

AP

## Google Shares Reach All-Time High

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### Google Shares Reach All-Time High After Release of Positive Third-Quarter Earnings Report

SAN FRANCISCO (AP) -- Google Inc. shares surged 12 percent in early trading Friday, hitting an all-time high after the Internet search juggernaut announced third-quarter financial figures that astounded even the most bullish analysts, as well as its own management team.

"We surprised ourselves this quarter," Google CEO Eric Schmidt said during a Thursday interview. "Business was much stronger than I expected."

Google's shares climbed \$36.68, or 12.1 percent, to \$339.88 in morning trading on the Nasdaq Stock Market.

Google, which reported its results after financial markets closed on Thursday, said it earned \$381.2 million, or \$1.32 per share, a more than sevenfold increase from net income of \$52 million, or 19 cents per share, a year ago. Last year's results included a \$201 million charge to account for a legal settlement with rival Yahoo Inc.

If not for charges related to a recent acquisition and employee stock options issued before the company went public 14 months ago, Google said it would have earned \$1.51 per share.

That figure easily exceeded the consensus estimate of \$1.36 per share among 31 analysts surveyed by Thomson Financial. The highest analyst estimate had been \$1.46 per share.

Google's revenue for the quarter totaled \$1.58 billion, nearly doubling from \$805.9 million last year. After subtracting the commissions that Google paid to other Web sites in its advertising network, the revenue stood at \$1.05 billion, exceeding the Wall Street estimate of \$944 million.

"They are crushing" all expectations, said American Technology Research analyst David Edwards. "They have an incredibly efficient business model."

The most recent profit -- the highest for any three-month period since Google's inception seven years ago -- came during a typically slow season for Internet companies because people spend less time at their computers during the summer.

Google executives also had warned that it might be difficult for the company to post substantial increases from last year's third quarter when a flood of publicity devoted to its August 2004 initial public offering helped drive more traffic to its Web site.

But the introduction of new products, such as instant messaging, and upgrades to existing services, such as mapping, helped Google attract more summer traffic than anticipated, executives said during a Thursday conference call.

"We are effectively connecting with users and customers in relevant ways," Schmidt said.

Excluding ad commissions, Google's third-quarter revenue growth accelerated by 18 percent from the second quarter. Not even the most bullish analyst believed Google's sequential revenue increase would be above 10 percent.

Even as the company diversifies, Google's online search engine remains the company's moneymaking hub, shrugging off stiffening competition from its biggest rivals, Yahoo and Microsoft Corp.

Mountain View, Calif.-based Google handled 45 percent of U.S search requests in September, outdistancing 23 percent for Yahoo and 12 percent for Microsoft's MSN, according to research released Thursday by Nielsen/NetRatings.

As an ever-growing audience flocks to Google's search engine to find information, more advertisers want to have their Web links displayed alongside search results related to their products and services.

The increased ad demand is enabling Google to boost its profit at a breathtaking pace -- something it needs to do to support its lofty stock price.

In its quest for more profit, Google wants to build a free high-speed wireless Internet access service in San Francisco to ensure more people in that city can connect to its search engine and, theoretically, click on its ads. If San Francisco picks Google's proposal over 25 others, the company plans to begin building the wireless network immediately, Schmidt said.

Google also has teamed up with Comcast Corp., the nation's largest cable company, to explore buying a minority stake in Time Warner Inc.'s AOL. Yahoo and Microsoft also are stalking AOL, an alliance that would hurt Google because AOL is its biggest advertising partner.

Schmidt deflected analyst questions about the AOL courtship during Thursday's conference call. "They are a very, very valued partner and we hope it will be true forever," he said.

Google's growth is helping to fund a steady expansion of its work force. The company hired another 806 employees between June and October, expanding its payroll to just under 5,000 workers.