Google AdWords

AdWords Help Center

AdWords Help Center Home > General Account Information > Ad Requirements and Guidelines > Editorial and Site Guidelines

What are the requirements and general guidelines for my AdWords ads?

Google developed a series of guidelines geared towards promoting a great user experience. A happy user means repeat business for advertisers, so take a look at the resources below and make sure your ads and web sites are in line with what we use to evaluate your account.

If an ad doesn't meet our Editorial Guidelines or Content Policy, we'll stop your ad from running, and you'll see the word **Disapproved** listed with that ad in your account. Once you've made the appropriate edits, simply save your changes and your ad will be automatically resubmitted to us for review. Your ad may begin running on the Google Network after it has been reviewed.

Please review these pages before creating your ads:

- Editorial Guidelines
- Image Ad Editorial Guidelines
- Content Policy
- Terms and Conditions

You may also be interested in...

What is Google's trademark policy?

Can I have multiple AdWords accounts?

Can I show more than one of my ads on a page?

Don't see the answer to your question? Try one of these resources:

AdWords Discussion Group - Ask questions, share answers, and post your favorite AdWords tips and tricks on Google Groups.

Learning Center - Build and test your knowledge of AdWords.

Contact Us - Let one of our AdWords Specialists help.

Search AdWords Help Center

examples: *reporting* or *broad matching*

Search Help Center

Look Up Terminology

Glossary

Learn from other AdWords users

Ask questions, share answers, and post your favorite AdWords tips and tricks on the AdWords Help Discussion Group.

Posts are not moderated by Google

Exhibit B

AdWords Home

Help Center

Overview
AdWords Advantages
Program Comparison
Success Stories
News and Updates
Demos and Guides
Industry Research
Inside AdWords Blog

Getting Started
Editorial Guidelines
Step-by-Step
Tips for Success
Account Navigation
Keyword Tools

Google AdWords Editorial Guidelines

Text ads | Image Ads | Video Ads

The most effective advertising communicates a clear message to a targeted audience. Once you determine whom you want to reach and select appropriate keywords, you need to create ads that will inform your potential customers about the products and services you offer. The Google AdWords Editorial Guidelines will help you create effective ads to generate sales and meet your goals.

Underlying all the Editorial Guidelines are two simple principles that have worked for thousands of advertisers already in the program:

- Clearly and accurately describe your site.
- Emphasize the unique benefits of your product or service.

Our ultimate goal is your success, and we believe that providing a great user experience is the best way to ensure it. To run your ads on Google and our growing ad network of sites and products, you must adhere to these guidelines.

In cases where only minor changes are required for an ad to comply with our Editorial Guidelines, an AdWords Specialist may edit your ad for you. Examples of the type of edits we may make for you include the following: removing an exclamation point, removing or adding an extra space, and fixing a spelling error. However, Google shall not be responsible in the event that a change is not made to your ad text and a disapproval results. So, please be careful to follow the Editorial Guidelines to help ensure that your ads continue running.

Ad Style & Grammar

back to top

Use clear, direct language and avoid gimmicks.

Use Standard Punctuation

- No repeated and unnecessary punctuation or symbols.
- Your title may not contain an exclamation point.
- Your ad text may only contain one exclamation point.

Correct Ad	Correct because:
Advertise with Google Want fast results? Create your campaign today! adwords.google.com	No exclamation point in title. Question mark used appropriately. One exclamation point in ad text.
Incorrect Ad	**Incorrect because:**
Advertise with Google! Want fast results?? Create your campaign	Exclamation point in title. Repeated question marks on second line.

today!! adwords.google.com	More than one exclamation point in ad text.

Use Standard Capitalization

- No excessive capitalization such as "FREE" or "GOOGLE ADWORDS."
- Capitalization of the first letter of each word within your displayed URL is permitted.

Correct Ad	Correct because:
Google AdWords Effective CPC Advertising. Fast Results Within Your Budget! AdWords.Google.com	Necessary capitalization for acronym, "CPC." Acceptable capitalization in display URL.
Incorrect Ad	**Incorrect because:**
Google AdWords EFFECTIVE CPC Advertising. Fast results within your budget! ADWORDS.GOOGLE.COM	Excessive capitalization of "EFFECTIVE." Excessive capitalization in display URL.

No Repetition

- Avoid gimmicky repetition.

Correct Ad	Correct because:
Google AdWords CPC Ad Campaigns: Fast, easy, and effective! adwords.google.com	Ad clear without repetition.
Incorrect Ad	**Incorrect because:**
Google AdWords Ads Ads, ads, ads are: Fast, easy, and effective! adwords.google.com	Gimmicky repetition in "Ads, ads, ads."

Use Correct Spelling

- Check that you use correct spelling.

Use Proper Grammar

- Your ad text must be in logical sentence or phrase form and must contain grammatically correct spacing.
- The use of symbols, numbers, or letters must adhere to the true meaning of the symbol.

Correct Ad	**Correct because:**
Google AdWords Ads Advertising at affordable costs Visit & then see if right for you! adwords.google.com	Ad uses appropriate spacing, grammar, and symbols.
Incorrect Ad	**Incorrect because:**
GoogleAdWordsAds Advertising @ affordable costs Visit & than c if right 4 you! adwords.google.com	Ad is missing spaces in title. Incorrect grammar - 'than' instead of 'then.' Symbols, numbers, letters do not adhere to their true meaning.

Keep It Concise

- Please keep the following ad text limits in mind when planning your ads. We believe that concise ads provide a great user experience and ultimately contribute to your success.
- Ad titles are limited to 25 characters.
- The two description lines and display URL are limited to 35 characters each.

Ad and Keyword Relevance

back to top

Your keywords and ad text must be relevant to your site, products, or services.

Write Accurate Ad Text

- Your ad text and keywords must directly relate to the content on the landing page for your ad.
- Distinguish your ad by including your company name, line of business, or product in your ad text or title.
- If you offer a local service or product, clearly indicate your location in your ad text.

  Example:
  If your alterations business only services New York, you should include "New York" in your ad text, mention your company's particular specialty, "experts in reweaving fine garments," and link to a page that displays this service.

Target Specific Keywords

- Use specific keywords that accurately reflect your site.
- Use keywords that reflect your location if you offer a location-specific product or service.

  Example:
  A New York apartment rental agency would not be allowed to run on only the keyword "rentals." The agency would have to use keywords such as "New York rental agency" or "NY apartments."

Ad Content

back to top

Should be informative, targeted, and represent your uniqueness.

Adhere to the Content Policy

- As a business, Google must make decisions about where we draw the line in regards to the advertising we accept. We, therefore, may not accept ads or keywords containing or relating to certain products or services. We reserve the right to exercise editorial discretion when it comes to the advertising we accept on our site, as noted in our advertising terms and conditions. Please note that the decisions we make concerning advertising in no way affect the search results we deliver. To learn more, please review our Content Policy.

No Double-Serving

- Google maintains a high standard for our user experience and the quality of our advertising. To protect the value and diversity of ads running on Google, we do not generally permit advertisers to manage multiple accounts featuring the same business or keywords. To learn more, please review our Double-Serving Policy.

Follow Proper Trademark Usage

- Trademarks are important business assets that can diminish in value if they are not used correctly. To learn more about how we handle trademark issues within the AdWords program, review our trademark policy.

Affiliate Policy

- We allow affiliates to use AdWords advertising. Please note that we'll only display one ad for affiliates and parent companies sharing the same Display URL per search query. We also monitor and don't allow the following:

- *Redirect URLs:* Ads that contain Display URLs that automatically redirect to the parent company.
- *Bridge Pages:* Ads for webpages that act as an intermediary, whose sole purpose is to link or redirect traffic to the parent company.
- *Framing:* Ads for webpages that replicate the look and feel of a parent site.

Support Competitive Claims

- If your ad text contains competitive language regarding other companies, support for this claim must be displayed on the landing page for your AdWords ad.

Avoid Superlatives

- If your ad contains the comparative or subjective phrases "best," "lowest," or "#1," verification by a third party must be clearly displayed on your website.

Support Advertised Prices, Discounts, and Free Offers

- If your ad includes a price, special discount, or 'free' offer, it must be clearly and accurately displayed on your website within 1-2 clicks of your ad's landing page.

  Example:
  If you mention that you are selling socks for 20% off in your ad text, your Destination URL should link to a page that clearly displays socks at the discounted price.

No Unacceptable Phrases

- Your ad cannot contain universal call-to-action phrases such as "click here," "link here," "visit this link," "this site is," or other similar phrases that could apply to any ad, regardless of content.
- Use a call-to-action unique to the service or product you provide.
- The limited text space should be used for concise, informative language that sets you apart from your competition.
- Phrases in the 3rd line of your ad cannot continue into the Display URL.

Correct Ad	Correct because:
Target your Ads w/AdWords Create an AdWords account today!	Uses unique call-to-action phrases.

Visit Google.com to learn more. adwords.google.com	3rd line is independent from Display URL
Incorrect Ad	**Incorrect because:**
Google AdWords For an account - click here To learn more visit this link: adwords.google.com	Unacceptable phrases 'click here' and 'visit this link.' 3rd line continues into the Display URL.

No Inappropriate Language

- Your ad cannot contain offensive or inappropriate language.

Non-Family Safe & Adult Sexual Content

- Ads are reviewed and categorized as "FamilySafe," "Non-FamilySafe," or "Adult Sexual Content" on a case-by-case basis.
- After our AdWords Specialists categorize the ads, Google generally allows ads containing adult themes, such as explicit sexual content, provided that they meet the conditions for AdWords advertising.
- These ads may not be accepted on our ad network of sites and products. Therefore, there is a possibility that your ads will appear only on Google search results pages.
- Ads categorized as "Adult Sexual Content" aren't accepted in certain countries such as Germany and India, and won't appear on Google search pages or via the Google Network for those countries.

Links

back to top

Your URLs must meet our standards for accuracy, accessibility, and security.

Review the Landing Page and Site Quality Guidelines

- Google incorporates certain site quality principles into factors such as ad approval status and Quality Score, so review the Landing Page and Site Quality Guidelines for more information.

Display URL Must be Accurate

- Your Display URL must accurately reflect the URL of your website. If your actual destination URL link is too long for your ad, use a shortened version (such as your homepage) that meets the character limit for this field.
- The Display URL field cannot be used as another line of ad text.
- Your Display URL must include the domain extension, for example: .com, .net, or .org.

Example:
Destination URL:
http://www.shoesforsale.com/ladiesshoes/highheels.html
Display URL: www.shoesforsale.com

Destination URL Must Work

- Your Destination URL must work properly. Check your spelling and symbols to make sure you entered the correct URL for the page you want users to visit.
- Your Destination URL must link to a working website. You cannot link to an email address or a file (ex. an image, audio, video, or document file that requires an additional program or application to open or run).
- The landing page for your ad cannot be under construction. We require your Destination URL to link to an actual web page with content relevant to your ad. When your site is under construction or down for maintenance, you must pause your Ad Group(s).

No Pop-ups

- We do not allow links to landing pages that generate pop-ups when users enter or leave your landing page. We consider a pop-up to be any window, regardless of content, that opens in addition to the original window.

Working Back Button

- Links to your website must allow users to enter and exit the landing page easily, and to return to the Google search results page or ad network by clicking once on the browser's Back button.

Site Security

- Your site should use a secure server (https://) when collecting personal information from our users.

Next Steps

back to top

- Please click here to learn how to edit your current Google AdWords campaigns.
- Please click here to create a Google AdWords account if you do not already have one.

Google AdWords

It's All About Results™

Contact Us - Help

AdWords Home

Help Center

Overview
- AdWords Advantages
- Program Comparison
- Success Stories
- News and Updates
- Demos and Guides
- Industry Research
- Inside AdWords Blog

Getting Started
- Editorial Guidelines
- Step-by-Step
- Tips for Success
- Account Navigation
- Keyword Tools

Google AdWords Landing Page and Site Quality Guidelines

As part of our commitment to making AdWords more effective, we've outlined some site-building philosophies to better serve our users, advertisers, and publishers. We've found that when our advertiser's sites reflect these guidelines, two important things happen:

- The money you spend on AdWords ads will be more likely to turn into paying customers.
- Users develop a trust in the positive experience provided after clicking on AdWords ads (and this turns in to additional targeted leads for you).

The guidelines below aren't hard-and-fast rules, nor are they exhaustive. However, they do reflect the site quality principles we'll incorporate into factors such as ad approval status and Quality Score. So, following these guidelines, when appropriate, will improve the performance of your AdWords advertising.

Provide relevant and substantial content. back to top

If users don't quickly see what they clicked on your ad to find, they'll leave your site frustrated and may never return to your site or click on ads in the future. Here are some pointers for making sure that doesn't happen:

- Link to the page on your site that provides the most useful and accurate information about the product or service in your ad.
- Ensure that your landing page is relevant to your keywords and your ad text.
- Distinguish sponsored links from the rest of your site content.
- Try to provide information without requiring users to register. Or, provide a preview of what users will get by registering.
- In general, build pages that provide substantial and useful information to the end-user. If your ad does link to a page consisting of mostly ads or general search results (such as a directory or catalog page), provide additional information beyond what the user may have seen in your ad or on the page prior to clicking on your ad.
- You should have unique content (should not be similar or nearly identical in appearance to another site). For more information, see our affiliate guidelines.

Starting with your ad, each interaction you have with your potential customers and customers should be geared towards building a trusting relationship. To avoid leading users astray:

- Users should be able to easily find what your ad promises.
- Openly share information about your business. Clearly define what your business is or does.
- Honor the deals and offers you promote in your ad.
- Deliver products, goods, and services as promised.

Example:
If your business doesn't actually provide a service but refers clients to another business, say so in both your ad and on your site.

Example:
If you advertise an offer for a free product or service, users shouldn't have to pass through excessive obstacles or make a purchase in order to receive the offer.

Treat a user's personal information responsibly

back to top

Most internet users are concerned with understanding and controlling how websites use their personal information. In order to build an honest relationship with them, providing clear answers to these questions on your site is a must:

- Why are you collecting personal information? (This is particularly important to address if you collect information soon after a user enters your site.)
- How will you use, or potentially use, personal information?
- What options do users have to easily limit the use of their personal information?

Example:
If a user could receive promotional emails from multiple businesses, give the user the option to decline emails from all businesses, some businesses, or none at all.

Develop an easily navigable site.

back to top

The key to turning your visitors into customers (and making your ads earn their worth) is making it easy for users to find what they're looking for. Since it's not always enough just to pique their interest, you need to guide users through the transaction. Here's how:

- Provide an easy path for users to purchase or receive the product or offer in your ad.
- Avoid excessive use of pop-ups, pop-unders, and other obtrusive elements throughout your site.
- Avoid altering users' browser behavior or settings (such as back button functionality, browser window size) without first getting their permission.
- Turn to Google's Webmaster Guidelines for detailed recommendations (which will help your site perform better in Google's search results as well).
- If your site automatically installs software, consider adopting Google's Software Principles.

Google AdWords It's All About Results™ Contact Us - Help

AdWords Home

Help Center

Overview
AdWords Advantages
Program Comparison
Success Stories
News and Updates
Demos and Guides
Industry Research
Inside AdWords Blog

Getting Started
Editorial Guidelines
Step-by-Step
Tips for Success
Account Navigation
Keyword Tools

Program Comparison

AdWords ads with cost-per-click pricing are uniquely useful because:

- Your **price is automatically lowered** to one cent more than your closest competitor.
- **No one can lock in the top position.** User clickthrough rates and CPC help determine where your ad is shown. The most relevant ads rise to the top.
- Google offers **a unique set of tools** to forecast your budget and select target keywords.
- You can **target your ads to users in a specific country** or only to speakers of a specific language.

Compare for yourself. Here are the top reasons Google AdWords is the best way to reach your potential customers.

	Typical cost-per-click advertising site	Google AdWords	Google advantage to you
Competitive Pricing	Static CPC leaves a gap between your price and your closest competitor.	AdWords Discounter automatically monitors your competition and lowers your CPC to one cent above theirs.	You **save money** by minimizing your price.
Ranking	Ads assigned positions based solely on CPC. Allows for "squatting" in the top positions by irrelevant advertisers.	Rank is determined by a combination of several relevance factors including CPC and clickthrough rate. If an ad is irrelevant to users, they won't click on it and it will move down the page. Your relevant ads will gain higher positions on the page, at no extra cost to you.	**Your ad can rise above someone paying more** if it is highly relevant for a specific keyword.
Campaign Management	Only one ad per keyword you select.	Multiple ads per keyword. Google tracks individual ad performance to help you	**Saves you time** setting up your campaign and monitoring it.

Why Yahoo!, MSN & Ask.com Will Fail In The Pay-Per-Click Game

May 24, 2006 on 12:12 pm | In News, Technology & The Web, Opinion & Self Improvement |

Yahoo! Search Marketing's Failure

I've cancelled my Yahoo! Search Marketing (YSM) pay-per-click (PPC) account. It's a terrible product and I'm not afraid to tell you why.

One problem, the first big problem most people notice especially if they have been using Google's AdWords system, is how terrible YSM's system is to use. The interface is awful and after using Google's system it's almost physically painful to navigate around YSM. You would think after all this time and so much negative feedback that they would work to update and clean their *many-years-old* system. It's not like they can't get access to Google's system and see what Google does so much better.

YSM has a monthly minimum spend of $25. That means if you can't generate enough clicks you will get charged a minimum fee of $25. To combat this you have to struggle with the system to enter in new campaigns in hope of attracting enough clicks to get your moneys worth. Then the quality of the clicks starts to drop because you chase less relevant keywords and your conversion rate suffers.

Of course why this is a real problem is because Yahoo's network just doesn't get the traffic that Google does. You can't get the clicks because Yahoo's network can't deliver the impressions.

That's a fantastic combination for **customer dissatisfaction**.

To top it all off YSM forces you to pay a $100 joining fee which I have just found out is not refundable. They probably do this so they at least make ***some*** money from you before leaving dissatisfied.

Okay, I'm being a bit harsh, but I'm frustrated and I'd like Yahoo! to do something about it. The blogosphere is powerful and I suspect there is a good chance my comments may get back to someone who matters at Yahoo!.

Why Google Owns The Pay-Per-Click Industry

I suspect Yahoo! is well aware of the shortcomings of their PPC system, I'm definitely not the first to complain about it. The underlying problem is that Google owns the lion share of the search traffic and is leaping far ahead of every competitor with their ever expanding publisher's network (Google AdSense). Consequently Google can deliver more impressions and clicks and combined with a far superior system, which is regularly updated and simple enough to be used by small business owners, and you have a recipe for market domination.

Of course Google depends on their PPC system for 90% of

their billions of dollars of revenue so as you can imagine,
their interest is certainly in retaining a leadership position in the PPC marketplace while MSN and Yahoo! don't depend on PPC to keep their businesses going (thank goodness for them!).

As you may have heard, MSN and Ask.com have also recently launched pay-per-click systems. Ask.com survived previous years because it made use of Google's system to generate revenue while it was getting back on it's feet. Now that it has some momentum it's decided to try an internal PPC system. Of course MSN could never consider making use of Google's system so they have been busy playing catch up to launch their own PPC technology, but like Yahoo!, I suspect their system will suffer from low traffic levels since their network just doesn't have the reach that Google's does.

And that's the problem.

Google wins because of the long tail. Google makes such a tremendous amount of money because millions of businesses all around the world operating in millions of markets all use AdWords to promote their wares. The other search engines just can't service as big a long tail as Google can and can't offer the results where it matters - targeted traffic - like Google can. Their reach is shorter so their tail is shorter too.

Consider The Typical Small Business Owner

I'm a pretty good example of a reasonably average Google AdWords user. I don't spend much but I keep at it month after month in my little niches. I use AdWords and get customers. Google understands the end user is millions of average joes like me and works to meet my needs.

PPC needs to satisfy the long tail of users, the average small business joes, who only have so many hours per day to devote to PPC campaigns. Since I follow an 80/20 rule I'll spend my time where I can get the best results with the least effort. That is Google AdWords.

I don't want to have multiple options for PPC. I want one system with maximum reach. I want to manage one set of campaigns in one well constructed interface with my ads going across every network to as many targeted searches and content as can be delivered (or that I can pay for).

The Big Boys Playing Together?

Ever since Ask.com (back then, Ask Jeeves) worked with Google in an effective relationship I've thought about all the search engines working together. Google will likely remain dominant in the PPC marketplace as long as the market is viable since it depends on it so much. Google has the best technology and provides the best service. Instead of cluttering the market with inferior competitors, who create more systems for small business owners to struggle with in order to market their businesses, why can't everyone use Google's system and share the revenue?

Why can't we just tick a box in AdWords if we want our campaigns to run across Yahoo!, MSN and Ask.com? The customer gets the best experience and therefore more customers come on board and the size of the market increases. With a larger market the revenues increase for all participants. A utopian solution where everyone benefits or am I dreaming or misinformed?

I couldn't begin to speculate whether working together would be more lucrative for the search engines instead of each having their own PPC system. Certainly based on Ask.com's decision to create their own

PPC system you would think it is more profitable than working with Google since they must have done the numbers.

In this case, unfortunately, I think this is a situation where the customer loses because the big boys have to compete. In most circumstances competition benefits the consumer but I think in the PPC war, as the current market sits, it would be better if there was only one system to service the entire industry so the little guys like me can keep it simple.

Yaro Starak
Average Joe

Technorati Tags: ask sponsored listings, google adsense, google adwords, msn adcenter, pay per click advertising, ppc, yahoo search marketing
Internal Tags: ask sponsored listings, google adsense, google adwords, msn adcenter, pay per click advertising, ppc yahoo search marketing

del.icio.us Add this article to your del.icio.us bookmarks

[| Add Your Comment]

Related Articles

- Microsoft Launches Paid Search
- Does Yahoo! Search Have a Sandbox?
- Tools & Software
- What is Pay-Per-Click Advertising?
- Cashing in on a Craze - Poker

17 Comments »

RSS feed for comments on this post. TrackBack URI

1. Great article Yaro for Adwords geeks like me

   You have absolutely hit the nail on the head. Yahoo's system sucks because it is

   A) clunky and slow to use
   B) gets very little traffic
   C) expensive to use and test
   D) has a ponderous approval process
   E) has an algorithm that is based on max CPC only, not a combination of factors that reward smart people.

   You have pretty much said all that stuff above, but for some visceral reason I just had to type the words myself too

   Comment by Will — May 24, 2006 #

today is 06/ 21/ 2006

search engine marketing

A growing percentage of our ongoing maintenance contracts with clients revolves around improving the rankings on search engines such as Alta Vista or Google. This requires a knowledge of the Inktomi Search Algorithm, and how each engine is modifying this to further enhance what they each individually see as the best way to search the web index.

We constantly test the latest rumors on rank improvement. We engage constant "risk tests" on our own site. We maintain close contact with the major sources of intelligence in the field. And we remain students; not experts.

Share Of Searches: February 2004

The pie chart below shows the percentage of searches done by US web surfers in February 2004 that were performed at a particular web site or a network of web sites:

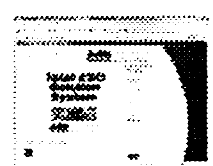
The qSearch figures are search-specific but not necessarily web-search specific. For example, a search performed at Yahoo Sports would count toward Yahoo's overall total. That's important to understand.

For example, "channel" driven searches were reported by comScore as making up 58 percent of Yahoo's total searches in January 2003. The same could be true of other non-pure search sites, such as MSN and AOL.

Also note that some companies own more than one web site. This means searches at different sites may be combined into one overall figure for the company's entire network. Here's a rundown with more details about this:

learn web serv
software
other se
see traditional print
search engine
postcards
logos & identity
do marketing mix
business devel
who we
articles

Site of the Month



The first si designed 1 1024 resolution and highe monitors, Julie Industries has focussed a grea deal of attention to site visitatic statistics. Featuring solutions i electrostatic discharge, their client base ranges up to Globa 500 corporations worldwide.

Julie Industries

- Google: Shows searches at any Google-owned web site such as Google.com or Google Image Search. May show searches at some Google partners that show Google's domain in the URLs of their search results, as happens with Go.com. I'm checking on this and will update in the future.
- Yahoo: Shows searches at any Yahoo-owned web site including those of AltaVista, AllTheWeb and Overture.
- AOL: Shows searches at any Time Warner-owned web site, including AOL Search and Netscape Search.
- MSN: Shows searches at any Microsoft-owned web site such as MSN Search.
- Ask: Shows searches at both Ask Jeeves and Ask Jeeves-owned Teoma.
- InfoSpace: Shows searches at any InfoSpace-owned web site, such as Dogpile or WebCrawler.
- Lycos: Shows searches at any Terra Lycos-owned web site, including Lycos and HotBot.
- Other: Shows searches that occur at other search sites. Of the 0.8 percent slice, Verizon (which owns SuperPages.com), Mamma and LookSmart each make up 0.1 percent of it. The remaining 0.5 percent is shared by unspecified providers.

Option: If shown in the notes section, Indicates that information from this source is made available either on results pages or in other ways, though the prominence of the information may not be high.

Dates: Where shown, dates indicate when a particular partnership is due for renewal. Dates are shown in MM/DD/YY or similar format.

Who Powers Whom?

Search Engine (Read Down)	**Provider:** Google	**Provider:** Yahoo/Overture	**Notes**
Google	Main & Paid		Open Directory an option
Yahoo		Main & Paid	
MSN		Main & Paid (12/05 & 6/05)	LookSmart an option on home page
AOL	Main & Paid (est. 10/05+)		AOL-owned Open Directory an option
Ask Jeeves	Paid(9/05)		Main from Ask-owned Teoma. Paid can end as early as 9/04
InfoSpace	Runs several meta search engines. Dogpile is most popular, representative of others. Google (2006), Yahoo (3/06), many small providers have distribution deals.		
Lycos	Paid (see note)	Backup (see note)	Main from LookSmart; Open Directory an option
AltaVista		Main & Paid	Open Directory an option; owned by Yahoo

AllTheWeb		Main & Paid	Owned by Yahoo
HotBot	Paid (see note)	Main	Backup from Google & Ask; Owned by Lycos
Netscape	Main & Paid (est. 10/05+)		Owned by AOL; Open Directory an option
Teoma	Paid (Sept 05)		Main from Teoma; owned by Ask; Paid can end as early as 9/04
LookSmart	LookSmart provides its own Main & Paid		

Notes

AOL renewed its deal with Google in October 2003 but did not specify exactly how long the partnership would last. Date shown is the minimum length estimated by Search Engine Watch, based on past deals between the two companies.

Lycos has an existing contract with Yahoo-owned Overture for paid results running through May 2006. However, the company switched to Google in November 2003 due to a contract dispute. Google paid results also appear on Lycos-owned HotBot.com. For more, see coverage on the dispute from InternetNews.com, News.com and CBS MarketWatch. Lycos also runs its own paid listings in addition to those from Google on Lycos and HotBot. See Terra Lycos To Launch Paid Placement Network for more about this. A deal struck for backup results from the now Yahoo-owned AllTheWeb site was to expire on December 31, 2003. There's been no news of any renewal. The AllTheWeb search engine no longer uses its own technology. Instead, Lycos uses Yahoo main results (and flags these as being from Inktomi).

Yahoo main results come from its own crawler-technology. These results often look different on sites that Yahoo powers, such as MSN and Lycos, when compared to the same search at Yahoo itself. This is because Yahoo operates its own unique ranking algorithm on its own site. Yahoo paid results come from the Overture paid placement listings service that it owns. The Yahoo-owned Inktomi search engine no longer operates, though Yahoo-partner Lycos may still say that results are coming from Inktomi.

For more information on how we handle multi-divisional submissions, act as content and optimization consultants, and in other ways assist you in gaining maximum exposure, use the simple form below and we'll answer any questions you may have.

Search Engine Inquiry Form

name:

phone:

email:

Submit

At no time will The Editors sell, trade, rent or distribute personal information to any outside organization. We use email addresses to send requested information and to respond to the email we receive. Information such as name, title and company information is used to determine the demographics of our audience and help us to present the information of most value to those who visit. &

home | client area | what's new | site map | contact us | top of page

Overture Doubles Keyword Price With No Notice to Advertisers

Kris Oser

Direct Newsline, a daily direct marketing newsletter, Feb 10 2003

Print-friendly format E-mail this information

Search engine marketing firm Overture Services Inc. doubled its keyword prices last Thursday from 5 cents a keyword to 10 cents for new or renewed keywords. The higher price is for advertisers' minimum bids. Marketers are outraged.

But not because of the increase. That hurts. But marketers' gripe is the company set a deadline of midnight on Feb. 6, but actually upped the prices sooner.

Marc Saxe, owner of Web site timeshare company Resort Opportunities in Palm Desert, CA, said he received an e-mail forwarded to him from a bid-management company at 7 PM saying the 10-cent charge would go into effect at midnight.

The e-mail also explained that "Listings from 5 cents to 9 cents will be grandfathered in for the time being."

Saxe immediately tried to log onto his account to take advantage of the grandfather clause for his lower-priced keywords. "I was blocked from logging on," Saxe said.

At 11:30 PM, Saxe said he was finally able to log on, but "They had already instituted the change."

Saxe asked, "What kind of company notifies you at 7 PM that they are going to change their prices at midnight? But they had no intention of waiting until midnight."

Overture doesn't deny the charge.

The price increase was mentioned at Overture's fourth-quarter earnings conference call Thursday afternoon, said Todd Daum, vice president of marketing at Pasadena, CA-based Overture.

An e-mail notice was then sent to Overture's approximately 80,000 advertisers at once.

"The notice was given at the time the change went into effect," Daum said. "At the time the announcement went out, there was no ability to change prices."

Why not give everyone a week's notice?

"The thinking was to tell everybody at once so there would be no advantage or disadvantage to one group over another," Daum said.

On Friday, a perturbed Saxe complained to an Overture's customer service supervisor that he was unable to change his bid the night before. He asked if his 9 cents and under keyword bids would be grandfathered.

"He said 'no' not very nicely, and I hung up not very nicely," Saxe said.

But Daum insisted that the grandfathered clause is in effect.

Saxe spends between $500 and $600 a month bidding on Overture's keywords. "This raised my costs by about 30%," he said.

With Overture's system, an advertiser bids a price (now at least 10 cents) for each of their keywords. Their competitors can bid higher, and the advertiser can then outbid them. The higher the price bid, the higher the placement on search results at search engines such as MSN, Yahoo and Lycos. Advertisers pay Overture only when a consumer clicks on their listing.

Overture reported net revenue of $667 million for 2002, which ended Dec. 31, 2002. This is a 132% increase from revenue of $288 million for 2001.

Ad Number	Max Bid	Click Through Rate (relevancy)	Effective Bid	Ad Position	Actual Click Cost
1	0.40	5%	$2.00	4	$0.40
2	0.26	10%	$2.60	2	$0.26
3	1.00	2.53%	$2.53	3	$0.81
4	1.50	2%	$3.00	1	$1.31

Distribution buys further distribution. Off the start you will want to overbid slightly as you will be competing against the best ads that have developed over time in your niche.

The bid prices Google suggest are often somewhat high. I usually cut the suggested bid price by 20-50% when I first start an account. I then monitor closely and change it to try to maintain decent ad position.

Quality Based Minimum Bids:

In the past Google had a 5 cent minimum bid price and only allowed ads to display if their Google clickthrough rate was above 0.5%, but in August of 2005 they shifted to a quality based minimum pricing.

This means that if your ad is deemed exceptionally relevant, you can get clicks for as low as 1 cent, depending on how competitors are bidding. If your ads are not exceptionally relevant you will have to pay a higher minimum bid to make up for the lack of ad relevancy.

Google has been making their ad system more black-box like. They stated they may include landing page quality into their ad relevancy scores. In other words, we can know the basis of how it works, but they will create a system that optimizes for maximum internal revenue, delivering value to advertisers, and ease of use. If they are vague about their exact ranking criteria the harder it will be for people to game the flaws in their ad system.

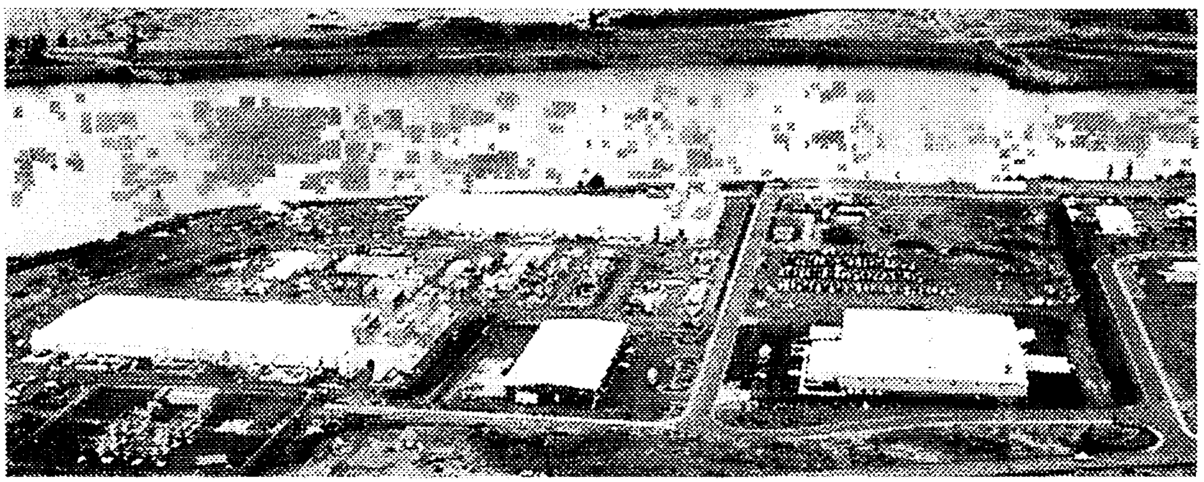
Ads which are disabled from search syndication due to low relevancy and bid price still appear in the Google contextual ad program. I describe syndication later on in the chapter.

Broad Match, Phrase Match, and Exact Match:

Google AdWords and Yahoo! both have different levels of word matching. Using [search term] will only return searches ads for the query **search term,** which is called exact match. Yahoo!'s exact match is a bit fuzzy, matching plurals and some common misspellings. Google's exact match is more precise, only matching the exact search.

Exhibit G

Hiding in Plain Sight, Google Seeks More Power



Melanie Conner for The New York Times

Google is building two computing centers, top and left, each the size of a football field, in The Dalles, Ore.

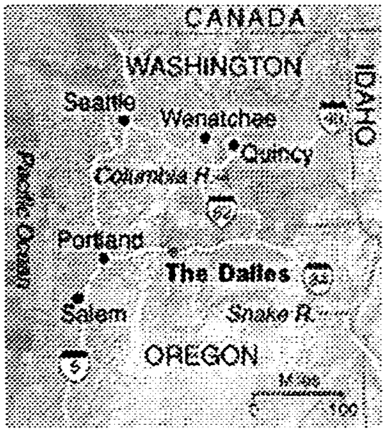
By JOHN MARKOFF and SAUL HANSELL
Published: June 14, 2006

THE DALLES, Ore., June 8 — On the banks of the windswept Columbia River, Google is working on a secret weapon in its quest to dominate the next generation of Internet computing. But it is hard to keep a secret when it is a computing center as big as two football fields, with twin cooling plants protruding four stories into the sky.

The complex, sprawling like an information-age factory, heralds a substantial expansion of a worldwide computing network handling billions of search queries a day and a growing repertory of other Internet services.

And odd as it may seem, the barren desert land surrounding the Columbia along the Oregon-Washington border — at the intersection of cheap electricity and readily accessible

Exhibit H



The New York Times

data networking — is the backdrop for a multibillion-dollar face-off among Google, Microsoft and Yahoo that will determine dominance in the online world in the years ahead.

Microsoft and Yahoo have announced that they are building big data centers upstream in Wenatchee and Quincy, Wash., 130 miles to the north. But it is a race in which they are playing catch-up. Google remains far ahead in the global data-center race, and the scale of its complex here is evidence of its extraordinary ambition.

Even before the Oregon center comes online, Google has lashed together a global network of computers — known in the industry as the Googleplex — that is a singular achievement. "Google has constructed the biggest computer in the world, and it's a hidden asset," said Danny Hillis, a supercomputing pioneer and a founder of Applied Minds, a technology consulting firm, referring to the Googleplex.

The design and even the nature of the Google center in this industrial and agricultural outpost 80 miles east of Portland has been a closely guarded corporate secret. "Companies are historically sensitive about where their operational infrastructure is," acknowledged Urs Holzle, Google's senior vice president for operations.

Behind the curtain of secrecy, the two buildings here — and a third that Google has a permit to build — will probably house tens of thousands of inexpensive processors and disks, held together with Velcro tape in a Google practice that makes for easy swapping of components. The cooling plants are essential because of the searing heat produced by so much computing power.

The complex will tap into the region's large surplus of fiber optic networking, a legacy of the dot-com boom.

The fact that Google is behind the data center, referred to locally as Project 02, has been reported in the local press. But many officials in The Dalles, including the city attorney and the city manager, said they could not comment on the project because they signed confidentiality agreements with Google last year.

"No one says the 'G' word," said Diane Sherwood, executive director of the Port of Klickitat, Wash., directly across the river from The Dalles, who is not bound by such agreements. "It's a little bit like He-Who-Must-Not-Be-Named in Harry Potter."

Local residents are at once enthusiastic and puzzled about their affluent but secretive new neighbor, a successor to the aluminum manufacturers that once came seeking the cheap power that flows from the dams holding back the powerful Columbia. The project has created hundreds of construction jobs, caused local real estate prices to jump 40 percent and is expected to create 60 to 200 permanent jobs in a town of 12,000 people when the center opens later this year.

"We're trying to organize our chamber ambassadors to have a ribbon-cutting ceremony, and they're trying to keep us all away," said Susan Huntington, executive director of The Dalles Area Chamber of Commerce. "Our two cultures aren't matching very well."

Culture clashes may be an inevitable byproduct of the urgency with which the search engine war is being waged.

Google, Microsoft and Yahoo are spending vast sums of capital to build out their computing capabilities to run both search engines and a variety of Web services that encompass e-mail, video and music downloads and online commerce.

Microsoft stunned analysts last quarter when it announced that it would spend an unanticipated $2 billion next year, much of it in an effort to catch up with Google. Google said its own capital expenditures would run to at least $1.5 billion. Its center here, whose cost is undisclosed, shows what that money is meant to buy.

1 | 2 NEXT PAGE »

John Markoff reported from The Dalles, Ore., for this article and Saul Hansell from New York.

Next Article in Technology (31 of 38) »

Hiding in Plain Sight, Google Seeks More Power

Published: June 14, 2006

(Page 2 of 2)

Google is known to the world as a search engine, but in many ways it is foremost an effort to build a network of supercomputers, using the latest academic research, that can process more data — faster and cheaper — than its rivals.

"Google wants to raise the barriers to entry by competitors by making the baseline service very expensive," said Brian Reid, a former Google executive who is now director of engineering at the Internet Systems Consortium in Redwood City, Calif.

The rate at which the Google computing system has grown is as remarkable as its size. In March 2001, when the company was serving about 70 million Web pages daily, it had 8,000 computers, according to a Microsoft researcher granted anonymity to talk about a detailed tour he was given at one of Google's Silicon Valley computing centers. By 2003 the number had grown to 100,000.

Today even the closest Google watchers have lost precise count of how big the system is. The best guess is that Google now has more than 450,000 servers spread over at least 25 locations around the world. The company has major operations in Ireland, and a big computing center has recently been completed in Atlanta. Connecting these centers is a high-capacity fiber optic network that the company has assembled over the last few years.

Google has found that for search engines, every millisecond longer it takes to give users their results leads to lower satisfaction. So the speed of light ends up being a constraint, and the company wants to put significant processing power close to all of its users.

Microsoft's Internet computing effort is currently based on 200,000 servers, and the company expects that number to grow to 800,000 by 2011 under its most aggressive forecast, according to a company document.

Computer scientists and computer networking experts caution that it is impossible to compare the two companies' efforts directly. Yet it is the way in which Google has built its globally distributed network that illustrates the daunting task of its competitors in catching up.

"Google is like the Borg," said Milo Medin, a computer networking expert who was a founder of the 1990's online service @Home, referring to the robotic species on "Star Trek" that was forcibly assembled from millions of species and computer components. "I know of no other carrier or enterprise that distributes applications on top of their computing resource as effectively as Google."

Google's inclination to secrecy began in its days as a private company in an effort to keep its rivals from determining the profits it was making from Web search advertising. But its culture of secrecy has grown to pervade virtually all of its dealings with the news media and even its business partners.

In the end, of course, corporate secrets have a short shelf life in a search engine age. Entering "Dalles Google" as a Google query turns up plenty of revealing results. But Google Earth, the satellite mapping service, like its rivals, so far shows the 30-acre parcel here quite undeveloped.

« PREVIOUS PAGE 1 2

John Markoff reported from The Dalles, Ore., for this article and Saul Hansell from New York.

Next Article in Technology (31 of 38) »

How mu
team pa

Also in F
Find
Find
Find

INSIDE

The news for newspapers

Posted on Sep. 26, 2005

By Joan Van Tassel

The decline in newspaper circulation figures and the tepid growth of subscription, single copy purchase, and advertising revenues between 2005 and 2009 is a global phenomenon, says PricewaterhouseCoopers' Global Entertainment and Media Outlook: 2005-2009. No matter where in the world the newspaper business is located, the story repeats itself.

The Outlook defines the newspaper publishing market as consisting of spending by advertisers and readers on daily print newspapers, including both newsstand purchases and subscriptions. Community and other weekly papers are not included. Similarly, online subscriptions are not included. The advertising generated through online editions and online classifieds are accounted for in the Internet Advertising and Access Spending chapter of the Outlook.

In the U.S., newspaper revenue will grow at a relatively slow 3.3 percent compound annual growth rate (CAGR) - compared to other entertainment and media segments. A study reported in the Outlook audited 50 of the top newspapers, finding that subscriptions fell 2.5 percent for the September 30, 2004, six-month audit period, and single copy purchase declined 6.8 percent. Similarly, in Europe, the Middle East, and Africa (EMEA), newspapers will increase revenues by a 3 percent CAGR, but will face a year-to-year circulation decline from about 96 million in 2004 to 91.8 million in 2009, a -0.9 percent CAGR.

Asia/Pacific is the fastest-growing region for newspapers, with revenues increasing at a 3.7 percent CAGR during 2005-2009. Circulation is a brighter spot in the People's Republic of China and India; their combined circulation will rise from about 165 million in 2005 to 188 million in 2006. Circulation in the rest of the region will decline slightly.

In both Latin America and Canada, newspaper revenue will expand at a 2.8 percent CAGR, but circulation will continue to fall.

New technology bytes

The Internet has had an impact on the all media channels, including the television and magazine publishing industries. But it has had even more profound effects on the newspaper industry. It undercuts newspapers' revenue sources: Instead of subscription and purchase, people are turning to the Net or TV for up-to-the-nanosecond news. They tend to go online to research products and compare prices from multiple retailers instead of reading newspapers' display ads. And they are listing items for sale and looking for items to buy on electronic counterparts of the classifieds section. In areas where two-way digital television becomes a force, it too is likely to cause consumer usage of newspapers to decline.

In the U.S., the consolidation of retailing has had a negative effect on advertising. The "big box" retailers have adopted a media mix that targets more of their advertising budget to the Internet. However, disappointing sales at those retailers during the fourth quarter of 2004 may result in more dollars spent for newspaper ads next year.

Everywhere, the emergence of free daily papers is undercutting revenues and circulation of subscription and single copy purchase newspapers. While free papers often appeal to a young demographic who might not be paid subscribers to established newspapers, they still take away advertising and classified ad dollars.

Moving the deck chairs

Despite the challenges facing the industry around the world, newspaper publishers are taking steps to mitigate their difficulties. In the U.S. they have promoted sponsored circulation, where advertisers pick up 25 percent of the subscription costs to reach newspaper readers. They are also adding special weekend editions and Sunday magazine supplements, which encourage readership. Without these efforts, the circulation decline would have been even larger.

In EMEA and Asia/Pacific, publishers are adapting tactics to reach their audiences. Some publications have changed to easier-to-read and handle tabloid formats. Research in the UK found that papers that made the change experienced moderate increases in circulation, compared to publications that did not change formats.

New technology may even be of help. Some publishers are taking advantage of the popularity of Short Message Service (SMS) text messaging in EMEA and Asia/Pacific, using it to update articles throughout the day. They market the service to their subscribers to bring in an additional revenue stream.

The Price of Performance

ACM Queue vol. 3, no. 7 - September 2005
by Luiz André Barroso, Google
printer-friendly format
recommend to a colleague

An Economic Case for Chip Multiprocessing

Cost

In the late 1990s, our research group at DEC was one of a growing number of teams advocating the CMP (chip multiprocessor) as an alternative to highly complex single-threaded CPUs. We were designing the Piranha system,[1] which was a radical point in the CMP design space in that we used very simple cores (similar to the early RISC designs of the late '80s) to provide a higher level of thread-level parallelism. Our main goal was to achieve the best commercial workload performance for a given silicon budget.

Today, in developing Google's computing infrastructure, our focus is broader than perforn of a particular architecture are measured by answering the following question: Are you ab computational capacity you need? The high-computational demands that are inherent in r have led us to develop a deep understanding of the overall cost of computing, and continu hardware/software designs that optimize performance per unit of cost.

This article addresses some of the cost trends in a large-scale Internet service infrastructu challenges and opportunities for CMP-based systems to improve overall computing platfo

UNDERSTANDING SYSTEM COST

The systems community has developed an arsenal of tools to measure, model, predict, ar The community's appreciation and understanding of cost factors, however, remain less de thorough consideration and understanding of cost, the true merits of any one technology c unproven.

We can break down the TCO (total cost of ownership) of a large-scale computing cluster i components: price of the hardware, power (recurring and initial data-center investment), r operations costs, and cost of the software infrastructure.

Often the major component of TCO for commercial deployments is software. A cursory ins breakdown for systems used in TPC-C benchmark filings shows that per-CPU costs of jus database engines can range from $4,000 to $20,000.[2] Once the license fees for other sys components, applications, and management software are added up, they can dwarf all ot This is especially true for deployments using mid- and low-end servers, since those tend t less expensive machines but can incur significant software costs because of still-common server license-fee policies.

Google's choice to produce its own software infrastructure in-house and to work with the c changes that cost distribution by greatly reducing software costs (software development c amortized over large CPU deployments). As a result, it needs to pay special attention to th of cost. Here I will focus on cost components that are more directly affected by system-de and power costs.

Figure 1 shows performance, performance-per-server price, and performance-per-watt tre successive generations of Google server platforms. Google's hardware solutions include t servers.[3] Such systems are based on high-volume, PC-class components and thus delive for roughly the same cost over successive generations, resulting in the upward trend of th price curve. Google's fault-tolerant software design methodology enables it to deliver high based on these relatively less-reliable building blocks.

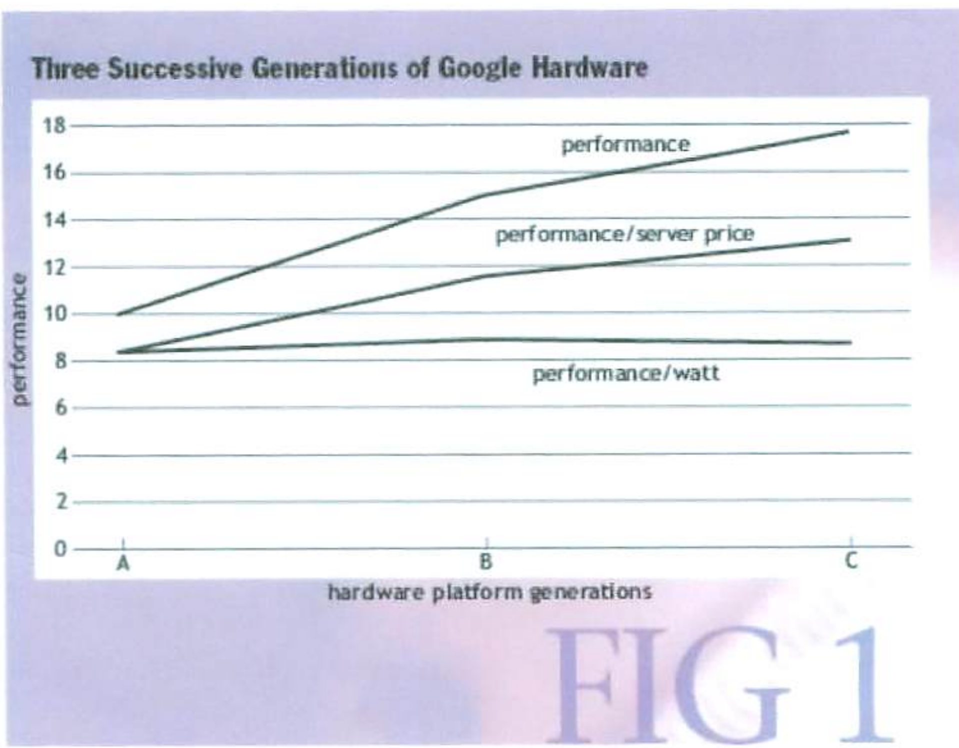
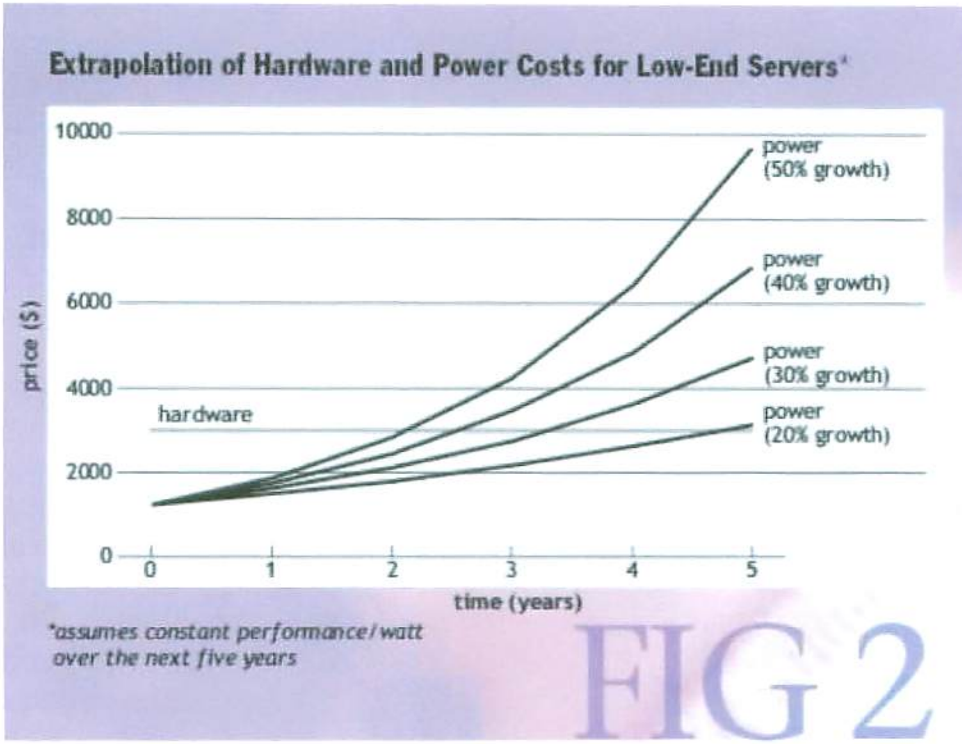


FIG 1

Nevertheless, performance per watt has remained roughly flat over time, even after signifi power efficiency. In other words, every gain in performance has been accompanied by a p overall platform power consumption. The result of these trends is that power-related costs fraction of the TCO.

Such trends could have a significant impact on how computing costs are factored. The fol other indirect power costs and focuses solely on the cost of energy. A typical low-end x86 cost about $3,000 and consume an average of 200 watts (peak consumption can reach o power delivery inefficiencies and cooling overheads will easily double that energy budget. energy cost of nine cents per kilowatt hour and a four-year server lifecycle, the energy cos would already be more than 40 percent of the hardware costs.

And it gets worse. If performance per watt is to remain constant over the next few years, p overtake hardware costs, possibly by a large margin. Figure 2 depicts this extrapolation as annual rates of performance and power growth. For the most aggressive scenario (50 per rates), power costs by the end of the decade would dwarf server prices (note that this doe increases in energy costs over the next few years). In this extreme situation, in which kee up costs significantly more than the machines themselves, one could envision bizarre bus power company will provide you with free hardware if you sign a long-term power contract



The possibility of computer equipment power consumption spiraling out of control could ha consequences for the overall affordability of computing, not to mention the overall health c noted that although the CPUs are responsible for only a fraction of the total system power easily reach 50 percent to 60 percent in low-end server platforms.

next page (2
Efficier

Related Stories on Multiprocessors

Multicore CPUs for the Masses
- Will Increased CPU Bandwidth Translate into Usable Desktop Performance?
Mache Creeger, Emergent Technology Associates

Discuss The Price of Performance

Latest Comments

joke of a topic... - get real what a joke...

Post your comment now!

name:

email:

subject:

comment:

note: only <b>, <i>, and
 ta
allowed

Please type in the captcha num
below

2638140

Submit Query

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2005

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 000-50726

Google Inc.
(Exact name of registrant as specified in its charter)

Delaware	**77-0493581**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

1600 Amphitheatre Parkway
Mountain View, CA 94043
(Address of principal executive offices)

(650) 253-4000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
Class A Common Stock, $0.001 par value
Class B Common Stock, $0.001 par value
(Title of class)

Indicate by check mark if the Registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

At June 30, 2005, the last business day of the Registrant's most recently completed second fiscal quarter, there were 177,033,940 shares of the Registrant's Class A common stock and 101,678,686 shares of the Registrant's Class B common stock outstanding, and the aggregate market value of such shares held by non-affiliates of the Registrant (based upon the closing sale price of such shares on The Nasdaq National Market on June 30, 2005) was approximately $53,030,610,961. Shares of the Registrant's Class A common stock and Class B common stock held by each executive officer and director and by each entity or person that, to the Registrant's knowledge, owned 5% or more of the Registrant's outstanding common stock as of June 30, 2005 have been excluded in that such persons may be deemed to be affiliates of the Registrant. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

At February 28, 2006, there were 207,095,945 shares of the Registrant's Class A common stock outstanding and 90,141,280 shares of the Registrant's Class B common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the 2006 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein.

Google Extensions for Firefox—includes Safe Browsing, Blogger Web Comments, and Google Send to Phone.

- Froogle Mobile US and UK—enables users to search for product information from their mobile phones and other wireless devices.
- Google Compute—allows users to donate computer idle time to scientific research.
- Google Reader—a web-based feed reader with enhanced support for photo feeds and podcasts that aims to make information more relevant and useful to users by combining Google functionality with personalized content.
- Google Web Accelerator—a downloadable client application that uses Google's global computer network to enhance user web experience by enabling faster loading of web pages.

Google AdWords

Google AdWords is our global advertising program which enables advertisers to present ads to people when those people are looking for information related to what the advertiser has to offer. Advertisers use our automated tools, often with little or no assistance from us, to create text-based ads, bid on the keywords that will trigger the display of their ads and set daily spending budgets. AdWords features an automated, low-cost online signup process that enables advertisers to implement ad campaigns that go live on Google properties and the Google Network very quickly. The total sign-up cost for becoming an AdWords advertiser is only $5.00, and AdWords ads cost as little as $0.01 per click.

Ads are ranked for display in AdWords based on a combination of the maximum cost per click (CPC) set by the advertiser and click-through rates and other factors used to determine the relevance of the ads. This favors the ads that are most relevant to users, improving the experience for the person looking for information and for the advertiser who is generating relevant ads. AdWords has many features that make it easy to set up and manage ad campaigns:

- *Campaign management* . Advertisers can target multiple ads to a given keyword and easily track individual ad performance to see which ads are the most effective. The campaign management tools built into AdWords enable advertisers to quickly shift their budgets to ads that deliver the best results.
- *Keyword and site targeting* . Businesses can deliver targeted ads based on specific search terms (keywords) entered by users or found in the content on a web page. We also offer tools that generate synonyms and useful phrases to use as keywords or ad text. Refining keywords and ad text can improve ad click-through rates and the likelihood of a user becoming the advertiser's customer. Businesses can also deliver targeted text, animated and static images, and Flash ads to selected sites on the Google AdSense network on a cost-per-impression basis.
- *Traffic estimator* . This tool estimates the number of searches and potential costs related to advertising on a particular keyword or set of keywords. These estimates can help advertisers optimize their campaigns.
- *Quality-based bidding* . Advertisers' keywords are assigned dynamic minimum bids based on their Quality Score—the higher the Quality Score, the lower the minimum bid. This rewards advertisers with relevant keywords and ads, and gives advertisers more control to run ads on keywords that they find are important.
- *Budgeted delivery* . Advertisers can set daily budgets for their campaigns and control the timing for delivery of their ads.
- *Performance reports* . We provide continuous, timely reporting of the effectiveness of each ad campaign.
- *Multiple payment options* . Depending on geography, we accept bank and wire transfers, direct debit, and local debit cards carrying the Visa and MasterCard logos. We also accept payment through

Table of Contents

international credit cards. For selected advertisers, we offer several options for credit terms and monthly invoicing. We accept payments in over 40 currencies.

- *AdWords Discounter* . This feature gives advertisers the freedom to increase their maximum CPCs because it automatically adjusts pricing so that they never pay more than one cent over the next highest bid. The AdWords discounter is described in detail below under the heading "Technology—Advertising Technology—Google AdWords Auction System."
- *Conversion tracking* . Conversion tracking is a free tool that is integrated into AdWords reports and measures the conversions of an advertiser's campaigns, enabling a better understanding of the overall return on investment generated for the advertiser by the AdWords program.

For larger advertisers, we offer additional services that help to maximize returns on their Internet marketing investments and improve their ability to run large, dynamic campaigns. These include:

- *Creative maximization* . Our AdWords specialists help advertisers select relevant keywords and create more effective ads. This can improve advertisers' ability to target customers and to increase the click-through rates and conversion rates for their ads.
- *Vertical market experts* . Specialists with experience in particular industries offer guidance on how to most effectively target potential customers.
- *Bulk posting* . We assist businesses in launching and managing large ad campaigns with hundreds or even thousands of targeted keywords.
- *Dedicated client service representatives* . These staff members continuously look for ways to better structure their clients' campaigns and to address the challenges large advertisers face.
- *AdWords API and Commercial Developer Program* . For large advertisers as well as third parties, Google's free AdWords API service lets developers engineer computer programs that interact directly with the AdWords system. With such applications, advertisers and third parties can more efficiently—and creatively—manage their large AdWords accounts and campaigns. The AdWords Commercial Developer Program also enables our third-party developer ecosystem to continue designing and delivering innovative business applications based on the AdWords platform and distribution channel.

In addition, we are experimenting with new media, such as print and mobile search, to offer advertisers even more ad placement inventory. AdWords Editor, our AdWords campaign management client, and Google Analytics, our free web analytics tool designed to help web site operators understand how users find, navigate, and convert on their sites, are both currently in limited availability.

Google AdSense

Our Google AdSense program enables the web sites in the Google Network to serve targeted ads from AdWords advertisers. Targeting can be based on content, search, site and demagraphics. We share the revenue generated from ads shown by a member of the Google Network with that member. Most of the web sites that make up the Google Network sign up with us online, under agreements with no required term. We also engage in direct selling efforts to convince web sites with significant traffic to join the Google Network, under agreements that vary in duration. For our network members, we offer:

Google AdSense for search . For Internet companies who want to target search audiences, we offer Google AdSense for search. Web sites use AdSense for search to generate additional revenue by serving relevant AdWords ads targeted to search results. Because we also offer to license our web search technology along with Google AdSense for search, companies without their own search service can offer Google WebSearch to improve the usefulness of their web sites for their users while increasing their revenue. We offer a hosted version of AdSense for search to web sites that sign up with us online. We offer a more customizable premium offering to websites with significant traffic.

Table of Contents

Google AdSense for content . Google AdSense for content enables web sites to generate revenue from advertising by serving relevant AdWords ads targeted to web content. Our automated technology analyzes the meaning of web content and serves relevant advertising, usually in a fraction of a second. There is no charge for web sites to participate in our AdSense for content program. Using our automated sign-up process, web sites can quickly display AdWords ads on their sites. We share the majority of the revenues generated from these ads with the Google Network members that display the ads. For advertisers, this enables them to extend their reach to other websites; for publishers, it gives them access to a large base of advertisers specifically targeted for their content; and for users, it offers ads related to the content of the page. For web sites with higher traffic, we also provide customization services. Important AdSense for content features include:

- *Competitive ad filters* . Web sites can block competitive ads, or other ads they want to keep off their site, simply by telling us which URLs to block.
- *Reports* . Publishers can view customizable reports about their AdSense performance for a specific day or date range, on an aggregate level or broken down by publisher defined parameters. Reporting data viewable includes total number of page impressions, ad unit impressions, ad clicks, clickthrough rate (CTR), cost per thousand impressions (effective CPM), and earnings.
- *Sensitive content filters* . At times, certain ads may be inappropriate for some pages. For example, Google automatically filters out ads that would be inappropriate on a news page about a catastrophic event.
- *Choose default ads* . In the unlikely event that Google is unable to serve targeted ads on a page, we offer web sites the option of displaying a default ad of their choice. This helps ensure that advertising space is always being used as effectively as possible.
- *Ads in multiple formats* . Web sites can show graphical ads in Flash and animated image formats precisely targeted to the content of a web page. Running a combination of image and text ads expands the available ad inventory for a web site, and offers the potential for increased revenue.

Google AdSense for domains and feeds. Google AdSense for domains allows owners of undeveloped domains which receive traffic from users typing generic terms into browsers or search to generate revenue from relevant advertising. AdSense for feeds is a free program that allows publishers to monetize their feeds—user-subscribable content streams containing structured data such as stock and financial information, web log posts, and weather reports—through text ads targeted to the content of the feed. Like AdSense for search or content, Google shares the majority of the advertising revenue from AdSense for domains and AdSense for feeds with the domain owner or feed publisher.

Google Enterprise

We provide our search technology for use within enterprises through the Google Search Appliance and Google Mini. These search appliances are a complete software and hardware solution that companies can easily implement to extend Google's search performance to their internal or external information. They leverage our search technology to identify the most relevant pages on public web sites and across the corporate network, making it easy for people to find the information they need. The Google Search Appliance and Google Mini offer several useful features, including automated spell-checking, cached pages, dynamic snippets, indented results and automatic conversion of Microsoft Office and PDF files to HTML. The Google Search Appliance is available in three models: the GB-1001, for mid-sized companies; the GB-5005, for dedicated, high-priority search services such as customer-facing web sites and company-wide intranet applications; and the GB-8008, for centralized deployments supporting global business units. Pricing for the Google Search Appliance starts at $30,000. The Google Mini is targeted at small- and medium-sized businesses to provide search on public web sites and intranets. It is sold online through the Google Store, and pricing starts at $2,995.

For companies, universities and government agencies, Google also offers the Google Toolbar for Enterprise and Google Desktop for Enterprise. Google Toolbar gives employees a search box right in the browser and the ability to create custom search buttons. Google Desktop for Enterprise indexes the contents of a user's hard drive for easy search and retrieval of documents, email, IM chats and other items.

Google Earth's Enterprise offerings enable business users to view, modify and export their data in a geographic context. Google Earth Pro, a downloadable application with pricing starting at $400 per user, enables a user to overlay company-specific data and information in Google Earth. Google Earth Enterprise enables users to integrate and host proprietary geographic data or satellite imagery with Google Earth content.

Technology

We began as a technology company and have evolved into a software, technology, Internet, advertising and media company all rolled into one. We take technology innovation very seriously. We compete aggressively for talent, and our people drive our innovation, technology development and operations. We strive to hire the best computer scientists and engineers to help us solve very significant challenges across systems design, artificial intelligence, machine learning, data mining, networking, software engineering, testing, distributed systems, cluster design and other areas. We work hard to provide an environment where these talented people can have fulfilling jobs and produce technological innovations that have a positive effect on the world through daily use by millions of people. We employ technology whenever possible to increase the efficiency of our business and to improve the experience we offer our users.

We provide our web search and targeted advertising technology using a large network of commodity computers running custom software developed in-house. Some elements of our technology include:

Web Search Technology

Our web search technology uses a combination of techniques to determine the importance of a web page independent of a particular search query and to determine the relevance of that page to a particular search query. We do not explain how we do ranking in great detail because some people try to manipulate our search results for their own gain, rather than in an attempt to provide high-quality information to users.

Ranking Technology . One element of our technology for ranking web pages is called PageRank. While we developed much of our ranking technology after Google was formed, PageRank was developed at Stanford University with the involvement of our founders, and was therefore published as research. Most of our current ranking technology is protected as trade-secret. PageRank is a query-independent technique for determining the importance of web pages by looking at the link structure of the web. PageRank treats a link from web page A to web page B as a "vote" by page A in favor of page B. The PageRank of a page is the sum of the PageRank of the pages that link to it. The PageRank of a web page also depends on the importance (or PageRank) of the other web pages casting the votes. Votes cast by important web pages with high PageRank weigh more heavily and are more influential in deciding the PageRank of pages on the web.

Text-Matching Techniques . Our technology employs text-matching techniques that compare search queries with the content of web pages to help determine relevance. Our text-based scoring techniques do far more than count the number of times a search term appears on a web page. For example, our technology determines the proximity of individual search terms to each other on a given web page, and prioritizes results that have the search terms near each other. Many other aspects of a page's content are factored into the equation, as is the content of pages that link to the page in question. By combining query independent measures such as PageRank with our text-matching techniques, we are able to deliver search results that are relevant to what people are trying to find.

Advertising Technology

Our advertising program serves millions of relevant, targeted ads each day based on search terms people enter or content they view on the web. The key elements of our advertising technology include:

Google AdWords Auction System . We use the Google AdWords auction system to enable advertisers to automatically deliver relevant, targeted advertising. Every search query we process involves the automated execution of an auction, resulting in our advertising system often processing hundreds of millions of auctions per day. To determine whether an ad is relevant to a particular query, this system weighs an advertiser's willingness to pay for prominence in the ad listings (the cost-per-click or cost-per-impression bid) and interest from users in the ad as measured by the click-through rate and other factors. Our Quality-based Bidding system also assigns minimum bids to advertiser keywords based on the Quality Scores of those keywords—the higher the Quality Score, the lower the minimum bid. The Quality Score is determined by an advertiser's keyword clickthrough rate, the relevance of the ad text, historical keyword performance, the quality of the ad's landing page and other relevancy factors. This prevents advertisers with irrelevant ads from "squatting" in top positions to gain exposure, and rewards more relevant, well-targeted ads that are clicked on frequently. Because we are paid only when users click on ads, the AdWords ranking system aligns our interests equally with those of our advertisers and our users. The more relevant and useful the ad, the better for our users, for our advertisers, and for us.

The AdWords auction system also incorporates the AdWords Discounter, which automatically lowers the amount advertisers actually pay to the minimum needed to maintain their ad position. Consider a situation where there are three advertisers—Pat, Betty and Joe—each bidding on the same keyword for ads that will be displayed on Google.com. These advertisers have ads with equal click-through rates and bid $1.00 per click, $0.60 per click and $0.50 per click, respectively. With our AdWords discounter, Pat would occupy the first ad position and pay only $0.61 per click, Betty would occupy the second ad position and pay only $0.51 per click, and Joe would occupy the third ad position and pay the minimum bid of $0.01 per click (or the local equivalent in countries outside the U.S.). The AdWords discounter saves money for advertisers by minimizing the price they pay per click, while relieving them of the need to constantly monitor and adjust their CPCs. Advertisers can also experience greater discounts through the application of our smart pricing technology introduced in April 2004. This technology can reduce the price of clicks for ads served across the Google Network based on the expected value of the click to the advertiser.

AdSense Contextual Advertising Technology . Our AdSense technology employs techniques that consider factors such as keyword analysis, word frequency, and the overall link structure of the web to analyze the content of individual web pages and to match ads to them almost instantaneously. With this ad targeting technology, we can automatically serve contextually relevant ads. To do this, Google Network members embed a small amount of custom HTML code on web pages that generates a request to Google's AdSense service whenever a user views the web page. Upon receiving a request, our software examines the content of web pages and performs a matching process that identifies advertisements that we believe are relevant to the content of the specific web page. The relevant ads are then returned to the web pages in response to the request. We employ similar techniques for matching advertisements to other forms of textual content, such as email messages and Google Groups postings. For example, our technology can serve ads offering tickets to fans of a specific sports team on a news story about that team.

Large-Scale Systems Technology

Our business relies on our software and hardware infrastructure, which provides substantial computing resources at low cost. We currently use a combination of off-the-shelf and custom software running on clusters of commodity computers. Our considerable investment in developing this infrastructure has produced several key benefits. It simplifies the storage and processing of large amounts of data, eases the deployment and operation of large-scale global products and services and automates much of the administration of large-scale clusters of computers.

We compete to attract and retain relationships with users, advertisers and web sites. The bases on which we compete differ among the groups.

- *Users* . We compete to attract and retain users of our search and communication products and services. Most of the products and services we offer to users are free, so we do not compete on price. Instead, we compete in this area on the basis of the relevance and usefulness of our search results and the features, availability and ease of use of our products and services.
- *Advertisers* . We compete to attract and retain advertisers. We compete in this area principally on the basis of the return on investment realized by advertisers using our AdWords program. We also compete based on the quality of customer service, features and ease of use of AdWords.
- *Web sites* . We compete to attract and retain web sites as members of our Google Network based on the size and quality of our advertiser base, our ability to help our Google Network members generate revenues from advertising on their web sites and the terms of agreements with our Google Network members.

We believe that we compete favorably on the factors described above. However, our industry is evolving rapidly and is becoming increasingly competitive. Larger, more established companies than us are increasingly focusing on search businesses that directly compete with us.

Intellectual Property

We rely on a combination of patent, trademark, copyright and trade secret laws in the U.S. and other jurisdictions as well as confidentiality procedures and contractual provisions to protect our proprietary technology and our brand. We also enter into confidentiality and invention assignment agreements with our employees and consultants and confidentiality agreements with other third parties, and we rigorously control access to proprietary technology.

Google, AdSense, AdWords, I'm Feeling Lucky, PageRank, Blogger, orkut, Picasa and Keyhole are registered trademarks in the U.S. Our unregistered trademarks include Froogle, Gmail and Blog*Spot.

The first version of the PageRank technology was created while Larry and Sergey attended Stanford University, which owns a patent to PageRank. The PageRank patent expires in 2017. We hold a perpetual license to this patent. In October 2003, we extended our exclusivity period to this patent through 2011, at which point our license is non-exclusive.

Circumstances outside our control could pose a threat to our intellectual property rights. For example, effective intellectual property protection may not be available in every country in which our products and services are distributed. Also, the efforts we have taken to protect our proprietary rights may not be sufficient or effective. Any significant impairment of our intellectual property rights could harm our business or our ability to compete. Also, protecting our intellectual property rights is costly and time consuming. Any increase in the unauthorized use of our intellectual property could make it more expensive to do business and harm our operating results.

Companies in the Internet, technology and media industries own large numbers of patents, copyrights and trademarks and frequently enter into litigation based on allegations of infringement or other violations of intellectual property rights. As we face increasing competition, the possibility of intellectual property claims against us grows. Our technologies may not be able to withstand any third-party claims or rights against their use.

Government Regulation

We are subject to a number of foreign and domestic laws that affect companies conducting business on the Internet. In addition, because of the increasing popularity of the Internet and the growth of online services, laws

Jonathan J. Rosenberg was named Senior Vice President of Product Management in January 2006. Previously, he had served as Vice President of Product Management since February 2002. Prior to joining us, from October 2001 to February 2002, Jonathan served as Vice President of Software of palmOne, a provider of handheld computer and communications solutions. From November 2000 until October 2001, Jonathan was not formally employed. From March 1996 to November 2000, Jonathan held various executive positions at Excite@Home, an Internet media company, most recently as its Senior Vice President of Online Products and Services. Jonathan holds a Masters of Business Administration degree from the University of Chicago and a Bachelor of Arts degree with honors in economics from Claremont McKenna College.

Shona L. Brown was named Senior Vice President of Business Operations in January 2006. Previously, she had served as Vice President of Business Operations since September 2003. Prior to joining us, from October 1995 to August 2003, Shona was at McKinsey & Company, a management consulting firm where she had been a partner since December 2000. Shona holds a Ph.D. and Post-Doctorate in industrial engineering and engineering management from Stanford University, a Masters of Arts degree from Oxford University (as a Rhodes Scholar), and a Bachelor of Science degree in computer systems engineering from Carleton University.

Alan Eustace was named Senior Vice President of Engineering in January 2006. Previously, he had served as Vice President of Engineering since July 2003. Prior to joining us, from May 2002 to June 2003, Alan was at Hewlett-Packard, where he most recently served as Director of the Western Research Laboratory. Prior to that, Alan worked at Compaq from June 1998 until its acquisition by Hewlett-Packard in May 2002. Prior to that, Alan held various positions at Digital Equipment Corporation until its acquisition by Compaq in June 1998. Alan holds a B.S., M.S. and a Ph.D. in Computer Science from the University of Central Florida.

ITEM 1A. RISK FACTORS

Risks Related to Our Business and Industry

We face significant competition from Microsoft and Yahoo.

We face formidable competition in every aspect of our business, and particularly from other companies that seek to connect people with information on the web and provide them with relevant advertising. Currently, we consider our primary competitors to be Microsoft Corporation and Yahoo! Inc. Microsoft has announced plans to develop features that make web search a more integrated part of its Windows operating system or other desktop software products. We expect that Microsoft will increasingly use its financial and engineering resources to compete with us. Both Microsoft and Yahoo have more employees than we do (in Microsoft's case, approximately 11 times as many). Microsoft also has significantly more cash resources than we do. Both of these companies also have longer operating histories and more established relationships with customers and end users. They can use their experience and resources against us in a variety of competitive ways, including by making acquisitions, investing more aggressively in research and development and competing more aggressively for advertisers and web sites. Microsoft and Yahoo also may have a greater ability to attract and retain users than we do because they operate Internet portals with a broad range of content products and services. If Microsoft or Yahoo are successful in providing similar or better web search results compared to ours or leverage their platforms or products to make their web search services easier to access than ours, we could experience a significant decline in user traffic. Any such decline in traffic could negatively affect our revenues.

We face competition from other Internet companies, including web search providers, Internet access providers, Internet advertising companies and destination web sites that may also bundle their services with Internet access.

In addition to Microsoft and Yahoo, we face competition from other web search providers, including companies that are not yet known to us. We compete with Internet advertising companies, particularly in the areas of pay-for-performance and keyword-targeted Internet advertising. Also, we may compete with companies that sell products and services online because these companies, like us, are trying to attract users to their web sites to search for information about products and services.

Table of Contents

We also compete with destination web sites that seek to increase their search-related traffic. These destination web sites may include those operated by Internet access providers, such as cable and DSL service providers. Because our users need to access our services through Internet access providers, they have direct relationships with these providers. If an access provider or a computer or computing device manufacturer offers online services that compete with ours, the user may find it more convenient to use the services of the access provider or manufacturer. In addition, the access provider or manufacturer may make it hard to access our services by not listing them in the access provider's or manufacturer's own menu of offerings, or may charge users to access our websites or the websites of our Google Network members. Also, because the access provider gathers information from the user in connection with the establishment of a billing relationship, the access provider may be more effective than we are in tailoring services and advertisements to the specific tastes of the user.

There has been a trend toward industry consolidation among our competitors, and so smaller competitors today may become larger competitors in the future. If our competitors are more successful than we are at generating traffic, our revenues may decline.

We face competition from traditional media companies, and we may not be included in the advertising budgets of large advertisers, which could harm our operating results.

In addition to Internet companies, we face competition from companies that offer traditional media advertising opportunities. Most large advertisers have set advertising budgets, a very small portion of which is allocated to Internet advertising. We expect that large advertisers will continue to focus most of their advertising efforts on traditional media. If we fail to convince these companies to spend a portion of their advertising budgets with us, or if our existing advertisers reduce the amount they spend on our programs, our operating results would be harmed.

We expect our revenue growth rate to decline and anticipate downward pressure on our operating margin in the future.

We expect that our revenue growth rate will decline over time and anticipate that there will be downward pressure on our operating margin. We believe our revenue growth rate will generally decline as a result of increasing competition and the inevitable decline in growth rates as our revenues increase to higher levels. We believe our operating margin will experience downward pressure as a result of increasing competition and increased expenditures for many aspects of our business. Our operating margin will also experience downward pressure to the extent the proportion of our revenues generated from our Google Network members increases. The margin on revenue we generate from our Google Network members is significantly less than the margin on revenue we generate from advertising on our web sites. Additionally, the margin we earn on revenue generated from our Google Network could decrease in the future if our Google Network members demand a greater portion of the advertising fees, which could be the result of increased competition for these members.

Our operating results may fluctuate, which makes our results difficult to predict and could cause our results to fall short of expectations.

Our operating results may fluctuate as a result of a number of factors, many of which are outside of our control. For these reasons, comparing our operating results on a period-to-period basis may not be meaningful, and you should not rely on our past results as an indication of our future performance. Our quarterly and annual expenses as a percentage of our revenues may be significantly different from our historical or projected rates. Our operating results in future quarters may fall below expectations. Any of these events could cause our stock price to fall. Each of the risk factors listed in Item 1A, Risk Factors, and the following factors, may affect our operating results:

- Our ability to continue to attract users to our web sites.
- Our ability to monetize (or generate revenue from) traffic on our web sites and our Google Network members' web sites.
- Our ability to attract advertisers to our AdWords program.

If we were to lose the services of Eric, Larry, Sergey or our senior management team, we may not be able to execute our business strategy.

Our future success depends in a large part upon the continued service of key members of our senior management team. In particular, our CEO Eric Schmidt and our founders Larry Page and Sergey Brin are critical to the overall management of Google as well as the development of our technology, our culture and our strategic direction. All of our executive officers and key employees are at-will employees, and we do not maintain any key-person life insurance policies. The loss of any of our management or key personnel could seriously harm our business.

The initial option grants to many of our senior management and key employees are fully vested. Therefore, these employees may not have sufficient financial incentive to stay with us, we may have to incur costs to replace key employees who leave, and our ability to execute our business model could be impaired if we cannot replace departing employees in a timely manner.

Many of our senior management personnel and other key employees have become, or will soon become, substantially vested in their initial stock option grants. While we often grant additional stock options to management personnel and other key employees after their hire dates to provide additional incentives to remain employed by us, these follow-on grants are typically much smaller than the initial grants. Employees may be more likely to leave us after their initial option grant fully vests, especially if the shares underlying the options have significantly appreciated in value relative to the option exercise price. We have not given any additional stock grants to Eric, Larry or Sergey, and Eric, Larry and Sergey are fully vested in their existing grants. If any members of our senior management team leave the company, our ability to successfully operate our business could be impaired. We also may have to incur significant costs in identifying, hiring, training and retaining replacements for departing employees.

We rely on highly skilled personnel and, if we are unable to retain or motivate key personnel or hire qualified personnel, we may not be able to grow effectively.

Our performance is largely dependent on the talents and efforts of highly skilled individuals. Our future success depends on our continuing ability to identify, hire, develop, motivate and retain highly skilled personnel for all areas of our organization. Competition in our industry for qualified employees is intense, and we are aware that certain of our competitors have directly targeted our employees. Our continued ability to compete effectively depends on our ability to attract new employees and to retain and motivate our existing employees.

We have in the past maintained a rigorous, highly selective and time-consuming hiring process. We believe that our approach to hiring has significantly contributed to our success to date. As we grow, our hiring process may prevent us from hiring the personnel we need in a timely manner. In addition, as we become a more mature company, we may find our recruiting efforts more challenging. The incentives to attract, retain and motivate employees provided by our option grants may not be as effective as in the past and our current and future compensation arrangements, which include cash bonuses, may not be successful in attracting new employees and retaining and motivating our existing employees. In addition, we have recently introduced new stock award programs, and under these new programs new employees will be issued a portion of their stock awards in the form of restricted stock units. These restricted stock units will vest based on individual performance, as well as the exercise price of their stock options as compared to that of other employees who started at about the same time. These new stock awards programs may not provide adequate incentives to attract, retain and motivate outstanding performers. If we do not succeed in attracting excellent personnel or retaining or motivating existing personnel, we may be unable to grow effectively.

Our CEO and our two founders run the business and affairs of the company collectively, which may harm their ability to manage effectively.

Eric, our CEO, and Larry and Sergey, our founders and presidents, currently provide leadership to the company as a team. Our bylaws provide that our CEO and our presidents will together have general supervision,

Table of Contents

direction and control of the company, subject to the control of our board of directors. As a result, Eric, Larry and Sergey tend to operate the company collectively and to consult extensively with each other before significant decisions are made. This may slow the decision-making process, and a disagreement among these individuals could prevent key strategic decisions from being made in a timely manner. In the event our CEO and our two founders are unable to continue to work well together in providing cohesive leadership, our business could be harmed.

We have a short operating history and a relatively new business model in an emerging and rapidly evolving market. This makes it difficult to evaluate our future prospects and may increase the risk that we will not continue to be successful.

We first derived revenue from our online search business in 1999 and from our advertising services in 2000, and we have only a short operating history with our cost-per-click advertising model, which we launched in 2002 and our new cost-per-impression advertising model which we launched in the second quarter of 2005. As a result, we have very little operating history for you to evaluate in assessing our future prospects. Also, we derive nearly all of our revenues from online advertising, which is an immature industry that has undergone rapid and dramatic changes in its short history. You must consider our business and prospects in light of the risks and difficulties we will encounter as an early-stage company in a new and rapidly evolving market. We may not be able to successfully address these risks and difficulties, which could materially harm our business and operating results.

We may have difficulty scaling and adapting our existing architecture to accommodate increased traffic and technology advances or changing business requirements, which could lead to the loss of users, advertisers and Google Network members, and cause us to incur expenses to make architectural changes.

To be successful, our network infrastructure has to perform well and be reliable. The greater the user traffic and the greater the complexity of our products and services, the more computing power we will need. In 2005, we spent substantial amounts and we expect this spending to continue as we purchase or lease data centers and equipment and upgrade our technology and network infrastructure to handle increased traffic on our web sites and to roll out new products and services. This expansion is expensive and complex and could result in inefficiencies or operational failures. If we do not implement this expansion successfully, or if we experience inefficiencies and operational failures during the implementation, the quality of our products and services and our users' experience could decline. This could damage our reputation and lead us to lose current and potential users, advertisers and Google Network members. The costs associated with these adjustments to our architecture could harm our operating results. Cost increases, loss of traffic or failure to accommodate new technologies or changing business requirements could harm our operating results and financial condition.

We rely on bandwidth providers, data centers or other third parties for key aspects of the process of providing products and services to our users, and any failure or interruption in the services and products provided by these third parties could harm our ability to operate our business and damage our reputation.

We rely on third-party vendors, including data center and bandwidth providers. Any disruption in the network access or colocation services provided by these third-party providers or any failure of these third-party providers to handle current or higher volumes of use could significantly harm our business. Any financial or other difficulties our providers face may have negative effects on our business, the nature and extent of which we cannot predict. We exercise little control over these third-party vendors, which increases our vulnerability to problems with the services they provide. We license technology and related databases from third parties to facilitate aspects of our data center and connectivity operations including, among others, Internet traffic management services. We have experienced and expect to continue to experience interruptions and delays in service and availability for such elements. Any errors, failures, interruptions or delays experienced in connection with these third-party technologies and information services could negatively impact our relationship with users and adversely affect our brand and our business and could expose us to liabilities to third parties.

ITEM 6. SELECTED FINANCIAL DATA

You should read the following selected consolidated financial data in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes appearing elsewhere in this Form 10-K.

The consolidated statements of income data for the years ended December 31, 2003, 2004 and 2005, and the consolidated balance sheet data at December 31, 2004 and 2005, are derived from our audited consolidated financial statements appearing elsewhere in this Form 10-K. The consolidated statements of income data for the years ended December 31, 2001 and 2002, and the consolidated balance sheet data at December 31, 2001, 2002 and 2003, are derived from our audited consolidated financial statements that are not included in this Form 10-K. The historical results are not necessarily indicative of the results to be expected in any future period.

	Year Ended December 31,				
	2001	2002	2003	2004	2005
	(in thousands, except per share data)				
Consolidated Statements of Income Data:					
Revenues	$ 86,426	$439,508	$1,465,934	$3,189,223	$6,138,560
Costs and expenses:					
Cost of revenues	14,228	131,510	625,854	1,457,653	2,571,509
Research and development	16,500	31,748	91,228	225,632	483,978
Sales and marketing	20,076	43,849	120,328	246,300	439,741
General and administrative	12,275	24,300	56,699	139,700	335,345
Stock-based compensation (1)	12,383	21,635	229,361	278,746	200,709
Contribution to Google Foundation	—	—	—	—	90,000
Non-recurring portion of settlement of disputes with Yahoo	—	—	—	201,000	—
Total costs and expenses	75,462	253,042	1,123,470	2,549,031	4,121,282
Income from operations	10,964	186,466	342,464	640,192	2,017,278
Interest income (expense) and other, net	(896)	(1,551)	4,190	10,042	124,399
Income before income taxes	10,068	184,915	346,654	650,234	2,141,677
Provision for income taxes	3,083	85,259	241,006	251,115	676,280
Net income	$ 6,985	$ 99,656	$ 105,648	$ 399,119	$1,465,397
Net income per share (2)					
Basic	$ 0.07	$ 0.86	$ 0.77	$ 2.07	$ 5.31
Diluted	$ 0.04	$ 0.45	$ 0.41	$ 1.46	$ 5.02
Number of shares used in per share calculation(2)					
Basic	94,523	115,242	137,697	193,176	275,844
Diluted	186,776	220,633	256,638	272,781	291,874

(1) Stock-based compensation, consisting of amortization of deferred stock-based compensation related to the values of restricted shares, certain restricted stock units and options issued to employees, as well as the values of other restricted stock units and options issued to employees and non-employees, is allocated in the table that follows.

	Year Ended December 31,				
	2001	2002	2003	2004	2005
	(in thousands)				
Cost of revenues	$ 876	$ 1,065	$ 8,557	$ 11,314	$ 5,579
Research and development	4,440	8,746	138,377	169,532	115,532
Sales and marketing	1,667	4,934	44,607	49,449	28,411
General and administrative	5,400	6,890	37,820	48,451	51,187
	$12,383	$21,635	$229,361	$278,746	$200,709

(2) See Note 1 of Notes to Consolidated Financial Statements included in this Form 10-K for information regarding the computation of per share amounts.

Table of Contents

	As of December 31,				
	2001	2002	2003	2004	2005
			(in thousands)		
Consolidated Balance Sheet Data:					
Cash, cash equivalents and marketable securities	$ 33,589	$146,331	$ 334,718	$2,132,297	$ 8,034,247
Total assets	84,457	286,892	871,458	3,313,351	10,271,813
Total long-term liabilities	8,044	9,560	33,365	43,927	107,472
Redeemable convertible preferred stock warrant	—	13,871	13,871	—	—
Deferred stock-based compensation	(15,833)	(35,401)	(369,668)	(249,470)	(119,015)
Total stockholders' equity	50,152	173,953	588,770	2,929,056	9,418,957

Overview

Google is a global technology leader focused on improving the ways people connect with information. Our innovations in web search and advertising have made our web site a top Internet destination and our brand one of the most recognized in the world. Our mission is to organize the world's information and make it universally accessible and useful. We serve three primary constituencies:

- *Users* . We provide users with products and services that enable people to more quickly and easily find, create and organize information that is useful to them.
- *Advertisers* . We provide advertisers our Google AdWords program, an auction-based advertising program that enables them to deliver relevant ads targeted to search results or web content. Our AdWords program provides advertisers with a cost-effective way to deliver ads to customers across Google sites and through the Google Network under our AdSense program.
- *Web sites* . We provide members of our Google Network our Google AdSense program, which allows these members to deliver AdWords ads that are relevant to the search results or content on their web sites. We share most of the fees these ads generate with our Google Network members—creating an important revenue stream for them.

How We Generate Revenue

We derive most of our revenues from fees we receive from our advertisers.

Our original business model consisted of licensing our search engine services to other web sites. In the first quarter of 2000, we introduced our first advertising program. Through our direct sales force we offered advertisers the ability to place text-based ads on our web sites targeted to our users' search queries under a program called Premium Sponsorships. Advertisers paid us based on the number of times their ads were displayed on users' search results pages, and we recognized revenue at the time these ads appeared. In the fourth quarter of 2000, we launched Google AdWords, an online self-service program that enables advertisers to place targeted text-based ads on our web sites. AdWords customers originally paid us based on the number of times their ads appeared on users' search results pages. In the first quarter of 2002, we began offering AdWords exclusively on a cost-per-click basis, which means that an advertiser pays us only when a user clicks on one of its ads. AdWords is also available through our direct sales force.

Effective beginning the first quarter of 2004 until the end of the first quarter of 2005, the AdWords cost-per-click pricing structure was the only pricing structure available to our advertisers. However, during the second quarter of 2005, we launched an AdWords cost-per-impression program that enables advertisers to pay us based on the number of times their ads appear on Google Network members' sites specified by the advertiser. For advertisers using our AdWords cost-per-click pricing, we recognize as revenue the fees charged advertisers each time a user clicks on one of the text-based ads that appears next to the search results on our web sites, or next to the search results or content on Google Network members' sites. For advertisers using our AdWords cost-per-impression pricing, we recognize as revenue the fees charged advertisers each time their ads are displayed on the Google Network members' sites. In addition, in the third quarter of 2005, we launched the Google Publication Ads Program through which we distribute our advertisers' ads for publication in the magazines of our Google Network members. We recognize as revenue the fees charged advertisers when their ads are published in magazines. Our AdWords agreements are generally terminable at any time by our advertisers.

Google AdSense is the program through which we distribute our advertisers' AdWords ads for display on the web sites of our Google Network members. Our AdSense program includes AdSense for search and AdSense for content. AdSense for search, launched in the first quarter of 2002, is our service for distributing relevant ads from our advertisers for display with search results on our Google Network members' sites. AdSense for content, launched in the first quarter of 2003, is our service for distributing ads from our advertisers that are relevant to content on our Google Network members' sites. Our advertisers pay us a fee each time a user clicks on one of

Trends in Our Business

Our business has grown rapidly since inception, resulting in substantially increased revenues, and we expect that our business will continue to grow. However, our revenue growth rate has generally declined over time, and we expect it will continue to do so as a result of increasing competition and the difficulty of maintaining growth rates as our revenues increase to higher levels. In addition, the main focus of our advertising programs is to provide relevant and useful advertising to our users, reflecting our commitment to constantly improve their overall web experience. As a result, we may take steps to improve the relevance of the ads displayed on our web sites, such as removing ads that generate low click-through rates, that could negatively affect our near-term advertising revenues.

Both seasonal fluctuations in Internet usage and traditional retail seasonality have affected, and are likely to continue to affect, our business. Internet usage generally slows during the summer months, and commercial queries typically increase significantly in the fourth calendar quarter of each year. These seasonal trends have caused and will likely continue to cause, fluctuations in our quarterly results, including fluctuations in sequential revenue growth rates. Prior to the second quarter of 2004, these seasonal trends may have been masked by the substantial quarter over quarter growth of Internet traffic focused on commercial transactions and ultimately by the substantial quarter over quarter growth in our revenues. In addition, in the third quarters of 2004 and 2005 these seasonal trends may have been masked by certain monetization improvements to our advertising programs, as well as by the continued expansion of our global advertiser base and partner network. Our seasonality is further discussed below in Quarterly Results of Operations.

From the inception of the Google Network in 2002 through the first quarter of 2004, the growth in advertising revenues from our Google Network members' web sites exceeded that from our web sites, which had a negative impact on our operating margins. The operating margin we realize on revenues generated from ads placed on our Google Network members' web sites through our AdSense program is significantly lower than revenue generated from ads placed on our web sites. This lower operating margin arises because most of the advertiser fees from ads served on Google Network member web sites are shared with our Google Network members, leaving only a portion of these fees for us. However, beginning in the second quarter of 2004, growth in advertising revenues from our web sites has exceeded that from our Google Network members' web sites. We expect that this will continue in the foreseeable future although the relative rate of growth in revenues from our web sites compared to the rate of growth in revenues from our Google Network members' web sites may vary over time.

Our operating margin may decrease as we invest in building the necessary employee and systems infrastructures required to manage our anticipated growth. We have experienced and expect to continue to experience substantial growth in our operations as we invest significantly in our research and development programs, expand our user, advertiser and Google Network member bases and increase our presence in international markets, as well as promote the distribution of our Google toolbar and other products in order to make our services easier to access. This growth has required us to continually hire new personnel and make substantial investments in property and equipment. Our full-time employee headcount has grown from 3,021 at December 31, 2004 to 5,680 at December 31, 2005. Also, we have employed a significant number of temporary employees in the past and expect to continue to do so in the foreseeable future. Our capital expenditures have grown from $319.0 million in 2004 to $838.2 million in 2005. Our investments in property and equipment, including information technology infrastructure and land and buildings, will likely be significantly greater in 2006 compared to 2005. Our capital spending between periods may fluctuate significantly depending on the availability and price of suitable property and equipment. Management of our growth will continue to require the devotion of significant employee and other resources. We may not be able to manage this growth effectively. Finally, investments in our business are generally made with a focus on our long-term operations. Accordingly, there may be little or no linkage between our spending and our revenues in any particular quarter.

Our international revenues have grown as a percentage of our total revenues to 39% in 2005 from 34% in 2004. This increase in the percentage of our revenues derived from international markets results largely from