

**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 December 31, 2015	As of December 31, 2016
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 16,549	\$ 12,918
Marketable securities	56,517	73,415
Total cash, cash equivalents, and marketable securities (including securities loaned of \$4,531 and \$0)	73,066	86,333
Accounts receivable, net of allowance of \$296 and \$467	11,556	14,137
Receivable under reverse repurchase agreements	450	0
Income taxes receivable, net	1,903	95
Inventory	491	268
Prepaid revenue share, expenses and other assets	2,648	4,575
Total current assets	90,114	105,408
Prepaid revenue share, expenses and other assets, non-current	3,181	1,819
Non-marketable investments	5,183	5,878
Deferred income taxes	251	383
Property and equipment, net	29,016	34,234
Intangible assets, net	3,847	3,307
Goodwill	15,869	16,468
Total assets	\$ 147,461	\$ 167,497
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 1,931	\$ 2,041
Short-term debt	3,225	0
Accrued compensation and benefits	3,539	3,976
Accrued expenses and other current liabilities	4,768	6,144
Accrued revenue share	2,329	2,942
Securities lending payable	2,428	0
Deferred revenue	788	1,099
Income taxes payable, net	302	554
Total current liabilities	19,310	16,756
Long-term debt	1,995	3,935
Deferred revenue, non-current	151	202
Income taxes payable, non-current	3,663	4,677
Deferred income taxes	189	226
Other long-term liabilities	1,822	2,665
Total liabilities	27,130	28,461
Commitments and Contingencies (Note 10)		
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); 687,348 (Class A 292,297, Class B 50,295, Class C 344,756) and 691,293 (Class A 296,992, Class B 47,437, Class C 346,864) shares issued and outstanding	32,982	36,307
Accumulated other comprehensive loss	(1,874)	(2,402)
Retained earnings	89,223	105,131
Total stockholders' equity	120,331	139,036
Total liabilities and stockholders' equity	\$ 147,461	\$ 167,497

See accompanying notes.

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

	Year Ended December 31,		
	2014	2015	2016
Revenues	\$ 66,001	\$ 74,989	\$ 90,272
Costs and expenses:			
Cost of revenues	25,691	28,164	35,138
Research and development	9,832	12,282	13,948
Sales and marketing	8,131	9,047	10,485
General and administrative	5,851	6,136	6,985
Total costs and expenses	49,505	55,629	66,556
Income from operations	16,496	19,360	23,716
Other income (expense), net	763	291	434
Income before income taxes	17,259	19,651	24,150
Provision for income taxes	3,639	3,303	4,672
Net income from continuing operations	\$ 13,620	\$ 16,348	\$ 19,478
Net income from discontinued operations	516	0	0
Net income	\$ 14,136	\$ 16,348	\$ 19,478
Less: Adjustment Payment to Class C capital stockholders	0	522	0
Net income available to all stockholders	\$ 14,136	\$ 15,826	\$ 19,478
Basic net income per share of Class A and B common stock:			
Continuing operations	\$ 20.15	\$ 23.11	\$ 28.32
Discontinued operations	0.76	0.00	0.00
Basic net income per share of Class A and B common stock	\$ 20.91	\$ 23.11	\$ 28.32
Basic net income per share of Class C capital stock:			
Continuing operations	\$ 20.15	\$ 24.63	\$ 28.32
Discontinued operations	0.76	0.00	0.00
Basic net income per share of Class C capital stock	\$ 20.91	\$ 24.63	\$ 28.32
Diluted net income per share of Class A and B common stock:			
Continuing operations	\$ 19.82	\$ 22.84	\$ 27.85
Discontinued operations	0.75	0.00	0.00
Diluted net income per share of Class A and B common stock	\$ 20.57	\$ 22.84	\$ 27.85
Diluted net income per share of Class C capital stock:			
Continuing operations	\$ 19.82	\$ 24.34	\$ 27.85
Discontinued operations	0.75	0.00	0.00
Diluted net income per share of Class C capital stock	\$ 20.57	\$ 24.34	\$ 27.85

See accompanying notes.

**Alphabet Inc.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(In millions)

	Year Ended December 31,		
	2014	2015	2016
Net income	\$ 14,136	\$ 16,348	\$ 19,478
Other comprehensive (loss) income:			
Change in foreign currency translation adjustment	(996)	(1,067)	(599)
Available-for-sale investments:			
Change in net unrealized gains (losses)	505	(715)	(314)
Less: reclassification adjustment for net (gains) losses included in net income	(134)	208	221
Net change (net of tax effect of \$60, \$29, and \$0)	371	(507)	(93)
Cash flow hedges:			
Change in net unrealized gains (losses)	651	676	515
Less: reclassification adjustment for net (gains) losses included in net income	(124)	(1,003)	(351)
Net change (net of tax effect of \$196, \$115, and \$64)	527	(327)	164
Other comprehensive (loss) income	(98)	(1,901)	(528)
Comprehensive income	\$ 14,038	\$ 14,447	\$ 18,950

See accompanying notes.

**Alphabet Inc.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(In millions, except share amounts which are reflected in thousands)

	Class A and Class B Common Stock, Class C Capital Stock and Additional Paid-In Capital		Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
	Shares	Amount			
Balance as of December 31, 2013	671,664	\$ 25,922	\$ 125	\$ 60,930	\$ 86,977
Common and capital stock issued	8,508	465	0	0	465
Stock-based compensation expense		4,279	0	0	4,279
Stock-based compensation tax benefits		625	0	0	625
Tax withholding related to vesting of restricted stock units		(2,524)	0	0	(2,524)
Net income		0	0	14,136	14,136
Other comprehensive loss		0	(98)	0	(98)
Balance as of December 31, 2014	680,172	28,767	27	75,066	103,860
Common and capital stock issued	8,714	664	0	0	664
Stock-based compensation expense		5,151	0	0	5,151
Stock-based compensation tax benefits		815	0	0	815
Tax withholding related to vesting of restricted stock units		(2,779)	0	0	(2,779)
Repurchases of capital stock	(2,391)	(111)	0	(1,669)	(1,780)
Adjustment Payment to Class C capital stockholders	853	475	0	(522)	(47)
Net income		0	0	16,348	16,348
Other comprehensive loss		0	(1,901)	0	(1,901)
Balance as of December 31, 2015	687,348	32,982	(1,874)	89,223	120,331
Cumulative effect of accounting change	0	180	0	(133)	47
Common and capital stock issued	9,106	298	0	0	298
Stock-based compensation expense		6,700	0	0	6,700
Tax withholding related to vesting of restricted stock units		(3,597)	0	0	(3,597)
Repurchases of capital stock	(5,161)	(256)	0	(3,437)	(3,693)
Net income		0	0	19,478	19,478
Other comprehensive loss		0	(528)	0	(528)
Balance as of December 31, 2016	691,293	\$ 36,307	\$ (2,402)	\$ 105,131	\$ 139,036

See accompanying notes.

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

	Year Ended December 31,		
	2014	2015	2016
<b>Operating activities</b>			
Net income	\$ 14,136	\$ 16,348	\$ 19,478
Adjustments:			
Depreciation and impairment of property and equipment	3,523	4,132	5,267
Amortization and impairment of intangible assets	1,456	931	877
Stock-based compensation expense	4,279	5,203	6,703
Deferred income taxes	(104)	(179)	(38)
Gain on divestiture of business	(740)	0	0
(Gain) loss on marketable and non-marketable investments, net	(390)	334	275
Other	192	212	174
Changes in assets and liabilities, net of effects of acquisitions:			
Accounts receivable	(1,641)	(2,094)	(2,578)
Income taxes, net	591	(179)	3,125
Prepaid revenue share, expenses and other assets	459	(318)	312
Accounts payable	436	203	110
Accrued expenses and other liabilities	757	1,597	1,515
Accrued revenue share	245	339	593
Deferred revenue	(175)	43	223
Net cash provided by operating activities	23,024	26,572	36,036
<b>Investing activities</b>			
Purchases of property and equipment	(11,014)	(9,950)	(10,212)
Proceeds from disposals of property and equipment	55	35	240
Purchases of marketable securities	(56,310)	(74,368)	(84,509)
Maturities and sales of marketable securities	51,315	62,905	66,895
Purchases of non-marketable investments	(1,440)	(2,326)	(1,109)
Maturities and sales of non-marketable investments	213	154	494
Cash collateral related to securities lending	1,403	(350)	(2,428)
Investments in reverse repurchase agreements	(775)	425	450
Proceeds from divestiture of business	386	0	0
Acquisitions, net of cash acquired, and purchases of intangible assets	(4,888)	(236)	(986)
Net cash used in investing activities	(21,055)	(23,711)	(31,165)
<b>Financing activities</b>			
Net payments related to stock-based award activities	(2,069)	(2,375)	(3,304)
Adjustment Payment to Class C capital stockholders	0	(47)	0
Repurchases of capital stock	0	(1,780)	(3,693)
Proceeds from issuance of debt, net of costs	11,625	13,705	8,729
Repayments of debt	(11,643)	(13,728)	(10,064)
Net cash used in financing activities	(2,087)	(4,225)	(8,332)
Effect of exchange rate changes on cash and cash equivalents	(433)	(434)	(170)
<b>Net decrease in cash and cash equivalents</b>	(551)	(1,798)	(3,631)
Cash and cash equivalents at beginning of period	18,898	18,347	16,549
<b>Cash and cash equivalents at end of period</b>	\$ 18,347	\$ 16,549	\$ 12,918
<b>Supplemental disclosures of cash flow information</b>			
Cash paid for taxes, net of refunds	\$ 3,138	\$ 3,651	\$ 1,643
Cash paid for interest	86	96	84

See accompanying notes.