

# EXHIBIT 28

10-K 1 d452134d10k.htm FORM 10-K

[Table of Contents](#)


---



---

**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, 2012

OR

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

Commission file number: 000-50726

# Google Inc.

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

77-0493581  
(I.R.S. Employer  
Identification No.)

1600 Amphitheatre Parkway  
Mountain View, CA 94043

(Address of principal executive offices) (Zip Code)

(650) 253-0000

(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Class A Common Stock, \$0.001 par value	Nasdaq Stock Market LLC (Nasdaq Global Select Market)

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

Title of each class  
 Class B Common Stock, \$0.001 par value  
 Options to purchase Class A Common Stock

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 and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

## Table of Contents

### *Sales and Marketing*

The following table presents our sales and marketing expenses, and sales and marketing expenses as a percentage of total revenues for the periods presented (dollars in millions):

	Year Ended December 31,		
	2010	2011	2012
Sales and marketing expenses	\$2,799	\$4,589	\$6,143
Sales and marketing expenses as a percentage of total revenues	9.5%	12.1%	12.2%

Sales and marketing expenses consist primarily of compensation and related costs for personnel engaged in customer service, sales, and sales support functions, as well as advertising and promotional expenditures.

Sales and marketing expenses increased \$1,554 million from 2011 to 2012, which includes \$678 million related to Motorola Mobile. The remaining increase of \$876 million was primarily due to an increase in labor and facilities-related costs of \$390 million, largely as a result of a 14% increase in sales and marketing headcount, as well as an increase in advertising and promotional expenses of \$288 million. In addition, there was an increase in stock-based compensation expense of \$87 million.

Sales and marketing expenses increased \$1,790 million from 2010 to 2011. This increase was primarily due to an increase in labor and facilities-related costs of \$787 million, largely as a result of a 36% increase in sales and marketing headcount, including headcount from acquisitions, as well as an increase in employee base salaries of approximately 10%. In addition, there was an increase in advertising and promotional expenses of \$700 million.

We expect that sales and marketing expenses will increase in dollar amount and may increase as a percentage of total revenues in 2013 and future periods, as we expand our business globally, increase advertising and promotional expenditures in connection with new and existing products, and increase the level of service we provide to our advertisers, Google Network Members, and other partners.

### *General and Administrative*

The following table presents our general and administrative expenses, and general and administrative expenses as a percentage of total revenues for the periods presented (dollars in millions):

	Year Ended December 31,		
	2010	2011	2012
General and administrative expenses	\$1,962	\$2,724	\$3,845
General and administrative expenses as a percentage of total revenues	6.8%	7.2%	7.8%

General and administrative expenses consist primarily of compensation and related costs for personnel and facilities, and include costs related to our facilities, finance, human resources, information technology, and legal organizations, and fees for professional services. Professional services are principally comprised of outside legal, audit, information technology consulting, and outsourcing services. General and administrative expenses also include amortization of certain acquired intangible assets.

General and administrative expenses increased \$1,121 million from 2011 to 2012, which includes \$364 million related to Motorola Mobile. The remaining increase of \$757 million was primarily due to an increase in amortization of acquired intangible assets of \$274 million, an increase in professional services expense of \$147 million, the majority of which was related to legal costs, an increase in labor and facilities-related costs of \$122 million, primarily as a result of a 11% increase in general and administrative headcount, as well as an increase in stock-based compensation expense of \$89 million.

General and administrative expenses increased \$762 million from 2010 to 2011. This increase was primarily due to an increase in labor and facilities-related costs of \$350 million, primarily as a result of a 37% increase in general and administrative headcount and an increase in employee base salaries of approximately 10%, as well as an increase in expense related to professional services of \$260 million, the majority of which were related to consulting services and legal costs. In addition, there was an increase in stock-based compensation of \$116 million.

## [Table of Contents](#)

As we expand our business and incur additional expenses, we expect general and administrative expenses will increase in dollar amount and may increase as a percentage of total revenues in 2013 and future periods.

### *Charge Related to the Resolution of Department of Justice Investigation*

In connection with a resolution of an investigation by the United States Department of Justice into the use of Google advertising by certain advertisers, we accrued \$500 million during the first quarter of 2011, which was paid in August 2011 upon final resolution of that matter.

### *Stock-Based Compensation*

The following table presents our stock-based compensation, and stock-based compensation as a percentage of revenues for the periods presented (dollars in millions):

	Year Ended December 31,		
	2010	2011	2012
Stock-based compensation	\$1,376	\$1,974	\$2,649
Stock-based compensation as a percentage of total revenues	4.7%	5.2%	5.3%

Stock-based compensation increased \$675 million from 2011 to 2012. This increase was primarily due to additional stock awards issued to existing and new employees, awards issued in connection with the acquisition of Motorola, and acceleration of certain awards resulting from Motorola restructuring. Additionally, stock-based compensation expense for the Motorola Home segment was included in net loss from discontinued operations.

Stock-based compensation increased \$598 million from 2010 to 2011. This increase was largely due to additional stock awards issued to existing and new employees.

We estimate stock-based compensation to be approximately \$2.5 billion in 2013 and \$2.7 billion thereafter. This estimate does not include expenses to be recognized related to employee stock awards that are granted after December 31, 2012 or non-employee stock awards that have been or may be granted. In addition, to the extent forfeiture rates are different from what we have anticipated, stock-based compensation related to these awards will be different from our expectations.

### *Interest and Other Income, Net*

Interest and other income, net, increased \$42 million from 2011 to 2012. This increase was primarily driven by a gain on divestiture of business of \$188 million in 2012, an impairment charge related to equity investments of \$110 million in 2011, partially offset by an increase in foreign currency exchange loss of \$152 million and a decrease in interest income of \$99 million.

Interest and other income, net increased \$169 million from 2010 to 2011. This increase was primarily driven by an increase in interest income of \$233 million due to an increase in our cash and investment balances and higher yields, as well as an increase in net realized gains on sales of available-for-sale investments of \$69 million, partially offset by an increase in interest expense of \$53 million primarily related to our long-term debt program. In addition, we recorded an impairment charge of \$110 million related to certain equity investments during the year ended December 31, 2011.

The costs of our foreign exchange hedging activities that we recognized to interest and other income, net are primarily a function of the notional amount of the option and forward contracts and their related duration, the movement of the foreign exchange rates relative to the strike prices of the contracts, as well as the volatility of the foreign exchange rates.

As we expand our international business, we believe costs related to hedging activities under our foreign exchange risk management program may increase in dollar amount in 2013 and future periods.