

**Google 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, 2013	As of September 30, 2014
		(unaudited)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 18,898	\$ 15,605
Marketable securities	39,819	46,552
Total cash, cash equivalents, and marketable securities (including securities loaned of \$5,059 and \$4,219)	58,717	62,157
Accounts receivable, net of allowance of \$631 and \$230	8,882	8,237
Inventories	426	279
Receivable under reverse repurchase agreements	100	825
Deferred income taxes, net	1,526	1,372
Income taxes receivable, net	408	957
Prepaid revenue share, expenses and other assets	2,827	2,700
Assets held for sale	0	3,588
Total current assets	72,886	80,115
Prepaid revenue share, expenses and other assets, non-current	1,976	2,010
Non-marketable equity investments	1,976	2,470
Property and equipment, net	16,524	20,981
Intangible assets, net	6,066	4,744
Goodwill	11,492	15,461
Total assets	<u>\$ 110,920</u>	<u>\$ 125,781</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 2,453	\$ 1,368
Short-term debt	3,009	2,009
Accrued compensation and benefits	2,502	2,428
Accrued expenses and other current liabilities	3,755	3,933
Accrued revenue share	1,729	1,761
Securities lending payable	1,374	3,402
Deferred revenue	1,062	820
Income taxes payable, net	24	0
Liabilities held for sale	0	2,199
Total current liabilities	15,908	17,920
Long-term debt	2,236	3,230
Deferred revenue, non-current	139	154
Income taxes payable, non-current	2,638	3,117
Deferred income taxes, net, non-current	1,947	1,554
Other long-term liabilities	743	991
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); 671,664 (Class A 279,325, Class B 56,507, Class C 335,832) and par value of \$672 (Class A \$279, Class B \$57, Class C \$336) and 678,277 (Class A 284,674, Class B 54,321, Class C 339,282) and par value of \$678 (Class A \$285, Class B \$54, Class C \$339) shares issued and outstanding	25,922	27,948
Accumulated other comprehensive income (loss)	125	(82)
Retained earnings	61,262	70,949
Total stockholders' equity	<u>87,309</u>	<u>98,815</u>
Total liabilities and stockholders' equity	<u>\$ 110,920</u>	<u>\$ 125,781</u>

**Google Inc.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(In millions, except share amounts which are reflected in thousands and per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2014	2013	2014
	(unaudited)			
Revenues	\$ 13,754	\$ 16,523	\$ 39,812	\$ 47,898
Costs and expenses:				
Cost of revenues <sup>(1)</sup>	5,409	6,695	15,740	18,770
Research and development <sup>(1)</sup>	1,821	2,655	5,204	7,019
Sales and marketing <sup>(1)</sup>	1,628	2,084	4,646	5,754
General and administrative <sup>(1)</sup>	1,135	1,365	3,248	4,258
Total costs and expenses	9,993	12,799	28,838	35,801
Income from operations	3,761	3,724	10,974	12,097
Interest and other income, net	14	133	384	635
Income from continuing operations before income taxes	3,775	3,857	11,358	12,732
Provision for income taxes	612	859	1,893	2,594
Net income from continuing operations	3,163	2,998	9,465	10,138
Net income (loss) from discontinued operations <sup>(1)</sup>	(193)	(185)	79	(451)
Net income	\$ 2,970	\$ 2,813	\$ 9,544	\$ 9,687
Net income (loss) per share - basic:				
Continuing operations	\$ 4.74	\$ 4.42	\$ 14.25	\$ 15.02
Discontinued operations	(0.29)	(0.27)	0.12	(0.67)
Net income per share - basic	\$ 4.45	\$ 4.15	\$ 14.37	\$ 14.35
Net income (loss) per share - diluted:				
Continuing operations	\$ 4.66	\$ 4.36	\$ 14.00	\$ 14.77
Discontinued operations	(0.28)	(0.27)	0.12	(0.66)
Net income per share - diluted	\$ 4.38	\$ 4.09	\$ 14.12	\$ 14.11
Shares used in per share calculation - basic	667,232	677,097	664,366	674,933
Shares used in per share calculation - diluted	678,470	688,215	676,156	686,597

<sup>(1)</sup> Includes stock-based compensation expense as follows:

Cost of revenues	\$ 133	\$ 169	\$ 342	\$ 364
Research and development	436	666	1,175	1,569
Sales and marketing	155	197	398	502
General and administrative	132	223	339	539
Discontinued operations	30	35	187	118
Total stock-based compensation expense	\$ 886	\$ 1,290	\$ 2,441	\$ 3,092

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2014	2013	2014
	(unaudited)		(unaudited)	
Operating activities				
Net income	\$ 2,970	\$ 2,813	\$ 9,544	\$ 9,687
Adjustments:				
Depreciation expense and loss on disposal of property and equipment	693	884	2,024	2,513
Amortization and impairment of intangibles and other assets	281	663	879	1,199
Stock-based compensation expense	886	1,290	2,441	3,092
Excess tax benefits from stock-based award activities	(104)	(175)	(302)	(467)
Deferred income taxes	(140)	(360)	125	(498)
Gain on divestiture of businesses	(15)	0	(705)	0
Gain on equity interest	0	0	0	(126)
Gain on sale of non-marketable equity investments	0	(1)	0	(139)
Other	98	55	44	45
Changes in assets and liabilities, net of effects of acquisitions:				
Accounts receivable	(516)	(36)	(454)	(490)
Income taxes, net	77	413	(79)	351
Inventories	112	26	(46)	46
Prepaid revenue share, expenses and other assets	199	(39)	(149)	460
Accounts payable	357	(127)	285	(113)
Accrued expenses and other liabilities	93	484	(270)	416
Accrued revenue share	0	104	8	36
Deferred revenue	92	0	76	0
Net cash provided by operating activities	5,083	5,994	13,421	16,012
Investing activities				
Purchases of property and equipment	(2,289)	(2,417)	(5,103)	(7,408)
Purchases of marketable securities	(8,964)	(18,335)	(31,746)	(43,192)
Maturities and sales of marketable securities	6,235	13,045	23,241	36,650
Investments in non-marketable equity investments	(299)	(69)	(471)	(536)
Cash collateral related to securities lending	(1,318)	316	220	2,029
Investments in reverse repurchase agreements	670	(725)	600	(725)
Proceeds from divestiture of businesses	174	0	2,525	0
Acquisitions, net of cash acquired, and purchases of intangibles and other assets	(27)	(1,142)	(1,328)	(4,632)
Net cash used in investing activities	(5,818)	(9,327)	(12,062)	(17,814)
Financing activities				
Net payments related to stock-based award activities	(369)	(627)	(637)	(1,548)
Excess tax benefits from stock-based award activities	104	175	302	467
Proceeds from issuance of debt, net of costs	2,699	2,874	8,350	9,167
Repayments of debt	(2,701)	(2,877)	(8,904)	(9,181)
Net cash used in financing activities	(267)	(455)	(889)	(1,095)

Effect of exchange rate changes on cash and cash equivalents	80	(227)	(6)	(236)
<b>Net increase (decrease) in cash and cash equivalents</b>	(922)	(4,015)	464	(3,133)
<b>Cash and cash equivalents at beginning of period</b>	16,164	19,620	14,778	18,898
<b>Reclassification to assets held for sale</b>	0	0	0	(160)
<b>Cash and cash equivalents at end of period</b>	<u>\$ 15,242</u>	<u>\$ 15,605</u>	<u>\$ 15,242</u>	<u>\$ 15,605</u>

## Reconciliations of non-GAAP consolidated 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 September 30, 2013					Three Months Ended September 30, 2014				
	GAAP Actual	Operating Margin (a)	Adjustments	Non-GAAP Results	Non-GAAP Operating Margin (e)	GAAP Actual	Operating Margin (a)	Adjustments	Non-GAAP Results	Non-GAAP Operating Margin (e)
			\$ 856 (b)					\$ 1,255 (f)		
			—					378 (g)		
Income from operations	\$ 3,761	27.3%	\$ 856	\$ 4,617	33.6%	\$ 3,724	22.5%	\$ 1,633	\$ 5,357	32.4%
			\$ 856 (b)					\$ 1,255 (f)		
			(200) (c)					(258) (c)		
			193 (d)					185 (d)		
			—					378 (g)		
Net income	\$ 2,970		\$ 849	\$ 3,819		\$ 2,813		\$ 1,560	\$ 4,373	
Net income per share - diluted	\$ 4.38			\$ 5.63		\$ 4.09			\$ 6.35	
Shares used in per share calculation - diluted	678,470			678,470		688,215			688,215	

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

(b) To eliminate \$856 million of stock-based compensation expense recorded in the third quarter of 2013.

(c) To eliminate income tax effects related to expenses noted in (b) and (f).

(d) To eliminate net loss from discontinued operations.

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

(f) To eliminate \$1,255 million of stock-based compensation expense recorded in the third quarter of 2014.

(g) To eliminate \$378 million of impairment charge related to a patent licensing royalty asset acquired in connection with the purchase of Motorola.

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

	<b>Three Months Ended September 30, 2014</b>	
<b>Net cash provided by operating activities</b>	\$	5,994
Less purchases of property and equipment		(2,417)
<b>Free cash flow</b>	\$	3,577
<b>Net cash used in investing activities <sup>(a)</sup></b>	\$	(9,327)
<b>Net cash used in financing activities</b>	\$	(455)

<sup>(a)</sup> Includes purchases of property and equipment.

**Reconciliation from GAAP international revenues to non-GAAP international revenues (in millions, unaudited):**

	Three Months Ended September 30, 2014 <i>(using Q3'13's FX rates)</i>	Three Months Ended September 30, 2014 <i>(using Q2'14's FX rates)</i>
<b>United Kingdom revenues (GAAP)</b>	\$ 1,627	\$ 1,627
Exclude foreign exchange impact on Q3'14 revenues using Q3'13 rates	(121)	N/A
Exclude foreign exchange impact on Q3'14 revenues using Q2'14 rates	N/A	(9)
Exclude hedging gains recognized in Q3'14	-	-
<b>United Kingdom revenues excluding foreign exchange and hedging impact (Non-GAAP)</b>	<u>\$ 1,506</u>	<u>\$ 1,618</u>
<b>Rest of the world revenues (GAAP)</b>	\$ 7,921	\$ 7,921
Exclude foreign exchange impact on Q3'14 revenues using Q3'13 rates	15	N/A
Exclude foreign exchange impact on Q3'14 revenues using Q2'14 rates	N/A	75
Exclude hedging gains recognized in Q3'14	(10)	(10)
<b>Rest of the world revenues excluding foreign exchange and hedging impact (Non-GAAP)</b>	<u>\$ 7,926</u>	<u>\$ 7,986</u>



The following table presents our revenues by revenue source (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2014	2013	2014
	(unaudited)			
Advertising revenues:				
Websites	\$ 9,376	\$ 11,252	\$ 26,884	\$ 32,656
Network Members' websites	3,148	3,430	9,603	10,251
Total advertising revenues	12,524	14,682	36,487	42,907
Other revenues	1,230	1,841	3,325	4,991
Total revenues	<u>\$ 13,754</u>	<u>\$ 16,523</u>	<u>\$ 39,812</u>	<u>\$ 47,898</u>

The following table presents our revenues, by revenue source, as a percentage of total revenues:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2014	2013	2014
	(unaudited)			
Advertising revenues:				
Websites	68%	68%	68%	68%
Network Members' websites	23%	21%	24%	22%
Total advertising revenues	91%	89%	92%	90%
Other revenues	9%	11%	8%	10%
Total revenues	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>