

**Alphabet Inc.**  
**CONSOLIDATED BALANCE SHEETS**  
(In millions, except share and par value amounts which are reflected in thousands,  
and par value per share amounts)

|  | As of<br>December 31,<br>2014 | As of<br>December 31,<br>2015<br><br>(unaudited) |
|--|-------------------------------|--|
| <b>Assets</b>  |                               |  |
| Current assets:  |                               |  |
| Cash and cash equivalents  | \$ 18,347                     | \$ 16,549  |
| Marketable securities  | 46,048                        | 56,517   |
| Total cash, cash equivalents, and marketable securities (including securities loaned of \$4,058 and \$4,531) | 64,395                        | 73,066   |
| Accounts receivable, net of allowance of \$225 and \$296   | 9,383                         | 11,556   |
| Receivable under reverse repurchase agreements   | 875                           | 450  |
| Income taxes receivable, net   | 591                           | 1,903  |
| Prepaid revenue share, expenses and other assets   | 3,412                         | 3,139  |
| Total current assets   | 78,656                        | 90,114   |
| Prepaid revenue share, expenses and other assets, non-current  | 3,187                         | 3,181  |
| Non-marketable investments   | 3,079                         | 5,183  |
| Deferred income tax assets, non-current  | 176                           | 251  |
| Property and equipment, net  | 23,883                        | 29,016   |
| Intangible assets, net   | 4,607                         | 3,847  |
| Goodwill   | 15,599                        | 15,869   |
| Total assets   | <u>\$ 129,187</u>             | <u>\$ 147,461</u>                                |
| <b>Liabilities and Stockholders' Equity</b>  |                               |  |
| Current liabilities:   |                               |  |
| Accounts payable   | \$ 1,715                      | \$ 1,931   |
| Short-term debt  | 2,009                         | 3,225  |
| Accrued compensation and benefits  | 3,069                         | 3,539  |
| Accrued expenses and other current liabilities   | 4,408                         | 4,768  |
| Accrued revenue share  | 1,952                         | 2,329  |
| Securities lending payable   | 2,778                         | 2,428  |
| Deferred revenue   | 752                           | 788  |
| Income taxes payable, net  | 96                            | 302  |
| Total current liabilities  | 16,779                        | 19,310   |
| Long-term debt   | 3,228                         | 1,995  |
| Deferred revenue, non-current  | 104                           | 151  |
| Income taxes payable, non-current  | 3,340                         | 3,663  |
| Deferred income tax liabilities, non-current   | 758                           | 189  |
| Other long-term liabilities  | 1,118                         | 1,822  |
| Commitments and contingencies  |                               |  |

**Stockholders' equity:**

|  |                   |                   |
|--|-------------------|-------------------|
| Convertible preferred stock, \$0.001 par value per share, 100,000 shares authorized; no shares issued and outstanding  | 0                 | 0                 |
| Class A and Class B common stock, and Class C capital stock and additional paid-in capital, \$0.001 par value per share: 15,000,000 shares authorized (Class A 9,000,000, Class B 3,000,000, Class C 3,000,000); 680,172 (Class A 286,560, Class B 53,213, Class C 340,399) and par value of \$680 (Class A \$287, Class B \$53, Class C \$340) and 687,348 (Class A 292,297, Class B 50,295, Class C 344,756) and par value of \$687 (Class A \$292, Class B \$50, Class C \$345) shares issued and outstanding | 28,767            | 32,982            |
| Accumulated other comprehensive income (loss)  | 27                | (1,874)           |
| Retained earnings  | 75,066            | 89,223            |
| Total stockholders' equity   | 103,860           | 120,331           |
| Total liabilities and stockholders' equity   | <u>\$ 129,187</u> | <u>\$ 147,461</u> |

**Alphabet Inc.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(In millions, except per share amounts)

|   | Three Months Ended |                 | Twelve Months Ended |                     |
|---|--------------------|-----------------|---------------------|---------------------|
|   | December 31,       |                 | December 31,        |                     |
|   | 2014               | 2015            | 2014                | 2015 <sup>(a)</sup> |
|   | (unaudited)        |                 | (unaudited)         |                     |
| Revenues  | \$ 18,103          | \$ 21,329       | \$ 66,001           | \$ 74,989           |
| Costs and expenses:   |                    |                 |                     |                     |
| Cost of revenues  | 6,921              | 8,188           | 25,691              | 28,164              |
| Research and development                                    | 2,813              | 3,510           | 9,832               | 12,282              |
| Sales and marketing   | 2,377              | 2,679           | 8,131               | 9,047               |
| General and administrative                                  | 1,593              | 1,572           | 5,851               | 6,136               |
| Total costs and expenses                                    | <u>13,704</u>      | <u>15,949</u>   | <u>49,505</u>       | <u>55,629</u>       |
| Income from operations                                      | 4,399              | 5,380           | 16,496              | 19,360              |
| Other income (expense), net                                 | 128                | (180)           | 763                 | 291                 |
| Income from continuing operations before income taxes       | 4,527              | 5,200           | 17,259              | 19,651              |
| Provision for income taxes                                  | 819                | 277             | 3,639               | 3,303               |
| Net income from continuing operations                       | 3,708              | 4,923           | 13,620              | 16,348              |
| Net income from discontinued operations                     | 967                | 0               | 516                 | 0                   |
| Net income  | <u>\$ 4,675</u>    | <u>\$ 4,923</u> | <u>\$ 14,136</u>    | <u>\$ 16,348</u>    |
| Less: Adjustment Payment to Class C capital stockholders    | 0                  | 0               | 0                   | 522                 |
| Net income available to all stockholders                    | <u>\$ 4,675</u>    | <u>\$ 4,923</u> | <u>\$ 14,136</u>    | <u>\$ 15,826</u>    |
| Basic net income per share of Class A and B common stock:   |                    |                 |                     |                     |
| Continuing operations                                       | \$ 5.46            | \$ 7.16         | \$ 20.15            | \$ 23.11            |
| Discontinued operations                                     | 1.43               | 0.00            | 0.76                | 0.00                |
| Basic net income per share of Class A and B common stock    | <u>\$ 6.89</u>     | <u>\$ 7.16</u>  | <u>\$ 20.91</u>     | <u>\$ 23.11</u>     |
| Basic net income per share of Class C capital stock:        |                    |                 |                     |                     |
| Continuing operations                                       | \$ 5.46            | \$ 7.16         | \$ 20.15            | \$ 24.63            |
| Discontinued operations                                     | 1.43               | 0.00            | 0.76                | 0.00                |
| Basic net income per share of Class C capital stock         | <u>\$ 6.89</u>     | <u>\$ 7.16</u>  | <u>\$ 20.91</u>     | <u>\$ 24.63</u>     |
| Diluted net income per share of Class A and B common stock: |                    |                 |                     |                     |
| Continuing operations                                       | \$ 5.38            | \$ 7.06         | \$ 19.82            | \$ 22.84            |
| Discontinued operations                                     | 1.41               | 0.00            | 0.75                | 0.00                |
| Diluted net income per share of Class A and B common stock  | <u>\$ 6.79</u>     | <u>\$ 7.06</u>  | <u>\$ 20.57</u>     | <u>\$ 22.84</u>     |
| Diluted net income per share of Class C capital stock:      |                    |                 |                     |                     |
| Continuing operations                                       | \$ 5.38            | \$ 7.06         | \$ 19.82            | \$ 24.34            |
| Discontinued operations                                     | 1.41               | 0.00            | 0.75                | 0.00                |
| Diluted net income per share of Class C capital stock       | <u>\$ 6.79</u>     | <u>\$ 7.06</u>  | <u>\$ 20.57</u>     | <u>\$ 24.34</u>     |

<sup>(a)</sup> Basic and diluted net income per share for the twelve months ended December 31, 2015 includes impact from Adjustment Payment to Class C capital stockholders.

**Alphabet Inc.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In millions)

|   | Three Months Ended |                | Twelve Months Ended |                 |
|---|--------------------|----------------|---------------------|-----------------|
|   | December 31,       |                | December 31,        |                 |
|   | 2014               | 2015           | 2014                | 2015            |
|   | (unaudited)        |                | (unaudited)         |                 |
| <b>Operating activities</b>   |                    |                |                     |                 |
| Net income  | \$ 4,675           | \$ 4,923       | \$ 14,136           | \$ 16,348       |
| Adjustments:  |                    |                |                     |                 |
| Depreciation and impairment of property and equipment                             | 1,010              | 1,153          | 3,523               | 4,132           |
| Amortization and impairment of intangible assets                                  | 257                | 251            | 1,456               | 931             |
| Stock-based compensation expense  | 1,187              | 1,436          | 4,279               | 5,203           |
| Excess tax benefits from stock-based award activities                             | (181)              | (194)          | (648)               | (548)           |
| Deferred income taxes   | 394                | 387            | (104)               | (179)           |
| Gain on divestiture of business   | (740)              | 0              | (740)               | 0               |
| (Gain) loss on marketable and non-marketable investments, net                     | (13)               | 302            | (390)               | 334             |
| Other   | 35                 | 55             | 192                 | 212             |
| Changes in assets and liabilities, net of effects of acquisitions:                |                    |                |                     |                 |
| Accounts receivable   | (1,151)            | (1,758)        | (1,641)             | (2,094)         |
| Income taxes, net   | 14                 | (1,272)        | 591                 | (179)           |
| Prepaid revenue share, expenses and other assets                                  | (47)               | (522)          | 459                 | (318)           |
| Accounts payable  | 549                | 371            | 436                 | 203             |
| Accrued expenses and other liabilities  | 341                | 777            | 757                 | 1,597           |
| Accrued revenue share   | 209                | 408            | 245                 | 339             |
| Deferred revenue  | (175)              | 98             | (175)               | 43              |
| <b>Net cash provided by operating activities</b>                                  | <b>6,364</b>       | <b>6,415</b>   | <b>22,376</b>       | <b>26,024</b>   |
| <b>Investing activities</b>   |                    |                |                     |                 |
| Purchases of property and equipment   | (3,551)            | (2,100)        | (10,959)            | (9,915)         |
| Purchases of marketable securities  | (13,118)           | (18,151)       | (56,310)            | (74,368)        |
| Maturities and sales of marketable securities                                     | 14,665             | 16,045         | 51,315              | 62,905          |
| Purchases of non-marketable investments   | (691)              | (401)          | (1,227)             | (2,172)         |
| Cash collateral related to securities lending                                     | (626)              | (838)          | 1,403               | (350)           |
| Investments in reverse repurchase agreements                                      | (50)               | (50)           | (775)               | 425             |
| Proceeds from divestiture of business   | 386                | 0              | 386                 | 0               |
| Acquisitions, net of cash acquired, and purchases of intangibles and other assets | (256)              | 8              | (4,888)             | (236)           |
| <b>Net cash used in investing activities</b>                                      | <b>(3,241)</b>     | <b>(5,487)</b> | <b>(21,055)</b>     | <b>(23,711)</b> |
| <b>Financing activities</b>   |                    |                |                     |                 |
| Net payments related to stock-based award activities                              | (521)              | (765)          | (2,069)             | (2,375)         |
| Excess tax benefits from stock-based award activities                             | 181                | 194            | 648                 | 548             |
| Adjustment Payment to Class C capital stockholders                                | 0                  | 0              | 0                   | (47)            |
| Repurchases of capital stock  | 0                  | (1,780)        | 0                   | (1,780)         |
| Proceeds from issuance of debt, net of costs                                      | 2,458              | 3,373          | 11,625              | 13,705          |
| Repayments of debt  | (2,462)            | (3,387)        | (11,643)            | (13,728)        |
| <b>Net cash used in financing activities</b>                                      | <b>(344)</b>       | <b>(2,365)</b> | <b>(1,439)</b>      | <b>(3,677)</b>  |
| Effect of exchange rate changes on cash and cash equivalents                      | (197)              | (82)           | (433)               | (434)           |

|   |                  |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|
| <b>Net increase (decrease) in cash and cash equivalents</b> | 2,582            | (1,519)          | (551)            | (1,798)          |
| <b>Cash and cash equivalents at beginning of period</b>     | 15,605           | 18,068           | 18,898           | 18,347           |
| Reclassification of assets previously held for sale         | 160              | 0                | 0                | 0                |
| <b>Cash and cash equivalents at end of period</b>           | <u>\$ 18,347</u> | <u>\$ 16,549</u> | <u>\$ 18,347</u> | <u>\$ 16,549</u> |

## Reconciliations of non-GAAP results of operations to the nearest comparable GAAP measures

The following table presents certain non-GAAP consolidated results before certain items (in millions, except share amounts which are reflected in thousands and per share amounts, unaudited):

|                                 | Three Months Ended December 31, 2014 |                         |                  | Three Months Ended December 31, 2015 |                         |                  |
|---------------------------------|--------------------------------------|-------------------------|------------------|--------------------------------------|-------------------------|------------------|
|                                 | GAAP Actual                          | Adjustments             | Non-GAAP Results | GAAP Actual                          | Adjustments             | Non-GAAP Results |
| Revenues                        | \$ 18,103                            |                         | \$ 18,103        | \$ 21,329                            |                         | \$ 21,329        |
| Cost of revenues                | 6,921                                | \$ 171 <sup>(b)</sup>   | 6,750            | 8,188                                | \$ 252 <sup>(b)</sup>   | 7,936            |
| Research and development        | 2,813                                | 631 <sup>(b)</sup>      | 2,182            | 3,510                                | 739 <sup>(b)</sup>      | 2,771            |
| Sales and marketing             | 2,377                                | 213 <sup>(b)</sup>      | 2,164            | 2,679                                | 240 <sup>(b)</sup>      | 2,439            |
| General and administrative      | 1,593                                | 186 <sup>(b)</sup>      | 1,407            | 1,572                                | 205 <sup>(b)</sup>      | 1,367            |
| Income from operations          | \$ 4,399                             | \$ 1,201                | \$ 5,600         | \$ 5,380                             | \$ 1,436                | \$ 6,816         |
| Operating margin <sup>(a)</sup> | 24.3%                                |                         | 30.9%            | 25.2%                                |                         | 32.0%            |
|                                 |                                      | \$ 1,201 <sup>(b)</sup> |                  |                                      | \$ 1,436 <sup>(b)</sup> |                  |
|                                 |                                      | (255) <sup>(c)</sup>    |                  |                                      | (316) <sup>(c)</sup>    |                  |
|                                 |                                      | (967) <sup>(d)</sup>    |                  |                                      | 0                       |                  |
| Net income                      | \$ 4,675                             | \$ (21)                 | \$ 4,654         | \$ 4,923                             | \$ 1,120                | \$ 6,043         |

|   |         |  |         |         |  |         |
|---|---------|--|---------|---------|--|---------|
| Diluted net income per share for Class A and B common stock and Class C capital stock | \$ 6.79 |  | \$ 6.76 | \$ 7.06 |  | \$ 8.67 |
|---|---------|--|---------|---------|--|---------|

|  |         |  |         |         |  |         |
|--|---------|--|---------|---------|--|---------|
| Shares used in per share calculation - diluted | 688,491 |  | 688,491 | 697,025 |  | 697,025 |
|--|---------|--|---------|---------|--|---------|

(a) Operating margin is defined as income from operations divided by revenues.

Non-GAAP operating margin is defined as non-GAAP income from operations divided by revenues.

(b) To eliminate SBC expense from continuing operations. SBC expense does not include expenses related to awards that will ultimately settle in cash.

(c) To eliminate income tax effects related to expense noted in (b).

(d) To eliminate net income from discontinued operations.

**Non-GAAP operating income and operating margin.** We define non-GAAP operating income as income from operations excluding expenses related to SBC, and, as applicable, other special items. Non-GAAP operating margin is defined as non-GAAP operating income divided by revenues. Alphabet considers these non-GAAP financial measures to be useful metrics for management and investors because they exclude the effect of SBC, and as applicable, other special items so that Alphabet's management and investors can compare Alphabet's recurring core business operating results over multiple periods. For purposes of determining non-GAAP operating income, we define SBC as awards accounted for under FASB ASC Topic 718 that we expect to settle in stock. SBC does not include expenses related to awards that will ultimately settle in cash. Alphabet's management believes that providing a non-GAAP financial measure that excludes SBC allows investors to make meaningful comparisons between Alphabet's recurring core business operating results and those of other companies, as well as providing Alphabet's management with an important tool for financial and operational decision making and for evaluating Alphabet's own recurring core business operating results over different periods of time. There are a number of limitations related to the use of non-GAAP operating income versus operating income calculated in accordance with GAAP. First, non-GAAP operating income excludes some costs, namely, SBC, that are recurring. SBC has been and will continue to be for the foreseeable future a significant recurring expense in Alphabet's business. Second, SBC is an important part of our employees' compensation. Third, the components of the costs that we exclude in our calculation of non-GAAP operating income may differ from the components that our peer companies exclude when they report their results of operations. Management compensates for these limitations by providing specific information regarding the GAAP amounts excluded from non-GAAP operating income and evaluating non-GAAP operating income together with operating income calculated in accordance with GAAP.

**Non-GAAP net income and diluted EPS.** We define non-GAAP net income as net income excluding expenses related to SBC and, as applicable, other special items less the related tax effects, as well as net income (loss) from discontinued operations. The tax effects of SBC and, as applicable, other special items are based on the tax-deductible portion of SBC, and, as applicable, other special items, and applying the entity-specific, U.S. federal and blended state tax rates. We define non-GAAP diluted EPS as non-GAAP net income divided by total weighted average outstanding shares, on a fully-diluted basis. We consider these non-GAAP financial measures to be useful metrics for management and investors for the same reasons that Alphabet uses non-GAAP operating income and non-GAAP operating margin. However, in order to provide a complete picture of our recurring core business operating results, we exclude from non-GAAP net income and non-GAAP diluted EPS the tax effects associated with SBC and, as applicable, other special items. Without excluding these tax effects, investors would only see the gross effect that excluding these expenses had on our operating results. The same limitations described above regarding Alphabet's use of non-GAAP operating income and non-GAAP operating margin apply to our use of non-GAAP net income and non-GAAP diluted EPS. Management compensates for these limitations by providing specific information regarding the GAAP amounts excluded from non-GAAP net income and non-GAAP diluted EPS and evaluating non-GAAP net income and non-GAAP diluted EPS together with net income and diluted EPS calculated in accordance with GAAP.

**Reconciliation from net cash provided by operating activities to free cash flow (in millions, unaudited):**

|   | <b>Three Months Ended<br/>December 31, 2015</b> |                |
|---|---|----------------|
| <b>Net cash provided by operating activities</b>            | \$  | 6,415          |
| Less: purchases of property and equipment                   |   | (2,100)        |
| <b>Free cash flow</b>                                       | <b>\$</b>                                       | <b>4,315</b>   |
| <b>Net cash used in investing activities <sup>(a)</sup></b> | <b>\$</b>                                       | <b>(5,487)</b> |
| <b>Net cash used in financing activities</b>                | <b>\$</b>                                       | <b>(2,365)</b> |

*(a) Includes purchases of property and equipment.*

*Free cash flow.* We define free cash flow as net cash provided by operating activities less capital expenditures. We consider free cash flow to be a liquidity measure that provides useful information to management and investors about the amount of cash generated by the business that, after the acquisition of property and equipment, including information technology assets and land and buildings, can be used for strategic opportunities, including investing in our business, making strategic acquisitions, and strengthening the balance sheet. Analysis of free cash flow also facilitates management's comparisons of our operating results to competitors' operating results. A limitation of using free cash flow versus the GAAP measure of net cash provided by operating activities as a means for evaluating Alphabet is that free cash flow does not represent the total increase or decrease in the cash balance from operations for the period because it reflects the cash used for capital expenditures during the period. Our management compensates for this limitation by providing information about our capital expenditures on the face of the statement of cash flows and under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Quarterly Report on Form 10-Q and Annual Report on Form 10-K. Alphabet has computed free cash flow using the same consistent method from quarter to quarter and year to year.

Reconciliation from GAAP revenues to non-GAAP constant currency revenues (in millions, unaudited):

|  | Three Months Ended<br>December 31, 2015<br><i>(using Q4'14's FX rates)</i> | Three Months Ended<br>December 31, 2015<br><i>(using Q3'15's FX rates)</i> |
|--|--|--|
| <b>United Kingdom revenues (GAAP)</b>  | \$ 1,922   | \$ 1,922   |
| Exclude foreign exchange impact on Q4'15 revenues using Q4'14 rates                        | 110  | N/A  |
| Exclude foreign exchange impact on Q4'15 revenues using Q3'15 rates                        | N/A  | 44   |
| Exclude hedging gains recognized in Q4'15  | (39)   | (39)   |
| <b>United Kingdom revenues excluding foreign exchange and hedging impact (Non-GAAP)</b>    | <b>\$ 1,993</b>  | <b>\$ 1,927</b>  |
| <b>Rest of the world revenues (GAAP)</b>   | \$ 9,114   | \$ 9,114   |
| Exclude foreign exchange impact on Q4'15 revenues using Q4'14 rates                        | 1,223  | N/A  |
| Exclude foreign exchange impact on Q4'15 revenues using Q3'15 rates                        | N/A  | 167  |
| Exclude hedging gains recognized in Q4'15  | (293)  | (293)  |
| <b>Rest of the world revenues excluding foreign exchange and hedging impact (Non-GAAP)</b> | <b>\$ 10,044</b>   | <b>\$ 8,988</b>  |
| <b>United States revenues (GAAP)</b>   | \$ 10,293  | \$ 10,293  |
| <b>Constant currency revenues (Non-GAAP)</b>   | <b>\$ 22,330</b>   | <b>\$ 21,208</b>   |
| <b>Prior period revenues, excluding hedging gains (Non-GAAP)</b>                           | <b>\$ 17,955</b>   | <b>\$ 18,389</b>   |
| <b>Constant currency revenue growth (Non-GAAP)</b>   | <b>24%</b>   | <b>15%</b>   |

*Non-GAAP constant currency revenues and growth.* We define non-GAAP constant currency revenues as total revenues excluding the impact of foreign exchange rate movements and hedging activities, and use it to determine the constant currency revenue growth on year-on-year and quarter-on-quarter bases. Non-GAAP constant currency revenues are calculated by translating current quarter revenues using prior period exchange rates and excluding any hedging gains recognized in the current quarter. Constant currency revenue growth (expressed as a percentage) is calculated by determining the increase in current quarter revenues over prior period revenues, where current quarter international revenues are translated using prior period exchange rates and hedging benefits are excluded from revenues of both periods. We consider non-GAAP constant currency revenues and growth as useful metrics as they facilitate management's internal comparison to our historical performance because they exclude the effects of foreign currency volatility that are not indicative of our core operating results.

**Other income (expense), net**

The following table presents our other income (expense), net, (in millions, unaudited):

|   | Three Months Ended |                 |
|---|--------------------|-----------------|
|   | December 31,       |                 |
|   | 2014               | 2015            |
| Interest income                           | \$ 222             | \$ 274          |
| Interest expense                          | (25)               | (26)            |
| Gain (loss) on marketable securities, net | 13                 | (287)           |
| Foreign currency exchange losses, net     | (133)              | (161)           |
| Loss on non-marketable investments, net   | 0                  | (15)            |
| Other                                     | 51                 | 35              |
| Other income (expense), net               | <u>\$ 128</u>      | <u>\$ (180)</u> |

## Segment results

The following tables present our revenues, operating income, stock-based compensation, capital expenditures, and depreciation, amortization, and impairment by segment (in millions, unaudited):

|   | Twelve Months Ended<br>December 31, |                  |                  |
|---|-------------------------------------|------------------|------------------|
|   | 2013                                | 2014             | 2015             |
| <b>Revenues:</b>  |                                     |                  |                  |
| Google  | 55,507                              | 65,674           | 74,541           |
| Other Bets  | 12                                  | 327              | 448              |
| Total revenues  | <u>\$ 55,519</u>                    | <u>\$ 66,001</u> | <u>\$ 74,989</u> |
| <b>Segment operating income / (loss), excluding stock-based compensation<sup>(1)</sup>:</b> |                                     |                  |                  |
| Google  | \$ 19,171                           | \$ 22,688        | \$ 28,012        |
| Other Bets  | (403)                               | (1,595)          | (3,069)          |
| Reconciling items <sup>(2)</sup>  | (238)                               | (422)            | (380)            |
| Total income from operations, excluding stock-based compensation                            | <u>\$ 18,530</u>                    | <u>\$ 20,671</u> | <u>\$ 24,563</u> |
| <b>Stock-based compensation<sup>(1)</sup>:</b>  |                                     |                  |                  |
| Google  | \$ 2,911                            | \$ 3,677         | \$ 4,587         |
| Other Bets  | 124                                 | 347              | 498              |
| Reconciling items <sup>(2)</sup>  | 92                                  | 151              | 118              |
| Total stock-based compensation  | <u>\$ 3,127</u>                     | <u>\$ 4,175</u>  | <u>\$ 5,203</u>  |
| <b>Segment operating income / (loss):</b>   |                                     |                  |                  |
| Google  | \$ 16,260                           | \$ 19,011        | \$ 23,425        |
| Other Bets  | (527)                               | (1,942)          | (3,567)          |
| Reconciling items <sup>(2)</sup>  | (330)                               | (573)            | (498)            |
| Total income from operations  | <u>\$ 15,403</u>                    | <u>\$ 16,496</u> | <u>\$ 19,360</u> |
| <b>Capital expenditures:</b>  |                                     |                  |                  |
| Google  | \$ 7,006                            | \$ 11,173        | \$ 8,849         |
| Other Bets  | 187                                 | 501              | 869              |
| Reconciling items <sup>(3)(4)</sup>   | 165                                 | (715)            | 197              |
| Total capital expenditures  | <u>\$ 7,358</u>                     | <u>\$ 10,959</u> | <u>\$ 9,915</u>  |
| <b>Depreciation, amortization and impairment:</b>   |                                     |                  |                  |
| Google  | \$ 3,668                            | \$ 4,778         | \$ 4,839         |
| Other Bets  | 24                                  | 148              | 203              |
| Reconciling items <sup>(2)(4)</sup>   | 247                                 | 53               | 21               |
| Total depreciation, amortization and impairment   | <u>\$ 3,939</u>                     | <u>\$ 4,979</u>  | <u>\$ 5,063</u>  |

<sup>(1)</sup> For purposes of determining SBC for segment reporting, we define SBC as awards accounted for under FASB ASC Topic 718 that we expect to settle in stock. SBC does not include expenses related to awards that we will ultimately settle in cash. Amounts exclude SBC from discontinued operations.

<sup>(2)</sup> Reconciling items are primarily related to corporate administrative costs and other miscellaneous items that are not allocated to individual segments.

<sup>(3)</sup> Reconciling items are related to timing differences of payments as segment capital expenditures are on accrual basis while total capital expenditures shown on Consolidated Statements of Cash Flow are on cash basis and other miscellaneous differences.

<sup>(4)</sup> Reconciling items include items related to Motorola Mobile and Motorola Home for fiscal years 2013 and 2014.

|   | Three Months Ended |                  |                  |                  |                  |
|---|--------------------|------------------|------------------|------------------|------------------|
|   | Dec 31,<br>2014    | Mar 31,<br>2015  | Jun 30,<br>2015  | Sep 30,<br>2015  | Dec 31,<br>2015  |
| <b>Revenues:</b>  |                    |                  |                  |                  |                  |
| Google  | 17,997             | 17,178           | 17,652           | 18,533           | 21,178           |
| Other Bets  | 106                | 80               | 75               | 142              | 151              |
| Total revenues  | <u>\$ 18,103</u>   | <u>\$ 17,258</u> | <u>\$ 17,727</u> | <u>\$ 18,675</u> | <u>\$ 21,329</u> |
| <b>Segment operating income / (loss), excluding stock-based compensation<sup>(1)</sup>:</b> |                    |                  |                  |                  |                  |
| Google  | \$ 6,301           | \$ 6,243         | \$ 6,622         | \$ 7,104         | \$ 8,043         |
| Other Bets  | (533)              | (516)            | (574)            | (875)            | (1,104)          |
| Reconciling items <sup>(2)</sup>  | (168)              | (77)             | (91)             | (89)             | (123)            |
| Total income from operations, excluding stock-based compensation                            | <u>\$ 5,600</u>    | <u>\$ 5,650</u>  | <u>\$ 5,957</u>  | <u>\$ 6,140</u>  | <u>\$ 6,816</u>  |
| <b>Stock-based compensation<sup>(1)</sup>:</b>  |                    |                  |                  |                  |                  |
| Google  | \$ 1,078           | \$ 1,055         | \$ 992           | \$ 1,269         | \$ 1,271         |
| Other Bets  | 101                | 117              | 109              | 134              | 138              |
| Reconciling items <sup>(2)</sup>  | 22                 | 31               | 31               | 29               | 27               |
| Total stock-based compensation  | <u>\$ 1,201</u>    | <u>\$ 1,203</u>  | <u>\$ 1,132</u>  | <u>\$ 1,432</u>  | <u>\$ 1,436</u>  |
| <b>Segment operating income / (loss):</b>   |                    |                  |                  |                  |                  |
| Google  | \$ 5,223           | \$ 5,188         | \$ 5,630         | \$ 5,835         | \$ 6,772         |
| Other Bets  | (634)              | (633)            | (683)            | (1,009)          | (1,242)          |
| Reconciling items <sup>(2)</sup>  | (190)              | (108)            | (122)            | (118)            | (150)            |
| Total income from operations  | <u>\$ 4,399</u>    | <u>\$ 4,447</u>  | <u>\$ 4,825</u>  | <u>\$ 4,708</u>  | <u>\$ 5,380</u>  |
| <b>Capital expenditures:</b>  |                    |                  |                  |                  |                  |
| Google  | \$ 3,755           | \$ 2,678         | \$ 2,058         | \$ 2,332         | \$ 1,781         |
| Other Bets  | 142                | 157              | 234              | 279              | 199              |
| Reconciling items <sup>(3)(4)</sup>   | (346)              | 92               | 223              | (238)            | 120              |
| Total capital expenditures  | <u>\$ 3,551</u>    | <u>\$ 2,927</u>  | <u>\$ 2,515</u>  | <u>\$ 2,373</u>  | <u>\$ 2,100</u>  |
| <b>Depreciation, amortization and impairment:</b>   |                    |                  |                  |                  |                  |
| Google  | \$ 1,214           | \$ 1,137         | \$ 1,189         | \$ 1,200         | \$ 1,313         |
| Other Bets  | 51                 | 40               | 45               | 48               | 70               |
| Reconciling items <sup>(2)(4)</sup>   | 2                  | —                | —                | —                | 21               |
| Total depreciation, amortization and impairment   | <u>\$ 1,267</u>    | <u>\$ 1,177</u>  | <u>\$ 1,234</u>  | <u>\$ 1,248</u>  | <u>\$ 1,404</u>  |

(1) For purposes of determining SBC for segment reporting, we define SBC as awards accounted for under FASB ASC Topic 718 that we expect to settle in stock. SBC does not include expenses related to awards that we will ultimately settle in cash. Amount excludes SBC from discontinued operations.

(2) Reconciling items are primarily related to corporate administrative costs and other miscellaneous items that are not allocated to individual segments.

(3) Reconciling items are related to timing differences of payments as segment capital expenditures are on accrual basis while total capital expenditures shown on Consolidated Statements of Cash Flow are on cash basis and other miscellaneous differences.

(4) Reconciling items include items related to Motorola Mobile and Motorola Home for the quarter ended December 31, 2014.

## Revenues by source

The following tables present our revenues by revenue source (in millions, unaudited):

|                                  | Twelve Months Ended<br>December 31, |                  |                  |
|----------------------------------|-------------------------------------|------------------|------------------|
|                                  | 2013                                | 2014             | 2015             |
| <b>Revenues:</b>                 |                                     |                  |                  |
| Google websites                  | \$ 37,422                           | \$ 45,085        | \$ 52,357        |
| Google Network Members' websites | 13,650                              | 14,539           | 15,033           |
| Google advertising revenues      | 51,072                              | 59,624           | 67,390           |
| Google other revenues            | 4,435                               | 6,050            | 7,151            |
| Google segment revenues          | 55,507                              | 65,674           | 74,541           |
| Other Bets revenues              | 12                                  | 327              | 448              |
| Total revenues                   | <u>\$ 55,519</u>                    | <u>\$ 66,001</u> | <u>\$ 74,989</u> |

|                                  | Three Months Ended |                  |                  |                  |                  |
|----------------------------------|--------------------|------------------|------------------|------------------|------------------|
|                                  | Dec 31,<br>2014    | Mar 31,<br>2015  | Jun 30,<br>2015  | Sep 30,<br>2015  | Dec 31,<br>2015  |
| <b>Revenues:</b>                 |                    |                  |                  |                  |                  |
| Google websites                  | \$ 12,429          | \$ 11,932        | \$ 12,402        | \$ 13,087        | \$ 14,936        |
| Google Network Members' websites | 3,880              | 3,576            | 3,621            | 3,694            | 4,142            |
| Google advertising revenues      | 16,309             | 15,508           | 16,023           | 16,781           | 19,078           |
| Google other revenues            | 1,688              | 1,670            | 1,629            | 1,752            | 2,100            |
| Google segment revenues          | 17,997             | 17,178           | 17,652           | 18,533           | 21,178           |
| Other Bets revenues              | 106                | 80               | 75               | 142              | 151              |
| Total revenues                   | <u>\$ 18,103</u>   | <u>\$ 17,258</u> | <u>\$ 17,727</u> | <u>\$ 18,675</u> | <u>\$ 21,329</u> |