

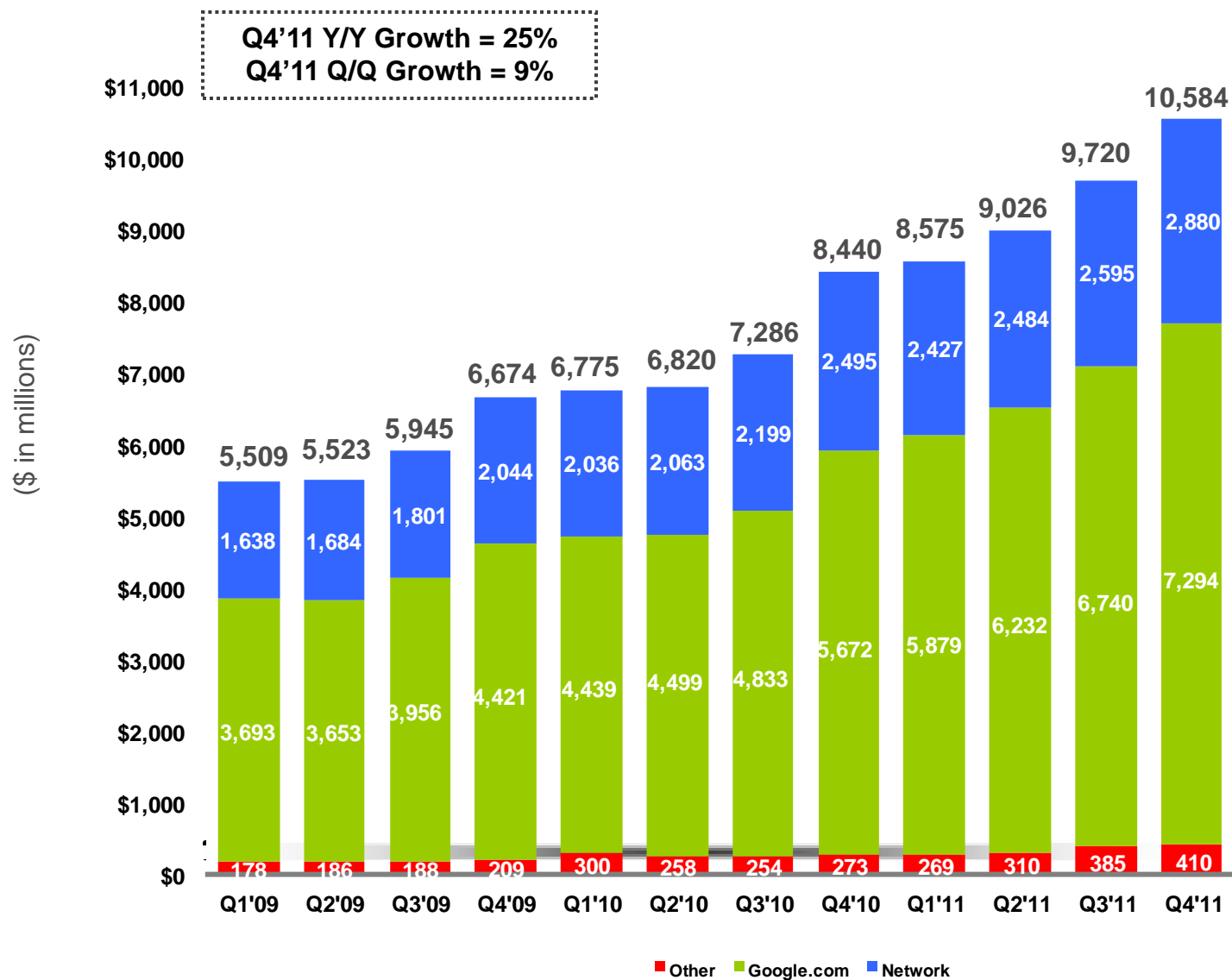


**Q4 2011
Quarterly Earnings
Summary**

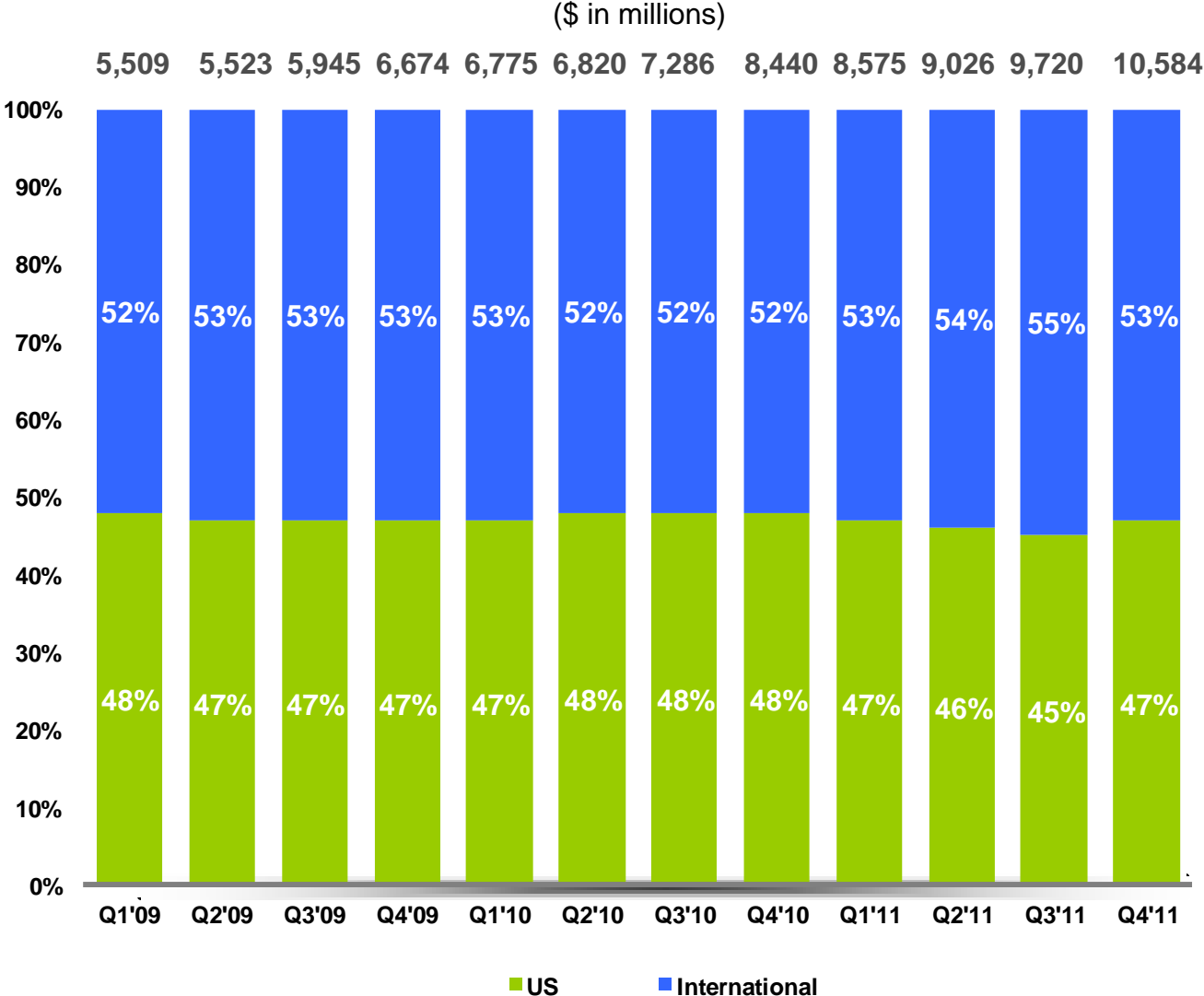
Fourth Quarter 2011 Highlights

- **Revenue growth of 25% Y/Y and 9% Q/Q**
 - Google properties revenue increased 29% Y/Y and 8% Q/Q
 - Network revenues increased 15% Y/Y and 11% Q/Q
 - International revenues were \$5.6 billion
- **Operational Highlights**
 - Strong financial metrics: revenue growth, profitability, cash flow
 - Continuing to invest in three major areas of focus:
 - Core ads: Search and Display advertising
 - Businesses demonstrating high consumer success: YouTube, Android, Chrome
 - New businesses where we're investing to drive adoption and innovation: Social, Enterprise, Commerce, Local

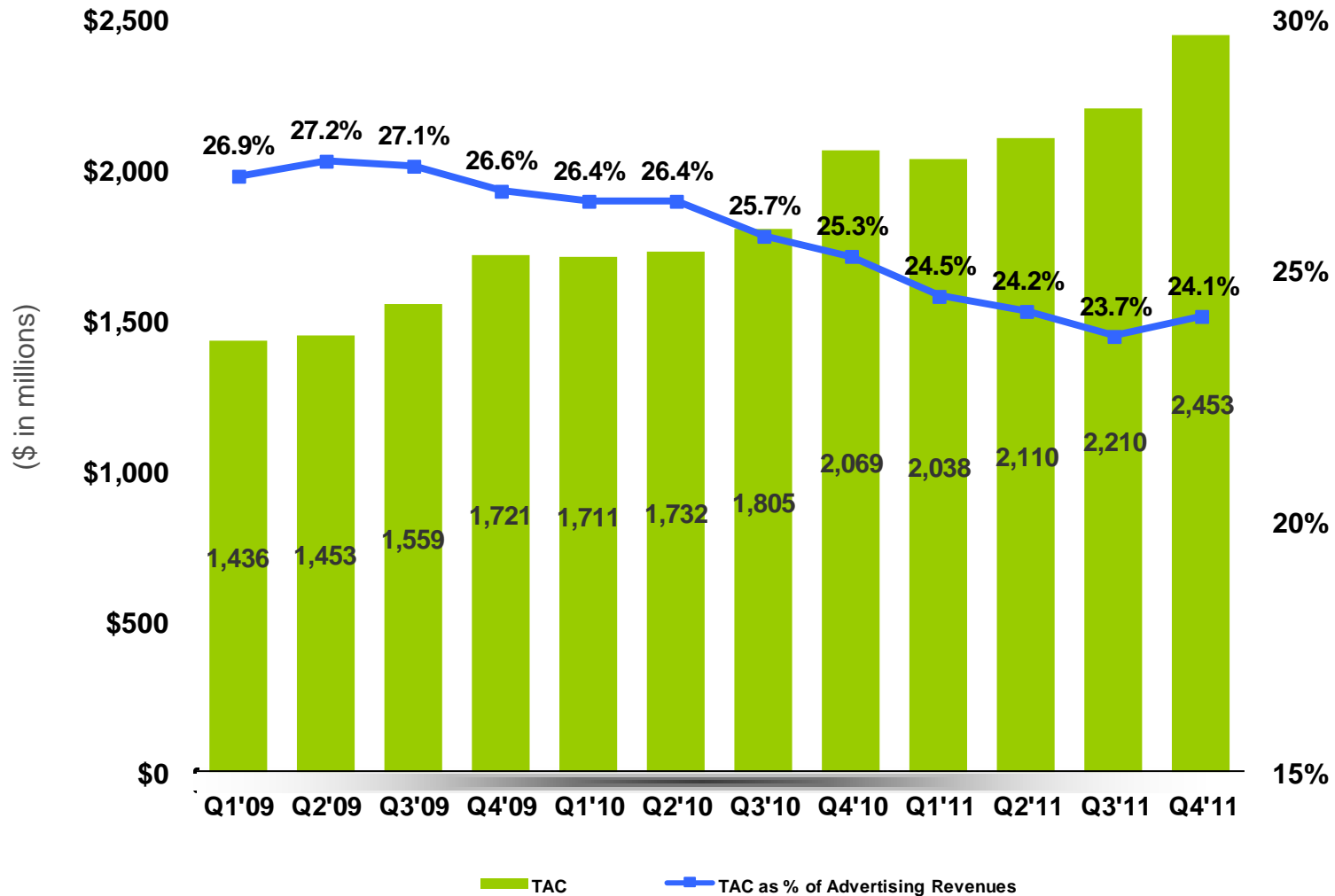
Quarterly Revenues



U.S. vs. International Revenues



Traffic Acquisition Costs



Costs and Expenses

GAAP			
(\$ in millions)	Q4'10	Q3'11	Q4'11
Cost of Revenues	\$2,946	\$3,378	\$3,702
<i>Percent of revenues</i>	35%	35%	35%
Research & Development	\$1,051	\$1,404	\$1,298
<i>Percent of revenues</i>	12%	14%	12%
Sales & Marketing	\$902	\$1,204	\$1,268
<i>Percent of revenues</i>	11%	12%	12%
General & Administrative	\$559	\$676	\$809
<i>Percent of revenues</i>	7%	7%	8%
Total Costs & Expenses	\$5,458	\$6,662	\$7,077
<i>Percent of revenues</i>	65%	69%	67%

Non-GAAP			
(\$ in millions)	Q4'10	Q3'11	Q4'11
Cost of Revenues	\$2,901	\$3,306	\$3,625
<i>Percent of revenues</i>	34%	34%	34%
Research & Development	\$827	\$1,093	\$1,032
<i>Percent of revenues</i>	10%	11%	10%
Sales & Marketing	\$826	\$1,100	\$1,163
<i>Percent of revenues</i>	10%	11%	11%
General & Administrative	\$508	\$592	\$721
<i>Percent of revenues</i>	6%	6%	7%
Total Costs & Expenses	\$5,062	\$6,091	\$6,541
<i>Percent of revenues</i>	60%	63%	62%

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



Profitability

GAAP (\$ in millions except per share amounts)	Q4'10	Q3'11	Q4'11
Income from Operations	\$ 2,982	\$ 3,058	\$ 3,507
<i>Operating Margin</i>	35%	31%	33%
Net Income	\$ 2,543	\$ 2,729	\$ 2,705
EPS (diluted)	\$ 7.81	\$ 8.33	\$ 8.22

Non-GAAP (\$ in millions except per share amounts)	Q4'10	Q3'11	Q4'11
Income from Operations	\$ 3,378	\$ 3,629	\$ 4,043
<i>Operating Margin</i>	40%	37%	38%
Net Income	\$ 2,850	\$ 3,184	\$ 3,127
EPS (diluted)	\$ 8.75	\$ 9.72	\$ 9.50

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

(\$ in millions)	Q4'10	Q3'11	Q4'11
Net cash provided by operating activities	\$3,526	\$3,950	\$3,924
Less purchases of property and equipment	(\$2,545)	(\$680)	(\$951)
<u>Free cash flow (non-GAAP)</u>	<u>\$981</u>	<u>\$3,270</u>	<u>\$2,973</u>

Overview of Q4 2011 OI&E and FX

In Interest and Other Income (Expense), Net, we recognized net expense of \$18M for Q4

- In Q4, we recognized \$199M of interest income earned on our investments and \$39M in realized gains.
- We recognized an impairment charge of \$88M related to our investment in Clearwire.
- We expensed \$134M related to our FX cash flow hedging program.
- Excluding gains related to our FX cash flow hedging program, had foreign exchange rates remained constant from Q3 2011 through Q4 2011, our revenue in Q4 2011 would have been \$239M higher. Excluding gains related to our FX cash flow hedging program, had foreign exchange rates remained constant from Q4 2010 through Q4 2011, our revenue in Q4 2011 would have been \$39M lower.
- In addition, our FX cash flow hedging program allowed us to recognize a benefit of approximately \$25M to international revenue this quarter.

Revenues by Geography

(\$ in millions)	Q4'10	Q3'11	Q4'11
United States	\$4,055	\$4,420	\$4,980
United Kingdom	\$878	\$1,047	\$1,064
Rest of the world	\$3,507	\$4,253	\$4,540
Total Revenues	\$8,440	\$9,720	\$10,584

International Revenues Excluding Hedging and FX Impact (Y/Y)

(\$ in millions)	Q4'10	Q4'11
UK revenues (GAAP)	\$878	\$1,064
<i>exclude:</i>		
a) f/x impact on Q4'11 revenues using Q4'10 rates (gains)/losses	n/a	2
b) hedging gains	(2)	(6)
UK revenues excluding f/x and hedging impact (Non-GAAP)	\$876	\$1,060
Y/Y % (Non-GAAP)		21%

(\$ in millions)	Q4'10	Q4'11
ROW revenues (GAAP)	\$3,507	\$4,540
<i>exclude:</i>		
a) f/x impact on Q4'11 revenues using Q4'10 rates (gains)/losses	n/a	(41)
b) hedging gains	(23)	(19)
ROW revenues excluding f/x and hedging impact (Non-GAAP)	\$3,484	\$4,480
Y/Y % (Non-GAAP)		29%

(\$ in millions)	Q3'10	Q3'11
UK revenues (GAAP)	\$840	\$1,047
<i>exclude:</i>		
a) f/x impact on Q3'11 revenues using Q3'10 rates (gains)/losses	n/a	(56)
b) hedging gains	(11)	-
UK revenues excluding f/x and hedging impact (Non-GAAP)	\$829	\$991
Y/Y % (Non-GAAP)		20%

(\$ in millions)	Q3'10	Q3'11
ROW revenues (GAAP)	\$2,929	\$4,253
<i>exclude:</i>		
a) f/x impact on Q3'11 revenues using Q3'10 rates (gains)/losses	n/a	(427)
b) hedging gains	(78)	(1)
ROW revenues excluding f/x and hedging impact (Non-GAAP)	\$2,851	\$3,825
Y/Y % (Non-GAAP)		34%

International Revenues Excluding Hedging and FX Impact (Q/Q)

(\$ in millions)	Q3'11	Q4'11
UK revenues (GAAP)	\$1,047	\$1,064
<i>exclude:</i>		
a) f/x impact on Q4'11 revenues using Q3'11 rates (gains)/losses	n/a	32
b) hedging gains	-	(6)
UK revenues excluding f/x and hedging impact (Non-GAAP)	\$1,047	\$1,090
Q/Q % (Non-GAAP)		4%

(\$ in millions)	Q3'11	Q4'11
ROW revenues (GAAP)	\$4,253	\$4,540
<i>exclude:</i>		
a) f/x impact on Q4'11 revenues using Q3'11 rates (gains)/losses	n/a	207
b) hedging gains	(1)	(19)
ROW revenues excluding f/x and hedging impact (Non-GAAP)	\$4,252	\$4,728
Q/Q % (Non-GAAP)		11%

(\$ in millions)	Q2'11	Q3'11
UK revenues (GAAP)	\$976	\$1,047
<i>exclude:</i>		
a) f/x impact on Q3'11 revenues using Q2'11 rates (gains)/losses	n/a	1
b) hedging gains	-	-
UK revenues excluding f/x and hedging impact (Non-GAAP)	\$976	\$1,048
Q/Q % (Non-GAAP)		7%

(\$ in millions)	Q2'11	Q3'11
ROW revenues (GAAP)	\$3,895	\$4,253
<i>exclude:</i>		
a) f/x impact on Q3'11 revenues using Q2'11 rates (gains)/losses	n/a	(54)
b) hedging gains	(4)	(1)
ROW revenues excluding f/x and hedging impact (Non-GAAP)	\$3,891	\$4,198
Q/Q % (Non-GAAP)		8%

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

(\$ in millions)	Q4'10	As a % of Revenues (1)	Q3'11	As a % of Revenues (1)	Q4'11	As a % of Revenues (1)
Cost of revenues (GAAP)	\$ 2,946	35%	\$ 3,378	35%	\$ 3,702	35%
Less: Stock-based compensation expense	(45)		(72)		(77)	
Cost of revenues (non-GAAP)	\$ 2,901	34%	\$ 3,306	34%	\$ 3,625	34%
Research and development (GAAP)	\$ 1,051	12%	\$ 1,404	14%	\$ 1,298	12%
Less: Stock-based compensation expense	(224)		(311)		(266)	
Research and development (non-GAAP)	\$ 827	10%	\$ 1,093	11%	\$ 1,032	10%
Sales and marketing (GAAP)	\$ 902	11%	\$ 1,204	12%	\$ 1,268	12%
Less: Stock-based compensation expense	(76)		(104)		(105)	
Sales and marketing (non-GAAP)	\$ 826	10%	\$ 1,100	11%	\$ 1,163	11%
General and administrative (GAAP)	\$ 559	7%	\$ 676	7%	\$ 809	8%
Less: Stock-based compensation expense	(51)		(84)		(88)	
General and administrative (non-GAAP)	\$ 508	6%	\$ 592	6%	\$ 721	7%
Total costs and expenses (GAAP)	\$ 5,458	65%	\$ 6,662	69%	\$ 7,077	67%
Less: Stock-based compensation expense	(396)		(571)		(536)	
Total costs and expenses (non-GAAP)	\$ 5,062	60%	\$ 6,091	63%	\$ 6,541	62%

(1) Percentages based on revenues of \$8,440 million in Q4'10, \$9,720 million in Q3'11 and \$10,584 million in Q4'11.

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

(In millions except per share amounts)	Q4'10	Operating Margin (1)	Q3'11	Operating Margin (1)	Q4'11	Operating Margin (1)
Income from operations (GAAP)	\$ 2,982	35%	\$ 3,058	31%	\$ 3,507	33%
Add: Stock-based compensation expense	396		571		536	
Income from operations (non-GAAP)	\$ 3,378	40%	\$ 3,629	37%	\$ 4,043	38%
Net income (GAAP)	\$ 2,543		\$ 2,729		\$ 2,705	
Add: Stock-based compensation expense (net of tax)	307		455		422	
Net income (non-GAAP)	\$ 2,850		\$ 3,184		\$ 3,127	
Net income per share - diluted (GAAP)	\$ 7.81		\$ 8.33		\$ 8.22	
Net income per share - diluted (non-GAAP)	\$ 8.75		\$ 9.72		\$ 9.50	
Shares used in per share calculation - diluted	326		327		329	

(1) Percentages based on revenues of \$8,440 million in Q4'10, \$9,720 million in Q3'11 and \$10,584 million in Q4'11.



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