

Google Inc**S&P Recommendation** **BUY** ★★☆☆☆**Price**
\$449.15 (as of Sep 19, 2008)**12-Mo. Target Price**
\$550.00**Investment Style**
Large-Cap Growth**GICS Sector** Information Technology
Sub-Industry Internet Software & Services**Summary** GOOG, which completed its initial public offering in August 2004, is the world's largest Internet company. It specializes in online search and advertising.**Key Stock Statistics** (Source S&P, Vickers, company reports)

52-Wk Range	\$747.24–406.38	S&P Oper. EPS 2008E	15.88	Market Capitalization(B)	\$141.233	Beta	2.09
Trailing 12-Month EPS	\$15.22	S&P Oper. EPS 2009E	18.85	Yield (%)	Nil	S&P 3-Yr. Proj. EPS CAGR(%)	20
Trailing 12-Month P/E	29.5	P/E on S&P Oper. EPS 2008E	28.3	Dividend Rate/Share	Nil	S&P Credit Rating	NA
\$10K Invested 5 Yrs Ago	NA	Common Shares Outstg. (M)	314.4	Institutional Ownership (%)	60		

Price PerformanceAnalysis prepared by **Scott H. Kessler** on September 09, 2008, when the stock traded at **\$ 418.66**.**Highlights**

- We believe that gross revenues will increase 35% in 2008 and 26% in 2009, with revenues benefiting from higher spending on Internet advertising, the appeal of keyword search advertising, market share gains in some segments, and international expansion. Revenue increases should continue to be paced, in our view, by revenues derived from GOOG's websites. We believe GOOG continues to face revenue and earnings challenges in many of its businesses not centered on its more traditional Internet search offerings.
- We project that annual gross margins will narrow in 2008 and 2009, owing to a less favorable revenue mix that is becoming increasingly tied to large content partners. We expect operating margins to decline in 2008, reflecting continuing aggressive investments for business expansion. We also project interest income to be adversely affected by the DoubleClick purchase and lower interest rates.
- Our EPS estimates include notable expenses related to stock-based compensation. We foresee only moderate growth in diluted outstanding shares through 2009.

Investment Rationale/Risk

- We believe global economic uncertainty, competitive pressures, and concerns about GOOG's size and power could detract from revenue growth. Nonetheless, its business model has demonstrated notable resiliency. We are constructive on efforts to broaden its offerings, especially with Web applications (Apps) and mobile services, but believe it has in some cases paid excessive prices to do so. In November 2006, GOOG acquired YouTube for \$1.8 billion in stock, and in March 2008 it purchased DoubleClick for \$3.2 billion.
- Risks to our opinion and target price include possible market share losses, new product or service introductions or partnerships that do not succeed as some expect, and challenges related to legal/regulatory issues.
- Our DCF model includes assumptions of a WACC of 11.0%, five-year average annual growth of 28%, and a perpetuity growth rate of 3%, and yields an intrinsic value of roughly \$570. P/E and P/E-to-growth comparisons to peers results in a price of about \$530. Weighting these considerations results in our 12-month target price of \$550.

Qualitative Risk Assessment

LOW	MEDIUM	HIGH
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Our risk assessment reflects what we see as the Internet segment's emerging nature and relatively low barriers to entry, significant and mounting competition, substantial and increasing investment and related new offerings, our view of somewhat lacking corporate governance practices, and notable share-price volatility.

Quantitative Evaluations

S&P Quality Ranking	NR
D C B- B B+ A- A A+	

Relative Strength Rank	MODERATE
46	
LOWEST = 1	HIGHEST = 99

Revenue/Earnings Data

Revenue (Million \$)					
	1Q	2Q	3Q	4Q	Year
2008	5,186	5,367	--	--	--
2007	3,664	3,872	4,231	4,827	16,594
2006	2,254	2,456	2,690	3,206	10,605
2005	1,257	1,385	1,578	1,919	6,139
2004	651.6	700.2	805.9	1,032	3,189
2003	248.6	311.2	393.9	512.2	1,466

Earnings Per Share (\$)

2008	4.12	3.91	E3.71	E4.13	E15.88
2007	3.18	2.93	3.38	3.79	13.29
2006	1.95	2.33	2.36	3.29	9.94
2005	1.29	1.19	1.32	1.22	5.02
2004	0.24	0.30	0.19	0.71	1.46
2003	--	--	--	--	0.51

Fiscal year ended Dec. 31. Next earnings report expected: Late October. EPS Estimates based on S&P Operating Earnings; historical GAAP earnings are as reported.

Dividend Data

No cash dividends have been paid.

Google Inc

Business Summary September 09, 2008

CORPORATE OVERVIEW. Google is a global technology company whose stated mission is to organize the world's information and make it universally accessible and useful. GOOG has amassed and maintains what we believe is the Internet's largest index of information (consisting of billions of items, including Web pages, images and videos), and makes most of it freely accessible and usable to anyone with online access. GOOG's websites are a leading Internet destination, and its brand is one of the most recognized in the world. International sources contributed 52% of revenues in the 2008 second quarter, versus 48% in the prior-year period.

GOOG's advertising program, called AdWords, enables advertisers to present online ads when users are searching for related information. Advertisers employ GOOG's tools to create text-based ads, bid on keywords that trigger display of their ads, and set daily spending budgets. Ads are ranked for presentation based on the maximum cost per click set by the advertiser, click-through rates, and other factors used to determine ad relevance. This process is designed to favor the most relevant ads. GOOG's AdSense technology enables Google Network websites to provide targeted ads from AdWords advertisers.

Advertising accounted for 97% of revenues in the second quarter of 2008 and 99% in the second quarter of 2007. Google websites accounted for 66% of 2008 second-quarter revenues and 64% of the prior year period's revenues. Google Network websites contributed 31% of 2008 second-quarter revenues and 35% in the 2008 quarter.

CORPORATE STRATEGY. The word Google has become synonymous with the Internet search category. We believe this reflects GOOG's historically strong focus on the search segment, and the company's related market share leadership in many countries around the world, including the U.S. GOOG has been expanding its efforts beyond the traditional online search category. In recent years, it introduced an e-mail service (Gmail), traditional and satellite mapping offerings (Google Maps and Google Earth), an instant messaging service (Google Talk), a digital online database largely used for classified ads (Google Base), a video service that provides free and pay-per-download content (Google Video), a finance offering (Google Finance), a payment service (Google Checkout), a personalized portal offering (iGoogle), and a mobile Internet software platform (Android). We believe these initiatives have been intended to broaden GOOG's advertising reach, and to increasingly attract user activity and registrations.

COMPETITIVE LANDSCAPE. According to comScore and Nielsen//NetRatings, GOOG's leading competitors in the search segment include Yahoo (YHOO: buy, \$18), Microsoft (MSFT: buy, \$26), and Ask.com (formerly Ask Jeeves), which is owned by IAC/InterActiveCorp. (IACID: buy, \$17). Since late 2005, GOOG renewed its search partnership with the AOL unit of Time Warner (TWX; hold, \$15), and signed major distribution deals with Dell (DELL: hold, \$19), eBay (EBAY: strong buy, \$23), and News Corp.'s (NWS: buy, \$14) MySpace. We believe competition in the search category will continue to be intense. In our view, YHOO is investing aggressively in the area and has been deploying major enhancements, MSFT is keenly focused on the area, and Ask.com has been innovating notably. In November 2007, Ask.com announced that it renewed its partnership with GOOG for five additional years in a deal valued at \$3.5 billion.

FINANCIAL TRENDS. The company has a limited operating history, particularly as a publicly traded company (its IPO was completed in August 2004). In our view, GOOG's historical annual operating margins (of between 30% and 40%) and net margins (between 25% and 35%) have been quite robust. However, we expect these margins to narrow over time as GOOG becomes increasingly reliant on large content partners, invests to bolster its Internet search offerings, and endeavors to diversify into new businesses. We also expect greater competition to negatively affect the company's pricing.

Capital expenditures increased from \$37 million in 2002 to \$838 million in 2005, and they more than doubled in 2006, reflecting notable plans for expansion (hiring people, securing facilities) and investment (technology infrastructure, including hardware and telecommunications capacity). They increased 26% in 2007, and we see gains going forward of 23% in 2008 and 19% in 2009.

Corporate Information

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E.E. Schmidt

SVP, Secy & General Counsel

D.C. Drummond

COO

U. Holzle

CTO

S. Brin

SVP & CFO

P. Pichette

Board Members

S. Brin
J. Doerr
J. L. Hennessy
A. D. Levinson
A. Mather
P. S. Otellini
L. Page
E. E. Schmidt
R. R. Shriram
S. M. Tilghman

Employees

16,805

Stockholders

2,776

Google Inc**Quantitative Evaluations**

S&P Fair Value Rank	5	1 2 3 4 5		
	LOWEST	HIGHEST		
	Based on S&P's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).			
Fair Value Calculation	\$496.00	Analysis of the stock's current worth, based on S&P's proprietary quantitative model suggests that GOOG is slightly undervalued by \$46.85 or 10.4%.		
Investability Quotient Percentile		85		
	LOWEST = 1	HIGHEST = 100		
	GOOG scored higher than 85% of all companies for which an S&P Report is available.			
Volatility	LOW	AVERAGE	HIGH	
Technical Evaluation	BEARISH	Since June, 2008, the technical indicators for GOOG have been BEARISH.		
Insider Activity	NA	UNFAVORABLE	NEUTRAL	FAVORABLE

Expanded Ratio Analysis

	2007	2006	2005	2004
Price/Sales	13.18	13.44	19.73	16.49
Price/EBITDA	36.13	40.15	53.25	54.23
Price/Pretax Income	38.54	35.54	56.54	80.88
P/E Ratio	52.01	46.32	82.63	NM
Avg. Diluted Shares Outstg (M)	316.2	309.5	291.9	272.8

Figures based on calendar year-end price

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	56.47	73.23	NM	NA
Net Income	36.61	NM	NM	NA
Ratio Analysis (Annual Avg.)				
Net Margin (%)	25.33	26.08	19.59	NM
% LT Debt to Capitalization	Nil	Nil	Nil	NA
Return on Equity (%)	21.10	22.70	24.49	NA

Company Financials Fiscal Year Ended Dec. 31

Per Share Data (\$)	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Tangible Book Value	63.67	49.02	31.20	10.25	7.66	NA	NA	NA	NA	NA
Cash Flow	16.36	11.79	5.90	1.93	0.75	NA	NA	NA	NA	NA
Earnings	13.29	9.94	5.02	1.46	0.51	0.45	0.04	-0.22	-0.14	NA
S&P Core Earnings	13.18	9.92	4.68	1.85	0.40	0.44	NA	NA	NA	NA
Dividends	Nil	Nil	Nil	Nil	NA	NA	NA	NA	NA	NA
Payout Ratio	Nil	Nil	Nil	Nil	NA	NA	NA	NA	NA	NA
Prices:High	747.24	513.00	446.21	201.60	NA	NA	NA	NA	NA	NA
Prices:Low	437.00	331.55	172.57	85.00	NA	NA	NA	NA	NA	NA
P/E Ratio:High	56	52	89	NM	NA	NA	NA	NA	NA	NA
P/E Ratio:Low	33	33	34	NM	NA	NA	NA	NA	NA	NA
Income Statement Analysis (Million \$)										
Revenue	16,594	10,605	6,139	3,189	1,466	440	86.4	19.1	0.22	NA
Operating Income	6,052	3,550	2,274	970	393	204	21.0	NA	NA	NA
Depreciation	968	572	257	129	50.2	18.0	10.0	NA	NA	NA
Interest Expense	1.30	0.26	0.78	0.86	1.93	2.57	1.76	NA	NA	NA
Pretax Income	5,674	4,011	2,142	650	347	185	10.1	-14.7	-6.08	NA
Effective Tax Rate	26.0%	23.3%	31.6%	38.6%	69.5%	46.1%	30.6%	Nil	Nil	NA
Net Income	4,204	3,077	1,465	399	106	99.7	6.99	-14.7	-6.08	NA
S&P Core Earnings	4,170	3,071	1,366	503	103	97.4	NA	NA	NA	NA
Balance Sheet & Other Financial Data (Million \$)										
Cash	14,219	11,244	8,034	2,132	1,712	146	33.6	19.1	20.0	NA
Current Assets	17,289	13,040	9,001	2,693	NA	232	NA	NA	NA	NA
Total Assets	25,336	18,473	10,272	3,313	2,492	286	84.5	46.9	25.8	NA
Current Liabilities	2,036	1,305	745	340	NA	89.5	NA	NA	NA	NA
Long Term Debt	Nil	Nil	Nil	Nil	NA	6.50	NA	NA	NA	NA
Common Equity	22,690	17,040	9,419	2,929	2,181	130	NA	NA	NA	NA
Total Capital	22,690	17,080	9,454	2,929	NA	178	50.2	27.2	20.0	NA
Capital Expenditures	2,403	1,903	838	319	177	37.2	13.1	NA	NA	NA
Cash Flow	5,172	3,649	1,722	528	156	118	17.0	NA	NA	NA
Current Ratio	8.5	10.0	12.1	7.9	2.4	2.6	NA	NA	NA	NA
% Long Term Debt of Capitalization	Nil	Nil	Nil	Nil	3.7	Nil	NA	NA	NA	NA
% Net Income of Revenue	25.3	29.0	23.9	12.5	7.2	22.7	8.1	NM	NM	NA
% Return on Assets	19.1	21.4	21.6	19.1	18.2	NA	NA	NA	NA	NA
% Return on Equity	21.1	23.3	23.7	23.0	31.4	NA	NA	NA	NA	NA

Data as orig rptd.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs.; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

Google Inc**Sub-Industry Outlook**

We have a neutral fundamental outlook on the Internet Software & Services sub-industry. Although we believe that growth opportunities are considerable for this sub-industry and its companies, we think competition is significant and increasing with online bellwethers, traditional companies, and Internet start-ups all trying to establish or increase market share. As a result, we think aggressive associated investment by the sub-industry's constituents is somewhat restraining upside to their financial results and guidance. Moreover, we believe the macroeconomic backdrop in the U.S. and around the world is largely unfavorable for these companies.

Standard & Poor's estimates that U.S. online advertising revenues will rise 18% in 2008 and 15% in 2009. We believe the U.S. accounts for more than half of this market. We are seeing corporations commit larger percentages of advertising budgets to the Internet, as people spend more time online. Moreover, Internet marketing offers notable targeting and data-focused return-on-investment capabilities. We see online video as a burgeoning new opportunity.

We estimate that U.S. online retail sales will increase 15% in 2008 and 13% in 2009. We believe users are attracted to Internet retail offerings in large part due to factors that include a generally substantial selection of products, 24/7/365 store access and associated convenience of home delivery, and a compelling value proposition. According to Forrester Research, an independent technology and market research company, improving multichannel initiatives, better merchandising, more customized offerings, and increasingly sophisticated marketing efforts should help drive considerable segment growth until at least 2010.

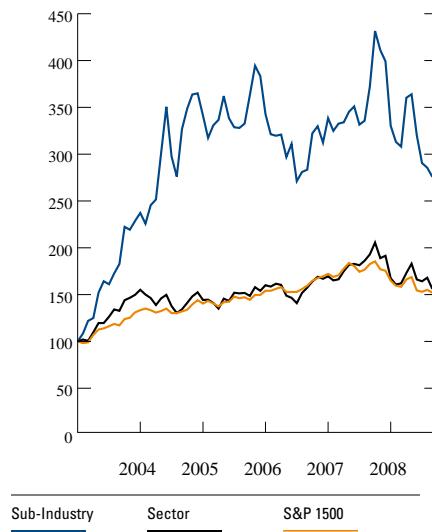
Year to date through August 22, the Internet Software & Services index fell 25.7%, versus a 11.1% decline in the S&P 1500. In 2007, the index gained 27.8%, versus a 3.6% rise for the 1500.

--Scott Kessler

Stock Performance

GICS Sector: Information Technology
Sub-Industry: Internet Software & Services

Based on S&P 1500 Indexes
Month-end Price Performance as of 08/29/08



NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

Sub-Industry : Internet Software & Services Peer Group*: Internet Content - General

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. \$)	Recent Stock Price(\$)	52 Week High/Low(\$)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.(\$)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
Google Inc'A'	GOOG	141,233	449.15	747.24/406.38	2.08	Nil	30	496.00	NR	85	25.3	NA
Baidu.com Inc ADS	BIDU	7,331	289.75	429.19/201.15	2.60	Nil	NM	NA	NR	78	NA	0.5
InfoSpace Inc	INSP	401	11.60	20.75/8.05	1.43	Nil	9	NA	B-	84	NM	NA
Knot Inc	KNOT	321	10.00	23.31/6.58	1.48	Nil	38	9.00	B-	78	12.0	NA
LookSmart Ltd(New)	LOOK	49	2.87	4.80/2.16	1.15	Nil	7	2.90	NR	35	5.4	NA
Netease.com Inc ADS	NTES	3,143	24.59	27.16/16.23	0.39	Nil	30	30.40	NR	55	57.4	21.2
PlanetOut Inc	LGBT	11	2.63	13.50/1.65	1.50	Nil	NM	NA	NR	1	NM	3.8
Rediff.com India ADS	REDF	283	4.84	20.13/4.18	1.60	Nil	48	NA	NR	40	6.5	NA
Sina Corp	SINA	2,385	41.88	59.27/32.00	2.22	Nil	33	56.60	NR	80	23.4	NA
Sohu.com Inc	SOHU	2,500	65.13	91.50/35.75	2.37	Nil	29	114.90	NR	82	18.5	NA
Yahoo Inc	YHOO	27,563	19.89	34.08/17.25	1.22	Nil	28	15.60	B	84	9.5	NA

NA-Not Available NM-Not Meaningful NR-Not Rated. *For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

Google Inc

S&P Analyst Research Notes and other Company News

September 9, 2008

UP 4.35 to 424.30... Stifel Nicolaus sees anti-trust challenge to GOOGLE (GOOG)-YAHOO (YHOO) search deal as likely. Reiterates buy on GOOG. GOOG unavailable....

September 9, 2008

02:54 pm ET ... GOOGLE INC. (GOOG 424.82) UP 4.87, STIFEL REITERATES BUY ON GOOGLE (GOOG)... Analyst George Askew notes WSJ's report US Justice Dept hired prominent litigator Sanford Litvack to review evidence, possibly build anti-trust case against GOOG regarding its search-advertising outsourcing partnership with YAHOO. Also notes objections cited in letter to Justice Dept from Assoc. of National Advertisers (ANA) stating concerns partnership will likely diminish competition. Believes this one-two punch suggests GOOG-YHOO partnership likely will be challenged by Justice Dept. But does not believe partnership material to GOOG financially; however, strategically it keeps YHOO away from former suitor MSFT, which is key goal of Google. Reiterates buy, \$600 tgt./B.Brodie

September 9, 2008

02:49 pm ET ... S&P UPGRADES OPINION ON SHARES OF GOOGLE INC. TO BUY FROM HOLD, ON VALUATION (GOOG 423.56****): Based on weakened international economies and a firmer dollar, we are cutting our '08 EPS estimate to \$15.88 from \$15.94 and '09's to \$18.85 from \$19.21, and setting '10's at \$22.86. However, our DCF-driven 12-month target price remains \$550. We think GOOG will remain the leader in search services and ads and we are optimistic about some other areas, including Apps and mobile. We believe GOOG's large size contributes to growth, execution and legal challenges, and we note some recent investments/acquisitions yielded only mixed results. But we see GOOG as oversold and attractive. /S.Kessler

September 8, 2008

09:43 am ET ... S&P REITERATES BUY OPINION ON SHARES OF YAHOO INC. (YHOO 18.1****): The Association of National Advertisers announces it sent a letter to the Justice Department with objections to the proposed Google (GOOG 450.0***)/YHOO search advertising partnership. The ANA posits the alliance would control 90% of search advertising inventory and reduce competition and choices. We have been concerned about these issues, despite company assurances about the openness and flexibility of the proposed system. Nonetheless, we see value in YHOO and are encouraged by enhanced distribution deals recently announced with AT&T (T 32.2*****) and Verizon (VZ 34.7****). /S.Kessler

September 2, 2008

UP 13.60 to 476.89... GOOG announces beta launch of its own web browser, Google Chrome. Also announces a new video application, Google Video. S&P reiterates hold....

September 2, 2008

09:43 am ET ... S&P REITERATES HOLD OPINION ON SHARES OF GOOGLE INC. (GOOG 478.68***): GOOG announces Google Chrome, a new browser. Beta release is set for today in more than 100 countries. Chrome has been designed to better handle the world of Web applications and its priorities are centered on what we are calling the "Six Ss," namely stability, speed, security, simplicity, open source, and scalability. We have not yet tested Chrome, but we had thought GOOG would eventually pursue a browser product to help protect its search market share and improve usability and functionality for its growing stable of offerings. We see this news as a modest positive for GOOG. /S.Kessler

August 22, 2008

Up 5.46 to 491.99... WSJ reports that VERIZON is near a deal with GOOGLE on a wide-ranging partnership that would see GOOG become the default search provider on VZ devices. S&P reiterates hold on GOOG....

August 22, 2008

09:08 am ET ... S&P REITERATES HOLD OPINION ON SHARES OF GOOGLE INC. (GOOG 486.53***): Today's WSJ includes an unconfirmed story indicating that GOOG is negotiating to become the preferred mobile search provider on Verizon (VZ 34.57****) wireless devices. We think such a relationship would potentially be a material positive for GOOG, as it pursues market share and growth in a

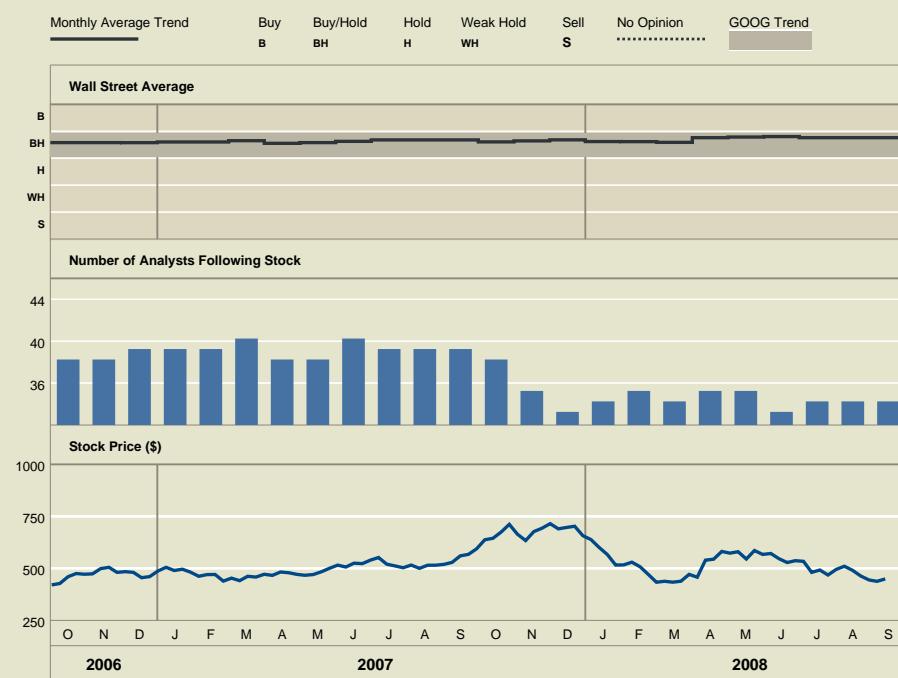
category that Chairman and CEO Eric Schmidt recently described as possibly a bigger opportunity than the more traditional Internet, due largely to the number of mobile handset and devices worldwide. Nonetheless, we think GOOG would have to make certain concessions to win such business. /S.Kessler

August 4, 2008

Google Inc. is planning to start its own venture capital investing unit. The company has hired Web hosting entrepreneur William Maris to help set up the business. David Drummond, its senior vice president of corporate development and chief legal officer, would lead the unit.

July 28, 2008

Google Inc. has recruited Bell Canada's President of Operations, Patrick Pichette to become Google's senior vice president and CFO. Pichette, who moves over to Google as of August 1, 2008, formally takes responsibility for the CFO job on August 12, 2008.

Google Inc**Analysts' Recommendations**

Of the total 36 companies following GOOG, 34 analysts currently publish recommendations.

	No. of Ratings	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	14	41	13	13
Buy/Hold	18	53	17	17
Hold	2	6	4	3
Weak Hold	0	0	0	0
Sell	0	0	0	0
No Opinion	0	0	0	0
Total	34	100	34	33

Wall Street Consensus Estimates

A company's earnings outlook plays a major part in any investment decision. Standard & Poor's organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years. This graph shows the trend in analyst estimates over the past 15 months.

Wall Street Consensus Opinion**BUY/HOLD****Companies Offering Coverage**

Over 30 firms follow this stock; not all firms are displayed.

American Technology Research

Argus Research Corp.

Atlantic Equities

Banc of America Securities LLC

C. E. Unterberg, Towbin

Canaccord Capital

Cantor Fitzgerald

Cowen & Co.

Deutsche Bank

First Global Stockbroking Ltd.

Global Equities Research

Goldman Sachs & Co.

Harris Nesbitt

JP Morgan Securities

Jackson Securities

Jefferies & Company

Kaufman Bros.

Lehman Brothers, Inc.

Merrill Lynch Research

Morgan Stanley & Company

Needham & Co.

Oppenheimer

Pacific Crest Securities

Piper Jaffray

RBC Capital Markets (US)

Sanford C Bernstein & Co., Inc.

Smith Barney

Soleil - Media Metrics

Stanford Financial Group

Stifel Nicolaus & Co.

Wall Street Consensus vs. Performance

For fiscal year 2008, analysts estimate that GOOG will earn \$19.58. For the 2nd quarter of fiscal year 2008, GOOG announced earnings per share of \$3.91, representing 20% of the total annual estimate. For fiscal year 2009, analysts estimate that GOOG's earnings per share will grow by 22% to \$23.93.

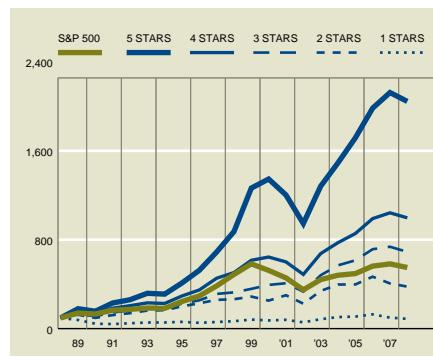
Google Inc

Glossary

S&P STARS

Since January 1, 1987, Standard and Poor's Equity Research Services has ranked a universe of common stocks based on a given stock's potential for future performance. Under proprietary STARS (STock Appreciation Ranking System), S&P equity analysts rank stocks according to their individual forecast of a stock's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350 Index or S&P 500 Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective.

STARS Average Annual Performance



S&P 12-Month Target Price

The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics.

Investment Style Classification

Characterizes the stock as Growth or Value, and indicates its capitalization level. Growth is evaluated along three dimensions (earnings, sales and internal growth), while Value is evaluated along four dimensions (book-to-price, cash flow-to-price, dividend yield and sale-to-price). Growth stocks score higher than the market average on growth dimensions and lower on value dimensions. The reverse is true for Value stocks. Certain stocks are classified as Blend, indicating a mixture of growth and value characteristics and cannot be classified as purely growth or value.

Qualitative Risk Assessment

The S&P equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the S&P U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices.

Quantitative Evaluations

In contrast to our qualitative STARS recommendations, which are assigned by S&P analysts, the quantitative evaluations described below are derived from proprietary arithmetic models. These computer-driven evaluations may at times contradict an analyst's qualitative assessment of a stock. One primary reason for this is that different measures are used to determine each. For instance, when designating STARS, S&P analysts assess many factors that cannot be reflected in a model, such as risks and opportunities, management changes, recent competitive shifts, patent expiration, litigation risk, etc.

S&P Quality Ranking

Growth and stability of earnings and dividends are deemed key elements in establishing S&P's Quality Rankings for common stocks, which are designed to capsulize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Below Average
A	High	B-	Lower
A-	Above Average	C	Lowest
B+	Average	D	In Reorganization
NR	Not Ranked		

S&P Fair Value Rank

Using S&P's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process. A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stocks with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; 4-Stock is moderately undervalued; 3-Stock is fairly valued; 2-Stock is modestly overvalued; 1-Stock is significantly overvalued.

S&P Fair Value Calculation

The price at which a stock should trade at, according to S&P's proprietary quantitative model that incorporates both actual and estimated variables (as opposed to only actual variables in the case of S&P Quality Ranking). Relying heavily on a company's actual return on equity, the S&P Fair Value model places a value on a security based on placing a formula-derived price-to-book multiple on a company's consensus earnings per share estimate.

Insider Activity

Gives an insight as to insider sentiment by showing whether directors, officers and key employees who have proprietary information not available to the general public, are buying or selling the company's stock during the most recent six months.

Funds From Operations FFO

FFO is Funds from Operations and equal to a REIT's net income, excluding gains or losses from sales of property, plus real estate depreciation.

Investability Quotient (IQ)

The IQ is a measure of investment desirability. It serves as an indicator of potential medium-to-long term return and as a caution against downside risk. The measure takes into account variables such as technical indicators, earnings estimates, liquidity, financial ratios and selected S&P proprietary measures.

S&P's IQ Rationale:

Google Inc 'A'

	Raw Score	Max Value
Proprietary S&P Measures	8	115
Technical Indicators	23	40
Liquidity/Volatility Measures	20	20
Quantitative Measures	69	75
IQ Total	120	250

Volatility

Rates the volatility of the stock's price over the past year.

Technical Evaluation

In researching the past market history of prices and trading volume for each company, S&P's computer models apply special technical methods and formulas to identify and project price trends for the stock.

Relative Strength Rank

Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P's universe on a rolling 13-week basis.

Global Industry Classification Standard (GICS)

An industry classification standard, developed by Standard & Poor's in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups, 67 Industries, and 147 Sub-Industries.

S&P Issuer Credit Rating

A Standard & Poor's Issuer Credit Rating is a current opinion of an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. In addition, it does not take into account the creditworthiness of the guarantors, insurers, or other forms of credit enhancement on the obligation. The Issuer Credit Rating is not a recommendation to purchase, sell, or hold a financial obligation issued by an obligor, as it does not comment on market price or suitability for a particular investor. Issuer Credit Ratings are based on current information furnished by obligors or obtained by Standard & Poor's from other sources it considers reliable. Standard & Poor's does not perform an audit in connection with any Issuer Credit Rating and may, on occasion, rely on unaudited financial information. Issuer Credit Ratings may be changed, suspended, or withdrawn as a result of changes in, or unavailability of, such information, or based on other circumstances.

Exchange Type

ASE - American Stock Exchange; NNM - Nasdaq National Market; NSC - Nasdaq SmallCap; NYSE - New York Stock Exchange; BB - OTC Bulletin Board; OT - Over-the-Counter; TO - Toronto Stock Exchange.

S&P Equity Research Services

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Google Inc

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In Europe: As of June 30, 2008, research analysts at Standard & Poor's Equity Research Services Europe have recommended 42.5% of issuers with buy recommendations, 37.9% with hold recommendations and 19.6% with sell recommendations.

In Asia: As of June 30, 2008, research analysts at Standard & Poor's Equity Research Services Asia have recommended 48.6% of issuers with buy recommendations, 44.2% with hold recommendations and 7.2% with sell recommendations.

Globally: As of June 30, 2008, research analysts at Standard & Poor's Equity Research Services globally have recommended 34.3% of issuers with buy recommendations, 55.6% with hold recommendations and 10.1% with sell recommendations.

★★★★★ 5-STARS (Strong Buy): Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★★ 4-STARS (Buy): Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

★★★★★ 3-STARS (Hold): Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

★★★★★ 2-STARS (Sell): Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.

★★★★★ 1-STARS (Strong Sell): Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks: In North America the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are generally the S&P Europe 350 Index and the S&P Asia 50 Index.

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For residents of Malaysia, all queries in relation to this report should be referred to Alexander Chia, Desmond Ch'ng, or Ching Wah Tam.

This investment analysis was prepared from the following sources: S&P MarketScope, S&P Compustat, S&P Industry Reports, I/B/E/S International, Inc.; Standard & Poor's, 55 Water St., New York, NY 10041.