

FOR IMMEDIATE RELEASE

Yahoo! Reports Third Quarter 2007 Financial Results

Revenues - \$1,768 Million
Operating Income - \$150 Million
Operating Income Before Depreciation, Amortization and Stock-Based Compensation Expense - \$466 Million

SUNNYVALE, Calif. – October 16, 2007 - Yahoo! Inc. (Nasdaq: YHOO) today reported results for the third quarter ended September 30, 2007.

"Over the past three months, we conducted a thorough review of our business and the marketplace. We've made key strategic decisions to invest in and grow our large communities of users, advertisers, and publishers. We've also made progress in sharpening our focus and improving our execution," said Jerry Yang, co-founder and chief executive officer, Yahoo! Inc. "Moving forward, we are focused on three big, multi-year objectives: to become the starting point for the most consumers on the Internet; to be the 'must buy' for the most advertisers; and to deliver open, industry-leading platforms that attract the most developers. We are executing against our transformation and are excited about playing a leadership role in the large and growing Internet market."

Third Quarter 2007 Financial Results

- Revenues were \$1,768 million for the third quarter of 2007, a 12 percent increase compared to \$1,580 million for the same period of 2006.
- Marketing services revenues were \$1,544 million for the third quarter of 2007, a 13 percent increase compared to \$1,370 million for the same period of 2006.
 - Marketing services revenues from Owned and Operated sites were \$922 million for the third quarter of 2007, a 24 percent increase compared to \$742 million for the same period of 2006.
 - Marketing services revenues from Affiliate sites were \$622 million for the third quarter of 2007, a 1 percent decrease compared to \$628 million for the same period of 2006.
- Fees revenues were \$224 million for the third quarter of 2007, a 7 percent increase compared to \$210 million for the same period of 2006.
- Revenues excluding traffic acquisition costs ("TAC") were \$1,283 million for the third quarter of 2007, a 14 percent increase compared to \$1,121 million for the same period of 2006.
- Gross profit for the third quarter of 2007 was \$1,027 million, a 14 percent increase compared to \$899 million for the same period of 2006.
- Operating income for the third quarter of 2007 was \$150 million, a 26 percent decrease compared to \$202 million for the same period of 2006.
- Operating income before depreciation, amortization and stock-based compensation expense for the third quarter of 2007 was \$466 million, a 2 percent decrease compared to \$474 million for the same period of 2006.
- Cash flow from operating activities for the third quarter of 2007 was \$457 million, a 17 percent increase compared to \$390 million for the same period of 2006.
- Free cash flow for the third quarter of 2007 was \$310 million, an 8 percent increase compared to \$288 million for the same period of 2006.
- Net income for the third quarter of 2007 was \$151 million or \$0.11 per diluted share compared to \$159 million or \$0.11 per diluted share for the same period of 2006.
- Non-GAAP net income for the third quarter of 2007 was \$238 million or \$0.17 per diluted share compared to non-GAAP net income of \$240 million or \$0.17 per diluted share for the same period of 2006.

- The provision for income taxes for the third quarter of 2007 was \$79 million and yielded an effective tax rate of 41 percent. The provision for income taxes for the third quarter of 2006 was \$124 million and yielded an effective tax rate of 49 percent.
- Explanations of the Company's non-GAAP financial measures and the related reconciliations to the GAAP financial measures the Company considers most comparable are included in the accompanying "Note to Unaudited Condensed Consolidated Statements of Income," "Reconciliations to Unaudited Condensed Consolidated Statements of Income," and "Reconciliation of GAAP Net Income and GAAP Net Income Per Share to Non-GAAP Net Income and Non-GAAP Net Income Per Share."

"Our strategy is to generate and leverage the most valuable insights, deploy open platforms, and offer partner-of-choice solutions that make Yahoo! more relevant and indispensable for our users, advertisers, publishers, and developers," said Sue Decker, president, Yahoo! Inc. "During the quarter, we continued to make strides in sharpening our focus and organizing ourselves to execute against this strategy. We are prioritizing our resources around the key Yahoo! starting points that create the most value, and creating strong differentiation in those products. We are aggressively building out our open advertising and publishing network, delivering more integrated and targeted solutions, and pursuing opportunities to realize added value from both the search and display inventory created by our massive and growing user base."

Segment Financial Results

- United States segment revenues for the third quarter of 2007 were \$1,195 million, a 13 percent increase compared to \$1,054 million for the same period of 2006.
- International segment revenues for the third quarter of 2007 were \$573 million, a 9 percent increase compared to \$526 million for the same period of 2006.
- United States segment operating income before depreciation, amortization and stock-based compensation expense for the third quarter of 2007 was \$338 million, a 7 percent decrease compared to \$366 million for the same period of 2006.
- International segment operating income before depreciation, amortization and stock-based compensation expense for the third quarter of 2007 was \$128 million, an 18 percent increase compared to \$108 million for the same period of 2006.

Cash Flow Information

Free cash flow was \$310 million for the third quarter of 2007 compared to \$288 million for the same period of 2006. In addition to free cash flow, Yahoo! generated \$40 million from the issuance of common stock as a result of the exercise of employee stock options. This was offset by \$350 million used for direct stock repurchases and \$320 million used for acquisitions. Cash, cash equivalents and investments in marketable debt securities were \$2,763 million at September 30, 2007 as compared to \$3,152 million at June 30, 2007, a decrease of \$389 million.

"We are pleased with our results this quarter and are continuing to invest in major growth initiatives that advance our key strategic objectives," said Blake Jorgensen, chief financial officer, Yahoo! Inc. "We are encouraged by the early signs of improvement in our business and believe the strategy we're pursuing and the investments we're making will position us to capture the significant opportunities on the horizon and create long-term shareholder value."

Quarterly Conference Call

Yahoo! will host a conference call to discuss third quarter results at 5:00 p.m. Eastern Time today. A live webcast of the conference call, together with supplemental financial information, can be accessed through the Company's Investor Relations website at <http://yhoo.client.shareholder.com/results.cfm>. In addition, an archive of the webcast can be accessed through the same link. An audio replay of the call will be available following the conference call by calling 888-286-8010 or 617-801-6888, reservation number: 62045407.

About Yahoo!

Yahoo! Inc. is a leading global Internet brand and one of the most trafficked Internet destinations worldwide. Yahoo! is focused on powering its communities of users, advertisers, publishers, and developers by creating indispensable experiences built on trust. Yahoo! is headquartered in Sunnyvale, California. For more information, visit pressroom.yahoo.com or the Company's blog, [Yodel Anecdotal](#).

Owned and Operated sites refer to Yahoo!'s owned and operated online properties and services.

Affiliate sites refer to Yahoo!'s distribution network of third-party entities who have integrated Yahoo!'s search and/or display advertising offerings into their websites.

This press release and its attachments include the following financial measures defined as non-GAAP financial measures by the Securities and Exchange Commission: revenues excluding traffic acquisition costs or TAC, operating income before depreciation, amortization and stock-based compensation expense, free cash flow, and non-GAAP net income and non-GAAP net income per share. These measures may be different from non-GAAP financial measures used by other companies. The presentation of this financial information is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with generally accepted accounting principles ("GAAP"). See "Note to Unaudited Condensed Consolidated Statements of Income," "Reconciliations to Unaudited Condensed Consolidated Statements of Income," and "Reconciliation of GAAP Net Income and GAAP Net Income Per Share to Non-GAAP Net Income and Non-GAAP Net Income Per Share" included in this press release for further information regarding these non-GAAP financial measures.

This press release and its attachments contain forward-looking statements that involve risks and uncertainties concerning Yahoo!'s expected financial performance (including without limitation the statements and information in the Business Outlook section and the quotations from management in this press release), as well as Yahoo!'s strategic and operational plans. Actual results may differ materially from the results predicted and reported results should not be considered as an indication of future performance. The potential risks and uncertainties include, among others, the implementation and results of the Company's ongoing strategic initiatives; the Company's ability to compete with new or existing competitors; the successful implementation, and acceptance by advertisers, of the Company's new search advertising system; reduction in spending by, or loss of, marketing services customers; the demand by customers for Yahoo!'s premium services; acceptance by users of new products and services; risks related to joint ventures and the integration of acquisitions; risks related to the Company's international operations; failure to manage growth and diversification; adverse results in litigation, including intellectual property infringement claims; the Company's ability to protect its intellectual property and the value of its brands; dependence on key personnel; dependence on third parties for technology, services, content and distribution; and general economic conditions. All information set forth in this press release and its attachments is as of October 16, 2007. Yahoo! does not intend, and undertakes no duty, to update this information to reflect future events or circumstances. More information about potential factors that could affect the Company's business and financial results is included under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K for the year ended December 31, 2006 and the Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 which are on file with the SEC and available at the SEC's website at www.sec.gov. Additional information will also be set forth in those sections in Yahoo!'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2007, which will be filed with the SEC in the fourth quarter of 2007.

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Yahoo! Inc.
Unaudited Condensed Consolidated Statements of Income
(in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2007	2006	2007
Revenues	\$ 1,580,322	\$ 1,767,506	\$ 4,723,231	\$ 5,137,276
Cost of revenues	681,120	740,200	1,984,830	2,136,849
Gross profit	<u>899,202</u>	<u>1,027,306</u>	<u>2,738,401</u>	<u>3,000,427</u>
Operating expenses:				
Sales and marketing	331,025	410,936	988,030	1,168,785
Product development	202,079	274,682	628,399	795,268
General and administrative	130,984	161,511	391,198	449,934
Amortization of intangibles	32,774	29,985	97,635	82,264
Total operating expenses	<u>696,862</u>	<u>877,114</u>	<u>2,105,262</u>	<u>2,496,251</u>
Income from operations	202,340	150,192	633,139	504,176
Other income, net	<u>50,268</u>	<u>43,748</u>	<u>121,794</u>	<u>109,935</u>
Income before income taxes, earnings in equity interests and minority interests	252,608	193,940	754,933	614,111
Provision for income taxes	(124,372)	(78,653)	(350,002)	(258,743)
Earnings in equity interests	30,190	36,546	78,261	97,801
Minority interests in operations of consolidated subsidiaries	<u>103</u>	<u>(547)</u>	<u>(474)</u>	<u>1,108</u>
Net income	<u>\$ 158,529</u>	<u>\$ 151,286</u>	<u>\$ 482,718</u>	<u>\$ 454,277</u>
Net income per share - diluted	<u>\$ 0.11</u>	<u>\$ 0.11</u>	<u>\$ 0.33</u>	<u>\$ 0.32</u>
Shares used in per share calculation - diluted	<u>1,442,429</u>	<u>1,395,056</u>	<u>1,471,832</u>	<u>1,403,756</u>
Stock-based compensation expense was allocated as follows:				
Cost of revenues	\$ 1,689	\$ 2,555	\$ 4,956	\$ 6,919
Sales and marketing	42,470	70,353	119,826	172,731
Product development	38,260	51,603	112,147	164,354
General and administrative	<u>39,072</u>	<u>21,029</u>	<u>92,926</u>	<u>70,321</u>
Total stock-based compensation expense	<u>\$ 121,491</u>	<u>\$ 145,540</u>	<u>\$ 329,855</u>	<u>\$ 414,325</u>

Supplemental Financial Data (See Note)

Revenues excluding TAC	\$ 1,121,467	\$ 1,282,601	\$ 3,331,820	\$ 3,709,443
Operating income before depreciation, amortization and stock-based compensation expense	\$ 473,738	\$ 466,309	\$ 1,365,528	\$ 1,399,973
Free cash flow	\$ 287,915	\$ 309,562	\$ 988,691	\$ 1,006,505
Non-GAAP net income per share excluding stock-based compensation expense	\$ 0.17	\$ 0.17	\$ 0.49	\$ 0.51

Yahoo! Inc.
Note to Unaudited Condensed Consolidated Statements of Income

This press release and its attachments include the non-GAAP financial measures of revenues excluding traffic acquisition costs or TAC, operating income before depreciation, amortization and stock-based compensation expense, free cash flow, non-GAAP net income and non-GAAP net income per share, which are reconciled to gross profit, income from operations, cash flow from operating activities, net income and net income per share, respectively, which we believe are the most comparable GAAP measures. We use these non-GAAP financial measures for internal managerial purposes, when publicly providing our business outlook, and to facilitate period-to-period comparisons. We describe limitations specific to each non-GAAP financial measure below. Management generally compensates for limitations in the use of non-GAAP financial measures by relying on comparable GAAP financial measures and providing investors with a reconciliation of the non-GAAP financial measure to the most directly comparable GAAP financial measure or measures. Further, management uses non-GAAP financial measures only in addition to and in conjunction with results presented in accordance with GAAP. We believe that these non-GAAP financial measures reflect an additional way of viewing aspects of our operations that, when viewed with our GAAP results, provide a more complete understanding of factors and trends affecting our business. These non-GAAP measures should be considered as a supplement to, and not as a substitute for, or superior to, gross profit, income from operations, cash flow from operating activities, and net income and net income per share calculated in accordance with GAAP.

Revenues excluding TAC is defined as gross profit plus other cost of revenues. Under GAAP, both our revenues and cost of revenues include TAC. In defining revenues excluding TAC as our non-GAAP gross profit measure, we have removed TAC from both revenues and cost of revenues. TAC consists of payments made to affiliate sites and payments made to companies that direct consumer and business traffic to the Yahoo! website. We present revenues excluding TAC: (1) to provide a metric for our investors to analyze and value our Company and (2) to provide investors one of the primary metrics used by the Company for evaluation and decision-making purposes. We provide revenues excluding TAC because we believe it is useful to investors in valuing our Company. One of the ways investors value companies is to apply a multiple to revenues. Since a significant portion of the GAAP revenues associated with our sponsored search offerings is paid to our affiliate sites, we believe investors find it more meaningful to apply multiples to revenues excluding TAC to assess our value as this avoids "double counting" revenues that are paid to, and being reported by, our affiliate sites. Further, management uses revenues excluding TAC for evaluating the performance of our business, making operating decisions, budgeting purposes, and as a factor in determining management compensation. A limitation of revenues excluding TAC is that it is a measure which we have defined for internal and investor purposes that may be unique to the Company and therefore it may not enhance the comparability of our results to other companies in our industry who have similar business arrangements but address the impact of TAC differently. Management compensates for these limitations by also relying on the comparable GAAP financial measures of revenues, cost of revenues and gross profit, each of which includes the impact of TAC.

Operating income before depreciation, amortization and stock-based compensation expense is defined as income from operations before depreciation, amortization of intangible assets and stock-based compensation expense (including the compensation of Terry Semel who served as our chief executive officer through June 18, 2007 and whose compensation after June 1, 2006 consisted almost entirely of stock-based compensation). We consider this measure to be an important indicator of the operational strength of the Company. We exclude depreciation and amortization because while tangible and intangible assets support our businesses, we do not believe the related depreciation and amortization costs are directly attributable to the operating performance of our business. This measure is used by some investors when assessing the performance of our Company. In addition, because of the variety of equity awards used by companies, the varying methodologies for determining stock-based compensation expense, and the subjective assumptions involved in those determinations, we believe excluding stock-based compensation enhances the ability of management and investors to understand the impact of stock-based compensation expense on our operating income. We do not include depreciation, amortization and stock-based compensation expense in our internal measures or in the measures used by the Company to formulate our business outlook presented with our quarterly financial information to investors. A limitation associated with the non-GAAP measure of operating income before depreciation, amortization and stock-based compensation expense is that it does not reflect the periodic costs of certain capitalized tangible and intangible assets used in generating revenues in our businesses. Management evaluates the costs of such tangible and intangible assets through other financial measures such as capital expenditures. A further limitation associated with this measure is that it does not include stock-based compensation expense related to the Company's workforce. Management compensates for these limitations by also relying on the comparable GAAP financial measure of income from operations, which includes depreciation, amortization and stock-based compensation expense.

Free Cash Flow is a non-GAAP measure defined as cash flow from operating activities (adjusted to include excess tax benefits from stock-based compensation), less net capital expenditures and dividends received. We consider free cash flow to be a liquidity measure which provides useful information to management and investors about the amount of cash generated by the business after the acquisition of property and equipment, which can then be used for strategic opportunities including, among others, investing in the Company's business, making strategic acquisitions, strengthening the balance sheet and repurchasing stock. A limitation of free cash flow is that it does not represent the total increase or decrease in the cash balance for the period. Management compensates for this limitation by also relying on the net change in cash and cash equivalents as presented in the Company's unaudited condensed consolidated statements of cash flows prepared in accordance with GAAP which incorporates all cash movements during the period.

Non-GAAP net income is defined as net income excluding certain gains, losses and expenses and their related tax effects that we do not believe are indicative of our ongoing operating results and further adjusted for stock-based compensation expense. Effective January 1, 2006, we adopted Statement of Financial Accounting Standard No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"). In our calculation of non-GAAP net income and non-GAAP net income per share, we have excluded stock-based compensation expense calculated in accordance with SFAS 123R and its related tax effects. We consider non-GAAP net income and non-GAAP net income per share to be profitability measures which facilitate the forecasting of our operating results for future periods and allow for the comparison of our results to historical periods. A limitation of non-GAAP net income and non-GAAP net income per share is that they do not include all items that impact our net income and net income per share for the period. Management compensates for this limitation by also relying on the comparable GAAP financial measures of net income and net income per share, both of which include the expense and related tax effects of the item excluded from non-GAAP net income and non-GAAP net income per share.

Yahoo! Inc.
Reconciliations to Unaudited Condensed Consolidated Statements of Income
(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2007	2006	2007
Revenues for groups of similar services:				
Marketing services:				
Owned and Operated sites	\$ 741,919	\$ 921,908	\$ 2,210,901	\$ 2,631,599
Affiliate sites	628,455	621,693	1,926,572	1,866,653
Marketing services	1,370,374	1,543,601	4,137,473	4,498,252
Fees	209,948	223,905	585,758	639,024
Total revenues	\$ 1,580,322	\$ 1,767,506	\$ 4,723,231	\$ 5,137,276
Revenues by segment:				
United States	\$ 1,054,048	\$ 1,194,911	\$ 3,221,220	\$ 3,414,182
International	526,274	572,595	1,502,011	1,723,094
Total revenues	\$ 1,580,322	\$ 1,767,506	\$ 4,723,231	\$ 5,137,276
Cost of revenues:				
Traffic acquisition costs ("TAC")	\$ 458,855	\$ 484,905	\$ 1,391,411	\$ 1,427,833
Other cost of revenues	222,265	255,295	593,419	709,016
Total cost of revenues	\$ 681,120	\$ 740,200	\$ 1,984,830	\$ 2,136,849
Revenues excluding TAC:				
Gross profit	\$ 899,202	\$ 1,027,306	\$ 2,738,401	\$ 3,000,427
Other cost of revenues	222,265	255,295	593,419	709,016
Revenues excluding TAC	\$ 1,121,467	\$ 1,282,601	\$ 3,331,820	\$ 3,709,443
Revenues excluding TAC by segment:				
United States:				
Gross profit	\$ 654,203	\$ 752,541	\$ 2,015,710	\$ 2,206,891
Other cost of revenues	182,393	209,557	484,055	573,828
Revenues excluding TAC	\$ 836,596	\$ 962,098	\$ 2,499,765	\$ 2,780,719
International:				
Gross profit	\$ 244,999	\$ 274,765	\$ 722,691	\$ 793,536
Other cost of revenues	39,872	45,738	109,364	135,188
Revenues excluding TAC	\$ 284,871	\$ 320,503	\$ 832,055	\$ 928,724
Operating income before depreciation, amortization and stock-based compensation expense:				
Income from operations	\$ 202,340	\$ 150,192	\$ 633,139	\$ 504,176
Depreciation and amortization	149,907	170,577	402,534	481,472
Stock-based compensation expense	121,491	145,540	329,855	414,325
Operating income before depreciation, amortization and stock-based compensation expense	\$ 473,738	\$ 466,309	\$ 1,365,528	\$ 1,399,973
Operating income before depreciation, amortization and stock-based compensation expense by segment:				
Operating income before depreciation, amortization and stock-based compensation expense - United States				
Operating income before depreciation, amortization and stock-based compensation expense - United States	\$ 365,550	\$ 338,423	\$ 1,041,417	\$ 1,042,278
Operating income before depreciation, amortization and stock-based compensation expense - International				
Operating income before depreciation, amortization and stock-based compensation expense - International	108,188	127,886	324,111	357,695
Operating income before depreciation, amortization and stock-based compensation expense	\$ 473,738	\$ 466,309	\$ 1,365,528	\$ 1,399,973
United States:				
Income from operations	\$ 132,300	\$ 68,639	\$ 417,395	\$ 278,363
Depreciation and amortization	123,163	139,753	326,801	391,399
Stock-based compensation expense	110,087	130,031	297,221	372,516
Operating income before depreciation, amortization and stock-based compensation expense - United States	\$ 365,550	\$ 338,423	\$ 1,041,417	\$ 1,042,278
International:				
Income from operations	\$ 70,040	\$ 81,553	\$ 215,744	\$ 225,813
Depreciation and amortization	26,744	30,824	75,733	90,073
Stock-based compensation expense	11,404	15,509	32,634	41,809
Operating income before depreciation, amortization and stock-based compensation expense - International	\$ 108,188	\$ 127,886	\$ 324,111	\$ 357,695
Free cash flow:				
Cash flow from operating activities	\$ 389,654	\$ 456,712	\$ 1,204,219	\$ 1,297,015
Acquisition of property and equipment, net	(240,761)	(147,150)	(557,586)	(409,845)
Dividends received	-	-	(12,908)	(15,156)
Excess tax benefits from stock-based awards	139,022	-	354,966	134,491
Free cash flow	\$ 287,915	\$ 309,562	\$ 988,691	\$ 1,006,505

Yahoo! Inc.

Reconciliation of GAAP Net Income and GAAP Net Income Per Share to Non-GAAP Net Income and Non-GAAP Net Income Per Share
(in thousands, except per share amounts)

	Three Months Ended September 30,	
	2006	2007
GAAP Net income	\$ <u>158,529</u>	\$ <u>151,286</u>
(a) Stock-based compensation as measured using the fair value method under SFAS 123R	121,491	145,540
(b) Reversal of an earn-out accrual	(10,000)	-
(c) Non-cash gain arising from increased dilution of our ownership in Alibaba, resulting in the recognition of a further gain on the sale of Yahoo! China	(14,316)	-
(d) To reduce the provision for income taxes to eliminate a charge related to a subsidiary restructuring transaction reported in the three months ended December 31, 2005.	10,616	-
(e) To adjust the provision for income taxes to reflect an effective tax rate of 40% in both the three month periods ended September 30, 2006 and 2007, respectively, and to reflect the tax impact of items (a) through (d) in both periods.	(26,157)	(58,496)
Non-GAAP Net income excluding stock-based compensation expense and other items	\$ <u>240,163</u>	\$ <u>238,330</u>
GAAP Net income per share - diluted	\$ <u>0.11</u>	\$ <u>0.11</u>
Non-GAAP Net income excluding stock-based compensation expense and other items per share - diluted	\$ <u>0.17</u>	\$ <u>0.17</u>
Shares used in per share calculations - diluted	<u>1,442,429</u>	<u>1,395,056</u>

	Nine Months Ended September 30,	
	2006	2007
GAAP Net income	\$ <u>482,718</u>	\$ <u>454,277</u>
(a) Stock-based compensation as measured using the fair value method under SFAS 123R	329,855	414,325
(b) Reversal of an earn-out accrual	(10,000)	-
(c) Non-cash gain arising from increased dilution of our ownership in Alibaba, resulting in the recognition of a further gain on the sale of Yahoo! China	(14,316)	-
(d) To reduce the provision for income taxes to eliminate a charge related to a subsidiary restructuring transaction reported in the three months ended December 31, 2005.	10,616	-
(e) To adjust the provision for income taxes to reflect an effective tax rate of 40% in both the nine months ended September 30, 2006 and 2007, and to reflect the tax impact of items (a) through (d) in both periods.	(84,803)	(156,744)
Non-GAAP Net income excluding stock-based compensation expense and other items	\$ <u>714,070</u>	\$ <u>711,858</u>
GAAP Net income per share - diluted	\$ <u>0.33</u>	\$ <u>0.32</u>
Non-GAAP Net income excluding stock-based compensation expense and other items per share - diluted	\$ <u>0.49</u>	\$ <u>0.51</u>
Shares used in per share calculations - diluted	<u>1,471,832</u>	<u>1,403,756</u>

Yahoo! Inc.
Business Outlook

The following business outlook is based on current information and expectations as of October 16, 2007. Yahoo!'s business outlook as of today is expected to be available on the Company's Investor Relations website throughout the current quarter. Yahoo! does not expect, and undertakes no obligation, to update the business outlook prior to the release of the Company's next quarterly earnings announcement, notwithstanding subsequent developments; however, Yahoo! may update the business outlook or any portion thereof at any time at its discretion.

	Three Months Ending December 31, 2007	Year Ending December 31, 2007
	<u>2007</u>	<u>2007</u>
Revenues excluding TAC^(*) outlook (in millions):		
Gross profit	\$1,055 - \$1,165	\$4,056 - \$4,166
Other cost of revenues	255 - 285	964 - 994
Revenues excluding TAC	<u>\$1,310 - \$1,450</u>	<u>\$5,020 - \$5,160</u>
Operating income before depreciation, amortization and stock-based compensation expense^(*) outlook (in millions):		
Income from operations	\$155 - \$175	\$658 - \$678
Depreciation and Amortization	160 - 180	642 - 662
Stock-based compensation expense	165 - 195	580 - 610
Operating income before depreciation, amortization and stock-based compensation expense	<u>\$480 - \$550</u>	<u>\$1,880 - \$1,950</u>

^(*) Refer to Note to Unaudited Condensed Consolidated Statements of Income

Yahoo! Inc.
Unaudited Condensed Consolidated Statements of Cash Flows
(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2007	2006	2007
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	\$ 158,529	\$ 151,286	\$ 482,718	\$ 454,277
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	78,529	102,422	217,730	299,933
Amortization of intangible assets	71,378	68,155	184,804	181,539
Stock-based compensation expense	121,491	145,540	329,855	414,325
Tax benefits from stock-based awards	142,729	6,028	370,549	170,683
Excess tax benefits from stock-based awards	(139,022)	-	(354,966)	(134,491)
Deferred income taxes	(31,917)	(43,746)	(95,456)	(134,585)
Earnings in equity interests	(30,190)	(36,546)	(78,261)	(97,801)
Dividends received	-	-	12,908	15,156
Minority interests in operations of consolidated subsidiaries	(103)	547	474	(1,108)
Gains from sale of investments, assets and other, net	(13,741)	(14,318)	(15,811)	(12,796)
Changes in assets and liabilities, net of effects of acquisitions:				
Accounts receivable, net	6,575	(49,746)	(46,780)	(6,381)
Prepaid expenses and other	(12,289)	73,578	(28,252)	61,059
Accounts payable	3,232	(19,005)	66,985	12,073
Accrued expenses and other liabilities	50,191	66,648	138,787	50,809
Deferred revenue	(15,738)	5,869	18,935	24,323
Net cash provided by operating activities	<u>389,654</u>	<u>456,712</u>	<u>1,204,219</u>	<u>1,297,015</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Acquisition of property and equipment, net	(240,761)	(147,150)	(557,586)	(409,845)
Purchases of marketable debt securities	(240,690)	(112,004)	(889,023)	(1,105,043)
Proceeds from sales and maturities of marketable debt securities	585,532	510,687	1,431,206	1,855,439
Acquisitions, net of cash acquired	(5,971)	(319,503)	(61,300)	(355,514)
Other investing activities, net	19,120	(85,830)	18,476	(105,744)
Net cash provided by (used in) investing activities	<u>117,230</u>	<u>(153,800)</u>	<u>(58,227)</u>	<u>(120,707)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from issuance of common stock, net	41,626	40,164	231,451	243,889
Repurchases of common stock	(1,091,931)	(350,055)	(1,782,140)	(1,365,184)
Structured stock repurchases, net	-	-	(227,705)	(250,000)
Excess tax benefits from stock-based awards	139,022	-	354,966	134,491
Other financing activities, net	-	(12,167)	-	(13,927)
Net cash used in financing activities	<u>(911,283)</u>	<u>(322,058)</u>	<u>(1,423,428)</u>	<u>(1,250,731)</u>
Effect of exchange rate changes on cash and cash equivalents	(1,565)	21,284	33,002	32,502
Net change in cash and cash equivalents	(405,964)	2,138	(244,434)	(41,921)
Cash and cash equivalents, beginning of period	<u>1,591,223</u>	<u>1,525,812</u>	<u>1,429,693</u>	<u>1,569,871</u>
Cash and cash equivalents, end of period	<u>\$ 1,185,259</u>	<u>\$ 1,527,950</u>	<u>\$ 1,185,259</u>	<u>\$ 1,527,950</u>
Supplemental schedule of acquisition-related activities:				
Cash paid for acquisitions	\$ 5,971	\$ 338,910	\$ 68,977	\$ 380,677
Cash acquired in acquisitions	-	(19,407)	(7,677)	(25,163)
	<u>\$ 5,971</u>	<u>\$ 319,503</u>	<u>\$ 61,300</u>	<u>\$ 355,514</u>
Common stock, restricted stock and stock options issued in connection with acquisitions	<u>\$ -</u>	<u>\$ 413,901</u>	<u>\$ -</u>	<u>\$ 468,429</u>

Yahoo! Inc.
Unaudited Condensed Consolidated Balance Sheets
(in thousands)

	December 31, 2006	September 30, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,569,871	\$ 1,527,950
Short-term marketable debt securities	1,031,528	684,197
Accounts receivable, net	930,964	950,027
Prepaid expenses and other current assets	217,779	321,574
Total current assets	3,750,142	3,483,748
Long-term marketable debt securities	935,886	550,630
Property and equipment, net	1,101,379	1,240,340
Goodwill	2,968,557	3,532,296
Intangible assets, net	405,822	517,356
Other long-term assets	459,988	529,467
Investments in equity interests	1,891,834	1,989,311
Total assets	\$ 11,513,608	\$ 11,843,148
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 109,130	\$ 131,559
Accrued expenses and other current liabilities	1,046,882	965,860
Deferred revenue	317,982	336,796
Short-term debt	-	749,628
Total current liabilities	1,473,994	2,183,843
Long-term deferred revenue	64,939	59,015
Long-term debt	749,915	-
Other long-term liabilities	36,890	27,750
Deferred and other tax liabilities, net	19,204	281,528
Minority interests in consolidated subsidiaries	8,056	8,295
Stockholders' equity	9,160,610	9,282,717
Total liabilities and stockholders' equity	\$ 11,513,608	\$ 11,843,148