Yahoo! Inc.

Q3’11 Financial Highlights

10.18.2011

YAHOO!®

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Throughout this presentation, we have rounded numbers as appropriate. In this presentation, "year to date" (or YTD) refers to the nine months ended September 30; "year-over-year" (or YOY) refers to the change from the corresponding period in the prior fiscal year to the specified period in the specified year; and "quarter-over-quarter" (or QOQ) refers to the change from the immediately preceding fiscal quarter to the specified quarter.

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 Yahoo! Properties.

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Definitions and Non-GAAP Financial Measures

This presentation includes the following non-GAAP financial measures:

- **Revenue ex-TAC** is defined as GAAP Revenue less Traffic acquisition costs (TAC). TAC consists of payments to Affiliates and payments made to companies that direct consumer and business traffic to Yahoo! Properties.

- **Display revenue ex-TAC** is defined as GAAP Display revenue less Display TAC. **Search revenue ex-TAC** is defined as GAAP Search revenue less Search TAC. **Other revenue ex-TAC** is defined as GAAP Other revenue less Other TAC.

- **Total expenses less TAC** is defined as Total expenses (GAAP Cost of revenue plus GAAP Total operating expenses) less TAC.

- **Free cash flow** is defined as Cash flow from operating activities (adjusted to include Excess tax benefits from stock-based awards), less Acquisition of property and equipment, net and Dividends received from equity investees.

- **Non-GAAP income from operations** is defined as Income from operations excluding certain gains, losses, and expenses that we do not believe are indicative of our ongoing operating results.

- **Non-GAAP net income** is defined as Net income attributable to Yahoo! Inc. excluding certain gains, losses, expenses, and their related tax effects that we do not believe are indicative of our ongoing results.

Please refer to the Appendix for reconciliations of these non-GAAP financial measures to the GAAP financial measures the Company considers most comparable.

In addition, certain margin information is presented on a non-GAAP basis:

- **Operating margin ex-TAC** is calculated as Operating income divided by Revenue ex-TAC; and

- **Net margin ex-TAC** is calculated as Net income attributable to Yahoo! Inc. divided by Revenue ex-TAC.

Please refer to the Appendix for presentations of the most comparable margins calculated on a GAAP basis.

Return on invested capital (ROIC) is calculated as: (Operating income x (1- Effective tax rate))/(average Stockholder's equity + average Net debt – 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 (Provision for income taxes)/(Income before income taxes and earnings in equity interests). Net debt is calculated as (Total debt) – ((Cash & cash equivalents) + (Short term and Long term marketable debt securities)).

Please refer to the Company's earnings release for definitions of other terms appearing in this presentation, and for more information regarding the Company's non-GAAP financial measures.

Key Takeaways From Q3’11

- Operating Income of $177 million exceeded the high end of our outlook.
- We repurchased $593 million worth of stock, bringing YTD total to $1.2 billion.
- We saw strong growth in engagement on media properties (page views up 9%).
- We have transitioned over 40 markets to Microsoft algorithmic search.
- RPS guarantee in the U.S. and Canada has been extended through March 2013.

Financials and Key Metrics at a Glance

$ in millions, except per share amounts	Q3'10	Q3'11	YOY
GAAP Revenue	$1,601	**$1,217**	**(24%)**
Revenue ex-TAC	$1,124	**$1,072**	**(5%)**
Operating income *Operating margin ex-TAC*	$189 *17%*	**$177** *17%*	**(6%)** *(28bps)*
Net income attributable to Yahoo! Inc. *Net margin ex-TAC*	$396 *35%*	**$293** *27%*	**(26%)** *(786bps)*
EPS attributable to Yahoo! Inc. – diluted	$0.29	**$0.23**	**(21%)**
ROIC – last 12 months	10.8%	**11.9%**	**+114bps**
Ending employees	14,100	**13,700**	**(3%)**

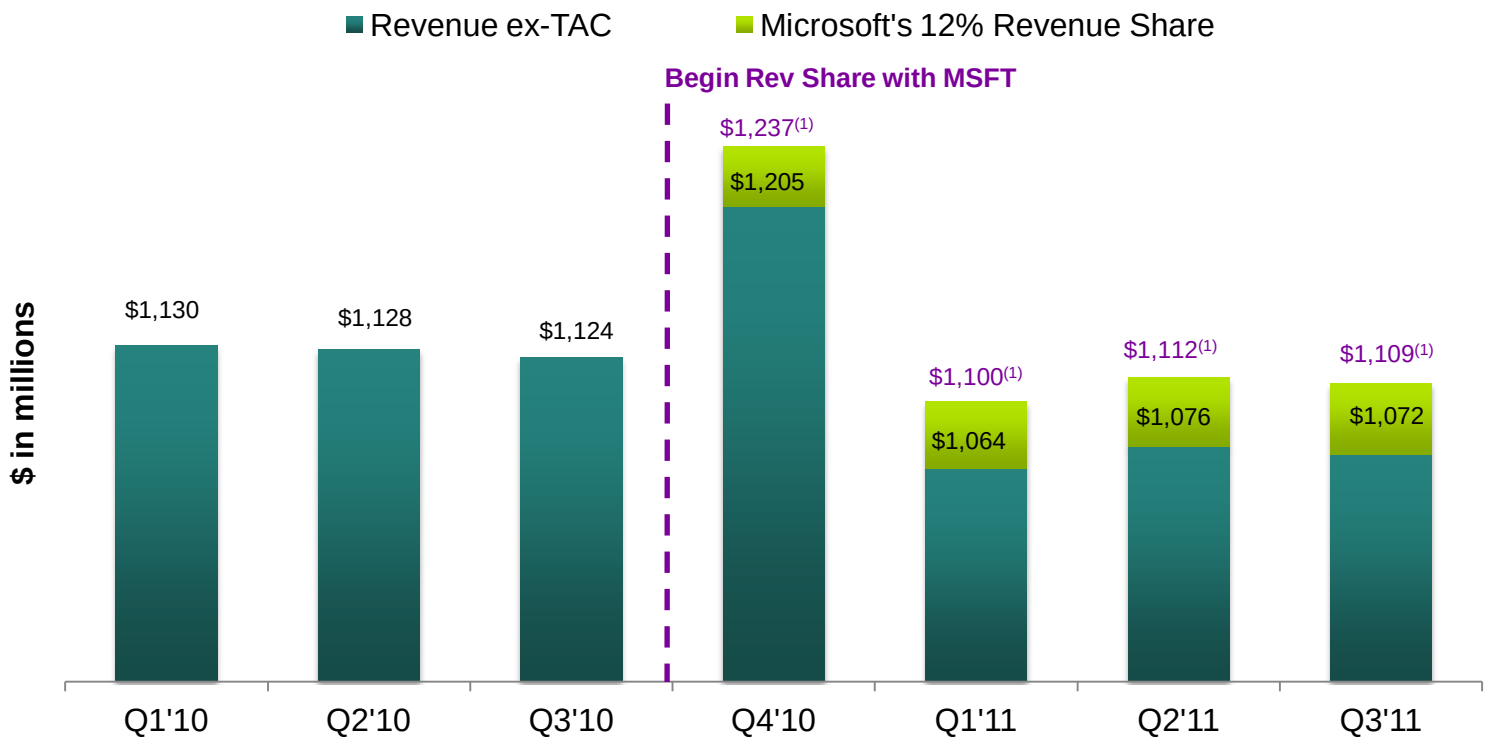
Engagement Metrics

YOY Growth	Q1'10	Q2'10	Q3'10	Q4'10	Q1'11	Q2'11	Q3'11
Unique visitors							
Worldwide visitors to Yahoo!-branded sites (1)	1%	5%	5%	5%	13%	11%	8%
Worldwide visitors to Yahoo! Properties (2)	2%	4%	6%	6%	15%	14%	10%
Page views (3)							
Communications & communities	4%	(2%)	(4%)	(2%)	(6%)	(8%)	(9%)
Media properties	(6%)	(8%)	(5%)	(2%)	7%	8%	9%
Search	(4%)	(4%)	(1%)	6%	3%	1%	(3%)
Minutes (2) (4)							
Communications & communities	(27%)	(27%)	(27%)	(26%)	(10%)	(1%)	27%
Media properties	(8%)	(1%)	11%	5%	17%	19%	5%
Search queries (5)							
US Core search	(10%)	2%	30%	34%	26%	17%	1%

Source:
(1) Source: comScore.
(2) Derived from comScore data, excludes visitors from China and Japan where Yahoo!-branded sites are operated by third-party licensees.
(3) Source: internal data from Yahoo! Properties.
"Communications & communities" primarily includes Mail, Login/Registration, Wretch, Flickr and Groups.
"Media properties" primarily includes Homepage, Mobile Web and apps (excluding IMAP mail and SMS), News, Sports, Finance, and Entertainment, as well as Local, Marketplaces and other properties.
"Search" Page views are Web pages viewed by users on Yahoo! Properties resulting from search queries.
(4) Reflects Yahoo!'s minutes in standard comScore categories (other than Search) grouped into Communications & communities and Media properties.
(5) Source: comScore Core Search (US only). "Core Search" includes both explicit and contextual searches.

Note: For Unique visitors, year-over-year growth represents change in average monthly comScore amounts during the period. Worldwide comScore data for September 2011 is not available as of October 17, 2011; Unique visitors and Minutes growth for Q3'11 is based on July-August 2010 and July-August 2011 only. Commencing in May 2010, Yahoo! Properties began transitioning from comScore's panel-only methodology to comScore's unified methodology; YOY comparisons of Unique visitors and Minutes spanning such transitions include growth attributable to the change in methodology.

Revenue ex-TAC Trends



GAAP Revenue:	$1,597	$1,601	$1,601	$1,525	$1,214	$1,229	$1,217

(1) Revenue ex-TAC including Microsoft's 12% revenue share of $37 million, $36 million, $36 million, and $32 million for Q3'11, Q2'11, Q1'11, and Q4'10, respectively, is presented to provide comparable results as if we had not shared any revenue with Microsoft. Please refer to slide 14 for more detailed information.

Revenue ex-TAC by Source

$ in millions	Q1'10	Q2'10	Q3'10	Q4'10	Q1'11	Q2'11	Q3'11
Display revenue ex-TAC	$427	$445	$448	$567	$471	$467	**$449**
YOY Growth	18%	17%	17%	16%	10% (1)	5%	**0%**
Search revenue ex-TAC	$440	$438	$428	$388	$357	$371	**$374**
YOY Growth	(11%)	(4%)	(5%)	(18%)	(19%) (2)	(15%) (2)	**(13%) (2)**
Other revenue ex-TAC	$263	$245	$248	$250	$237	$239	**$248**
YOY Growth	(12%)	(19%)	(16%)	(15%)	(10%)	(3%)	**0%**
Total revenue ex-TAC	$1,130	$1,128	$1,124	$1,205	$1,064	$1,076	**$1,072**
YOY Growth	(2%)	(1%)	(1%)	(4%)	(6%) (1)(2)	(5%) (2)	**(5%) (2)**

(1) YOY Growth in Display revenue ex-TAC and Total revenue ex-TAC were negatively impacted by a one-time benefit in Q1'10 from transitioning some large customers from cash-basis accounting to accrual accounting.

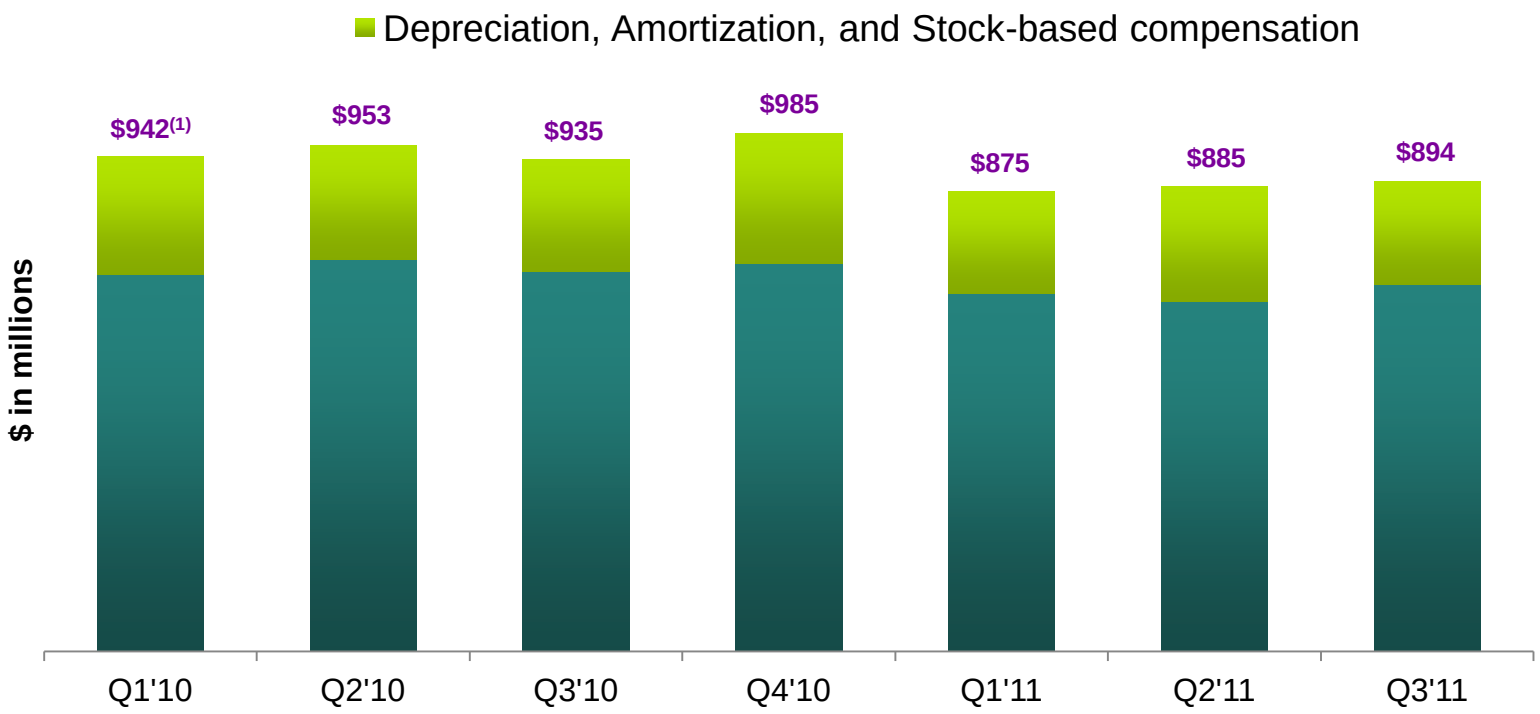
(2) YOY Growth in Search revenue ex-TAC and Total revenue ex-TAC were negatively impacted by headwinds in Q3'11 of $37M and $59M, in Q2'11 of $36M and $60M, and in Q1'11 of $36M and $63M, respectively.

Geographic Segment Data

$ in millions	Q3'10	Q3'11	YOY
Americas			
Revenue ex-TAC	$855	**$754**	(12%)
Direct costs[1]	(136)	**(135)**	(1%)
Contribution	**$719**	**$619**	**(14%)**
Americas contribution margin[2]	84%	**82%**	(197bps)
EMEA			
Revenue ex-TAC	$84	**$96**	14%
Direct costs[1]	(28)	**(35)**	28%
Contribution	**$57**	**$61**	**7%**
EMEA contribution margin[2]	67%	**63%**	(399bps)
Asia Pacific			
Revenue ex-TAC	$185	**$222**	20%
Direct costs[1]	(37)	**(53)**	45%
Contribution	**$149**	**$168**	**13%**
Asia Pacific contribution margin[2]	80%	**76%**	(423bps)

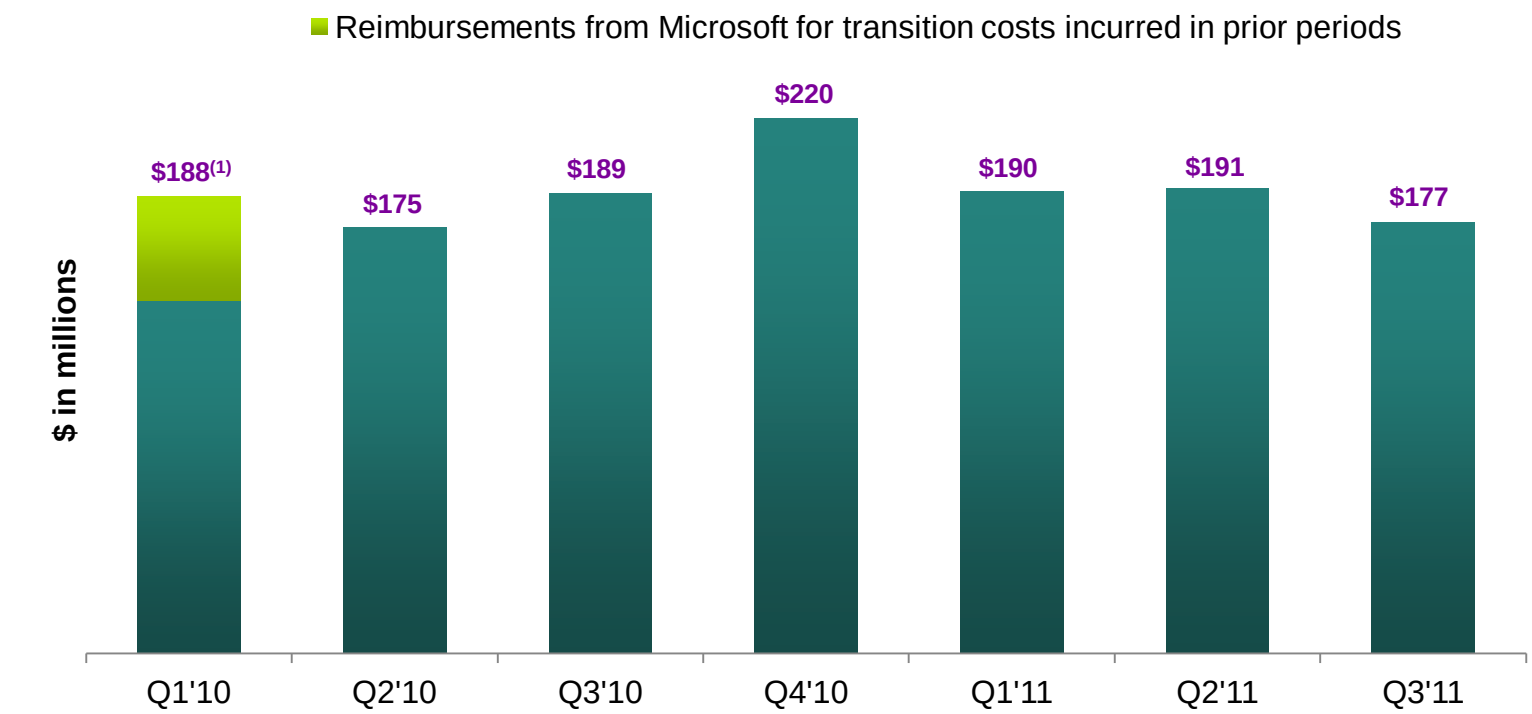
(1) Direct costs for each segment include cost of revenue (excluding TAC) and other operating expenses that are directly attributable to the segment.
(2) Contribution margin is calculated as Contribution divided by Revenue ex-TAC for each segment.

Total Expenses less TAC



(1) Total expenses less TAC for Q1'10 includes $43 million of reimbursements from Microsoft for transition costs incurred in prior periods.

Operating Income



Op. margin ex-TAC :	Q1'10	Q2'10	Q3'10	Q4'10	Q1'11	Q2'11	Q3'11
	17%	16%	17%	18%	18%	18%	17%

(1) Operating income for Q1'10 includes $43 million of reimbursements from Microsoft for transition costs incurred in prior periods. See Appendix Table 5 for presentation of Non-GAAP Operating income.

Key Balance Sheet Metrics

$ in millions	Q1'10	Q2'10	Q3'10	Q4'10	Q1'11	Q2'11	Q3'11
Cash & marketable debt securities[1]	$4,244	$3,799	$3,455	$3,629	$3,528	$3,255	**$2,870**
Accounts receivable, net	$900	$922	$939	$1,029	$933	$957	**$873**
Current deferred revenue	$352	$347	$314	$255	$247	$240	**$206**
Market value of 35% ownership in Yahoo Japan (at 9/30/11) [2]							**$6,429**
Market value of 29% ownership in Alibaba.com (at 9/30/11) [2][3][4]							**$1,297**

(1) Cash & marketable debt securities is comprised of Cash and cash equivalents, Short-term marketable debt securities, and Long-term marketable debt securities.
(2) These pre-tax market values are based on public market share prices for Yahoo Japan and Alibaba.com on September 30, 2011.
(3) Yahoo!'s 29% stake in Alibaba.com is held indirectly through its equity interest in Alibaba Group, and the market value presented above does not include estimates for the values of Alibaba Group's privately held businesses.
(4) Using the pending third-party tender offer for Alibaba Group employee-owned shares as a value guide, based on the number of shares Yahoo! owns and the proposed offering price, we believe our investment in Alibaba Group would be valued at just over $14 billion on a pre-tax basis.

Key Cash Flow Highlights

$ in millions	Q1'10	Q2'10	Q3'10	Q4'10	Q1'11	Q2'11	Q3'11
Share repurchases	$385	$496	$868	$0	$137	$472	**$593**
Net cash provided by operating activities (1)	$144	$347	$346	$403	$208	$331	**$356**
Acquisition of property and equipment, net	$113	$190	$164	$247	$168	$172	**$124**
Free cash flow (1)	$64	$127	$250	$155	$59	$96	**$247**

(1) Microsoft search operating cost reimbursements and transition cost reimbursements were recognized on the income statement, but not yet received as cash in Q1'10.

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! Properties	Affiliate (70% TAC)	Total
GAAP Revenue	$100	$100	$200
Less: TAC	($5)	($70)	($75)
Revenue ex-TAC	$95	$30	$125

Post-Search Alliance Transition GAAP Revenue Presentation – "Net" basis			
	Yahoo! Properties	Affiliate (70% TAC)	Total
Search transactions in AdCenter(2)	$100	$100	$200
Less: TAC	($5)	($70)	($75)
Less: 12% MSFT revenue share(3)	($11)	($4)	($15)
GAAP Revenue	$84	$26	$110

(1) The numbers presented in this slide are for illustration purposes only and do not reflect actual amounts or actual average TAC rates.
(2) Represents dollar value of search transactions in Microsoft's AdCenter platform attributed to Yahoo! Properties and Affiliate sites.
(3) 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

$ in millions	Q4'11 Current Outlook
Revenue ex-TAC	**$1,125 – 1,235**
Total expenses less TAC	**$925 – 975**
Operating income	**$200 – 260**

Note: The above business outlook is based on information and expectations as of October 18, 2011. 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.

Appendix

Table 1 – Revenue ex-TAC Calculation by Segment

Reconciliations of GAAP Revenue to Revenue ex-TAC

$ in millions	Q1'10	Q2'10	Q3'10	Q4'10	Q1'11	Q2'11	Q3'11
Americas							
GAAP Revenue	$1,155	$1,133	$1,147	$991	$819	$808	**$791**
TAC	(282)	(282)	(292)	(102)	(38)	(39)	**(37)**
Revenue ex-TAC	**$873**	**$851**	**$855**	**$889**	**$781**	**$769**	**$754**
EMEA							
GAAP Revenue	$142	$141	$133	$164	$154	$163	**$148**
TAC	(53)	(50)	(49)	(58)	(58)	(58)	**(52)**
Revenue ex-TAC	**$88**	**$90**	**$84**	**$106**	**$97**	**$105**	**$96**
Asia Pacific							
GAAP Revenue	$300	$328	$322	$371	$241	$258	**$277**
TAC	(131)	(141)	(136)	(160)	(54)	(56)	**(55)**
Revenue ex-TAC	**$169**	**$187**	**$185**	**$211**	**$187**	**$203**	**$222**
Worldwide							
GAAP Revenue	$1,597	$1,601	$1,601	$1,525	$1,214	$1,229	**$1,217**
TAC	(467)	(473)	(477)	(320)	(150)	(153)	**(145)**
Revenue ex-TAC	**$1,130**	**$1,128**	**$1,124**	**$1,205**	**$1,064**	**$1,076**	**$1,072**

Table 2 – Revenue Details

Reconciliations of GAAP Revenue to Revenue ex-TAC by Source

$ in millions	Q1'10	Q2'10	Q3'10	Q4'10	Q1'11	Q2'11	Q3'11
Display							
GAAP Display revenue	$491	$514	$514	$635	$523	$524	**$502**
YOY Growth	18%	16%	16%	14%	6%	2%	**(2%)**
Display TAC	(64)	(70)	(66)	(68)	(52)	(57)	**(53)**
Display revenue ex-TAC	**$427**	**$445**	**$448**	**$567**	**$471**	**$467**	**$449**
Search							
GAAP Search revenue	$841	$842	$839	$640	$455	$467	**$467**
YOY Growth	(3%)	2%	1%	(27%)	(46%)	(45%)	**(44%)**
Search TAC	(401)	(404)	(410)	(252)	(98)	(96)	**(92)**
Search revenue ex-TAC	**$440**	**$438**	**$428**	**$388**	**$357**	**$371**	**$374**
Other							
GAAP Other revenue	$265	$245	$248	$250	$237	$239	**$248**
YOY Growth	(12%)	(19%)	(16%)	(16%)	(11%)	(3%)	**0%**
Other TAC	(1)	(0)	(0)	(0)	(0)	(0)	**(0)**
Other revenue ex-TAC	**$263**	**$245**	**$248**	**$250**	**$237**	**$239**	**$248**
Total							
GAAP Revenue	$1,597	$1,601	$1,601	$1,525	$1,214	$1,229	**$1,217**
YOY Growth	1%	2%	2%	(12%)	(24%)	(23%)	**(24%)**
TAC	(467)	(473)	(477)	(320)	(150)	(153)	**(145)**
Revenue ex-TAC	**$1,130**	**$1,128**	**$1,124**	**$1,205**	**$1,064**	**$1,076**	**$1,072**

Table 3 – Revenue and Direct Costs by Segment

$ in millions	Q3'10	Q3'11
Revenue by segment:		
Americas	$1,147	**$791**
EMEA	133	**148**
Asia Pacific	322	**277**
Total revenue	**1,601**	**1,217**
TAC	(477)	**(145)**
Total revenue ex-TAC	**$1,124**	**$1,072**
Direct costs by segment:		
Americas	$136	**$135**
EMEA	28	**35**
Asia Pacific	37	**53**
Global operating costs[1]	516	**471**
Restructuring charges, net	6	**(3)**
Depreciation and amortization	162	**152**
Stock-based compensation	51	**51**
Income from operations	**$189**	**$177**

(1) 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 4 – Total Expenses

Reconciliations of Total Expenses to Total Expenses less TAC

$ in millions	Q1'10	Q2'10	Q3'10	Q4'10	Q1'11	Q2'11	Q3'11
Total expenses less TAC:							
Total expenses	$1,409	$1,426	$1,412	$1,305	$1,025	$1,038	**$1,039**
Less: Traffic acquisition costs	(467)	(473)	(477)	(320)	(150)	(153)	**(145)**
Total expenses less TAC	**$942**	**$953**	**$935**	**$985**	**$875**	**$885**	**$894**

Table 5 – Non-GAAP Operating Income Calculation

Reconciliation of GAAP Operating Income to Non-GAAP Operating Income, with Details on Adjustments

	Quarterly Data							Year Ended	
$ in thousands	Q1'10	Q2'10	Q3'10	Q4'10	Q1'11	Q2'11	Q3'11	12/31/09	12/31/10
GAAP Operating income	**$188,021**	**$175,372**	**$189,155**	**$219,976**	**$189,745**	**$190,895**	**$177,254**	**$386,692**	**$772,524**
(a) Reimbursements from Microsoft for transition costs incurred in prior periods[1]	(43,300)	–	–	–	–	–	–	43,300	(43,300)
(b) Incremental costs for advisors related to strategic alternatives and related matters[2]	–	–	–	–	–	–	–	7,159	–
(c) Restructuring charges, net	4,412	10,052	5,758	37,735	10,575	237	(2,721)	126,901	57,957
Non-GAAP Operating income	**$149,133**	**$185,424**	**$194,913**	**$257,711**	**$200,320**	**$191,132**	**$174,533**	**$564,052**	**$787,181**
GAAP Operating margin	**12%**	**11%**	**12%**	**14%**	**16%**	**16%**	**15%**	**6%**	**12%**
Non-GAAP Operating margin[3]	**9%**	**12%**	**12%**	**17%**	**16%**	**16%**	**14%**	**9%**	**12%**

(1) Non-GAAP Operating income excludes reimbursements for costs incurred in prior periods. The net reimbursement adjustment of $43 million in Q1'10 is equal to the transition costs of $11 million and $32 million incurred in Q3'09 and Q4'09, respectively, in connection with the Search Agreement.

(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.

Table 6 – Free Cash Flow Calculation

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

$ in millions	Q1'10	Q2'10	Q3'10	Q4'10	Q1'11	Q2'11	Q3'11
Free cash flow:							
Cash flow from operating activities	$144	$347	$346	$403	$208	$331	**$356**
Excess tax benefits from stock-based awards	33	31	68	(1)	18	12	**14**
Acquisition of property & equipment, net	(113)	(190)	(164)	(247)	(168)	(172)	**(124)**
Dividends received from equity investees	–	(61)	–	–	–	(75)	**–**
Free cash flow	**$64**	**$127**	**$250**	**$155**	**$59**	**$96**	**$247**

Table 7 – 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

$ in millions, except per share amounts	Q1'10	Q2'10	Q3'10	Q4'10	Q1'11	Q2'11	Q3'11
GAAP Net income attributable to Yahoo! Inc.	$310	$213	$396	$312	$223	$237	**$293**
Adjustments	(90)	7	(175)	29	33	7	**(27)**
Non-GAAP Net income	**$220**	**$220**	**$221**	**$341**	**$256**	**$244**	**$266**
GAAP Revenue	**$1,597**	**$1,601**	**$1,601**	**$1,525**	**$1,214**	**$1,229**	**$1,217**
GAAP Net margin	19%	13%	25%	20%	18%	19%	**24%**
Non-GAAP Net margin(1)	14%	14%	14%	22%	21%	20%	**22%**
GAAP Net income attributable to Yahoo! Inc. common Stockholders per share – diluted	$0.22	$0.15	$0.29	$0.24	$0.17	$0.18	**$0.23**
Non-GAAP Net income per share – diluted	**$0.16**	**$0.16**	**$0.16**	**$0.26**	**$0.19**	**$0.19**	**$0.21**
Diluted shares outstanding	1,413	1,390	1,343	1,312	1,320	1,308	**1,260**

(1) Non-GAAP Net margin is calculated as Non-GAAP Net income divided by GAAP Revenue.

Note: All per share amounts are based on fully diluted share counts. Please refer to Appendix Table 8 for details on Adjustments.

Table 8 - 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	Q1'10	Q2'10	Q3'10	Q4'10	Q1'11	Q2'11	Q3'11
GAAP Net income attributable to Yahoo! Inc.	**$310,191**	**$213,321**	**$396,131**	**$312,020**	**$222,992**	**$236,972**	**$293,291**
(a) Reimbursements from Microsoft for transition costs incurred in prior periods [(1)]	(43,300)	–	–	–	–	–	–
(b) Restructuring charges, net	4,412	10,052	5,758	37,735	10,575	237	(2,721)
(c) Gain on sale of HotJobs	–	–	(186,345)	–	–	–	–
(d) Gain on sale of Zimbra, Inc.	(66,130)	–	–	–	–	–	–
(e) Yahoo!'s share of the non-cash loss related to impairments of assets held by Yahoo Japan, which is included in earnings in equity interests	–	–	–	–	25,981	6,671	–
(f) Non-cash gain related to the dilution of the Company's ownership interest in Alibaba Group, which is included in earnings in equity interests	–	–	–	–	–	–	(25,083)
(g) To adjust the provision for income taxes to exclude the tax impact of items (a)-(d)	14,684	(3,271)	5,223	(9,205)	(3,239)	(350)	365
Non-GAAP Net income	**$219,857**	**$220,102**	**$220,767**	**$340,550**	**$256,309**	**$243,530**	**$265,852**

(1) Non-GAAP Net income excludes reimbursements for costs incurred in 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 Q3'09 and Q4'09, respectively, in connection with the Search Agreement.

Table 9 – Business Outlook Reconciliations

Reconciliations of Outlook for GAAP Revenue to Revenue ex-TAC and Total expenses to Total expenses less TAC

$ in millions	Q4'11 Current Outlook
Revenue ex-TAC:	
GAAP Revenue	$1,275 – 1,395
Less: TAC	150 – 160
Revenue ex-TAC	$1,125 – 1,235
Total expenses less TAC:	
Total expenses (GAAP Cost of revenue + GAAP Total operating expenses)	$1,075 – 1,135
Less: TAC	150 – 160
Total expenses less TAC	$925 – 975

Note: The above business outlook is based on information and expectations as of October 18, 2011. Yahoo! does not intend, and undertakes no duty, to update the business outlook to reflect subsequent events or circumstances; however, Yahoo! may update the business outlook or any portion thereof at any time at its discretion.

Table 10 – Additional Reconciliations

1. YOY Growth in EPS adjusted to exclude certain items: GAAP diluted EPS was $0.29 in Q3'10 and $0.23 in Q3'11. Excluding a gain of $0.13 per diluted share in Q3'10 from the divestiture of HotJobs and a benefit of $0.02 per diluted share in Q3'11 related to the dilution of the company's ownership interests in Alibaba Group as a result of stock option exercises and the issuance of stock to Alibaba Group employees during its quarter ended June 30, 2011, EPS (adjusted) in Q3'10 and Q3'11 would have been $0.16 and $0.21 per diluted share, respectively, up 32% year-over-year.

2. Q4'11 Operating margin ex-TAC: On a GAAP basis, the midpoints of our business outlook ranges for Operating income and Revenue imply Operating margin of 17% in Q4'11. On a non-GAAP basis, our business outlook range midpoints imply Operating margin ex-TAC of 20% in Q4'11, calculated as the midpoint of our Operating income outlook of $230 million divided by the midpoint of our Revenue ex-TAC outlook of $1.18 billion, see Slides 15 and 25.