EXHIBIT 12

BEAR STEARNS

Equity Research
Consumer Internet

September 22, 2004

Stock Rating
Peer Perform

Sector Rating
Market Weight

Year-End 2005 Target Price
$112

Valuation Method
DCF; Relative Multiples

52-Week Range
$122-$96

GAAP EPS		Post-Option Exp.
2003:	$0.41	$0.40
2004E:	$0.89	$0.87
2005E:	$2.01	$1.96
P/E		
2004E:	NM	NM
2005E:	59.4x	60.9x

Dividend/Yield
Nil/Nil

Common Shares (mil)
298.5

Equity Market Capitalization ($ mil)
$35,629

Book Value per Share
$3.41

Est. 5-Yr EPS Growth Rate
29%

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Google, Inc.

(GOOG-119.36)

In Fast Lane of Information Superhighway

- **Initiating Coverage of the No. 1 Search Engine.** We initiated coverage of Google on September 14, at the previous day's closing price of $107.50, with a Peer Perform rating and a $112 year-end 2005 price target. A global technology and Internet search engine leader, Google derives its gross revenues (an estimated $3 billion in 2004) primarily from advertising placed next to search results.

- **Strong Technology, Impressive Brand Awareness.** Google leads the online search business due to its rich technological base and strong brand name, positioning it well for the online ad shift trend, wherein the advertising market is gaining momentum after a lengthy recession, and direct forms of marketing (including interactive marketing, particularly search) are capturing more ad dollars. New innovations and products, expanded local and personalized search, and continued geographic penetration should augment revenue growth.

- **Robust Financials.** Google has grown gross revenues from $86 million in 2001 to an estimated $3 billion in 2004, a 227% CAGR. It has also grown its EBITDA from $21 million in 2001 to an estimated $883 million in 2004, generating margins of 36% (ex stock-based compensation). The balance sheet, with about $2 billion in cash plus $490 million of free cash flow in 2004, provides flexibility.

- **Peer Perform.** Our valuation work shows a year-end 2005 price target of $112 for Google, derived from our DCF and relative multiples. Thus, we consider a Peer Perform rating appropriate at this time. Our DCF model employs a WACC of 12.5% and an 8% terminal growth rate.

Financial Discussion

Key Themes That Drive Our Financial Estimates

We have identified four key themes that characterize the search industry at large and are specific to Google. They have become the underpinning of our estimates for the company:

- Google's most significant growth engine should continue to be targeted paid placement advertising, with revenues from AdSense accelerating and comprising a growing majority of the advertising revenues over time.

- Advertising revenues should continue to grow robustly (a 19% CAGR is projected for the 2004-13 period), and to represent the overwhelming majority of total revenues (Google's build-out of new services should increase advertising revenues). Growth rates may be higher than those of a competitor such as Yahoo!, which already gains revenues from other portal services.

- EBITDA margins should decline in the near term as the company invests for the future (more employees, R&D, technology) and as lower-margin AdSense revenues become a larger part of total revenues. However, longer term, we think the margins should improve and stabilize.

- Positive free cash flow and a debt-free balance sheet should provide the company with funding needed to support operations. We expect funds raised from the equity offering to provide the funding necessary to support any acquisition/investment in the near term.

Revenue Should Continue to Be Driven by Online Search

Nearly all of Google's revenue is derived from advertising in the form of sponsored search — 98% in second-quarter 2004. Hence, Google's fortunes should be driven by the future of online advertising, or more particularly the potential of online search. In July 2004, eMarketer projected that online search revenues for the U.S. should grow from $3.6 billion in 2004 to $5.7 billion in 2006. We have extrapolated these projections out to 2013 (adjusting for slower growth) to estimate online search in the U.S. growing to almost $15 billion in 2013, for a CAGR of 17%. In addition, given that 31% of Google's second-quarter 2004 revenues came from abroad, we estimate that international (non-U.S.) online search was about $1.8 billion in 2004 and should grow to ~$18 billion by 2013, for a CAGR of 30%. This would indicate growth of international online search to ~56% of global online search by 2013 from the low-30% area today. Summing the domestic and international online search projections, we estimate that global search could grow from $5.4 billion in 2004 to ~$33 billion in 2013, for a CAGR of 22%.

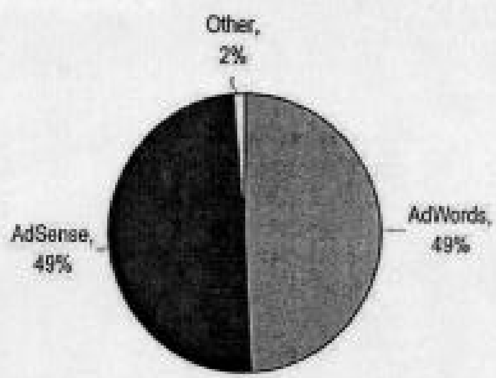
Exhibit 19. Global Online Search Estimates

	eMarketer Projections			Bear Stearns Estimates							CAGR
	2004	2005	2006	2007E	2008E	2009E	2010E	2011E	2012E	2013E	04E-'13E
U.S. Online Search	$ 3.6	$ 4.6	$ 5.7	$ 6.8	$ 8.0	$ 9.3	$ 10.5	$ 11.8	$ 13.2	$ 14.6	17%
Growth	41%	28%	23%	20%	17%	15%	13%	12%	11%	10%	
% of Global Online Search	67%	65%	62%	60%	57%	55%	52%	50%	47%	45%	
Non-U.S. Online Search	$ 1.8	$ 2.5	$ 3.5	$ 4.6	$ 6.1	$ 7.7	$ 9.7	$ 12.1	$ 14.9	$ 18.2	30%
Growth	70%	43%	38%	34%	30%	28%	25%	24%	23%	22%	
% of Global Online Search	33%	36%	38%	41%	43%	45%	48%	51%	53%	56%	
TOTAL GLOBAL SEARCH	$ 5.4	$ 7.1	$ 9.1	$ 11.5	$ 14.1	$ 17.0	$ 20.2	$ 23.9	$ 28.1	$ 32.7	22%

Source: eMarketer, July 2004; Bear, Stearns & Co. Inc. estimates.

In 2003, Google's total advertising revenues grew by more than 240%, aided largely by a full year of AdSense revenues and AdSense's robust growth. We still expect that robust advertising revenue growth for 2004 (although more modest than 2003) of 109% will generate almost $3 billion of advertising revenues for Google. Of the advertising revenues for second-quarter 2004, approximately 50% was generated from Google's own Web sites (AdWords), while the other half was derived from Google Network affiliate Web sites (AdSense), such as AOL, Ask Jeeves, etc. The advertising revenues comprised 98% of total revenues. The remaining 2% of total revenues was generated from the licensing of Google's algorithm and sales and licenses to enterprises.

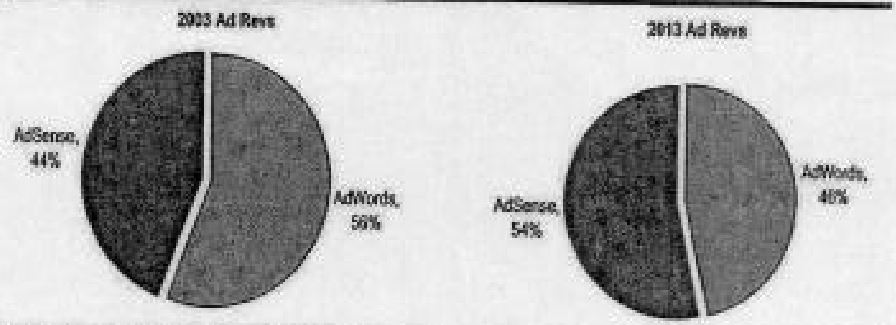
Exhibit 20. Second-Quarter 2004 Gross Revenues



Source: Company data; Bear, Stearns & Co. Inc. estimates.

We expect Google Network revenues (AdSense) to gradually rise as a percent of total advertising revenues over time as Google, Yahoo!, and other search engines compete for broader exposure across the Internet through affiliate relationships. Affiliate relationships play a vital role in helping search engines gain critical mass as well as visibility — the greater the number of affiliates that a search engine has relationships with, the larger an audience the search engine can offer to advertisers, who should be attracted to the larger potential of click-throughs (much as traditional media such as TV, radio, and newspapers compete for ad dollars by emphasizing their effectiveness at reaching more consumers). Ultimately, we expect revenues from AdWords to grow from $1.5 billion in 2004 to $6.5 billion in 2013, a CAGR of 18%. We think AdSense has the potential to grow at a slightly higher CAGR of 20%, from $1.5 billion in 2004 to $7.7 billion, by 2013.

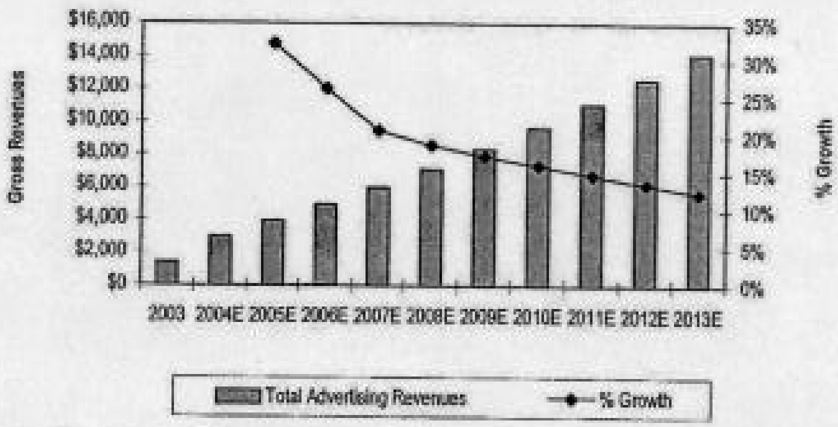
Exhibit 21. Google Advertising Revenue Split



Source: Company data; Bear, Stearns & Co. Inc. estimates.

Long term, we expect total advertising revenues to grow at a ten-year CAGR of about 19% so that by 2013, Google should generate approximately $14 billion in advertising revenues (shorter term, investors should be aware of the seasonality of revenues, as the first and fourth quarters are typically stronger due to winter's higher Internet traffic levels and holiday shopping).

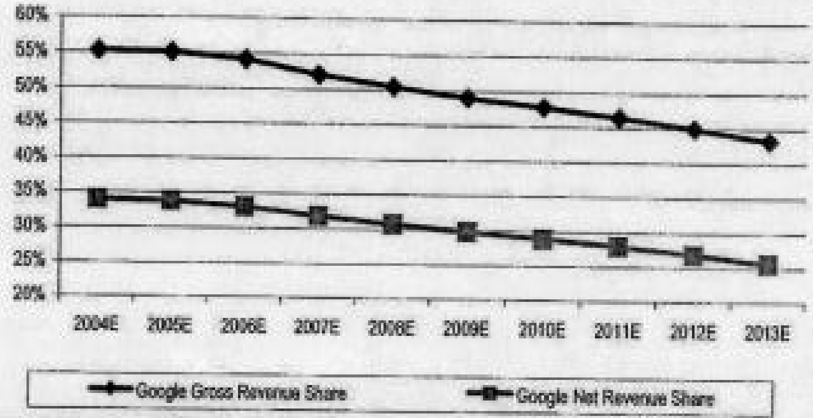
Exhibit 22. Google's Gross Advertising Revenue Growth ($ in millions)



Source: Company data; Bear, Stearns & Co. Inc. estimates.

Our projected 19% CAGR for advertising revenues for Google is below our 22% extrapolated estimated CAGR based on eMarketer's near-term online search projections. Since we project Google should grow slightly less than the overall global online search market, our projections indicate that Google's market share of the global online search market should drop from about 55% of gross revenues (34% of net revenues) to 45% of gross revenues (24% of net revenues) over this time frame. We think this is reasonable as Microsoft plans to enter the market in the next year or so and should prove to be a strong competitor. We point out that we don't think that Yahoo! (which currently supplies MSN's paid placement advertising through Overture) or Google would lose a large number of advertisers to MSN, but that some of the dollars from these advertisers could shift from Yahoo! and Google to MSN (as advertisers will remain attracted to MSN's ranking as the No. 3 property on the Internet). In addition, we think this declining market share allows for room from other competition (see our comments on competition), especially abroad.

Exhibit 23. Google's Search Market Share

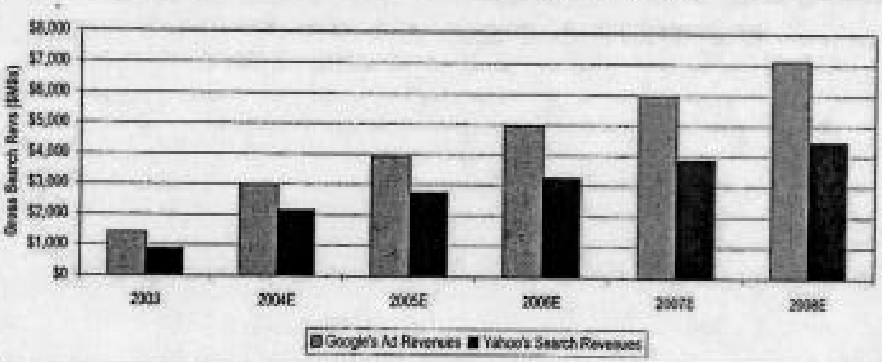


Source: Company data; Bear, Stearns & Co. Inc. estimates.

Search Revenues Comparison

In comparing our gross advertising projections for Google to our online search revenue projections for Yahoo!, we notice that Google's revenue appears much larger given its larger market share. Yahoo!'s total revenue is in fact higher than Google's due to the company's strong brand advertising (which represents nearly 40% of Yahoo!'s total net advertising revenues and other portal services). Google does not have branded advertising at the moment. In 2003, Yahoo! had approximately $883 million of gross online search revenues versus Google's $1.4 billion. Below we plot Google's advertising revenues versus our projections for Yahoo's gross online search.

Exhibit 24. Google Versus Yahoo — Online Search Revenues ($ in millions)



Source: Company data; Bear, Stearns & Co. Inc. estimates.

NEW OFFERING SHOULD DRIVE ADVERTISING REVENUES, NOT "OTHER REVENUES"

We believe that Google's introduction of new offerings, including Froogle, Gmail, and Orkut, will be instrumental in driving further revenues growth for the company. However, we think that Google will only monetize these new services through concurrent advertising with these products (e.g., sponsored ads on the side of email messages). We do not expect to see fee-based revenues from these services (at least in the near term). Therefore, we would expect these new services to contribute to the growth of AdWords and AdSense revenues over the coming years. As a million, and PriceGrabber generated more than $30 million by most estimates, all in 2003. We think that over time, Froogle should become one of the dominant players in the comparison search space given its backing by Google. Google has given Froogle prominent placement on its front page, a move we expect to drive increased usage of the site.

Orkut — Social and Business Networking Via the Web

Orkut is Google's social networking service, with its name coined from a Google in-house engineer of Turkish origin named Orkut Buyukkokten. The service is an invitation-based social site where users meet other users within their network for dating, socializing, or professional purposes. New members fill out forms that describe their interests and can also upload photographs of themselves. Users can also join various communities or create special communities of their own. Within a relatively few months, Orkut has reportedly amassed a few hundred thousand members.

Exhibit 82. Orkut

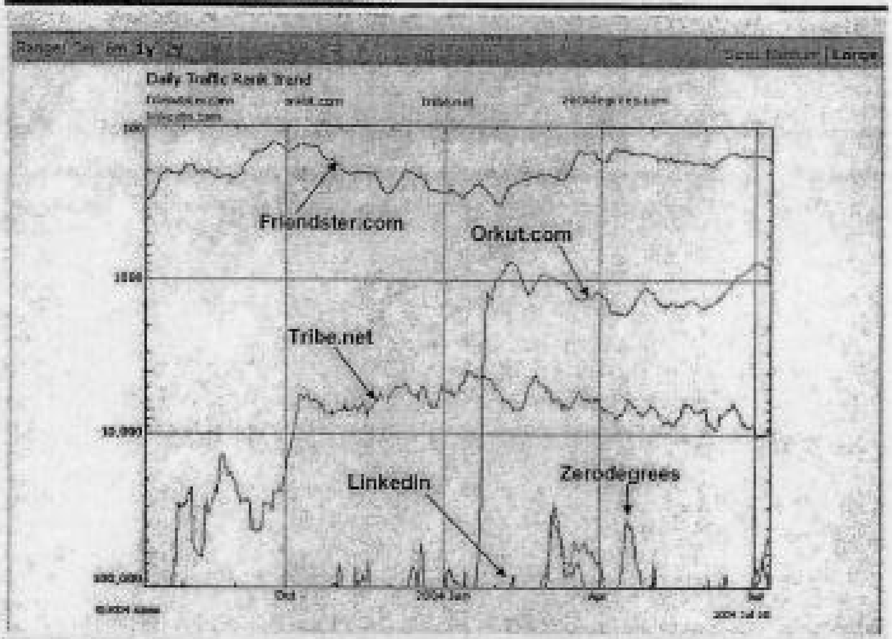
Source: Orkut.com.

The idea behind social networking is to provide a platform where users can connect with other users with similar interests and backgrounds. Members use the sites for business connections, social connections, and even dating. Membership to most social networking sites is by invitation only from current members.

Online social networking sites Friendster and Tickle were the first to popularize the online social networking craze. Soon other sites like Orkut, ZeroDegrees (owned by IAC\InterActiveCorp), and LinkedIn joined the space to compete for users. Recently, Microsoft indicated that it intends to join the space with its own site called Wallop. Sites like LinkedIn have a more business or professional focus, while Tickle and Friendster emphasize dating, entertainment, and socializing. Users of these services are not necessarily loyal to one service, as several users we spoke with indicated that they belong to several social networking sites in order to have as many contacts as possible. Other social networking sites include Meetup, Ryze, Tribe, and MySpace. A few of the sites have developed a sizable following, with Friendster claiming to have more than seven million registered users, LinkedIn claiming to have more than 700,000 users, and Ryze claiming to have more than 120,000 registered users.

The next exhibit shows a one-year daily traffic rank for the social networking sites from Alexa.com, a company owned by Amazon. Orkut rose to the second-highest-ranked site within a month of its release, illustrating the power of the Google name. According to Alexa.com, traffic rank is based on three months of aggregated historical traffic data from millions of Alexa Toolbar users and is a combined measure of page views and reach.

Exhibit 83. Social Networking Traffic Rank



Source: Alexa.com.

Social networking sites have raised a significant number of venture capital dollars from a few of the top venture capital firms in the U.S. (Pierre Omidyar, founder of eBay, reportedly invested millions of dollars in social networking site Meetup). However, most people in the investment community remain unconvinced of the revenue-generating potential of the social networking sites and question their long-term viability. Several ideas for monetizing those sites have been considered by the sites, including charging a membership fee of \$5-\$10 per month for enhanced functionality or premium add-on services to advertising on the sites. Ryze currently charges \$9.95 for advanced search capabilities, and the CEO claims that the company started to turn a profit in 2003 and is cash flow positive. The company does not release data on paying members. Sites such as Meetup have considered charging organizations or groups wishing to partner up with the Web site.

In our view, social networking sites will have a difficult time monetizing the service longer term other than through advertising. Advertising may be the best choice if the ads can be targeted based on the details in the user's profile. A potential problem with that model is that users may find the ads intrusive or feel that the site unfairly capitalizes on their personal information, leading to issues of privacy. As for the membership fees, we find it difficult to imagine that users will continue paying for the privilege to contact someone else within their network even for enhanced features.

As with most early models on the Internet, finding the right avenue to generate revenues and ultimately profits is challenging initially. We think that the operators of those sites will eventually find a model that works for them and, over time, social networking can become more than just a fad. Turning those sites into online personal sites, such as Tickle, is one way to guarantee a revenue stream and possibly longer-term profitability.

In our opinion, for Google, delivering targeted advertising to members of Orkut may be the most viable method to monetize that membership base (though charging a fee can't be ruled out). However, we think that Orkut may deliver an intangible that is far more beneficial than delivering ads. What we mean is that Google does not have an established user base like AOL, Yahoo!, and MSN. Since Orkut collects a myriad of information about a user during the registration process, Google has the opportunity to integrate this information within search results to deliver a better, more personalized search based on the user's preferences, tastes, and location. This opportunity is invaluable, in our judgment.

In a separate development, Google has been sued by a company named Affinity Engines, which claims that the source code for Orkut belongs to Affinity Engines. Affinity Engines was co-founded by Orkut Buyukkokten, the aforementioned Google in-house engineer, and had developed software for a social networking service called inCircle. The suit claims that Mr. Buyukkokten used the software that he had developed while at Affinity Engines for Orkut. As part of its evidence, Affinity plans to show that Orkut has the same software bugs as inCircle. Google has denied inCircle's claim. The company also stated that it has offered to provide an independent source that would compare the two source codes for similarity, but Affinity has denied that request.