



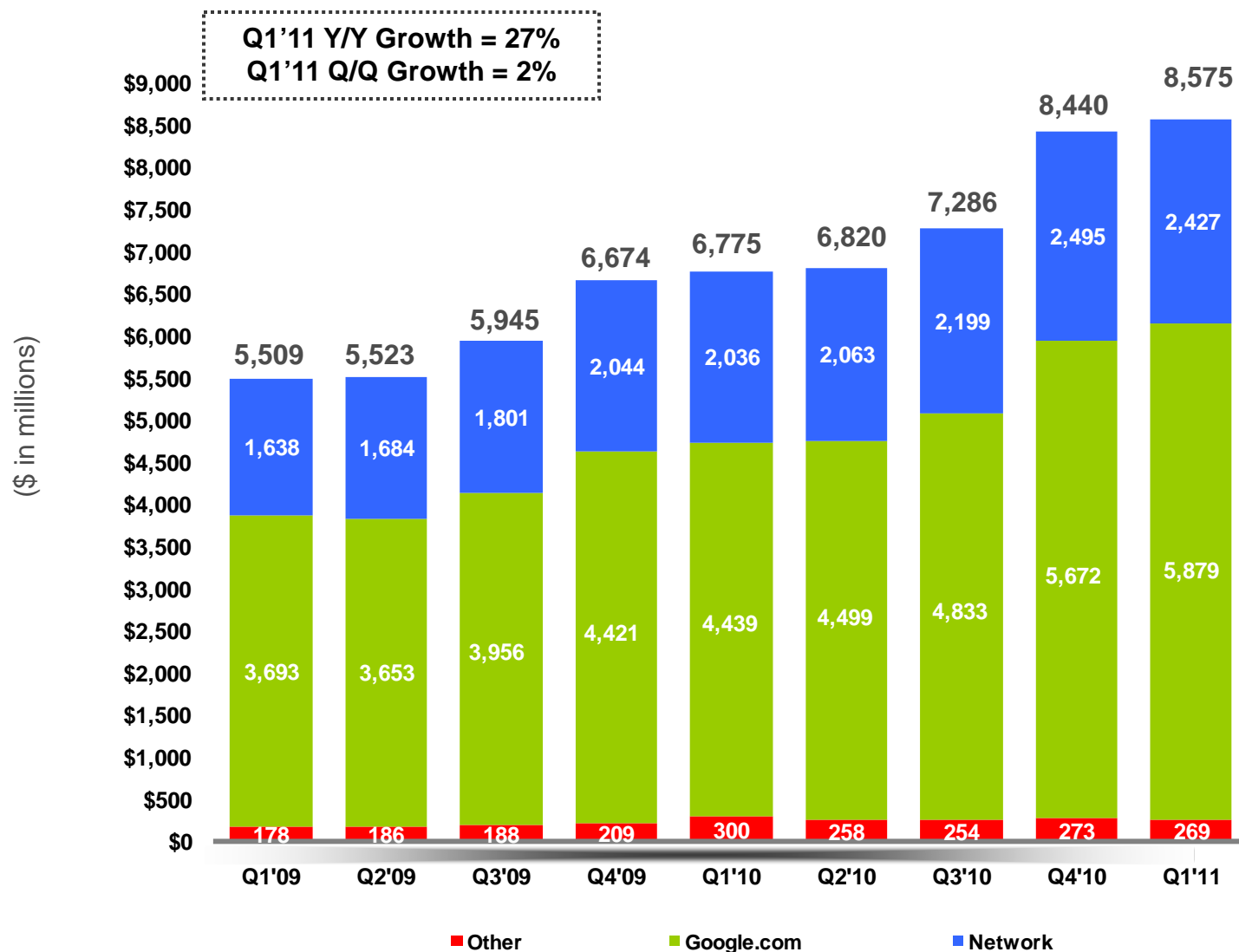
Q1 2011

**Quarterly Earnings
Summary**

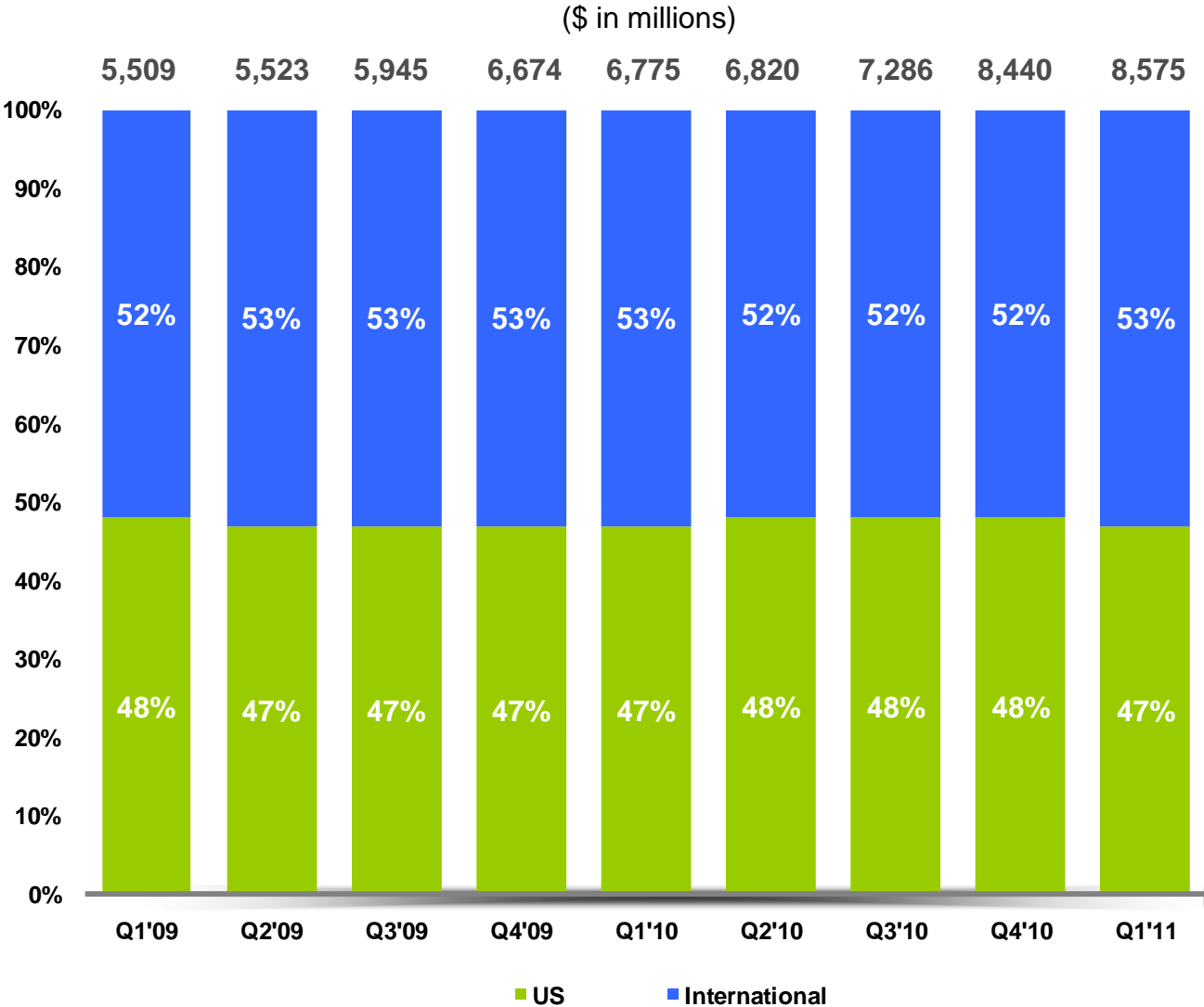
First Quarter 2011 Highlights

- **Revenue growth of 27% Y/Y and 2% Q/Q**
 - Google properties revenue increased 32% Y/Y and 4% Q/Q
 - Network revenues increased 19% Y/Y and decreased 3% Q/Q
 - International revenues were \$4.6 billion
- **Operational Highlights**
 - Strong financial metrics: revenue growth, profitability and cash flow
 - Continuing to invest heavily in our growth agenda
 - Investing in People – to attract, retain, and reward the best talent
 - Investing in Sales & Marketing – for both new products + advertiser acquisition
 - Investing in Long-term infrastructure – including both facilities + our core computing network

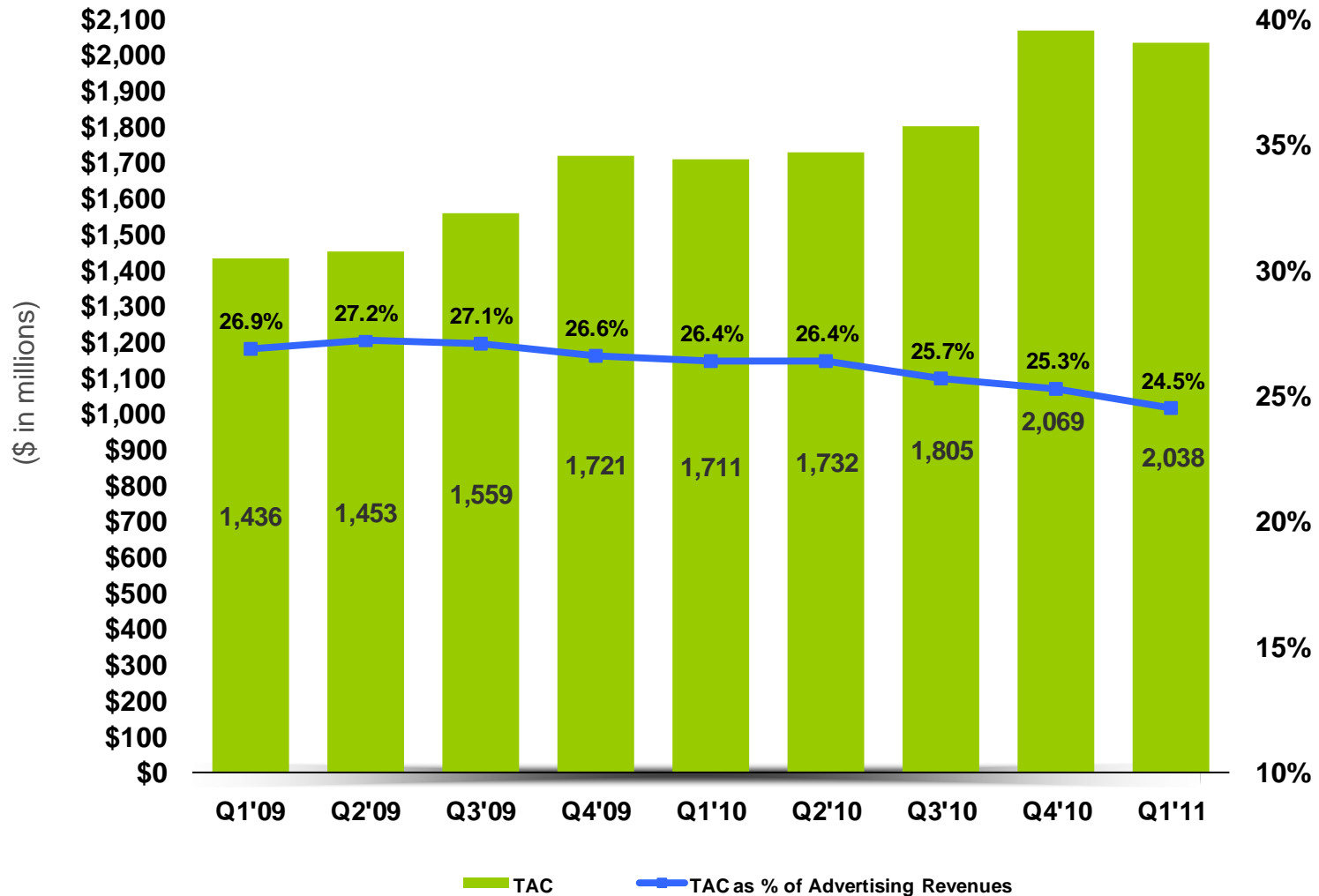
Quarterly Revenues



U.S. vs. International Revenues



Traffic Acquisition Costs



Costs and Expenses

GAAP			
(\$ in millions)	Q1'10	Q4'10	Q1'11
Cost of Revenues	\$2,452	\$2,946	\$2,936
<i>Percent of revenues</i>	36%	35%	34%
Research & Development	\$818	\$1,051	\$1,226
<i>Percent of revenues</i>	12%	12%	14%
Sales & Marketing	\$607	\$902	\$1,026
<i>Percent of revenues</i>	9%	11%	12%
General & Administrative	\$410	\$559	\$591
<i>Percent of revenues</i>	6%	7%	7%
Charge Related to Potential Resolution of Department of Justice Investigation	\$0	\$0	\$500
<i>Percent of revenues</i>	0%	0%	6%
Total Costs & Expenses	\$4,287	\$5,458	\$6,279
<i>Percent of revenues</i>	63%	65%	73%

Non-GAAP			
(\$ in millions)	Q1'10	Q4'10	Q1'11
Cost of Revenues	\$2,446	\$2,901	\$2,887
<i>Percent of revenues</i>	36%	34%	34%
Research & Development	\$627	\$827	\$989
<i>Percent of revenues</i>	9%	10%	12%
Sales & Marketing	\$553	\$826	\$948
<i>Percent of revenues</i>	8%	10%	11%
General & Administrative	\$370	\$508	\$523
<i>Percent of revenues</i>	6%	6%	6%
Charge Related to Potential Resolution of Department of Justice Investigation	\$0	\$0	\$0
<i>Percent of revenues</i>	0%	0%	0%
Total Costs & Expenses	\$3,996	\$5,062	\$5,347
<i>Percent of revenues</i>	59%	60%	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)	Q1'10	Q4'10	Q1'11
Income from Operations	\$ 2,488	\$ 2,982	\$ 2,296
<i>Operating Margin</i>	37%	35%	27%
Net Income	\$ 1,955	\$ 2,543	\$ 1,798
EPS (diluted)	\$ 6.06	\$ 7.81	\$ 5.51

Non-GAAP (\$ in millions except per share amounts)	Q1'10	Q4'10	Q1'11
Income from Operations	\$ 2,779	\$ 3,378	\$ 3,228
<i>Operating Margin</i>	41%	40%	38%
Net Income	\$ 2,181	\$ 2,850	\$ 2,638
EPS (diluted)	\$ 6.76	\$ 8.75	\$ 8.08

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)	Q1'10	Q4'10	Q1'11
Net cash provided by operating activities	\$2,584	\$3,526	\$3,172
Less purchases of property and equipment	(\$239)	(\$2,545)	(\$890)
Free cash flow (non-GAAP)	\$2,345	\$981	\$2,282

Overview of Q1 2011 OI&E and FX

In Interest and Other Income, Net, we recognized net income of \$96M for Q1

- In Q1, we recognized \$190M of interest income earned on our investments and \$27M in realized gains.
- We expensed \$113M 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 Q4 2010 through Q1 2011, our revenue in Q1 2011 would have been \$19M lower. Excluding gains related to our FX cash flow hedging program, had foreign exchange rates remained constant from Q1 2010 through Q1 2011, our revenue in Q1 2011 would have been \$23M lower.
- In addition, our FX cash flow hedging program allowed us to recognize a benefit of approximately \$14M to international revenue this quarter.

Revenues by Geography

(\$ in millions)	Q1'10	Q4'10	Q1'11
United States	\$3,196	\$4,055	\$4,005
United Kingdom	\$842	\$878	\$969
Rest of the world	\$2,737	\$3,507	\$3,601
Total Revenues	\$6,775	\$8,440	\$8,575

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

(\$ in millions)	Q1'10	Q1'11
UK revenues (GAAP)	\$842	\$969
<i>exclude:</i>		
a) f/x impact on Q1'11 revenues using Q1'10 rates (gains)/losses	n/a	5
b) hedging gains	(10)	(4)
UK revenues excluding f/x and hedging impact (Non-GAAP)	\$832	\$970
Y/Y % (Non-GAAP)		17%

(\$ in millions)	Q1'10	Q1'11
ROW revenues (GAAP)	\$2,737	\$3,601
<i>exclude:</i>		
a) f/x impact on Q1'11 revenues using Q1'10 rates (gains)/losses	n/a	(28)
b) hedging gains	-	(10)
ROW revenues excluding f/x and hedging impact (Non-GAAP)	\$2,737	\$3,563
Y/Y % (Non-GAAP)		30%

(\$ in millions)	Q4'09	Q4'10
UK revenues (GAAP)	\$772	\$878
<i>exclude:</i>		
a) f/x impact on Q4'10 revenues using Q4'09 rates (gains)/losses	n/a	26
b) hedging gains	(8)	(2)
UK revenues excluding f/x and hedging impact (Non-GAAP)	\$764	\$902
Y/Y % (Non-GAAP)		18%

(\$ in millions)	Q4'09	Q4'10
ROW revenues (GAAP)	\$2,747	\$3,507
<i>exclude:</i>		
a) f/x impact on Q4'10 revenues using Q4'09 rates (gains)/losses	n/a	106
b) hedging gains	-	(23)
ROW revenues excluding f/x and hedging impact (Non-GAAP)	\$2,747	\$3,590
Y/Y % (Non-GAAP)		31%

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

(\$ in millions)	Q4'10	Q1'11
UK Revenues (GAAP)	\$878	\$969
<i>exclude:</i>		
a) f/x impact on Q1'11 revenues using Q4'10 rates (gains)/losses	n/a	1
b) hedging gains	<u>(2)</u>	<u>(4)</u>
UK revenues excluding f/x and hedging impact (Non-GAAP)	\$876	\$966
Q/Q % (Non-GAAP)		10%

(\$ in millions)	Q4'10	Q1'11
ROW Revenues (GAAP)	\$3,507	\$3,601
<i>exclude:</i>		
a) f/x impact on Q1'11 revenues using Q4'10 rates (gains)/losses	n/a	(20)
b) hedging gains	<u>(23)</u>	<u>(10)</u>
ROW revenues excluding f/x and hedging impact (Non-GAAP)	\$3,484	\$3,571
Q/Q % (Non-GAAP)		2%

(\$ in millions)	Q3'10	Q4'10
UK Revenues (GAAP)	\$840	\$878
<i>exclude:</i>		
a) f/x impact on Q4'10 revenues using Q3'10 rates (gains)/losses	n/a	(23)
b) hedging gains	<u>(11)</u>	<u>(2)</u>
UK revenues excluding f/x and hedging impact (Non-GAAP)	\$829	\$853
Q/Q % (Non-GAAP)		3%

(\$ in millions)	Q3'10	Q4'10
ROW Revenues (GAAP)	\$2,929	\$3,507
<i>exclude:</i>		
a) f/x impact on Q4'10 revenues using Q3'10 rates (gains)/losses	n/a	(178)
b) hedging gains	<u>(78)</u>	<u>(23)</u>
ROW revenues excluding f/x and hedging impact (Non-GAAP)	\$2,851	\$3,306
Q/Q % (Non-GAAP)		16%

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

(\$ in millions)	Q1'10	As a % of Revenues (1)	Q4'10	As a % of Revenues (1)	Q1'11	As a % of Revenues (1)
Cost of revenues (GAAP)	\$ 2,452	36%	\$ 2,946	35%	\$ 2,936	34%
Less: Stock-based compensation expense	(6)		(45)		(49)	
Cost of revenues (non-GAAP)	\$ 2,446	36%	\$ 2,901	34%	\$ 2,887	34%
Research and development (GAAP)	\$ 818	12%	\$ 1,051	12%	\$ 1,226	14%
Less: Stock-based compensation expense	(191)		(224)		(237)	
Research and development (non-GAAP)	\$ 627	9%	\$ 827	10%	\$ 989	12%
Sales and marketing (GAAP)	\$ 607	9%	\$ 902	11%	\$ 1,026	12%
Less: Stock-based compensation expense	(54)		(76)		(78)	
Sales and marketing (non-GAAP)	\$ 553	8%	\$ 826	10%	\$ 948	11%
General and administrative (GAAP)	\$ 410	6%	\$ 559	7%	\$ 591	7%
Less: Stock-based compensation expense	(40)		(51)		(68)	
General and administrative (non-GAAP)	\$ 370	6%	\$ 508	6%	\$ 523	6%
Charge related to potential resolution of Department of Justice investigation (GAAP)	\$ -	0%	\$ -	0%	\$ 500	6%
Less: Charge related to potential resolution of Department of Justice investigation	-		-		(500)	
Charge related to potential resolution of Department of Justice investigation (non-GAAP)	\$ -	0%	\$ -	0%	\$ -	0%
Total costs and expenses (GAAP)	\$ 4,287	63%	\$ 5,458	65%	\$ 6,279	73%
Less: Stock-based compensation expense and charge related to potential resolution of Department of Justice investigation	(291)		(396)		(932)	
Total costs and expenses (non-GAAP)	\$ 3,996	59%	\$ 5,062	60%	\$ 5,347	62%

(1) Percentages based on revenues of \$6,775 million in Q1'10, \$8,440 million in Q4'10 and \$8,575 million in Q1'11.

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

(\$ in millions except per share amounts)	Q1'10	Operating Margin (1)	Q4'10	Operating Margin (1)	Q1'11	Operating Margin (1)
Income from operations (GAAP)	\$ 2,488	37%	\$ 2,982	35%	\$ 2,296	27%
Add: Stock-based compensation expense	291		396		432	
Add: Charge related to potential resolution of Department of Justice investigation	-		-		500	
Income from operations (non-GAAP)	\$ 2,779	41%	\$ 3,378	40%	\$ 3,228	38%
Net income (GAAP)	\$ 1,955		\$ 2,543		\$ 1,798	
Add: Stock-based compensation expense (net of tax)	226		307		340	
Add: Charge related to potential resolution of Department of Justice investigation	-		-		500	
Net income (non-GAAP)	\$ 2,181		\$ 2,850		\$ 2,638	
Net income per share - diluted (GAAP)	\$ 6.06		\$ 7.81		\$ 5.51	
Net income per share - diluted (non-GAAP)	\$ 6.76		\$ 8.75		\$ 8.08	
Shares used in per share calculation - diluted	323		326		326	

(1) Percentages based on revenues of \$6,775 million in Q1'10, \$8,440 million in Q4'10 and \$8,575 million in Q1'11.



Q1 2011

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Summary**