We project that gross margins will narrow in 2007 and 2008, owing to a less favorable revenue mix that is becoming increasingly tied to large content partners. We expect operating margins to be stable, reflecting notable revenue growth and continuing aggressive investments in, and acquisitions of, businesses and companies.

We project that gross margins will narrow in 2007 and 2008, owing to a less favorable revenue mix that is becoming increasingly tied to large content partners. We expect operating margins to be stable, reflecting notable revenue growth and continuing aggressive investments for business expansion.

We believe EPS will benefit from lower effective tax rates in 2007 and 2008. Our EPS estimates include notable projected stock option expenses.

We believe competitive pressures and broader concerns about GOOG’s power could detract from revenue growth. However, we are constructive on GOOG’s efforts to broaden its offering in Internet video and display advertising, but believe it is paying excessive prices to do so. In November 2006, GOOG acquired YouTube for $1.8 billion in stock, and in April 2007, the company announced the proposed purchase of DoubleClick for $3.1 billion (we foresee deal consummation possibly by year-end, pending approvals).

Risks to our opinion and target price include possible market share losses, new product/service introductions or partnerships that do not succeed as some expect, and challenges related to more legal and regulatory issues.

Our relative P/E analysis leads to a value of around $480. Comparable PEG considerations result in a price assessment of about $725. Our DCF model (assumptions include a WACC of 11.5%, and five-year average annual growth of 29%) yields an intrinsic value of roughly $360. Using a blend of these methodologies, our 12-month target price is $525.
**Business Summary**

**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 Web sites are a leading Internet destination, and its brand is one of the most recognized in the world. International sources contributed 48% of revenues in the 2007 second quarter, versus 42% 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 Web sites to provide targeted ads from AdWords advertisers.

Advertising accounted for 98% of revenues in the second quarters of both 2007 and 2006. Google Web sites accounted for 64% of 2007 second quarter revenues and 58% of the prior year period’s revenues. Google Network Web sites contributed 35% of 2007 second quarter revenues and 41% in the 2006 quarter. Forrester Research projects that marketing spending for U.S. online search will increase from $8.3 billion in 2007 to $11.6 billion in 2010 (average annual growth of 13%).

**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 a comparison shopping Web site (Froogle, which was renamed Google Product Search), a payment service (Google Checkout), 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), and a payment service (Google Checkout). 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: hold, $23), Microsoft (MSFT: strong buy, $31), and Ask.com (formerly Ask Jeeves), which is owned by IAC/InterActiveCorp. (IACI: buy, $31). Since late 2005, GOOG renewed its search partnership with the AOL unit of Time Warner (TWX; hold, $20), and signed major distribution deals with Dell (DELL; hold, $29), eBay (EBAY; buy, $34), and MySpace (NWS: buy, $24). 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. Ask also has an important partnership with GOOG that is set to expire at the end of 2007.

**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 20% and 30%) 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). We see moderating gains going forward, of 50% in 2007 and 35% in 2008.
### Quantitative Evaluations

**S&P Fair Value Rank**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>LOWEST</td>
</tr>
<tr>
<td>2</td>
<td>LOWEST+1</td>
</tr>
<tr>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>5</td>
<td>HIGHEST</td>
</tr>
</tbody>
</table>

Based on S&P’s proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).

**Fair Value Calculation**

S&P 552.10

Analysis of the stock’s current worth, based on S&P’s proprietary quantitative model suggests that GOOG is slightly undervalued by $92.00 or 16.4%.

**Investability Quotient**

<table>
<thead>
<tr>
<th>Percentile</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>LOWEST</td>
</tr>
<tr>
<td>100</td>
<td>HIGHEST</td>
</tr>
</tbody>
</table>

GOOG scored higher than 86% of all companies for which an S&P Report is available.

**Volatility**

- **LOW**
- **AVERAGE**
- **HIGH**

GOOG has had Average price volatility over the past year.

### Technical Evaluation

**BULLISH**

Since September, 2007, the technical indicators for GOOG have been BULLISH.

### Insider Activity

**NA**

#### UNFAVORABLE | NEUTRAL | FAVORABLE

### Expanded Ratio Analysis

<table>
<thead>
<tr>
<th>Year</th>
<th>Price/Revenue</th>
<th>Price/EBITDA</th>
<th>Price/Pretax Income</th>
<th>Price/Net Income</th>
<th>Avg. Diluted Shares Outstg (M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>13.44</td>
<td>40.15</td>
<td>35.54</td>
<td>46.32</td>
<td>309.5</td>
</tr>
<tr>
<td>2005</td>
<td>19.73</td>
<td>53.25</td>
<td>56.54</td>
<td>82.63</td>
<td>291.9</td>
</tr>
<tr>
<td>2004</td>
<td>16.49</td>
<td>54.23</td>
<td>80.88</td>
<td>NM</td>
<td>272.8</td>
</tr>
<tr>
<td>2003</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>256.6</td>
</tr>
</tbody>
</table>

Figures based on calendar year-end price.

### Key Growth Rates and Averages

<table>
<thead>
<tr>
<th>Year</th>
<th>Past Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Year</td>
<td>2 Year</td>
</tr>
<tr>
<td>Sales</td>
<td>72.76</td>
</tr>
<tr>
<td>Net Income</td>
<td>NM</td>
</tr>
</tbody>
</table>

### Ratio Analysis (Annual Avg.)

<table>
<thead>
<tr>
<th></th>
<th>Net Margin (%)</th>
<th>LTD of Capitalization (%)</th>
<th>Return on Equity (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>29.02</td>
<td>21.80</td>
<td>19.05</td>
</tr>
<tr>
<td>Net Income</td>
<td>0.91</td>
<td>NM</td>
<td>19.05</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>23.26</td>
<td>23.31</td>
<td>23.31</td>
</tr>
</tbody>
</table>

### Company Financials

#### Per Share Data ($) Year Ended Dec. 31

- **Tangible Book Value**
- **Cash Flow**
- **Earnings**
- **S&P Core Earnings**
- **Dividends**
- **Payout Ratio**
- **Prices:High**
- **Prices:Low**
- **P/E Ratio:High**
- **P/E Ratio:Low**

#### Income Statement Analysis (Million $)

- **Revenue**
- **Operating Income**
- **Depreciation**
- **Interest Expense**
- **Pretax Income**
- **Effective Tax Rate**
- **Net Income**
- **S&P Core Earnings**

#### Balance Sheet & Other Financial Data (Million $)

- **Cash**
- **Current Assets**
- **Total Assets**
- **Current Liabilities**
- **Long Term Debt**
- **Common Equity**
- **Total Capital**
- **Capital Expenditures**
- **Cash Flow**

**Note:** Data as orig reptd.; bef. results of disc oper/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.
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 gain market share. As a result, we think aggressive associated investment by the sub-industry constituents is somewhat restraining upside to their financial results and guidance.

Standard & Poor’s projects that U.S. online advertising revenues will increase 25% in 2007 and 21% in 2008. We believe the U.S. accounts for more than half of this market. In our opinion, corporations are committing 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 project that U.S. online retail sales will increase 17% in 2007 and 15% in 2008. 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 from 2004 to 2010.

Year to date through August 24, the Internet Software & Services index rose 8.1% versus a 4.6% increase in the S&P 1500. In 2006, the index fell 18.6%, notably underperforming the 13.3% gain posted by the S&P 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 08/31/07

<table>
<thead>
<tr>
<th>Year</th>
<th>Index</th>
<th>S&amp;P 1500</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>350</td>
<td>300</td>
</tr>
<tr>
<td>2004</td>
<td>250</td>
<td>200</td>
</tr>
<tr>
<td>2005</td>
<td>200</td>
<td>150</td>
</tr>
<tr>
<td>2006</td>
<td>150</td>
<td>100</td>
</tr>
<tr>
<td>2007</td>
<td>100</td>
<td>50</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Peer Group</th>
<th>Stock Symbol</th>
<th>Sank. Mkt. Cap. (Mil. $)</th>
<th>Recent Stock Price (P/E)</th>
<th>12-Mo. Trailing EPS</th>
<th>30-Day Price Chg(%)</th>
<th>1 Year Price Chg(%)</th>
<th>Beta</th>
<th>Yield (%)</th>
<th>Quality Ranking (%)</th>
<th>Pretax Margin (%)</th>
<th>LTD to Cap (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Google Inc.</td>
<td>GOOG</td>
<td>174,827</td>
<td>560.10</td>
<td>48.11</td>
<td>11.78</td>
<td>9%</td>
<td>38%</td>
<td>1.03</td>
<td>Nil</td>
<td>23.3</td>
<td>37.8</td>
</tr>
<tr>
<td>Baidu.com Inc. ADS</td>
<td>BIDU</td>
<td>2,692</td>
<td>284.60</td>
<td>NM</td>
<td>1.31</td>
<td>39%</td>
<td>227%</td>
<td>NA</td>
<td>Nil</td>
<td>25.2</td>
<td>38.9</td>
</tr>
<tr>
<td>CNET Networks</td>
<td>CNET</td>
<td>1,118</td>
<td>7.45</td>
<td>NM</td>
<td>-0.05</td>
<td>1%</td>
<td>-26%</td>
<td>NM</td>
<td>Nil</td>
<td>2.7</td>
<td>1.7</td>
</tr>
<tr>
<td>Knot Inc</td>
<td>KNOT</td>
<td>662</td>
<td>21.04</td>
<td>27.07</td>
<td>-1%</td>
<td>9%</td>
<td>0.95</td>
<td>Nil</td>
<td>Nil</td>
<td>22.8</td>
<td>19.4</td>
</tr>
<tr>
<td>LookSmart Ltd(Neu)</td>
<td>LOOK</td>
<td>60</td>
<td>2.60</td>
<td>NM</td>
<td>-0.45</td>
<td>-3%</td>
<td>-8%</td>
<td>2.94</td>
<td>Nil</td>
<td>Nil</td>
<td>NM</td>
</tr>
<tr>
<td>NetEase.com Inc ADS</td>
<td>NTES</td>
<td>2,253</td>
<td>17.36</td>
<td>21.01</td>
<td>13%</td>
<td>7%</td>
<td>2.05</td>
<td>Nil</td>
<td>Nil</td>
<td>47.6</td>
<td>63.5</td>
</tr>
<tr>
<td>PlanetOut Inc</td>
<td>LBTG</td>
<td>54</td>
<td>1.33</td>
<td>NM</td>
<td>-2.25</td>
<td>-11%</td>
<td>-67%</td>
<td>1.29</td>
<td>Nil</td>
<td>Nil</td>
<td>NM</td>
</tr>
<tr>
<td>Rediff.com India ADS</td>
<td>REDF</td>
<td>408</td>
<td>15.84</td>
<td>99.16</td>
<td>2%</td>
<td>5%</td>
<td>0.54</td>
<td>Nil</td>
<td>Nil</td>
<td>2.8</td>
<td>6.6</td>
</tr>
<tr>
<td>Sina Corp</td>
<td>SIN</td>
<td>2,670</td>
<td>49.14</td>
<td>63.78</td>
<td>17%</td>
<td>90%</td>
<td>2.47</td>
<td>Nil</td>
<td>Nil</td>
<td>11.3</td>
<td>20.7</td>
</tr>
<tr>
<td>Sohu.com Inc</td>
<td>SOHU</td>
<td>1,483</td>
<td>40.07</td>
<td>NM</td>
<td>26%</td>
<td>83%</td>
<td>NM</td>
<td>Nil</td>
<td>Nil</td>
<td>18.7</td>
<td>21.1</td>
</tr>
<tr>
<td>Yahoo!</td>
<td>YHOD</td>
<td>35,094</td>
<td>26.05</td>
<td>51.51</td>
<td>12%</td>
<td>3%</td>
<td>1.63</td>
<td>Nil</td>
<td>Nil</td>
<td>8.5</td>
<td>4.6</td>
</tr>
</tbody>
</table>

Source: S&P
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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.
S&P Analyst Research Notes and other Company News

September 4, 2007
09:10 am EDT... S&P REITERATES NEUTRAL OUTLOOK ON INTERNET SOFTWARE & SERVICES SUB-INDUSTRY (GOOG 515.25***): We project U.S. online advertising revenues will rise 25% in '07 and 21% in '08. However, we are growing increasingly concerned about the effect recent notable housing and lending issues have had/will have on spending. In '06, the financial services category accounted for 16% of U.S. online ad spending, up from 12% in '05. Moreover, in July, six of the top ten spenders on U.S. Internet ad spending were involved in businesses related to lending or creditworthiness. Of the companies we cover, we think GOOG and Yahoo (YHOO 22.7****) will experience the greatest impact. /S.Kessler

August 29, 2007
Announces that George Reyes has informed co. of his intention to retire as CFO. Reyes indicated that he will remain to assist in search for a new CFO and to assure an orderly transition, which GOOG expects will occur by the end of the year. S&P reiterates hold....

August 29, 2007
Google Inc. announced that George Reyes has informed the company of his intention to retire as Chief Financial Officer.

August 28, 2007
05:08 pm EDT... S&P REITERATES HOLD OPINION ON SHARES OF GOOGLE INC. (GOOG 506.4***): GOOG announces CFO George Reyes intends to retire. He will remain with GOOG to assist in the search and ensure an orderly transition, which the company expects by year-end. We are ambivalent about this news. On one hand, Reyes has been GOOG's CFO for some 5-1/2 years and contributed to its well-documented success. On the other hand, we have at times been critical of GOOG’s financial communications and resistance to providing guidance. We believe GOOG is and will remain largely run by its founders Larry Page and Sergey Brin, along with Chairman and CEO Eric Schmidt. /S.Kessler

August 22, 2007
09:54 am EDT... S&P REITERATES HOLD OPINION ON SHARES OF GOOGLE INC. (GOOG 512.44***): On its corporate blog late yesterday, GOOG’s YouTube unit says it has started to work with select partners to offer new video advertising. Semi-transparent and sometimes dynamic ads have started to appear in the bottom portions of some videos. The ads are displayed about 15 seconds after the videos begin and disappear about 10 seconds later, unless users click on them. We think this type of overlay ad is a pretty decent initial solution. But we still think GOOG will face challenges in fully monetizing YouTube, partly due to questionable content and quality of some videos. /S.Kessler

July 20, 2007
09:25 am EDT... UPDATE - S&P REITERATES HOLD OPINION ON SHARES OF GOOGLE INC. (GOOG 548.59***): Shares are down about $40 in premarket trading as GOOG posts Q2 EPS, including stock-based compensation, of $2.93 vs. $2.33 (prior story said $1.97), $0.15 below our view. Revenues rose 58%, in line with our forecast. EPS was hurt by more hiring than GOOG had planned, and stock-based compensation well above our forecast, in part on new transferable option program. We lower our '07 EPS est to $12.44 from $12.59, and raise our '08 view to $15.66 from $15.32. While concerned by continuing material sequential deceleration of network revenues, we are keeping our target price at $525. /S.Kessler

July 20, 2007
Posts $2.93 vs. $2.33 Q2 GAAP EPS on 58% revenue rise.... Expects to continue to make ‘significant’ capital expenditures in ’07... S&P reiterates hold... Needham trims estimates, but keeps buy... 5.

July 20, 2007
09:25 am EDT... UPDATE - S&P REITERATES HOLD OPINION ON SHARES OF GOOGLE INC. (GOOG 548.59***): Shares are indicated lower in pre-market trading after GOOG posts Q2 results. GOOG misses our EPS forecast for only the 2nd time in 12 quarters as a publicly traded company. Revenues were in line with our estimate, and expenses rose materially on more hiring activity. GOOG rationalized the greater-than-expected related spending, but we wonder whether it reflects competitive issues. Even though GOOG has asserted it manages for the long-term, we think a seemingly less significant focus on quarterly performance can hurt results, stock performance and investor sentiment. /S.Kessler

July 20, 2007
09:06 am EDT... GOOGLE INC A’ (GOOG $48.59) POSTS $2.93 VS. $2.33 Q2 GAAP EPS. NEEDHAM CUTS ESTIMATES, BUT REITERATES BUY... Analyst Mark May tells salesforce Q2 results were solid, in his view, though slightly below his, consensus ests.... Notes Int'l remained strong, but domestic slowed due to apparent slowdown in US Network/ AdSense business; rev., gross margins were largely in-line, but op. expenses exceeded ests due mostly to higher headcount/payroll expense.... Keeps his rev., gross profit ests mostly intact, but trims ’07, ’08 EPS ests to $15.03, $18.13 from $15.34, $18.33, respectively, to account for higher op. expense levels... Has $575 year-end '07, $650 18-month targets. /Beigli

July 20, 2007
08:21 am EDT... CORRECTION - S&P REITERATES HOLD OPINION ON SHARES OF GOOGLE INC. (GOOG 548.59***): Shares are down about $40 in premarket trading as GOOG posts Q2 EPS, including stock-based compensation, of $2.93 vs. $2.33 (prior story said $1.97), $0.15 below our view. Revenues rose 58%, in line with our forecast. EPS was hurt by more hiring than GOOG had planned, and stock-based compensation well above our forecast, in part on new transferable option program. We lower our ’07 EPS est to $12.44 from $12.59, and raise our ’08 view to $15.66 from $15.32. While concerned by continuing material sequential deceleration of network revenues, we are keeping our target price at $525. /S.Kessler
Of the total 39 companies following GOOG, 39 analysts currently publish recommendations.

**Wall Street Consensus Estimates**

<table>
<thead>
<tr>
<th>Fiscal Years</th>
<th>Avg Est.</th>
<th>High Est.</th>
<th>Low Est.</th>
<th># of Est.</th>
<th>Est. P/E</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>15.26</td>
<td>15.92</td>
<td>12.44</td>
<td>35</td>
<td>36.7</td>
</tr>
<tr>
<td>2007</td>
<td>19.53</td>
<td>21.00</td>
<td>15.66</td>
<td>33</td>
<td>28.7</td>
</tr>
<tr>
<td>2008 vs. 2007</td>
<td>▲ 28%</td>
<td>▲ 32%</td>
<td>▲ 26%</td>
<td>▼ -6%</td>
<td>▼ -22%</td>
</tr>
</tbody>
</table>

**Wall Street Consensus vs. Performance**

For fiscal year 2007, analysts estimate that GOOG will earn $15.26. For the 2nd quarter of fiscal year 2007, GOOG announced earnings per share of $2.93, representing 19% of the total annual estimate. For fiscal year 2008, analysts estimate that GOOG’s earnings per share will grow by 28% to $19.53.
analysts assess many factors that cannot be reflected in each. For instance, when designating STARS, S&P qualitative assessment of a stock. One primary reason evaluations may at times contradict an analyst’s evaluations described below are derived from which are assigned by S&P analysts, the quantitative 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 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.

S&P Core Earnings

Standard & Poor’s Core Earnings is a uniform methodology for adjusting operating earnings by focusing on a company’s after-tax earnings generated from its principal businesses. Included in the Standard & Poor’s definition are employee stock option grant expenses, pension costs, restructuring charges from ongoing operations, write-downs of depreciable or amortizable operating assets, purchased research and development, M&A related expenses and unrealized gains/losses from hedging activities. Excluded from the definition are pension gains, impairment of goodwill charges, gains or losses from asset sales, reversal of prior-year charges and provision from litigation or insurance settlements.

S&P Issuer Credit Rating

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★★★★ 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.

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Relevant benchmarks: In the U.S. 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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