

OC Deal Review

Agenda for June 22, 2009:

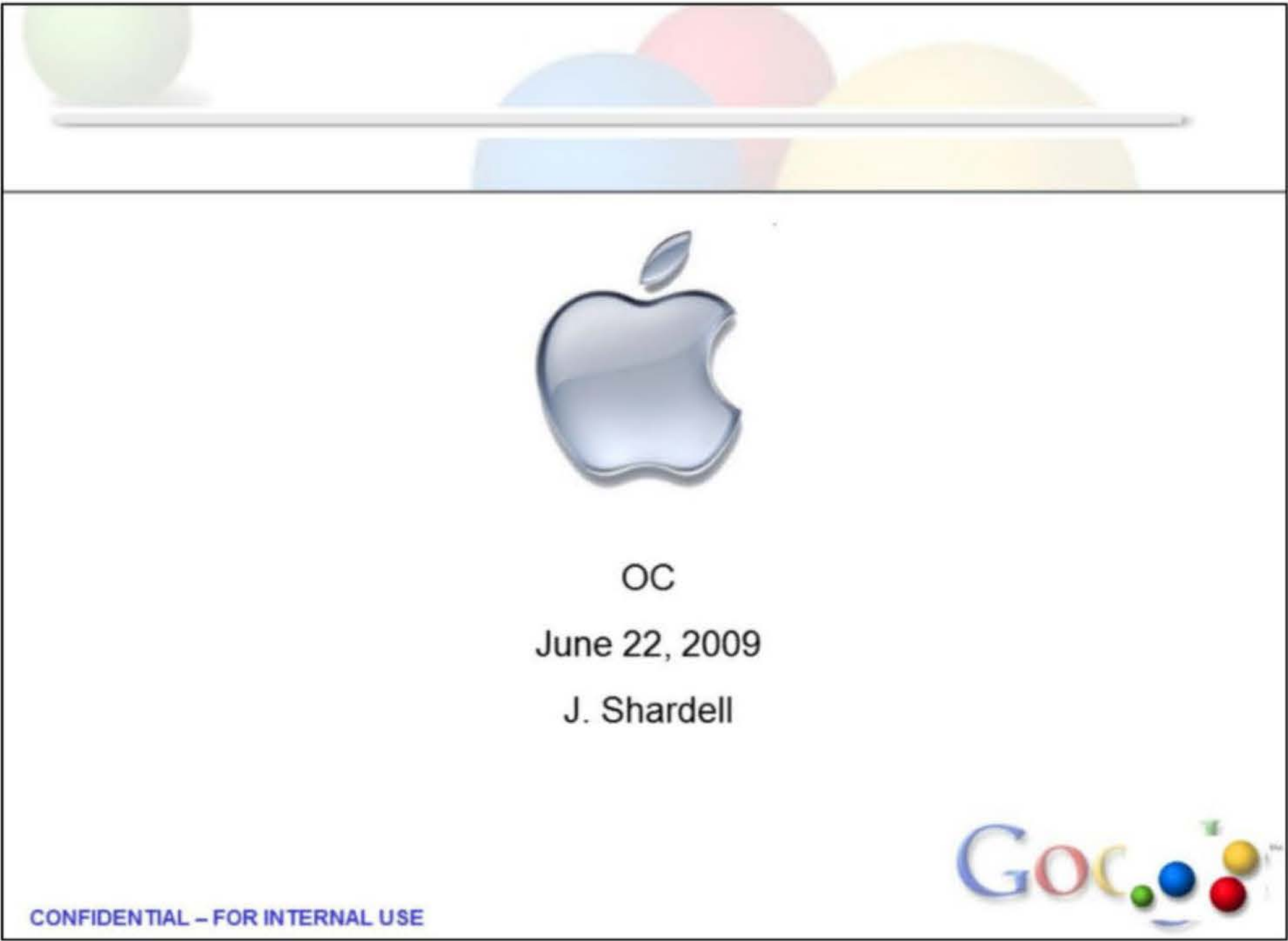
- 1. Apple - Safari Desktop Search (Jeff Shardell)**
2. Celtic - Corp Dev (David Lawee)



Ex. No.

UPX0605

1:20-cv-03010-APM



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Partnership Overview – Apple



- Google is currently Safari browser's default search setting for Mac, Windows and devices
- Redacted revenue share, after Redacted costs
- Mac/Window deal expires on Redacted 2009
- Device deal expires Redacted 2010
- Redacted gross revenue May 08-June 09 on desktop partnership
- Q1 2009 desktop gross revenue = Redacted



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Summary of Executed Deal Terms

Term	Current desktop deal expires ^{Redacted} 09
Product	Google Search
Pricing	<ul style="list-style-type: none"> • ^{Redacted} revenue share, ^{Redacted} operating costs for Safari default search
Exclusivity	<ul style="list-style-type: none"> • Google set as default search provider on Safari chrome for Mac and Windows
Guarantee to Partner	<ul style="list-style-type: none"> • None
Guarantees from Partner	<ul style="list-style-type: none"> • None
Termination/ Other Issues	<ul style="list-style-type: none"> • The mobile deal expires on ^{Redacted} 2010 • Mobile revenue share is ^{Redacted}, after ^{Redacted} costs



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Renewal summary – Google's offer

- Redacted desktop extension (through Redacted 2010)
- Reduction of desktop revenue share to Redacted of net revenue, after Redacted operating costs (from Redacted)
 - A change from Redacted of gross to Redacted of gross



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Renewal summary – Apple’s counter

- Redacted extension (Redacted for desktop and Redacted for devices)
- Existing revenue share unchanged Redacted
- **New Apple Ask:** The option but not the obligation to set Google as the default search provider. Under current terms they get no revenue if we aren't set as default
- **New Apple Ask:** Revenue share when Google is NOT set as the default (see chart below). No rev share under current deal

	Hardware Pre-loaded	Software only
Google set as default	Redacted	
Google NOT set as default		

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Recommendations & Options

Options	Rationale
<ul style="list-style-type: none">● Agree to Apple's terms<ul style="list-style-type: none">○ NOT recommended● Maintain hardware deal "as is"<ul style="list-style-type: none">○ Redacted○ NOT recommended● Adjust existing deal with reduced revenue share terms<ul style="list-style-type: none">○ Redacted● Do not adjust the mobile deal until we get closer to deal expiration<ul style="list-style-type: none">○ Recommended● Are we prepared to walk?	<ul style="list-style-type: none">● The current desktop deal pays AAPL more than 100% of incremental revenue<ul style="list-style-type: none">○ Lower revenue share is justified● Apple's terms attempt to impose a tax on all Google.com revenue through Safari and their devices <div data-bbox="1095 781 1711 847">Issues / Risks</div> <ul style="list-style-type: none">● AAPL could decide to work with an alternate provider for the desktop / Safari search solution 

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Apple Safari – Financial Overview

3rd Party Browsers – Financial Performance

	Revenue (\$M)			Effective TAC %	
	2007	2008	2008 Y/Y	2008	2009 YTD
Mozilla Firefox	Redacted				
Apple Safari					
Opera					
Netscape					

- Apple Deal Terms

- ^{Redacted} Revenue Share after ^{Redacted} deduction for operating cost across three platforms: Safari for Mac, Safari for Windows, and iPhone/iPod

- Desktop contract is up for renewal in ^{Redacted} 09

- Top Countries by Revenue in 2009:

- United States - ^{Redacted}
- United Kingdom - ^{Redacted}
- Germany - ^{Redacted}
- France - ^{Redacted}

- Top Countries by Traffic

- United States - ^{Redacted}
- United Kingdom - ^{Redacted}
- France - ^{Redacted}
- Canada - ^{Redacted}

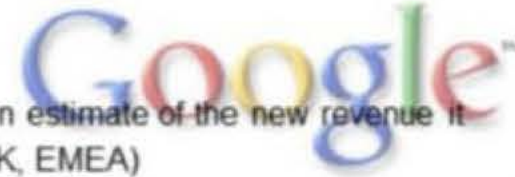


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Apple Safari – Historical Desktop and Mobile performance

	Apple Desktop Partnership (\$M)			Apple Mobile Partnership (\$M)		
	Total Revenue	Payments	Net Revenue	Total Revenue	Payments	Net Revenue
Q308	<h1>Redacted</h1>					
Q408						
Q109						
Q209E						
Last 12 months						
% of google.com						

- Revenue share terms are Redacted for both desktop and mobile
- Desktop estimated Payment/Incremental Revenue₁ > 100%



1 – Payment/Incremental revenue is a measure of the amount Google is paying in relation to an estimate of the new revenue it derives from a partnership; it is a function of search share where CUP data is available (US, UK, EMEA)