

**Yahoo! Inc.**  
Q3'10 Financial Highlights  
10.19.2010



Note:

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## Quarterly Overview

# Key Takeaways

- **Operating income for Q3'10 and YTD 2010 grew 107% and 106% year-over-year to \$189 million and \$553 million, respectively.**
- **We continue to deliver on goals to significantly expand operating margins.** Operating margin was 12% in Q3, up 600bps year-over-year and 80bps quarter-over-quarter.
- **Search transition is progressing well.** We are on track to complete the transition of paid search in the U.S. and Canada by the end of October.
- **We have repurchased over 7% of the Company's stock so far in 2010.**
- **Display advertising momentum remains strong.** O&O display revenue grew 17% year-over-year in Q3'10.
- **We rolled out the first global platform for Yahoo! News.**



# Financials and Key Metrics at a Glance

<i>\$ in millions, except per share amounts</i>	Q3'09	Q3'10	Q3'10 YOY
<b>Revenue</b>	\$1,575	<b>\$1,601</b>	<b>2%</b>
<b>Operating income</b> <sup>(1)</sup>	\$91	<b>\$189</b>	<b>107%</b>
<i>Operating margin</i> <sup>(2)</sup>	6%	12%	+600bps
<b>Net income attributable to Yahoo! Inc.</b> <sup>(3)</sup>	\$186	<b>\$396</b>	<b>113%</b>
<i>Net margin</i> <sup>(4)</sup>	12%	25%	+1,290bps
<b>EPS attributable to Yahoo! Inc. – diluted</b>	\$0.13	<b>\$0.29</b>	<b>126%</b>
<b>ROIC – last 12 months</b> <sup>(5)</sup>	5.5%	<b>10.8%</b>	<b>+530bps</b>
<b>Page view growth</b> <sup>(6)</sup>			<b>(4%)</b>
<b>Ending employees</b>	13,200	<b>14,100</b>	<b>7%</b>

(1) Q3'10 GAAP Operating income includes restructuring charges of \$6 million. Excluding these charges, Operating income would have been \$195 million and operating margin would have been 12%. Please refer to Table 4.

(2) Operating margin is calculated as Operating income divided by GAAP revenue.

(3) Q3'10 Net income attributable to Yahoo! Inc. includes a gain on the sale of HotJobs of \$186 million and restructuring charges of \$6 million. Excluding these items, Net income attributable to Yahoo! Inc., EPS attributable to Yahoo! Inc.-diluted, and Net margin would have been \$226 million, \$0.17, and 14%, respectively. Please refer to Tables 6 and 7.

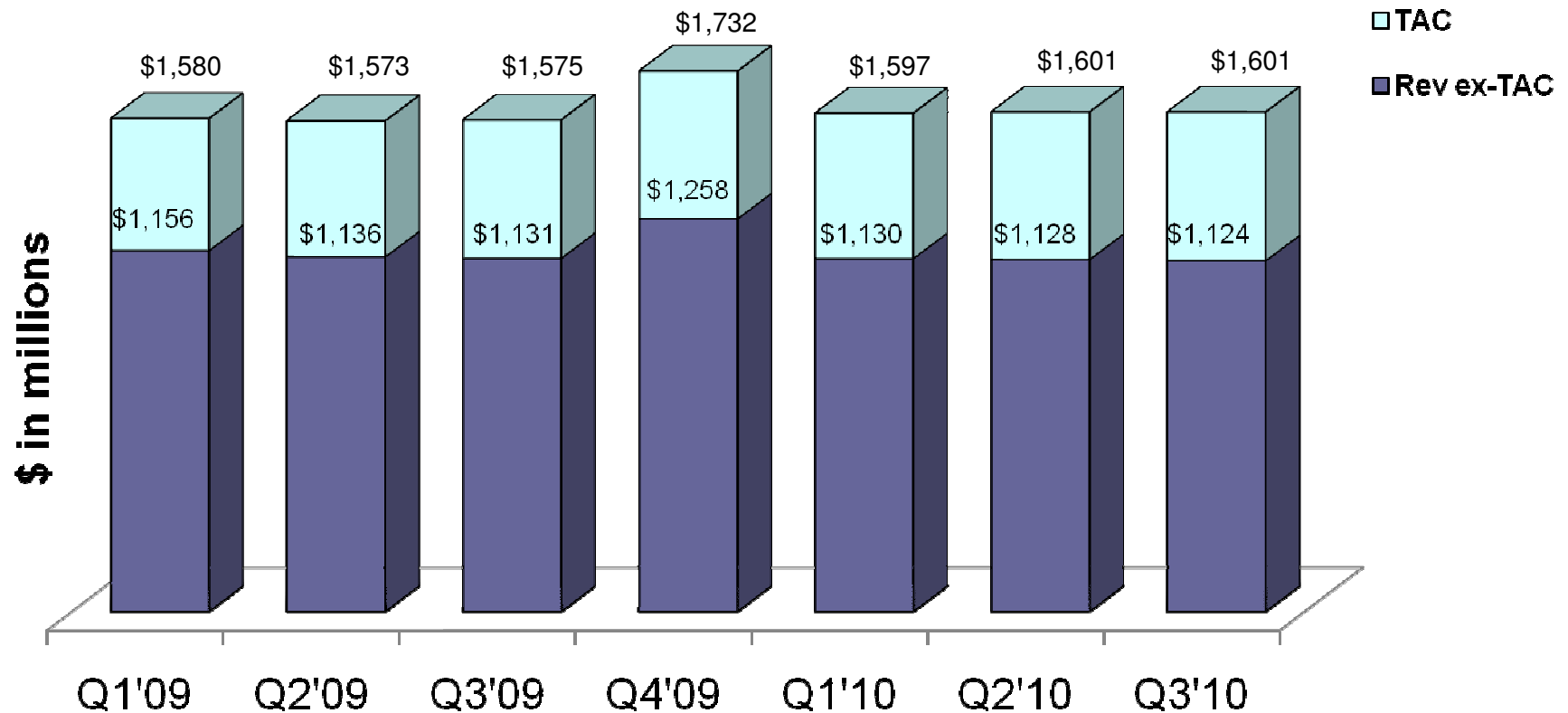
(4) Net margin is calculated as Net income attributable to Yahoo! Inc. divided by GAAP revenue.

(5) Return on invested capital (ROIC) is presented on a trailing 12 months basis and represents Income from operations after tax divided by Average invested capital. ROIC is calculated as:  $(\text{Operating income} \times (1 - \text{Effective tax rate})) / (\text{average Stockholder's equity} + \text{average Net debt} - \text{average Investments in equity interests})$ , where the average of such items is calculated as the average of the amounts at the beginning and ending of the 12-month period. Effective tax rate for the period is calculated as  $(\text{Provision for income taxes}) / (\text{Income before provision for income taxes, earnings in equity interests, and minority interests})$ . Net debt is calculated as  $(\text{Total debt}) - ((\text{Cash \& cash equivalents}) + (\text{Short term and Long term marketable debt securities}))$ .

(6) We periodically review and refine our methodology for monitoring, gathering, and counting Page views to more accurately reflect the total number of Web pages viewed by users on Yahoo! properties. Based on this process, from time to time we update our methodology to exclude from the count of Page views interactions with our servers that we determine or believe are not the result of user visits to our Owned and Operated sites.



# GAAP Revenue & Revenue ex-TAC Trends



Note: Traffic acquisition costs ("TAC") consists of payments made to Affiliates and payments made to companies that direct consumer and business traffic to the Yahoo! websites.

Note: Revenue excluding traffic acquisition costs (Revenue ex-TAC) is a non-GAAP financial measure defined as GAAP Revenue less TAC. Please refer to supporting Table 1 for reconciliations of GAAP Revenue to Revenue ex-TAC.



# GAAP Revenue Details

<i>\$ in millions</i>	Q1'09	Q2'09	Q3'09	Q4'09	Q1'10	Q2'10	Q3'10
O&O Search	\$399	\$359	\$354	\$370	\$343	\$331	<b>\$331</b>
Year/Year Growth	(3%)	(15%)	(19%)	(15%)	(14%)	(8%)	(7%)
O&O Display	\$371	\$393	\$399	\$503	\$444	\$468	<b>\$465</b>
Year/Year Growth	(13%)	(14%)	(8%)	(1%)	20%	19%	17%
O&O Listings & Other Marketing Services	\$102	\$106	\$98	\$98	\$88	\$82	<b>\$81</b>
Year/Year Growth	(22%)	(21%)	(24%)	(18%)	(14%)	(23%)	(18%)
Total O&O	\$872	\$858	\$851	\$971	\$875	\$881	<b>\$877</b>
Year/Year Growth	(10%)	(16%)	(15%)	(9%)	0%	3%	3%
Affiliate	\$511	\$520	\$526	\$564	\$548	\$557	<b>\$557</b>
Year/Year Growth	(16%)	(9%)	(6%)	6%	7%	7%	6%
Total Marketing Services	\$1,383	\$1,378	\$1,377	\$1,535	\$1,423	\$1,438	<b>\$1,434</b>
Year/Year Growth	(12%)	(13%)	(12%)	(4%)	3%	4%	4%
Fees	\$197	\$195	\$198	\$197	\$174	\$163	<b>\$167</b>
Year/Year Growth	(20%)	(8%)	(11%)	(7%)	(11%)	(16%)	(15%)
Total Revenue	\$1,580	\$1,573	\$1,575	\$1,732	\$1,597	\$1,601	<b>\$1,601</b>
Year/Year Growth	(13%)	(13%)	(12%)	(4%)	1%	2%	2%

Note: "O&O" (or "Owned and Operated") refers to Yahoo!'s owned and operated online properties and services. "Affiliate" refers to third-party entities in Yahoo!'s distribution network who have integrated Yahoo!'s advertising offerings into their websites or their other offerings.



# Geographic Segment Data

<i>\$ in millions</i>	Q3'09	Q3'10	Q3'10 YOY
<b>Americas Segment</b>			
Revenue	\$1,178	<b>\$1,147</b>	(3%)
Direct costs <sup>(1)</sup>	<u>(457)</u>	<u><b>(428)</b></u>	(6%)
<b>Contribution by segment</b>	<b>\$721</b>	<b>\$719</b>	<b>0%</b>
Segment contribution margin <sup>(2)</sup>	<b>61%</b>	<b>63%</b>	150bps
<b>EMEA Segment</b>			
Revenue	\$143	<b>\$133</b>	(7%)
Direct costs <sup>(1)</sup>	<u>(76)</u>	<u><b>(76)</b></u>	0%
<b>Contribution by segment</b>	<b>\$66</b>	<b>\$57</b>	<b>(15%)</b>
Segment contribution margin <sup>(2)</sup>	<b>47%</b>	<b>43%</b>	(400bps)
<b>Asia Pacific Segment</b>			
Revenue	\$255	<b>\$322</b>	26%
Direct costs <sup>(1)</sup>	<u>(127)</u>	<u><b>(173)</b></u>	36%
<b>Contribution by segment</b>	<b>\$128</b>	<b>\$149</b>	<b>16%</b>
Segment contribution margin <sup>(2)</sup>	<b>50%</b>	<b>46%</b>	(400bps)

(1) Direct costs for each segment include TAC, other cost of revenue, and other operating expenses that are directly attributable to the segment such as employee compensation expense (excluding stock-based compensation expense), local sales and marketing expenses, and facilities expenses.

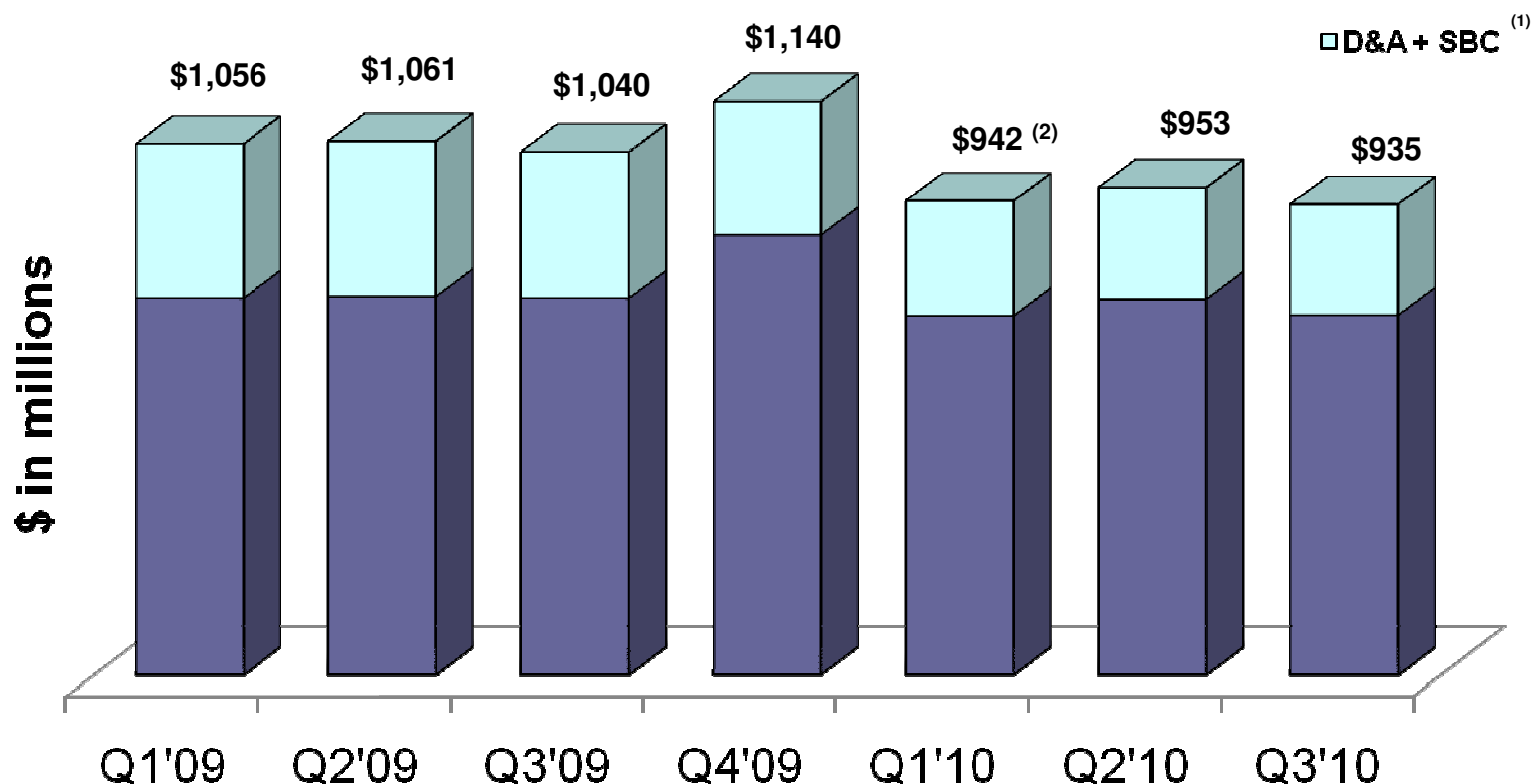
(2) Segment contribution margin is calculated as segment contribution divided by segment revenue.

Note: In Q2'10 we reorganized our business segments into three regions: Americas, EMEA (Europe, Middle East, and Africa), and Asia Pacific. For comparison purposes prior period amounts have been reclassified to conform to the current presentation.

Note: Please refer to supporting Table 2, "Revenue and Direct Costs by Segment."



# Total Expenses less TAC



Note: Total expenses less TAC is a non-GAAP financial measure defined as Total expenses (GAAP Cost of revenue plus GAAP Total operating expenses) less TAC.

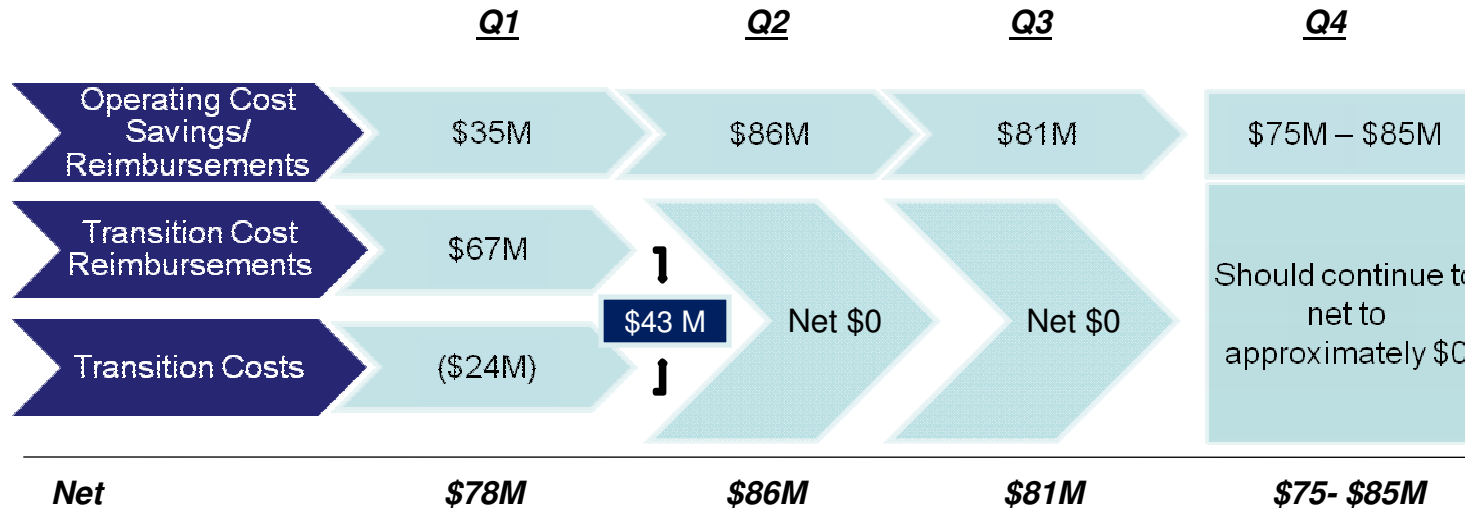
(1) D&A refers to Depreciation & amortization (D&A) and SBC refers to Stock-based compensation expense (SBC).

(2) Reflects \$43 million of transition cost reimbursements from Microsoft Corp. recorded in Q1'10 for transition costs incurred in Q3'09 and Q4'09.

Please refer to supporting Table 3 for reconciliations of Total expenses to Total expenses less TAC.



# Yahoo! and Microsoft Search Alliance



Indicative of long-term cost savings, not including 2010 reinvestments

### Operating Cost Savings/Reimbursements

- Approximately \$25M - \$30M per month for direct costs of running Yahoo! Search
- As we transition in each geographic market, these reimbursements will begin to decline and the underlying expenses will be removed from our cost structure.

### Transition Cost Reimbursements

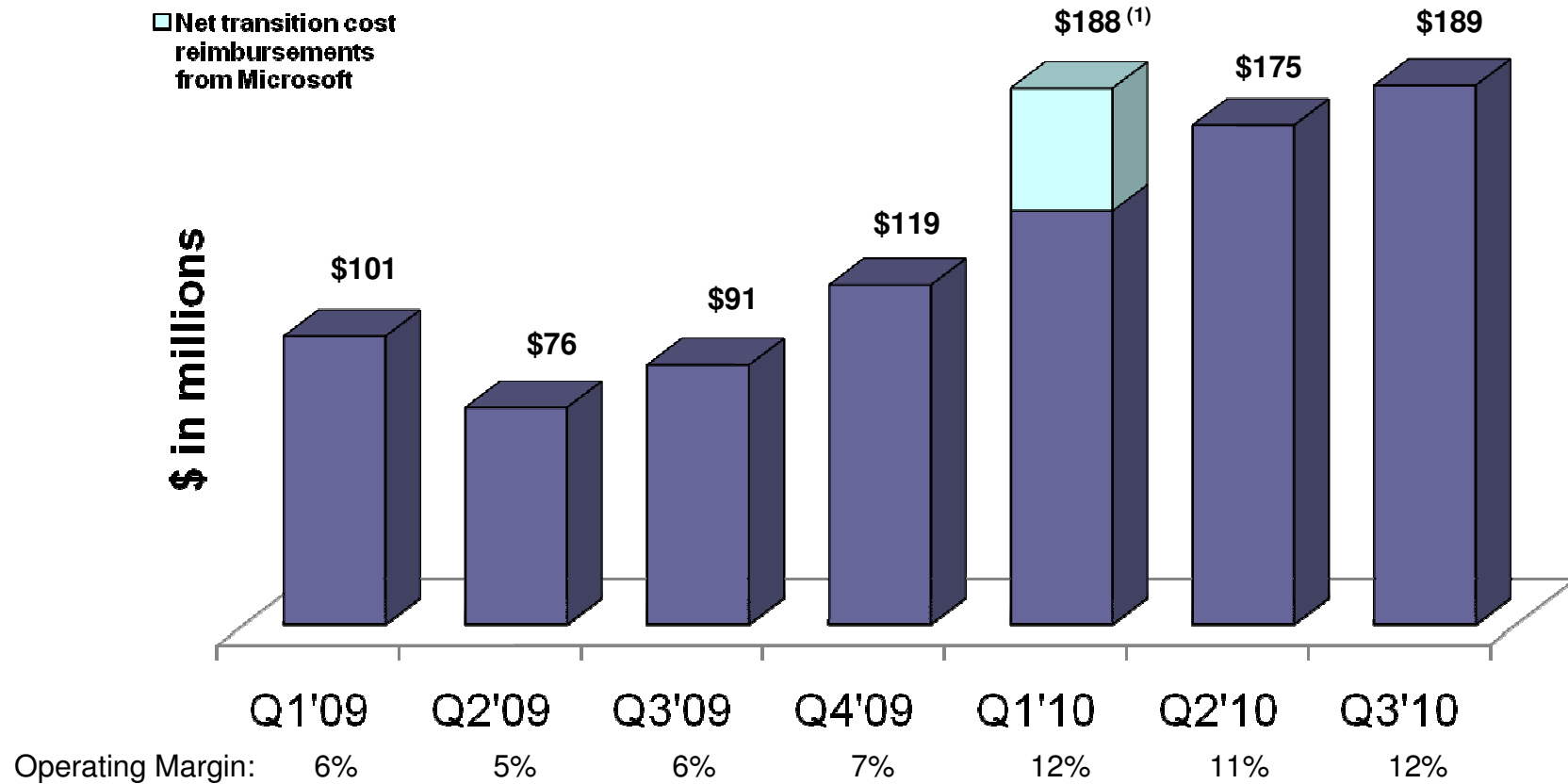
- Up to \$150M of reimbursements that Microsoft will pay to Yahoo! over the next two years as specified in the agreement
- Payments relate to specific transition costs
- \$18M transition costs in Q3, bringing to-date total to \$103M

### Transition Costs

- Transition costs include sales training, customer migration, consulting, legal, retention and other costs incurred in connection with the transition of search services to Microsoft
- Transition costs and reimbursements are expected to be nearly equal in Q4'10.



# Operating Income



(1) Operating income for Q1'10 includes \$43 million of net transition cost reimbursements from Microsoft. See Table 4 for presentation of Non-GAAP Operating income, which excludes certain items that the Company does not consider indicative of its ongoing operating performance.

Note: Operating margin is calculated as Operating income divided by Revenue.



# Key Balance Sheet Metrics

<i>\$ in millions except where noted</i>	Q1'09	Q2'09	Q3'09	Q4'09	Q1'10	Q2'10	Q3'10
Cash & Marketable Debt Securities	\$3,691	\$4,197	\$4,503	\$4,518	\$4,244	\$3,799	<b>\$3,455</b>
Accounts Receivable, net	\$913	\$907	\$907	\$1,003	\$900	\$922	<b>\$939</b>
DSO (in days)	52	53	53	53	51	52	<b>54</b>
Current Deferred Revenue	\$406	\$417	\$413	\$411	\$352	\$347	<b>\$314</b>
Market Value of 35% Ownership in Yahoo! Japan (at 9/30/10)							<b>\$6,963</b>
Market Value of 29% Ownership in Alibaba.com (at 9/30/10)							<b>\$3,115</b>

Note: Our 29% stake in Alibaba.com is held indirectly through our equity interest in Alibaba Group and does not include estimates for the values of Alibaba Group's privately held businesses. These pre-tax market values are based on public market share prices for Yahoo! Japan and Alibaba.com on September 30, 2010.



# Key Cash Flow Highlights

<i>\$ in millions</i>	Q1'09	Q2'09	Q3'09	Q4'09	Q1'10	Q2'10	Q3'10
Share repurchases	\$0	\$0	\$91	\$23	\$385	\$496	<b>\$868</b>
Cash flow from operations	\$262	\$342	\$355	\$351	\$144	\$347	<b>\$346</b>
Capital expenditures	\$70	\$95	\$99	\$170	\$113	\$190	<b>\$164</b>
Free cash flow <sup>(1)</sup>	\$214	\$266	\$258	\$220	\$64 <sup>(2)</sup>	\$127	<b>\$250</b>

(1) Free cash flow (FCF) is a non-GAAP financial measure defined as cash flow from operating activities (adjusted to include excess tax benefits from stock-based awards), less net capital expenditures and dividends received. Please refer to supporting Table 5 for reconciliation of GAAP Cash flow from operating activities to Free cash flow.

(2) Microsoft search operating cost reimbursements and transition cost reimbursements were recognized on the income statement but not received as cash in the first quarter of 2010.



# Example – Impact of change in GAAP revenue presentation and revenue share related to Search Alliance (1)

## Pre-Search Alliance Transition

### GAAP Revenue Presentation – “Gross” basis

	Yahoo! O&O	Affiliate (70% TAC)	Total
<b>GAAP Revenue</b>	\$100	\$100	\$200
Less: TAC <sup>(2)</sup>	(\$5)	(\$70)	(\$75)
<b>Revenue ex-TAC</b>	<b>\$95</b>	<b>\$30</b>	<b>\$125</b>

## Post-Search Alliance Transition

### GAAP Revenue Presentation – “Net” basis

	Yahoo! O&O	Affiliate (70% TAC)	Total
Search transactions in AdCenter <sup>(3)</sup>	\$100	\$100	\$200
Less: TAC <sup>(2)</sup>	(\$5)	(\$70)	(\$75)
Less: 12% MSFT revenue share <sup>(4)</sup>	(\$11)	(\$4)	(\$15)
<b>GAAP Revenue</b>	<b>\$84</b>	<b>\$26</b>	<b>\$110</b>

- (1) The numbers presented in this slide are for illustration purposes only and do not necessarily reflect actual amounts or actual average TAC rates.
- (2) TAC consists of payments made to Affiliates and payments made to companies that direct consumer and business traffic to Yahoo! websites.
- (3) Represents dollar value of search transactions in Microsoft’s AdCenter platform attributed to Yahoo! Owned and Operated and Affiliate websites.
- (4) Under the Search Agreement, Yahoo! is entitled to an 88% post-TAC revenue share and Microsoft is entitled to a 12% post-TAC revenue share in transitioned markets.



# Business Outlook

<i>\$ in millions</i>	<b>Q4'10 Current Outlook</b>
Revenue ex-TAC	<b>\$1,125-\$1,225</b>
Total expenses less TAC	<b>\$925-\$945</b>
Operating income	<b>\$200-\$280</b>

The above business outlook is based on information and expectations as of October 19, 2010. Yahoo! does not intend, and undertakes no duty, to update this business outlook to reflect subsequent events or circumstances; however, Yahoo! may update this business outlook or any portion thereof at any time at its discretion.

The above business outlook assumes the transition of paid search to Microsoft's adCenter platform in the U.S. and Canada will be completed by the end of October.

Please refer to supporting Table 8 for reconciliations of outlook for Revenue ex-TAC and Total expenses (GAAP Cost of revenue plus GAAP Total operating expenses) less TAC.





Appendix

## Table 1 – Revenue ex-TAC Calculation by Segment

### Reconciliations of GAAP Revenue to Revenue ex-TAC

<i>\$ in millions</i>	Q1'09	Q2'09	Q3'09	Q4'09	Q1'10	Q2'10	Q3'10
<b>Americas</b>							
GAAP Revenue	\$1,216	\$1,186	\$1,178	\$1,273	\$1,155	\$1,133	\$1,147
TAC	<u>(294)</u>	<u>(294)</u>	<u>(299)</u>	<u>(308)</u>	<u>(282)</u>	<u>(282)</u>	<u>(292)</u>
<b>Revenue ex-TAC</b>	<b>\$922</b>	<b>\$892</b>	<b>\$878</b>	<b>\$965</b>	<b>\$873</b>	<b>\$851</b>	<b>\$855</b>
<b>EMEA</b>							
GAAP Revenue	\$147	\$150	\$143	\$159	\$142	\$141	\$133
TAC	<u>(53)</u>	<u>(55)</u>	<u>(51)</u>	<u>(49)</u>	<u>(53)</u>	<u>(50)</u>	<u>(49)</u>
<b>Revenue ex-TAC</b>	<b>\$94</b>	<b>\$95</b>	<b>\$92</b>	<b>\$110</b>	<b>\$88</b>	<b>\$90</b>	<b>\$84</b>
<b>Asia Pacific</b>							
GAAP Revenue	\$218	\$237	\$255	\$300	\$300	\$328	\$322
TAC	<u>(77)</u>	<u>(87)</u>	<u>(94)</u>	<u>(116)</u>	<u>(131)</u>	<u>(141)</u>	<u>(136)</u>
<b>Revenue ex-TAC</b>	<b>\$141</b>	<b>\$150</b>	<b>\$161</b>	<b>\$184</b>	<b>\$169</b>	<b>\$187</b>	<b>\$185</b>
<b>Worldwide</b>							
GAAP Revenue	\$1,580	\$1,573	\$1,575	\$1,732	\$1,597	\$1,601	\$1,601
TAC	<u>(424)</u>	<u>(437)</u>	<u>(444)</u>	<u>(474)</u>	<u>(467)</u>	<u>(473)</u>	<u>(477)</u>
<b>Revenue ex-TAC</b>	<b>\$1,156</b>	<b>\$1,136</b>	<b>\$1,131</b>	<b>\$1,258</b>	<b>\$1,130</b>	<b>\$1,128</b>	<b>1,124</b>

Note: Revenue ex-TAC is a non-GAAP financial measure defined as GAAP Revenue less TAC.

Note: In Q2'10 we reorganized our business segments into three regions: Americas, EMEA (Europe, Middle East, and Africa), and Asia Pacific. For comparison purposes, prior period amounts have been reclassified to conform to the current presentation.



## Table 2 – Revenue and Direct Costs by Segment

<i>\$ in millions</i>	Q3'09	Q3'10
<b>Revenue by segment:</b>		
Americas	\$1,177.5	\$1,146.5
EMEA	142.6	133.1
Asia Pacific	<u>255.3</u>	<u>321.6</u>
<b>Total revenue</b>	<b>\$1,575.4</b>	<b>\$1,601.2</b>
<b>Direct costs by segment<sup>(1)</sup>:</b>		
Americas	\$456.7	\$427.6
EMEA	76.2	76.4
Asia Pacific	127.4	173.1
Global operating costs <sup>(2)</sup>	514.7	516.1
Restructuring charges, net	16.7	5.8
Depreciation and amortization	177.7	162.0
Stock-based compensation	<u>114.4</u>	<u>51.1</u>
<b>GAAP Income from operations</b>	<b>\$91.5</b>	<b>\$189.2</b>

(1) Direct costs for each segment include TAC, other cost of revenue, and other operating expenses that are directly attributable to the segment such as employee compensation expense (excluding Stock-based compensation expense), local sales and marketing expenses, and facilities expenses.

(2) Global operating costs include product development, service engineering and operations, marketing, customer advocacy, general and administrative, and other corporate expenses that are managed on a global basis and that are not directly attributable to any particular segment.



## Table 3 – Reconciliations of Total Expenses to Total Expenses less TAC

\$ millions	Quarterly Data						
	Q1'09	Q2'09	Q3'09	Q4'09	Q1'10 (1)	Q2'10	Q3'10
Total expenses less TAC:							
Total expenses (GAAP Cost of revenue + GAAP Total operating expenses)	\$ 1,479	\$ 1,497	\$ 1,484	\$ 1,613	\$ 1,409	\$ 1,426	\$ 1,412
Less: Traffic acquisition costs ("TAC")	424	437	444	474	467	473	477
Total expenses less TAC	\$ 1,056	\$ 1,061	\$ 1,040	\$ 1,140	\$ 942	\$ 953	\$ 935

(1) Total expenses for Q1'10 reflect \$43 million of transition cost reimbursements from Microsoft recorded in Q1'10 for transition costs incurred by Yahoo! in Q3'09 and Q4'09.



# Table 4 - Non-GAAP Operating Income Calculation

## Reconciliation of GAAP Income from Operations to Non-GAAP Income from Operations, with Details on Adjustments

	Quarterly Data							Nine Months Ended	
	Q1'09	Q2'09	Q3'09 <sup>(4)</sup>	Q4'09	Q1'10	Q2'10	Q3'10 <sup>(4)</sup>	9/30/2009	9/30/2010
<b>GAAP Operating income</b>	\$ 100,685	\$ 75,753	\$ 91,499	\$ 118,755	\$ 188,021	\$ 175,372	\$ 189,155	\$ 267,937	\$ 552,548
(a) Transition costs, net of reimbursements from Microsoft <sup>(1)</sup>	-	-	11,287	32,013	(43,300)	-	-	11,287	(43,300)
(b) Incremental costs for advisors related to strategic alternatives and related matters <sup>(2)</sup>	3,709	2,596	854	-	-	-	-	7,159	-
(c) Restructuring charges, net	4,801	65,002	16,689	40,409	4,412	10,052	5,758	86,492	20,222
<b>Non-GAAP Operating income</b>	\$ 109,195	\$ 143,351	\$ 120,329	\$ 191,177	\$ 149,133	\$ 185,424	\$ 194,913	\$ 372,875	\$ 529,470
<b>GAAP Revenue</b>	\$ 1,580,042	\$ 1,572,897	\$ 1,575,399	\$ 1,731,977	\$ 1,596,960	\$ 1,601,379	\$ 1,601,203	\$ 4,728,338	\$ 4,799,542
<b>GAAP Operating margin</b>	6%	5%	6%	7%	12%	11%	12%	6%	12%
<b>Non-GAAP Operating margin<sup>(3)</sup></b>	7%	9%	8%	11%	9%	12%	12%	8%	11%

- (1) Non-GAAP Net income excludes reimbursements for prior periods. The net \$43 million reimbursement adjustment in Q1'10 is equal to the transition costs of \$11 million and \$32 million incurred in the three months ended September 30, 2009 and December 31, 2009, respectively.
- (2) Includes incremental costs for advisors related to Microsoft's proposals to acquire all or a part of the Company, other strategic alternatives, including the Google agreement, the proxy contest, and related litigation defense.
- (3) Non-GAAP Operating margin is calculated as Non-GAAP Operating income divided by GAAP Revenue.
- (4) Excluding restructuring charges of \$16.7 million in Q3'09 and \$5.8 million in Q3'10, (A) Operating income, as adjusted, would have been \$108.2 million in Q3'09 and \$194.9 million in Q3'10, an increase of 80% (whereas Operating income on a GAAP basis increased by 107% between the same periods); and (B) Operating margin, as adjusted, would have been 6.9% in Q3'09 and 12.2% in Q3'10, an increase of 530 basis points (whereas Operating margin on a GAAP basis increased 600 basis points between the same periods).



## Table 5 - Free Cash Flow Calculation

### Reconciliation of GAAP Cash Flow from Operating Activities to Free Cash Flow

<i>\$ in millions</i>	Q1'09	Q2'09	Q3'09	Q4'09	Q1'10	Q2'10	Q3'10
<b>Free cash flow:</b>							
Cash flow from operating activities	\$262.3	\$341.8	\$355.1	\$351.1	\$143.6	\$347.0	<b>\$346.5</b>
Excess tax benefits from stock-based awards	22.1	45.1	2.9	38.4	32.9	31.1	<b>67.6</b>
Acquisition of property & equipment, net	(70.5)	(94.7)	(98.9)	(169.7)	(112.5)	(190.3)	<b>(163.9)</b>
Dividends received	-	<u>(26.1)</u>	<u>(1.5)</u>	-	-	<u>(60.9)</u>	-
<b>Total</b>	<b>\$214.0</b>	<b>\$266.0</b>	<b>\$257.7</b>	<b>\$219.7</b>	<b>\$63.9</b>	<b>\$126.9</b>	<b>\$250.2</b>

Note: Free cash flow (FCF) is a non-GAAP financial measure defined as GAAP Net cash provided by operating activities (adjusted to include excess tax benefits from stock-based awards), less net capital expenditures and dividends received. The excess tax benefits from stock-based awards, as reported on the statements of cash flows in cash flows from financing activities, represent the reduction in income taxes otherwise payable during the period, attributable to the actual gross tax benefits in excess of the expected tax benefits for options exercised/awards released in current and prior periods.



## Table 6 – Non-GAAP Net Income Per Share Calculation

### Reconciliation of GAAP Net Income Attributable to Yahoo! Inc. and GAAP Net Income Attributable to Yahoo! Inc. Common Stockholders Per Share - Diluted to Non-GAAP Net Income and Non-GAAP Net Income Per Share - Diluted

<i>in millions except per share amounts</i>	Q1'09	Q2'09	Q3'09	Q4'09	Q1'10	Q2'10	Q3'10
GAAP Net income attributable to Yahoo! Inc.	\$117.6	\$141.4	\$186.1 <sup>(1)</sup>	\$153.0	\$310.2	\$213.3	\$396.1 <sup>(1)</sup>
Adjustments	<u>5.6</u>	<u>4.0</u>	<u>(40.8)</u>	<u>47.2</u>	<u>(91.4)</u>	<u>6.6</u>	<u>(170.2)</u>
<b>Non-GAAP Net income</b>	<b>\$123.1</b>	<b>\$145.4</b>	<b>\$145.3</b>	<b>\$200.2</b>	<b>\$218.8</b>	<b>\$219.9</b>	<b>\$225.9</b>
GAAP Net income attributable to Yahoo! Inc. common Stockholders per share - diluted	\$0.08	\$0.10	\$0.13 <sup>(1)</sup>	\$0.11	\$0.22	\$0.15	\$0.29 <sup>(1)</sup>
<b>Non-GAAP Net income per share - diluted</b>	<b>\$0.09</b>	<b>\$0.10</b>	<b>\$0.10</b>	<b>\$0.14</b>	<b>\$0.15</b>	<b>\$0.16</b>	<b>\$0.17</b>
Diluted shares outstanding	1,406.5	1,414.3	1,424.9	1,417.0	1,413.4	1,390.2	1,343.1

Note: All per share amounts are based on fully diluted share counts. Please refer to supporting Table 7 for details on Adjustments.

Beginning in Q1'10, our presentation of Non-GAAP Net income no longer excludes stock-based compensation expense and its related tax effects. For comparison purposes, prior period amounts have been revised to conform to the current presentation.

(1) Net income attributable to Yahoo! Inc. includes an after-tax gain of \$59.7 million in Q3'09 resulting from the sale of our direct investment in Alibaba.com and an after-tax gain of \$174.0 million in Q3'10 resulting from the sale of HotJobs. Excluding these one-time gains, (A) Net income attributable to Yahoo! Inc., as adjusted, would have been \$126.4 million in Q3'09 and \$222.1 million in Q3'10; and (B) Net income attributable to Yahoo! Inc. common stockholders per share-diluted (or Earnings per share), as adjusted, would have been \$0.09 in Q3'09 and \$0.17 in Q3'10, an increase of 86% (whereas Earnings per share on a GAAP basis increased 126% between the same periods).



# Table 7 - Non-GAAP Net Income Calculation

## Reconciliation of GAAP Net Income Attributable to Yahoo! Inc. to Non-GAAP Net Income, with Details on Adjustments

\$ in thousands

	Quarterly Data						
	Q1'09	Q2'09	Q3'09	Q4'09	Q1'10	Q2'10	Q3'10
<b>GAAP Net income attributable to Yahoo! Inc.</b>	<u>\$ 117,558</u>	<u>\$ 141,387</u>	<u>\$ 186,093</u>	<u>\$ 152,954</u>	<u>\$ 310,191</u>	<u>\$ 213,321</u>	<u>\$ 396,131</u>
(a) Transition costs, net of reimbursements from Microsoft <sup>(1)</sup>	-	-	11,287	32,013	(43,300)	-	-
(b) Incremental costs for advisors related to strategic alternatives and related matters <sup>(2)</sup>	3,709	2,596	854	-	-	-	-
(c) Restructuring charges, net	4,801	65,002	16,689	40,409	4,412	10,052	5,758
(d) Gain on sale of Gmarket investment	-	(66,684)	-	-	-	-	-
(e) Gain on sale of the Company's direct investment in Alibaba.com	-	-	(98,167)	-	-	-	-
(f) Gain on sale of HotJobs	-	-	-	-	-	-	(186,345)
(g) Goodwill impairment charge	-	-	-	-	-	-	-
(h) Gain on sale of Zimbra, Inc.	-	-	-	-	(66,130)	-	-
(i) To adjust the provision for income taxes to reflect the tax impact of items (a) - (h)	(2,957)	3,103	28,516	(25,200)	13,668	(3,491)	10,361
<b>Non-GAAP Net income</b>	<u>\$ 123,111</u>	<u>\$ 145,404</u>	<u>\$ 145,272</u>	<u>\$ 200,176</u>	<u>\$ 218,841</u>	<u>\$ 219,882</u>	<u>\$ 225,905</u>

- (1) Non-GAAP Net income excludes reimbursements for prior periods. The net \$43 million reimbursement adjustment in Q1'10 is equal to the transition costs of \$11 million and \$32 million incurred in the three months ended September 30, 2009 and December 31, 2009, respectively.
- (2) Includes incremental costs for advisors related to Microsoft's proposals to acquire all or a part of the Company, other strategic alternatives, including the Google agreement, the proxy contest, and related litigation defense.



