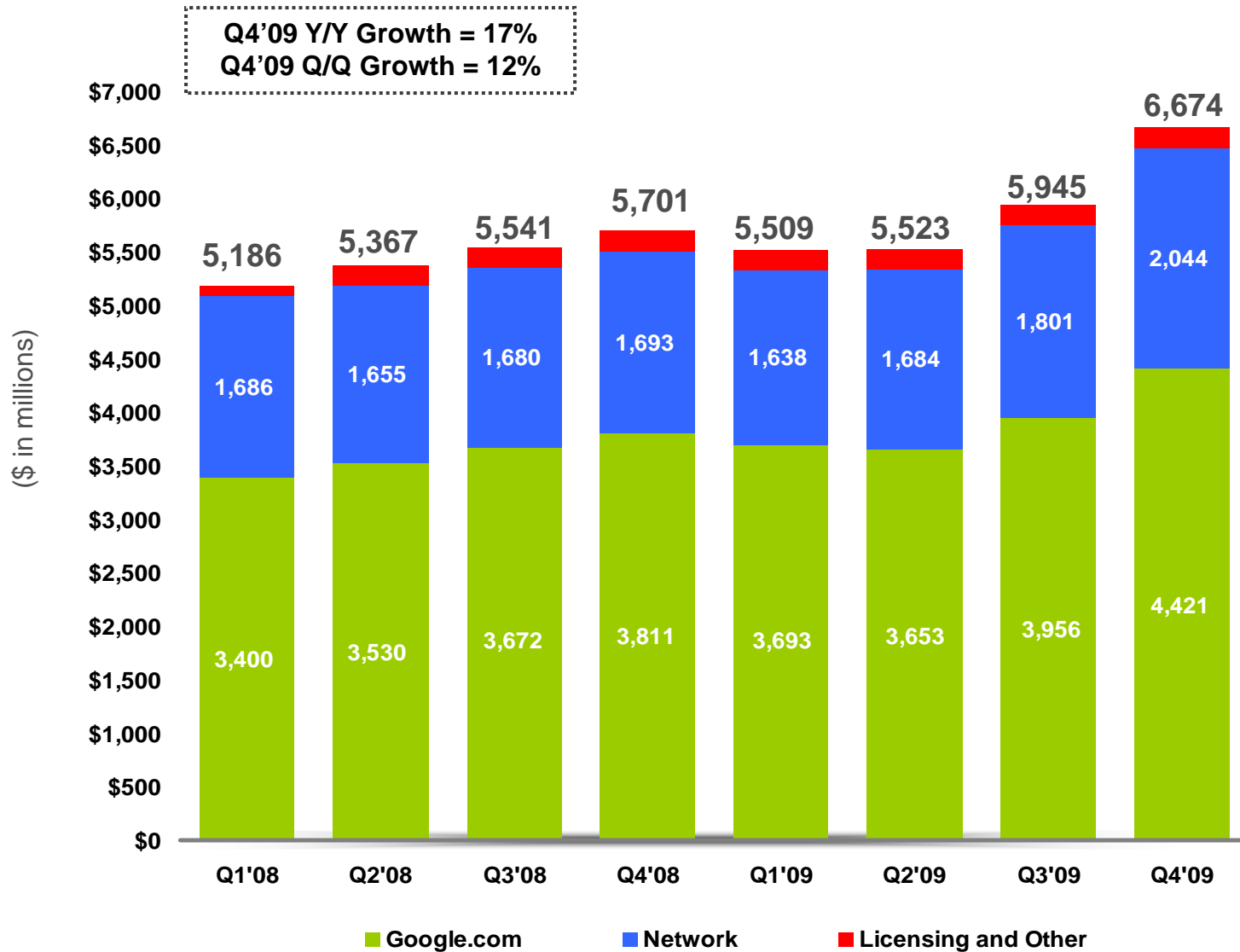


Q4 2009
Quarterly Earnings
Summary

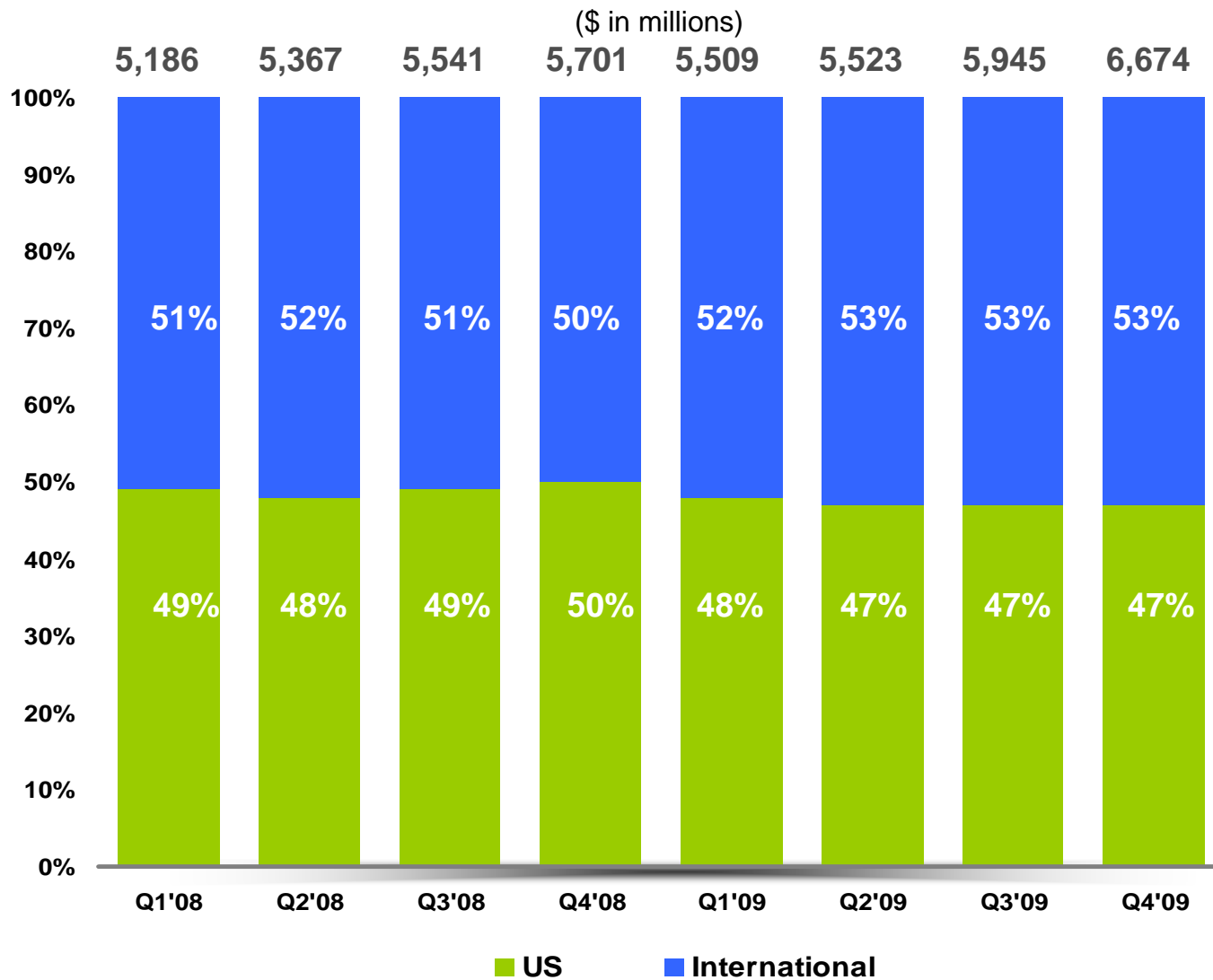
Fourth Quarter 2009 Highlights

- **Revenue growth of 17% Y/Y and 12% Q/Q**
 - Google properties revenue growth of 16% Y/Y and 12% Q/Q
 - Network revenues increased 21% Y/Y and 13% Q/Q
 - International revenues were \$3.5 billion
- **Operational Highlights**
 - Strong financial metrics: revenue growth, profitability, and cash flow
 - Investing in technological innovation: 70/20/10
 - Innovation in our more established business
 - Search, Display, Enterprise
 - Innovation in our new businesses
 - Mobile/Android
 - Innovation in long-view investments
 - Commerce and social

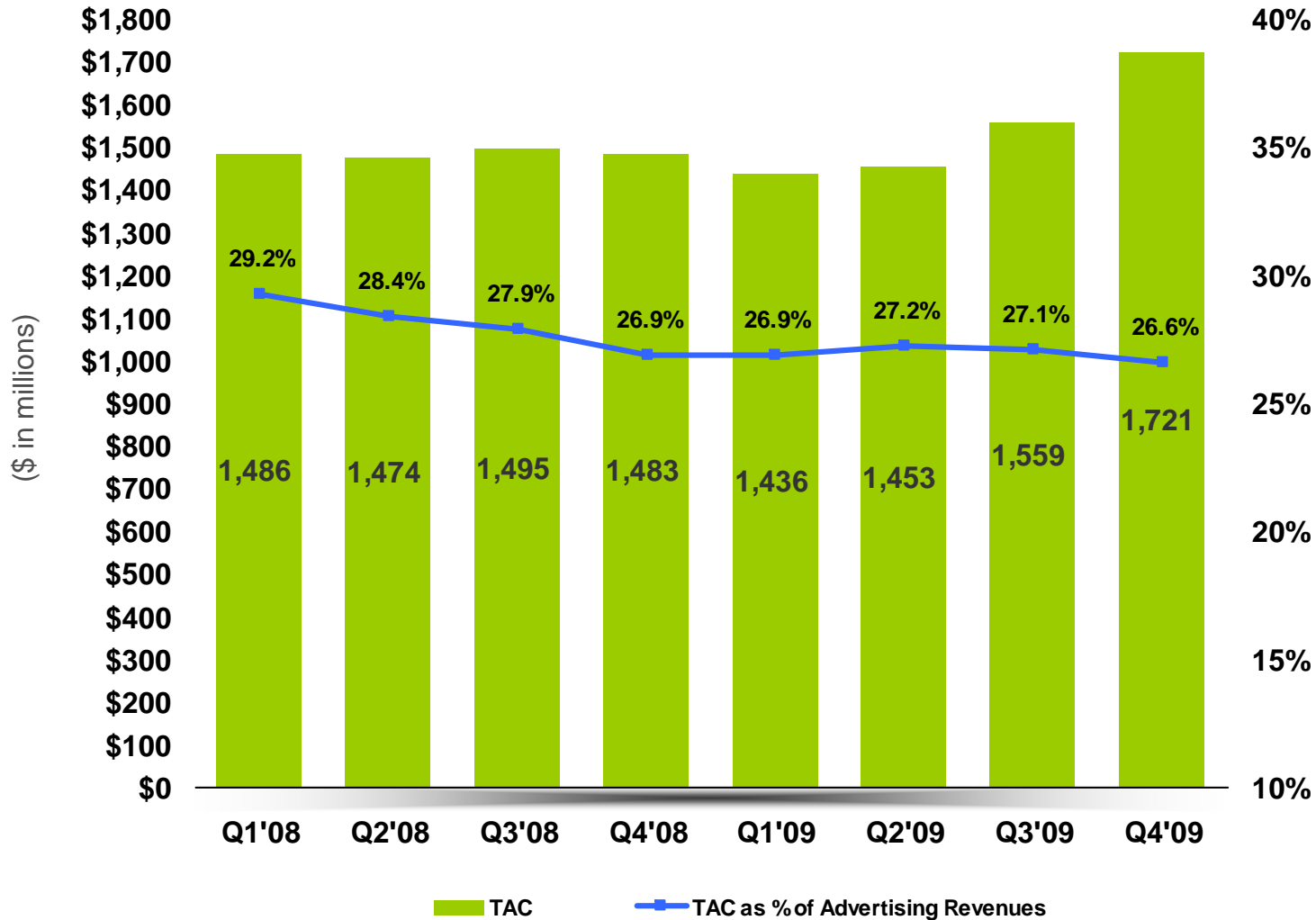
Quarterly Revenues



U.S. vs. International Revenues



Traffic Acquisition Costs



Costs and Expenses

GAAP			
\$Millions	Q4'08	Q3'09	Q4'09
Cost of Revenues	\$2,190	\$2,226	\$2,408
<i>Percent of revenues</i>	38%	37%	36%
Research & Development	\$733	\$758	\$736
<i>Percent of revenues</i>	13%	13%	11%
Sales & Marketing	\$506	\$498	\$583
<i>Percent of revenues</i>	9%	8%	9%
General & Administrative	\$412	\$389	\$465
<i>Percent of revenues</i>	7%	7%	7%
Total Costs & Expenses	\$3,841	\$3,871	\$4,192
<i>Percent of revenues</i>	67%	65%	63%

Non-GAAP			
\$Millions	Q4'08	Q3'09	Q4'09
Cost of Revenues	\$2,178	\$2,211	\$2,402
<i>Percent of revenues</i>	38%	37%	36%
Research & Development	\$551	\$563	\$557
<i>Percent of revenues</i>	10%	10%	8%
Sales & Marketing	\$450	\$436	\$531
<i>Percent of revenues</i>	8%	7%	8%
General & Administrative	\$376	\$344	\$426
<i>Percent of revenues</i>	6%	6%	7%
Total Costs & Expenses	\$3,555	\$3,554	\$3,916
<i>Percent of revenues</i>	62%	60%	59%

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)	Q4'08	Q3'09	Q4'09
Income from Operations	\$ 1,860	\$ 2,074	\$ 2,481
<i>Operating Margin</i>	33%	35%	37%
Net Income	\$ 382	\$ 1,639	\$ 1,974
EPS (diluted)	\$ 1.21	\$ 5.13	\$ 6.13

Non-GAAP			
\$Millions (except per share amounts)	Q4'08	Q3'09	Q4'09
Income from Operations	\$ 2,146	\$ 2,391	\$ 2,757
<i>Operating Margin</i>	38%	40%	41%
Net Income	\$ 1,616	\$ 1,884	\$ 2,188
EPS (diluted)	\$ 5.10	\$ 5.89	\$ 6.79

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	Q4'08	Q3'09	Q4'09
Net cash provided by operating activities	\$2,122	\$2,726	\$2,731
Less purchases of property and equipment	(\$368)	(\$186)	(\$221)
Free cash flow (Non-GAAP)	\$1,754	\$2,540	\$2,510

Overview of Q4 2009 OI&E and FX

In Interest Income and Other, Net, we recognized net income of \$88M for Q4

- In Q4, the interest income earned on our investments was \$67M and we recognized \$27M in realized gains.
- As a result of foreign exchange rates moving closer to the strike prices of our options in Q4 relative to Q3, we expensed only \$8M related to our FX cash flow hedging program vs. \$67M in Q3.
- Before hedging, the weaker USD relative to other currencies during the quarter had a positive impact of \$112M on revenue compared to Q3 and a positive impact of \$196M compared to Q4'08.
- In addition to the positive impact on revenue quarter-over-quarter and year-over-year due to more favorable FX rates, our cash flow FX hedging programs allowed us to recognize a benefit of approximately \$8M to international revenue this quarter.

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

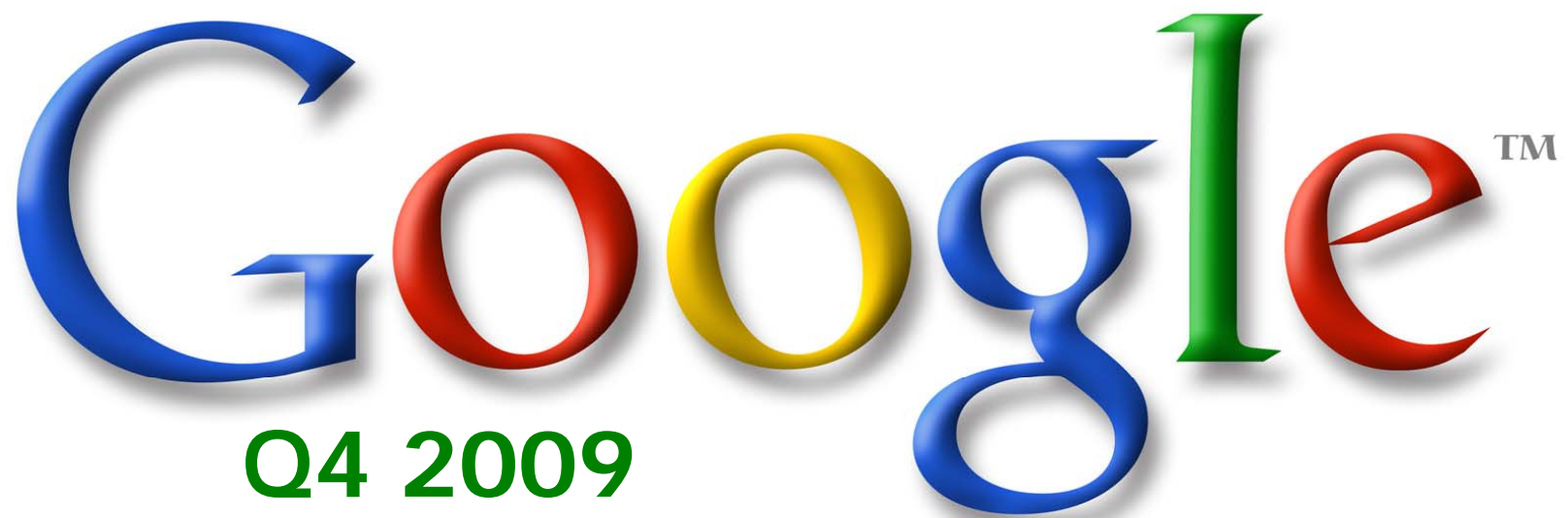
\$Millions	Q4'08	As a % of Revenues (1)	Q3'09	As a % of Revenues (1)	Q4'09	As a % of Revenues (1)
Cost of revenues (GAAP)	\$ 2,190	38%	\$ 2,226	37%	\$ 2,408	36%
Less: Stock-based compensation expense	(12)		(15)		(6)	
Cost of revenues (non-GAAP)	\$ 2,178	38%	\$ 2,211	37%	\$ 2,402	36%
Research and development (GAAP)	\$ 733	13%	\$ 758	13%	\$ 736	11%
Less: Stock-based compensation expense	(182)		(195)		(179)	
Research and development (non-GAAP)	\$ 551	10%	\$ 563	10%	\$ 557	8%
Sales and marketing (GAAP)	\$ 506	9%	\$ 498	8%	\$ 583	9%
Less: Stock-based compensation expense	(56)		(62)		(52)	
Sales and marketing (non-GAAP)	\$ 450	8%	\$ 436	7%	\$ 531	8%
General and administrative (GAAP)	\$ 412	7%	\$ 389	7%	\$ 465	7%
Less: Stock-based compensation expense	(36)		(45)		(39)	
General and administrative (non-GAAP)	\$ 376	6%	\$ 344	6%	\$ 426	7%
Total costs and expenses (GAAP)	\$ 3,841	67%	\$ 3,871	65%	\$ 4,192	63%
Less: Stock-based compensation expense	(286)		(317)		(276)	
Total costs and expenses (non-GAAP)	\$ 3,555	62%	\$ 3,554	60%	\$ 3,916	59%

(1) Percentages based on revenues of \$5,701 million in Q4'08, \$5,945 million in Q3'09 and \$6,674 million in Q4'09.

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

\$ millions except per share amounts	Q4'08	Operating Margin (1)	Q3'09	Operating Margin (1)	Q4'09	Operating Margin (1)
Income from operations (GAAP)	\$ 1,860	33%	\$ 2,074	35%	\$ 2,481	37%
Add: Stock-based compensation expense	286		317		276	
Income from operations (non-GAAP)	\$ 2,146	38%	\$ 2,391	40%	\$ 2,757	41%
Net income (GAAP)	\$ 382		\$ 1,639		\$ 1,974	
Add: Stock-based compensation expense (net of tax)	221		245		214	
Add: Impairment of equity investments (net of tax)	1,013		-		-	
Net income (non-GAAP)	\$ 1,616		\$ 1,884		\$ 2,188	
Net income per share - diluted (GAAP)	\$ 1.21		\$ 5.13		\$ 6.13	
Net income per share - diluted (non-GAAP)	\$ 5.10		\$ 5.89		\$ 6.79	
Shares used in per share calculation - diluted	317		320		322	

(1) Percentages based on revenues of \$5,701 million in Q4'08, \$5,945 million in Q3'09 and \$6,674 million in Q4'09.



Q4 2009
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