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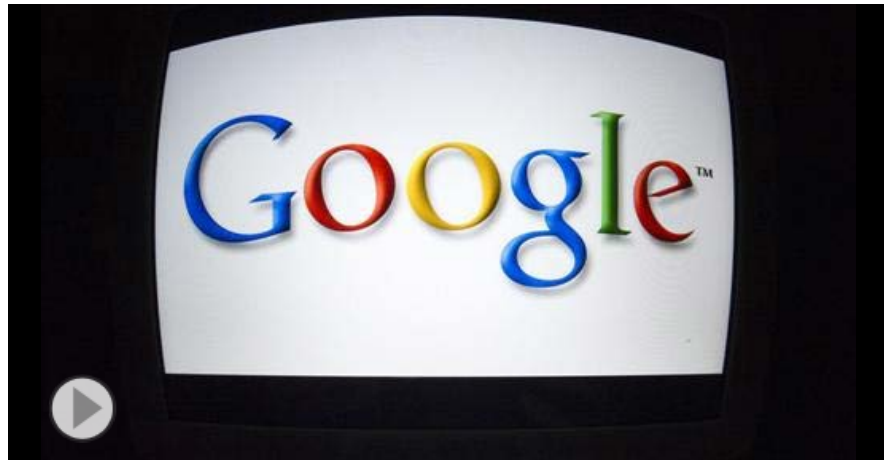
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By AMIR EFRATI



Google on Thursday provided more evidence it is weathering the storm of lower prices for online ads on mobile devices when the Internet giant reported stable revenue for the first quarter. WSJ's Amir Efrati reports. (Photo: Getty Images)

Google Inc. GOOG -0.16% on Thursday provided more evidence it is weathering the storm of lower prices for online ads on mobile devices.

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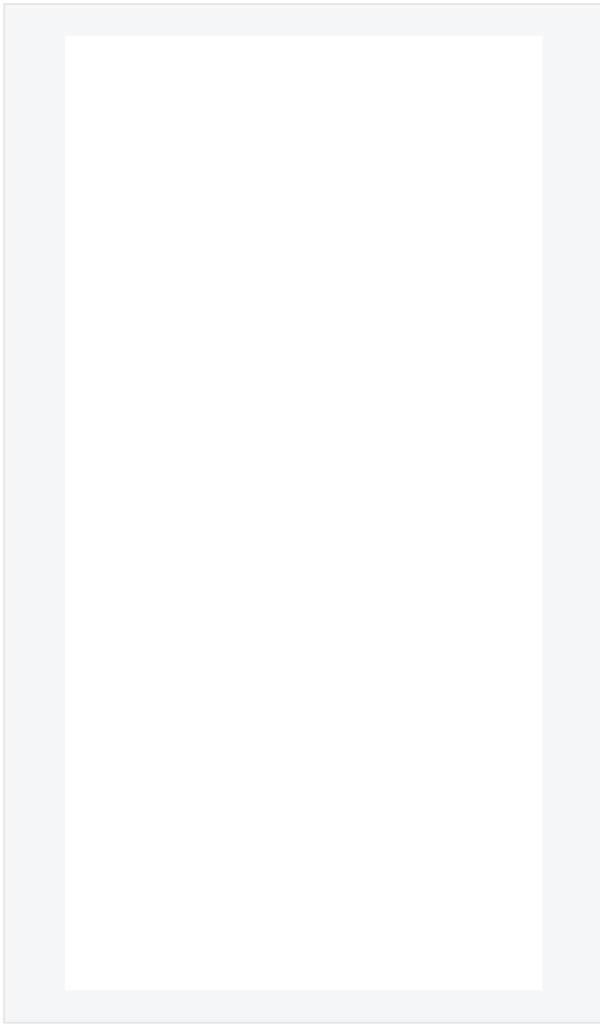
websites and mobile apps continued to drop, but at a lower rate than prior quarters.

The Internet giant posted stable revenue growth in its first quarter as the average price of ads that it sells on

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A growing percentage of activity on Google's Web-search engine is taking



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place through mobile devices, where online ads generally cost less than those on sites accessed by desktop PC users. Now marketers increasingly say that the prices of ads sold by Google for the mobile-device version of its search engine are going up.

For the first quarter, the Mountain View, Calif., company's revenue—excluding its Motorola Mobility hardware unit, which wasn't incorporated into Google until around the middle of last year—

rose 22% to \$12.95 billion from a year earlier and equaled the revenue growth from the fourth quarter. With Motorola, revenue totaled \$13.97 billion, up 31% from a year ago.

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Google also reported a 16% rise in profit to \$3.35 billion.

The average price that advertisers paid when people clicked on ads on Google sites fell 4%, compared to a 6% drop in the fourth quarter. The ad-price drop, which was paired with a 20% rise in the number of times people clicked on Google's ads, was the smallest since the company began

experiencing such declines in the fourth quarter of 2011.

"Investor sentiment is more positive on Google than it's been in at least two years because people are less concerned about mobile [ad prices] being a challenge to Google's economics," among other factors, said Mark Mahaney, an analyst at RBC Capital Markets.

Google's shares rose slightly in after-hours trading after finishing earlier at \$765.91 on the Nasdaq stock market. Shares have risen by more than 8% so far this year, compared to a nearly 5% rise in the Nasdaq Composite.

Google has worked hard to boost mobile-ad prices. It has encouraged its biggest advertisers to create better websites for mobile devices to increase the chances that people who end up on the site after clicking on the companies' ads end up making a purchase.

The company also announced in February that by mid-year, current advertisers using its AdWords online-ad system—Google's primary revenue generator—will be required to pay for ads on tablet devices if they want to advertise on PCs.

Danielle Leitch, an executive at MoreVisibility Inc., which helps companies advertise online, said one client who upgraded to the new Google system ended up paying an average of 10% more for clicks on their ads, while the rate of "conversions," or sales it made to ad clickers, remained about the same.

There is other evidence of rising mobile-ad prices. Resolution Media, which helps manage more than \$500 million of online-ad spending by large advertisers, said that for 70 of its clients, search-ad prices on smartphones in the first quarter were equal to that of tablets and PCs. That's a change from the fourth quarter, when smartphone prices were 30% lower as competition for ad space continued to

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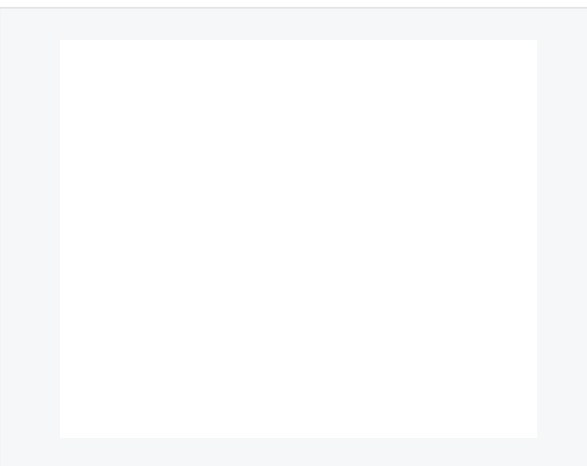
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Google's product-search service, called Google Shopping, which derives traffic from the company's main Web-search engine, also helped counteract the overall ad-price drops.

Last year, Google converted the shopping service, which had been free for retailers, into one where they must pay to be listed. That change could add as much as \$1.6 billion to Google's overall revenue in 2013, said Eric Best, chief executive of Mercent Corp., which helps retailers market their products through Google.

Mr. Best said retailers are spending more for ads tied to Google Shopping because they are performing better than traditional AdWords ads.

Still, Google is increasing its presence in and spending on lower-margin businesses such as Motorola's mobile devices and Google Fiber, an ultra-fast Internet and video service that competes with offerings of incumbent telecommunications companies and will be made available to residents of Kansas City, Mo., Provo, Utah, and Austin, Texas.

In a conference call, Google CEO [Larry Page](#) said that as a company shareholder, "I'm certainly not worried about the expense" of those initiatives because the company will continue to spend 80% of its resources on "our big bets," meaning its core group of successful services, including Web search.

Google has worked to slim down Motorola to make it profitable. In March, Motorola laid off 1,200 employees, or about 10% of its workforce of more than 11,000. That came on top of layoffs of 4,000 employees last year.

On Thursday, Google said Motorola posted a first-quarter operating loss of \$271 million, down from a \$353 million loss in the fourth quarter and a \$527 million loss in the third quarter.

Later this year, the electronics manufacturer, which has a miniscule market share in the mobile-device market, is hoping to reverse its fortunes with the launch of a new flagship smartphone known internally as the "X Phone," people familiar with the matter have said.

"I'm really excited about the potential there," Mr. Page said of Motorola, implying the division's new smartphone would be strong enough to handle being dropped by users, and that its battery life would be long.

Google also is rolling out its Google Glass wearable-computing device to software developers, who will develop apps for the device. Google Glass, which is expected to be sold to the public by the end of the year, is worn on a person's face and allows them to view a computer screen positioned above one of their eyes

"I get chills when I use a product that is the future, and that happens when I use Glass," Mr. Page said.

Overall, Google's first-quarter net income of \$3.35 billion, or \$9.94 a share, was up from \$2.89 billion, or \$8.75 a share, a year earlier.

Google said it had \$50.1 billion in cash and marketable securities at the end of March, up from \$48 billion at the end of 2012. Its head count was flat from three months ago, at nearly 54,000.

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