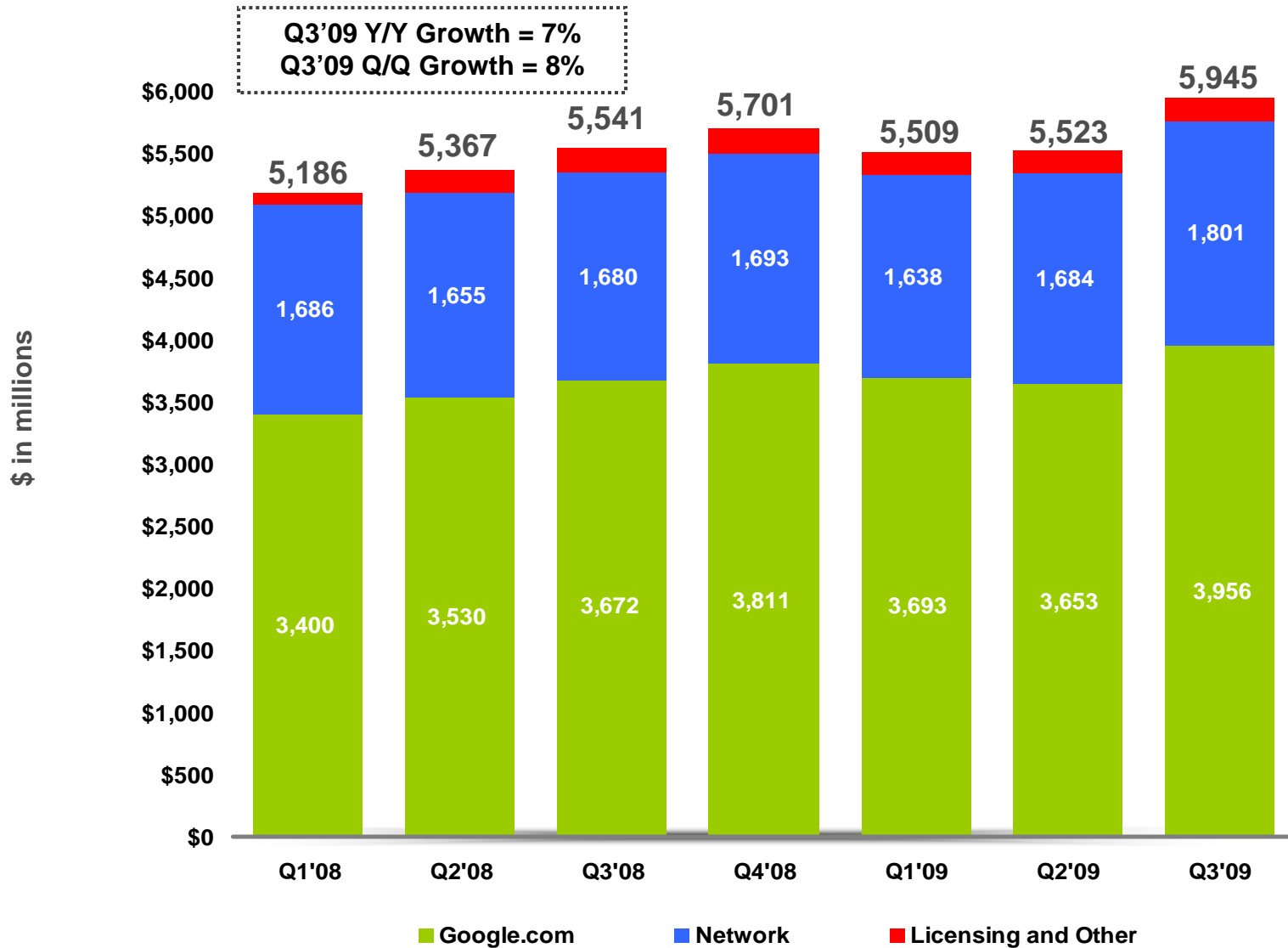


Q3 2009
Quarterly Earnings
Summary

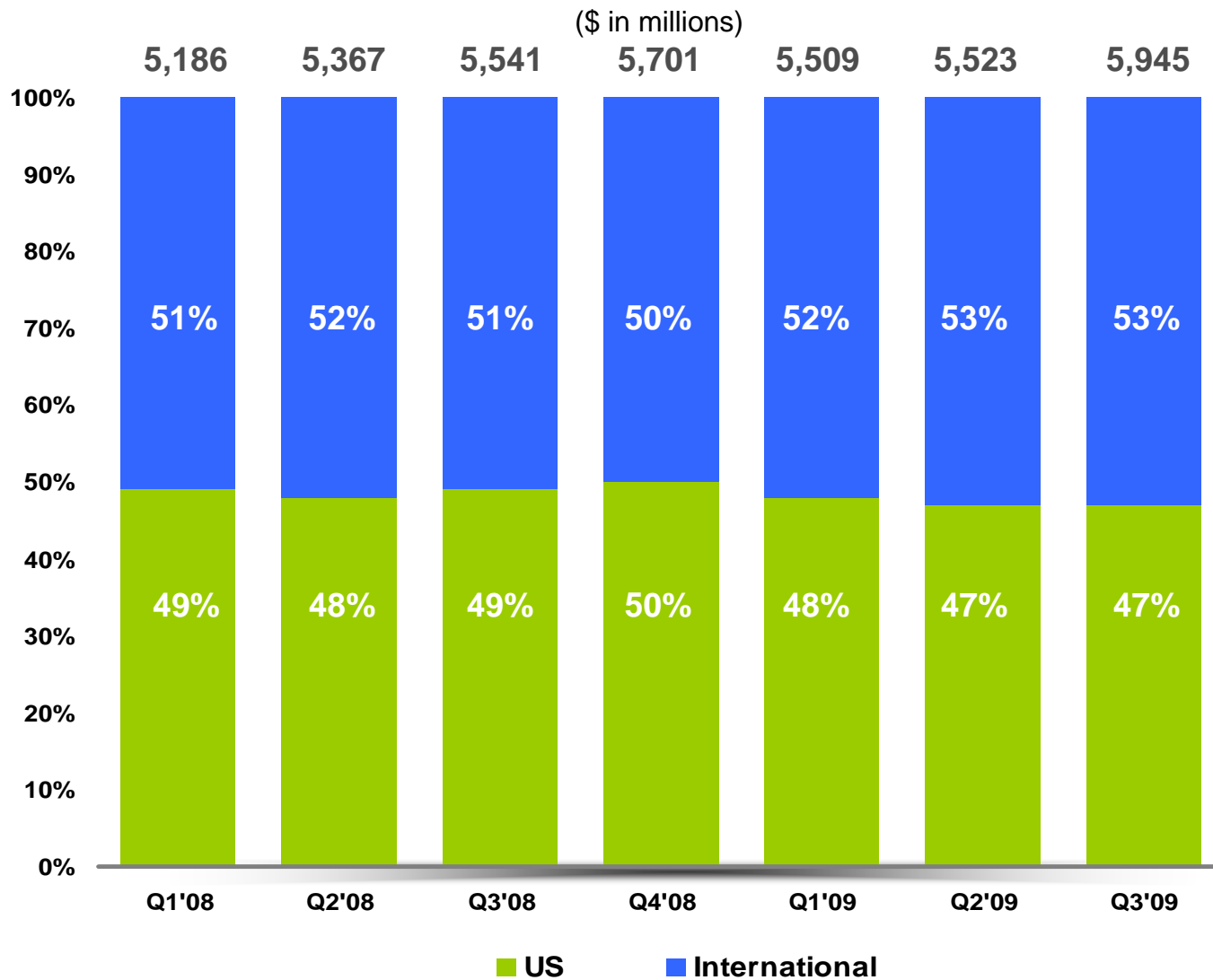
Third Quarter 2009 Highlights

- **Revenue growth of 7% Y/Y and 8% Q/Q**
 - Google properties revenue growth of 8% Y/Y and Q/Q
 - Network revenues increased 7% Y/Y and Q/Q
 - International revenues were \$3.1 billion
- **Operational Highlights**
 - Strong financial metrics: revenue growth, profitability, and cash flow
 - Investing in Innovation: 70/20/10
 - Innovation in our Core Business
 - Creating the Perfect Search Engine and Better Ads
 - Innovation in our Emerging Businesses
 - Mobile/Android
 - Display/YouTube
 - Enterprise

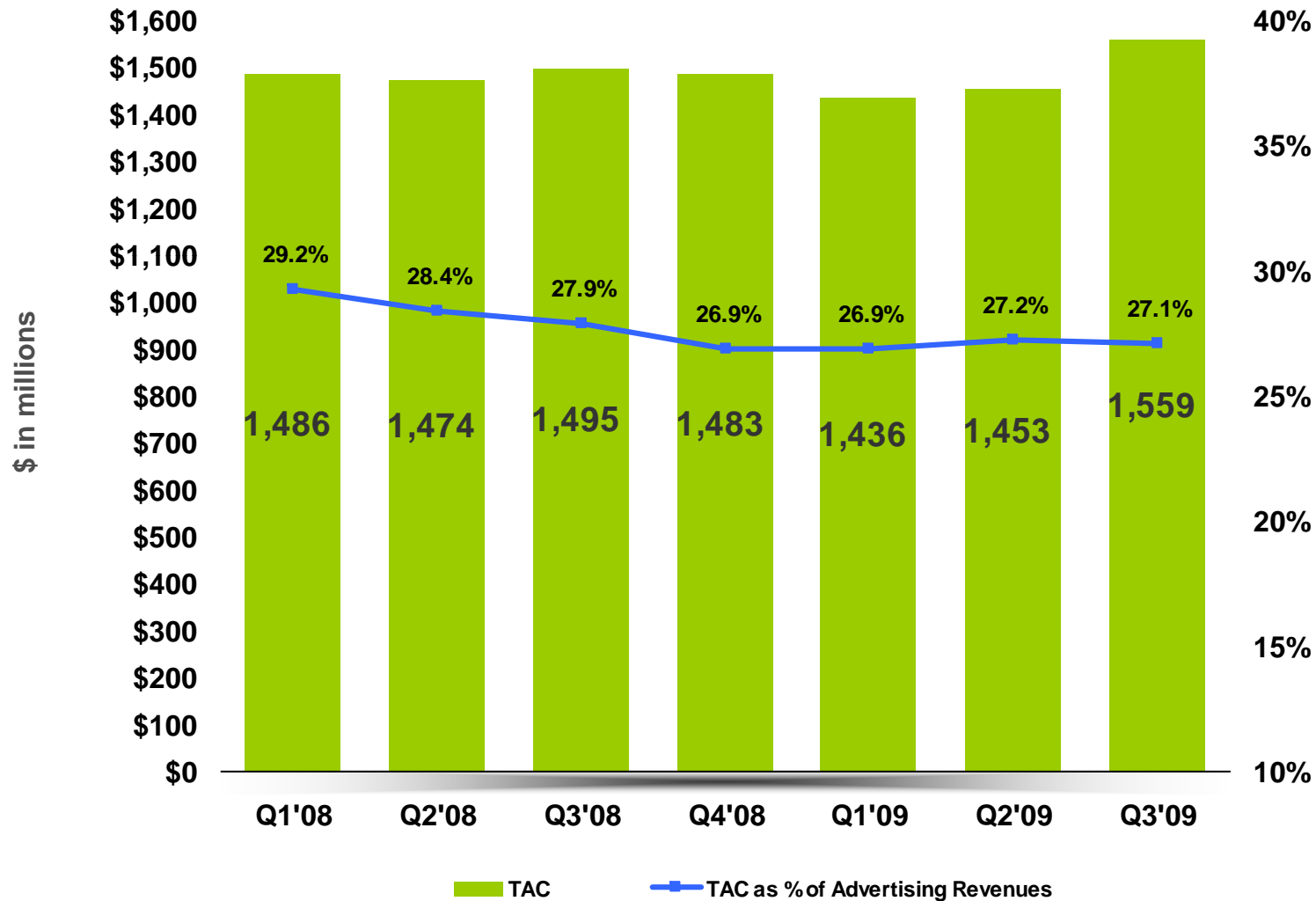
Quarterly Revenues



U.S. vs. International Revenues



Traffic Acquisition Costs



Costs and Expenses

GAAP			
\$Millions	Q3'08	Q2'09	Q3'09
Cost of Revenues	\$2,173	\$2,108	\$2,226
<i>Percent of revenues</i>	39%	38%	37%
Research & Development	\$705	\$708	\$758
<i>Percent of revenues</i>	13%	13%	13%
Sales & Marketing	\$509	\$469	\$498
<i>Percent of revenues</i>	9%	8%	8%
General & Administrative	\$507	\$364	\$389
<i>Percent of revenues</i>	9%	7%	7%
Total Costs & Expenses	\$3,894	\$3,649	\$3,871
<i>Percent of revenues</i>	70%	66%	65%

Non-GAAP			
\$Millions	Q3'08	Q2'09	Q3'09
Cost of Revenues	\$2,162	\$2,094	\$2,211
<i>Percent of revenues</i>	39%	38%	37%
Research & Development	\$536	\$526	\$563
<i>Percent of revenues</i>	10%	10%	10%
Sales & Marketing	\$445	\$412	\$436
<i>Percent of revenues</i>	8%	7%	7%
General & Administrative	\$376	\$324	\$344
<i>Percent of revenues</i>	7%	6%	6%
Total Costs & Expenses	\$3,519	\$3,356	\$3,554
<i>Percent of revenues</i>	64%	61%	60%

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

Profitability

GAAP				
\$Millions (except per share amounts)	Q3'08	Q2'09	Q3'09	
Income from Operations	\$1,648	\$ 1,874	\$ 2,074	
<i>Operating Margin</i>	30%	34%	35%	
Net Income	\$1,290	\$ 1,485	\$ 1,639	
EPS (diluted)	\$4.06	\$ 4.66	\$ 5.13	

Non-GAAP				
\$Millions (except per share amounts)	Q3'08	Q2'09	Q3'09	
Income from Operations	\$2,023	\$ 2,167	\$ 2,391	
<i>Operating Margin</i>	37%	39%	40%	
Net Income	\$1,563	\$ 1,708	\$ 1,884	
EPS (diluted)	\$4.92	\$ 5.36	\$ 5.89	

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

\$Millions	Q3'08	Q2'09	Q3'09
Net cash provided by operating activities	\$2,185	\$1,609	\$2,726
Less purchases of property and equipment	(\$452)	(\$139)	(\$186)
Free cash flow (Non-GAAP)	\$1,733	\$1,470	\$2,540

Overview of Q3 2009 OI&E and FX

In Interest and Other Expenses, we had a net expense of \$7M for Q3

- In Q3, the interest income earned on our investments was \$47M and we recognized \$19M in realized gains.
- Given the context of where we are now in the economic cycle, we have revised our approach to focus again on increasing our long-term expected returns and began this transition in Q3.
- Primarily as a result of our average option strike price having moved closer to the market FX rate in Q3 relative to that in Q2, we expensed \$67M related to our cash flow FX hedging program, compared to \$93M in Q2.
- Also, our cash flow FX hedging programs allowed us to recognize a benefit of approximately \$39M to international revenue this quarter.
- Before hedging, the recent weakening of the USD relative to other currencies had a positive impact of \$166M on revenue in Q3 compared to the prior quarter, but the strengthening of the USD compared to Q3 of the prior year resulted in a negative impact of roughly \$297M.

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

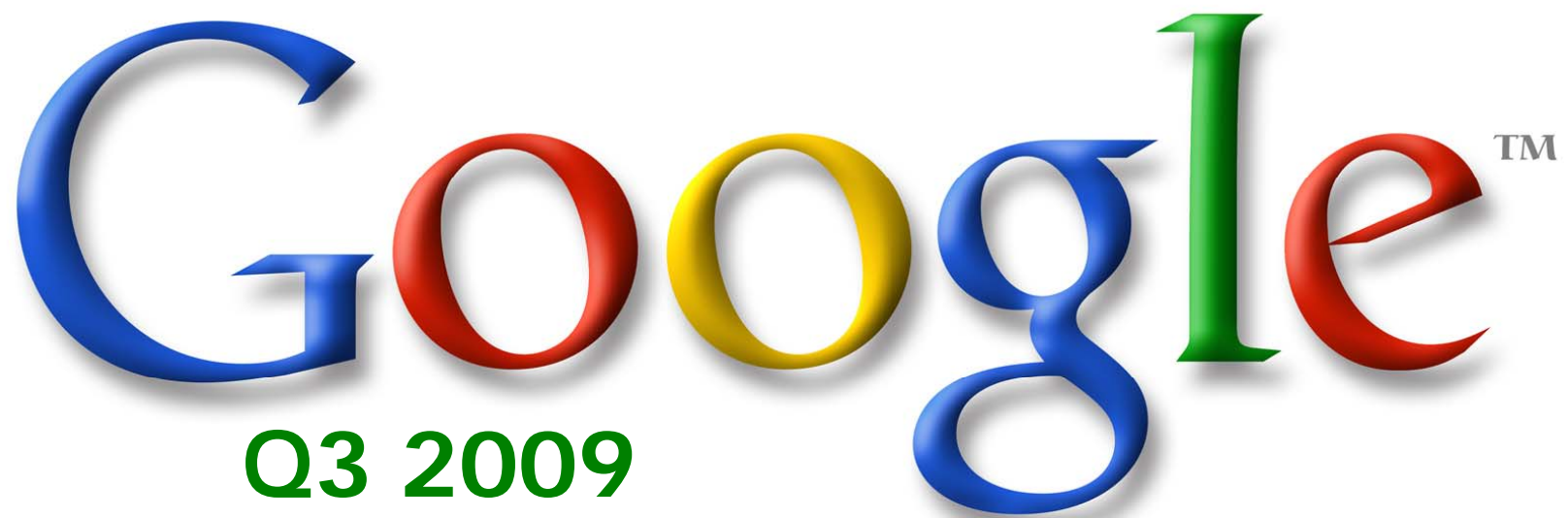
\$Millions	As a % of		As a % of		As a % of	
	Q3'08	Revenues (1)	Q2'09	Revenues (1)	Q3'09	Revenues (1)
Cost of revenues (GAAP)	\$ 2,173	39%	\$ 2,108	38%	\$ 2,226	37%
Less: Stock-based compensation expense	(11)		(14)		(15)	
Cost of revenues (non-GAAP)	\$ 2,162	39%	\$ 2,094	38%	\$ 2,211	37%
Research and development (GAAP)	\$ 705	13%	\$ 708	13%	\$ 758	13%
Less: Stock-based compensation expense	(169)		(182)		(195)	
Research and development (non-GAAP)	\$ 536	10%	\$ 526	10%	\$ 563	10%
Sales and marketing (GAAP)	\$ 509	9%	\$ 469	8%	\$ 498	8%
Less: Stock-based compensation expense	(64)		(57)		(62)	
Sales and marketing (non-GAAP)	\$ 445	8%	\$ 412	7%	\$ 436	7%
General and administrative (GAAP)	\$ 507	9%	\$ 364	7%	\$ 389	7%
Less: Stock-based compensation expense	(36)		(40)		(45)	
Less: Settlement agreement with the Authors Guild and the Association of American Publishers ("AAP")	(95)		-		-	
General and administrative (non-GAAP)	\$ 376	7%	\$ 324	6%	\$ 344	6%
Total costs and expenses (GAAP)	\$ 3,894	70%	\$ 3,649	66%	\$ 3,871	65%
Less: Stock-based compensation expense and settlement agreement with the Authors Guild and the AAP	(375)		(293)		(317)	
Total costs and expenses (non-GAAP)	\$ 3,519	64%	\$ 3,356	61%	\$ 3,554	60%

(1) Percentages based on revenues of \$5,541 million in Q3'08, \$5,523 million in Q2'09 and \$5,945 million in Q3'09.

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

\$ millions except per share amounts	Q3'08	Operating Margin (1)	Q2'09	Operating Margin (1)	Q3'09	Operating Margin (1)
Income from operations (GAAP)	\$ 1,648	30%	\$ 1,874	34%	\$ 2,074	35%
Add: Stock-based compensation expense	280		293		317	
Add: Settlement agreement with the Authors Guild and the AAP	95		-		-	
Income from operations (non-GAAP)	\$ 2,023	37%	\$ 2,167	39%	\$ 2,391	40%
Net income (GAAP)	\$ 1,290		\$ 1,485		\$ 1,639	
Add: Stock-based compensation expense (net of tax)	217		223		245	
Add: Settlement agreement with the Authors Guild and the AAP (net of tax)	56		-		-	
Net income (non-GAAP)	\$ 1,563		\$ 1,708		\$ 1,884	
Net income per share - diluted (GAAP)	\$ 4.06		\$ 4.66		\$ 5.13	
Net income per share - diluted (non-GAAP)	\$ 4.92		\$ 5.36		\$ 5.89	
Shares used in per share calculation - diluted	318		319		320	

(1) Percentages based on revenues of \$5,541 million in Q3'08, \$5,523 million in Q2'09 and \$5,945 million in Q3'09.



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