

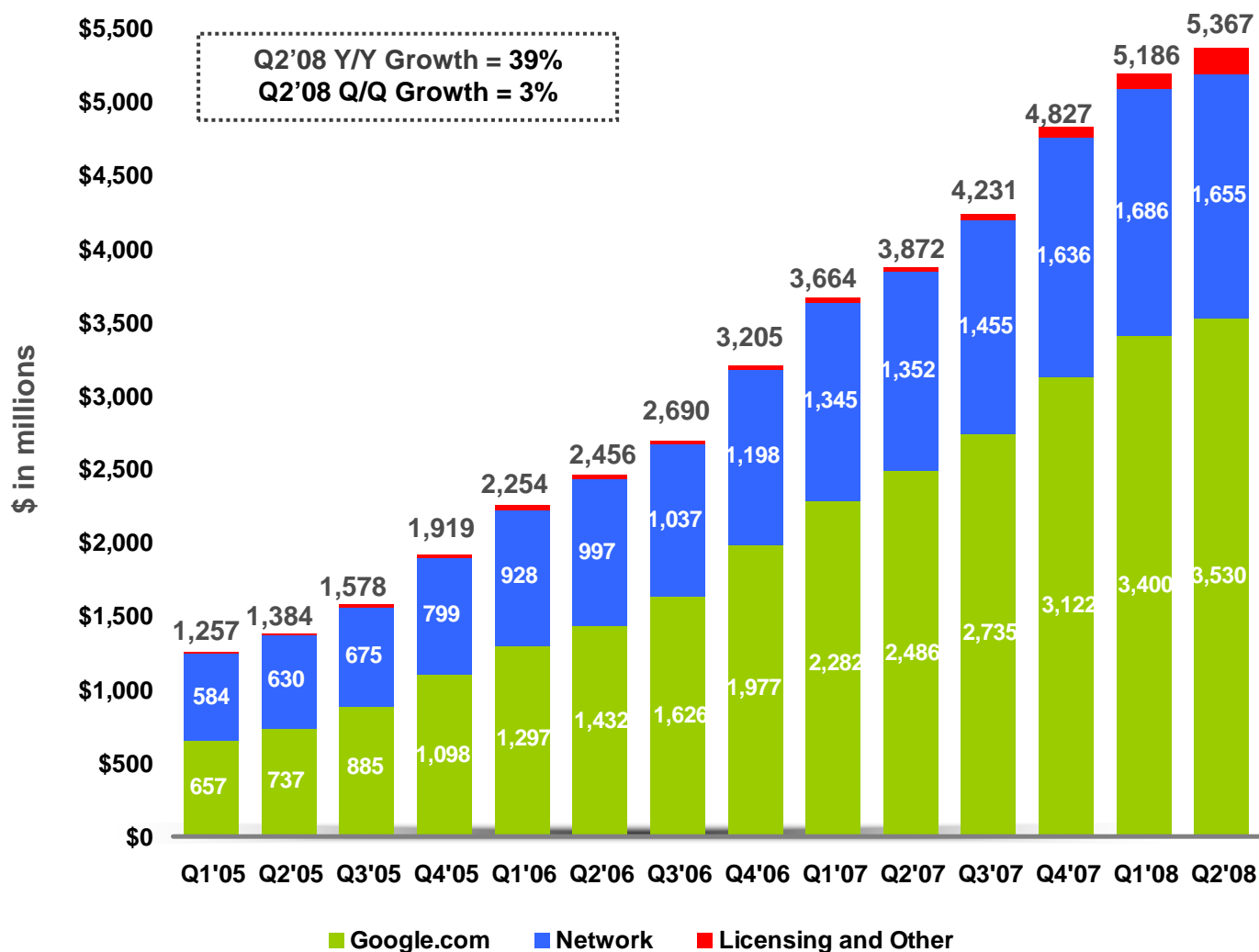
**Q2 2008**  
**Quarterly Earnings**  
**Summary**

# Second Quarter 2008 Highlights

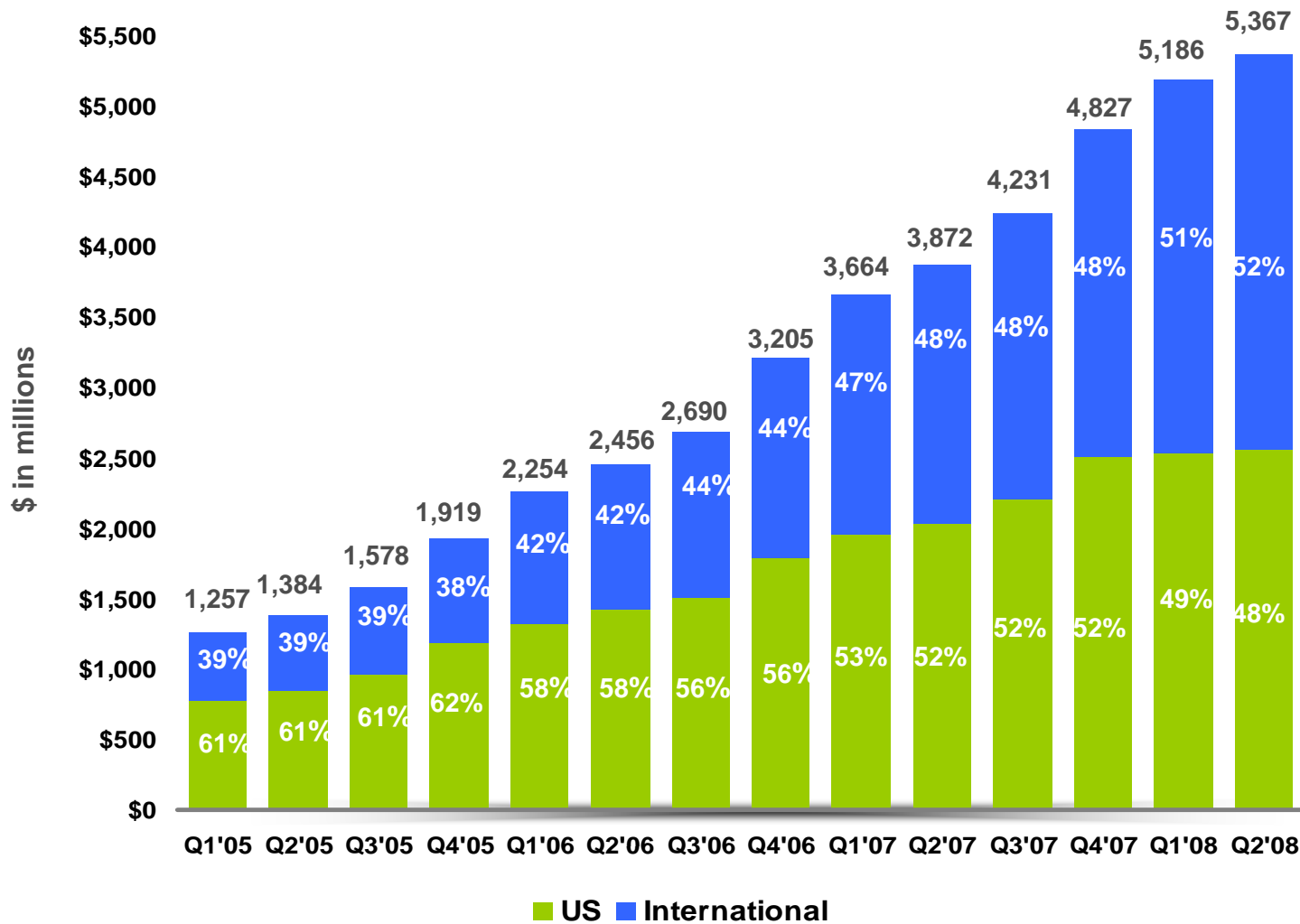
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- Revenue growth of 39% Y/Y and 3% Q/Q
  - Google properties revenue growth of 42% Y/Y and 4% Q/Q
  - Network revenues increased 22% Y/Y and decreased 2% Q/Q
  - Growth in international markets continued to be strong, with \$2.8 billion in Q2 international revenue
- Operational Highlights
  - Improvements in search quality remain key focus
  - Continued ads quality initiatives to show users better, more relevant ads
  - Increasing value for advertisers and publishers with broader and deeper solutions
    - Acquisition of DoubleClick gives Google the leading display ad platform
  - Strong Apps traction and addition of functionality to Google Apps suite of products
- Exercising operational discipline while investing in long-term opportunities

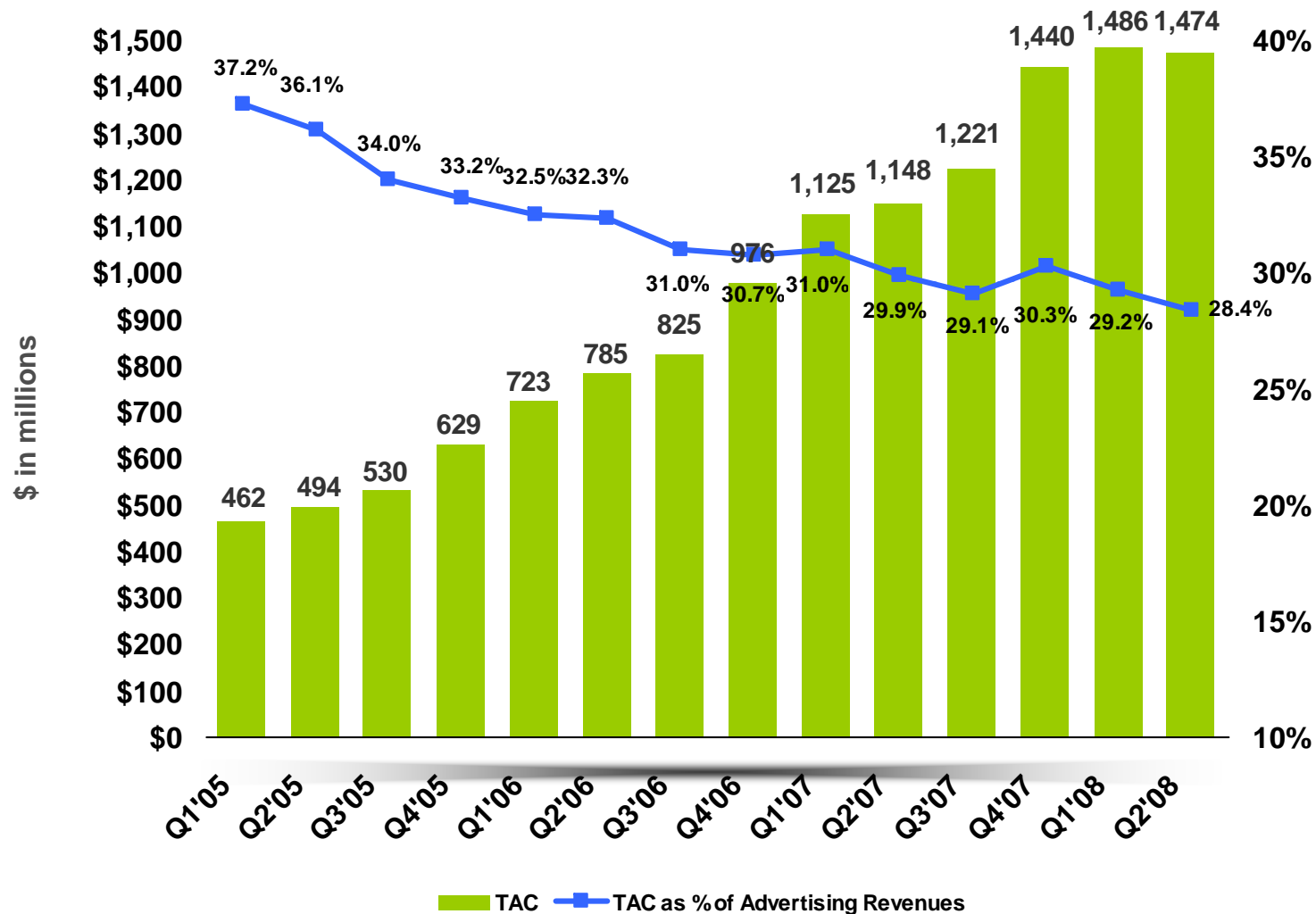
# Quarterly Revenue



# U.S. vs. International Revenue



# Traffic Acquisition Costs



# Costs and Expenses

<b>GAAP</b>			
<b>\$Millions</b>	<b>Q2'07</b>	<b>Q1'08</b>	<b>Q2'08</b>
<b>Cost of Revenues</b>	\$1,560	\$2,111	\$2,148
<i>Percent of revenues</i>	40%	41%	40%
<b>Research &amp; Development</b>	\$532	\$673	\$682
<i>Percent of revenues</i>	14%	13%	13%
<b>Sales &amp; Marketing</b>	\$356	\$447	\$485
<i>Percent of revenues</i>	9%	9%	9%
<b>General &amp; Administrative</b>	\$319	\$409	\$474
<i>Percent of revenues</i>	8%	7%	9%
<b>Total Costs &amp; Expenses</b>	\$2,767	\$3,640	\$3,789
<i>Percent of revenues</i>	71%	70%	71%

<b>Non-GAAP</b>			
<b>\$Millions</b>	<b>Q2'07</b>	<b>Q1'08</b>	<b>Q2'08</b>
<b>Cost of Revenues</b>	\$1,552	\$2,102	\$2,139
<i>Percent of revenues</i>	40%	41%	40%
<b>Research &amp; Development</b>	\$375	\$479	\$495
<i>Percent of revenues</i>	10%	9%	10%
<b>Sales &amp; Marketing</b>	\$320	\$404	\$442
<i>Percent of revenues</i>	8%	8%	8%
<b>General &amp; Administrative</b>	\$279	\$374	\$440
<i>Percent of revenues</i>	7%	7%	8%
<b>Total Costs &amp; Expenses</b>	\$2,526	\$3,359	\$3,516
<i>Percent of revenues</i>	65%	65%	66%

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

# Profitability

<b>GAAP</b>				
<b>\$Millions</b>		<b>Q2'07</b>	<b>Q1'08</b>	<b>Q2'08</b>
<b>Income from Operations</b>	\$	1,105	\$ 1,546	\$ 1,578
<i>Operating Margin</i>		29%	30%	29%
<b>Net Income</b>	\$	925	\$ 1,307	\$ 1,247
<b>EPS (diluted)</b>		\$2.93	\$4.12	\$3.92

<b>Non-GAAP</b>				
<b>\$Millions</b>		<b>Q2'07</b>	<b>Q1'08</b>	<b>Q2'08</b>
<b>Income from Operations</b>	\$	1,346	\$ 1,827	\$ 1,851
<i>Operating Margin</i>		35%	35%	34%
<b>Net Income</b>	\$	1,124	\$ 1,537	\$ 1,472
<b>EPS (diluted)</b>	\$	3.56	\$ 4.84	\$ 4.63

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>Q2'07</b>	<b>Q1'08</b>	<b>Q2'08</b>
<b>Net cash provided by operating activities</b>	\$1,230	\$1,780	\$1,766
<b>Less purchases of property and equipment</b>	(\$575)	(\$842)	(\$697)
<b>Free cash flow (Non-GAAP)</b>	\$655	\$938	\$1,069



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

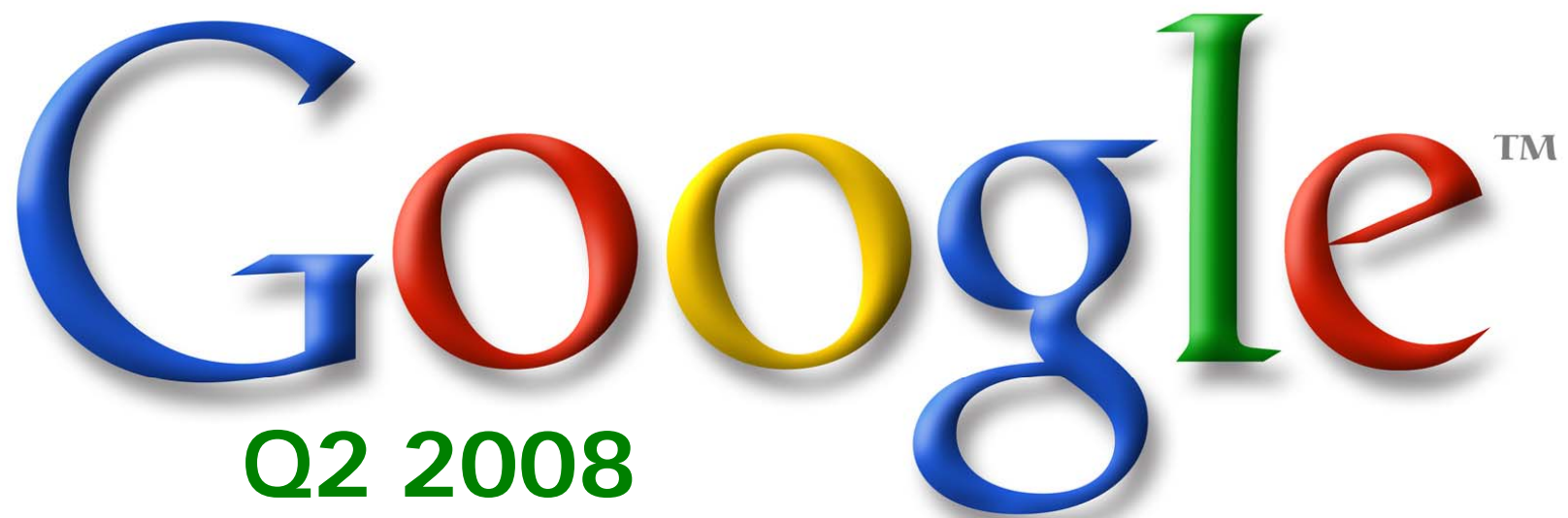
\$Millions	Q2'07	As a % of Revenues (1)	Q1'08	As a % of Revenues (1)	Q2'08	As a % of Revenues (1)
<b>Cost of Revenues (GAAP)</b>	\$ 1,560	40%	\$ 2,111	41%	\$ 2,148	40%
Less: Stock-based compensation	(8)		(9)		(9)	
<b>Cost of Revenues (non-GAAP)</b>	\$ 1,552	40%	\$ 2,102	41%	\$ 2,139	40%
<b>Research and development (GAAP)</b>	\$ 532	14%	\$ 673	13%	\$ 682	13%
Less: Stock-based compensation	(157)		(194)		(187)	
<b>Research and development (non-GAAP)</b>	\$ 375	10%	\$ 479	9%	\$ 495	10%
<b>Sales and marketing (GAAP)</b>	\$ 356	9%	\$ 447	9%	\$ 485	9%
Less: Stock-based compensation	(36)		(43)		(43)	
<b>Sales and marketing (non-GAAP)</b>	\$ 320	8%	\$ 404	8%	\$ 442	8%
<b>General and administrative (GAAP)</b>	\$ 319	8%	\$ 409	7%	\$ 474	9%
Less: Stock-based compensation	(40)		(35)		(34)	
<b>General and administrative (non-GAAP)</b>	\$ 279	7%	\$ 374	7%	\$ 440	8%
<b>Total costs and expenses (GAAP)</b>	\$ 2,767	71%	\$ 3,640	70%	\$ 3,789	71%
Less: Stock-based compensation	(241)		(281)		(273)	
<b>Total costs and expenses (non-GAAP)</b>	\$ 2,526	65%	\$ 3,359	65%	\$ 3,516	66%

(1) Percentages based on GAAP revenues of \$3,872 million in Q2 '07, \$5,186 million in Q1 '08 and \$5,367 million in Q2 '08.

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

Figures in millions except per share amounts	Q2'07	Operating Margin (1)	Q1'08	Operating Margin (1)	Q2'08	Operating Margin (1)
<b>Income from operations (GAAP)</b>	\$ 1,105	29%	\$ 1,546	30%	\$ 1,578	29%
Add: Stock-based compensation	241		281		273	
<b>Income from operations (non-GAAP)</b>	\$ 1,346	35%	\$ 1,827	35%	\$ 1,851	34%
<b>Net income (GAAP)</b>	\$ 925		\$ 1,307		\$ 1,247	
Add: Stock-based compensation (net of tax)	199		230		225	
<b>Net income (non-GAAP)</b>	\$ 1,124		\$ 1,537		\$ 1,472	
<b>Net income per share - diluted (GAAP)</b>	\$2.93		\$4.12		\$3.92	
<b>Net income per share - diluted (non-GAAP)</b>	\$3.56		\$4.84		\$4.63	
Shares used in per share calculation - diluted	315		317		318	

(1) Percentages based on GAAP revenues of \$3,872 million in Q2 '07, \$5,186 million in Q1 '08 and \$5,367 million in Q2 '08.



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