

Google Announces Second Quarter 2011 Financial Results

MOUNTAIN VIEW, Calif. – July 14, 2011 - Google Inc. (NASDAQ: GOOG) today announced financial results for the quarter ended June 30, 2011.

"We had a great quarter, with revenue up 32% year on year for a record breaking over \$9 billion of revenue," said Larry Page, CEO of Google. "I'm super excited about the amazing response to Google+ which lets you share just like in real life."

Q2 Financial Summary

Google reported revenues of \$9.03 billion for the quarter ended June 30, 2011, an increase of 32% compared to the second quarter of 2010. Google reports its revenues, consistent with GAAP, on a gross basis without deducting traffic acquisition costs (TAC). In the second quarter of 2011, TAC totaled \$2.11 billion, or 24% of advertising revenues.

Google reports operating income, operating margin, net income, and earnings per share (EPS) on a GAAP and non-GAAP basis. The non-GAAP measures, as well as free cash flow, an alternative non-GAAP measure of liquidity, are described below and are reconciled to the corresponding GAAP measures in the accompanying financial tables.

- GAAP operating income in the second quarter of 2011 was \$2.88 billion, or 32% of revenues. This compares to GAAP operating income of \$2.37 billion, or 35% of revenues, in the second quarter of 2010. Non-GAAP operating income in the second quarter of 2011 was \$3.32 billion, or 37% of revenues. This compares to non-GAAP operating income of \$2.67 billion, or 39% of revenues, in the second quarter of 2010.
- GAAP net income in the second quarter of 2011 was \$2.51 billion, compared to \$1.84 billion in the second quarter of 2010. Non-GAAP net income in the second quarter of 2011 was \$2.85 billion, compared to \$2.08 billion in the second quarter of 2010.
- GAAP EPS in the second quarter of 2011 was \$7.68 on 326 million diluted shares outstanding, compared to \$5.71 in the second quarter of 2010 on 322 million diluted shares outstanding. Non-GAAP EPS in the second quarter of 2011 was \$8.74, compared to \$6.45 in the second quarter of 2010.
- Non-GAAP operating income and non-GAAP operating margin exclude the expenses related to stock-based compensation (SBC). Non-GAAP net income and non-GAAP EPS exclude the expenses related to SBC and the related tax benefits. In the second quarter of 2011, the charge related to SBC was \$435 million, compared to \$309 million in the second quarter of 2010. The tax benefit related to SBC was \$91 million in the second quarter of 2011 and \$70 million in the second quarter of 2010.

Q2 Financial Highlights

Revenues – Google reported revenues of \$9.03 billion in the second quarter of 2011, representing a 32% increase over second quarter 2010 revenues of \$6.82 billion. Google reports its revenues, consistent with GAAP, on a gross basis without deducting TAC.

Google Sites Revenues – Google-owned sites generated revenues of \$6.23 billion, or 69% of total revenues, in the second quarter of 2011. This represents a 39% increase over second quarter 2010 revenues of \$4.50 billion.

Google Network Revenues – Google's partner sites generated revenues, through AdSense programs, of \$2.48 billion, or 28% of total revenues, in the second quarter of 2011. This represents a 20% increase from second quarter 2010 network revenues of \$2.06 billion.

International Revenues – Revenues from outside of the United States totaled \$4.87 billion, representing 54% of total revenues in the second quarter of 2011, compared to 53% in the first quarter of 2011 and 52% in the second quarter of 2010. Excluding gains related to our foreign exchange risk management program, had foreign exchange rates remained constant from the first quarter of 2011 through the second quarter of 2011, our revenues in the second quarter of 2011 would have been \$167 million lower. Excluding gains related to our foreign exchange risk management program, had foreign exchange rates remained constant from the second quarter of 2010 through the second quarter of 2011, our revenues in the second quarter of 2011 would have been \$417 million lower.

- Revenues from the United Kingdom totaled \$976 million, representing 11% of revenues in the second quarter of 2011, compared to 11% in the second quarter of 2010.
- In the second quarter of 2011, we recognized a benefit of \$4 million to revenues through our foreign exchange risk management program, compared to \$79 million in the second quarter of 2010.

A reconciliation of our non-GAAP international revenues excluding the impact of foreign exchange and hedging to GAAP international revenues is included in the accompanying financial tables.

Paid Clicks – Aggregate paid clicks, which include clicks related to ads served on Google sites and the sites of our AdSense partners, increased approximately 18% over the second quarter of 2010 and decreased approximately 2% over the first quarter of 2011.

Cost-Per-Click – Average cost-per-click, which includes clicks related to ads served on Google sites and the sites of our AdSense partners, increased approximately 12% over the second quarter of 2010 and increased approximately 6% over the first quarter of 2011.

TAC – Traffic Acquisition Costs, the portion of revenues shared with Google's partners, increased to \$2.11 billion in the second quarter of 2011, compared to TAC of \$1.73 billion in the second quarter of 2010. TAC as a percentage of advertising revenues was 24% in the second quarter of 2011, compared to 26% in the second quarter of 2010.

The majority of TAC is related to amounts ultimately paid to our AdSense partners, which totaled \$1.75 billion in the second quarter of 2011. TAC also includes amounts ultimately paid to certain distribution partners and others who direct traffic to our website, which totaled \$355 million in the second quarter of 2011.

Other Cost of Revenues – Other cost of revenues, which is comprised primarily of data center operational expenses, amortization of intangible assets, content acquisition costs as well as credit card processing charges, increased to \$1.06 billion, or 12% of revenues, in the second quarter of 2011, compared to \$735 million, or 11% of revenues, in the second quarter of 2010.

Operating Expenses – Operating expenses, other than cost of revenues, were \$2.97 billion in the second quarter of 2011, or 33% of revenues, compared to \$1.99 billion in the second quarter of 2010, or 29% of revenues.

SBC – In the second quarter of 2011, the total charge related to SBC was \$435 million, compared to \$309 million in the second quarter of 2010.

We currently estimate SBC charges for grants to employees prior to July 1, 2011 to be approximately \$1.9 billion for 2011. This estimate does not include expenses to be recognized related to employee stock awards that are granted after June 30, 2011 or non-employee stock awards that have been or may be granted.

Operating Income – GAAP operating income in the second quarter of 2011 was \$2.88 billion, or 32% of revenues. This compares to GAAP operating income of \$2.37 billion, or 35% of revenues, in the second

quarter of 2010. Non-GAAP operating income in the second quarter of 2011 was \$3.32 billion, or 37% of revenues. This compares to non-GAAP operating income of \$2.67 billion, or 39% of revenues, in the second quarter of 2010.

Interest and Other Income, Net – Interest and other income, net increased to \$204 million in the second quarter of 2011, compared to \$69 million in the second quarter of 2010.

Income Taxes – Our effective tax rate was 19% for the second quarter of 2011.

Net Income – GAAP net income in the second quarter of 2011 was \$2.51 billion, compared to \$1.84 billion in the second quarter of 2010. Non-GAAP net income was \$2.85 billion in the second quarter of 2011, compared to \$2.08 billion in the second quarter of 2010. GAAP EPS in the second quarter of 2011 was \$7.68 on 326 million diluted shares outstanding, compared to \$5.71 in the second quarter of 2010 on 322 million diluted shares outstanding. Non-GAAP EPS in the second quarter of 2011 was \$8.74, compared to \$6.45 in the second quarter of 2010.

Cash Flow and Capital Expenditures – Net cash provided by operating activities in the second quarter of 2011 totaled \$3.52 billion, compared to \$2.09 billion in the second quarter of 2010. In the second quarter of 2011, capital expenditures were \$917 million, the majority of which was related to land and building purchases, and IT infrastructure investments, including data centers, servers, and networking equipment. Free cash flow, an alternative non-GAAP measure of liquidity, is defined as net cash provided by operating activities less capital expenditures. In the second quarter of 2011, free cash flow was \$2.60 billion.

We expect to continue to make significant capital expenditures.

A reconciliation of free cash flow to net cash provided by operating activities, the GAAP measure of liquidity, is included in the accompanying financial tables.

Cash – As of June 30, 2011, cash, cash equivalents, and marketable securities were \$39.1 billion.

Headcount – On a worldwide basis, Google employed 28,768 full-time employees as of June 30, 2011, up from 26,316 full-time employees as of March 31, 2011. Net headcount growth (excluding approximately 450 employees hired as part of the acquisition of ITA Software) was similar to the first quarter of 2011.

WEBCAST AND CONFERENCE CALL INFORMATION

A live audio webcast of Google's second quarter 2011 earnings release call will be available at <http://investor.google.com/webcast.html>. The call begins today at 1:30 PM (PT) / 4:30 PM (ET). This press release, the financial tables, as well as other supplemental information including the reconciliations of certain non-GAAP measures to their nearest comparable GAAP measures, are also available on that site.

FORWARD-LOOKING STATEMENTS

This press release contains forward-looking statements that involve risks and uncertainties. These statements include statements regarding our plans to invest in our products and other new opportunities, our expected stock-based compensation charges, and our plans to make significant capital expenditures. Actual results may differ materially from the results predicted, and reported results should not be considered as an indication of future performance. The potential risks and uncertainties that could cause actual results to differ from the results predicted include, among others, unforeseen changes in our hiring patterns and our need to expend capital to accommodate the growth of the business, as well as those risks and uncertainties included under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the

year ended December 31, 2010, which is on file with the SEC and is available on our investor relations website at investor.google.com and on the SEC website at www.sec.gov. Additional information will also be set forth in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2011. All information provided in this release and in the attachments is as of July 14, 2011, and Google undertakes no duty to update this information unless required by law.

ABOUT NON-GAAP FINANCIAL MEASURES

To supplement our consolidated financial statements, which statements are prepared and presented in accordance with GAAP, we use the following non-GAAP financial measures: non-GAAP operating income, non-GAAP operating margin, non-GAAP net income, non-GAAP EPS, free cash flow, and non-GAAP international revenues. The presentation of this financial information is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. For more information on these non-GAAP financial measures, please see the tables captioned "Reconciliations of non-GAAP results of operations measures to the nearest comparable GAAP measures," "Reconciliation from net cash provided by operating activities to free cash flow" and "Reconciliation from GAAP international revenues to non-GAAP international revenues" included in the accompanying financial tables.

We use these non-GAAP financial measures for financial and operational decision making and as a means to evaluate period-to-period comparisons. Our management believes that these non-GAAP financial measures provide meaningful supplemental information regarding our performance and liquidity by excluding certain expenses and expenditures that may not be indicative of our "recurring core business operating results," meaning our operating performance excluding not only non-cash charges, such as stock-based compensation, but also discrete cash charges that are infrequent in nature. We believe that both management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when planning, forecasting, and analyzing future periods. These non-GAAP financial measures also facilitate management's internal comparisons to our historical performance and liquidity as well as comparisons to our competitors' operating results. We believe these non-GAAP financial measures are useful to investors both because (1) they allow for greater transparency with respect to key metrics used by management in its financial and operational decision making and (2) they are used by our institutional investors and the analyst community to help them analyze the health of our business.

Non-GAAP operating income and operating margin. We define non-GAAP operating income as operating income plus stock-based compensation. Non-GAAP operating margin is defined as non-GAAP operating income divided by revenues. Google considers these non-GAAP financial measures to be useful metrics for management and investors because they exclude the effect of stock-based compensation so that Google's management and investors can compare Google's recurring core business operating results over multiple periods. Because of varying available valuation methodologies, subjective assumptions and the variety of award types that companies can use under FASB ASC Topic 718, Google's management believes that providing a non-GAAP financial measure that excludes stock-based compensation allows investors to make meaningful comparisons between Google's recurring core business operating results and those of other companies, as well as providing Google's management with an important tool for financial and operational decision making and for evaluating Google's own recurring core business operating results over different periods of time. There are a number of limitations related to the use of non-GAAP operating income versus operating income calculated in accordance with GAAP. First, non-GAAP operating income excludes some costs, namely, stock-based compensation, that are recurring. Stock-based compensation has been and will continue to be for the foreseeable future a significant recurring expense in Google's business. Second, stock-based compensation is an important part of our employees' compensation and impacts their performance. Third, the components of the costs that we exclude in our calculation of non-GAAP operating income may differ from the components that our peer companies exclude when they report their results of operations. Management compensates for these limitations by providing specific information regarding the GAAP amounts excluded from non-GAAP operating income and evaluating non-GAAP operating income together with operating income calculated in accordance with GAAP.

Non-GAAP net income and EPS. We define non-GAAP net income as net income plus stock-based compensation less the related tax effects. We define non-GAAP EPS as non-GAAP net income divided by the weighted average outstanding shares, on a fully-diluted basis. We consider these non-GAAP financial measures to be useful metrics for management and investors for the same reasons that Google uses non-GAAP operating income and non-GAAP operating margin. However, in order to provide a complete picture of our recurring core business operating results, we exclude from non-GAAP net income and non-GAAP EPS the tax effects associated with stock-based compensation. Without excluding these tax effects, investors would only see the gross effect that excluding these expenses had on our operating results. The same limitations described above regarding Google's use of non-GAAP operating income and non-GAAP operating margin apply to our use of non-GAAP net income and non-GAAP EPS. Management compensates for these limitations by providing specific information regarding the GAAP amounts excluded from non-GAAP net income and non-GAAP EPS and evaluating non-GAAP net income and non-GAAP EPS together with net income and EPS calculated in accordance with GAAP.

Free cash flow. We define free cash flow as net cash provided by operating activities minus capital expenditures. We consider free cash flow to be a liquidity measure that provides useful information to management and investors about the amount of cash generated by the business that, after the acquisition of property and equipment, including information technology infrastructure and land and buildings, can be used for strategic opportunities, including investing in our business, making strategic acquisitions, and strengthening the balance sheet. Analysis of free cash flow also facilitates management's comparisons of our operating results to competitors' operating results. A limitation of using free cash flow versus the GAAP measure of net cash provided by operating activities as a means for evaluating Google is that free cash flow does not represent the total increase or decrease in the cash balance from operations for the period because it excludes cash used for capital expenditures during the period. Our management compensates for this limitation by providing information about our capital expenditures on the face of the statement of cash flows and under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Quarterly Report on Form 10-Q and Annual Report on Form 10-K. Google has computed free cash flow using the same consistent method from quarter to quarter and year to year.

Non-GAAP International Revenues. We define non-GAAP international revenues as international revenues excluding the impact of foreign exchange and hedging. Non-GAAP international revenues are calculated by translating current quarter revenues using prior quarter and prior year exchange rates, as well as excluding any hedging gains realized in the current quarter. We consider non-GAAP international revenues as a useful metric as it facilitates management's internal comparison to our historical performance.

The accompanying tables have more details on the GAAP financial measures that are most directly comparable to non-GAAP financial measures and the related reconciliations between these financial measures.

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Google Inc.
CONSOLIDATED BALANCE SHEETS
(In millions)

	As of December 31, 2010*	As of June 30, 2011
		(unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 13,630	\$ 10,320
Marketable securities	21,345	28,798
Accounts receivable, net of allowance	4,252	4,476
Receivable under reverse repurchase agreements	750	1,020
Deferred income taxes, net	259	153
Income taxes receivable, net	-	347
Prepaid revenue share, expenses and other assets	1,326	1,328
Total current assets	41,562	46,442
Prepaid revenue share, expenses and other assets, non-current	442	465
Deferred income taxes, net, non-current	265	-
Non-marketable equity securities	523	893
Property and equipment, net	7,759	9,003
Intangible assets, net	1,044	1,381
Goodwill	6,256	6,677
Total assets	\$ 57,851	\$ 64,861
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 483	\$ 567
Short-term debt	3,465	1,217
Accrued compensation and benefits	1,410	1,180
Accrued expenses and other current liabilities	961	1,493
Accrued revenue share	885	916
Securities lending payable	2,361	1,936
Deferred revenue	394	489
Income taxes payable, net	37	-
Total current liabilities	9,996	7,798
Long-term debt	-	2,985
Deferred revenue, non-current	35	28
Income taxes payable, non-current	1,200	1,469
Deferred income taxes, net, non-current	-	129
Other long-term liabilities	379	461
Stockholders' equity:		
Common stock and additional paid-in capital	18,235	19,216
Accumulated other comprehensive income	138	603
Retained earnings	27,868	32,172
Total stockholders' equity	46,241	51,991
Total liabilities and stockholders' equity	\$ 57,851	\$ 64,861

* Derived from audited financial statements.

Google Inc.
CONSOLIDATED STATEMENTS OF INCOME
(In millions, except share amounts which are reflected in thousands and per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
	(unaudited)			
Revenues	\$ 6,820	\$ 9,026	\$ 13,595	\$ 17,602
Costs and expenses:				
Cost of revenues (including stock-based compensation expense of \$8, \$51, \$14, \$100)	2,467	3,172	4,919	6,107
Research and development (including stock-based compensation expense of \$202, \$247, \$393, \$484)	898	1,234	1,716	2,456
Sales and marketing (including stock-based compensation expense of \$56, \$74, \$110, \$152)	629	1,091	1,236	2,117
General and administrative (including stock-based compensation expense of \$43, \$63, \$83, \$130)	461	648	871	1,244
Charge related to potential resolution of Department of Justice investigation	-	-	-	500
Total costs and expenses	<u>4,455</u>	<u>6,145</u>	<u>8,742</u>	<u>12,424</u>
Income from operations	2,365	2,881	4,853	5,178
Interest and other income, net	<u>69</u>	<u>204</u>	<u>87</u>	<u>300</u>
Income before income taxes	2,434	3,085	4,940	5,478
Provision for income taxes	<u>594</u>	<u>580</u>	<u>1,145</u>	<u>1,174</u>
Net income	<u>\$ 1,840</u>	<u>\$ 2,505</u>	<u>\$ 3,795</u>	<u>\$ 4,304</u>
Net income per share - basic	<u>\$ 5.78</u>	<u>\$ 7.77</u>	<u>\$ 11.93</u>	<u>\$ 13.37</u>
Net income per share - diluted	<u>\$ 5.71</u>	<u>\$ 7.68</u>	<u>\$ 11.77</u>	<u>\$ 13.19</u>
Shares used in per share calculation - basic	<u>318,350</u>	<u>322,228</u>	<u>318,123</u>	<u>321,878</u>
Shares used in per share calculation - diluted	<u>322,486</u>	<u>326,036</u>	<u>322,547</u>	<u>326,209</u>

Google Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
	(unaudited)			
Operating activities				
Net income	\$ 1,840	\$ 2,505	\$ 3,795	\$ 4,304
Adjustments:				
Depreciation and amortization of property and equipment	266	347	530	648
Amortization of intangible and other assets	76	108	143	208
Stock-based compensation expense	309	435	600	866
Excess tax benefits from stock-based award activities	(19)	(9)	(31)	(33)
Deferred income taxes	9	175	(4)	464
Other	-	19	2	55
Changes in assets and liabilities, net of effects of acquisitions:				
Accounts receivable	(243)	(205)	(197)	(24)
Income taxes, net	(545)	(171)	(164)	(98)
Prepaid revenue share, expenses and other assets	(34)	(70)	(191)	(148)
Accounts payable	79	50	199	77
Accrued expenses and other liabilities	319	260	(75)	297
Accrued revenue share	11	39	34	6
Deferred revenue	17	36	28	69
Net cash provided by operating activities	<u>2,085</u>	<u>3,519</u>	<u>4,669</u>	<u>6,691</u>
Investing activities				
Purchases of property and equipment	(476)	(917)	(715)	(1,807)
Purchases of marketable securities	(12,934)	(13,364)	(25,421)	(20,955)
Maturities and sales of marketable securities	11,135	8,982	20,630	13,627
Investments in non-marketable equity securities	(227)	(212)	(230)	(343)
Cash collateral received (returned) related to securities lending	2,870	57	2,870	(424)
Investments in reverse repurchase agreements	-	(445)	-	(270)
Acquisitions, net of cash acquired, and purchases of intangible and other assets	(229)	(715)	(419)	(863)
Net cash provided by (used in) investing activities	<u>139</u>	<u>(6,614)</u>	<u>(3,285)</u>	<u>(11,035)</u>
Financing activities				
Net proceeds (payments) related to stock-based award activities	39	(28)	1	88
Excess tax benefits from stock-based award activities	19	9	31	33
Repurchase of common stock in connection with acquisitions	(704)	-	(801)	-
Proceeds from issuance of debt, net of costs	-	5,846	-	8,030
Repayments of debt	-	(4,869)	-	(7,304)
Net cash provided by (used in) financing activities	<u>(646)</u>	<u>958</u>	<u>(769)</u>	<u>847</u>
Effect of exchange rate changes on cash and cash equivalents	(57)	42	(100)	187
Net increase (decrease) in cash and cash equivalents	1,521	(2,095)	515	(3,310)
Cash and cash equivalents at beginning of period	9,192	12,415	10,198	13,630
Cash and cash equivalents at end of period	<u>\$ 10,713</u>	<u>\$ 10,320</u>	<u>\$ 10,713</u>	<u>\$ 10,320</u>

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

The following table presents certain non-GAAP results before certain material items (in millions, except share amounts which are reflected in thousands and per share amounts, unaudited):

	<u>Three Months Ended June 30, 2010</u>					<u>Three Months Ended June 30, 2011</u>				
	<u>GAAP Actual</u>	<u>Operating Margin (a)</u>	<u>Adjustments</u>	<u>Non-GAAP Results</u>	<u>Non-GAAP Operating Margin (b)</u>	<u>GAAP Actual</u>	<u>Operating Margin (a)</u>	<u>Adjustments</u>	<u>Non-GAAP Results</u>	<u>Non-GAAP Operating Margin (b)</u>
			\$ 309 (c)					\$ 435 (d)		
Income from operations	<u>\$ 2,365</u>	<u>34.7%</u>	<u>\$ 309</u>	<u>\$ 2,674</u>	<u>39.2%</u>	<u>\$ 2,881</u>	<u>31.9%</u>	<u>\$ 435</u>	<u>\$ 3,316</u>	<u>36.7%</u>
			\$ 309 (c) (70) (e)					\$ 435 (d) (91) (e)		
Net income	<u>\$ 1,840</u>		<u>\$ 239</u>	<u>\$ 2,079</u>		<u>\$ 2,505</u>		<u>\$ 344</u>	<u>\$ 2,849</u>	
Net income per share - diluted	<u>\$ 5.71</u>			<u>\$ 6.45</u>		<u>\$ 7.68</u>			<u>\$ 8.74</u>	
Shares used in per share calculation - diluted	<u>322,486</u>			<u>322,486</u>		<u>326,036</u>			<u>326,036</u>	

(a) Operating margin is defined as income from operations divided by revenues.

(b) Non-GAAP operating margin is defined as non-GAAP income from operations divided by revenues.

(c) To eliminate \$309 million of stock-based compensation expense recorded in the second quarter of 2010.

(d) To eliminate \$435 million of stock-based compensation expense recorded in the second quarter of 2011.

(e) To eliminate income tax effects related to expenses noted in (c) and (d).

Reconciliation from net cash provided by operating activities to free cash flow (in millions, unaudited):

	<u>Three Months Ended</u> <u>June 30, 2011</u>
Net cash provided by operating activities	\$ 3,519
Less purchases of property and equipment	(917)
Free cash flow	<u>\$ 2,602</u>
Net cash used in investing activities*	<u>\$ (6,614)</u>
Net cash provided by financing activities	<u>\$ 958</u>

*Includes purchases of property and equipment.

Reconciliation from GAAP international revenues to non-GAAP international revenues (in millions, unaudited):

	<u>Three Months Ended</u> <u>June 30, 2011</u> <i>(using Q2'10's FX rates)</i>	<u>Three Months Ended</u> <u>June 30, 2011</u> <i>(using Q1'11's FX rates)</i>
United Kingdom revenues (GAAP)	\$ 976	\$ 976
Exclude foreign exchange impact on Q2'11 revenues using Q2'10 rates	(81)	-
Exclude foreign exchange impact on Q2'11 revenues using Q1'11 rates	-	(29)
Exclude hedging gains recognized in Q2'11	-	-
United Kingdom revenues excluding foreign exchange and hedging impact (Non-GAAP)	<u>\$ 895</u>	<u>\$ 947</u>
Rest of the world revenues (GAAP)	\$ 3,895	\$ 3,895
Exclude foreign exchange impact on Q2'11 revenues using Q2'10 rates	(336)	-
Exclude foreign exchange impact on Q2'11 revenues using Q1'11 rates	-	(138)
Exclude hedging gains recognized in Q2'11	(4)	(4)
Rest of the world revenues excluding foreign exchange and hedging impact (Non-GAAP)	<u>\$ 3,555</u>	<u>\$ 3,753</u>

The following table presents our revenues by revenue source (in millions, unaudited):

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
Advertising revenues:				
Google websites	\$ 4,499	\$ 6,232	\$ 8,938	\$ 12,111
Google Network Members' websites	2,063	2,484	4,099	4,911
Total advertising revenues	6,562	8,716	13,037	17,022
Other revenues	258	310	558	580
Revenues	<u>\$ 6,820</u>	<u>\$ 9,026</u>	<u>\$ 13,595</u>	<u>\$ 17,602</u>

The following table presents our revenues, by revenue source, as a percentage of total revenues (unaudited):

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
Advertising revenues:				
Google websites	66%	69%	66%	69%
Google Network Members' websites	30%	28%	30%	28%
Total advertising revenues	96%	97%	96%	97%
Other revenues	4%	3%	4%	3%
Revenues	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>