

AMENDED Exhibit 700

PLAINTIFFS' OMNIBUS OPPOSITION TO DEFENDANTS' MOTIONS FOR SUMMARY JUDGMENT

Case No.: 4:22-md-03047-YGR

MDL No. 3047

In Re: Social Media Adolescent Addiction/Personal Injury Products Liability Litigation

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____.

Commission file number: **001-37580**

Alphabet Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

61-1767919

(I.R.S. Employer Identification No.)

1600 Amphitheatre Parkway

Mountain View, CA 94043

(Address of principal executive offices, including zip code)

(650) 253-0000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Class A Common Stock, \$0.001 par value	GOOGL	Nasdaq Stock Market LLC (Nasdaq Global Select Market)
Class C Capital Stock, \$0.001 par value	GOOG	Nasdaq Stock Market LLC (Nasdaq Global Select Market)

Securities registered pursuant to Section 12(g) of the Act:

Title of each class

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Executive Overview

The following table summarizes our consolidated financial results (in millions, except for per share information and percentages):

	Year Ended December 31,		\$ Change	% Change
	2022	2023		
Consolidated revenues	\$ 282,836	\$ 307,394	\$ 24,558	9 %
Change in consolidated constant currency revenues ⁽¹⁾				10 %
Cost of revenues	\$ 126,203	\$ 133,332	\$ 7,129	6 %
Operating expenses	\$ 81,791	\$ 89,769	\$ 7,978	10 %
Operating income	\$ 74,842	\$ 84,293	\$ 9,451	13 %
Operating margin	26 %	27 %		1 %
Other income (expense), net	\$ (3,514)	\$ 1,424	\$ 4,938	NM
Net income	\$ 59,972	\$ 73,795	\$ 13,823	23 %
Diluted EPS	\$ 4.56	\$ 5.80	\$ 1.24	27 %

NM = Not Meaningful

⁽¹⁾ See "Use of Non-GAAP Constant Currency Information" below for details relating to our use of constant currency information.

- Revenues were \$307.4 billion, an increase of 9% year over year, primarily driven by an increase in Google Services revenues of \$19.0 billion, or 8%, and an increase in Google Cloud revenues of \$6.8 billion, or 26%.
- Total constant currency revenues, which exclude the effect of hedging, increased 10% year over year.
- Cost of revenues was \$133.3 billion, an increase of 6% year over year, primarily driven by increases in content acquisition costs, compensation expenses, and TAC. The increase in compensation expenses included charges related to employee severance associated with the reduction in our workforce. Additionally, cost of revenues benefited from a reduction in depreciation due to the change in estimated useful lives of our servers and network equipment.
- Operating expenses were \$89.8 billion, an increase of 10% year over year, primarily driven by an increase in compensation expenses and charges related to our office space optimization efforts. The increase in compensation expenses was largely the result of charges related to employee severance associated with the reduction in our workforce and an increase in SBC expense. Operating expenses benefited from the change in the estimated useful lives of our servers and certain network equipment.

Other Information:

- In January 2023, we announced a reduction of our workforce, and as a result we recorded employee severance and related charges of \$2.1 billion for the year ended December 31, 2023. In addition, we are taking actions to optimize our global office space. As a result, exit charges recorded during the year ended December 31, 2023, were \$1.8 billion. In addition to these exit charges, for the year ended December 31, 2023, we incurred \$269 million in accelerated rent and accelerated depreciation. For additional information, see Note 8 of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.
- In January 2023, we completed an assessment of the useful lives of our servers and network equipment, resulting in a change in the estimated useful life of our servers and certain network equipment to six years. The effect of this change was a reduction in depreciation expense of \$3.9 billion for the year ended December 31, 2023, recognized primarily in cost of revenues and R&D expenses. For additional information, see Note 1 of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

- On July 21, 2023, the IRS announced a rule change allowing taxpayers to temporarily apply the regulations in effect prior to 2022 related to U.S. federal foreign tax credits. This announcement applies to foreign taxes paid or accrued in the fiscal years 2022 and 2023. A cumulative one-time adjustment applicable to the prior period for this tax rule change was recorded in 2023 and is reflected in our effective tax rate of 13.9% for the year ended December 31, 2023.
- Repurchases of Class A and Class C shares were \$62.2 billion for the year ended December 31, 2023. For additional information, see Note 11 of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.
- Operating cash flow was \$101.7 billion for the year ended December 31, 2023.
- Capital expenditures, which primarily reflected investments in technical infrastructure, were \$32.3 billion for the year ended December 31, 2023.
- As of December 31, 2023, we had 182,502 employees.

Financial Results

Revenues

The following table presents revenues by type (in millions):

	Year Ended December 31,	
	2022	2023
Google Search & other	\$ 162,450	\$ 175,033
YouTube ads	29,243	31,510
Google Network	32,780	31,312
Google advertising	224,473	237,855
Google subscriptions, platforms, and devices	29,055	34,688
Google Services total	253,528	272,543
Google Cloud	26,280	33,088
Other Bets	1,068	1,527
Hedging gains (losses)	1,960	236
Total revenues	\$ 282,836	\$ 307,394

Google Services

Google advertising revenues

Google Search & other

Google Search & other revenues increased \$12.6 billion from 2022 to 2023. The overall growth was driven by interrelated factors including increases in search queries resulting from growth in user adoption and usage on mobile devices; growth in advertiser spending; and improvements we have made in ad formats and delivery.

YouTube ads

YouTube ads revenues increased \$2.3 billion from 2022 to 2023. The growth was driven by our brand and direct response advertising products, both of which benefited from increased spending by our advertisers.

Google Network

Google Network revenues decreased \$1.5 billion from 2022 to 2023, primarily driven by a decrease in Google Ad Manager and AdSense revenues.

Monetization Metrics

The following table presents changes in monetization metrics for Google Search & other revenues (paid clicks and cost-per-click) and Google Network revenues (impressions and cost-per-impression), expressed as a percentage, from 2022 to 2023:

Google Search & other	
Paid clicks change	7 %
Cost-per-click change	1 %
Google Network	
Impressions change	(5)%
Cost-per-impression change	0 %

Changes in paid clicks and impressions are driven by a number of interrelated factors, including changes in advertiser spending; ongoing product and policy changes; and, as it relates to paid clicks, fluctuations in search queries resulting from changes in user adoption and usage, primarily on mobile devices.

Changes in cost-per-click and cost-per-impression are driven by a number of interrelated factors including changes in device mix, geographic mix, advertiser spending, ongoing product and policy changes, product mix, property mix, and changes in foreign currency exchange rates.

Google subscriptions, platforms, and devices

Google subscriptions, platforms, and devices revenues increased \$5.6 billion from 2022 to 2023 primarily driven by growth in subscriptions, largely for YouTube services. The growth in YouTube services was primarily due to an increase in paid subscribers.

Google subscriptions, platforms, and devices revenues increased \$1.0 billion from 2021 to 2022 primarily driven by growth in subscription and device revenues, partially offset by a decrease in platform revenues. The growth in subscriptions was largely for YouTube services, primarily due to an increase in paid subscribers. The growth in device revenues was primarily driven by increased sales of Pixel devices. The decrease in platform revenues was primarily due to Google Play, driven by the fee structure changes we announced in 2021 as well as a decrease in buyer spending. Additionally, the overall increase in Google subscriptions, platforms, and devices revenues was adversely affected by the unfavorable effect of foreign currency exchange rates.

Google Cloud

Google Cloud revenues increased \$6.8 billion from 2022 to 2023. Growth was primarily driven by Google Cloud Platform followed by Google Workspace offerings. Google Cloud's infrastructure and platform services were the largest drivers of growth in Google Cloud Platform.

Revenues by Geography

The following table presents revenues by geography as a percentage of revenues, determined based on the addresses of our customers:

	Year Ended December 31,	
	2022	2023
United States	48 %	47 %
EMEA	29 %	30 %
APAC	16 %	17 %
Other Americas	6 %	6 %
Hedging gains (losses)	1 %	0 %

For additional information, see Note 2 of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

Use of Non-GAAP Constant Currency Information

International revenues, which represent a significant portion of our revenues, are generally transacted in multiple currencies and therefore are affected by fluctuations in foreign currency exchange rates.

The effect of currency exchange rates on our business is an important factor in understanding period-to-period comparisons. We use non-GAAP constant currency revenues ("constant currency revenues") and non-GAAP percentage change in constant currency revenues ("percentage change in constant currency revenues") for financial and operational decision-making and as a means to evaluate period-to-period comparisons. We believe the presentation of results on a constant currency basis in addition to U.S. Generally Accepted Accounting Principles (GAAP) results helps improve the ability to understand our performance, because it excludes the effects of foreign currency volatility that are not indicative of our core operating results.

Constant currency information compares results between periods as if exchange rates had remained constant period over period. We define constant currency revenues as revenues excluding the effect of foreign currency exchange rate movements ("FX Effect") as well as hedging activities, which are recognized at the consolidated level. We use constant currency revenues to determine the constant currency revenue percentage change on a year-on-year basis. Constant currency revenues are calculated by translating current period revenues using prior year comparable period exchange rates, as well as excluding any hedging effects realized in the current period.

Constant currency revenue percentage change is calculated by determining the change in current period revenues over prior year comparable period revenues where current period foreign currency revenues are translated using prior year comparable period exchange rates and hedging effects are excluded from revenues of both periods.

These results should be considered in addition to, not as a substitute for, results reported in accordance with GAAP. Results on a constant currency basis, as we present them, may not be comparable to similarly titled measures used by other companies and are not a measure of performance presented in accordance with GAAP.

The following table presents the foreign currency exchange effect on international revenues and total revenues (in millions, except percentages):

	Year Ended December 31, 2023							
	Year Ended December 31,		Less FX Effect	Constant Currency Revenues	% Change from Prior Period			
	2022	2023			As Reported	Less Hedging Effect	Less FX Effect	Constant Currency Revenues
United States	\$ 134,814	\$ 146,286	\$ 0	\$ 146,286	9 %		0 %	9 %
EMEA	82,062	91,038	460	90,578	11 %		1 %	10 %
APAC	47,024	51,514	(1,759)	53,273	10 %		(3)%	13 %
Other Americas	16,976	18,320	(654)	18,974	8 %		(4)%	12 %
Revenues, excluding hedging effect	280,876	307,158	(1,953)	309,111	9 %		(1)%	10 %
Hedging gains (losses)	1,960	236						
Total revenues ⁽¹⁾	\$ 282,836	\$ 307,394		\$ 309,111	9 %	0 %	(1)%	10 %

⁽¹⁾ Total constant currency revenues of \$309.1 billion for 2023 increased \$28.2 billion compared to \$280.9 billion in revenues, excluding hedging effect, for 2022.

EMEA revenue growth was favorably affected by changes in foreign currency exchange rates, primarily due to the U.S. dollar weakening relative to the Euro, partially offset by the U.S. dollar strengthening relative to the Turkish lira.

APAC revenue growth was unfavorably affected by changes in foreign currency exchange rates, primarily due to the U.S. dollar strengthening relative to the Japanese yen.

Other Americas revenue growth was unfavorably affected by changes in foreign currency exchange rates, primarily due to the U.S. dollar strengthening relative to the Argentine peso.

Costs and Expenses

Cost of Revenues

The following table presents cost of revenues, including TAC (in millions, except percentages):

	Year Ended December 31,		
	2021	2022	2023
TAC	\$ 45,566	\$ 48,955	\$ 50,886
Other cost of revenues	65,373	77,248	82,446
Total cost of revenues	\$ 110,939	\$ 126,203	\$ 133,332
Total cost of revenues as a percentage of revenues	43 %	45 %	43 %

Cost of revenues increased \$7.1 billion from 2022 to 2023 due to an increase in other cost of revenues and TAC of \$5.2 billion and \$1.9 billion, respectively.

The increase in TAC from 2022 to 2023 was largely due to an increase in TAC paid to distribution partners, primarily driven by growth in revenues subject to TAC. The TAC rate decreased from 21.8% to 21.4% from 2022 to 2023 primarily due to a revenue mix shift from Google Network properties to Google Search & other properties. The TAC rate on Google Search & other revenues and the TAC rate on Google Network revenues were both substantially consistent from 2022 to 2023.

The increase in other cost of revenues from 2022 to 2023 was primarily due to increases in content acquisition costs, largely for YouTube, and compensation expenses, which included \$479 million of charges related to employee severance associated with the reduction in our workforce. Additionally, other cost of revenues benefited from a reduction in depreciation expense due to the change in estimated useful lives of our servers and network equipment.

The increase in other cost of revenues of \$11.9 billion from 2021 to 2022 was primarily due to increases in device costs, compensation expenses, depreciation, and equipment-related expenses.

Research and Development

The following table presents R&D expenses (in millions, except percentages):

	Year Ended December 31,	
	2022	2023
Research and development expenses	\$ 39,500	\$ 45,427
Research and development expenses as a percentage of revenues	14 %	15 %

R&D expenses increased \$5.9 billion from 2022 to 2023 primarily driven by an increase in compensation expenses of \$2.9 billion, \$870 million in charges related to our office space optimization efforts, and an increase in depreciation expense of \$722 million. The \$2.9 billion increase in compensation expenses was largely the result of a 4% increase in average headcount, after adjusting for roles affected by the reduction in our workforce, and an increase in SBC expense. Additionally, the increase in compensation expenses included \$848 million in employee severance charges associated with the reduction in our workforce. The \$722 million increase in depreciation expense reflected an offsetting benefit of the change in the estimated useful lives of our servers and network equipment.

Sales and Marketing

The following table presents sales and marketing expenses (in millions, except percentages):

	Year Ended December 31,	
	2022	2023
Sales and marketing expenses	\$ 26,567	\$ 27,917
Sales and marketing expenses as a percentage of revenues	9 %	9 %

Sales and marketing expenses increased \$1.4 billion from 2022 to 2023, primarily driven by an increase in compensation expenses of \$1.6 billion, partially offset by a decrease in advertising and promotional activities of \$441 million. The \$1.6 billion increase in compensation expenses was largely the result of \$497 million in employee severance charges associated with the reduction in our workforce in addition to a combination of other factors, none of which were individually significant.

General and Administrative

The following table presents general and administrative expenses (in millions, except percentages):

	Year Ended December 31,	
	2022	2023
General and administrative expenses	\$ 15,724	\$ 16,425
General and administrative expenses as a percentage of revenues	6 %	5 %

General and administrative expenses increased \$701 million from 2022 to 2023, primarily driven by an increase in compensation expenses of \$416 million, which was largely the result of \$264 million in employee severance charges associated with the reduction in our workforce in addition to a combination of other factors, none of which were individually significant.

Segment Profitability

The following table presents segment operating income (loss) (in millions).

	Year Ended December 31,	
	2022	2023
Operating income (loss):		
Google Services	\$ 82,699	\$ 95,858
Google Cloud	(1,922)	1,716
Other Bets	(4,636)	(4,095)
Alphabet-level activities ⁽¹⁾	(1,299)	(9,186)
Total income from operations	\$ 74,842	\$ 84,293

⁽¹⁾ In addition to the costs included in Alphabet-level activities, hedging gains (losses) related to revenue were \$2.0 billion and \$236 million in 2022 and 2023, respectively. For the year ended December 31, 2023, Alphabet-level activities include charges related to the reduction in force and our office space optimization efforts totaling \$3.9 billion. In addition, for the year ended December 31, 2023, we incurred \$269 million in accelerated rent and accelerated depreciation. For additional information relating to our workforce reduction and other initiatives, see Note 8 of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K. For additional information relating to our segments, see Note 15 of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

Google Services

Google Services operating income increased \$13.2 billion from 2022 to 2023. The increase in operating income was primarily driven by an increase in revenues, partially offset by an increase in content acquisition costs and compensation expenses including an increase in SBC expense. Additionally, operating income benefited from a reduction in costs driven by the change in the estimated useful lives of our servers and certain network equipment.

Google Cloud

Google Cloud operating income of \$1.7 billion for 2023 compared to an operating loss of \$1.9 billion for 2022 represents an increase of \$3.6 billion. The increase in operating income was primarily driven by an increase in revenues, partially offset by an increase in compensation expenses largely driven by headcount growth. Additionally, operating income benefited from a reduction in costs driven by the change in the estimated useful lives of our servers and certain network equipment.

Other Bets

Other Bets operating loss decreased \$541 million from 2022 to 2023 primarily due to growth in revenues as well as a reduction in valuation-based compensation liabilities related to Other Bet companies.

Other Income (Expense), Net

The following table presents OI&E, (in millions):

	Year Ended December 31,	
	2022	2023
Interest income	\$ 2,174	\$ 3,865
Interest expense	(357)	(308)
Foreign currency exchange gain (loss), net	(654)	(1,238)
Gain (loss) on debt securities, net	(2,064)	(1,215)
Gain (loss) on equity securities, net	(3,455)	392
Performance fees	798	257
Income (loss) and impairment from equity method investments, net	(337)	(628)
Other	381	299
Other income (expense), net	\$ (3,514)	\$ 1,424

OI&E, net increased \$4.9 billion from 2022 to 2023. The increase was primarily due to fluctuations in the value of equity securities reflecting market driven changes in the value of our marketable equity securities, investment specific event driven changes in our non-marketable equity securities, and increased interest income due to interest rates.

For additional information, see Note 7 of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

Provision for Income Taxes

The following table presents provision for income taxes (in millions, except for effective tax rate):

	Year Ended December 31,	
	2022	2023
Income before provision for income taxes	\$ 71,328	\$ 85,717
Provision for income taxes	\$ 11,356	\$ 11,922
Effective tax rate	15.9 %	13.9 %

In 2023, the Internal Revenue Services (IRS) issued a rule change allowing taxpayers to temporarily apply the regulations in effect prior to 2022 related to U.S. federal foreign tax credits, as well as a separate rule change with interim guidance on the capitalization and amortization of R&D expenses. A cumulative one-time adjustment applicable to the prior period for these tax rule changes was recorded in 2023.

The effective tax rate decreased from 2022 to 2023, reflecting the effect of the two tax rule changes described above, particularly the change related to foreign tax credits. The effect of these tax rule changes was partially offset by changes in uncertain tax benefits and a decrease in the U.S. federal Foreign Derived Intangible Income tax deduction.

The OECD is coordinating negotiations among more than 140 countries with the goal of achieving consensus around substantial changes to international tax policies, including the implementation of a minimum global effective tax rate of 15%. While various countries have implemented the legislation as of January 1, 2024, we do not expect a resulting material change to our income tax provision for the 2024 fiscal year. As additional jurisdictions enact such legislation, we expect our effective tax rate and cash tax payments could increase in future years.

Financial Condition

Cash, Cash Equivalents, and Marketable Securities

As of December 31, 2023, we had \$110.9 billion in cash, cash equivalents, and short-term marketable securities. Cash equivalents and marketable securities are comprised of time deposits, money market funds, highly liquid government bonds, corporate debt securities, mortgage-backed and asset-backed securities, and marketable equity securities.

Sources, Uses of Cash and Related Trends

Our principal sources of liquidity are cash, cash equivalents, and marketable securities, as well as the cash flow that we generate from operations. The primary use of capital continues to be to invest for the long-term growth of the business. We regularly evaluate our cash and capital structure, including the size, pace, and form of capital return to stockholders.

The following table presents our cash flows (in millions):

	Year Ended December 31,	
	2022	2023
Net cash provided by operating activities	\$ 91,495	\$ 101,746
Net cash used in investing activities	\$ (20,298)	\$ (27,063)
Net cash used in financing activities	\$ (69,757)	\$ (72,093)

Cash Provided by Operating Activities

Our largest source of cash provided by operations are advertising revenues generated by Google Search & other properties, Google Network properties, and YouTube properties. In Google Services, we also generate cash through consumer subscriptions and the sale of apps and in-app purchases and devices. In Google Cloud we generate cash through consumption-based fees and subscriptions for infrastructure, platform, collaboration tools, and other cloud services.

Our primary uses of cash from operating activities include payments to distribution and Google Network partners, to employees for compensation, and to content providers. Other uses of cash from operating activities include payments to suppliers for devices, to tax authorities for income taxes, and other general corporate expenditures.

Net cash provided by operating activities increased from 2022 to 2023 due to the increase in cash received from customers, partially offset by increases in cash paid for cost of revenues and operating expenses.

Cash Used in Investing Activities

Cash provided by investing activities consists primarily of maturities and sales of investments in marketable and non-marketable securities. Cash used in investing activities consists primarily of purchases of marketable and non-marketable securities, purchases of property and equipment, and payments for acquisitions.

Net cash used in investing activities increased from 2022 to 2023 due to a decrease in maturities and sales of marketable securities, partially offset by a decrease in payments for acquisitions.

Cash Used in Financing Activities

Cash provided by financing activities consists primarily of proceeds from issuance of debt and proceeds from the sale of interests in consolidated entities. Cash used in financing activities consists primarily of repurchases of stock, net payments related to stock-based award activities, and repayments of debt.

Net cash used in financing activities increased from 2022 to 2023 due to an increase in repurchases of stock.

Liquidity and Material Cash Requirements

We expect existing cash, cash equivalents, short-term marketable securities, cash flows from operations and financing activities to continue to be sufficient to fund our operating activities and cash commitments for investing and financing activities for at least the next 12 months and thereafter for the foreseeable future.

Capital Expenditures and Leases

We make investments in land and buildings for data centers and offices and information technology assets through purchases of property and equipment and lease arrangements to provide capacity for the growth of our services and products.

Capital Expenditures

Our capital investments in property and equipment consist primarily of the following major categories:

- technical infrastructure, which consists of our investments in servers and network equipment for computing, storage, and networking requirements for ongoing business activities, including AI, (collectively referred to as our information technology assets) and data center land and building construction; and
- office facilities, ground-up development projects, and building improvements (also referred to as "fit-outs").

Construction in progress consists primarily of technical infrastructure and office facilities which have not yet been placed in service. The time frame from date of purchase to placement in service of these assets may extend from months to years. For example, our data center construction projects are generally multi-year projects with multiple phases, where we acquire land and buildings, construct buildings, and secure and install information technology assets.

During the years ended December 31, 2022 and 2023, we spent \$31.5 billion and \$32.3 billion on capital expenditures, respectively. We expect to increase, relative to 2023, our investment in our technical infrastructure, including servers, network equipment, and data centers, to support the growth of our business and our long-term initiatives, in particular in support of AI products and services. Depreciation of our property and equipment commences when the deployment of such assets are completed and are ready for our intended use. Land is not depreciated. For the years ended December 31, 2022 and 2023, our depreciation on property and equipment were \$13.5 billion and \$11.9 billion, respectively.

Leases

For the years ended December 31, 2022 and 2023, we recognized total operating lease assets of \$4.4 billion and \$2.9 billion, respectively. As of December 31, 2023, the amount of total future lease payments under operating leases, which had a weighted average remaining lease term of eight years, was \$17.7 billion, of which \$3.2 billion is short-term. As of December 31, 2023, we have entered into leases that have not yet commenced with future short-term and long-term lease payments of \$657 million and \$3.3 billion, that are not yet recorded on our Consolidated Balance Sheets. These leases will commence between 2024 and 2026 with non-cancelable lease terms of one to 25 years.

For the years ended December 31, 2022 and 2023, our operating lease expenses (including variable lease costs) were \$3.7 billion and \$4.5 billion, respectively. Finance lease costs were not material for the years ended December 31, 2022 and 2023. For additional information, see Note 4 of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

Financing

We have a short-term debt financing program of up to \$10.0 billion through the issuance of commercial paper. Net proceeds from this program are used for general corporate purposes. As of December 31, 2023, we had no commercial paper outstanding.

As of December 31, 2023, we had \$10.0 billion of revolving credit facilities, \$4.0 billion expiring in April 2024 and \$6.0 billion expiring in April 2028. The interest rates for all credit facilities are determined based on a formula using certain market rates, as well as our progress toward the achievement of certain sustainability goals. No amounts have been borrowed under the credit facilities.

As of December 31, 2023, we had senior unsecured notes outstanding with a total carrying value of \$12.9 billion with short-term and long-term future interest payments of \$214 million and \$3.6 billion, respectively. For additional information, see Note 6 of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

We primarily utilize contract manufacturers for the assembly of our servers used in our technical infrastructure and devices we sell. We have agreements where we may purchase components directly from suppliers and then supply these components to contract manufacturers for use in the assembly of the servers and devices. Certain of these arrangements result in a portion of the cash received from and paid to the contract manufacturers to be presented as financing activities in the Consolidated Statements of Cash Flows included in Item 8 of this Annual Report on Form 10-K.

Share Repurchase Program

During 2023 we repurchased and subsequently retired 528 million shares for \$62.2 billion.

In April 2023, the Board of Directors of Alphabet authorized the company to repurchase up to an additional \$70.0 billion of its Class A and Class C shares. As of December 31, 2023, \$36.3 billion remains available for Class A and Class C share repurchases.

The following table presents Class A and Class C shares repurchased and subsequently retired (in millions):

	Year Ended December 31, 2022		Year Ended December 31, 2023	
	Shares	Amount	Shares	Amount
Class A share repurchases	61	\$ 6,719	78	\$ 9,316
Class C share repurchases	469	52,577	450	52,868
Total share repurchases ⁽¹⁾	530	\$ 59,296	528	\$ 62,184

⁽¹⁾ Shares repurchased include unsettled repurchases as of December 31, 2023.

For additional information, see Note 11 of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

European Commission Fines

In 2017, 2018 and 2019, the EC announced decisions that certain actions taken by Google infringed European competition law and imposed fines of €2.4 billion (\$2.7 billion as of June 27, 2017), €4.3 billion (\$5.1 billion as of June 30, 2018), and €1.5 billion (\$1.7 billion as of March 20, 2019), respectively. On September 14, 2022, the General Court reduced the 2018 fine from €4.3 billion to €4.1 billion. We subsequently filed an appeal to the European Court of Justice.

While each EC decision is under appeal, we included the fines in accrued expenses and other current liabilities on our Consolidated Balance Sheets as we provided bank guarantees (in lieu of a cash payment) for the fines. For additional information, see Note 10 of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

Taxes

As of December 31, 2023, we had income taxes payable of \$4.2 billion, of which \$2.1 billion was short-term, related to a one-time transition tax payable incurred as a result of the U.S. Tax Cuts and Jobs Act ("Tax Act"). As permitted by the Tax Act, we will pay the transition tax in annual interest-free installments through 2025. We also have long-term taxes payable of \$6.3 billion primarily related to uncertain tax positions as of December 31, 2023.

Purchase Commitments and Other Contractual Obligations

As of December 31, 2023, we had material purchase commitments and other contractual obligations of \$45.9 billion, of which \$31.6 billion was short-term. These amounts primarily consist of purchase orders for certain technical infrastructure as well as the non-cancelable portion or the minimum cancellation fee in certain agreements related to commitments to purchase licenses, including content licenses, inventory and network capacity. For those agreements with variable terms, we do not estimate the non-cancelable obligation beyond any minimum quantities and/or pricing as of December 31, 2023. In certain instances, the amount of our contractual obligations may change based on the expected timing of order fulfillment from our suppliers. For more information related to our content licenses, see Note 10 of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

In addition, we regularly enter into multi-year, non-cancellable agreements to purchase renewable energy and energy attributes, such as renewable energy certificates. These agreements do not include a minimum dollar commitment. The amounts to be paid under these agreements are based on the actual volumes to be generated and are not readily determinable.

Critical Accounting Estimates

We prepare our consolidated financial statements in accordance with GAAP. In doing so, we have to make estimates and assumptions. Our critical accounting estimates are those estimates that involve a significant level of uncertainty at the time the estimate was made, and changes in them have had or are reasonably likely to have a material effect on our financial condition or results of operations. Accordingly, actual results could differ materially from our estimates. We base our estimates on past experience and other assumptions that we believe are reasonable under the circumstances, and we evaluate these estimates on an ongoing basis. We have reviewed our critical accounting estimates with the Audit and Compliance Committee of our Board of Directors.

For a summary of significant accounting policies and the effect on our financial statements, see Note 1 of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

Fair Value Measurements of Non-Marketable Equity Securities

We measure certain financial instruments at fair value on a nonrecurring basis, consisting primarily of our non-marketable equity securities. These investments are accounted for under the measurement alternative method ("the measurement alternative") and are measured at cost, less impairment, subject to upward and downward adjustments resulting from observable price changes for identical or similar investments of the same issuer. These adjustments require quantitative assessments of the fair value of our securities, which may require the use of unobservable inputs. Adjustments are determined primarily based on a market approach as of the transaction date and involve the use of estimates using the best information available, which may include cash flow projections or other available market data.

Non-marketable equity securities are also evaluated for impairment, based on qualitative factors including the companies' financial and liquidity position and access to capital resources, among others. When indicators of impairment exist, we prepare quantitative measurements of the fair value of our equity investments using a market approach or an income approach, which requires judgment and the use of unobservable inputs, including discount rates, investee revenues and costs, and comparable market data of private and public companies, among others.

When the quantitative remeasurements of fair value indicate an impairment exists, we write down the investment to its current fair value.

We also have compensation arrangements with payouts based on realized returns from certain investments, i.e. performance fees. We record compensation expense based on the estimated payouts on an ongoing basis, which may result in expense recognized before investment returns are realized and compensation is paid and may require the use of unobservable inputs.

Property and Equipment

We assess the reasonableness of the useful lives of our property and equipment periodically as well as when other changes occur, such as when there are changes to ongoing business operations, changes in the planned use and utilization of assets, or technological advancements, that could indicate a change in the period over which we expect to benefit from the assets.

Income Taxes

We are subject to income taxes in the U.S. and foreign jurisdictions. Significant judgment is required in evaluating our uncertain tax positions and determining our provision for income taxes.

Recording an uncertain tax position involves various qualitative considerations, including evaluation of comparable and resolved tax exposures, applicability of tax laws, and likelihood of settlement. We evaluate uncertain tax positions periodically, considering changes in facts and circumstances, such as new regulations or recent judicial opinions, as well as the status of audit activities by taxing authorities. Although we believe we have adequately reserved for our uncertain tax positions, no assurance can be given that the final tax outcome of these matters will not be different. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes and the effective tax rate in the period in which such determination is made.

The provision for income taxes includes the effect of reserve provisions and changes to reserves as well as the related net interest and penalties. In addition, we are subject to the continuous examination of our income tax returns by the IRS and other tax authorities which may assert assessments against us. We regularly assess the likelihood of adverse outcomes resulting from these examinations and assessments to determine the adequacy of our provision for income taxes.

Loss Contingencies

We are regularly subject to claims, lawsuits, regulatory and government investigations, other proceedings, and consent orders involving competition, intellectual property, privacy, data security, tax and related compliance, labor and employment, commercial disputes, content generated by our users, goods and services offered by advertisers or publishers using our platforms, personal injury consumer protection, and other matters. Certain of these matters include speculative claims for substantial or indeterminate amounts of damages. We record a liability when we believe that it is probable that a loss has been incurred and the amount can be reasonably estimated. If we determine that a loss is reasonably possible and the loss or range of loss can be estimated, we disclose the possible loss in Note 10 of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

We evaluate, on a regular basis, developments in our legal matters that could affect the amount of liability that has been previously accrued, and the matters and related reasonably possible losses disclosed, and make adjustments and changes to our disclosures. Significant judgment is required to determine both the likelihood and the estimated amount of a loss related to such matters. Until the final resolution of such matters, there may be an exposure to loss in excess of the amount recorded, and such amounts could be material.

Change in Accounting Estimate

In January 2023, we completed an assessment of the useful lives of our servers and network equipment resulting in a change in the estimated useful life of our servers and certain network equipment to six years. This change in accounting estimate was effective beginning fiscal year 2023. For additional information, see Note 1 of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to financial market risks, including changes in foreign currency exchange rates, interest rates, and equity investment risks.

Foreign Currency Exchange Risk

We transact business globally in multiple currencies. International revenues, as well as costs and expenses denominated in foreign currencies, expose us to the risk of fluctuations in foreign currency exchange rates against the U.S. dollar. As discussed below, we enter into derivative instruments to hedge foreign currency risk. Principal currencies hedged included the Australian dollar, British pound, Canadian dollar, Euro, and Japanese yen. For the purpose of analyzing foreign currency exchange risk, we considered the historical trends in foreign currency exchange rates and determined that it was reasonably possible that adverse changes in exchange rates of 10% could be experienced.

We use foreign currency forward and option contracts to offset the foreign exchange risk on assets and liabilities denominated in currencies other than the functional currency of the subsidiary. These forward and option contracts reduce, but do not entirely eliminate, the effect of foreign currency exchange rate movements on our assets and liabilities. The foreign currency gains and losses on these assets and liabilities are recorded in OI&E, which are offset by the gains and losses on the forward and option contracts.

If an adverse 10% foreign currency exchange rate change was applied to total monetary assets, liabilities, and commitments denominated in currencies other than the functional currencies at the balance sheet date, it would have resulted in an adverse effect on income before income taxes of approximately \$136 million and \$503 million as of December 31, 2022 and 2023, respectively, after consideration of the effect of foreign exchange contracts in place for the years ended December 31, 2022 and 2023.

We use foreign currency forward and option contracts, including collars (an option strategy comprised of a combination of purchased and written options) to protect forecasted U.S. dollar-equivalent earnings from changes in foreign currency exchange rates. When the U.S. dollar strengthens, gains from foreign currency forward and option contracts reduce the foreign currency losses related to our earnings. When the U.S. dollar weakens, losses from foreign currency forward and option contracts offset the foreign currency gains related to our earnings. These hedging contracts reduce, but do not entirely eliminate, the effect of foreign currency exchange rate movements. We designate these contracts as cash flow hedges for accounting purposes. We reflect the gains or losses of foreign currency spot rate changes as a component of accumulated other comprehensive income (AOCI) and subsequently reclassify them into revenues to offset the hedged exposures as they occur.

If the U.S. dollar weakened by 10% as of December 31, 2022 and 2023, the amount recorded in AOCI related to our cash flow hedges before tax effect would have been approximately \$1.3 billion and \$1.5 billion lower as of December 31, 2022 and 2023, respectively. The change in the value recorded in AOCI would be expected to offset a corresponding foreign currency change in forecasted hedged revenues when recognized.

We use foreign exchange forward contracts designated as net investment hedges to hedge the foreign currency risks related to investment in foreign subsidiaries. These forward contracts serve to offset the foreign currency translation risk from our foreign operations.

If the U.S. dollar weakened by 10%, the amount recorded in cumulative translation adjustment (CTA) within AOCI related to our net investment hedges before tax effect would have been approximately \$903 million and \$946 million lower as of December 31, 2022 and 2023, respectively. The change in value recorded in CTA would be expected to offset a corresponding foreign currency translation gain or loss from our investment in foreign subsidiaries.

Interest Rate Risk

Our Corporate Treasury investment strategy is to achieve a return that will allow us to preserve capital and maintain liquidity. We invest primarily in debt securities, including government bonds, corporate debt securities, mortgage-backed and asset-backed securities, money market and other funds, time deposits, and interest rate derivatives. By policy, we limit the amount of credit exposure to any one issuer. Our investments in both fixed rate and floating rate interest earning securities carry a degree of interest rate risk. Fixed rate securities may have their fair market value adversely affected due to a rise in interest rates, while floating rate securities may produce less income than predicted if interest rates fall. Unrealized gains or losses on our marketable debt securities are primarily due to interest rate fluctuations as compared to interest rates at the time of purchase. For certain fixed and variable rate debt securities, we have elected the fair value option for which changes in fair value are recorded in OI&E. We measure securities for which we have not elected the fair value option at fair value with gains and losses recorded in AOCI until the securities are sold, less any expected credit losses.

We use value-at-risk (VaR) analysis to determine the potential effect of fluctuations in interest rates on the value of our marketable debt security portfolio. The VaR is the expected loss in fair value, for a given confidence interval, for our investment portfolio due to adverse movements in interest rates. We use a variance/covariance VaR model with 95% confidence interval. The estimated one-day loss in fair value of marketable debt securities as of December 31, 2022 and 2023 are shown below (in millions):

	As of December 31,		12-Month Average As of December 31,	
	2022	2023	2022	2023
Risk category - interest rate	\$ 256	\$ 296	\$ 198	\$ 271

Actual future gains and losses associated with our marketable debt security portfolio may differ materially from the sensitivity analyses performed as of December 31, 2022 and 2023 due to the inherent limitations associated with predicting the timing and amount of changes in interest rates and our actual exposures and positions. VaR analysis is not intended to represent actual losses but is used as a risk estimation.

Equity Investment Risk

Our marketable and non-marketable equity securities are subject to a wide variety of market-related risks that could substantially reduce or increase the fair value of our holdings.

Our marketable equity securities are publicly traded stocks or funds and our non-marketable equity securities are investments in privately held companies, some of which are in the startup or development stages.

We record marketable equity securities not accounted for under the equity method at fair value based on readily determinable market values, of which publicly traded stocks and mutual funds are subject to market price volatility, and represent \$5.2 billion and \$6.0 billion of our investments as of December 31, 2022 and 2023, respectively. A hypothetical adverse price change of 10% on our December 31, 2023 balance would decrease the fair value of marketable equity securities by \$597 million. From time to time, we may enter into derivatives to hedge the market price risk on certain of our marketable equity securities.

Our non-marketable equity securities not accounted for under the equity method are adjusted to fair value for observable transactions for identical or similar investments of the same issuer or impairment (referred to as the measurement alternative). The fair value measured at the time of the observable transaction is not necessarily an indication of the current fair value as of the balance sheet date. These investments, especially those that are in the early stages, are inherently risky because the technologies or products these companies have under development are typically in the early phases and may never materialize, and they may experience a decline in financial condition, which could result in a loss of a substantial part of our investment in these companies. Valuations of our equity investments in private companies are inherently more complex due to the lack of readily available market data and observable transactions at lower valuations could result in significant losses. In addition, global economic conditions could result in additional volatility. The success of our investment in any private company is also typically dependent on the likelihood of our ability to realize appreciation in the value of investments through liquidity events such as public offerings, acquisitions, private sales or other market events. Changes in the valuation of non-marketable equity securities may not directly correlate with changes in valuation of marketable equity securities. As of December 31, 2022 and 2023, the carrying value of our non-marketable equity securities, which were accounted for under the measurement alternative, was \$28.5 billion and \$28.8 billion, respectively.

The carrying values of our equity method investments, which totaled approximately \$1.7 billion as of December 31, 2022 and 2023, generally do not fluctuate based on market price changes. However, these investments could be impaired if the carrying value exceeds the fair value and is not expected to recover.

For additional information about our equity investments, see Note 1 and Note 3 of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**Alphabet Inc.****INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Alphabet Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Alphabet Inc. (the Company) as of December 31, 2022 and 2023, the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes and financial statement schedule listed in the Index at Item 15 (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated January 30, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosure to which it relates.

Loss Contingencies

Description of the Matter The Company is regularly subject to claims, lawsuits, regulatory and government investigations, other proceedings, and consent orders involving competition, intellectual property, data privacy and security, tax and related compliance, labor and employment, commercial disputes, content generated by its users, goods and services offered by advertisers or publishers using their platforms, personal injury, consumer protection, and other matters. As described in Note 10 to the consolidated financial statements "Commitments and contingencies" such claims, lawsuits, regulatory and government investigations, other proceedings, and consent orders could result in adverse consequences.

Significant judgment is required to determine both the likelihood, and the estimated amount, of a loss related to such matters. Auditing management's accounting for and disclosure of loss contingencies from these matters involved challenging and subjective auditor judgment in assessing the Company's evaluation of the probability of a loss, and the estimated amount or range of loss.

How We Addressed the Matter in Our Audit We tested relevant controls over the identified risks associated with management's accounting for and disclosure of these matters. This included controls over management's assessment of the probability of incurrence of a loss and whether the loss or range of loss was reasonably estimable and the development of related disclosures.

Our audit procedures included gaining an understanding of previous rulings and the status of ongoing lawsuits, reviewing letters addressing the matters from internal and external legal counsel, meeting with internal legal counsel to discuss the allegations, and obtaining a representation letter from management on these matters. We also evaluated the Company's disclosures in relation to these matters.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1999.

San Jose, California
January 30, 2024

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Alphabet Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Alphabet Inc.'s internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Alphabet Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2023 consolidated financial statements of the Company and our report dated January 30, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

San Jose, California
January 30, 2024

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

	As of December 31,	
	2022	2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 21,879	\$ 24,048
Marketable securities	91,883	86,868
Total cash, cash equivalents, and marketable securities	113,762	110,916
Accounts receivable, net	40,258	47,964
Other current assets	10,775	12,650
Total current assets	164,795	171,530
Non-marketable securities	30,492	31,008
Deferred income taxes	5,261	12,169
Property and equipment, net	112,668	134,345
Operating lease assets	14,381	14,091
Goodwill	28,960	29,198
Other non-current assets	8,707	10,051
Total assets	<u>\$ 365,264</u>	<u>\$ 402,392</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 5,128	\$ 7,493
Accrued compensation and benefits	14,028	15,140
Accrued expenses and other current liabilities	37,866	46,168
Accrued revenue share	8,370	8,876
Deferred revenue	3,908	4,137
Total current liabilities	69,300	81,814
Long-term debt	14,701	13,253
Deferred revenue, non-current	599	911
Income taxes payable, non-current	9,258	8,474
Deferred income taxes	514	485
Operating lease liabilities	12,501	12,460
Other long-term liabilities	2,247	1,616
Total liabilities	109,120	119,013
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); 12,849 (Class A 5,964, Class B 883, Class C 6,002) and 12,460 (Class A 5,899, Class B 870, Class C 5,691) shares issued and outstanding	68,184	76,534
Accumulated other comprehensive income (loss)	(7,603)	(4,402)
Retained earnings	195,563	211,247
Total stockholders' equity	256,144	283,379
Total liabilities and stockholders' equity	<u>\$ 365,264</u>	<u>\$ 402,392</u>

See accompanying notes.

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

	Year Ended December 31,		
	2021	2022	2023
Revenues	\$ 257,637	\$ 282,836	\$ 307,394
Costs and expenses:			
Cost of revenues	110,939	126,203	133,332
Research and development	31,562	39,500	45,427
Sales and marketing	22,912	26,567	27,917
General and administrative	13,510	15,724	16,425
Total costs and expenses	178,923	207,994	223,101
Income from operations	78,714	74,842	84,293
Other income (expense), net	12,020	(3,514)	1,424
Income before income taxes	90,734	71,328	85,717
Provision for income taxes	14,701	11,356	11,922
Net income	\$ 76,033	\$ 59,972	\$ 73,795
Basic net income per share of Class A, Class B, and Class C stock	\$ 5.69	\$ 4.59	\$ 5.84
Diluted net income per share of Class A, Class B, and Class C stock	\$ 5.61	\$ 4.56	\$ 5.80

See accompanying notes.

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

	Year Ended December 31,		
	2021	2022	2023
Net income	\$ 76,033	\$ 59,972	\$ 73,795
Other comprehensive income (loss):			
Change in foreign currency translation adjustment	(1,442)	(1,836)	735
Available-for-sale investments:			
Change in net unrealized gains (losses)	(1,312)	(4,720)	1,344
Less: reclassification adjustment for net (gains) losses included in net income	(64)	1,007	1,168
Net change, net of income tax benefit (expense) of \$394, \$1,056, and \$(698)	(1,376)	(3,713)	2,512
Cash flow hedges:			
Change in net unrealized gains (losses)	716	1,275	168
Less: reclassification adjustment for net (gains) losses included in net income	(154)	(1,706)	(214)
Net change, net of income tax benefit (expense) of \$(122), \$110, and \$2	562	(431)	(46)
Other comprehensive income (loss)	(2,256)	(5,980)	3,201
Comprehensive income	<u>\$ 73,777</u>	<u>\$ 53,992</u>	<u>\$ 76,996</u>

See accompanying notes.

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

	Class A, Class B, Class C Stock and Additional Paid-In Capital		Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
	Shares	Amount			
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
Stock issued	139	0	0	0	0
Stock-based compensation expense	0	22,578	0	0	22,578
Tax withholding related to vesting of restricted stock units and other	0	(10,164)	0	9	(10,155)
Repurchases of stock	(528)	(4,064)	0	(58,120)	(62,184)
Net income	0	0	0	73,795	73,795
Other comprehensive income (loss)	0	0	3,201	0	3,201
Balance as of December 31, 2023	12,460	\$ 76,534	\$ (4,402)	\$ 211,247	\$ 283,379

See accompanying notes.

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

	Year Ended December 31,		
	2021	2022	2023
Operating activities			
Net income	\$ 76,033	\$ 59,972	\$ 73,795
Adjustments:			
Depreciation of property and equipment	10,273	13,475	11,946
Stock-based compensation expense	15,376	19,362	22,460
Deferred income taxes	1,808	(8,081)	(7,763)
(Gain) loss on debt and equity securities, net	(12,270)	5,519	823
Other	1,955	3,483	4,330
Changes in assets and liabilities, net of effects of acquisitions:			
Accounts receivable, net	(9,095)	(2,317)	(7,833)
Income taxes, net	(625)	584	523
Other assets	(1,846)	(5,046)	(2,143)
Accounts payable	283	707	664
Accrued expenses and other liabilities	7,304	3,915	3,937
Accrued revenue share	1,682	(445)	482
Deferred revenue	774	367	525
Net cash provided by operating activities	91,652	91,495	101,746
Investing activities			
Purchases of property and equipment	(24,640)	(31,485)	(32,251)
Purchases of marketable securities	(135,196)	(78,874)	(77,858)
Maturities and sales of marketable securities	128,294	97,822	86,672
Purchases of non-marketable securities	(2,838)	(2,531)	(3,027)
Maturities and sales of non-marketable securities	934	150	947
Acquisitions, net of cash acquired, and purchases of intangible assets	(2,618)	(6,969)	(495)
Other investing activities	541	1,589	(1,051)
Net cash used in investing activities	(35,523)	(20,298)	(27,063)
Financing activities			
Net payments related to stock-based award activities	(10,162)	(9,300)	(9,837)
Repurchases of stock	(50,274)	(59,296)	(61,504)
Proceeds from issuance of debt, net of costs	20,199	52,872	10,790
Repayments of debt	(21,435)	(54,068)	(11,550)
Proceeds from sale of interest in consolidated entities, net	310	35	8
Net cash used in financing activities	(61,362)	(69,757)	(72,093)
Effect of exchange rate changes on cash and cash equivalents	(287)	(506)	(421)
Net increase (decrease) in cash and cash equivalents	(5,520)	934	2,169
Cash and cash equivalents at beginning of period	26,465	20,945	21,879
Cash and cash equivalents at end of period	\$ 20,945	\$ 21,879	\$ 24,048
Supplemental disclosures of cash flow information			
Cash paid for income taxes, net of refunds	\$ 13,412	\$ 18,892	\$ 19,164

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 fees received for consumer subscription-based products, apps and in-app purchases, and devices.

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; content licenses; contingent liabilities; fair values of financial instruments and goodwill; income taxes; inventory; and useful lives of property and equipment, 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 was effective beginning in fiscal year 2023. Based on the carrying value of servers and certain network equipment as of December 31, 2022, and those placed in service during the year ended December 31, 2023, the effect of this change in estimate was a reduction in depreciation expense of \$3.9 billion and an increase in net income of \$3.0 billion, or \$0.24 per basic and \$0.24 per diluted share, for the year ended December 31, 2023.

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, Google Display & Video 360, 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. 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 Subscriptions, Platforms, and Devices

Google subscriptions, platforms, and devices revenues consist of revenues from:

- consumer subscriptions, which primarily include revenues from YouTube services, such as YouTube TV, YouTube Music and Premium, and NFL Sunday Ticket, as well as Google One;
- platforms, which primarily include revenues from Google Play from the sales of apps and in-app purchases;
- devices, which primarily include sales of the Pixel family of devices; and
- other products and services.

Subscription revenues are recognized ratably over the period of the subscription, primarily monthly. 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.

Google Cloud Revenues

Google Cloud revenues consist of revenues from:

- Google Cloud Platform, which generates consumption-based fees and subscriptions for infrastructure, platform, and other services. These services provide access to solutions such as cybersecurity, databases, analytics, and AI offerings including our AI infrastructure, Vertex AI platform, and Duet AI for Google Cloud;
- Google Workspace, which includes subscriptions for cloud-based communication and collaboration tools for enterprises, such as Calendar, Gmail, Docs, Drive, and Meet, with integrated features like Duet AI in Google Workspace; 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.

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 period of the expected benefit is one year or less. We recognize an asset for certain sales commissions and amortize if the expected benefit period is greater than one year. 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:
 - amounts paid to our distribution partners who make available our search access points and services. Our distribution partners include browser providers, mobile carriers, original equipment manufacturers, and software developers; and
 - amounts paid to Google Network partners primarily for ads displayed on their properties.

- Other cost of revenues includes:
 - compensation expense related to our data centers and other operations such as content review and customer and product support;
 - content acquisition costs, which are payments to content providers from whom we license video and other content for distribution on YouTube and Google Play (we pay fees to these content providers based on revenues generated or a flat fee);
 - depreciation expense related to our technical infrastructure; and
 - inventory and other costs related to the devices we sell.

Software Development Costs

We expense software development costs, including costs to develop software products or the software component of products to be sold, leased, or marketed to external users, before technological feasibility is reached. Technological feasibility is typically reached shortly before the release of such products. As a result, development costs that meet the criteria for capitalization were not material for the periods presented.

Software development costs also include costs to develop software to be used solely to meet internal needs and cloud-based applications used to deliver our services. We capitalize development costs related to these software applications once the preliminary project stage is complete and it is probable that the project will be completed and the software will be used to perform the function intended. Costs capitalized for developing such software applications were not material for the periods presented.

Stock-based Compensation

Stock-based compensation (SBC) primarily consists of Alphabet restricted stock units (RSUs). RSUs are equity classified and measured at the fair market value of the underlying stock at the grant date. We recognize RSU expense using the straight-line attribution method over the requisite service period and account for forfeitures as they occur.

For RSUs, shares are issued on the vesting dates net of the applicable statutory income tax withholding to be paid by us on behalf of our employees. As a result, fewer shares are issued than the number of RSUs outstanding, and the income tax withholding is recorded as a reduction to additional paid-in capital.

Additionally, SBC includes other stock-based awards, such as performance stock units (PSUs) that include market conditions and awards that may be settled in cash or the stock of certain Other Bet companies. PSUs and certain awards granted by Other Bet companies are equity classified and expense is recognized over the requisite service period. Certain awards granted by Other Bet companies are liability classified and remeasured at fair value through settlement. The fair value of awards granted by Other Bet companies is based on the equity valuation of the respective Other Bet company.

Advertising and Promotional Expenses

We expense advertising and promotional costs in the period in which they are incurred. For the years ended December 31, 2021, 2022, and 2023, advertising and promotional expenses totaled approximately \$7.9 billion, \$9.2 billion, and \$8.7 billion, respectively.

Performance Fees

Performance fees refer to compensation arrangements with payouts based on realized returns from certain investments. We record compensation expense based on the estimated payouts on an ongoing basis, which may result in expense recognized before investment returns are realized and compensation is paid and may require the use of unobservable inputs. Performance fees are recorded as a component of OI&E.

Fair Value Measurements

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or a liability. Assets and liabilities recorded at fair value are measured and classified in accordance with a three-tier fair value hierarchy based on the observability of the inputs available in the market used to measure fair value:

- Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs that are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant inputs are observable in the market or can be derived from observable market data. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, foreign exchange rates, and credit ratings.

Level 3 - Unobservable inputs that are supported by little or no market activities.

The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The determination of fair value involves the use of appropriate valuation methods and relevant inputs into valuation models.

Our financial assets and liabilities that are measured at fair value on a recurring basis include cash equivalents, marketable securities, derivative financial instruments, and certain non-marketable debt securities. Our financial assets measured at fair value on a nonrecurring basis include non-marketable equity securities. Other financial assets and liabilities are carried at cost with fair value disclosed, if required.

We measure certain other instruments, including SBC awards settled in the stock of Other Bet companies, and certain assets and liabilities acquired in a business combination, also at fair value on a nonrecurring basis.

Financial Instruments

Our financial instruments include cash, cash equivalents, marketable and non-marketable securities, derivative financial instruments and accounts receivable.

Credit Risks

We are subject to credit risk primarily from cash equivalents, marketable debt securities, derivative financial instruments, including foreign exchange contracts, and accounts receivable. We manage our credit risk exposure through timely assessment of our counterparty creditworthiness, credit limits and use of collateral management. Foreign exchange contracts are transacted with various financial institutions with high credit standing. Accounts receivable are typically unsecured and are derived from revenues earned from customers located around the world. We manage our credit risk exposure by performing ongoing evaluations to determine customer credit and we limit the amount of credit we extend. We generally do not require collateral from our customers.

Cash Equivalents

We invest excess cash primarily in government bonds, corporate debt securities, mortgage-backed and asset-backed securities, time deposits, and money market funds.

Marketable Securities

We classify all marketable debt securities that have effective maturities of three months or less from the date of purchase as cash equivalents and those with effective maturities of greater than three months as marketable securities on our Consolidated Balance Sheets. We determine the appropriate classification of our investments in marketable debt securities at the time of purchase and reevaluate such designation at each balance sheet date. We have classified and accounted for our marketable debt securities as available-for-sale. After consideration of our risk versus reward objectives, as well as our liquidity requirements, we may sell these debt securities prior to their effective maturities. As we view these securities as available to support current operations, we classify highly liquid securities with maturities beyond 12 months as current assets under the caption marketable securities on the Consolidated Balance Sheets. We carry these securities at fair value, and report the unrealized gains and losses, net of taxes, as a component of stockholders' equity, except for the changes in allowance for expected credit losses, which are recorded in OI&E. For certain marketable debt securities we have elected the fair value option, for which changes in fair value are recorded in OI&E. We determine any realized gains or losses on the sale of marketable debt securities on a specific identification method, and we record such gains and losses as a component of OI&E.

Our investments in marketable equity securities are measured at fair value with the related gains and losses, including unrealized, recognized in OI&E. We classify our marketable equity securities subject to long-term lock-up restrictions beyond 12 months as other non-current assets on the Consolidated Balance Sheets.

Non-Marketable Securities

Non-marketable securities primarily consist of equity securities. We account for non-marketable equity securities through which we exercise significant influence but do not have control over the investee under the equity method. All other non-marketable equity securities that we hold are primarily accounted for under the measurement alternative. Under the measurement alternative, the carrying value is measured at cost, less any impairment, plus or minus

changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer. Adjustments are determined primarily based on a market approach as of the transaction date and are recorded as a component of OI&E.

Non-marketable securities that do not have effective contractual maturity dates are classified as other non-current assets on the Consolidated Balance Sheets.

Derivative Financial Instruments

See Note 3 for the accounting policy pertaining to derivative financial instruments.

Accounts Receivable

Our payment terms for accounts receivable vary by the types and locations of our customers and the products or services offered. The term between invoicing and when payment is due is not significant. For certain products or services and customers, we require payment before the products or services are delivered to the customer. Additionally, accounts receivable includes amounts for services performed in advance of the right to invoice the customer.

We maintain an allowance for credit losses for accounts receivable, which is recorded as an offset to accounts receivable, and changes in such are classified as general and administrative expense in the Consolidated Statements of Income. We assess collectibility by reviewing accounts receivable on a collective basis where similar characteristics exist and on an individual basis when we identify specific customers with known disputes or collectibility issues. In determining the amount of the allowance for credit losses, we consider historical collectibility based on past due status and make judgments about the creditworthiness of customers based on ongoing credit evaluations. We also consider customer-specific information, current market conditions, and reasonable and supportable forecasts of future economic conditions.

Other

Our financial instruments also include debt and equity investments in companies with which we also entered into commercial arrangements at or near the same time. For these transactions, judgment is required in assessing the substance of the arrangements, including assessing whether the components of the arrangements should be accounted for as separate transactions under the applicable GAAP, and determining the value of the components of the arrangements, including the fair value of the investments. Additionally, if our investment in such companies becomes impaired, any remaining performance obligations would be reassessed and may be reduced.

Impairment of Investments

We periodically review our debt and non-marketable equity securities for impairment.

For debt securities in an unrealized loss position, we determine whether a credit loss exists. The credit loss is estimated by considering available information relevant to the collectibility of the security and information about past events, current conditions, and reasonable and supportable forecasts. Any credit loss is recorded as a charge to OI&E, not to exceed the amount of the unrealized loss. Unrealized losses other than the credit loss are recognized in AOCI. If we have an intent to sell, or if it is more likely than not that we will be required to sell a debt security in an unrealized loss position before recovery of its amortized cost basis, we will write down the security to its fair value and record the corresponding charge as a component of OI&E.

For non-marketable equity securities, including equity method investments, we consider whether impairment indicators exist by evaluating the companies' financial and liquidity position and access to capital resources, among other indicators. If the assessment indicates that the investment is impaired, we write down the investment to its fair value by recording the corresponding charge as a component of OI&E. We prepare quantitative measurements of the fair value of our equity investments using a market approach or an income approach.

Inventory

Inventory consists primarily of finished goods and is stated at the lower of cost and net realizable value. Cost is computed using the first-in, first-out method.

Variable Interest Entities

We determine at the inception of each arrangement whether an entity in which we have made an investment or in which we have other variable interests is considered a variable interest entity (VIE). We consolidate VIEs when we are the primary beneficiary. We are the primary beneficiary of a VIE when we have the power to direct activities that most significantly affect the economic performance of the VIE and have the obligation to absorb the majority of their losses

or benefits. If we are not the primary beneficiary in a VIE, we account for the investment or other variable interests in a VIE in accordance with applicable GAAP.

Periodically, we assess whether any changes in our interest or relationship with the entity affect our determination of whether the entity is a VIE and, if so, whether we are the primary beneficiary.

Property and Equipment

Property and equipment includes the following categories: land and buildings, information technology assets, construction in progress, leasehold improvements, and furniture and fixtures. Land and buildings include land, offices, data centers, and related building improvements. Information technology assets include servers and network equipment. Construction in progress is the construction or development of property and equipment that have not yet been placed in service.

Property and equipment are stated at cost less accumulated depreciation. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, which we regularly evaluate. Land is not depreciated. We depreciate buildings over periods of seven to 25 years. We depreciate information technology assets generally over a period of six years for servers and network equipment. We depreciate leasehold improvements over the shorter of the remaining lease term or the estimated useful lives of the assets. Depreciation for buildings, information technology assets, leasehold improvements, and furniture and fixtures commences once they are ready for our intended use.

Goodwill

We allocate goodwill to reporting units based on the expected benefit from the business combination. We evaluate our reporting units periodically, as well as when changes in our operating segments occur. For changes in reporting units, we reassign goodwill using a relative fair value allocation approach. We test our goodwill for impairment at least annually, or more frequently if events or changes in circumstances indicate that the asset may be impaired. Goodwill impairments were not material for the periods presented.

Leases

We determine if an arrangement is a lease at inception. Our lease agreements generally contain lease and non-lease components. Payments under our lease arrangements are primarily fixed. Non-lease components primarily include payments for maintenance and utilities. We combine fixed payments for non-lease components with lease payments and account for them together as a single lease component which increases the amount of our lease assets and liabilities.

Certain lease agreements contain variable payments, which are expensed as incurred and not included in the lease assets and liabilities. These amounts primarily include payments affected by the Consumer Price Index, and payments for maintenance and utilities.

Lease assets and liabilities are recognized at the present value of the future lease payments at the lease commencement date. The interest rate used to determine the present value of the future lease payments is our incremental borrowing rate, because the interest rate implicit in our leases is not readily determinable. Our incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, and in economic environments where the leased asset is located. Our lease terms include periods under options to extend or terminate the lease when it is reasonably certain that we will exercise that option. We generally use the base, non-cancelable, lease term when determining the lease assets and liabilities. Lease assets also include any prepaid lease payments and lease incentives.

Operating lease assets and liabilities are included on our Consolidated Balance Sheets. The current portion of our operating lease liabilities is included in accrued expenses and other current liabilities, and the long-term portion is included in operating lease liabilities. Finance lease assets are included in property and equipment, net. Finance lease liabilities are included in accrued expenses and other current liabilities or long-term debt.

Operating lease expense (excluding variable lease costs) is recognized on a straight-line basis over the lease term.

Impairment of Long-Lived Assets

We review leases, property and equipment, and intangible assets, excluding goodwill, for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. The evaluation is performed at the lowest level of identifiable cash flows independent of other assets. We measure recoverability of these assets by comparing the carrying amounts to the future undiscounted cash flows that the assets or the asset group are expected

to generate. If the carrying value of the assets or asset group is not recoverable, the impairment recognized is measured as the amount by which the carrying value exceeds its fair value.

Income Taxes

We account for income taxes using the asset and liability method, under which we recognize the amount of taxes payable or refundable for the current year and deferred tax assets and liabilities for the future tax consequences of events that have been recognized in our financial statements or tax returns. We measure current and deferred tax assets and liabilities based on provisions of enacted tax law. We evaluate the likelihood of future realization of our deferred tax assets based on all available evidence and establish a valuation allowance to reduce deferred tax assets when it is more likely than not that they will not be realized or release a valuation allowance to increase deferred tax assets when it is more likely than not that they will be realized. We have elected to account for the tax effects of the global intangible low tax Income provision as a current period expense.

We recognize the financial statement effects of a tax position when it is more likely than not that, based on technical merits, the position will be sustained upon examination. The tax benefits of the position recognized in the financial statements are then measured based on the largest amount of benefit that is greater than 50% likely to be realized upon settlement with a taxing authority. In addition, we recognize interest and penalties related to unrecognized tax benefits as a component of the income tax provision.

Business Combinations

We include the results of operations of the businesses that we acquire as of the acquisition date. We allocate the purchase price of the acquisitions to the assets acquired and liabilities assumed based on their estimated fair values, except for revenue contracts acquired, which are recognized in accordance with our revenue recognition policy. The excess of the purchase price over the fair values of identifiable assets and liabilities is recorded as goodwill. Acquisition-related expenses are recognized separately from the business combination and are expensed as incurred.

Foreign Currency

We translate the financial statements of our international subsidiaries to U.S. dollars using month-end exchange rates for assets and liabilities, and average rates for the annual period derived from month-end exchange rates for revenues, costs, and expenses. We record translation gains and losses in AOCI as a component of stockholders' equity. We reflect net foreign exchange transaction gains and losses resulting from the conversion of the transaction currency to functional currency as a component of foreign currency exchange gain (loss) in OI&E.

Recent Accounting Pronouncements

In November 2023, the Financial Standards Accounting Board (FASB) issued Accounting Standards Update (ASU) 2023-07 "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures" which expands annual and interim disclosure requirements for reportable segments, primarily through enhanced disclosures about significant segment expenses. ASU 2023-07 is effective for our annual periods beginning January 1, 2024, and for interim periods beginning January 1, 2025, with early adoption permitted. We are currently evaluating the potential effect that the updated standard will have on our financial statement disclosures.

In December 2023, the FASB issued ASU 2023-09 "Income Taxes (Topics 740): Improvements to Income Tax Disclosures" to expand the disclosure requirements for income taxes, specifically related to the rate reconciliation and income taxes paid. ASU 2023-09 is effective for our annual periods beginning January 1, 2025, with early adoption permitted. We are currently evaluating the potential effect that the updated standard will have on our financial statement disclosures.

Prior Period Reclassifications

Certain amounts in prior periods have been reclassified to conform with current period presentation.

Note 2. Revenues

Disaggregated Revenues

The following table presents revenues disaggregated by type (in millions):

	Year Ended December 31,		
	2021	2022	2023
Google Search & other	\$ 148,951	\$ 162,450	\$ 175,033
YouTube ads	28,845	29,243	31,510
Google Network	31,701	32,780	31,312
Google advertising	209,497	224,473	237,855
Google subscriptions, platforms, and devices	28,032	29,055	34,688
Google Services total	237,529	253,528	272,543
Google Cloud	19,206	26,280	33,088
Other Bets	753	1,068	1,527
Hedging gains (losses)	149	1,960	236
Total revenues	\$ 257,637	\$ 282,836	\$ 307,394

No individual customer or groups of affiliated customers represented more than 10% of our revenues in 2021, 2022, or 2023.

The following table presents revenues disaggregated by geography, based on the addresses of our customers (in millions):

	Year Ended December 31,					
	2021		2022		2023	
United States	\$ 117,854	46 %	\$ 134,814	48 %	\$ 146,286	47 %
EMEA ⁽¹⁾	79,107	31	82,062	29	91,038	30
APAC ⁽¹⁾	46,123	18	47,024	16	51,514	17
Other Americas ⁽¹⁾	14,404	5	16,976	6	18,320	6
Hedging gains (losses)	149	0	1,960	1	236	0
Total revenues	\$ 257,637	100 %	\$ 282,836	100 %	\$ 307,394	100 %

⁽¹⁾ Regions represent Europe, the Middle East, and Africa (EMEA); Asia-Pacific (APAC); and Canada and Latin America ("Other Americas").

Revenue Backlog

As of December 31, 2023, we had \$74.1 billion of remaining performance obligations ("revenue backlog"), primarily related to Google Cloud. Our revenue backlog represents commitments in customer contracts for future services that have not yet been recognized as revenue. The estimated revenue backlog and timing of revenue recognition for these commitments is largely driven by our ability to deliver in accordance with relevant contract terms and when our customers utilize services. We expect to recognize approximately half of the revenue backlog as revenues over the next 24 months with the remaining to be recognized thereafter. Revenue backlog includes related deferred revenue currently recorded as well as amounts that will be invoiced in future periods, and excludes contracts with an original expected term of one year or less and cancellable contracts.

Deferred Revenues

We record deferred revenues when cash payments are received or due in advance of our performance, including amounts which are refundable. Deferred revenues primarily relate to Google Cloud and Google subscriptions, platforms, and devices. Total deferred revenue as of December 31, 2022 was \$4.5 billion, of which \$2.4 billion was recognized as revenues for the year ended December 31, 2023.

Note 3. Financial Instruments

Fair Value Measurements

Investments Measured at Fair Value on a Recurring Basis

Cash, cash equivalents, and marketable equity securities are measured at fair value and classified within Level 1

and Level 2 in the fair value hierarchy, because we use quoted prices for identical assets in active markets or inputs that are based upon quoted prices for similar instruments in active markets.

Debt securities are measured at fair value and classified within Level 2 in the fair value hierarchy, because we use quoted market prices to the extent available or alternative pricing sources and models utilizing market observable inputs to determine fair value. For certain marketable debt securities, we have elected the fair value option for which changes in fair value are recorded in OI&E. The fair value option was elected for these securities to align with the unrealized gains and losses from related derivative contracts.

The following tables summarize our cash, cash equivalents, and marketable securities measured at fair value on a recurring basis (in millions):

		As of December 31, 2022					
	Fair Value Hierarchy	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cash and Cash Equivalents	Marketable Securities
Fair value changes recorded in other comprehensive income							
Time deposits	Level 2	\$ 5,297	\$ 0	\$ 0	\$ 5,297	\$ 5,293	\$ 4
Government bonds	Level 2	41,036	64	(2,045)	39,055	283	38,772
Corporate debt securities	Level 2	28,578	8	(1,569)	27,017	1	27,016
Mortgage-backed and asset-backed securities	Level 2	16,176	5	(1,242)	14,939	0	14,939
Total investments with fair value change reflected in other comprehensive income ⁽¹⁾		<u>\$ 91,087</u>	<u>\$ 77</u>	<u>\$ (4,856)</u>	<u>\$ 86,308</u>	<u>\$ 5,577</u>	<u>\$ 80,731</u>
Fair value adjustments recorded in net income							
Money market funds	Level 1				\$ 7,234	\$ 7,234	\$ 0
Current marketable equity securities ⁽²⁾	Level 1				4,013	0	4,013
Mutual funds	Level 2				339	0	339
Government bonds	Level 2				1,877	440	1,437
Corporate debt securities	Level 2				3,744	65	3,679
Mortgage-backed and asset-backed securities	Level 2				1,686	2	1,684
Total investments with fair value change recorded in net income					<u>\$ 18,893</u>	<u>\$ 7,741</u>	<u>\$ 11,152</u>
Cash					0	8,561	0
Total		<u>\$ 91,087</u>	<u>\$ 77</u>	<u>\$ (4,856)</u>	<u>\$ 105,201</u>	<u>\$ 21,879</u>	<u>\$ 91,883</u>

(1) Represents gross unrealized gains and losses for debt securities recorded to AOCI.

(2) The long-term portion of marketable equity securities (subject to long-term lock-up restrictions) of \$803 million as of December 31, 2022 is included within other non-current assets.

		As of December 31, 2023					
	Fair Value Hierarchy	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cash and Cash Equivalents	Marketable Securities
Fair value changes recorded in other comprehensive income							
Time deposits	Level 2	\$ 2,628	\$ 0	\$ 0	\$ 2,628	\$ 2,628	\$ 0
Government bonds	Level 2	38,106	233	(679)	37,660	1,993	35,667
Corporate debt securities	Level 2	22,457	112	(637)	21,932	0	21,932
Mortgage-backed and asset-backed securities	Level 2	17,243	88	(634)	16,697	0	16,697
Total investments with fair value change reflected in other comprehensive income ⁽¹⁾		\$ 80,434	\$ 433	\$ (1,950)	\$ 78,917	\$ 4,621	\$ 74,296
Fair value adjustments recorded in net income							
Money market funds	Level 1				\$ 6,480	\$ 6,480	\$ 0
Current marketable equity securities ⁽²⁾	Level 1				4,282	0	4,282
Mutual funds	Level 2				311	0	311
Government bonds	Level 2				1,952	347	1,605
Corporate debt securities	Level 2				3,782	91	3,691
Mortgage-backed and asset-backed securities	Level 2				2,683	0	2,683
Total investments with fair value change recorded in net income					\$ 19,490	\$ 6,918	\$ 12,572
Cash					0	12,509	0
Total		\$ 80,434	\$ 433	\$ (1,950)	\$ 98,407	\$ 24,048	\$ 86,868

(1) Represents gross unrealized gains and losses for debt securities recorded to AOCI.

(2) The long-term portion of marketable equity securities (subject to long-term lock-up restrictions) of \$1.4 billion as of December 31, 2023 is included within other non-current assets.

Investments Measured at Fair Value on a Nonrecurring Basis

Our non-marketable equity securities are investments in privately held companies without readily determinable market values. The carrying value of our non-marketable equity securities is adjusted to fair value upon observable transactions for identical or similar investments of the same issuer or impairment. Non-marketable equity securities that have been remeasured during the period based on observable transactions are classified within Level 2 or Level 3 in the fair value hierarchy because we estimate the value based on valuation methods, including option pricing models, market comparable approach, and common stock equivalent method, which may include a combination of the observable transaction price at the transaction date and other unobservable inputs including volatility, expected time to exit, risk free rate, and the rights, and obligations of the securities we hold. These inputs significantly vary based on investment type. The fair value of non-marketable equity securities that have been remeasured due to impairment are classified within Level 3.

As of December 31, 2023, the carrying value of our non-marketable equity securities was \$28.8 billion, of which \$13.7 billion were remeasured at fair value during the year ended December 31, 2023, and primarily classified within Level 2 of the fair value hierarchy at the time of measurement.