

# Alphabet Announces Third Quarter 2018 Results

MOUNTAIN VIEW, Calif. – October 25, 2018 – Alphabet Inc. (NASDAQ: GOOG, GOOGL) today announced financial results for the quarter ended September 30, 2018.

"Our business continues to have strong momentum globally, led by mobile search and our many products that help billions of people every day," said Ruth Porat, Chief Financial Officer of Alphabet and Google. "Alphabet revenues were \$33.7 billion, up 21% versus the third quarter of 2017, and we remain focused on delivering on the opportunities we see."

## Q3 2018 financial highlights

The following summarizes our consolidated financial results for the quarters ended September 30, 2017 and 2018 (in millions, except for per share information, percentages, and number of employees; unaudited) with results for the quarter ended September 30, 2018 affected by gains on equity securities reflected in other income (expense), net (OI&E):

|   | Three Months Ended<br>September 30, 2017 | Three Months Ended<br>September 30, 2018 |
|---|--|--|
| Revenues  | \$27,772                                 | \$33,740                                 |
| Increase in revenues year over year                   | 24%                                      | 21%                                      |
| Increase in constant currency revenues year over year | 24%                                      | 22%                                      |
| Operating income                                      | \$7,782                                  | \$8,310                                  |
| Operating margin                                      | 28%                                      | 25%                                      |
| OI&E  | \$197                                    | \$1,773                                  |
| Net income  | \$6,732                                  | \$9,192                                  |
| Diluted EPS   | \$9.57                                   | \$13.06                                  |
| Diluted shares (in thousands)                         | 703,716                                  | 703,859                                  |
| Effective tax rate                                    | 16%                                      | 9%                                       |
| Number of employees                                   | 78,101                                   | 94,372                                   |

**Q3 2018 supplemental information** (in millions, except for EPS and percentages; unaudited)

## Segment revenues and operating results

|   | Three Months Ended<br>September 30, 2017 | Three Months Ended<br>September 30, 2018 |
|---|--|--|
| Google properties revenues                  | \$19,723                                 | \$24,054                                 |
| Google Network Members' properties revenues | 4,342                                    | 4,900                                    |
| Google advertising revenues                 | 24,065                                   | 28,954                                   |
| Google other revenues                       | 3,590                                    | 4,640                                    |
| Google segment revenues                     | \$27,655                                 | \$33,594                                 |
| Other Bets revenues                         | \$117                                    | \$146                                    |
| Google operating income                     | \$8,582                                  | \$9,490                                  |
| Other Bets operating loss                   | (\$650)                                  | (\$727)                                  |

### Traffic acquisition costs (TAC) to Google Network Members and distribution partners

|   | Three Months Ended<br>September 30, 2017 | Three Months Ended<br>September 30, 2018 |
|---|--|--|
| TAC to Google Network Members   | \$3,101                                  | \$3,427                                  |
| TAC to Google Network Members as % of Google Network Members' properties revenues | 71%                                      | 70%                                      |
| TAC to distribution partners  | \$2,401                                  | \$3,155                                  |
| TAC to distribution partners as % of Google properties revenues                   | 12%                                      | 13%                                      |
| Total TAC   | \$5,502                                  | \$6,582                                  |
| Total TAC as % of Google advertising revenues                                     | 23%                                      | 23%                                      |

### Monetization metrics information

|   | Change from Q3<br>2017 to Q3 2018<br>(YoY) | Change from Q2<br>2018 to Q3 2018<br>(QoQ) |
|---|--|--|
| Paid clicks on Google properties                          | 62 %                                       | 10 %                                       |
| Cost-per-click on Google properties                       | (28)%                                      | (7)%                                       |
| Impressions on Google Network Members' properties         | 1 %  | (1)%                                       |
| Cost-per-impression on Google Network Members' properties | 11 %                                       | 2 %  |

### Q3 2018 impact from equity securities

The following summarizes the effects on our Q3 2018 results of an accounting standard (ASU 2016-01) adopted on January 1, 2018 that changed the way companies are required to account for equity security investments. Specifically, all gains and losses, unrealized and realized, on equity security investments must be recognized in OI&E on the income statement. In addition, performance fees related to these equity security gains in Q3 2018 were accrued in operating expenses in the period.

|                            | Three Months Ended<br>September 30, 2018 |
|----------------------------|--|
| Operating expenses impact: |  |
| Accrued performance fees   | \$315                                    |
| OI&E impact:               |  |
| Gain on equity securities  | \$1,382                                  |
| Income tax impact:         |  |
| Income tax expense         | \$224                                    |
| Net income impact          | \$843                                    |
| Diluted EPS impact         | \$1.20                                   |

### Webcast and conference call information

A live audio webcast of our third quarter 2018 earnings release call will be available at <http://abc.xyz/investor>. The call begins today at 1:30 PM (PT) / 4:30 PM (ET). This press release, including the reconciliations of certain non-GAAP measures to their nearest comparable GAAP measures, is also available on that site.

We also provide announcements regarding our financial performance, including SEC filings, investor events, press and earnings releases, and blogs, on our investor relations website (<http://abc.xyz/investor>).

### Forward-looking statements

This press release may contain forward-looking statements that involve risks and uncertainties. Actual results may differ materially from the results predicted, and reported results should not be considered as an indication of future performance. The potential risks and uncertainties that could cause actual results to differ from the results predicted include, among others, those risks and uncertainties included under the captions "Risk Factors" and "Management's

Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2017 and our most recent Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, which are on file with the SEC and are available on our investor relations website at <http://abc.xyz/investor> and on the SEC website at [www.sec.gov](http://www.sec.gov). Additional information will also be set forth in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2018. All information provided in this release and in the attachments is as of October 25, 2018. Undue reliance should not be placed on the forward-looking statements in this press release, which are based on information available to us on the date hereof. We undertake no duty to update this information unless required by law.

### **About non-GAAP financial measures**

To supplement our consolidated financial statements, which are prepared and presented in accordance with GAAP, we use the following non-GAAP financial measures: free cash flow; constant currency revenues; and constant currency revenue growth. The presentation of this financial information is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

We use these non-GAAP financial measures for financial and operational decision-making and as a means to evaluate period-to-period comparisons. We believe that these non-GAAP financial measures provide meaningful supplemental information regarding our performance and liquidity by excluding certain items that may not be indicative of our recurring core business operating results, such as our revenues excluding the impact of foreign exchange rate movements and hedging activities. We believe that both management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when planning, forecasting, and analyzing future periods. These non-GAAP financial measures also facilitate management's internal comparisons to our historical performance and liquidity as well as comparisons to our competitors' operating results. We believe these non-GAAP financial measures are useful to investors both because (1) they allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making and (2) they are used by our institutional investors and the analyst community to help them analyze the health of our business.

There are a number of limitations related to the use of non-GAAP financial measures. We compensate for these limitations by providing specific information regarding the GAAP amounts excluded from these non-GAAP financial measures and evaluating these non-GAAP financial measures together with their relevant financial measures in accordance with GAAP.

For more information on these non-GAAP financial measures, please see the tables captioned "Reconciliation from net cash provided by operating activities to free cash flow" and "Reconciliation from GAAP revenues to non-GAAP constant currency revenues" included at the end of this release.

### **Contact**

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**Alphabet Inc.**  
**CONSOLIDATED BALANCE SHEETS**

(In millions, except share amounts which are reflected in thousands and par value per share amounts)

|  | December 31,<br>2017 | September 30,<br>2018<br>(unaudited) |
|--|----------------------|--------------------------------------|
| <b>Assets</b>  |                      |                                      |
| Current assets:  |                      |                                      |
| Cash and cash equivalents  | \$ 10,715            | \$ 13,443                            |
| Marketable securities  | 91,156               | 92,973                               |
| Total cash, cash equivalents, and marketable securities  | 101,871              | 106,416                              |
| Accounts receivable, net of allowance of \$674 and \$652   | 18,336               | 17,897                               |
| Income taxes receivable, net   | 369                  | 170                                  |
| Inventory  | 749                  | 1,212                                |
| Other current assets   | 2,983                | 4,007                                |
| Total current assets   | 124,308              | 129,702                              |
| Non-marketable investments   | 7,813                | 12,673                               |
| Deferred income taxes  | 680                  | 682                                  |
| Property and equipment, net  | 42,383               | 55,300                               |
| Intangible assets, net   | 2,692                | 2,448                                |
| Goodwill   | 16,747               | 17,895                               |
| Other non-current assets   | 2,672                | 2,838                                |
| Total assets   | <u>\$ 197,295</u>    | <u>\$ 221,538</u>                    |
| <b>Liabilities and Stockholders' Equity</b>  |                      |                                      |
| Current liabilities:   |                      |                                      |
| Accounts payable   | \$ 3,137             | \$ 3,789                             |
| Accrued compensation and benefits  | 4,581                | 5,946                                |
| Accrued expenses and other current liabilities   | 10,177               | 15,936                               |
| Accrued revenue share  | 3,975                | 3,878                                |
| Deferred revenue   | 1,432                | 1,752                                |
| Income taxes payable, net  | 881                  | 0                                    |
| Total current liabilities  | 24,183               | 31,301                               |
| Long-term debt   | 3,969                | 3,986                                |
| Deferred revenue, non-current  | 340                  | 317                                  |
| Income taxes payable, non-current  | 12,812               | 11,562                               |
| Deferred income taxes  | 430                  | 1,318                                |
| Other long-term liabilities  | 3,059                | 3,214                                |
| Total liabilities  | 44,793               | 51,698                               |
| 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); 694,783 (Class A 298,470, Class B 46,972, Class C 349,341) and 695,957 (Class A 298,967, Class B 46,880, Class C 350,110) shares issued and outstanding | 40,247               | 43,111                               |
| Accumulated other comprehensive loss   | (992)                | (1,676)                              |
| Retained earnings  | 113,247              | 128,405                              |
| Total stockholders' equity   | 152,502              | 169,840                              |
| Total liabilities and stockholders' equity   | <u>\$ 197,295</u>    | <u>\$ 221,538</u>                    |

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

|  | Three Months Ended |                 | Nine Months Ended |                  |
|--|--------------------|-----------------|-------------------|------------------|
|  | September 30,      |                 | September 30,     |                  |
|  | 2017               | 2018            | 2017              | 2018             |
| Revenues   | \$ 27,772          | \$ 33,740       | \$ 78,532         | \$ 97,543        |
| Costs and expenses:  |                    |                 |                   |                  |
| Cost of revenues   | 11,148             | 14,281          | 31,316            | 41,631           |
| Research and development   | 4,205              | 5,232           | 12,319            | 15,385           |
| Sales and marketing  | 3,042              | 3,849           | 8,583             | 11,233           |
| General and administrative   | 1,595              | 2,068           | 5,096             | 6,105            |
| European Commission fines  | 0                  | 0               | 2,736             | 5,071            |
| Total costs and expenses   | <u>19,990</u>      | <u>25,430</u>   | <u>60,050</u>     | <u>79,425</u>    |
| Income from operations   | 7,782              | 8,310           | 18,482            | 18,118           |
| Other income (expense), net  | 197                | 1,773           | 693               | 6,723            |
| Income before income taxes   | <u>7,979</u>       | <u>10,083</u>   | <u>19,175</u>     | <u>24,841</u>    |
| Provision for income taxes   | 1,247              | 891             | 3,493             | 3,053            |
| Net income   | <u>\$ 6,732</u>    | <u>\$ 9,192</u> | <u>\$ 15,682</u>  | <u>\$ 21,788</u> |
| Basic earnings per share of Class A and B common stock and Class C capital stock   | \$ 9.71            | \$ 13.21        | \$ 22.65          | \$ 31.34         |
| Diluted earnings per share of Class A and B common stock and Class C capital stock | \$ 9.57            | \$ 13.06        | \$ 22.30          | \$ 30.95         |

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

|  | Three Months Ended<br>September 30, |                  | Nine Months Ended<br>September 30, |                  |
|--|-------------------------------------|------------------|------------------------------------|------------------|
|  | 2017                                | 2018             | 2017                               | 2018             |
| <b>Operating activities</b>  |                                     |                  |                                    |                  |
| Net income   | \$ 6,732                            | \$ 9,192         | \$ 15,682                          | \$ 21,788        |
| Adjustments:   |                                     |                  |                                    |                  |
| Depreciation and impairment of property and equipment                  | 1,561                               | 2,138            | 4,272                              | 5,791            |
| Amortization and impairment of intangible assets                       | 200                                 | 217              | 617                                | 664              |
| Stock-based compensation expense                                       | 1,820                               | 2,230            | 5,832                              | 7,100            |
| Deferred income taxes  | (296)                               | 880              | 242                                | 723              |
| (Gain) loss on debt and equity securities, net                         | 45                                  | (1,353)          | 67                                 | (5,413)          |
| Other  | 96                                  | 38               | 192                                | (82)             |
| Changes in assets and liabilities, net of effects of acquisitions:     |                                     |                  |                                    |                  |
| Accounts receivable  | (1,150)                             | (670)            | (719)                              | 718              |
| Income taxes, net  | 914                                 | (1,235)          | (865)                              | (1,891)          |
| Other assets   | (1,632)                             | (484)            | (2,086)                            | (1,240)          |
| Accounts payable   | (61)                                | 316              | 58                                 | 293              |
| Accrued expenses and other liabilities                                 | 1,434                               | 1,857            | 3,121                              | 6,457            |
| Accrued revenue share  | 176                                 | 107              | 182                                | (196)            |
| Deferred revenue   | 33                                  | (23)             | 228                                | 272              |
| Net cash provided by operating activities                              | <u>9,872</u>                        | <u>13,210</u>    | <u>26,823</u>                      | <u>34,984</u>    |
| <b>Investing activities</b>  |                                     |                  |                                    |                  |
| Purchases of property and equipment                                    | (3,538)                             | (5,282)          | (8,877)                            | (18,058)         |
| Proceeds from disposals of property and equipment                      | 27                                  | 20               | 81                                 | 69               |
| Purchases of marketable securities                                     | (39,033)                            | (14,299)         | (78,709)                           | (37,340)         |
| Maturities and sales of marketable securities                          | 28,350                              | 9,403            | 62,588                             | 34,926           |
| Purchases of non-marketable investments                                | (177)                               | (386)            | (871)                              | (1,118)          |
| Maturities and sales of non-marketable investments                     | 97                                  | 154              | 215                                | 1,345            |
| Acquisitions, net of cash acquired, and purchases of intangible assets | (130)                               | (18)             | (273)                              | (1,452)          |
| Proceeds from collection of notes receivable                           | 0                                   | 0                | 1,419                              | 0                |
| Net cash used in investing activities                                  | <u>(14,404)</u>                     | <u>(10,408)</u>  | <u>(24,427)</u>                    | <u>(21,628)</u>  |
| <b>Financing activities</b>  |                                     |                  |                                    |                  |
| Net payments related to stock-based award activities                   | (1,018)                             | (1,253)          | (3,111)                            | (3,952)          |
| Repurchases of capital stock   | 0                                   | (2,200)          | (2,745)                            | (6,425)          |
| Proceeds from issuance of debt, net of costs                           | 2,698                               | 530              | 2,698                              | 6,766            |
| Repayments of debt   | (2,706)                             | (555)            | (2,762)                            | (6,822)          |
| Proceeds from sale of subsidiary shares                                | 320                                 | 0                | 800                                | 0                |
| Net cash used in financing activities                                  | <u>(706)</u>                        | <u>(3,478)</u>   | <u>(5,120)</u>                     | <u>(10,433)</u>  |
| Effect of exchange rate changes on cash and cash equivalents           | 108                                 | (29)             | 387                                | (195)            |
| <b>Net increase (decrease) in cash and cash equivalents</b>            | <u>(5,130)</u>                      | <u>(705)</u>     | <u>(2,337)</u>                     | <u>2,728</u>     |
| Cash and cash equivalents at beginning of period                       | 15,711                              | 14,148           | 12,918                             | 10,715           |
| <b>Cash and cash equivalents at end of period</b>                      | <u>\$ 10,581</u>                    | <u>\$ 13,443</u> | <u>\$ 10,581</u>                   | <u>\$ 13,443</u> |

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

We provide free cash flow because it is a liquidity measure that provides useful information to management and investors about the amount of cash generated by the business that can be used for strategic opportunities, including investing in our business and acquisitions, and to strengthen our balance sheet.

|  | <b>Three Months<br/>Ended September<br/>30, 2018</b> |              |
|--|--|--------------|
| <b>Net cash provided by operating activities</b> | \$   | 13,210       |
| Less: purchases of property and equipment        |  | (5,282)      |
| <b>Free cash flow</b>                            | <b>\$</b>  | <b>7,928</b> |

*Free cash flow:* We define free cash flow as net cash provided by operating activities less capital expenditures.

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

We provide non-GAAP constant currency revenues and growth because they facilitate the comparison of current results to historic performance by excluding the impact of foreign exchange rate movements and hedging activities, which are not indicative of our core operating results.

|   | Three Months Ended<br>September 30, 2018 | Three Months Ended<br>September 30, 2018 |
|---|--|--|
|   | YoY<br>(using Q3'17's FX rates)          | QoQ<br>(using Q2'18's FX rates)          |
| <b>EMEA revenues (GAAP)</b>   | \$ 10,958                                | \$ 10,958                                |
| Exclude foreign exchange impact on Q3'18 revenues using Q3'17 rates       | 123                                      | N/A                                      |
| Exclude foreign exchange impact on Q3'18 revenues using Q2'18 rates       | N/A                                      | 398                                      |
| Exclude hedging impact recognized in Q3'18                                | (49)                                     | (49)                                     |
| <b>EMEA constant currency revenues (non-GAAP)</b>                         | <u>\$ 11,032</u>                         | <u>\$ 11,307</u>                         |
| Prior period EMEA revenues, excluding hedging impact (non-GAAP)           | \$ 9,258                                 | \$ 10,888                                |
| EMEA revenue growth (GAAP)  | 20%                                      | 2 %                                      |
| EMEA constant currency revenue growth (non-GAAP)                          | 19%                                      | 4 %                                      |
| <b>APAC revenues (GAAP)</b>   | \$ 5,424                                 | \$ 5,424                                 |
| Exclude foreign exchange impact on Q3'18 revenues using Q3'17 rates       | 94                                       | N/A                                      |
| Exclude foreign exchange impact on Q3'18 revenues using Q2'18 rates       | N/A                                      | 135                                      |
| Exclude hedging impact recognized in Q3'18                                | (23)                                     | (23)                                     |
| <b>APAC constant currency revenues (non-GAAP)</b>                         | <u>\$ 5,495</u>                          | <u>\$ 5,536</u>                          |
| Prior period APAC revenues, excluding hedging impact (non-GAAP)           | \$ 4,217                                 | \$ 5,090                                 |
| APAC revenue growth (GAAP)  | 29%                                      | 7 %                                      |
| APAC constant currency revenue growth (non-GAAP)                          | 30%                                      | 9 %                                      |
| <b>Other Americas revenues (GAAP)</b>                                     | \$ 1,835                                 | \$ 1,835                                 |
| Exclude foreign exchange impact on Q3'18 revenues using Q3'17 rates       | 168                                      | N/A                                      |
| Exclude foreign exchange impact on Q3'18 revenues using Q2'18 rates       | N/A                                      | 82                                       |
| Exclude hedging impact recognized in Q3'18                                | (8)                                      | (8)                                      |
| <b>Other Americas constant currency revenues (non-GAAP)</b>               | <u>\$ 1,995</u>                          | <u>\$ 1,909</u>                          |
| Prior period Other Americas revenues, excluding hedging impact (non-GAAP) | \$ 1,558                                 | \$ 1,849                                 |
| Other Americas revenue growth (GAAP)                                      | 19%                                      | (1)%                                     |
| Other Americas constant currency revenue growth (non-GAAP)                | 28%                                      | 3 %                                      |
| <b>United States revenues (GAAP)</b>                                      | \$ 15,523                                | \$ 15,523                                |
| United States revenue growth (GAAP)                                       | 20%                                      | 4 %                                      |
| <b>Revenues (GAAP)</b>  | <u>\$ 33,740</u>                         | <u>\$ 33,740</u>                         |
| <b>Constant currency revenues (non-GAAP)</b>                              | <u>\$ 34,045</u>                         | <u>\$ 34,275</u>                         |
| Prior period revenues, excluding hedging impact (non-GAAP)                | \$ 27,963                                | \$ 32,760                                |
| Revenue growth (GAAP)   | 21%                                      | 3 %                                      |
| Constant currency revenue growth (non-GAAP)                               | 22%                                      | 5 %                                      |

*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 we 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 impact recognized in the current quarter. Constant currency revenue growth (expressed as a percentage) is calculated by determining the increase in current quarter non-GAAP constant currency revenues over prior period revenues, excluding any hedging impact recognized in the prior period.

**Other income (expense), net**

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

|   | <b>Three Months Ended</b> |                 |
|---|---------------------------|-----------------|
|   | <b>September 30,</b>      |                 |
|   | <b>2017</b>               | <b>2018</b>     |
| Interest income   | \$ 306                    | \$ 481          |
| Interest expense  | (27)                      | (28)            |
| Foreign currency exchange losses, net                   | (53)                      | (55)            |
| Loss on debt securities, net                            | (46)                      | (29)            |
| Gain on equity securities, net                          | 1                         | 1,382           |
| Loss and impairment from equity method investments, net | (31)                      | (27)            |
| Other   | 47                        | 49              |
| Other income (expense), net                             | <u>\$ 197</u>             | <u>\$ 1,773</u> |

## Segment results

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

|  | Three Months Ended<br>September 30, |                  |
|--|-------------------------------------|------------------|
|  | 2017 <sup>(1)</sup>                 | 2018             |
| <b>Revenues:</b>                                   |                                     |                  |
| Google   | \$ 27,655                           | \$ 33,594        |
| Other Bets   | 117                                 | 146              |
| Total revenues                                     | <u>\$ 27,772</u>                    | <u>\$ 33,740</u> |
| <b>Operating income (loss):</b>                    |                                     |                  |
| Google   | \$ 8,582                            | \$ 9,490         |
| Other Bets   | (650)                               | (727)            |
| Reconciling items <sup>(2)</sup>                   | (150)                               | (453)            |
| Total income from operations                       | <u>\$ 7,782</u>                     | <u>\$ 8,310</u>  |
| <b>Stock-based compensation<sup>(3)</sup>:</b>     |                                     |                  |
| Google   | \$ 1,690                            | \$ 2,071         |
| Other Bets   | 94                                  | 125              |
| Reconciling items <sup>(4)</sup>                   | 36                                  | 34               |
| Total stock-based compensation                     | <u>\$ 1,820</u>                     | <u>\$ 2,230</u>  |
| <b>Capital expenditures:</b>                       |                                     |                  |
| Google   | \$ 3,563                            | \$ 5,643         |
| Other Bets   | 73                                  | 55               |
| Reconciling items <sup>(5)</sup>                   | (98)                                | (416)            |
| Total capital expenditures                         | <u>\$ 3,538</u>                     | <u>\$ 5,282</u>  |
| <b>Depreciation, amortization, and impairment:</b> |                                     |                  |
| Google   | \$ 1,693                            | \$ 2,277         |
| Other Bets   | 68                                  | 78               |
| Total depreciation, amortization, and impairment   | <u>\$ 1,761</u>                     | <u>\$ 2,355</u>  |

(1) Segment information for Q3 2017 has been recast to reflect the move of Nest from Other Bets to the Google segment in Q1 2018 and conform to the current period segment presentation. Consolidated financial information is not affected.

(2) Reconciling items are primarily related to performance fees for the three months ended September 30, 2018, as well as corporate administrative costs and other miscellaneous items that are not allocated to individual segments.

(3) For purposes of segment reporting, SBC represents awards that we expect to settle in Alphabet stock.

(4) Reconciling items are primarily related to corporate administrative costs that are not allocated to individual segments.

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