



Cowen & Co.



Internet & New Media

Latest Survey Results

December 5, 2005

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Online Advertising: Underlying Trends Indicate Google Extending Lead

Conclusion: Our survey of the U.S. online advertising industry has resulted in the following conclusions: (1) more experienced online consumers use Google for search, while the use of Yahoo Search, MSN Search, and AOL Search declines as Internet users become more sophisticated; (2) we believe Google will invest more in R&D and capex in 2006 than Yahoo and MSN; and (3) keyword pricing is increasing, but there are no signs of the irrational pricing that occurred in the 2004 holiday season. We remain positive on Google (GOOG \$418) and Yahoo (YHOO \$41) shares.

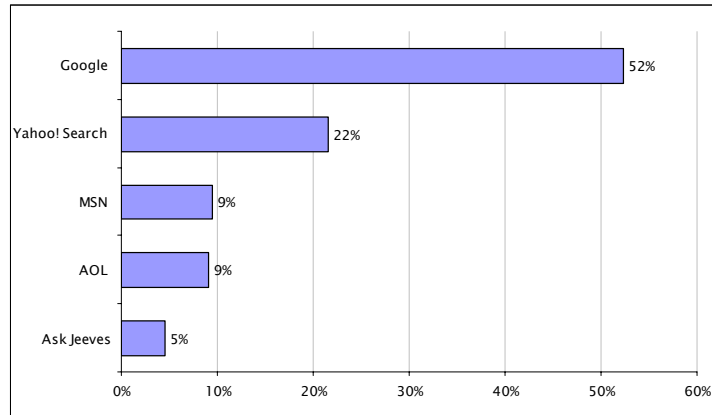
- **Incremental survey data indicates sophisticated Internet users more likely to use Google as primary search engine.** Our survey of 1,000 U.S. Internet users showed that the longer a consumer has been online, the more likely he or she is to use Google as a primary search engine. Also, Google users are much more likely to have an annual household income of over \$60,000 than users of Yahoo, MSN, and AOL.
- **Believe Google's spending on R&D and capex will eclipse MSN and Yahoo in 2006.** We estimate Google will spend \$866m on R&D in 2006, compared to \$775m for the MSN division of Microsoft and \$696m for Yahoo. We project 2006 capex of \$1.1b for Google, \$800m for Microsoft, and \$503m for Yahoo.
- **Keyword pricing is up following "Cyber Monday," but there are no signs of the pricing bubble that occurred in Q4:04.** Keyword pricing is up 1.7% since the Monday after Thanksgiving (which is one of the busiest online shopping days of the holiday season).
- **Google and Yahoo continue to gain market share.** In Q3:05, Google's share of the U.S. online ad market increased 200 bps q/q to 17%; Yahoo's share increased 100 bps q/q to 14%.

Please see addendum of this report for important disclosures.

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Google Is The Search Engine Of Choice: 52% Of Respondents Chose Google As Their Primary Search Engine

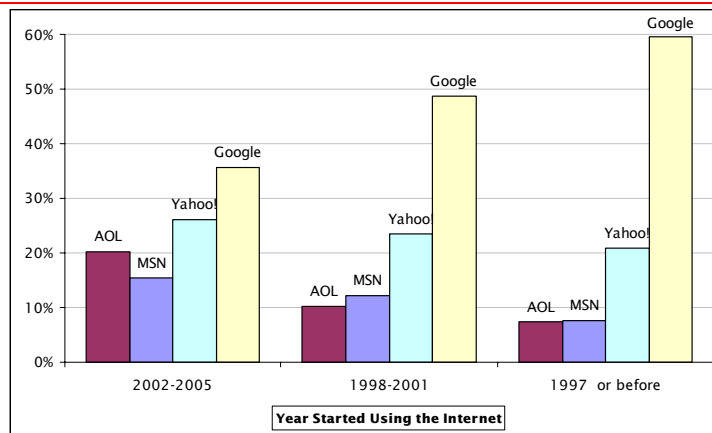
Question: Which of the following search engines do you use most often for conducting general searches?



Source: SG Cowen & Co.

More Experienced Internet Users Choose Google For Search; Usage Migrates Away From AOL, MSN, and Yahoo Over Time

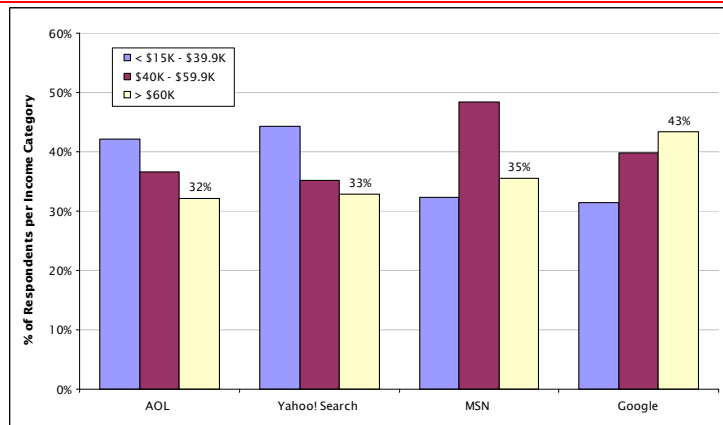
Question: In what year did you start using the Internet? (Ranked by primary search engine)



Source: SG Cowen & Co.

Respondents Who Chose Google As Their Primary Search Engine Are More Likely To Have Household Incomes Above \$60,000

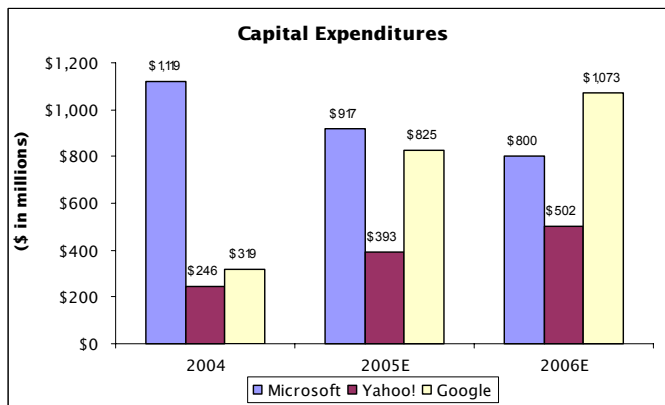
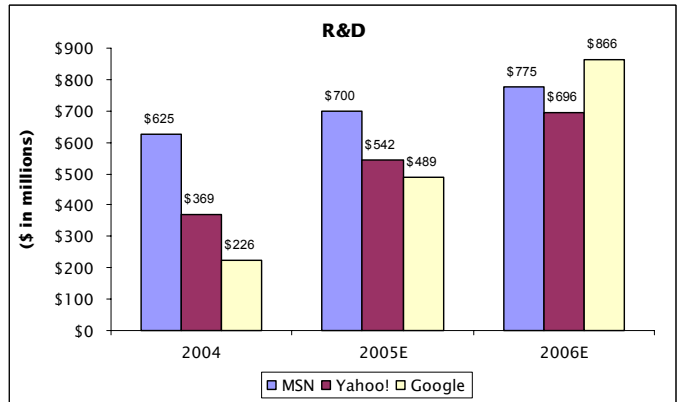
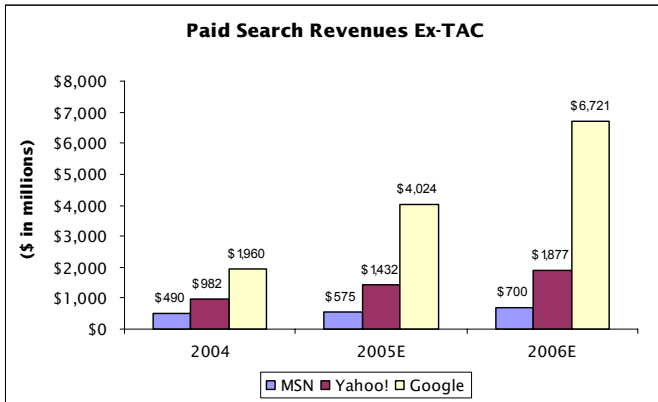
Question: What is your total annual household income before income taxes? (Ranked by primary search engine)



Source: SG Cowen & Co.

Google vs. MSN vs. Yahoo:

We Expect Google's Spending On R&D And Capital Expenditures To Exceed Yahoo And MSN In 2006



Notes:

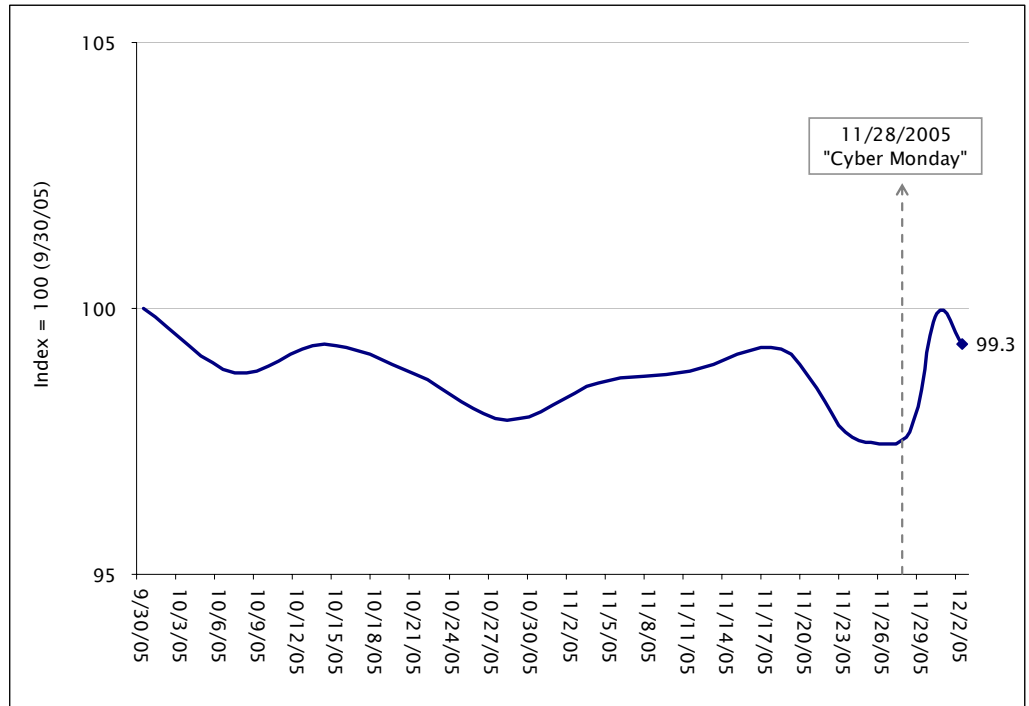
Paid search revenue, R&D and capital expenditure projections are SG Cowen estimates for 2005 and 2006.

MSN R&D assumed to be 35% of MSN operating expenses in 2004-2006E.

Capital expenditures reflect total cap-ex for each company.

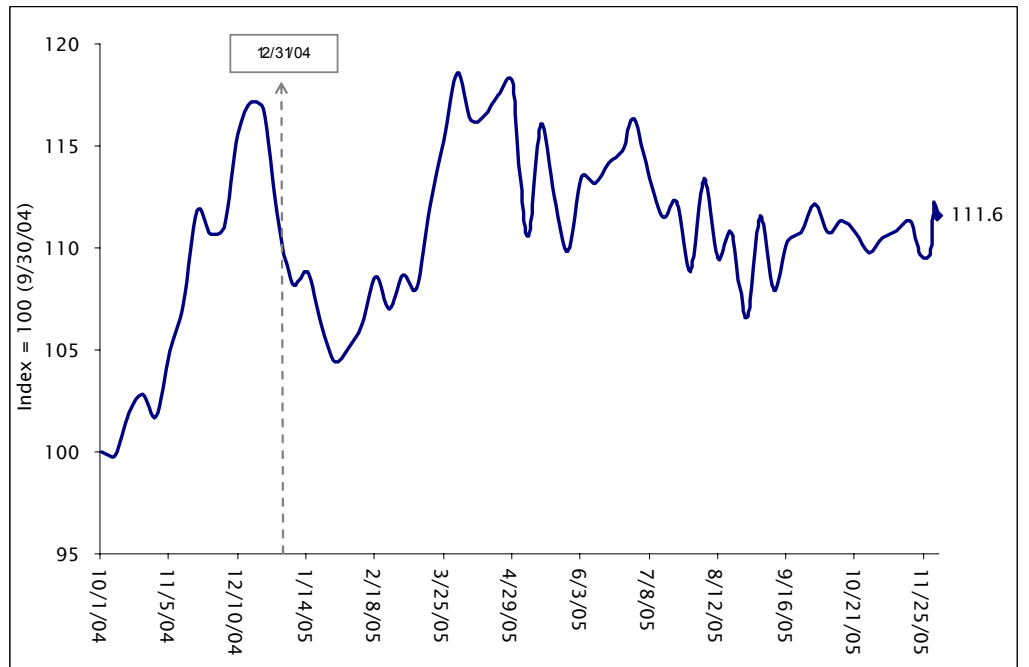
Source: SG Cowen & Co.

CPC Weighted Index of Popular Keyword (9/30/05 to 12/02/05)



Source: SG Cowen & Co.

CPC Weighted Index of Popular Keyword (9/30/04 to 12/02/05)

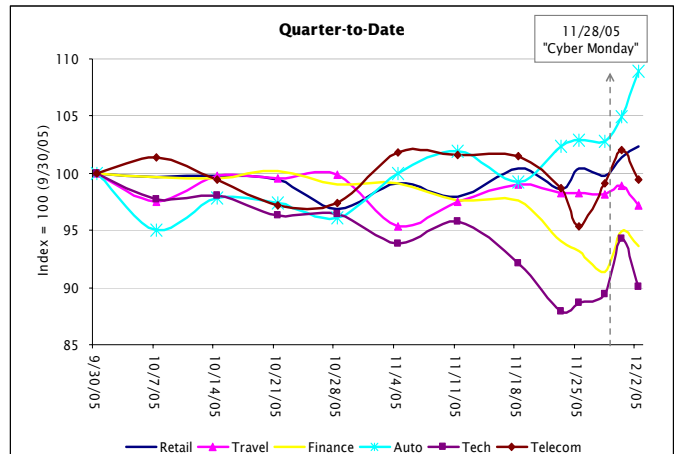
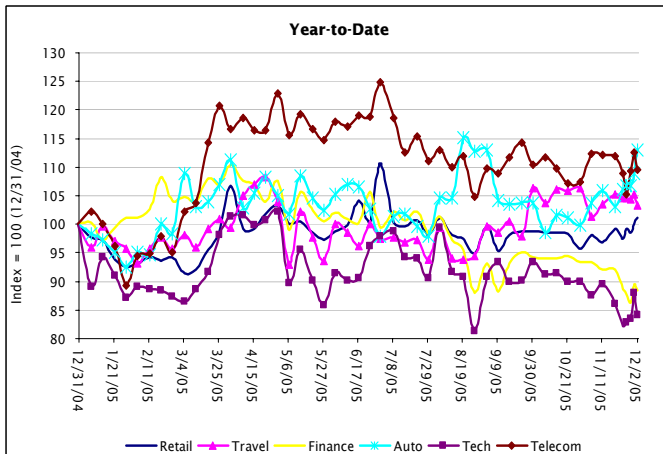


Source: SG Cowen & Co.



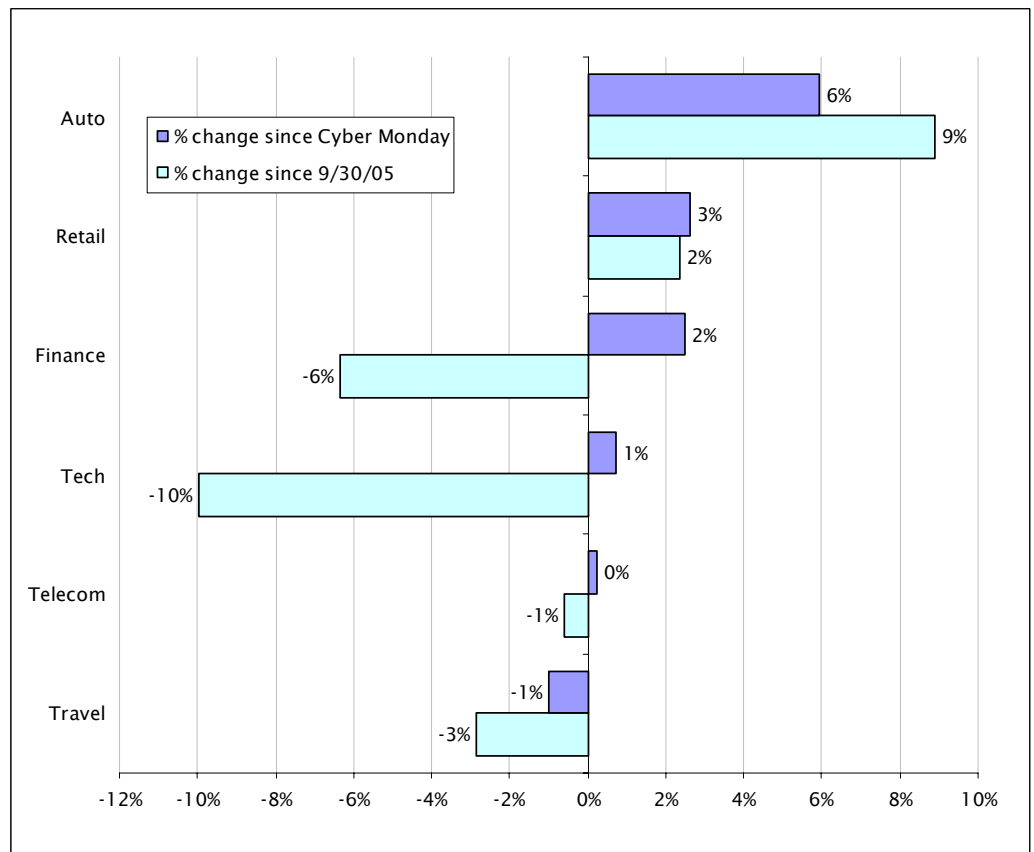
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CPC of Keyword Index of Major Advertising Verticals



Source: SG Cowen & Co.

CPC of Major Advertising Verticals



Source: SG Cowen & Co.



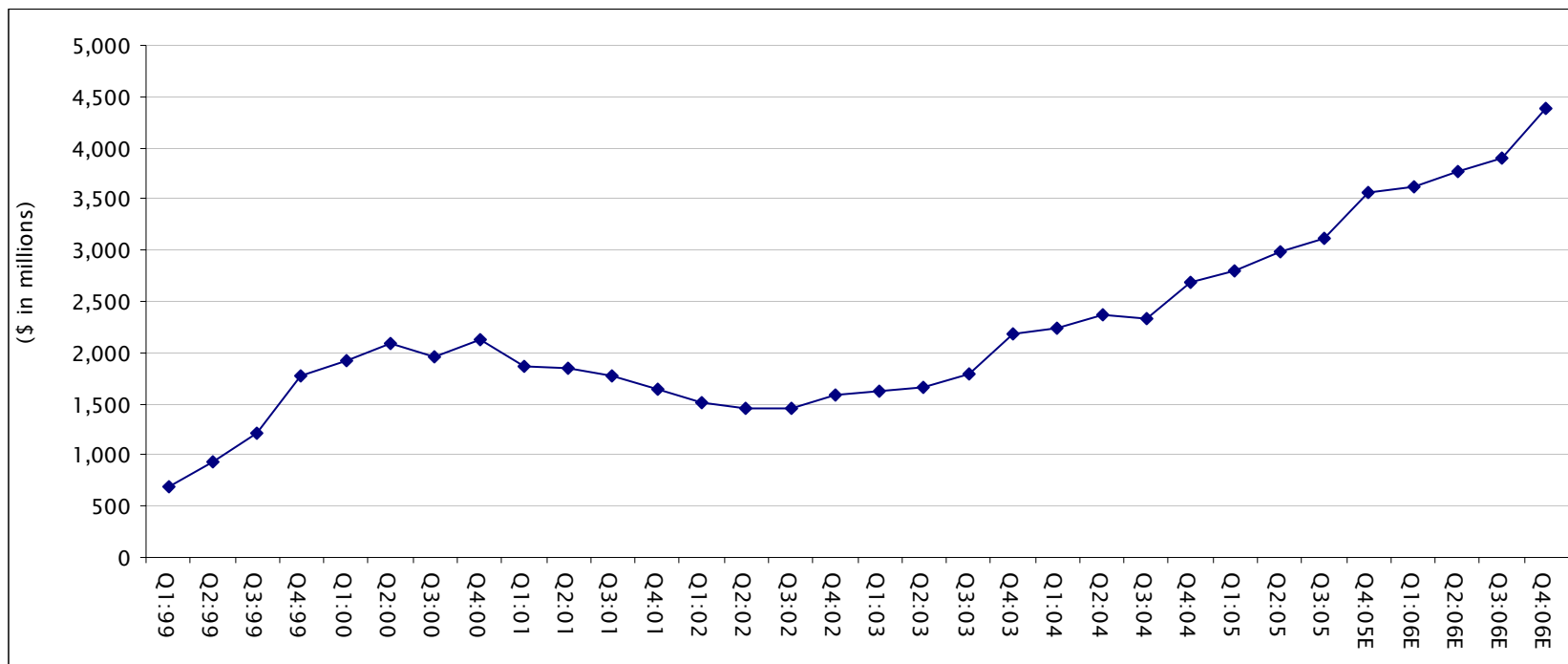
U.S. Internet Advertising Industry – Net Market Share

\$ in millions	2002				2002	2003				2003	2004				2004	2005		
	Q1:Mar	Q2:Jun	Q3:Sep	Q4:Dec		Q1:Mar	Q2:Jun	Q3:Sep	Q4:Dec		Q1:Mar	Q2:Jun	Q3:Sep	Q4:Dec		Q1:Mar	Q2:Jun	Q3:Sep
U.S. Internet Advertising Market Share																		
Yahoo	132	147	162	186	627	180	198	216	283	878	278	295	317	375	1,265	371	399	425
Market Share (%)	9%	10%	11%	12%	10%	11%	12%	12%	13%	12%	12%	12%	14%	14%	13%	13%	13%	14%
Google	29	50	70	90	239	115	131	146	171	563	208	237	268	345	1,057	401	450	540
Market Share (%)	2%	3%	5%	6%	4%	7%	8%	8%	8%	8%	9%	10%	11%	13%	11%	14%	15%	17%
MSN	84	113	122	131	450	187	194	194	230	805	269	261	235	262	1,027	267	300	269
Market Share (%)	6%	8%	8%	8%	7%	11%	12%	11%	11%	11%	12%	11%	10%	10%	11%	9%	10%	9%
AOL	311	274	214	254	1,053	179	143	142	163	628	171	177	198	202	748	201	208	210
Market Share (%)	20%	19%	15%	16%	18%	11%	9%	8%	7%	9%	8%	7%	8%	8%	8%	7%	7%	7%
Other	963	875	884	919	3,641	971	994	1,094	1,334	4,393	1,304	1,400	1,315	1,510	5,529	1,570	1,628	1,681
Market Share (%)	63%	60%	61%	58%	61%	59%	60%	61%	61%	60%	58%	59%	56%	57%	56%	56%	55%	54%
Total U.S. Internet Advertising Market	1,520	1,458	1,451	1,580	6,009	1,632	1,660	1,793	2,182	7,267	2,230	2,369	2,333	2,694	9,626	2,810	2,985	3,124
Market Share (%)	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Note:
Our analysis eliminates double counting of search traffic; for example, Google revenues represent our estimate of U.S. Google.com AdWords revenues. AOL revenues exclude Advertising.com revenues. Yahoo revenues include our estimate of U.S. branded advertising, non-affiliate search, and listings.

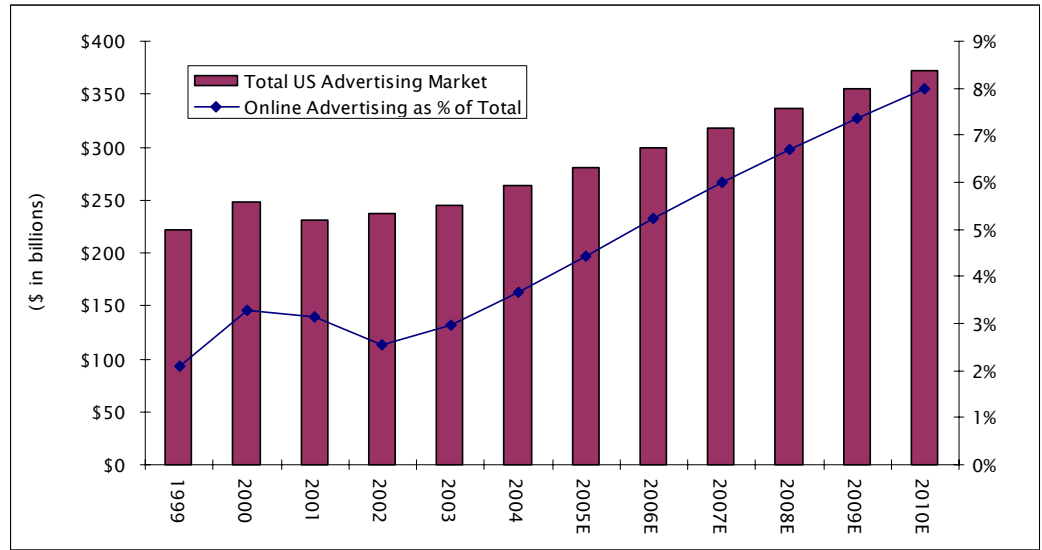
Source: SG Cowen & Co.

U.S. Quarterly Online Advertising Market Revenues



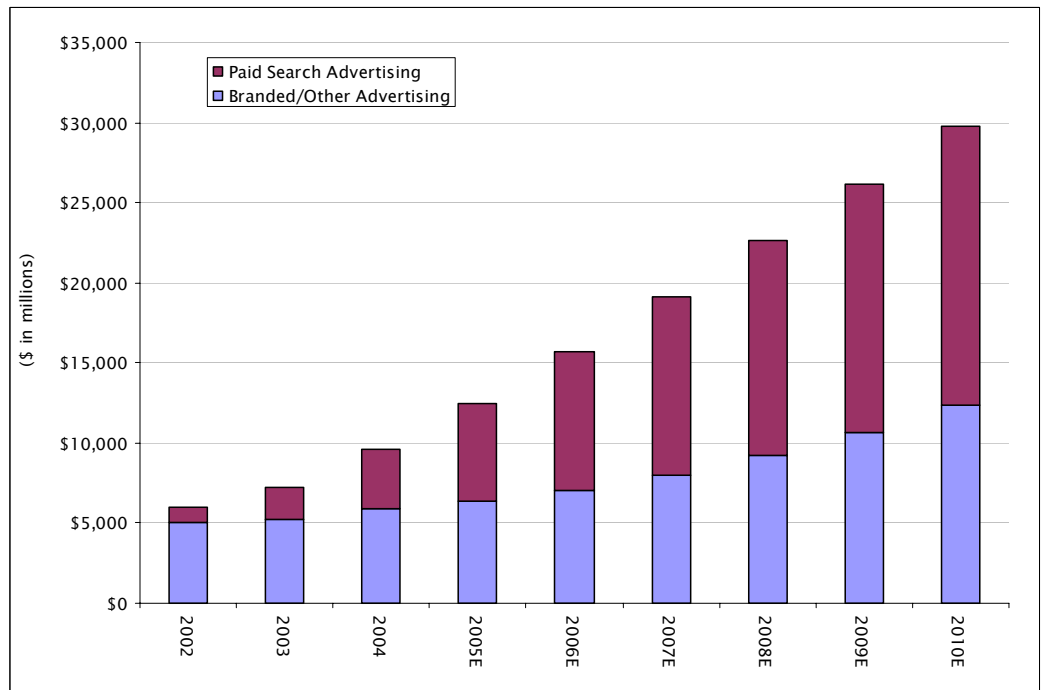
Source: SG Cowen & Co., Internet Advertising Bureau

U.S. Advertising Projections



Source: SG Cowen & Co.

U.S. Online Advertising Market Projections



Source: SG Cowen & Co.

\$ in millions	2002	2003	2004	2005E	2006E	2007E	2008E	2009E	2010E	'05-'10 CAGR
Branded/Other Advertising	5,047	5,253	5,911	6,404	7,011	7,970	9,184	10,636	12,398	14%
Paid Search Advertising	962	2,014	3,715	6,063	8,662	11,103	13,404	15,502	17,328	23%
Total U.S. Online Ad Market	6,009	7,267	9,626	12,467	15,672	19,074	22,588	26,138	29,726	19%



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Worldwide Paid Search Market Projections

\$ in millions	2002	2003	2004	2005E	2006E	2007E	2008E	2009E	2010E	'05-'10 CAGR
Worldwide Paid Search Revenues										
Google Affiliates	104	629	1,554	2,673	3,809	4,875	5,899	6,843	7,732	24%
Google Search	307	792	1,589	3,381	5,809	8,133	10,573	12,687	14,717	34%
Yahoo Affiliates	476	727	1,373	2,183	2,918	3,560	4,183	4,768	5,340	20%
Yahoo Search	134	307	583	829	1,089	1,372	1,646	1,926	2,203	22%
MSN Post-Yahoo Affiliate	0	0	0	0	350	975	1,316	1,645	1,974	NA
Other	100	110	253	393	471	554	632	713	785	15%
Total Search Revenues	1,121	2,564	5,352	9,459	14,446	19,468	24,253	28,582	32,752	28%
% Change	NA	129%	109%	77%	53%	35%	25%	18%	15%	
Worldwide Paid Search Market Share										
Google Affiliates	9%	25%	29%	28%	26%	25%	24%	24%	24%	
Google Search	27%	31%	30%	36%	40%	42%	44%	44%	45%	
Yahoo Affiliates	42%	28%	26%	23%	20%	18%	17%	17%	16%	
Yahoo Search	12%	12%	11%	9%	8%	7%	7%	7%	7%	
MSN Post-Yahoo Affiliate	0%	0%	0%	0%	2%	5%	5%	6%	6%	
Other	9%	4%	5%	4%	3%	3%	3%	2%	2%	
Total Search Revenues	100%	100%	100%	100%	100%	100%	100%	100%	100%	
U.S. Paid Search Revenues										
Total U.S. Revenues	962	2,014	3,715	6,063	8,662	11,103	13,404	15,502	17,328	23%
% Change	NA	109%	84%	63%	43%	28%	21%	16%	12%	
% of Worldwide	86%	79%	69%	64%	60%	57%	55%	54%	53%	
International Paid Search Revenues										
Total Intl Revenues	159	550	1,638	3,395	5,784	8,365	10,849	13,081	15,424	35%
% Change	NA	246%	198%	107%	70%	45%	30%	21%	18%	
% of Worldwide	14%	21%	31%	36%	40%	43%	45%	46%	47%	

Source: SG Cowen & Co.

Google Valuation Multiples

	2005E	2006E	2007E
EV/Revenues ex-TAC	31.3x	18.7x	13.5x
EV/Adjusted EBITDA	48.1x	28.8x	20.7x
P/E	69.1x	44.6x	32.4x
P/FCF	84.4x	52.3x	37.4x

Source: SG Cowen & Co.

Yahoo Valuation Multiples

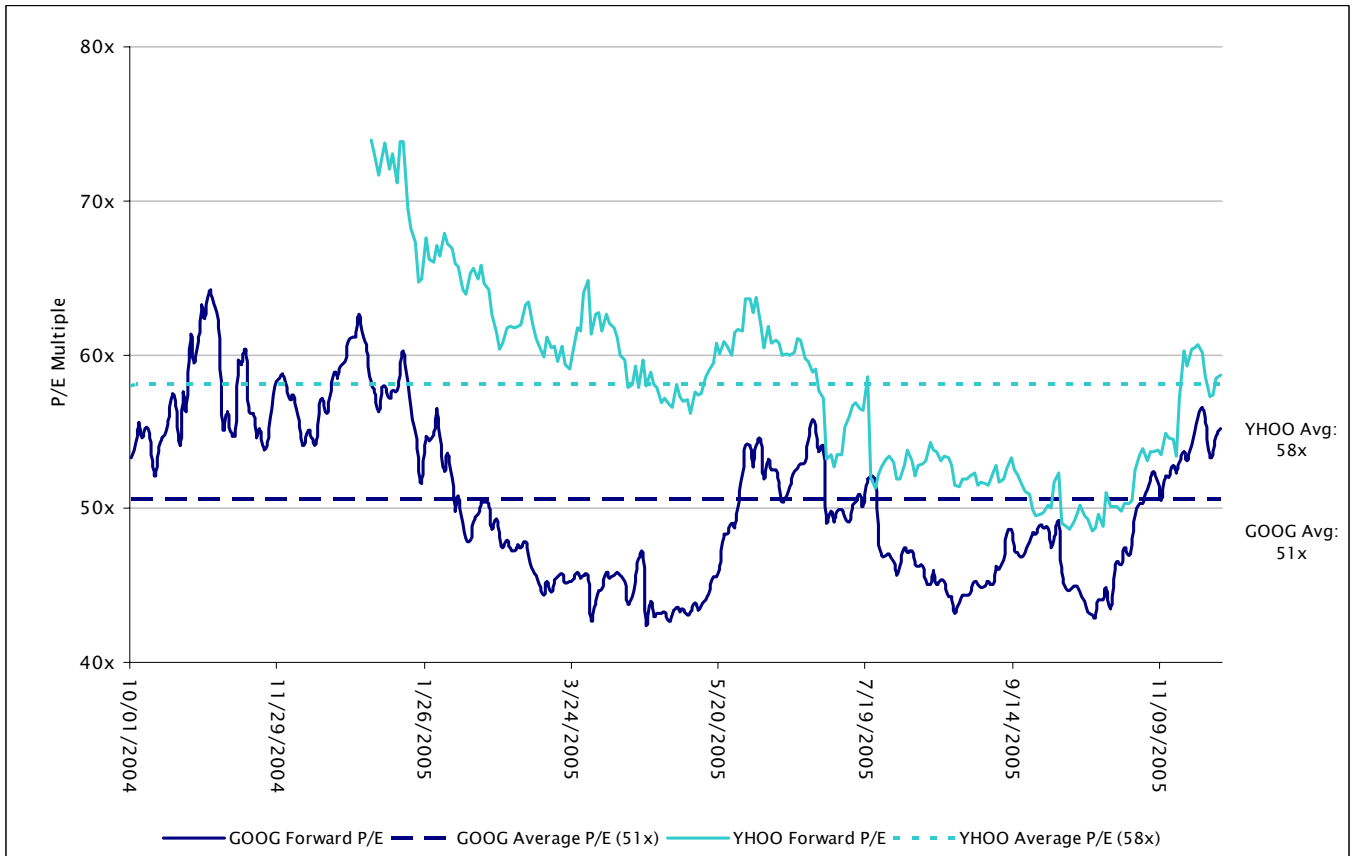
	2005E	2006E	2007E
EV/Revenues	13.1x	10.3x	8.6x
EV/EBITDA	30.9x	23.7x	19.3x
P/E	69.9x	55.8x	45.0x
P/FCF	51.6x	41.2x	31.4x

Source: SG Cowen & Co.



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Google and Yahoo! Forward P/E



Note: EPS based on consensus Next Twelve Months estimates
Source: SG Cowen & Co. and Factset.



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Google Quarterly Income Statement and Margin Analysis

FY December; \$ in millions	2002					2003					2004					2005E				
	2002	Q1:Mar	Q2:Jun	Q3:Sep	Q4:Dec	2003	Q1:Mar	Q2:Jun	Q3:Sep	Q4:Dec	2004	Q1:Mar A	Q2:Jun A	Q3:Sep A	Q4:Dec	2005E	2006E			
Total Revenues (GAAP)	440	249	311	394	512	1,466	652	700	806	1,032	3,189	1,257	1,384	1,578	1,906	6,125	9,711			
% Change	409%	488%	296%	201%	173%	234%	162%	125%	105%	101%	118%	93%	98%	96%	85%	92%	59%			
Revenues Ex-Traffic Acquisition Costs	345	180	213	250	296	939	381	423	503	654	1,960	795	890	1,048	1,291	4,024	6,721			
% Change (q/q)	NM	NA	18%	17%	18%	NA	29%	11%	19%	30%	NA	22%	12%	18%	23%	NA	NA			
% Change (y/y)	NM	NA	NA	NA	NA	172%	111%	99%	101%	121%	109%	109%	110%	108%	97%	105%	67%			
Costs and Expenses:																				
Cost of Revenues	132	87	117	170	251	626	315	326	362	454	1,458	545	597	654	774	2,570	3,843			
Research and Development	32	13	17	33	28	91	35	46	57	87	226	79	96	152	162	489	866			
Sales and Marketing	44	18	25	37	41	121	48	57	66	76	246	83	97	105	118	403	545			
General and Administrative	24	10	13	14	20	57	22	26	41	52	140	57	72	92	109	330	551			
Stock-Based Compensation	22	36	34	74	85	229	76	75	68	60	279	49	47	46	51	194	218			
Non-recurring items/settlements	0	0	0	0	0	0	0	0	201	0	201	0	0	0	90	90	0			
Total Costs and Expenses	253	164	206	327	426	1,124	496	529	795	729	2,549	814	909	1,049	1,304	4,076	6,022			
Pro Forma Operating Income	208	121	139	152	171	583	232	247	280	373	1,131	492	523	596	743	2,334	3,906			
Operating Income	186	85	105	67	86	342	155	171	11	303	640	443	476	529	602	2,049	3,689			
Interest Income and Other	(2)	(0)	1	0	2	4	0	(1)	4	2	10	14	20	21	34	88	156			
Pretax Income	185	85	106	67	89	346	156	169	15	310	650	456	495	550	636	2,138	3,845			
Taxes	85	59	23	47	62	241	92	90	(37)	106	251	87	153	169	232	640	1,151			
Net Income	100	26	32	20	27	105	64	79	52	204	399	369	343	381	404	1,497	2,694			
Non-GAAP Net Income	132	62	66	94	112	335	122	137	193	260	712	406	381	437	533	1,758	2,835			
% Change	581%	432%	114%	158%	112%	154%	96%	106%	105%	132%	113%	233%	178%	127%	105%	147%	61%			
Diluted Shares Outstanding (millions)	221	250	258	259	259	257	264	266	275	286	273	287	287	290	300	291	303			
GAAP EPS	\$0.45	\$0.10	\$0.12	\$0.08	\$0.10	\$0.41	\$0.24	\$0.30	\$0.19	\$0.71	\$1.46	\$1.29	\$1.19	\$1.32	\$1.35	\$5.15	\$8.91			
Non-GAAP EPS (Consensus Methodology)	\$0.60	\$0.25	\$0.26	\$0.36	\$0.43	\$1.30	\$0.46	\$0.51	\$0.70	\$0.91	\$2.73	\$1.29	\$1.33	\$1.51	\$1.78	\$6.04	\$9.37			
% Change	NM	302%	66%	125%	88%	118%	86%	100%	93%	110%	109%	179%	158%	115%	96%	121%	55%			
Adjusted EBITDA	237	132	151	155	189	627	255	278	321	425	1,280	548	590	672	830	2,620	4,376			
% Change (q/q)	NA	34%	15%	3%	22%	NA	35%	9%	16%	32%	NA	29%	8%	14%	24%	NA	NA			
% Change (y/y)	NM	403%	258%	120%	92%	164%	94%	84%	108%	125%	104%	114%	112%	109%	95%	105%	67%			
Margin Analysis																				
Gross Margin	70.1%	64.9%	62.3%	56.7%	51.0%	57.3%	51.6%	53.4%	55.1%	56.0%	54.3%	56.6%	56.9%	58.6%	59.4%	58.0%	60.4%			
Gross Margin (ex-TAC)	89.3%	89.7%	90.9%	89.3%	88.3%	89.4%	88.4%	88.3%	88.2%	88.4%	88.3%	89.5%	88.4%	88.2%	87.7%	88.4%	87.3%			
Costs and Expenses:																				
Cost of Revenues	29.9%	35.1%	37.7%	43.3%	49.0%	42.7%	48.4%	46.6%	44.9%	44.0%	45.7%	43.4%	43.1%	41.4%	40.6%	42.0%	39.6%			
Research and Development	7.2%	5.0%	5.6%	8.3%	5.6%	6.2%	5.4%	6.5%	7.1%	8.5%	7.1%	6.3%	6.9%	9.6%	8.5%	8.0%	8.9%			
Sales and Marketing	10.0%	7.1%	8.0%	9.3%	8.1%	8.2%	7.4%	8.1%	8.1%	7.4%	7.7%	6.6%	7.0%	6.7%	6.2%	6.6%	5.6%			
General and Administrative	5.5%	4.0%	4.0%	3.5%	4.0%	3.9%	3.3%	3.7%	5.1%	5.0%	4.4%	4.6%	5.2%	5.9%	5.4%	5.4%	5.7%			
Stock-Based Compensation	4.9%	14.6%	11.0%	18.7%	16.6%	15.6%	11.7%	10.7%	8.4%	5.8%	8.7%	3.9%	3.4%	2.9%	2.7%	3.2%	2.2%			
Total Costs and Expenses	57.6%	65.9%	66.3%	83.1%	83.2%	76.7%	76.2%	75.6%	98.6%	70.6%	79.9%	64.8%	65.6%	66.5%	68.4%	66.5%	62.0%			
Adjusted EBITDA Margin	53.9%	53.0%	48.5%	39.3%	36.9%	42.7%	39.2%	39.7%	39.9%	41.2%	40.1%	43.6%	42.6%	42.6%	43.6%	42.8%	45.1%			
Adjusted EBITDA Margin (ex-TAC)	68.7%	73.3%	70.8%	61.8%	63.9%	66.7%	67.1%	65.6%	63.9%	65.1%	65.3%	69.0%	66.3%	64.1%	64.3%	65.1%	65.1%			
Operating Income	42.4%	34.1%	33.7%	16.9%	16.8%	23.3%	23.8%	24.4%	1.4%	29.4%	20.1%	35.2%	34.4%	33.5%	31.6%	33.5%	38.0%			
Pro Forma Operating Income	60.3%	67.3%	65.2%	60.7%	57.8%	62.1%	60.9%	58.3%	55.7%	57.0%	57.7%	61.9%	58.7%	56.9%	57.6%	58.0%	58.1%			
Interest Income and Other	-0.4%	0.0%	0.2%	0.1%	0.6%	0.3%	0.0%	-0.2%	0.5%	0.7%	0.3%	1.1%	1.4%	1.3%	1.8%	1.4%	1.6%			
Pretax Income	42.1%	34.1%	33.9%	17.0%	17.4%	23.6%	23.9%	24.2%	1.9%	30.1%	20.4%	36.3%	35.8%	34.8%	33.4%	34.9%	39.6%			
Tax Rate (effective)	46.1%	69.5%	69.5%	69.5%	69.8%	69.6%	58.9%	53.3%	-247.1%	34.2%	38.6%	19.1%	30.8%	30.7%	30.2%	30.0%	29.9%			
Tax Rate (ex-stock based comp)	41.3%	48.6%	52.5%	33.1%	35.7%	41.9%	39.5%	37.0%	-44.6%	28.7%	27.0%	17.3%	28.1%	28.3%	33.7%	27.5%	28.3%			
Net Income	22.7%	10.4%	10.3%	5.2%	5.3%	7.2%	9.8%	11.3%	6.5%	19.8%	12.5%	29.4%	24.8%	24.1%	21.2%	24.4%	27.7%			
Non-GAAP Net Income	27.6%	25.0%	21.3%	23.9%	21.9%	22.8%	21.6%	22.0%	23.9%	19.1%	21.5%	29.4%	28.2%	27.1%	23.9%	26.8%	30.0%			

Note: Non-GAAP net income excludes stock-based compensation expense, non-recurring items, and the tax benefit from the exercise of stock options (consensus estimates include the tax benefit from the exercise of stock options); Adjusted EBITDA is calculated by adding depreciation, amortization, stock-based compensation expense, and in-process research expenses to operating profit.

Source: SG Cowen & Co.



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Yahoo Quarterly Income Statement and Margin Analysis

FY December; \$ in millions	2003					2004					2005						
	2002	Q1-Mar	Q2-Jun	Q3-Sep	Q4-Dec	2003	Q1-Mar A	Q2-Jun A	Q3-Sep A	Q4-Dec A	2004	Q1-Mar A	Q2-Jun A	Q3-Sep A	Q4-Dec E	2005E	2006E
Revenues:																	
Marketing Services	745.1	218.1	250.4	275.9	577.5	1,321.9	655.2	722.7	796.6	942.9	3,117.4	1,024.8	1,094.3	1,159.6	1,325.5	4,604.1	6,026.1
Traffic Acquisition Costs (TAC)	0.0	0.0	0.0	0.0	152.6	152.6	207.6	223.2	251.3	292.7	974.8	353.0	377.9	397.8	451.4	1,580.1	2,130.0
Marketing Services Excluding TAC	745.1	218.1	250.4	275.9	424.9	1,169.4	447.5	499.5	545.3	650.2	2,142.5	671.8	716.4	761.8	874.0	3,024.0	3,896.1
Fees	207.9	64.8	71.0	80.9	86.4	303.2	92.7	109.6	110.1	134.8	447.3	148.9	158.7	170.4	188.2	666.2	811.4
Total Revenues (GAAP)	953.1	282.9	321.4	356.8	663.9	1,625.1	747.9	832.3	906.7	1,077.7	3,564.6	1,173.7	1,253.0	1,329.9	1,513.7	5,270.3	6,837.5
Revenues Excluding TAC	953.1	282.9	321.4	356.8	511.3	1,472.5	540.3	609.1	655.4	785.0	2,589.8	820.8	875.1	932.1	1,062.2	3,690.2	4,707.5
% Change	33%	47%	42%	43%	79%	55%	91%	90%	84%	54%	76%	52%	44%	42%	35%	42%	28%
Costs:																	
Traffic Acquisition Costs (TAC)	0.0	0.0	0.0	0.0	152.6	152.6	207.6	223.2	251.3	292.7	974.8	353.0	377.9	397.8	451.4	1,580.1	2,130.0
Other Cost of Revenues	162.9	43.1	46.8	47.3	68.3	205.5	74.1	74.2	81.0	94.4	323.7	100.3	108.0	122.4	138.1	468.8	616.7
Gross Profit	790.2	239.8	274.6	309.5	443.1	1,267.0	466.2	534.9	574.4	690.6	2,266.1	720.4	767.1	809.7	924.1	3,221.4	4,090.8
Expenses:																	
Sales & Marketing	430.0	113.5	122.1	128.7	166.3	530.6	166.3	191.9	193.0	226.9	778.0	230.5	246.4	265.7	298.5	1,041.1	1,320.7
Product Development	141.8	36.4	45.1	47.7	78.1	207.3	77.0	87.1	97.0	107.6	368.8	119.3	125.5	141.6	155.1	541.6	695.8
General & Administrative	100.7	28.6	33.9	39.6	54.8	157.0	57.6	63.2	69.2	72.7	262.6	73.5	81.4	77.7	82.9	315.6	378.7
Stock Compensation Expense	8.4	0.6	0.9	0.5	20.1	22.0	12.6	7.1	6.1	6.5	32.3	9.5	10.9	13.5	18.5	52.4	60.0
Amortization of Intangibles	21.2	5.7	9.8	9.5	29.4	54.4	30.5	36.1	37.0	42.1	145.7	40.2	41.4	41.0	39.3	162.0	154.8
Total Expenses	702.0	184.8	211.8	226.0	348.7	971.3	343.9	385.4	402.3	455.8	1,587.4	473.1	505.7	539.6	594.2	2,112.7	2,610.0
Operating Income (Loss)	88.2	55.0	62.8	83.5	94.4	295.7	122.3	149.5	172.1	234.8	678.7	247.4	261.4	270.1	329.9	1,108.7	1,480.8
Other Income	69.3	12.5	10.3	11.4	13.2	47.5	14.4	13.2	123.3	345.6	496.4	50.0	979.7	66.0	30.0	1,125.7	130.0
Income before taxes, equity interests, minority interests	157.5	67.5	73.1	94.9	107.6	343.2	136.7	162.7	295.4	580.4	1,175.1	297.4	1,241.1	336.1	359.9	2,234.4	1,610.8
Taxes	71.3	28.6	31.2	40.0	47.2	147.0	60.9	72.5	67.1	233.6	434.1	120.4	515.9	113.8	145.8	895.9	652.4
Equity Interests	22.3	9.7	10.0	12.5	15.4	47.7	19.9	24.1	25.7	25.3	95.0	29.4	33.1	32.2	36.0	130.6	148.0
Minority Elimination	(1.6)	(1.9)	(1.1)	(2.1)	(0.8)	(5.9)	(0.5)	(1.8)	(0.7)	0.4	(2.5)	(1.7)	3.7	0.6	(3.0)	(0.4)	0.0
Net Income (Loss)	171.1	46.7	50.8	65.3	75.0	237.9	95.2	112.5	253.3	372.5	833.5	204.6	754.7	253.8	253.1	1,469.7	1,106.4
Diluted Shares Outstanding (millions)	1,220	1,232	1,257	1,275	1,311	1,269	1,427	1,450	1,459	1,475	1,452	1,478	1,484	1,487	1,490	1,485	1,498
EPS	\$0.14	\$0.04	\$0.04	\$0.05	\$0.06	\$0.19	\$0.07	\$0.08	\$0.17	\$0.25	\$0.57	\$0.14	\$0.51	\$0.17	\$0.17	\$0.99	\$0.74
Normalized EPS	\$0.14	\$0.04	\$0.04	\$0.05	\$0.06	\$0.19	\$0.06	\$0.08	\$0.09	\$0.13	\$0.35	\$0.13	\$0.13	\$0.16	\$0.17	\$0.59	\$0.74
% Change	NA	NA	133%	116%	50%	34%	65%	92%	66%	122%	88%	105%	66%	87%	34%	67%	25%
OIBDA (EBITDA)	206.0	84.6	98.2	117.0	177.6	477.4	201.0	234.1	259.7	327.2	1,022.0	345.1	368.4	385.1	469.5	1,568.1	2,045.0
% Change	NA	247%	172%	94%	108%	132%	138%	138%	122%	84%	114%	72%	57%	48%	43%	53%	30%
Margins (% of TAC, unless noted):																	
Traffic Acq. Costs (% of marketing revs)	0.0%	0.0%	0.0%	0.0%	26.4%	11.5%	31.7%	30.9%	31.5%	31.0%	31.3%	34.4%	34.5%	34.3%	34.1%	34.3%	35.3%
Traffic Acq. Costs (% of total revs)	0.0%	0.0%	0.0%	0.0%	23.0%	9.4%	27.8%	26.8%	27.7%	27.2%	27.3%	30.1%	30.2%	29.9%	29.8%	30.0%	31.2%
Other Costs of Revenues	17.1%	15.2%	14.6%	13.3%	13.3%	14.0%	13.7%	12.2%	12.4%	12.0%	12.5%	12.2%	12.3%	13.1%	13.0%	12.7%	13.1%
Gross Profit (% of total revenues)	82.9%	84.8%	85.4%	86.7%	66.7%	78.0%	62.3%	64.3%	63.3%	64.1%	63.6%	61.4%	61.2%	60.9%	61.1%	61.1%	59.8%
Gross Profit	82.9%	84.8%	85.4%	86.7%	86.7%	86.0%	86.3%	87.8%	87.6%	88.0%	87.5%	87.8%	87.7%	86.9%	87.0%	87.3%	86.9%
Expenses:																	
Sales & Marketing	45.1%	40.1%	38.0%	36.1%	32.5%	36.0%	30.8%	31.5%	29.4%	28.9%	30.0%	28.1%	28.2%	28.5%	28.1%	28.2%	28.1%
Product Development	14.9%	12.9%	14.0%	13.4%	15.3%	14.1%	14.3%	14.3%	14.8%	13.7%	14.2%	14.5%	14.3%	15.2%	14.6%	14.7%	14.8%
General & Administrative	10.6%	10.1%	10.6%	11.1%	10.7%	10.7%	10.7%	10.4%	10.6%	9.3%	10.1%	9.0%	9.3%	8.3%	7.8%	8.6%	8.0%
Stock Compensation Expense	0.9%	0.2%	0.3%	0.1%	3.9%	1.5%	2.3%	1.2%	0.9%	0.8%	1.2%	1.2%	1.3%	1.5%	3.7%	1.4%	1.4%
Amortization of Intangibles	2.2%	2.0%	3.0%	2.7%	5.7%	3.7%	5.6%	5.9%	5.6%	5.4%	5.6%	4.9%	4.7%	4.4%	3.7%	4.4%	3.3%
Total Costs & Expenses	73.7%	65.3%	65.9%	63.3%	68.2%	66.0%	63.7%	63.3%	61.4%	58.1%	61.3%	57.6%	57.8%	57.9%	57.9%	57.3%	55.4%
EBITDA Margin	21.6%	29.9%	30.5%	32.8%	34.7%	32.4%	37.2%	38.4%	39.6%	41.7%	39.5%	42.0%	42.1%	41.3%	44.2%	42.5%	43.4%
Operating Income (Loss)	9.3%	19.4%	19.5%	23.4%	18.5%	20.1%	22.6%	24.5%	26.3%	29.9%	26.2%	30.1%	29.9%	29.0%	31.1%	30.0%	31.5%
Other Income	7.3%	4.4%	3.2%	3.2%	2.6%	3.2%	2.7%	2.2%	18.8%	44.0%	19.2%	6.1%	112.0%	7.1%	2.8%	30.5%	2.8%
Minority Elimination	-0.2%	-0.7%	-0.4%	-0.6%	-0.2%	-0.4%	-0.1%	-0.3%	-0.1%	0.1%	-0.1%	-0.2%	0.4%	0.1%	-0.3%	0.0%	0.0%
Income before taxes, equity interests, minority interests	16.5%	23.9%	22.7%	26.6%	21.0%	23.3%	25.3%	26.7%	45.1%	73.9%	45.4%	36.2%	141.8%	36.1%	33.9%	60.5%	34.2%
Tax Rate	45.3%	42.4%	42.6%	42.2%	43.9%	42.8%	44.5%	44.6%	22.7%	40.2%	36.9%	40.5%	41.6%	33.9%	40.5%	40.1%	40.5%
Net Income (Loss)	17.9%	16.5%	15.8%	18.3%	14.7%	16.2%	17.6%	18.5%	38.6%	47.5%	32.2%	24.9%	86.2%	27.2%	23.8%	39.8%	23.5%

Source: SG Cowen & Co.



Addendum

COMPANIES MENTIONED IN THIS REPORT

Ticker	Company Name
GOOG	Google
YHOO	Yahoo! Inc.

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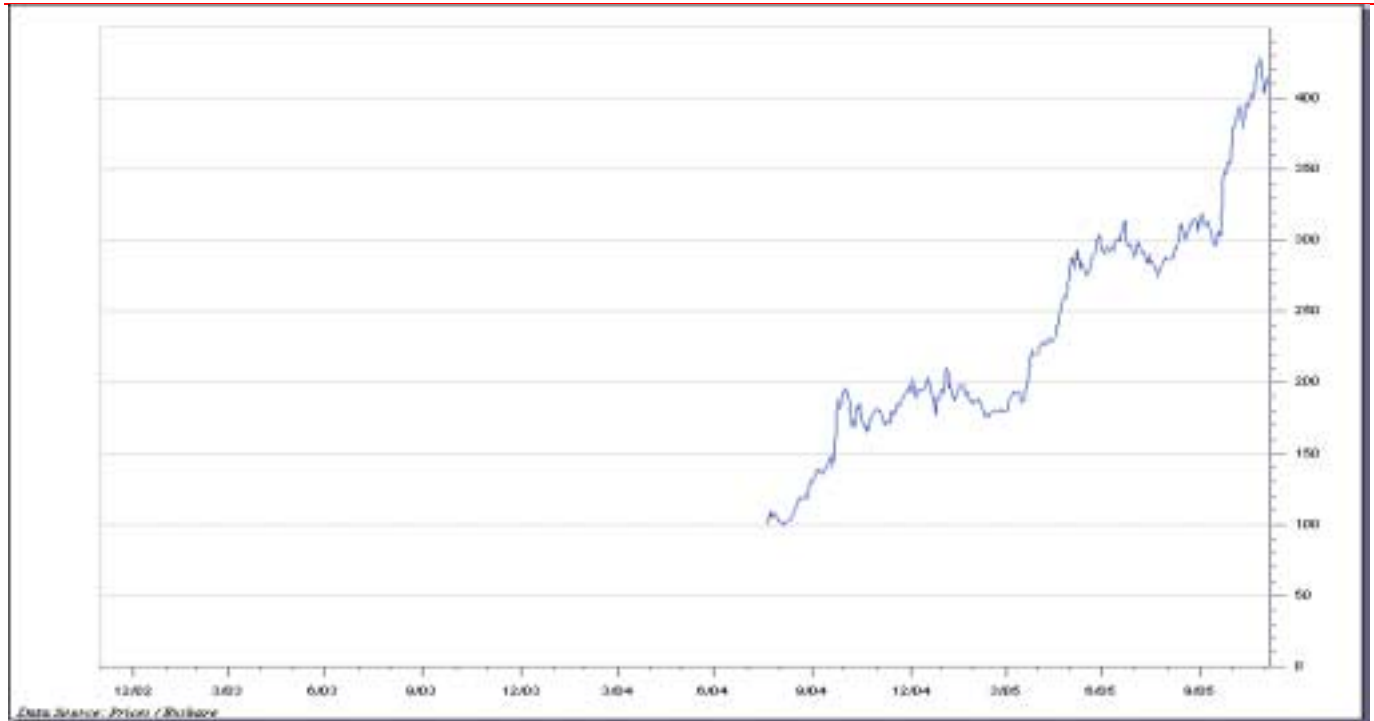
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Strong Buy (1)	Stock expected to outperform the S&P 500 by over 25%
Outperform (2)	Stock expected to outperform the S&P 500 by 10-25%
Market Perform (3)	Stock expected to out/underperform the S&P 500 by +/-10%
Underperform (4)	Stock expected to underperform the S&P 500 by at least 10%

Assumptions: Time horizon is 12 months; S&P 500 is flat over forecast period.

GOOG—SG COWEN & CO. HISTORICAL PRICE CHART AS OF 12/01/2005 (US\$)

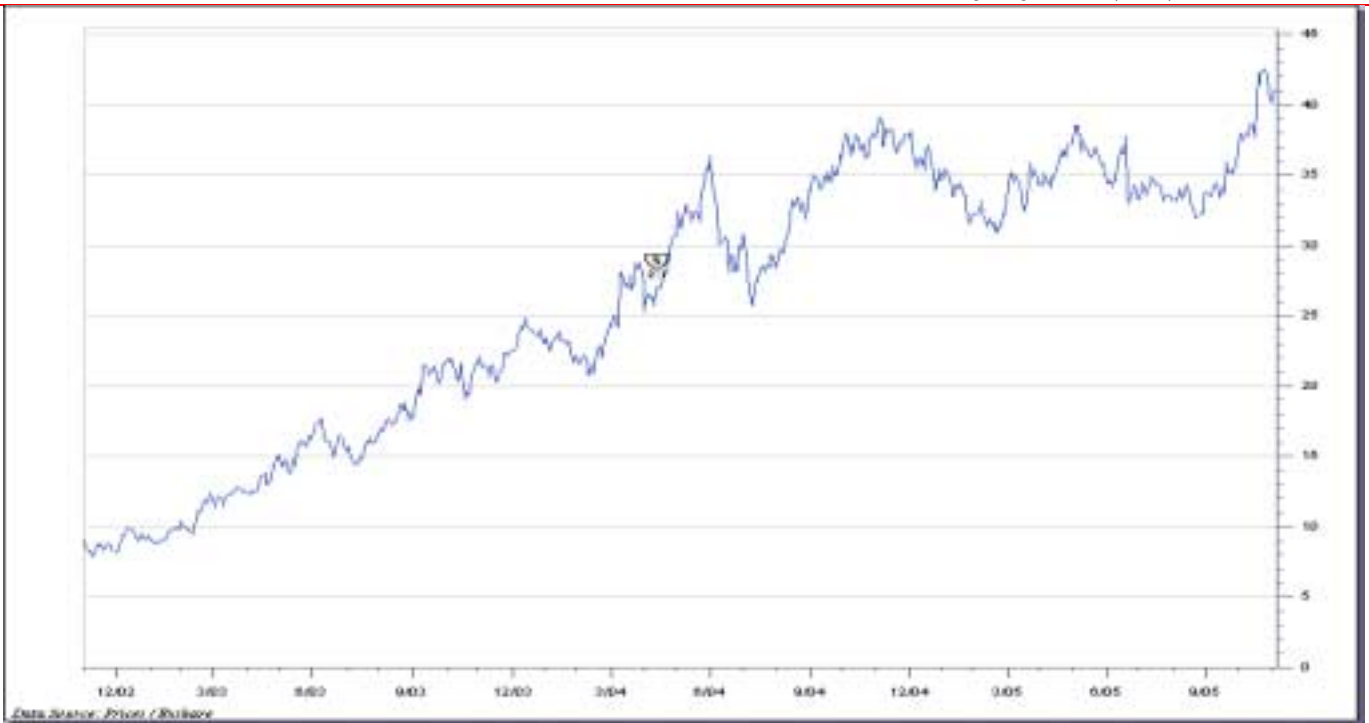


Initiated on 09/27/04;
SG Cowen & Co., LLC eliminated price targets on 09/09/02;
SG Cowen & Co., LLC eliminated investment ratings on 03/01/04.



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YHOO—SG COWEN & CO. HISTORICAL PRICE CHART AS OF 12/01/2005 (US\$)



Initiated on 01/13/97 with Strong Buy and Price Target \$2.83; Rating as of 11/18/02 was Market Perform; Price Target as of 07/08/99 was \$125.00;
Coverage In Transition on 01/10/02; Coverage Resumed on 11/18/02 with Market Perform;
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