

## Google Net Hit by Charge, but Ad Sales Are Strong.

By Jessica E. Vascellaro  
The Wall Street Journal

Google Inc. posted a 68% drop in fourth-quarter profit, dragged down in part by its investment in AOL, but sales were strong despite the worsening economy.

Results suggested that Google's search-advertising business and cost-cutting campaign are helping it weather the recession better than other Internet companies.

The Mountain View, Calif., company posted net income of \$382 million, or \$1.21 a share, down from \$1.21 billion, or \$3.79 a share, a year earlier. Revenue rose at an 18% annual rate, down from 31% in the third quarter, to \$5.7 billion, from \$4.83 billion. Profit was hurt by a \$1.1 billion impairment charge on its investments in Time Warner Inc.'s AOL unit and wireless company Clearwire Corp. Google acquired both stakes over the past several years.

Google's results suggest that Internet advertising is holding up relatively well. Google said paid clicks -- a measure of how frequently consumers clicked on its ads -- rose 18% from the fourth quarter of 2007, a sign that consumers are still responding to ads during the down economy.

Shares were up 2%, or \$6.15 a share, at \$312.65 in late trading. The company released results after the close of regular trading. Google shares have slid dramatically in the past year as analysts have reduced their forecasts for the company amid concerns over slower growth and the downturn's impact on Google's search-advertising revenue.

Companies without the buffer of search advertising have been harder hit. Yahoo Inc., which is more exposed to other forms of online advertising, said Thursday that it is freezing salaries for all employees, except in a handful of cases. Yahoo laid off approximately 1,500 workers late last year.

Google acknowledged the "increasingly difficult economic environment" and also unveiled further steps to prop up its business, including a new plan to retain employees. Employees will be able to exchange all or a portion of their existing stock options for the same number of new options, with an exercise price equal to the value of Google shares in early March, when the program is expected to conclude.

Chief Executive Officer Eric Schmidt said in an interview he was satisfied with the steps Google had taken to rein in costs to date, but said the future was cloudy. "We adjusted our spending and model and we did well in Q4 but we don't know how long [the economic downturn] will go on."

Mr. Schmidt also indicated that the company was prepared to cut costs further if necessary. Google hired only 99 full-time employees in the fourth quarter, down from 889 during the same period a year earlier.

Search advertising, Google's main business, is expected to rise 15% this year, and overall online advertising is expected to increase 9%, according to researcher eMarketer.



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An aside for consideration are the the distinct segments within the field of Search Engine Optimization. Clarification and separation

are required in terms of paid search marketing, sponsored search advertising, pay per click, email marketing (spam), and the foundation of strategic internet marketing: Organic Search Engine Optimization (Organic SEO) are also referred to as Natural Search Engine Optimization (Natural SEO).

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### ***Key Organic Search Engine Optimization Facts:***

- Keyword search is the 2nd most popular online activity, rapidly approaching the popularity of email retrieval.
- 90% of all new website visitors are delivered by a major search engine and/or directory.
- 98% of all keyword search activity results are powered by the big 4 search engines: Google, Yahoo, MSN and AOL.
- Keyword search results on Google, Yahoo, MSN and AOL are determined by search engine spiders and/or robot crawlers.
- Recent internet marketing studies confirm that keyword searchers prefer the organic results at a 6 to 1 ratio vs. pay-per-click sponsored search advertising listings.

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