

Alphabet Inc.
CONSOLIDATED BALANCE SHEETS
(in millions, except par value per share amounts)

	As of December 31,	
	2021	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 20,945	\$ 21,879
Marketable securities	118,704	91,883
Total cash, cash equivalents, and marketable securities	139,649	113,762
Accounts receivable, net	39,304	40,258
Inventory	1,170	2,670
Other current assets	8,020	8,105
Total current assets	188,143	164,795
Non-marketable securities	29,549	30,492
Deferred income taxes	1,284	5,261
Property and equipment, net	97,599	112,668
Operating lease assets	12,959	14,381
Intangible assets, net	1,417	2,084
Goodwill	22,956	28,960
Other non-current assets	5,361	6,623
Total assets	<u>\$ 359,268</u>	<u>\$ 365,264</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 6,037	\$ 5,128
Accrued compensation and benefits	13,889	14,028
Accrued expenses and other current liabilities	32,044	37,866
Accrued revenue share	8,996	8,370
Deferred revenue	3,288	3,908
Total current liabilities	64,254	69,300
Long-term debt	14,817	14,701
Deferred revenue, non-current	535	599
Income taxes payable, non-current	9,176	9,258
Deferred income taxes	5,257	514
Operating lease liabilities	11,389	12,501
Other long-term liabilities	2,205	2,247
Total liabilities	107,633	109,120
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Preferred stock, \$0.001 par value per share, 100 shares authorized; no shares issued and outstanding	0	0
Class A, Class B, and Class C stock and additional paid-in capital, \$0.001 par value per share: 300,000 shares authorized (Class A 180,000, Class B 60,000, Class C 60,000); 13,242 (Class A 6,015, Class B 893, Class C 6,334) and 12,849 (Class A 5,964, Class B 883, Class C 6,002) shares issued and outstanding	61,774	68,184
Accumulated other comprehensive income (loss)	(1,623)	(7,603)
Retained earnings	191,484	195,563
Total stockholders' equity	251,635	256,144
Total liabilities and stockholders' equity	<u>\$ 359,268</u>	<u>\$ 365,264</u>

See accompanying notes.

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

	Year Ended December 31,		
	2020	2021	2022
Revenues	\$ 182,527	\$ 257,637	\$ 282,836
Costs and expenses:			
Cost of revenues	84,732	110,939	126,203
Research and development	27,573	31,562	39,500
Sales and marketing	17,946	22,912	26,567
General and administrative	11,052	13,510	15,724
Total costs and expenses	141,303	178,923	207,994
Income from operations	41,224	78,714	74,842
Other income (expense), net	6,858	12,020	(3,514)
Income before income taxes	48,082	90,734	71,328
Provision for income taxes	7,813	14,701	11,356
Net income	\$ 40,269	\$ 76,033	\$ 59,972
Basic net income per share of Class A, Class B, and Class C stock	\$ 2.96	\$ 5.69	\$ 4.59
Diluted net income per share of Class A, Class B, and Class C stock	\$ 2.93	\$ 5.61	\$ 4.56

See accompanying notes.

Alphabet Inc.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)

	Year Ended December 31,		
	2020	2021	2022
Net income	\$ 40,269	\$ 76,033	\$ 59,972
Other comprehensive income (loss):			
Change in foreign currency translation adjustment	1,139	(1,442)	(1,836)
Available-for-sale investments:			
Change in net unrealized gains (losses)	1,313	(1,312)	(4,720)
Less: reclassification adjustment for net (gains) losses included in net income	(513)	(64)	1,007
Net change, net of income tax benefit (expense) of \$(230), \$394, and \$1,056	800	(1,376)	(3,713)
Cash flow hedges:			
Change in net unrealized gains (losses)	42	716	1,275
Less: reclassification adjustment for net (gains) losses included in net income	(116)	(154)	(1,706)
Net change, net of income tax benefit (expense) of \$11, \$(122), and \$110	(74)	562	(431)
Other comprehensive income (loss)	1,865	(2,256)	(5,980)
Comprehensive income	\$ 42,134	\$ 73,777	\$ 53,992

See accompanying notes.

Alphabet Inc.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in millions)

	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, 2019	13,767	\$ 50,552	\$ (1,232)	\$ 152,122	\$ 201,442
Stock issued	167	168	0	0	168
Stock-based compensation expense	0	13,123	0	0	13,123
Tax withholding related to vesting of restricted stock units and other	0	(5,969)	0	0	(5,969)
Repurchases of stock	(430)	(2,159)	0	(28,990)	(31,149)
Sale of interest in consolidated entities	0	2,795	0	0	2,795
Net income	0	0	0	40,269	40,269
Other comprehensive income (loss)	0	0	1,865	0	1,865
Balance as of December 31, 2020	13,504	58,510	633	163,401	222,544
Stock issued	145	12	0	0	12
Stock-based compensation expense	0	15,539	0	0	15,539
Tax withholding related to vesting of restricted stock units and other	0	(10,273)	0	0	(10,273)
Repurchases of stock	(407)	(2,324)	0	(47,950)	(50,274)
Sale of interest in consolidated entities	0	310	0	0	310
Net income	0	0	0	76,033	76,033
Other comprehensive income (loss)	0	0	(2,256)	0	(2,256)
Balance as of December 31, 2021	13,242	61,774	(1,623)	191,484	251,635
Stock issued	137	8	0	0	8
Stock-based compensation expense	0	19,525	0	0	19,525
Tax withholding related to vesting of restricted stock units and other	0	(9,754)	0	(1)	(9,755)
Repurchases of stock	(530)	(3,404)	0	(55,892)	(59,296)
Sale of interest in consolidated entities	0	35	0	0	35
Net income	0	0	0	59,972	59,972
Other comprehensive income (loss)	0	0	(5,980)	0	(5,980)
Balance as of December 31, 2022	12,849	\$ 68,184	\$ (7,603)	\$ 195,563	\$ 256,144

See accompanying notes.

Alphabet Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Year Ended December 31,		
	2020	2021	2022
Operating activities			
Net income	\$ 40,269	\$ 76,033	\$ 59,972
Adjustments:			
Depreciation and impairment of property and equipment	12,905	11,555	15,287
Amortization and impairment of intangible assets	792	886	641
Stock-based compensation expense	12,991	15,376	19,362
Deferred income taxes	1,390	1,808	(8,081)
(Gain) loss on debt and equity securities, net	(6,317)	(12,270)	5,519
Other	1,267	(213)	1,030
Changes in assets and liabilities, net of effects of acquisitions:			
Accounts receivable, net	(6,524)	(9,095)	(2,317)
Income taxes, net	1,209	(625)	584
Other assets	(1,330)	(1,846)	(5,046)
Accounts payable	694	283	707
Accrued expenses and other liabilities	5,504	7,304	3,915
Accrued revenue share	1,639	1,682	(445)
Deferred revenue	635	774	367
Net cash provided by operating activities	65,124	91,652	91,495
Investing activities			
Purchases of property and equipment	(22,281)	(24,640)	(31,485)
Purchases of marketable securities	(136,576)	(135,196)	(78,874)
Maturities and sales of marketable securities	132,906	128,294	97,822
Purchases of non-marketable securities	(7,175)	(2,838)	(2,531)
Maturities and sales of non-marketable securities	1,023	934	150
Acquisitions, net of cash acquired, and purchases of intangible assets	(738)	(2,618)	(6,969)
Other investing activities	68	541	1,589
Net cash used in investing activities	(32,773)	(35,523)	(20,298)
Financing activities			
Net payments related to stock-based award activities	(5,720)	(10,162)	(9,300)
Repurchases of stock	(31,149)	(50,274)	(59,296)
Proceeds from issuance of debt, net of costs	11,761	20,199	52,872
Repayments of debt	(2,100)	(21,435)	(54,068)
Proceeds from sale of interest in consolidated entities, net	2,800	310	35
Net cash used in financing activities	(24,408)	(61,362)	(69,757)
Effect of exchange rate changes on cash and cash equivalents	24	(287)	(506)
Net increase (decrease) in cash and cash equivalents	7,967	(5,520)	934
Cash and cash equivalents at beginning of period	18,498	26,465	20,945
Cash and cash equivalents at end of period	<u>\$ 26,465</u>	<u>\$ 20,945</u>	<u>\$ 21,879</u>
Supplemental disclosures of cash flow information			
Cash paid for income taxes, net of refunds	\$ 4,990	\$ 13,412	\$ 18,892

See accompanying notes.

Alphabet Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies**Nature of Operations**

Google was incorporated in California in September 1998 and re-incorporated in the State of Delaware in August 2003. In 2015, we implemented a holding company reorganization, and as a result, Alphabet Inc. ("Alphabet") became the successor issuer to Google.

We generate revenues by delivering relevant, cost-effective online advertising; cloud-based solutions that provide enterprise customers with infrastructure and platform services as well as communication and collaboration tools; sales of other products and services, such as apps and in-app purchases, and hardware; and fees received for subscription-based products.

Basis of Consolidation

The consolidated financial statements of Alphabet include the accounts of Alphabet and entities consolidated under the variable interest and voting models. Intercompany balances and transactions have been eliminated.

Use of Estimates

Preparation of consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the amounts reported and disclosed in the financial statements and the accompanying notes. Actual results could differ materially from these estimates due to uncertainties. On an ongoing basis, we evaluate our estimates, including those related to the allowance for credit losses; fair values of financial instruments, intangible assets, and goodwill; inventory; useful lives of intangible assets and property and equipment; income taxes; and contingent liabilities, among others. We base our estimates on assumptions, both historical and forward looking, that are believed to be reasonable, and the results of which form the basis for making judgments about the carrying values of assets and liabilities.

In January 2023, we completed an assessment of the useful lives of our servers and network equipment and adjusted the estimated useful life of our servers from four years to six years and the estimated useful life of certain network equipment from five years to six years. This change in accounting estimate is effective beginning in fiscal year 2023.

Stock Split Effected in the Form of a Stock Dividend ("Stock Split")

On February 1, 2022, the company announced that the Board of Directors had approved and declared a 20-for-one stock split in the form of a one-time special stock dividend on each share of the company's Class A, Class B, and Class C stock. The Stock Split had a record date of July 1, 2022 and an effective date of July 15, 2022. The par value per share of our Class A, Class B, and Class C stock remains unchanged at \$0.001 per share after the Stock Split. All prior period references made to share or per share amounts in the accompanying consolidated financial statements and applicable disclosures prior to the effective date have been retroactively adjusted to reflect the effects of the Stock Split.

Revenue Recognition

Revenues are recognized when control of the promised goods or services is transferred to our customers, and the collectibility of an amount that we expect in exchange for those goods or services is probable. Sales and other similar taxes are excluded from revenues.

Advertising Revenues

We generate advertising revenues primarily by delivering advertising on:

- Google Search and other properties, including revenues from traffic generated by search distribution partners who use Google.com as their default search in browsers, toolbars, etc. and other Google owned and operated properties like Gmail, Google Maps, and Google Play;
- YouTube properties; and
- Google Network properties, including revenues from Google Network properties participating in AdMob, AdSense, and Google Ad Manager.

Our customers generally purchase advertising inventory through Google Ads, Google Ad Manager, and Google Marketing Platform, among others.

We offer advertising by delivering both performance and brand advertising. We recognize revenues for performance advertising when a user engages with the advertisement, such as a click, a view, or a purchase. For brand advertising, we recognize revenues when the ad is displayed, or a user views the ad.

For ads placed on Google Network properties, we evaluate whether we are the principal (i.e., report revenues on a gross basis) or agent (i.e., report revenues on a net basis). Generally, we report advertising revenues for ads placed on Google Network properties on a gross basis, that is, the amounts billed to our customers are recorded as revenues, and amounts paid to Google Network partners are recorded as cost of revenues. Where we are the principal, we control the advertising inventory before it is transferred to our customers. Our control is evidenced by our sole ability to monetize the advertising inventory before it is transferred to our customers and is further supported by us being primarily responsible to our customers and having a level of discretion in establishing pricing.

Google Cloud Revenues

Google Cloud revenues consist of revenues from:

- Google Cloud Platform, which includes fees for infrastructure, platform, and other services;
- Google Workspace, which includes fees for cloud-based communication and collaboration tools for enterprises, such as Gmail, Docs, Drive, Calendar, and Meet; and
- other enterprise services.

Our cloud services are generally provided on either a consumption or subscription basis and may have contract terms longer than a year. Revenues related to cloud services provided on a consumption basis are recognized when the customer utilizes the services, based on the quantity of services consumed. Revenues related to cloud services provided on a subscription basis are recognized ratably over the contract term as the customer receives and consumes the benefits of the cloud services.

Google Other Revenues

Google other revenues consist of revenues from:

- Google Play, which includes sales of apps and in-app purchases;
- hardware, which includes sales of Fitbit wearable devices, Google Nest home products, and Pixel devices;
- YouTube non-advertising, which includes subscription revenues from services such as YouTube Premium and YouTube TV; and
- other products and services.

We report revenues from Google Play app sales and in-app purchases on a net basis, because our performance obligation is to facilitate a transaction between app developers and end users, for which we earn a service fee.

Arrangements with Multiple Performance Obligations

Our contracts with customers may include multiple performance obligations. For such arrangements, we allocate revenues to each performance obligation based on its relative standalone selling price. We generally determine standalone selling prices based on the prices charged to customers.

Customer Incentives and Credits

Certain customers receive cash-based incentives or credits, which are accounted for as variable consideration. We estimate these amounts based on the expected amount to be provided to customers and reduce revenues. We believe that there will not be significant changes to our estimates of variable consideration.

Sales Commissions

We expense sales commissions when incurred when the amortization period (the period of the expected benefit) is one year or less. We recognize an asset for certain sales commissions if we expect the period of benefit of these costs to exceed one year and recognize the expense over the amortization period. These costs are recorded within sales and marketing expenses.

Cost of Revenues

Cost of revenues consists of TAC and other costs of revenues.

- TAC includes: