



Yahoo! Inc.

II-1) Condensed Consolidated Income Statement (GAAP)

(unaudited, in thousands, except per share amounts)

	Quarterly Data					Annual Data	
	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	FY'15	FY'16
Revenue⁽¹⁾	\$ 1,087,152	\$ 1,307,637	\$ 1,305,206	\$ 1,469,140	\$ 1,327,270	\$ 4,968,301	\$ 5,169,135
Operating expenses:							
Cost of revenue - traffic acquisition costs ⁽¹⁾	227,763	466,486	447,537	509,000	493,502	877,514	1,650,786
Cost of revenue - other	282,587	268,483	255,421	261,617	256,774	1,200,234	1,068,108
Sales and marketing	236,033	226,024	212,654	206,810	209,366	1,080,718	881,521
Product development	278,029	280,035	243,644	253,754	252,220	1,177,923	1,055,462
General and administrative	155,451	158,355	176,713	160,189	156,837	687,804	650,708
Amortization of intangibles	18,773	16,369	11,594	11,566	11,506	79,042	58,302
Gains on sale of patents and land	(1,500)	(120,059)	-	-	-	(11,100)	(121,559)
Asset impairment charge	-	-	-	-	-	44,381	-
Goodwill impairment charge	-	394,901	-	-	-	4,460,837	394,901
Intangible assets impairment charge	-	87,335	-	-	-	15,423	87,335
Restructuring charges, net	57,230	19,384	9,962	2,053	5,812	104,019	88,629
Total operating expenses	1,254,366	1,797,313	1,357,525	1,404,989	1,386,017	9,716,795	5,814,193
(Loss) income from operations⁽²⁾	(167,214)	(489,676)	(52,319)	64,151	(58,747)	(4,748,494)	(645,058)
Other (expense) income, net	(47,416)	15,062	(6,122)	(15,440)	18,822	(75,782)	(53,916)
(Loss) income before income taxes and earnings in equity interests	(214,630)	(474,614)	(58,441)	48,711	(39,925)	(4,824,276)	(698,974)
Benefit (provision) for income taxes	34,766	(15,543)	105,513	1,492	26,177	89,598	126,228
Earnings in equity interests, net of tax	81,574	51,777	116,228	113,704	113,688	383,571	363,283
Net (loss) income	\$ (98,290)	\$ (438,380)	\$ 163,300	\$ 163,907	\$ 99,940	\$ (4,351,107)	\$ (209,463)
Less: Net income attributable to noncontrolling interests	\$ (942)	\$ (1,533)	\$ (474)	\$ (1,909)	\$ (506)	\$ (7,975)	\$ (4,858)
Net (loss) income attributable to Yahoo! Inc.⁽³⁾	\$ (99,232)	\$ (439,913)	\$ 162,826	\$ 161,998	\$ 99,434	\$ (4,359,082)	\$ (214,321)
Net (loss) income attributable to Yahoo! Inc. common stockholders per share - basic	\$ (0.10)	\$ (0.46)	\$ 0.17	\$ 0.17	\$ 0.10	\$ (4.64)	\$ (0.23)
Net (loss) income attributable to Yahoo! Inc. common stockholders per share - diluted	\$ (0.10)	\$ (0.46)	\$ 0.17	\$ 0.17	\$ 0.10	\$ (4.64)	\$ (0.23)
Shares used in per share calculation - basic	945,719	948,432	951,421	953,798	955,859	939,141	949,843
Shares used in per share calculation - diluted	945,719	948,432	957,304	958,624	963,169	939,141	949,843
Stock-based compensation expense by function:							
Cost of revenue - other	\$ 8,526	\$ 7,910	\$ 9,440	\$ 8,866	\$ 8,415	\$ 32,010	\$ 34,742
Sales and marketing	\$ 32,887	\$ 38,944	\$ 36,428	\$ 34,042	\$ 31,409	\$ 141,418	\$ 142,301
Product development	\$ 47,988	\$ 58,474	\$ 54,720	\$ 52,269	\$ 48,366	\$ 190,454	\$ 213,451
General and administrative	\$ 19,006	\$ 26,636	\$ 28,304	\$ 27,462	\$ 20,586	\$ 93,271	\$ 101,408
Restructuring charges, net	\$ 7,374	\$ -	\$ -	\$ -	\$ -	\$ 2,705	\$ 7,374

⁽¹⁾ Commencing in the Q2'16, TAC payments related to the Microsoft Search Agreement, which previously would have been recorded as a reduction to revenue, began to be recorded as a cost of revenue due to a required change in revenue presentation. See "Change in Revenue Presentation" in the Earnings Presentation.

⁽²⁾ See Item II-4 for certain items impacting (loss) income from operations.

⁽³⁾ See Item II-4 for certain items impacting net (loss) income attributable to Yahoo! Inc.