

Exhibit C

Google sees revenue rise, beats expectations

By Elinor Mills

http://news.com.com/Google+sees+revenue+rise%2C+beats+expectations/2100-1030_3-6063390.html

Story last modified Thu Apr 20 18:46:44 PDT 2006

Google's first-quarter revenue rose nearly 80 percent and, along with an increase in profit, beat analyst expectations as the search giant continued to grow market share, the company said Thursday.

Net income for the quarter ended March 31 was \$592 million, or \$1.95 per share, compared with \$369.2 million, or \$1.29 a share, during the same quarter a year ago. Excluding one-time items, including \$115 million in stock-based compensation, earnings per share were \$2.29.

Listen up

Google sees revenue rise, beats expectations

Google Chief Executive Eric Schmidt tells analyst during a conference call that the company is gaining share.

[Download mp3 \(318K\)](#)

Revenue rose to \$2.25 billion from \$1.26 billion a year earlier. Excluding traffic acquisition costs--or commissions paid to content partners--of \$723 million, revenue was \$1.5 billion. Nearly all Google's revenue comes from advertisements that appear on its search results pages and partner Web sites.

Excluding traffic acquisition costs and stock-based compensation, analysts had been expecting net income of \$1.97 per share and revenue of \$1.4 billion, according to Thomson Financial.

Listen up

Reyes to analysts: There is growth

Google Chief Financial Officer George Reyes tells analysts about growth in ad sales on its sites and content partner sites.

[Download mp3 \(371K\)](#)

Shares of Google rose nearly 8 percent in after-hours trading following the earnings announcement, to \$447.06 a share from a close of \$415 a share.

"We are obviously very happy with our Q1 results," Chief Executive Eric Schmidt told analysts during a conference call. Google has improved its search quality and increased end user traffic, which has boosted its market share, he said.

"Our own internal estimates show we are gaining share in all our key markets," Schmidt said. Meanwhile, local targeted ads and mobile-related search and advertising are expected to contribute to revenue growth in coming quarters, he added.

Google saw increased revenue from ad sales on its own Web site through its AdWords keyword search advertising platform and on publisher partner sites through its AdSense contextual ad platform, said George Reyes, chief financial

"We are also very happy with the continued growth in our Google site revenues, which were up 97 percent over Q1 of '05," Reyes told analysts. "We also benefited from favorable traffic trends during the (first quarter) as well as continued gains in monetization. Our network business also performed well. AdSense revenues grew 59 percent year over year."

Piper Jaffray analyst Safa Rashtchy said the stock rise was due to the "positive tone" from Google executives and the good earnings results.

"I thought it was a very strong quarter, very clean results," he said. "They saw strength across the board, both in the U.S. and internationally, and with (ad) partners and on their own sites. Also, I think they sounded quite positive about the growth potential, both in search from advertisers and market share gains, as well as new areas like mobile, their ad network and GoogleBase."

For the full fiscal year, Google said it expects stock-based compensation charges for grants to employees prior to April 1, 2006, to be \$370 million.

The company had cash of \$8.4 billion at the end of the quarter and 6,790 full-time employees worldwide, up from 5,680 at the end of last year.

Google is gaining market share on its closest rivals, with 42.7 percent share for searches in the U.S. last month, up from 36.4 percent a year ago, according to ComScore Networks. Yahoo had 28 percent market share last month, down from 30.6 percent a year ago, and Microsoft had 13.2 percent, down from 16.5 percent, the figures show.

Nielsen/NetRatings puts Google's U.S. search market share at 49 percent, a 41 percent rise in number of searches year over year.

Google missed earnings expectations last quarter for the first time since going public in 2004, sending its stock into an after-hours fall. The company posted fourth-quarter earnings per share of \$1.22, or \$1.54, excluding one-time items.

Google plans to sell 5.3 million shares in a second follow-on stock offering, which would raise more than \$2 billion based on the company's current stock price.

The search giant's stock jumped nearly 8 percent after the shares were added to the Standard & Poor's 500 Index last month. The stock dropped more than 7 percent in February after Reyes suggested that growth was slowing.

On Tuesday, Yahoo posted first-quarter net income that was down from a year ago on higher stock compensation expenses, but which was in line with analyst expectations.

Google is holding its annual shareholder meeting May 11.