

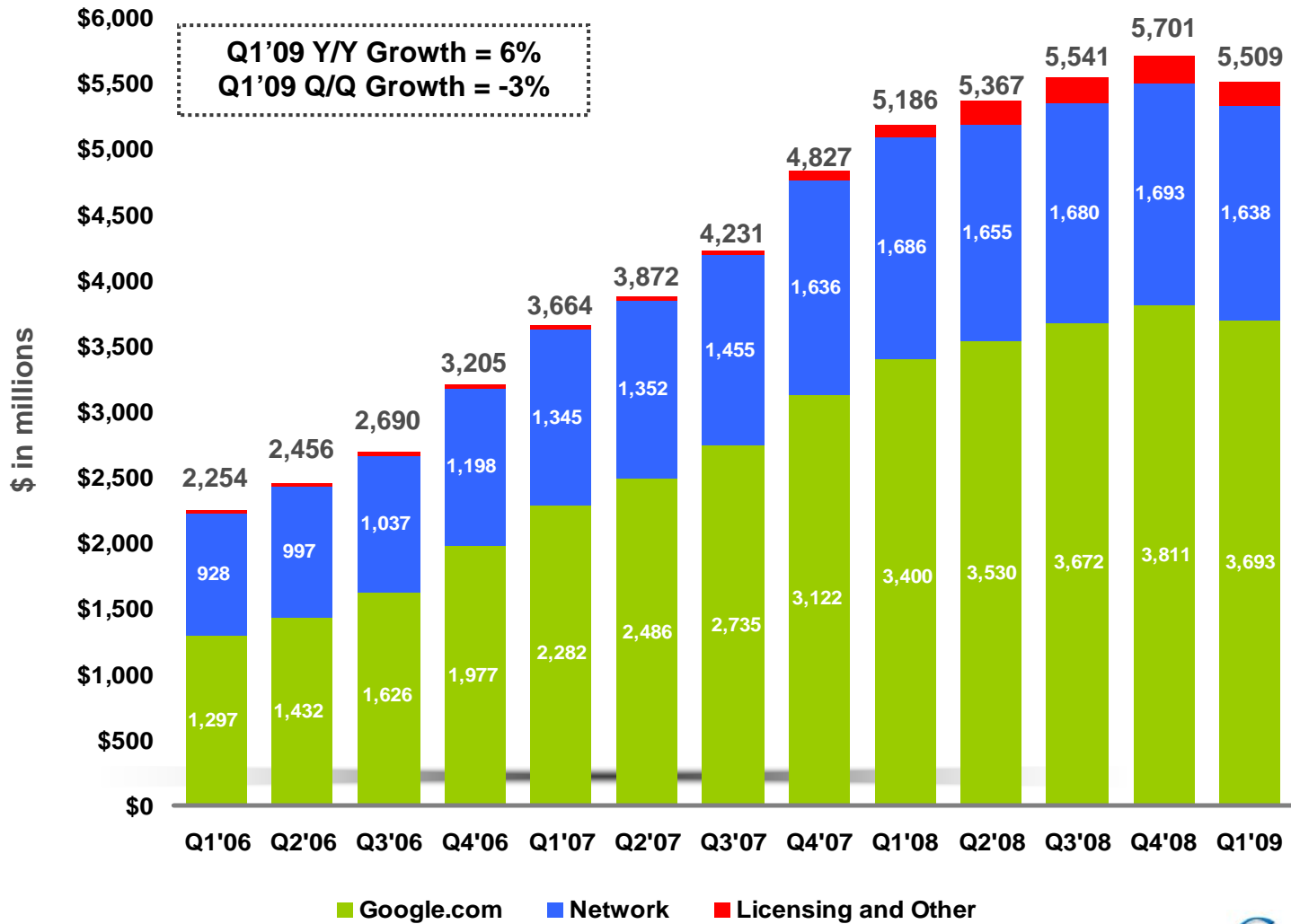
**Q1 2009**  
**Quarterly Earnings**  
**Summary**

# First Quarter 2009 Highlights

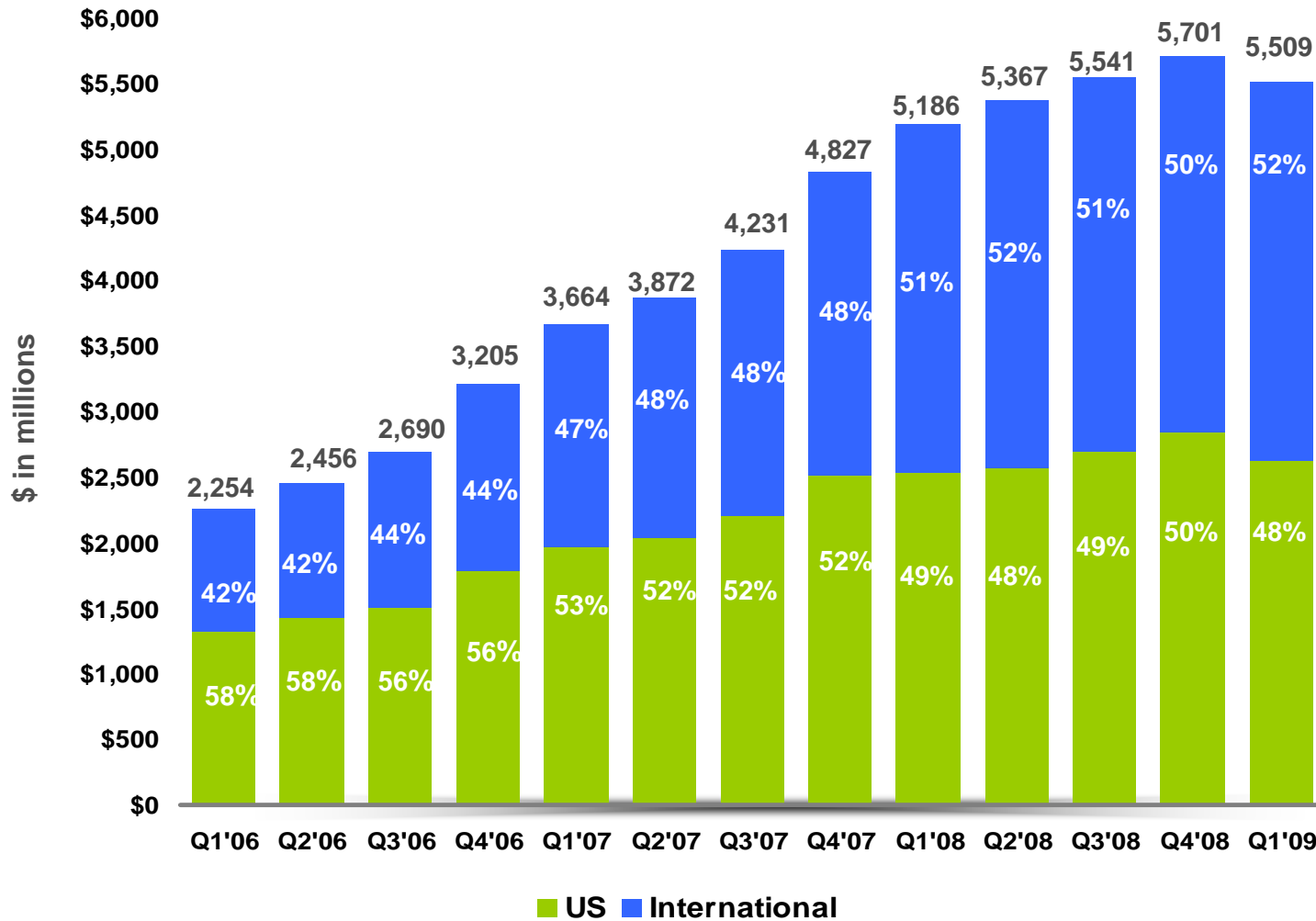
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- **Revenue growth of 6% Y/Y and -3% Q/Q**
  - Google properties revenue growth of 9% Y/Y and -3% Q/Q
  - Network revenues decreased 3% Y/Y and Q/Q
  - International revenue was \$2.9 billion
- **Operational Highlights**
  - Traffic and revenue solid in Q1 despite difficult economic environment
  - Key investments continue in our core search and ads businesses
  - Continuing to invest in strategic growth areas:
    - Display, Apps, and Mobile
- **Maintaining a clear focus on operational efficiency and continued cost management**

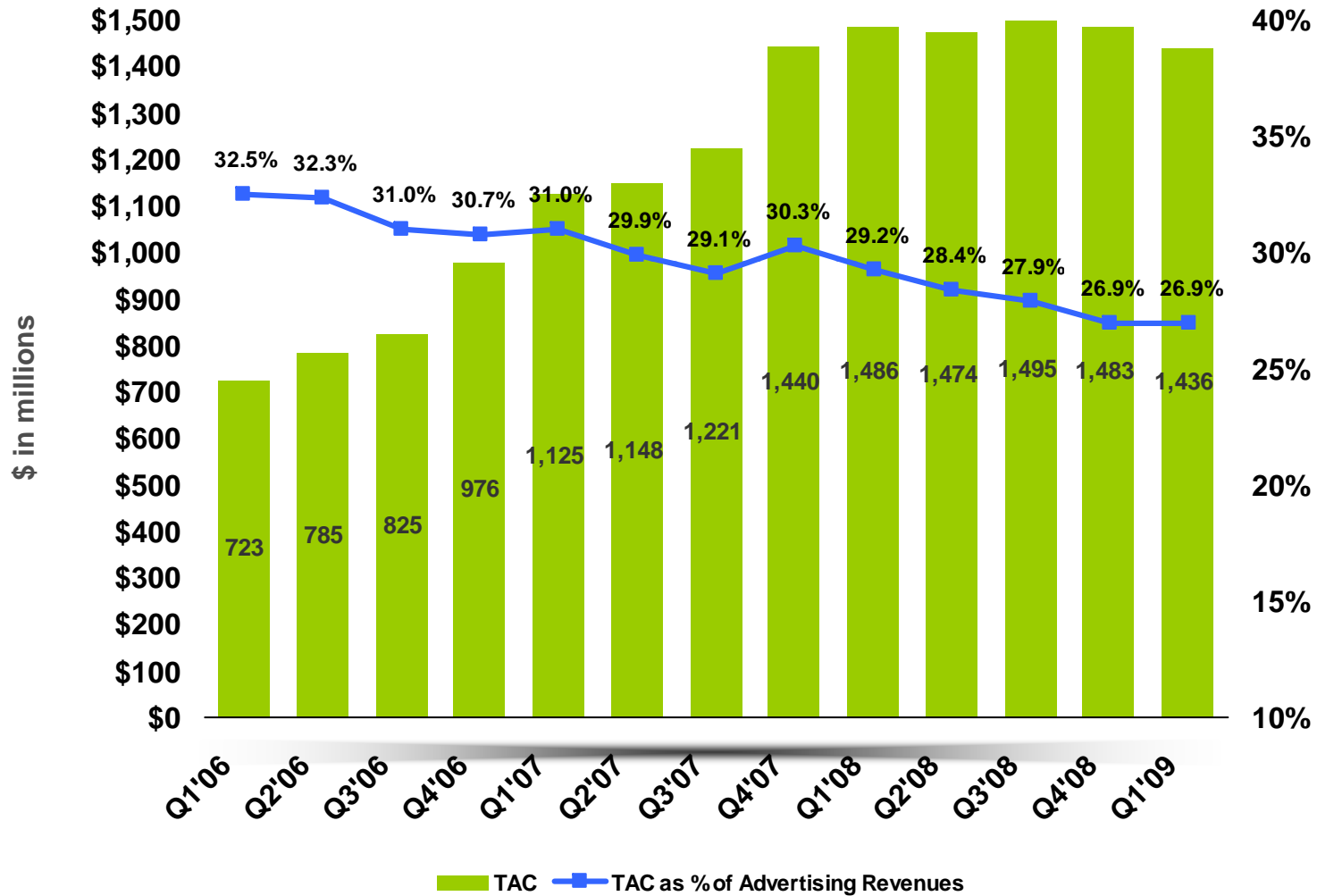
# Quarterly Revenue



# U.S. vs. International Revenue



# Traffic Acquisition Costs



# Costs and Expenses

<b>GAAP</b>			
<b>\$Millions</b>	<b>Q1'08</b>	<b>Q4'08</b>	<b>Q1'09</b>
<b>Cost of Revenues</b>	\$2,111	\$2,190	\$2,101
<i>Percent of revenues</i>	41%	38%	38%
<b>Research &amp; Development</b>	\$673	\$733	\$642
<i>Percent of revenues</i>	13%	13%	12%
<b>Sales &amp; Marketing</b>	\$447	\$506	\$434
<i>Percent of revenues</i>	9%	9%	8%
<b>General &amp; Administrative</b>	\$409	\$412	\$448
<i>Percent of revenues</i>	7%	7%	8%
<b>Total Costs &amp; Expenses</b>	\$3,640	\$3,841	\$3,625
<i>Percent of revenues</i>	70%	67%	66%

<b>Non-GAAP</b>			
<b>\$Millions</b>	<b>Q1'08</b>	<b>Q4'08</b>	<b>Q1'09</b>
<b>Cost of Revenues</b>	\$2,102	\$2,178	\$2,089
<i>Percent of revenues</i>	41%	38%	38%
<b>Research &amp; Development</b>	\$479	\$551	\$473
<i>Percent of revenues</i>	9%	10%	9%
<b>Sales &amp; Marketing</b>	\$404	\$450	\$375
<i>Percent of revenues</i>	8%	8%	7%
<b>General &amp; Administrative</b>	\$374	\$376	\$411
<i>Percent of revenues</i>	7%	6%	7%
<b>Total Costs &amp; Expenses</b>	\$3,359	\$3,555	\$3,348
<i>Percent of revenues</i>	65%	62%	61%

Note: Please refer to supporting Table 1 for reconciliations of non-GAAP costs and expenses to GAAP costs and expenses

# Profitability

<b>GAAP</b>				
<b>\$Millions</b>	<b>Q1'08</b>	<b>Q4'08</b>	<b>Q1'09</b>	
<b>Income from Operations</b>	\$1,546	\$ 1,860	\$ 1,884	
<i>Operating Margin</i>	30%	33%	34%	
<b>Net Income</b>	\$1,307	\$ 382	\$ 1,423	
<b>EPS (diluted)</b>	\$4.12	\$ 1.21	\$ 4.49	

<b>Non-GAAP</b>				
<b>\$Millions</b>	<b>Q1'08</b>	<b>Q4'08</b>	<b>Q1'09</b>	
<b>Income from Operations</b>	\$1,827	\$ 2,146	\$ 2,161	
<i>Operating Margin</i>	35%	38%	39%	
<b>Net Income</b>	\$1,537	\$ 1,616	\$ 1,636	
<b>EPS (diluted)</b>	\$4.84	\$ 5.10	\$ 5.16	

Note: Please refer to supporting Table 2 for reconciliations of non-GAAP results of operations measures to the nearest comparable GAAP measures

# Free Cash Flow

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<b>\$Millions</b>	<b>Q1'08</b>	<b>Q4'08</b>	<b>Q1'09</b>
<b>Net cash provided by operating activities</b>	\$1,780	\$2,122	\$2,250
<b>Less purchases of property and equipment</b>	(\$842)	(\$368)	(\$263)
<b>Free cash flow (Non-GAAP)</b>	\$938	\$1,754	\$1,987

## Table 1 - Reconciliations of non-GAAP costs and expenses to GAAP costs and expenses

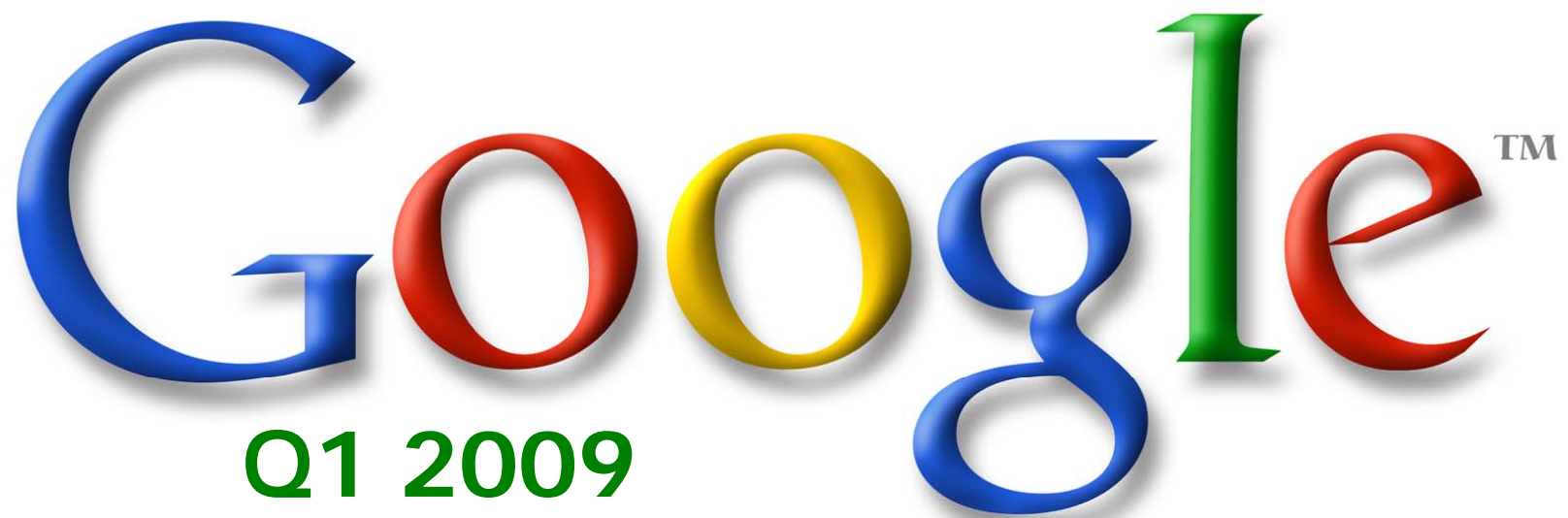
\$Millions	As a % of		As a % of		As a % of	
	Q1'08	Revenues (1)	Q4'08	Revenues (1)	Q1'09	Revenues (1)
<b>Cost of Revenues (GAAP)</b>	\$ 2,111	41%	\$ 2,190	38%	\$ 2,101	38%
Less: Stock-based compensation	(9)		(12)		(12)	
<b>Cost of Revenues (non-GAAP)</b>	\$ 2,102	41%	\$ 2,178	38%	\$ 2,089	38%
<b>Research and development (GAAP)</b>	\$ 673	13%	\$ 733	13%	\$ 642	12%
Less: Stock-based compensation	(194)		(182)		(169)	
<b>Research and development (non-GAAP)</b>	\$ 479	9%	\$ 551	10%	\$ 473	9%
<b>Sales and marketing (GAAP)</b>	\$ 447	9%	\$ 506	9%	\$ 434	8%
Less: Stock-based compensation	(43)		(56)		(59)	
<b>Sales and marketing (non-GAAP)</b>	\$ 404	8%	\$ 450	8%	\$ 375	7%
<b>General and administrative (GAAP)</b>	\$ 409	7%	\$ 412	7%	\$ 448	8%
Less: Stock-based compensation	(35)		(36)		(37)	
<b>General and administrative (non-GAAP)</b>	\$ 374	7%	\$ 376	6%	\$ 411	7%
<b>Total costs and expenses (GAAP)</b>	\$ 3,640	70%	\$ 3,841	67%	\$ 3,625	66%
Less: Stock-based compensation	(281)		(286)		(277)	
<b>Total costs and expenses (non-GAAP)</b>	\$ 3,359	65%	\$ 3,555	62%	\$ 3,348	61%

(1) Percentages based on GAAP revenues of \$5,186 million in Q1'08, \$5,701 million in Q4'08 and \$5,509 million in Q1 '09.

## Table 2 - Reconciliations of non-GAAP results of operations measures to the nearest comparable GAAP measures

Figures in millions except per share amounts	Q1'08	Operating Margin (1)	Q4'08	Operating Margin (1)	Q1'09	Operating Margin (1)
<b>Income from operations (GAAP)</b>	\$ 1,546	30%	\$ 1,860	33%	\$ 1,884	34%
Add: Stock-based compensation	281		286		277	
<b>Income from operations (non-GAAP)</b>	\$ 1,827	35%	\$ 2,146	38%	\$ 2,161	39%
<b>Net income (GAAP)</b>	\$ 1,307		\$ 382		\$ 1,423	
Add: Stock-based compensation (net of tax)	230		221		213	
Add: Impairment charges related to certain equity investments (net of tax)	-		1,013		-	
<b>Net income (non-GAAP)</b>	\$ 1,537		\$ 1,616		\$ 1,636	
<b>Net income per share - diluted (GAAP)</b>	\$4.12		\$ 1.21		\$ 4.49	
<b>Net income per share - diluted (non-GAAP)</b>	\$4.84		\$ 5.10		\$ 5.16	
Shares used in per share calculation - diluted	317		317		317	

(1) Percentages based on GAAP revenues of \$5,186 million in Q1'08, \$5,701 million in Q4 '08 and \$5,509 million in Q1 '09.



**Q1 2009**  
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