

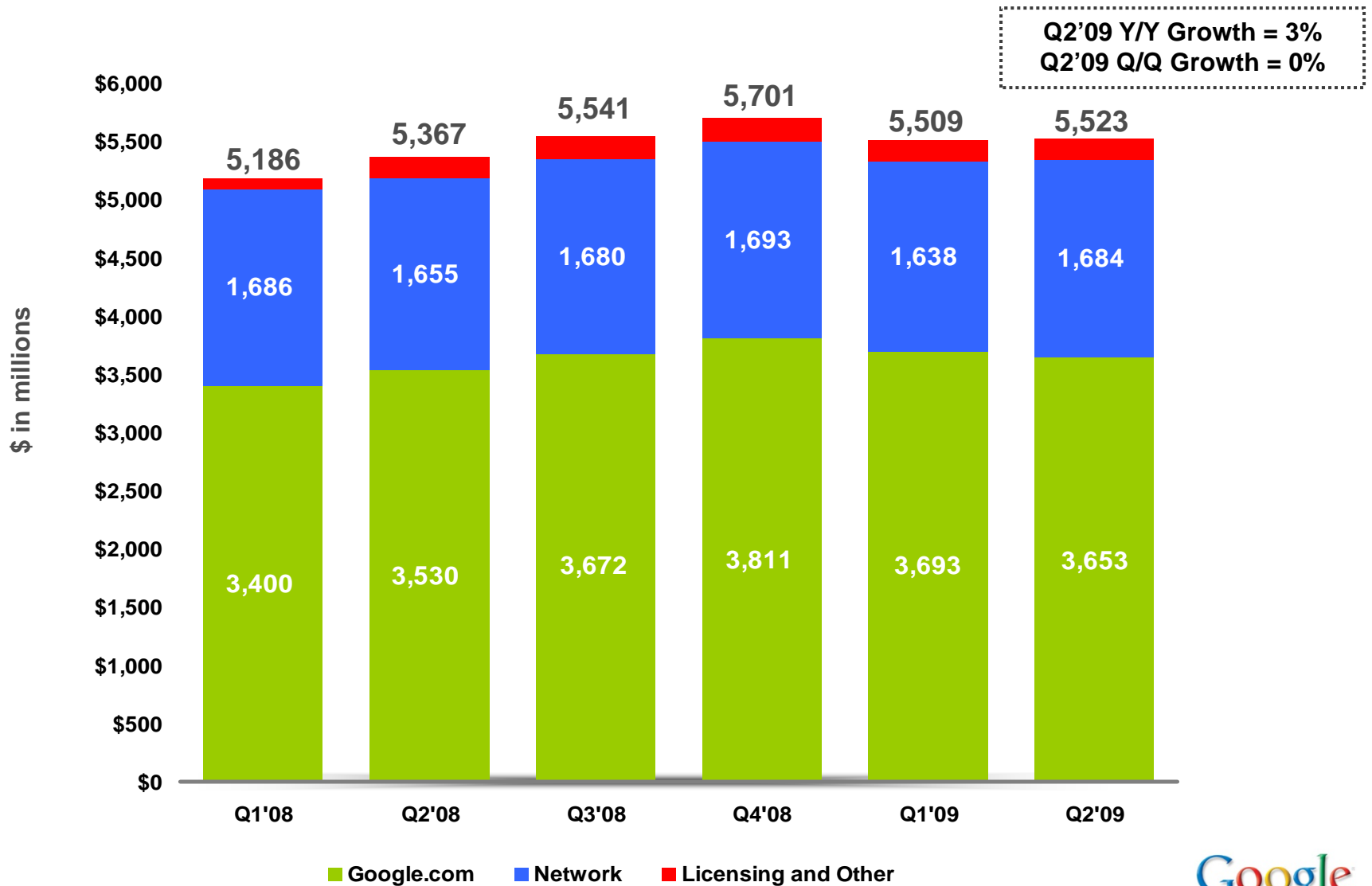
**Q2 2009**  
**Quarterly Earnings**  
**Summary**

# Second Quarter 2009 Highlights

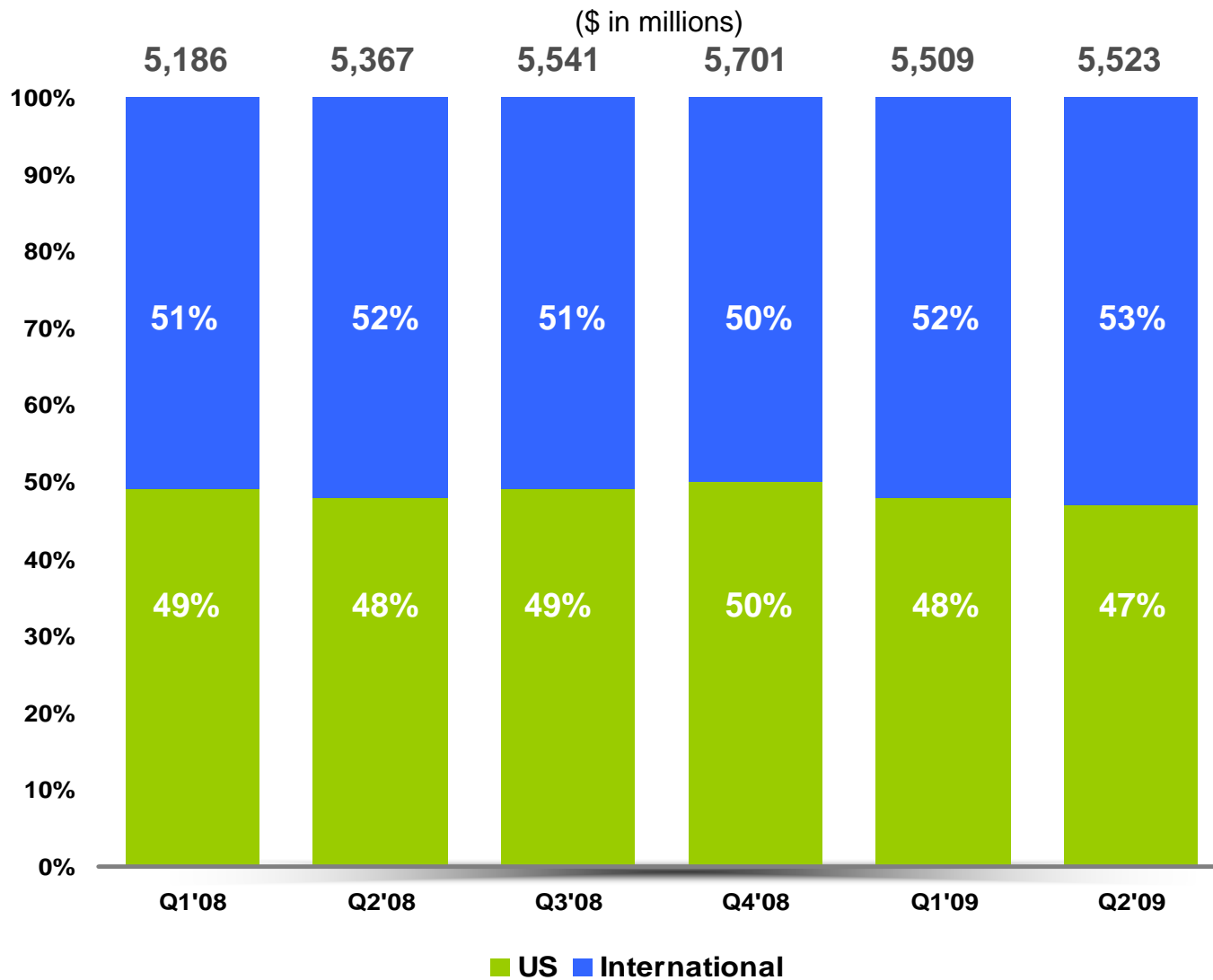
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- **Revenue growth of 3% Y/Y**
  - Google properties revenue growth of 3% Y/Y and -1% Q/Q
  - Network revenues increased 2% Y/Y and 3% Q/Q
  - International revenues were \$2.9 billion
- **Operational Highlights**
  - Traffic and revenues solid in Q2 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**

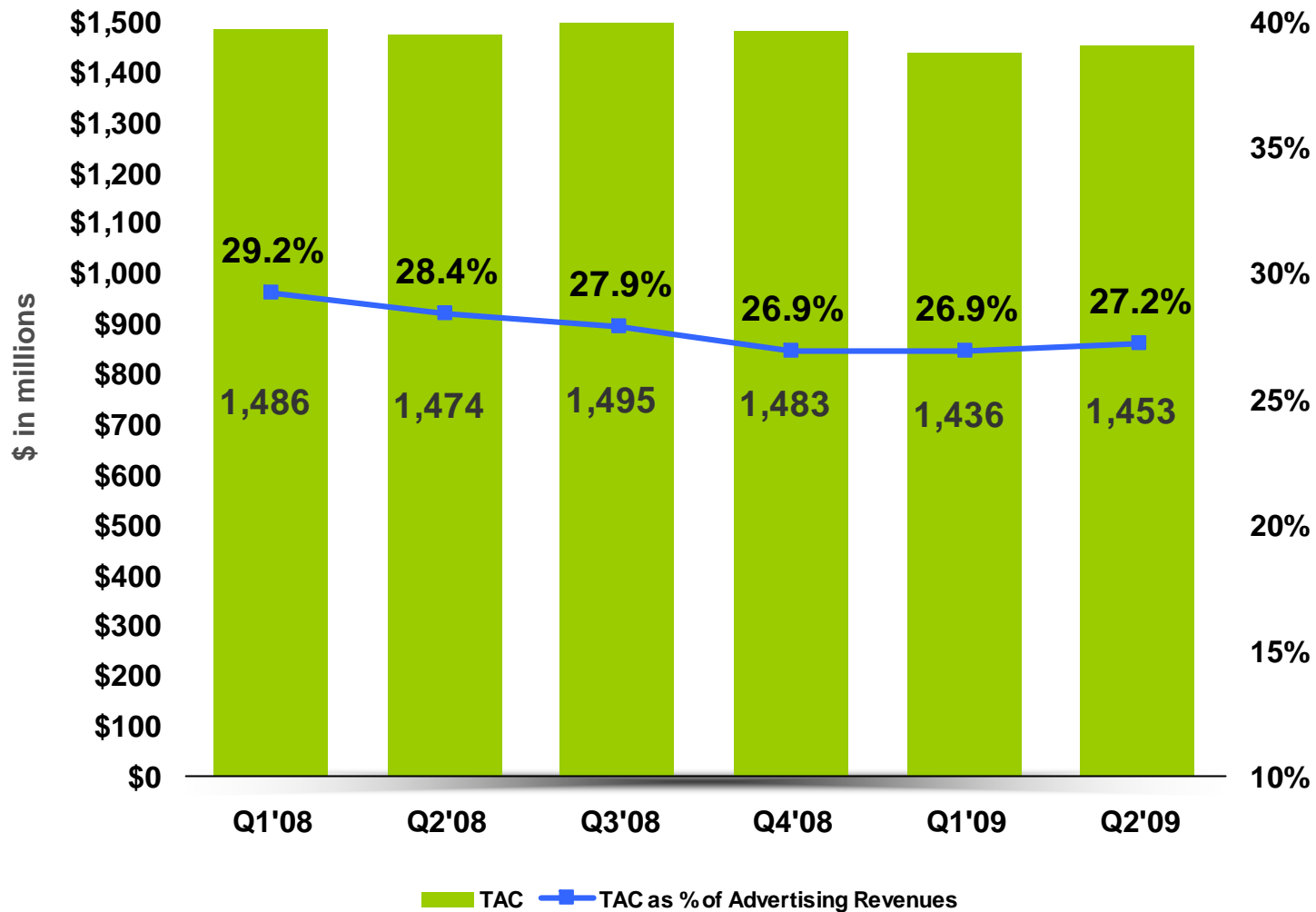
# Quarterly Revenues



# U.S. vs. International Revenues



# Traffic Acquisition Costs



# Costs and Expenses

<b>GAAP</b>			
<b>\$Millions</b>	<b>Q2'08</b>	<b>Q1'09</b>	<b>Q2'09</b>
<b>Cost of Revenues</b>	\$2,148	\$2,101	\$2,108
<i>Percent of revenues</i>	40%	38%	38%
<b>Research &amp; Development</b>	\$682	\$642	\$708
<i>Percent of revenues</i>	13%	12%	13%
<b>Sales &amp; Marketing</b>	\$485	\$434	\$469
<i>Percent of revenues</i>	9%	8%	8%
<b>General &amp; Administrative</b>	\$474	\$448	\$364
<i>Percent of revenues</i>	9%	8%	7%
<b>Total Costs &amp; Expenses</b>	\$3,789	\$3,625	\$3,649
<i>Percent of revenues</i>	71%	66%	66%

<b>Non-GAAP</b>			
<b>\$Millions</b>	<b>Q2'08</b>	<b>Q1'09</b>	<b>Q2'09</b>
<b>Cost of Revenues</b>	\$2,139	\$2,089	\$2,094
<i>Percent of revenues</i>	40%	38%	38%
<b>Research &amp; Development</b>	\$495	\$473	\$526
<i>Percent of revenues</i>	10%	9%	10%
<b>Sales &amp; Marketing</b>	\$442	\$375	\$412
<i>Percent of revenues</i>	8%	7%	7%
<b>General &amp; Administrative</b>	\$440	\$411	\$324
<i>Percent of revenues</i>	8%	7%	6%
<b>Total Costs &amp; Expenses</b>	\$3,516	\$3,348	\$3,356
<i>Percent of revenues</i>	66%	61%	61%

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

# Profitability

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<b>GAAP</b>				
<b>\$Millions (except per share amounts)</b>	<b>Q2'08</b>	<b>Q1'09</b>	<b>Q2'09</b>	
<b>Income from Operations</b>	\$1,578	\$ 1,884	\$ 1,874	
<i>Operating Margin</i>	29%	34%	34%	
<b>Net Income</b>	\$1,247	\$ 1,423	\$ 1,485	
<b>EPS (diluted)</b>	\$3.92	\$ 4.49	\$ 4.66	

<b>Non-GAAP</b>				
<b>\$Millions (except per share amounts)</b>	<b>Q2'08</b>	<b>Q1'09</b>	<b>Q2'09</b>	
<b>Income from Operations</b>	\$1,851	\$ 2,161	\$ 2,167	
<i>Operating Margin</i>	34%	39%	39%	
<b>Net Income</b>	\$1,472	\$ 1,636	\$ 1,708	
<b>EPS (diluted)</b>	\$4.63	\$ 5.16	\$ 5.36	

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>Q2'08</b>	<b>Q1'09</b>	<b>Q2'09</b>
<b>Net cash provided by operating activities</b>	\$1,766	\$2,250	\$1,609
<b>Less purchases of property and equipment</b>	(\$697)	(\$263)	(\$139)
<b>Free cash flow (Non-GAAP)</b>	\$1,069	\$1,987	\$1,470

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

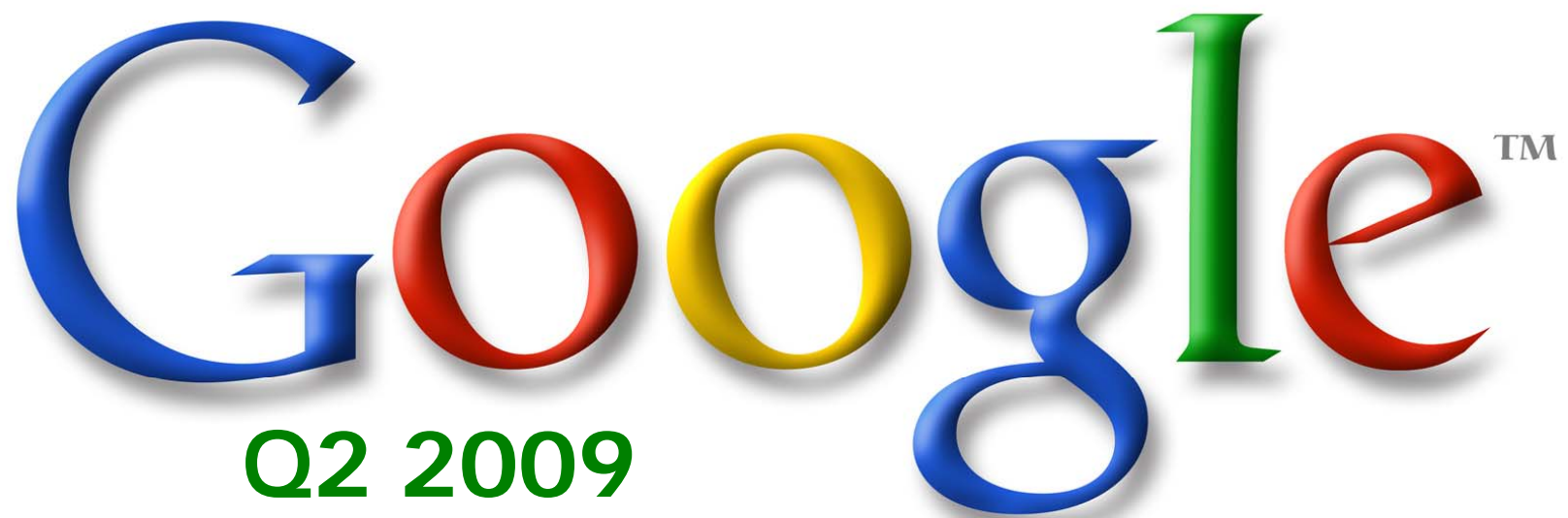
\$Millions	Q2'08	As a % of Revenues (1)	Q1'09	As a % of Revenues (1)	Q2'09	As a % of Revenues (1)
<b>Cost of Revenues (GAAP)</b>	\$ 2,148	40%	\$ 2,101	38%	\$ 2,108	38%
Less: Stock-based compensation	(9)		(12)		(14)	
<b>Cost of Revenues (non-GAAP)</b>	\$ 2,139	40%	\$ 2,089	38%	\$ 2,094	38%
<b>Research and development (GAAP)</b>	\$ 682	13%	\$ 642	12%	\$ 708	13%
Less: Stock-based compensation	(187)		(169)		(182)	
<b>Research and development (non-GAAP)</b>	\$ 495	10%	\$ 473	9%	\$ 526	10%
<b>Sales and marketing (GAAP)</b>	\$ 485	9%	\$ 434	8%	\$ 469	8%
Less: Stock-based compensation	(43)		(59)		(57)	
<b>Sales and marketing (non-GAAP)</b>	\$ 442	8%	\$ 375	7%	\$ 412	7%
<b>General and administrative (GAAP)</b>	\$ 474	9%	\$ 448	8%	\$ 364	7%
Less: Stock-based compensation	(34)		(37)		(40)	
<b>General and administrative (non-GAAP)</b>	\$ 440	8%	\$ 411	7%	\$ 324	6%
<b>Total costs and expenses (GAAP)</b>	\$ 3,789	71%	\$ 3,625	66%	\$ 3,649	66%
Less: Stock-based compensation	(273)		(277)		(293)	
<b>Total costs and expenses (non-GAAP)</b>	\$ 3,516	66%	\$ 3,348	61%	\$ 3,356	61%

(1) Percentages based on revenues of \$5,367 million in Q2 '08, \$5,509 million in Q1 '09 and \$5,523 million in Q2 '09.

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

\$ millions except per share amounts	Q2'08	Operating Margin (1)	Q1'09	Operating Margin (1)	Q2'09	Operating Margin (1)
<b>Income from operations (GAAP)</b>	\$ 1,578	29%	\$ 1,884	34%	\$ 1,874	34%
Add: Stock-based compensation	273		277		293	
<b>Income from operations (non-GAAP)</b>	\$ 1,851	34%	\$ 2,161	39%	\$ 2,167	39%
<b>Net income (GAAP)</b>	\$ 1,247		\$ 1,423		\$ 1,485	
Add: Stock-based compensation (net of tax)	225		213		223	
<b>Net income (non-GAAP)</b>	\$ 1,472		\$ 1,636		\$ 1,708	
<b>Net income per share - diluted (GAAP)</b>	\$ 3.92		\$ 4.49		\$ 4.66	
<b>Net income per share - diluted (non-GAAP)</b>	\$ 4.63		\$ 5.16		\$ 5.36	
Shares used in per share calculation - diluted	318		317		319	

(1) Percentages based on revenues of \$5,367 million in Q2 '08, \$5,509 million in Q1 '09 and \$5,523 million in Q2 '09.



**Q2 2009**

**Quarterly Earnings  
Summary**