

Google Inc.
Form FWP
October 20, 2008

Google Confidential and Proprietary

1

Transferable Stock Options

Showing You The Money

Filed by Google Inc.

Pursuant to Rule 433 under the Securities Act of 1933

Registration Statement on Form S-3: No 333-142243

2

Google Confidential and Proprietary

About This Material

Google has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents Google has filed with the SEC for more complete information about Google and this offering.

You may get these documents for free by visiting EDGAR on the SEC Web site at www.sec.gov.

Alternatively,

Google

will
arrange
to
send
you
the
prospectus
if
you
request it by calling toll-free 1-866-468-4664 or sending an e-mail
to investors@google.com.

3

Google Confidential and Proprietary

Introduction and Key Takeaways

Google's Equity Philosophy and Practices

Transferable Stock Options

Pulling it All Together

Agenda

4

Google Confidential and Proprietary
Introduction to Today's Conversation

8,000 Googlers have joined us since the Transferable Stock
Option (TSO) program launched

We want Googlers to better understand the value of their
equity and how the TSO program works

We want to provide Googlers an opportunity to ask questions
about our equity practices and the TSO program

WHAT TO WALK AWAY WITH

1.

Equity is a key component of Google's compensation philosophy and a valuable part of our overall compensation package

2.

Google

targets

the

market

90

th

percentile for new hire and ongoing

equity grants

3.

Always consider the TSO program when liquidating options. With TSOs

Googlers have received over \$40M in additional value over non-transferable stock options

5

Google Confidential and Proprietary

Introduction and Key Takeaways

Google's Equity Philosophy and Practices

Compensation Philosophy

Target Market Positioning

Types of Grants

Vehicles We Use

Transferable Stock Options

Pulling it All Together
Agenda

6

Google Confidential and Proprietary

Google's Compensation Philosophy

Google strives to pay Googlers in ways that support three main objectives:

1.

Attract and retain the world's best talent

2.

Support Google's culture of innovation and performance with compensation programs that reward our best performers

3.

Align employee interests with shareholder interests in
the overall success of the company

These three objectives provide the
philosophical underpinning for every Google
compensation program worldwide.

7

Google Confidential and Proprietary

Google's use of equity supports all three philosophical objectives

1.

Attract and retain the world's best talent

2.

Support Google's culture of innovation and performance

3.

Align employee interests
with shareholder
interests in the overall
success of the company

Significant new hire
and annual refresh
grants at all levels

Provide multi-year
incentive payout
COMPENSATION PHILOSOPHY
ROLE OF EQUITY

Performance based
grants

Supports ownership
culture

Award value increases
as stock price increases

8

Google Confidential and Proprietary

Google targets very competitive positioning
in every element of compensation

We aim to provide a highly market competitive compensation
package for each job at Google

90

th

Equity

75

th

Total Target

Cash

75

th

Base

High Tech

Market Percentile

GOOGLE TARGET MARKET POSITIONING

An annual benchmarking process
ensures that our target pay levels
reflect our desired market positioning.

9

Google Confidential and Proprietary

Google makes three types of equity grants

Varies by grant

GSUs

Recognize audacious
accomplishments (e.g.,

Founder's Awards)

Special

Target grant
guidelines determined
by level and location

High performers
modeled to receive
larger grants

Primarily
Options

Refresh Googler's
equity
stake in the company

Reward on-going high
performance
Refresher

Standard grants by
level and locations

GSUs are performance
vested
Value

Options

GSUs

Provide a meaningful
staking
grant to new
employees

Offer competitive packages
to new hires

New Hire

Vehicles*

Purpose

Grant Type

1

2

3

Our grant practices result in overlapping vesting
cycles and significant cascading value for Googlers.

* Options / GSUs

are

not

available

in
all
countries
due
to
local
tax
and
securities
regulations.

10

Google Confidential and Proprietary

Google grants two types of equity

Google Stock Units (GSU) and Stock Options

Our intent is to utilize both vehicles in every country we operate in (subject to local tax and securities laws).

1.

Google Stock Units (GSUs)

GSUs are an agreement to give you a share of Google stock when the unit vests

2.

Stock Options

Stock options are an agreement to let you buy a share of Google stock at a fixed price within a 10-year period, so long as the options have vested and you are a full-time employee

To further enhance the value of our equity programs, Google developed the world's first Transferable Stock Option program.

11

Google Confidential and Proprietary

Introduction and Key Takeaways

Google's Equity Philosophy and Practices

Transferable Stock Options

Pulling it All Together

Agenda

12

Google Confidential and Proprietary

Employees & investors value options differently

Employees, accountants/shareholders and the financial
markets perceive option values differently.

Employees value
what they can
monetize.

We needed a
solution to allow
Googlers to value
options even if

the in the
money
value
was \$0.

13

Google Confidential and Proprietary

so we developed a system to allow

Googlers to sell options like investors

Google developed an online auction with Morgan Stanley
allowing employees to transfer their vested stock options in
real time to other investors

Institutional

investors

will

pay

the
full
fair
value
today
for
the
rights to purchase both the:

Intrinsic value of options (in the money
value), and

Time-value of options (potential future upside)

Bidders submit streaming real-time bids through Morgan
Stanley s auction tool to all eligible stock options at all strike
prices during

Normal market trading hours

Google s open trading windows (closes 1-hour before market
on last day of window)

14

Google Confidential and Proprietary

TSOs

allow Googlers to benefit from both the
intrinsic and time value of an option

INTRINSIC VS TIME VALUE OF OPTION

\$550

\$500

\$450

\$400

\$0

0

6

12

18

24

30

36

Months

TSOs

help the time value of an option
become more tangible to Googlers.

Option granted

at \$450 per

share grant price

However investors are willing to pay a premium for
the 2 years of additional time-value of the option

At vest, intrinsic value

of option is \$0 because

grant price > current

stock price

15

Google Confidential and Proprietary

TSO provide value even when options are underwater

IN-THE-MONEY VS. TSO VALUE OF OPTION

16

Google Confidential and Proprietary

In 1H2008 Googlers received additional value from
TSOs

at a wide range of stock prices

ACTUAL Q1/Q2 2008 TSO TRANSACTIONS*

Options with \$508.01 strike price

* Reflects 847 TSO transactions from 1/1/2008 to 6/30/2008 for options with a \$508.01 strike price.

In less than two years, ~12,000 TSO transactions
have produced \$42.7M in value for Googlers over
the in-the-money
value of their options.

Exercise Price:

\$0
 \$20
 \$40
 \$60
 \$80
 \$100
 \$120
 \$140
 \$160
 \$180
 \$200
 (\$100)
 (\$80)
 (\$60)
 (\$40)
 (\$20)
 \$0
 \$20
 \$40
 \$60
 \$80
 \$100

Non-TSO Value:

Example

Exercise Price = Strike Price

Exercise Price = \$508.00

Non-TSO Value = (\$0.01)

TSO Value = \$115.80

TSO Premium = \$115.81

Example

Underwater Option

Exercise P

Non-TSO

TSO Value = \$84.20

TSO Premium = \$137.21

Example

In the Money Option

Exercise Price = \$600.65

Non-TSO Value = \$92.64

TSO Value = \$179.70

TSO Premium = \$87.06

\$408.01

\$428.01

\$448.01

\$468.01

\$488.01

\$508.01

\$528.01

\$548.01

\$568.01

\$588.01

\$608.01

17

Google Confidential and Proprietary

The On-Line Equity Tool allows Googlers to
view the value of their equity

Available at go/getcomp

18
Google Confidential and Proprietary
Additional TSO Program Information

TSOs
only
transfer
up
to
two
years
of

the
remaining
option
life

At less than 24 months, the option truncates to 18 months

At less than 18 months, the option truncates to 12 months

At less than 12 months, the option truncates to 6 months

At less than 6 months, the option is now only eligible for
traditional exercise

Which options are TSO eligible? Only those that are:

Vested

Granted after Google went public

Nonqualified Stock Options (NSOs)

Granted to non-EMG members

19

Google Confidential and Proprietary

Introduction and Key Takeaways

Google's Equity Philosophy and Practices

Transferable Stock Options

Pulling it All Together

Agenda

20

Google Confidential and Proprietary

Pulling It All Together

WHAT TO WALK AWAY WITH

1.

Equity is a key component of Google's compensation philosophy and a valuable part of our overall compensation package

2.

Google targets the market 90th percentile for new hire and on-going equity grants

3.

Always consider
the TSO program when liquidating options.
With TSOs
Googlers have received over \$40M in additional
value over non-transferable stock options

21

Google Confidential and Proprietary
Any questions?