

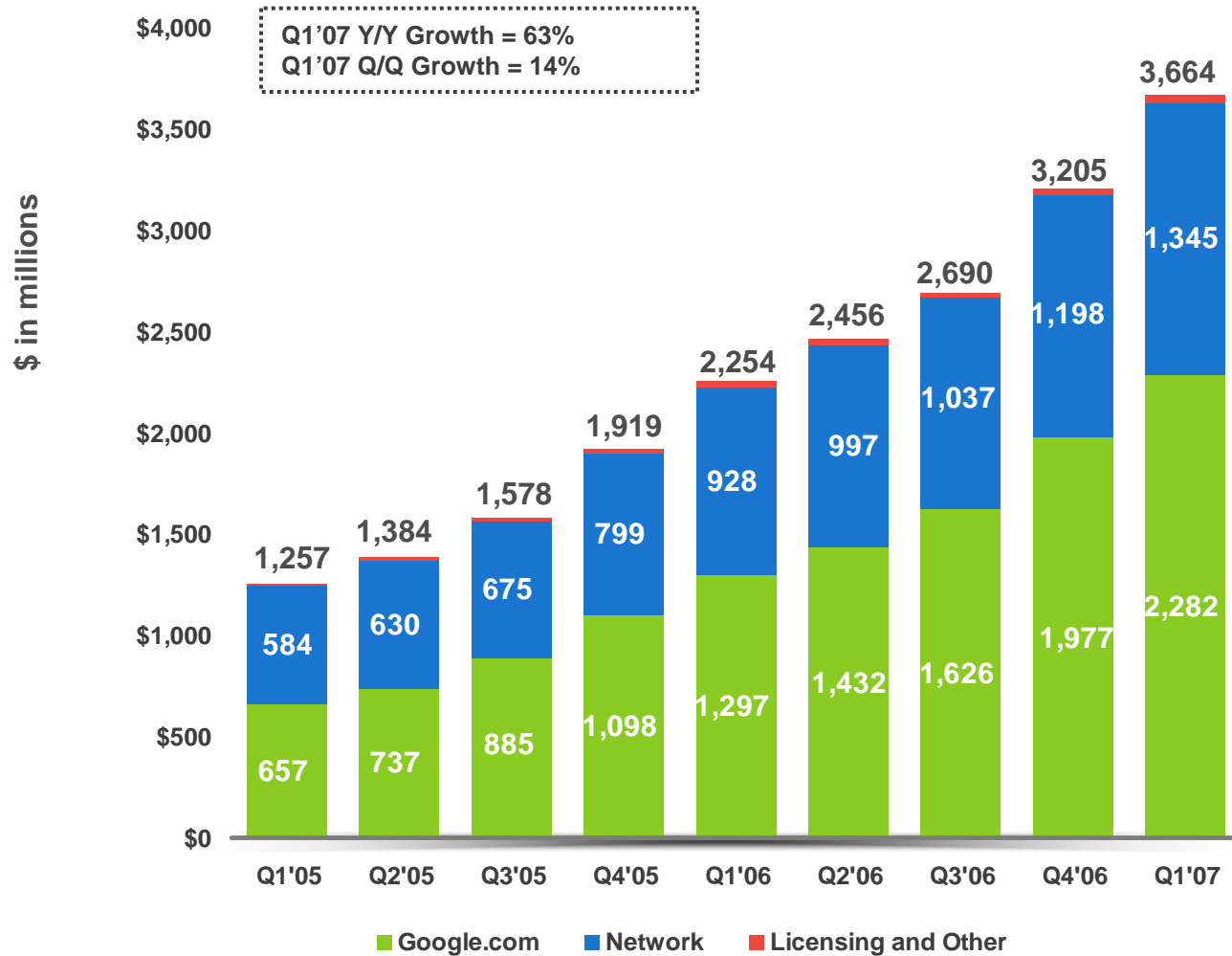
**Q1 2007**  
**Quarterly Earnings**  
**Summary**

# First Quarter 2007 Highlights

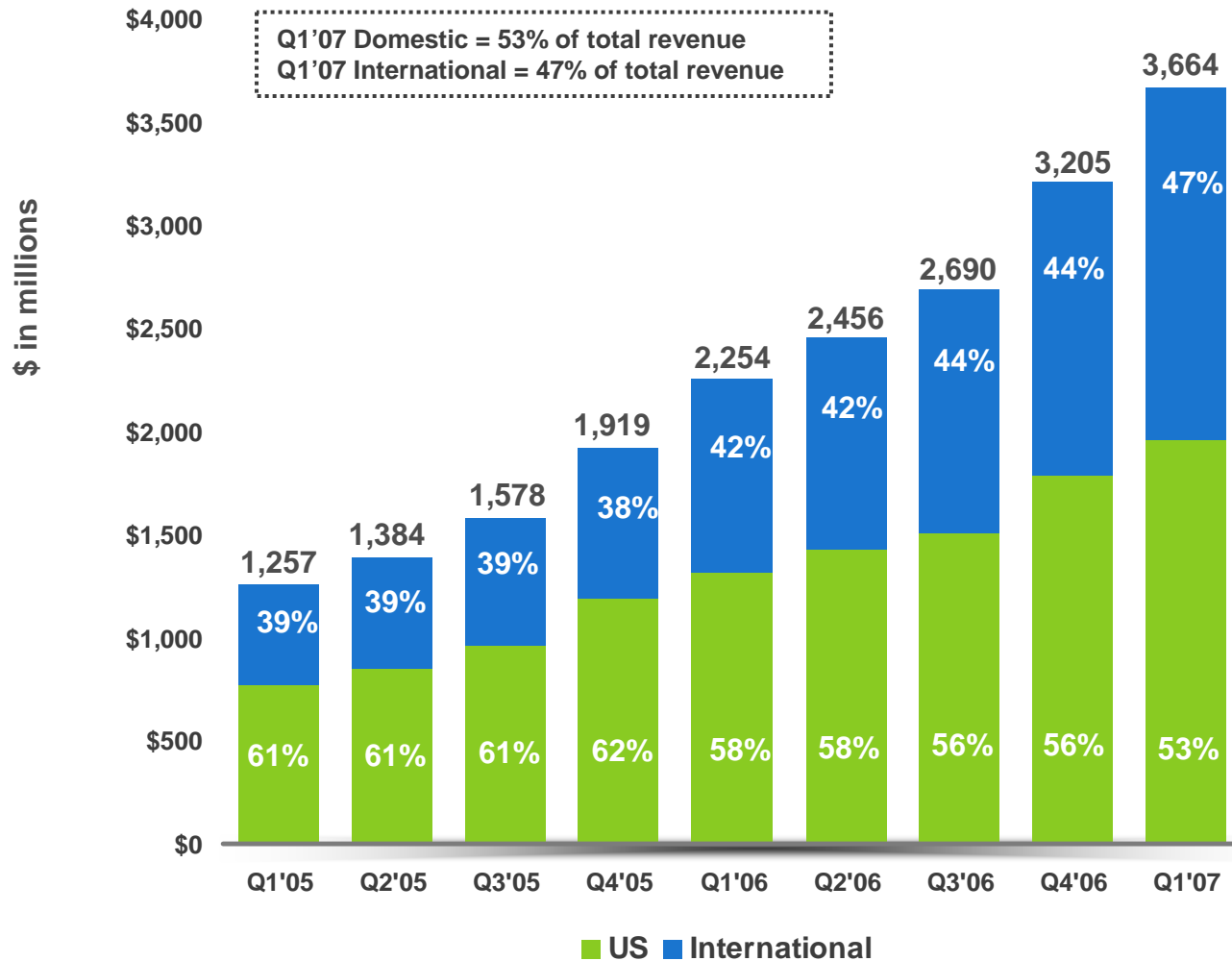
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- Revenue growth of 63% Y/Y and 14% Q/Q
  - Revenue on Google properties up 76% year-over-year and 15% sequentially, driven primarily by traffic
  - Network revenues increased 45% year-over-year and 12% sequentially with positive contribution from existing & newer AdSense relationships as well as international traffic growth
  - International markets demonstrated positive seasonality; significant revenue contributions from the UK, Germany, and France and growth in emerging markets such as Korea
- Continued progress in offline initiatives through partnerships with Clear Channel Radio and EchoStar
- Introduced Google Apps Premier Edition, bringing more Google products and services to SMBs and enterprises
- Continued investments in employees and infrastructure
- Announced agreement to acquire DoubleClick (April)

# Quarterly Revenue

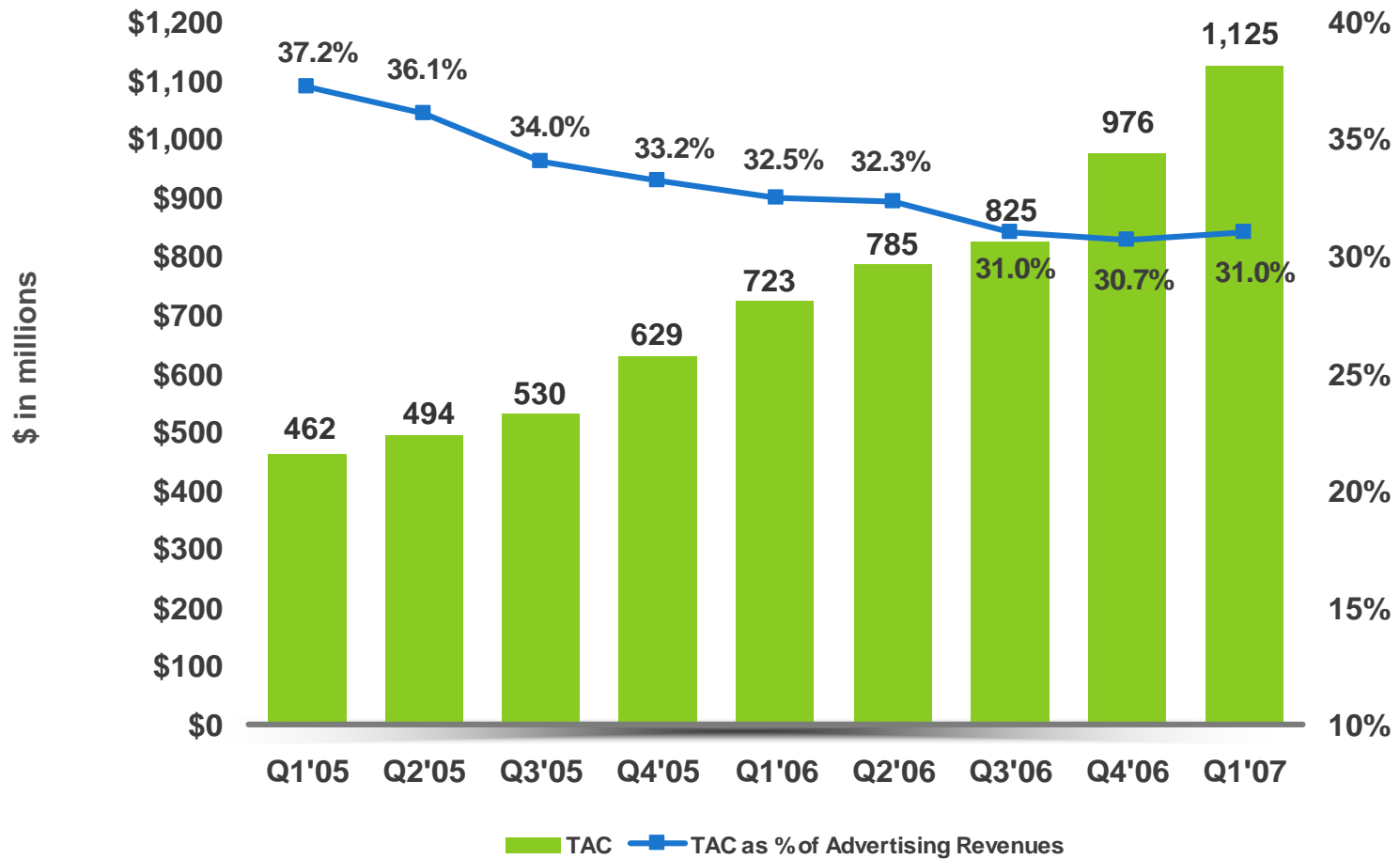


# U.S. vs. International Revenue



# Traffic Acquisition Costs

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# Costs and Expenses

<b>GAAP</b>			
<b>\$Millions</b>	<b>Q1'06</b>	<b>Q4'06</b>	<b>Q1'07</b>
<b>Costs of Revenues</b>	\$904.1	\$1,283.1	\$1,470.4
<i>Percent of revenues</i>	40.1%	40.0%	40.1%
<b>Research &amp; Development</b>	\$246.6	\$386.8	\$408.4
<i>Percent of revenues</i>	10.9%	12.1%	11.1%
<b>Sales &amp; Marketing</b>	\$190.9	\$255.2	\$302.6
<i>Percent of revenues</i>	8.5%	8.0%	8.3%
<b>General &amp; Administrative</b>	\$169.5	\$219.8	\$261.4
<i>Percent of revenues</i>	7.5%	6.9%	7.2%
<b>Total Costs &amp; Expenses</b>	\$1,511.1	\$2,144.9	\$2,442.8
<i>Percent of revenues</i>	67.0%	66.9%	66.7%

<b>Non-GAAP</b>			
<b>\$Millions</b>	<b>Q1'06</b>	<b>Q4'06</b>	<b>Q1'07</b>
<b>Costs of Revenues</b>	\$901.8	\$1,272.2	\$1,466.0
<i>Percent of revenues</i>	40.0%	39.7%	40.0%
<b>Research &amp; Development</b>	\$173.5	\$304.7	\$287.6
<i>Percent of revenues</i>	7.7%	9.5%	7.8%
<b>Sales &amp; Marketing</b>	\$175.0	\$240.7	\$275.3
<i>Percent of revenues</i>	7.8%	7.5%	7.5%
<b>General &amp; Administrative</b>	\$116.1	\$192.9	\$230.0
<i>Percent of revenues</i>	5.2%	6.0%	6.3%
<b>Total Costs &amp; Expenses</b>	\$1,366.4	\$2,010.5	\$2,258.9
<i>Percent of revenues</i>	60.6%	62.7%	61.7%

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</b>	<b>Q1'06</b>	<b>Q4'06</b>	<b>Q1'07</b>
<b>Income from Operations</b>	\$742.7	\$1,060.6	\$1,221.2
<i>Operating Margin</i>	33.0%	33.1%	33.3%
<b>Net Income</b>	\$592.3	\$1,030.7	\$1,002.2
<b>EPS (diluted)</b>	\$1.95	\$3.29	\$3.18

<b>Non-GAAP</b>			
<b>\$Millions</b>	<b>Q1'06</b>	<b>Q4'06</b>	<b>Q1'07</b>
<b>Income from Operations</b>	\$887.4	\$1,195.0	\$1,405.1
<i>Operating Margin</i>	39.4%	37.3%	38.3%
<b>Net Income</b>	\$697.2	\$997.3	\$1,159.3
<b>EPS (diluted)</b>	\$2.29	\$3.18	\$3.68

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>Q1'06</b>	<b>Q4'06</b>	<b>Q1'07</b>
<b>Net cash provided by operating activities</b>	\$824.8	\$910.8	\$1,219.6
<b>Less purchases of property and equipment</b>	(\$344.9)	(\$366.6)	(\$596.9)
<b>Free cash flow (Non-GAAP)</b>	\$479.9	\$544.2	\$622.7



# Key Takeaways

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- Google's continued excellence and market leadership in core search and ads drove strong results in Q1
- International markets continue to be a significant opportunity
- Further expansion of our partner network remains a key strategic initiative
- Investments in infrastructure and employees are a competitive advantage and critical to our long-term success
- Improving the quality of the user experience remains the most important factor in all our decisions

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

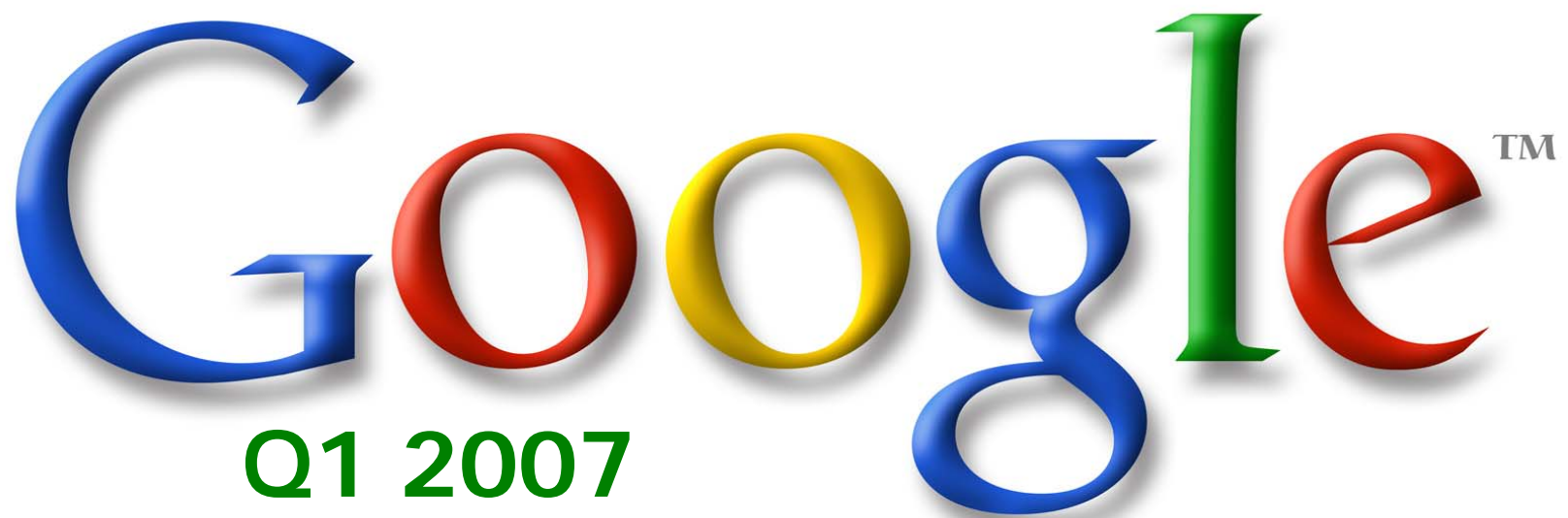
\$Millions	Q1'06	As a % of Revenues (1)	Q4'06	As a % of Revenues (1)	Q1'07	As a % of Revenues (1)
<b>Cost of Revenues (GAAP)</b>	\$ 904.1	40.1%	\$ 1,283.1	40.0%	\$ 1,470.4	40.1%
Less: Stock-based compensation	(2.3)	-	(10.9)	-	(4.4)	-
<b>Cost of Revenues (non-GAAP)</b>	\$ 901.8	40.0%	\$ 1,272.2	39.7%	\$ 1,466.0	40.0%
<b>Research and development (GAAP)</b>	\$ 246.6	10.9%	\$ 386.8	12.1%	\$ 408.4	11.1%
Less: Stock-based compensation	(73.1)	-	(82.1)	-	(120.8)	-
<b>Research and development (non-GAAP)</b>	\$ 173.5	7.7%	\$ 304.7	9.5%	\$ 287.6	7.8%
<b>Sales and marketing (GAAP)</b>	\$ 190.9	8.5%	\$ 255.2	8.0%	\$ 302.6	8.3%
Less: Stock-based compensation	(15.9)	-	(14.5)	-	(27.3)	-
<b>Sales and marketing (non-GAAP)</b>	\$ 175.0	7.8%	\$ 240.7	7.5%	\$ 275.3	7.5%
<b>General and administrative (GAAP)</b>	\$ 169.5	7.5%	\$ 219.8	6.9%	\$ 261.4	7.2%
Less: plaintiffs' attorneys' fees related to the settlement of the Lane's Gift litigation class action lawsuit	(30.0)	-	-	-	-	-
Less: Stock-based compensation	(23.4)	-	(26.9)	-	(31.4)	-
<b>General and administrative (non-GAAP)</b>	\$ 116.1	5.2%	\$ 192.9	6.0%	\$ 230.0	6.3%
<b>Total costs and expenses (GAAP)</b>	\$ 1,511.1	67.0%	\$ 2,144.9	66.9%	\$ 2,442.8	66.7%
Less: plaintiffs' attorneys' fees related to the settlement of the Lane's Gift litigation class action lawsuit	(30.0)	-	-	-	-	-
Less: Stock-based compensation	(114.7)	-	(134.4)	-	(183.9)	-
<b>Total costs and expenses (non-GAAP)</b>	\$ 1,366.4	60.6%	\$ 2,010.5	62.7%	\$ 2,258.9	61.7%

(1) Percentages based on GAAP revenues of \$2,254 million in Q1 '06, \$3,205 million in Q4 '06 and \$3,664 million in Q1 '07

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

\$Millions except per share amounts	Q1'06	As a % of Revenues (1)	Q4'06	As a % of Revenues (1)	Q1'07	As a % of Revenues (1)
<b>Income from operations (GAAP)</b>	\$ 742.7	33.0%	\$ 1,060.6	33.1%	\$ 1,221.2	33.3%
Add: Stock-based compensation	114.7	-	134.4	-	183.9	-
Add: Plaintiffs' attorneys' fees related to the settlement of the Lane's Gift litigation class action lawsuit	30.0	-	-	-	-	-
<b>Income from operations (non-GAAP)</b>	\$ 887.4	39.4%	\$ 1,195.0	37.3%	\$ 1,405.1	38.3%
<b>Net income (GAAP)</b>	\$ 592.3		\$ 1,030.7		\$ 1,002.2	
Add: Stock-based compensation (net of tax)	87.2		99.8		157.1	
Add: Plaintiffs' attorneys' fees related to the settlement of the Lane's Gift litigation class action lawsuit (net of tax)	17.7		-		-	
Less: Advanced Pricing Agreement and R&D credit	-		(133.2)		-	
<b>Net income (non-GAAP)</b>	\$ 697.2		\$ 997.3		\$ 1,159.3	
<b>Net income per share - diluted (GAAP)</b>	\$1.95		\$3.29		\$3.18	
<b>Net income per share - diluted (non-GAAP)</b>	\$2.29		\$3.18		\$3.68	
Shares used in per share calculation - diluted	304		313		315	

(1) Percentages based on GAAP revenues of \$2,254 million in Q1 '06, \$3,205 million in Q4 '06 and \$3,664 million in Q1 '07



**Q1 2007**  
**Quarterly Earnings**  
**Summary**