable at the end of the lease year at market rate.

The rentals payable under leases in respect of buildings are subject to re-negotiation at various intervals specified in the leases. Lease payments under operating leases recognised as an expense in the period amounted to DKK 1,031,779.

20 Ultimate parent undertaking

Facebook Denmark is a wholly owned subsidiary of Facebook Global Holdings II LLC, a company registered in Delaware, USA.

The parent undertaking and controlling party, of the smallest and largest group of undertakings for which group financial statements are drawn up, and of which the company is a member is Facebook, Inc., a company incorporated in Delaware, USA.

21 Events after the reporting period

There have been no subsequent events affecting the company since the year end that require adjustment to or disclosure in the financial statements.