



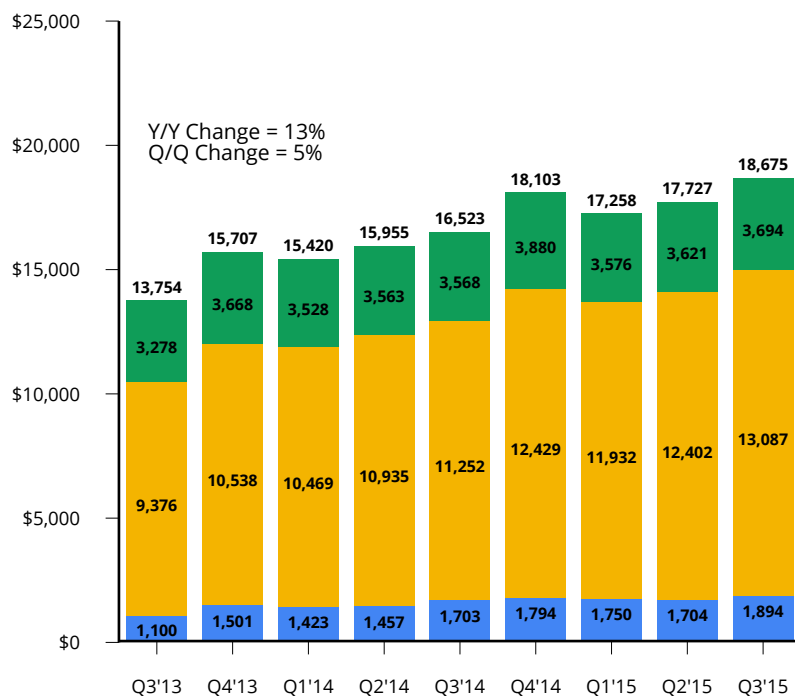
# Quarterly Earnings Summary

**Q3 2015**

# Quarterly Revenues

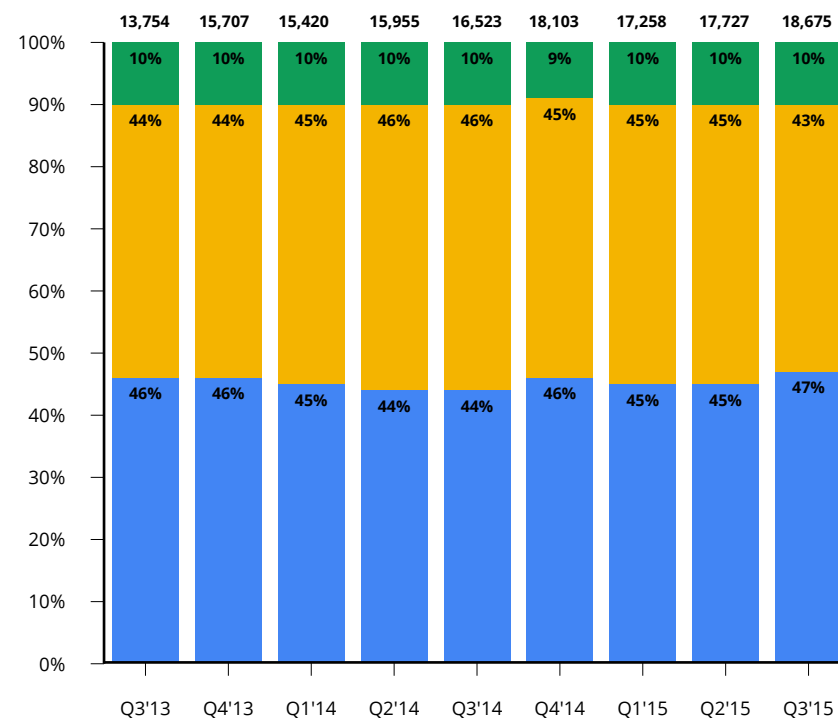
## Revenues by Revenue Source<sup>(1)</sup>

(\$ in millions)



## Revenues by Geography<sup>(2)</sup>

(\$ in millions)



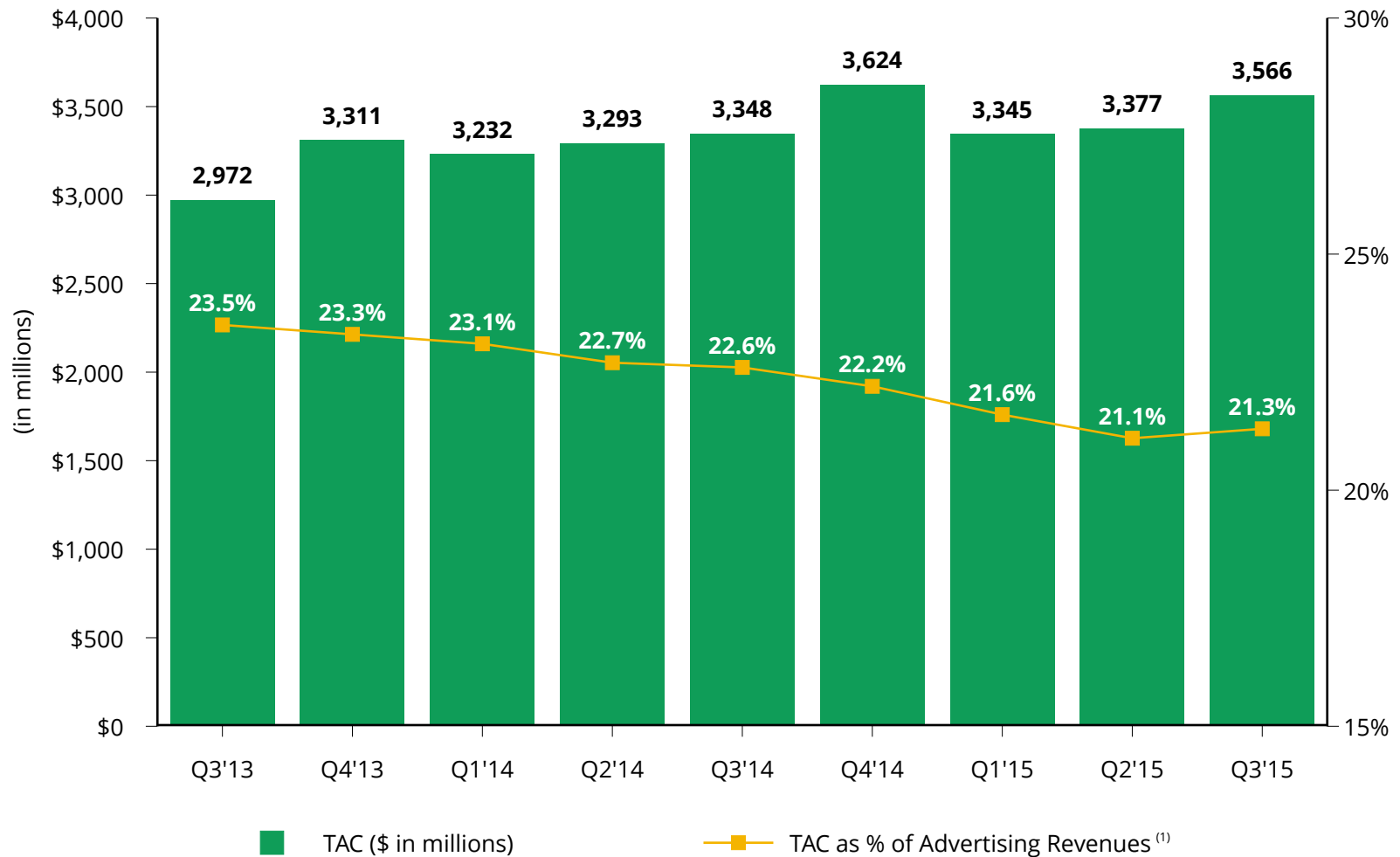
Other Google Sites Network

US Rest of the world UK

<sup>(1)</sup> Prior period amounts have been adjusted to reflect the reclassification primarily related to DoubleClick ad serving software revenues from other revenues to advertising revenues from Google Network Members' websites to conform with our current period presentation.

<sup>(2)</sup> In the second quarter of 2015, we identified an incorrect classification of certain revenues between legal entities. We revised the classification of such revenues between Rest of the world and U.S. for periods beginning in 2008 through the first quarter of 2015.

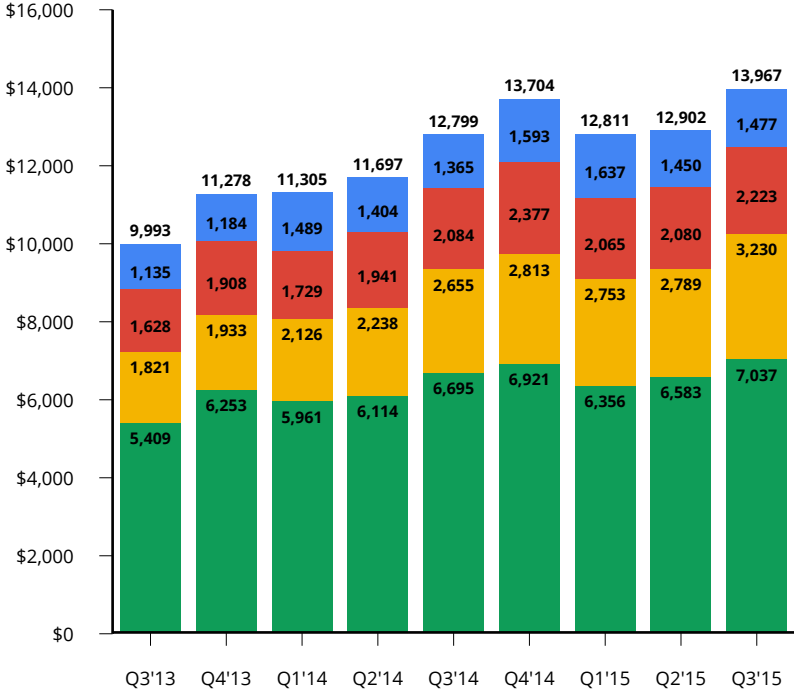
# Traffic Acquisition Costs



<sup>(1)</sup> Prior period amounts have been adjusted to reflect the impact of reclassification primarily related to DoubleClick ad serving software revenues from other revenues to advertising revenues from Google Network Members' websites to conform with our current period presentation.

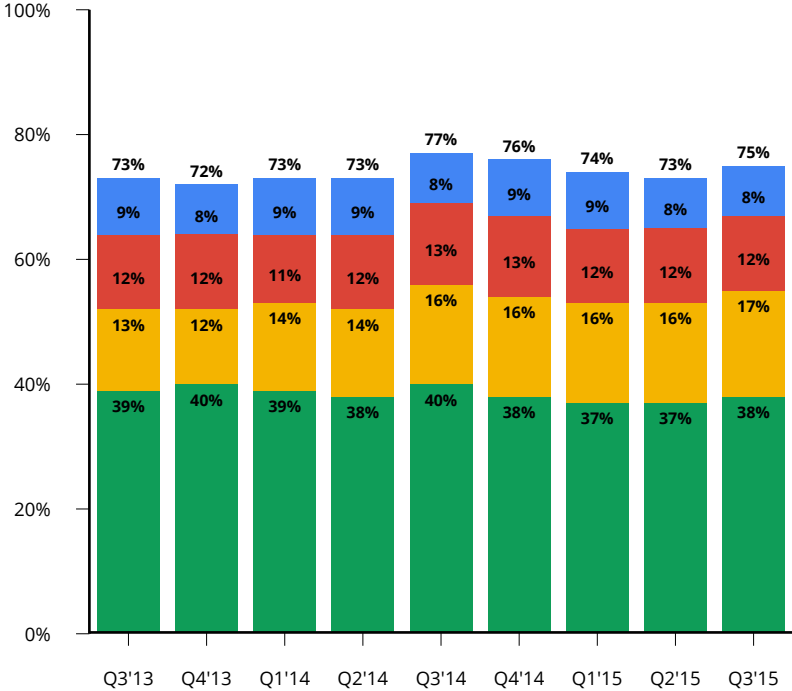
# GAAP Costs and Expenses

\$ in millions



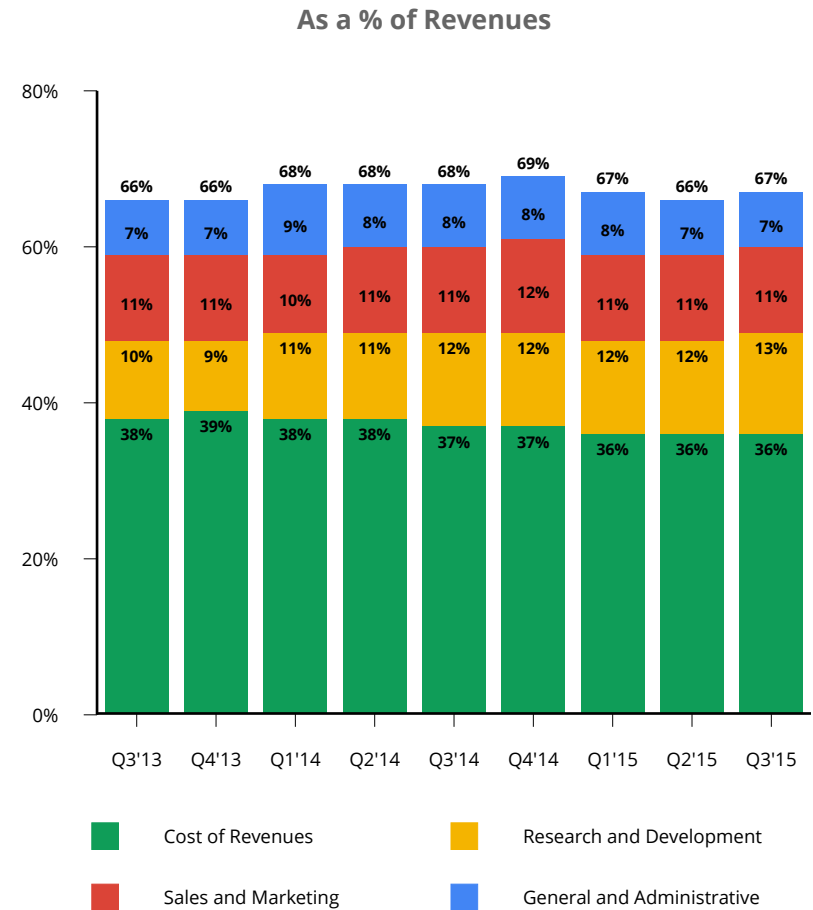
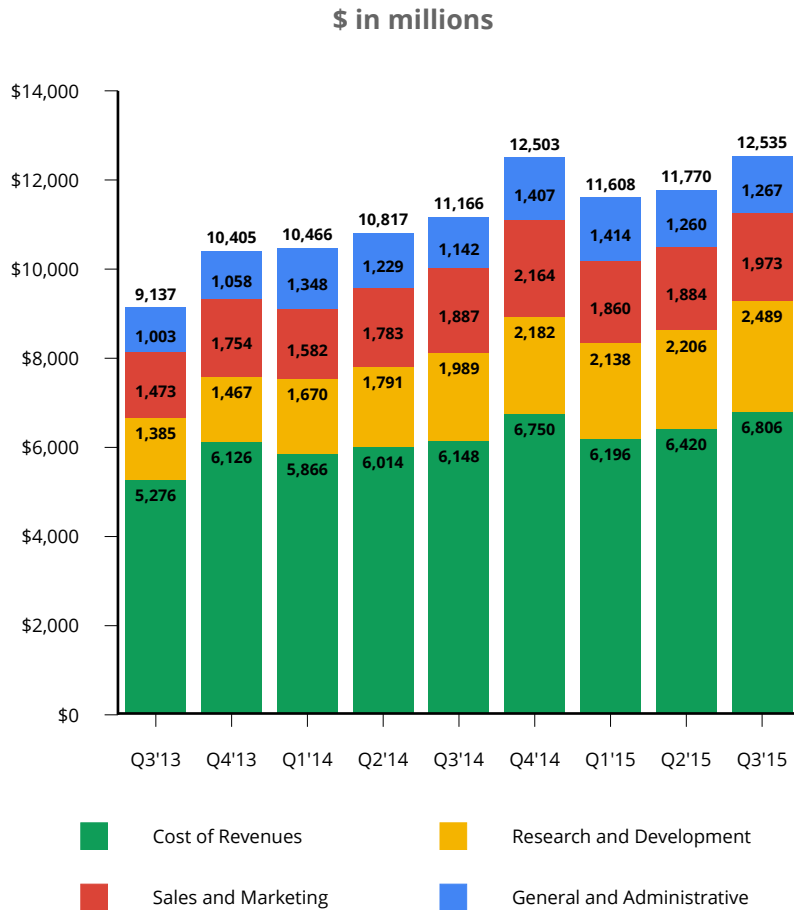
- Cost of Revenues
- Research and Development
- Sales and Marketing
- General and Administrative

As a % of Revenues



- Cost of Revenues
- Research and Development
- Sales and Marketing
- General and Administrative

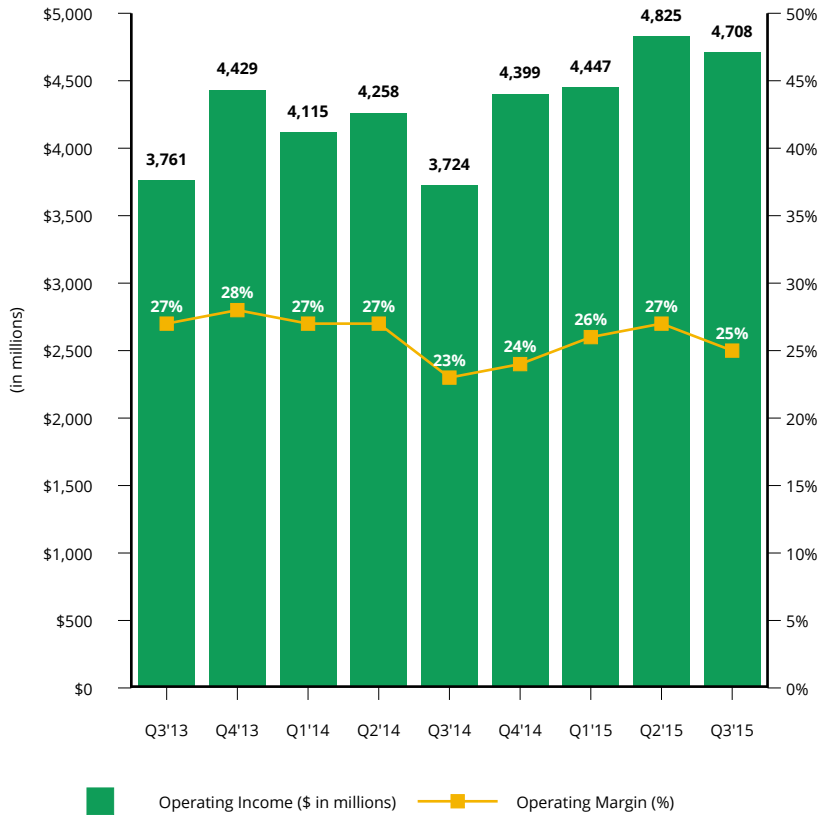
# Non-GAAP Costs and Expenses



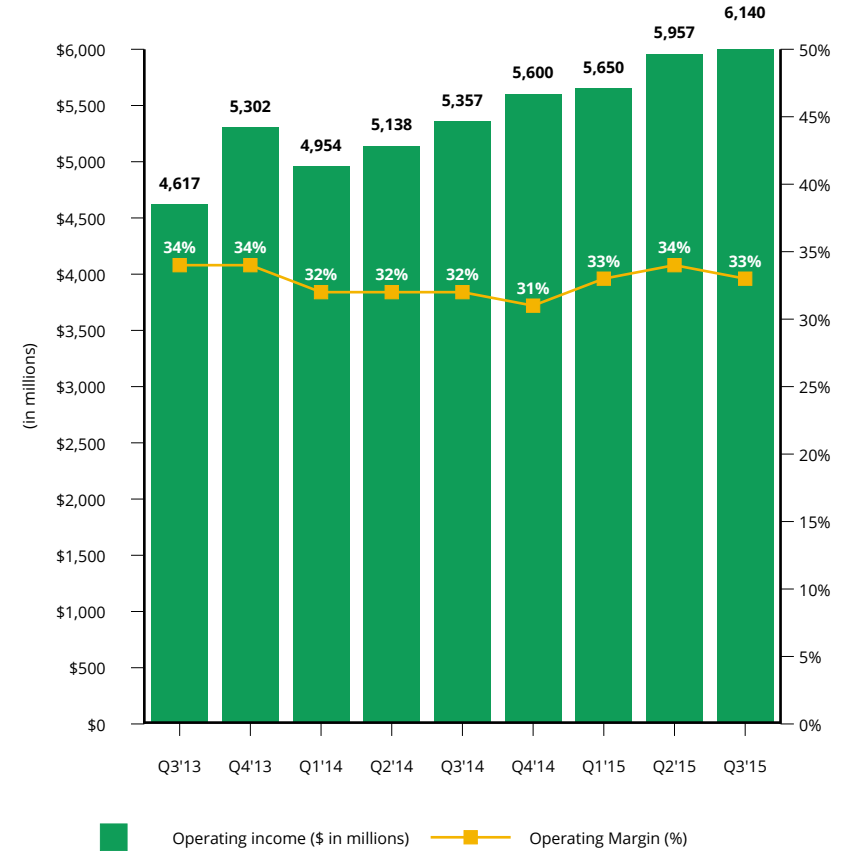
For reconciliation of GAAP to non-GAAP costs and expenses, please refer to Table 1 at the end of the slide deck.

# Operating Income and Operating Margin

## GAAP



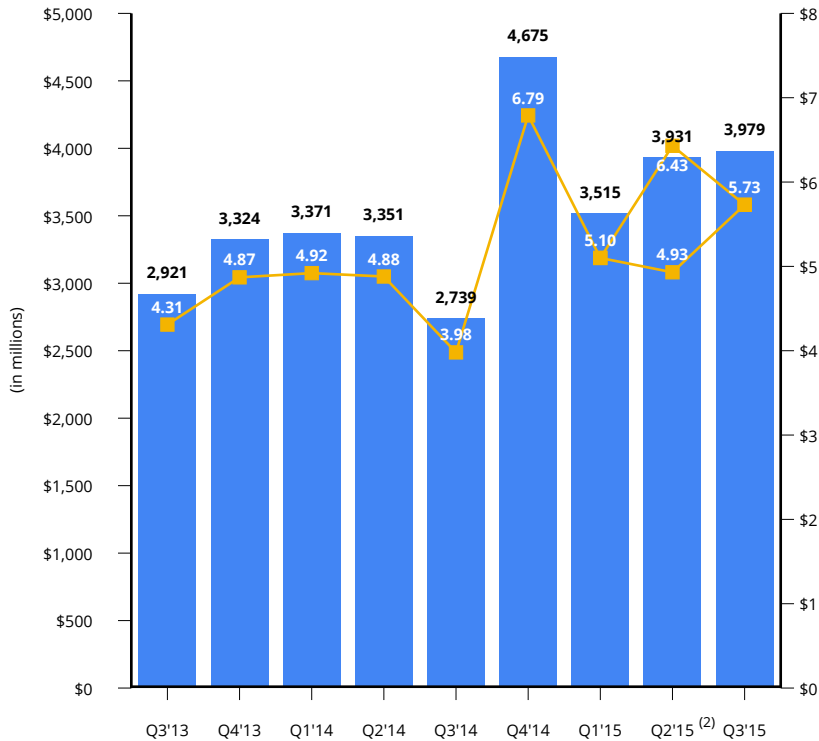
## Non-GAAP



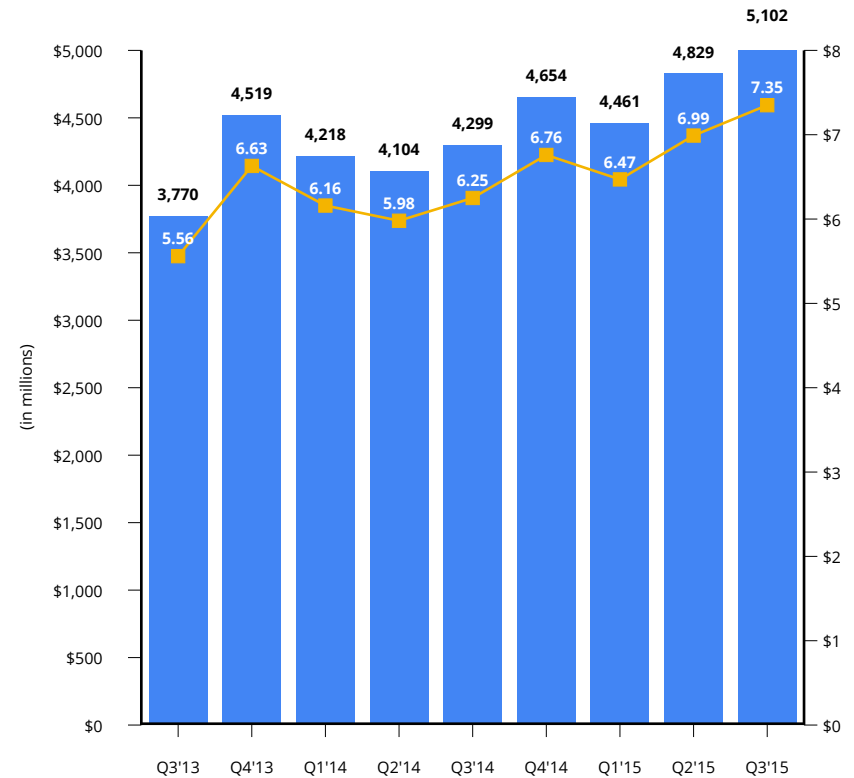
For reconciliation of GAAP to non-GAAP operating income, please refer to Table 2 at the end of the slide deck.

# Net Income and Earnings per Share<sup>(1)</sup>

## GAAP



## Non-GAAP



GAAP Net income (\$ in millions) GAAP Diluted earnings per share (\$)

Non-GAAP Net income (\$ in millions) Non-GAAP Diluted earnings per share (\$)

<sup>(1)</sup> In the second quarter of 2015, we identified an incorrect classification of certain revenues between legal entities, and as a consequence, we revised our income tax expense for periods beginning in 2008 through the first quarter of 2015.

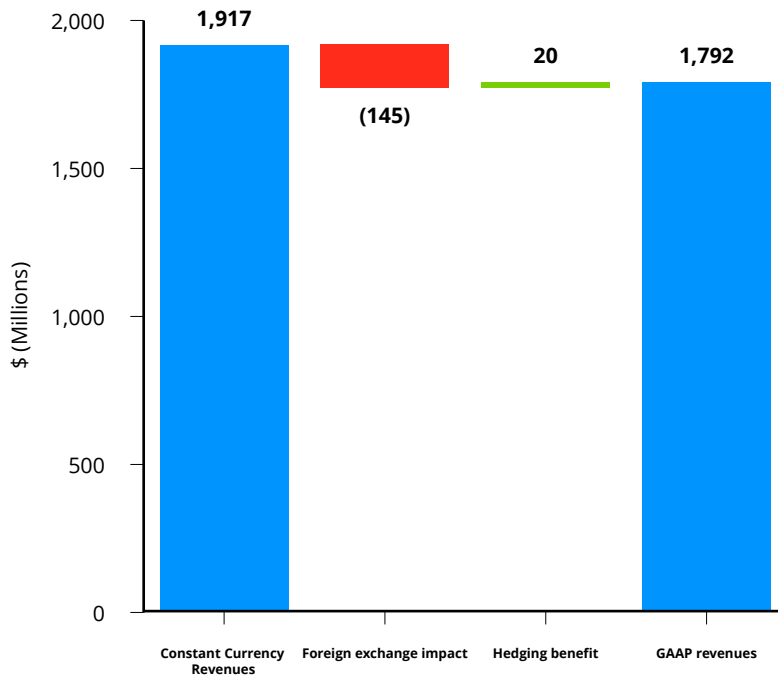
<sup>(2)</sup> In the second quarter of 2015, an adjustment payment was made to Class C capital stockholders that resulted in EPS for Class A and B common stock of \$4.93 (diluted EPS) and Class C capital stock of \$6.43 (diluted EPS), based on Net income available to all stockholders of \$3,409 million and the adjustment payment available to only Class C capital stockholders of \$522 million.

For reconciliation of GAAP to non-GAAP net income, please refer to Table 2 at the end of the slide deck.

# Constant Currency Q3'15 Revenues Using Q3'14 Rates (Y/Y)

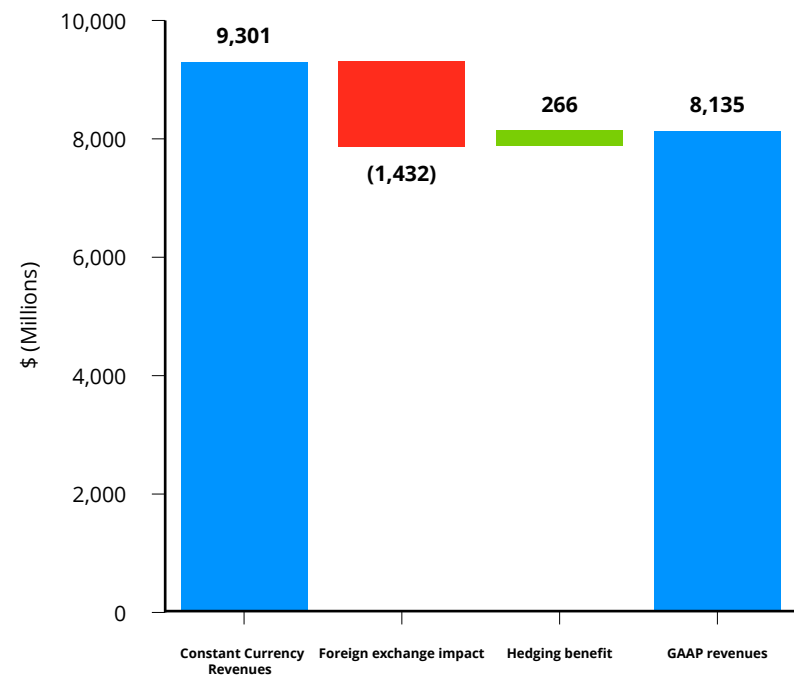
## UK Revenues

Constant Currency Revenue  
Growth rate<sup>(1)</sup> = 18%



## Rest of the world (ROW) Revenues

Constant Currency Revenue  
Growth rate<sup>(2)</sup> = 23%



<sup>(1)</sup> Constant currency growth rate is calculated as Q3'15 constant currency revenues of \$1,917M compared with Q3'14 revenues of \$1,627M (UK GAAP revenue of \$1,627M less hedging benefit of \$0M).

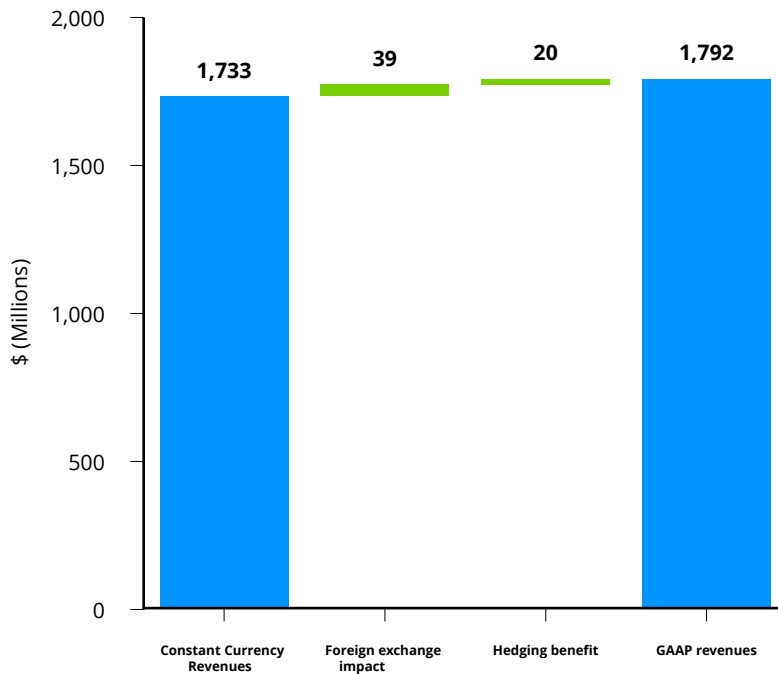
<sup>(2)</sup> Constant currency growth rate is calculated as Q3'15 constant currency revenues of \$9,301M compared with Q3'14 revenues of \$7,562M (ROW GAAP revenue of \$7,572M less hedging benefit of \$10M).



# Constant Currency Q3'15 Revenues Using Q2'15 Rates (Q/Q)

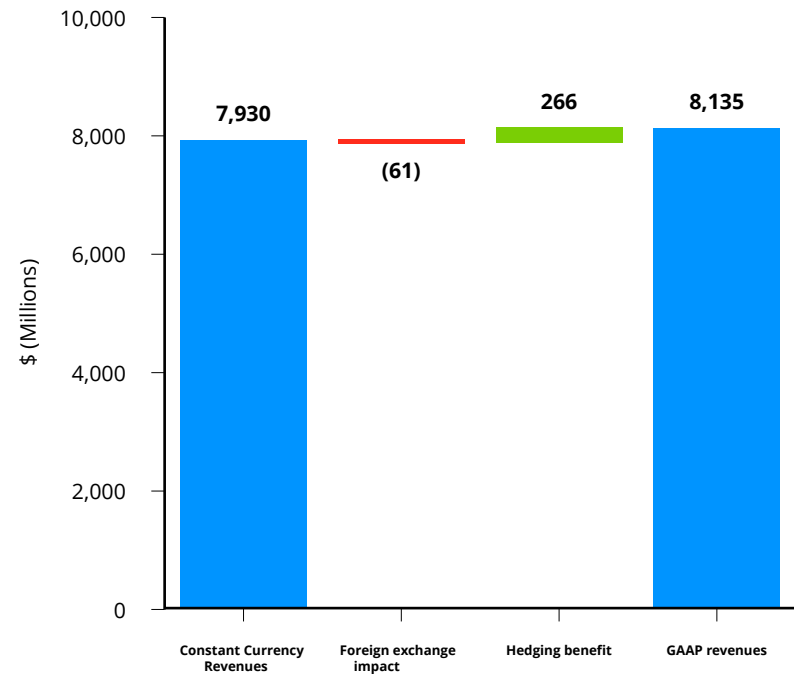
## UK Revenues

Constant Currency Revenue  
Growth rate<sup>(1)</sup> = 7%



## Rest of the world (ROW) Revenues

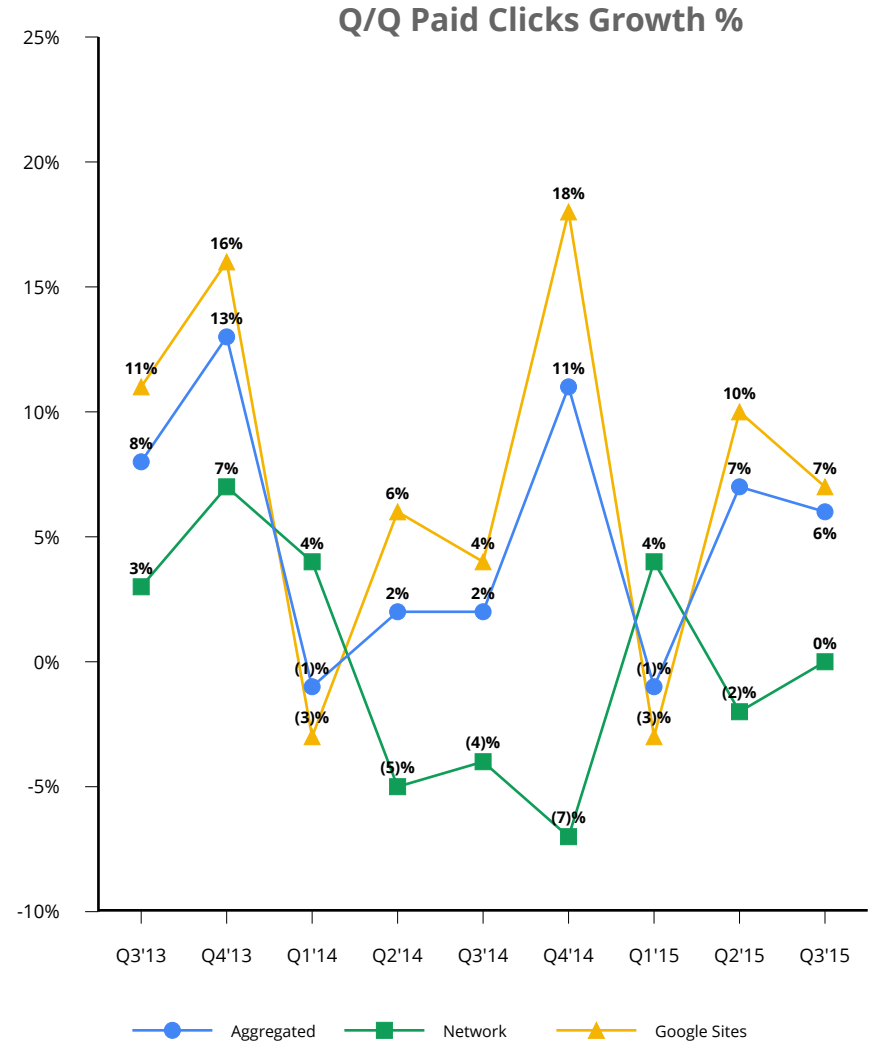
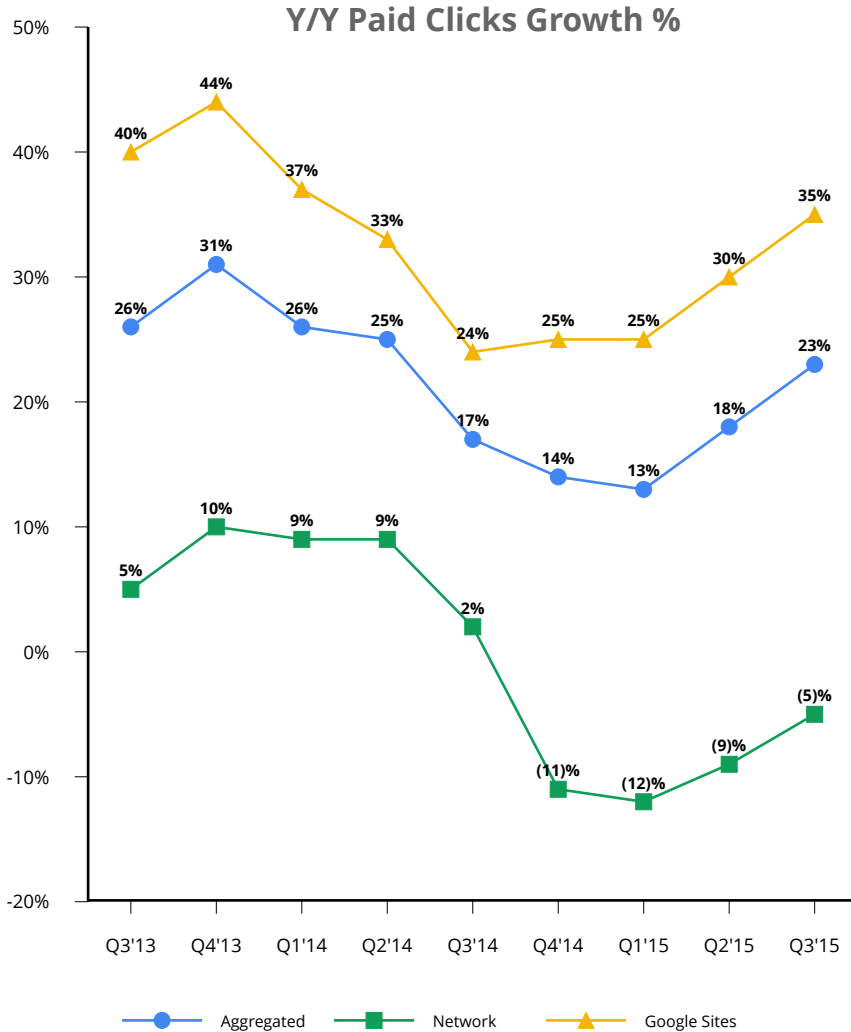
Constant Currency Revenue  
Growth rate<sup>(2)</sup> = 5%



<sup>(1)</sup> Constant currency growth rate is calculated as Q3'15 constant currency revenues of \$1,733M compared with Q2'15 revenues of \$1,624M (UK GAAP revenue of \$1,678M less hedging benefit of \$54M).

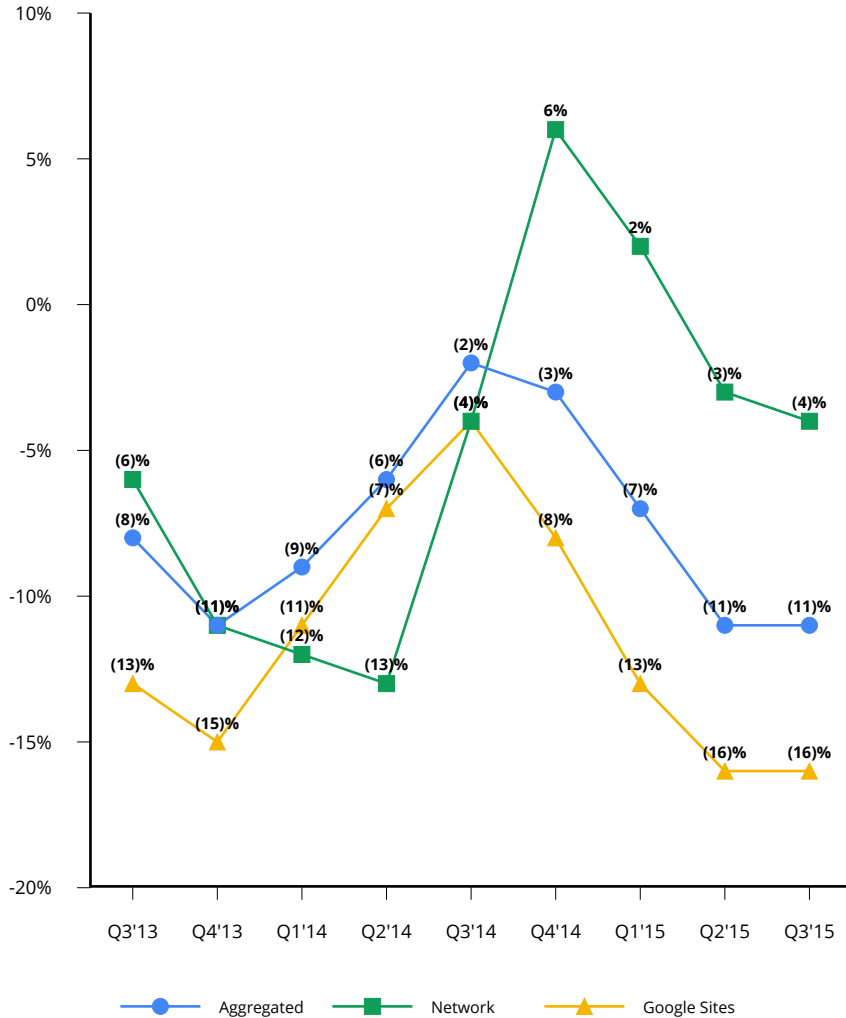
<sup>(2)</sup> Constant currency growth rate is calculated as Q3'15 constant currency revenues of \$7,930M compared with Q2'15 revenues of \$7,584M (ROW GAAP revenue of \$8,001M less hedging benefit of \$417M).

# Paid Clicks

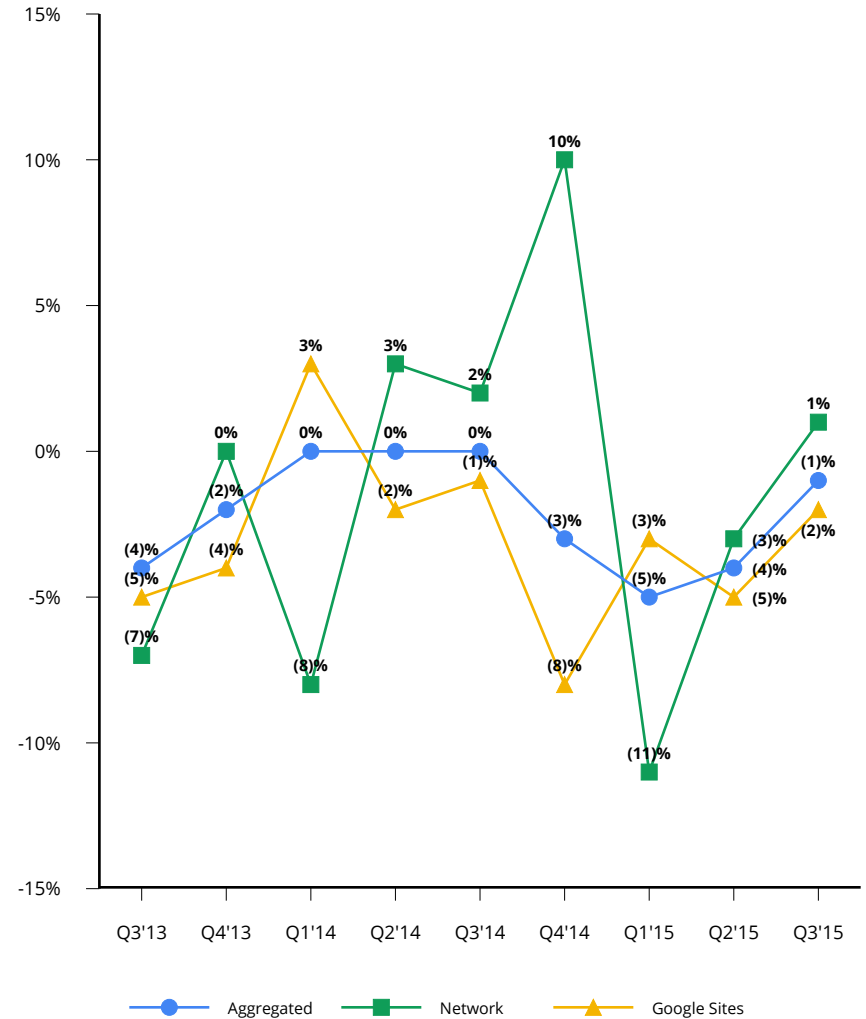


# Cost-per-Click

## Y/Y Cost-Per-Click Growth %

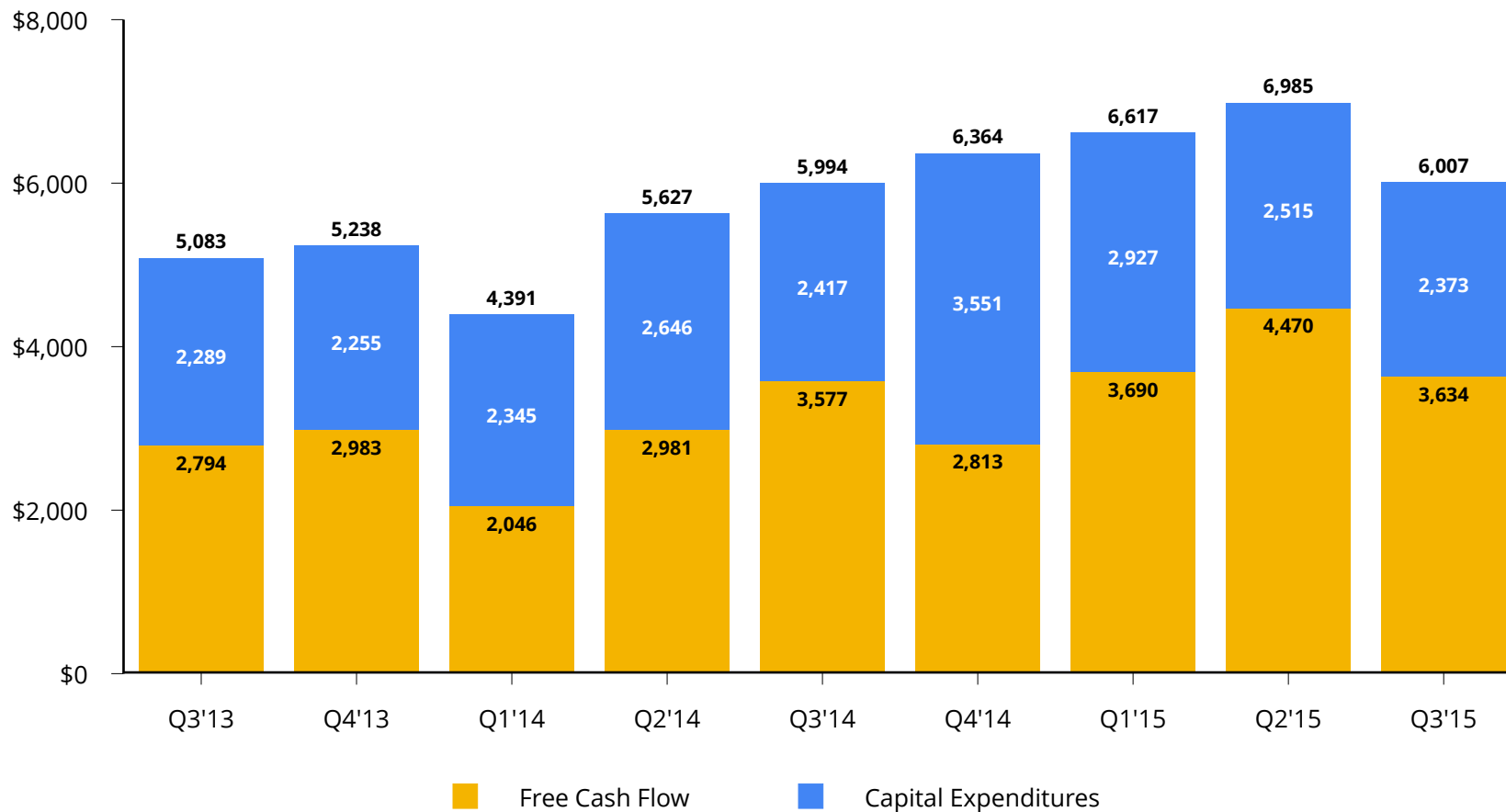


## Q/Q Cost-Per-Click Growth %



# Capital Expenditures & Free Cash Flow

(\$ in millions)



Free cash flow is defined as net cash provided by operating activities less capital expenditures.

All numbers include Motorola Mobile until its date of disposal (October 29, 2014).

# Overview of Q3 2015 OI&E

*\$ (in millions)*

Interest income	\$	259
Interest expense		(26)
Realized loss on marketable securities, net		(6)
Foreign currency exchange loss, net <sup>(1)</sup>		(100)
Realized gain on non-marketable investments, net		7
Other income, net		49
<b>Interest &amp; Other income, net</b>	<b>\$</b>	<b>183</b>

<sup>(1)</sup> Our foreign currency exchange losses are primarily related to the cost of our FX hedging programs.

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

	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15
<b>Cost of Revenues (GAAP)</b>	<b>\$5,409</b>	<b>\$6,253</b>	<b>\$5,961</b>	<b>\$6,114</b>	<b>\$6,695</b>	<b>\$6,921</b>	<b>\$6,356</b>	<b>\$6,583</b>	<b>\$7,037</b>
<i>Less: Non-GAAP adjustments <sup>(1) (2)</sup></i>	(133)	(127)	(95)	(100)	(547)	(171)	(160)	(163)	(231)
<b>Cost of Revenues (non-GAAP)</b>	<b>\$5,276</b>	<b>\$6,126</b>	<b>\$5,866</b>	<b>\$6,014</b>	<b>\$6,148</b>	<b>\$6,750</b>	<b>\$6,196</b>	<b>\$6,420</b>	<b>\$6,806</b>
<b>Research &amp; Development (GAAP)</b>	<b>\$1,821</b>	<b>\$1,933</b>	<b>\$2,126</b>	<b>\$2,238</b>	<b>\$2,655</b>	<b>\$2,813</b>	<b>\$2,753</b>	<b>\$2,789</b>	<b>\$3,230</b>
<i>Less: Non-GAAP adjustments <sup>(1)</sup></i>	(436)	(466)	(456)	(447)	(666)	(631)	(615)	(583)	(741)
<b>Research &amp; Development (non-GAAP)</b>	<b>\$1,385</b>	<b>\$1,467</b>	<b>\$1,670</b>	<b>\$1,791</b>	<b>\$1,989</b>	<b>\$2,182</b>	<b>\$2,138</b>	<b>\$2,206</b>	<b>\$2,489</b>
<b>Sales &amp; Marketing (GAAP)</b>	<b>\$1,628</b>	<b>\$1,908</b>	<b>\$1,729</b>	<b>\$1,941</b>	<b>\$2,084</b>	<b>\$2,377</b>	<b>\$2,065</b>	<b>\$2,080</b>	<b>\$2,223</b>
<i>Less: Non-GAAP adjustments <sup>(1)</sup></i>	(155)	(154)	(147)	(158)	(197)	(213)	(205)	(196)	(250)
<b>Sales &amp; Marketing (non-GAAP)</b>	<b>\$1,473</b>	<b>\$1,754</b>	<b>1,582</b>	<b>1,783</b>	<b>1,887</b>	<b>2,164</b>	<b>\$1,860</b>	<b>\$1,884</b>	<b>\$1,973</b>
<b>General &amp; Administrative (GAAP)</b>	<b>\$1,135</b>	<b>\$1,184</b>	<b>\$1,489</b>	<b>\$1,404</b>	<b>\$1,365</b>	<b>\$1,593</b>	<b>\$1,637</b>	<b>\$1,450</b>	<b>\$1,477</b>
<i>Less: Non-GAAP adjustments <sup>(1)</sup></i>	(132)	(126)	(141)	(175)	(223)	(186)	(223)	(190)	(210)
<b>General &amp; Administrative (non-GAAP)</b>	<b>\$1,003</b>	<b>\$1,058</b>	<b>\$1,348</b>	<b>\$1,229</b>	<b>\$1,142</b>	<b>\$1,407</b>	<b>\$1,414</b>	<b>\$1,260</b>	<b>\$1,267</b>
<b>Total Costs &amp; Expenses (GAAP)</b>	<b>\$9,993</b>	<b>\$11,278</b>	<b>\$11,305</b>	<b>\$11,697</b>	<b>\$12,799</b>	<b>\$13,704</b>	<b>\$12,811</b>	<b>\$12,902</b>	<b>\$13,967</b>
<i>Less: Non-GAAP adjustments <sup>(1)</sup></i>	(856)	(873)	(839)	(880)	(1,633)	(1,201)	(1,203)	(1,132)	(1,432)
<b>Total Costs &amp; Expenses (non-GAAP)</b>	<b>\$9,137</b>	<b>\$10,405</b>	<b>\$10,466</b>	<b>\$10,817</b>	<b>\$11,166</b>	<b>\$12,503</b>	<b>\$11,608</b>	<b>\$11,770</b>	<b>\$12,535</b>

<sup>(1)</sup> Comprised of stock based compensation expense.

<sup>(2)</sup> Q3'14 Includes a \$378M impairment charge related to a patent licensing royalty asset acquired in the purchase of Motorola.

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

(\$ in millions)	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15
<b>Income from operations (GAAP)</b>	<b>\$3,761</b>	<b>\$4,429</b>	<b>\$4,115</b>	<b>\$4,258</b>	<b>\$3,724</b>	<b>\$4,399</b>	<b>\$4,447</b>	<b>\$4,825</b>	<b>\$4,708</b>
<i>Add: Stock-based compensation expense from continuing operations</i>	\$856	\$873	\$839	\$880	\$1,255	\$1,201	\$1,203	\$1,132	\$1,432
<i>Add: Impairment charge related to a patent licensing royalty asset</i>	\$—	\$—	\$—	\$—	\$378	\$—	\$—	\$—	\$—
<b>Income from operations (non-GAAP)</b>	<b>\$4,617</b>	<b>\$5,302</b>	<b>\$4,954</b>	<b>\$5,138</b>	<b>\$5,357</b>	<b>\$5,600</b>	<b>\$5,650</b>	<b>\$5,957</b>	<b>\$6,140</b>
(\$ in millions)	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15
<b>Net income (GAAP)<sup>(1)</sup></b>	<b>\$2,921</b>	<b>\$3,324</b>	<b>\$3,371</b>	<b>\$3,351</b>	<b>\$2,739</b>	<b>\$4,675</b>	<b>\$3,515</b>	<b>\$3,931</b>	<b>\$3,979</b>
<i>Add: Stock-based compensation expense from continuing operations (net of tax)<sup>(2)</sup></i>	\$656	\$689	\$649	\$685	\$997	\$946	\$946	\$898	\$1,123
<i>Add: Impairment charge related to a patent licensing royalty asset acquired in connection with the purchase of Motorola</i>	\$—	\$—	\$—	\$—	\$378	\$—	\$—	\$—	\$—
<i>Add: Net loss (income) from discontinued operations</i>	\$193	\$506	\$198	\$68	\$185	\$(967)	\$—	\$—	\$—
<b>Net income (non-GAAP)<sup>(1)</sup></b>	<b>\$3,770</b>	<b>\$4,519</b>	<b>\$4,218</b>	<b>\$4,104</b>	<b>\$4,299</b>	<b>\$4,654</b>	<b>\$4,461</b>	<b>\$4,829</b>	<b>\$5,102</b>

<sup>(1)</sup> In the second quarter of 2015, we identified an incorrect classification of certain revenues between legal entities, and as a consequence, we revised our income tax expense for periods beginning in 2008 through the first quarter of 2015.

<sup>(2)</sup> Tax effect of stock-based compensation expense is calculated using tax-deductible portion of stock-based compensation expense and applying entity-specific tax rates.