

Google Denmark ApS

Sankt Petri Passage 5, 2., 1165 Copenhagen K

CVR no. 28 86 69 84

Annual report 2015

Approved at the annual general meeting of shareholders on 4 May 2016

Chairman:



.....
Niels Bang

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Statement by the Executive Board

The Executive Board has today discussed and approved the annual report of Google Denmark ApS for the financial year 1 January - 31 December 2015.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January - 31 December 2015.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 4 May 2016
Executive Board:


David Munro Sneddon
Matthew Scott Sucherman

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Copenhagen, 4 May 2016
Executive Board:

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David Munro Sneddon


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Matthew Scott Sucherman

Independent auditors' report

To the shareholders of Google Denmark ApS

Independent auditors' report on the financial statements

We have audited the financial statements of Google Denmark ApS for the financial year 1 January - 31 December 2015, which comprise an income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements according to Danish audit regulations. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors considers internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of its operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Copenhagen, 4 May 2016

ERNST & YOUNG

Sødkendt Revisionspartnerselskab

CVR No. 30 70 02 28



Alex Petersen

state authorised public accountant

Management's review

Company details

Name	Google Denmark ApS
Address, Postal code, City	Sankt Petri Passage 5, 2., 1165 Copenhagen K
CVR No.	28 86 69 84
Registered office	Copenhagen
Financial year	1 January - 31 December
Executive Board	David Munro Sheddon Matthew Scott Sucherman
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P O Box 250, 2000 Frederiksberg, Denmark
Bankers	Citibank, Hedegaardsvej 88, 1, 2300 Copenhagen S

Management's review

Financial highlights

t	2015	2014	2013	2012	2011
Key figures					
Revenue	166,168	152,867	131,994	117,675	108,500
Operating profit	13,096	12,005	10,695	9,297	8,942
Net financials	-428	-172	-77	-32	-90
Profit/loss for the year	9,407	8,747	7,546	6,765	6,453
Balance sheet					
Total assets	105,427	90,111	70,609	60,833	49,076
Investment in property, plant and equipment	6,176	2,893	2,358	2,686	21,927
Equity	52,359	42,952	34,205	26,659	19,894
Financial ratios					
Operating margin	7.9%	7.9%	8.1%	7.9 %	8.2 %
Return on assets	13.4%	14.9%	16.3%	16.9%	21.2%
Current ratio	196.4%	190.4%	187.4%	153.8%	120.0%
Solvency ratio	49.7%	47.7%	48.4%	43.8%	40.5%
Return on equity	19.7%	22.7%	24.8%	29.1%	38.7%
Other					
Average number of employees	68	64	57	49	43

Management's review

Operating review

The Company's business review

Google Denmark ApS ("the Company") is engaged in the provision of marketing services to Google Ireland Limited and the provision of research and development services to Google Inc.

Financial review

In 2015, the company's revenue came in at DKK 166,168,448 against DKK 152,866,713 last year. The income statement for 2015 shows a profit of DKK 9,406,856 against a profit of DKK 8,746,930 last year, and the balance sheet at 31 December 2015 shows equity of DKK 52,359,206.

Special risks

As a provider of marketing services to Google Ireland Limited and research and development services to Google Inc., the Company's principal risks and uncertainties relate to scaling back its operations due to a reduction in demand for its services. The demand for its services would be impacted by the principal risks and uncertainties faced by Google Ireland Limited and Google Inc., namely:

- These businesses face intense competition. If they do not continue to innovate and provide products and services that are useful to users, they may not remain competitive, and their revenues and operating results could be adversely affected.
- These businesses generate their revenues almost entirely from advertising, and the reduction in spending by or loss of advertisers could seriously harm them.
- A variety of new and existing U.S. and foreign laws could subject these businesses to claims or otherwise harm them.

Post balance sheet events

There are no material post balance sheet events that require adjustment or disclosure in the financial statements.

Management's review

Operating review

Outlook

The Company has no plans or intention to restructure, reorganize or dispose of any assets other than those reflected in these financial statements, which could materially affect the book value or the classification of assets and liabilities and the presentation of the income statement or which should be disclosed in the notes to the accounts or the directors reports. There are no future changes anticipated in the business of the Company at this time.

Financial statements for the period 1 January - 31 December

Income statement

Note	DKK	2015	2014
	Revenue	166,168,448	152,866,713
	Other operating income	0	10,936
	Other external expenses	-49,669,075	-38,251,987
2	Staff costs	-98,380,164	-97,684,469
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-5,022,677	-4,824,224
	Other operating expenses	-121	-112,347
	Operating profit	13,096,411	12,004,622
3	Financial income	19,033	0
4	Financial expenses	-447,356	-172,274
	Profit before tax	12,668,088	11,832,348
5	Tax for the year	-3,261,232	-3,085,418
	Profit for the year	9,406,856	8,746,930
	 Proposed profit appropriation		
	Retained earnings	9,406,856	8,746,930
		9,406,856	8,746,930

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	<u>2015</u>	<u>2014</u>
	ASSETS		
	Non-current assets		
6	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	7,529,559	4,032,420
	Leasehold improvements	2,170,288	4,516,510
		<u>9,699,847</u>	<u>8,548,930</u>
	Total non-current assets	<u>9,699,847</u>	<u>8,548,930</u>
	Current assets		
	Receivables		
	Receivables from group entities	7,989,271	20,673,871
7	Deferred tax assets	3,184,179	3,103,285
	Income taxes receivable	1,053,683	396,189
	Other receivables	1,216,005	1,264,774
	Prepayments	10,401,235	2,538,105
		<u>23,844,373</u>	<u>27,976,224</u>
	Cash	71,882,437	53,585,595
	Total current assets	<u>95,726,810</u>	<u>81,561,819</u>
	TOTAL ASSETS	<u>105,426,657</u>	<u>90,110,749</u>

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	<u>2015</u>	<u>2014</u>
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	750,000	750,000
	Retained earnings	<u>51,609,206</u>	<u>42,202,350</u>
	Total equity	<u>52,359,206</u>	<u>42,952,350</u>
	Provisions		
	Other provisions	<u>4,321,203</u>	<u>4,321,203</u>
	Total provisions	<u>4,321,203</u>	<u>4,321,203</u>
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade payables	10,249,690	11,467,927
	Payables to group entities	8,989,065	5,408,928
	Other payables	<u>29,507,493</u>	<u>25,960,341</u>
		<u>48,746,248</u>	<u>42,837,196</u>
	Total liabilities other than provisions	<u>48,746,248</u>	<u>42,837,196</u>
	TOTAL EQUITY AND LIABILITIES	<u>105,426,657</u>	<u>90,110,749</u>

- 1 Accounting policies
- 8 Contractual obligations and contingencies, etc.
- 9 Related parties

Financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2014	750,000	33,455,420	34,205,420
Profit/loss for the year	0	8,746,930	8,746,930
Equity at 1 January 2015	750,000	42,202,350	42,952,350
Profit/loss for the year	0	9,406,856	9,406,856
Equity at 31 December 2015	<u>750,000</u>	<u>51,609,206</u>	<u>52,359,206</u>

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Google Denmark ApS for 2015 has been presented in accordance with the provisions of the Danish Financial Statements Act as regards medium-sized reporting class C enterprises.

The accounting policies applied by the company are consistent with those of last year.

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Omission to present a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are part of the consolidated cash flow statement for the parent company, Alphabet Inc.

Reporting currency

The financial statements are presented in Danish kroner.

Foreign currency translation

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction data rates.

Income statement

Revenue

Income from the rendering of services, which is provision of marketing services to Google Ireland Limited and the provision of research and development services to Google Inc, is recognised as revenue as the services are rendered.

Revenue from the provision of services is recognised in the income statement when delivery and transfer of risk has been made before year-end.

Revenue is recognized exclusive of VAT and net of discounts relating to sale.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Other operating income and operating expenses

Other operating income and operating expenses comprise items of a secondary nature relative to the entity's core activities, including gains or losses on the sale of fixed assets.

Other external expenses

Other external expenses comprise of cost relating to advertising, administration, premises, operating lease expenses and similar expenses.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

Amortisation/depreciation and impairment of intangible assets and property, plant and equipment

The item comprises amortisation/depreciation of property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight-line basis over the expected useful life. The expected useful lives are as follows:

Leasehold improvements	5-10 years
Other fixtures and fittings, tools and equipment	5 years

Financial income and expenses

Financial expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest expenses as well as exchange rate loss.

Tax

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for the year is recognized in the income statement.

Balance sheet

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value. Provisions are made for bad debts on the basis of objective evidence that a receivable or a group of receivables are impaired. Write-downs are made to the lower of the net realisable value and the carrying amount.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Prepayments

Prepayments recognised under 'Assets' comprise prepaid expenses regarding subsequent financial reporting years.

Cash and cash equivalents

Cash comprises bank balances.

Provisions

Provisions comprise expected expenses relating to reestablishment of leases. Provisions are recognised when, at the balance sheet date, the enterprise has a legal or constructive obligation and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions expected to be settled after more than one year after the balance sheet date are measured at the net present value of the expected payments. Other provisions are measured at net realisable value.

Corporation tax

Current tax liabilities and receivables are recognized in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on account taxation scheme are recognized in the income statement in financial income and expenses.

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by off-set against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

Other payables

Other payables are measured at net realisable value.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Operating margin	$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit/loss from operating activities}}{\text{Average assets} \times 100}$
Current ratio	$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit/loss for the year after tax} \times 100}{\text{Average equity}}$

Financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK	2015	2014
2 Staff costs		
Wages/salaries	85,983,680	83,655,337
Pensions	7,548,970	6,899,919
Other staff costs	4,847,514	7,129,213
	<u>98,380,164</u>	<u>97,684,469</u>
Average number of full-time employees	<u>68</u>	<u>64</u>
<p>The directors receive remuneration in respect of their services to the Company from other group companies. The cost of the services that they provide to the Company cannot be separately identified. During the year the highest paid director received remuneration of DKK 0 (2014: DKK 0).</p>		
3 Financial income		
Exchange rate gains	19,033	0
	<u>19,033</u>	<u>0</u>
4 Financial expenses		
Other interest expenses	6,900	5,000
Exchange rate losses	440,456	167,274
	<u>447,356</u>	<u>172,274</u>
5 Tax for the year		
Estimated tax charge for the year	3,342,126	3,319,811
Deferred tax adjustments in the year	-80,894	-234,393
	<u>3,261,232</u>	<u>3,085,418</u>

Financial statements for the period 1 January - 31 December

Notes to the financial statements

6 Property, plant and equipment

DKK	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2015	20,262,948	12,734,003	32,996,951
Additions in the year	6,175,523	0	6,175,523
Disposals in the year	-1,573,526	0	-1,573,526
Cost at 31 December 2015	<u>24,864,945</u>	<u>12,734,003</u>	<u>37,598,948</u>
Impairment losses and depreciation at 1 January 2015	16,230,528	8,217,493	24,448,021
Amortisation/depreciation in the year	2,678,384	2,346,222	5,024,606
Amortisation/depreciation and impairment of disposals in the year	<u>-1,573,526</u>	<u>0</u>	<u>-1,573,526</u>
Impairment losses and depreciation at 31 December 2015	<u>17,335,386</u>	<u>10,563,715</u>	<u>27,899,101</u>
Carrying amount at 31 December 2015	<u>7,529,559</u>	<u>2,170,288</u>	<u>9,699,847</u>

Financial statements for the period 1 January - 31 December

Notes to the financial statements

7 Deferred tax

Deferred tax relates to:

DKK	2015	2014
Property, plant and equipment	2,085,929	1,999,709
Provisions	950,665	950,665
Liabilities	147,585	152,911
	<u>3,184,179</u>	<u>3,103,285</u>

8 Contractual obligations and contingencies, etc.

Other financial obligations

Other rent and lease liabilities:

Rent and lease liabilities	<u>2,729,479</u>	<u>4,590,721</u>
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The Company has entered into two rental agreements, the longest agreement has a period of non-terminability of 6 months.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

9 Related parties

Google Denmark ApS' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Google International LLC (Parent)	2711 Centerville Road, Suite 400, Wilmington, Delaware 19808, USA	Participating interest

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent's consolidated financial statements
Alphabet Inc	1600 Amphitheatre Parkway, Mountain View, California 94043, USA	Investor.google.com

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the share capital:

Name	Domicile
Google International LLC	2711 Centerville Road, Suite 400, Wilmington, Delaware 19808, USA