



YAHOO!

Q1'13 FINANCIAL HIGHLIGHTS

4.16.2013

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Throughout this presentation, we have rounded numbers as appropriate. In this presentation, "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 methodologies for monitoring, gathering, and counting paid clicks and number of ads sold. Based on this process, from time to time we may update such methodologies.

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Definitions and Non-GAAP Financial Measures

This presentation includes the following defined terms and non-GAAP financial measures:

- **Adjusted EBITDA** is defined as Net earnings before taxes, depreciation, amortization of intangible assets, stock-based compensation expense, other income, net (which includes interest), earnings in equity interests, net income attributable to noncontrolling interests and other gains, losses, and expenses that we do not believe are indicative of our ongoing results.
- **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.
- **Free cash flow** is defined as Net cash provided by (used in) 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.
- **Net earnings** is defined as GAAP Net income attributable to Yahoo! Inc.
- **Non-GAAP Net earnings** is defined as Net earnings excluding certain gains, losses, expenses, and their related tax effects, that we do not believe are indicative of our ongoing results and further adjusted to exclude stock-based compensation expense and its related tax effects.
- **Non-GAAP Operating income** is defined as Income from operations excluding certain gains, losses, and expenses that we do not believe are indicative of our ongoing operating results and further adjusted to exclude stock-based compensation expense.
- **Non-GAAP Total operating expenses** is defined as GAAP Total operating expenses excluding TAC and certain other expenses that we do not believe are indicative of our ongoing operating expenses and further adjusted to exclude stock-based compensation expense.
- **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.
- **Total operating expenses less TAC** is defined as GAAP Total operating expenses excluding TAC.

Please refer to the Appendix for reconciliations of the 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:

- **Income from operations margin ex-TAC** is calculated as Income from Operations divided by Revenue ex-TAC; and
- **Net margin ex-TAC** is calculated as Net earnings divided by Revenue ex-TAC.
- **Non-GAAP Operating income margin ex-TAC** is calculated as Non-GAAP Operating income divided by Revenue ex-TAC.

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

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 Q1'13

- Revenue ex-TAC of \$1,074 million was flat in the quarter on a YOY basis.
- Search revenue ex-TAC of \$409 million increased 6% in the quarter on a YOY basis.
- Adjusted EBITDA of \$386 million was flat in the quarter on a YOY basis.
- Non-GAAP Operating income* of \$224 million decreased 3% in the quarter on a YOY basis.
- We repurchased 38 million shares of stock at an average price of \$20.35 for \$775 million in the first quarter.
- We have \$778 million remaining under the \$3.65 billion commitment made in September.

*Commencing in 2013, Non-GAAP Operating income excludes stock-based compensation expense. Prior period amounts have been revised to conform to the current presentation.

Financials and Key Metrics at a Glance

\$ in millions, except per share amounts	Q1'12	Q1'13	YOY
GAAP Revenue	\$1,221	\$1,140	(7%)
Revenue ex-TAC	\$1,077	\$1,074	0%
Adjusted EBITDA	\$384	\$386	0%
Income from operations <i>Income from operations margin ex-TAC</i>	\$169 16%	\$186 17%	10% 100bps
Non-GAAP Operating income⁽¹⁾ <i>Non-GAAP Operating income margin ex-TAC</i>	\$231 21%	\$224 21%	(3%) 0bps
Net earnings Net margin ex-TAC	\$286 27%	\$390 36%	36% 900bps
EPS attributable to Yahoo! Inc. – diluted	\$0.23	\$0.35	51%
Non-GAAP EPS – diluted⁽²⁾	\$0.27	\$0.38	39%
Shares used in per share calculation – diluted	1,226	1,108	(10%)
Acquisition of property and equipment, net	\$110	\$70	(37%)
Free cash flow	\$196	\$150	(23%)
Cash & marketable debt securities	\$2,652	\$5,395	N/M
Ending employees	14,000	11,300	(19%)

N/M – Not meaningful

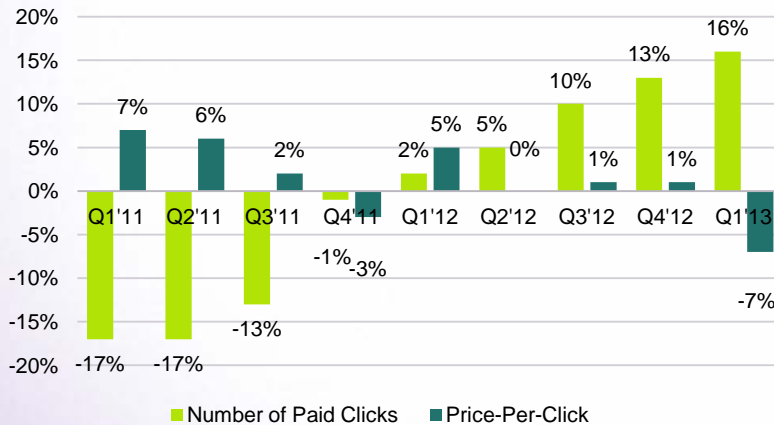
(1) Commencing in 2013, Non-GAAP Operating income excludes stock-based compensation expense. Prior period amounts have been revised to conform to the current presentation.

(2) Commencing in 2013, Non-GAAP EPS (net earnings per share) – diluted excludes stock-based compensation expense and its related tax effects. Prior period amounts have been revised to conform to the current presentation.

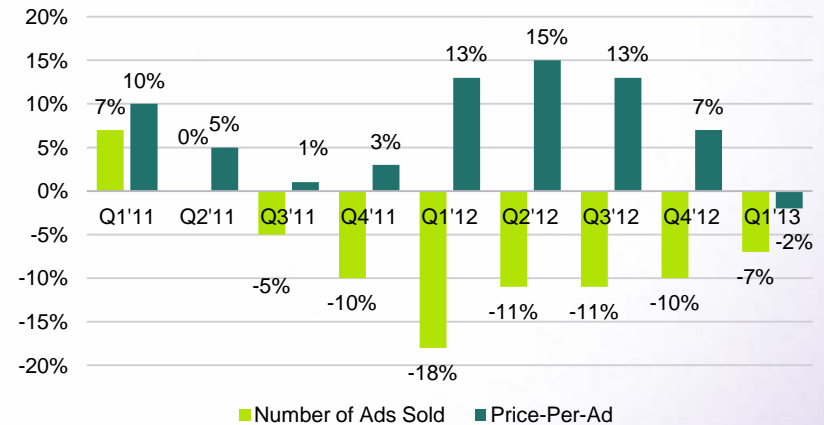
Search and Display Metrics (excluding Korea)*

YOY % Growth	Q1'11	Q2'11	Q3'11	Q4'11	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13
Global Search^{(1) (2)}									
Number of Paid Clicks ⁽³⁾	(17%)	(17%)	(13%)	(1%)	2%	5%	10%	13%	16%
Price-per-Click ("PPC") ⁽⁴⁾	7%	6%	2%	(3%)	5%	0%	1%	1%	(7%)
Global Display^{(1) (5)}									
Number of Ads Sold ⁽⁶⁾	7%	0%	(5%)	(10%)	(18%)	(11%)	(11%)	(10%)	(7%)
Price-per-Ad ⁽⁷⁾	10%	5%	1%	3%	13%	15%	13%	7%	(2%)

Global Search Trends



Global Display Trends



*Due to the closure of the Korea business in the fourth quarter of 2012, metrics on this page exclude the Korea market for all periods.

(1) Source: Internal data, excluding China and Japan (where Yahoo!-branded sites are operated by third-party licensees).

(2) Search metrics include data from owned and operated search, Affiliate search, display PPC (display ads sold on a price-per-click basis), and content match (contextually relevant links to advertisers' Websites, generally sold on a price-per-click basis).

(3) "Paid Clicks" are clicks by end users on sponsored listings on Yahoo! Properties and Affiliate sites that are sold on a price-per-click basis.

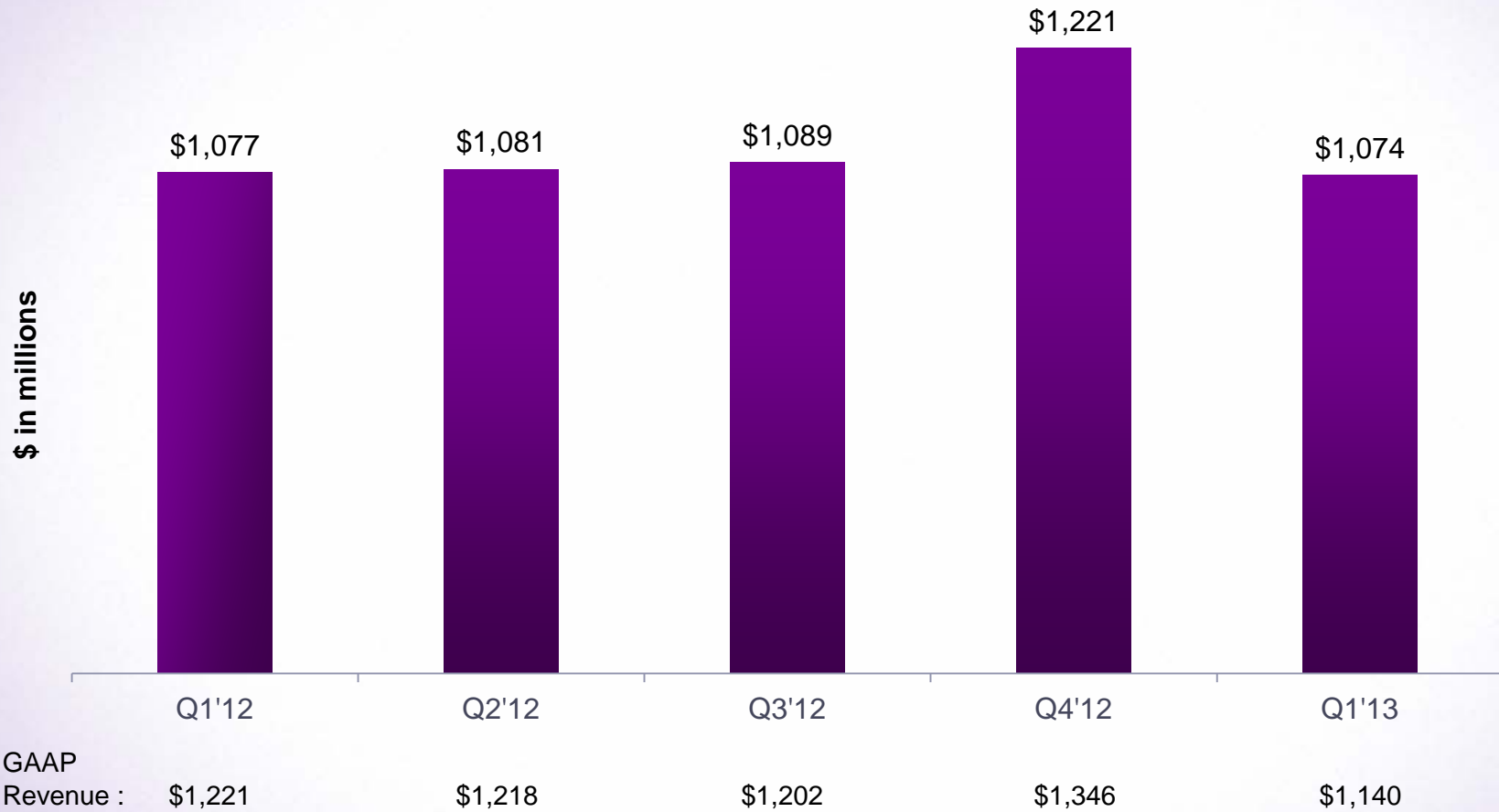
(4) Price-per-Click is calculated on a constant currency basis as gross search revenue (before TAC), inclusive of the Microsoft RPS guarantee, divided by the number of Paid Clicks.

(5) Display metrics include data for graphical and sponsorship units on Yahoo! Properties (including mobile) sold by Yahoo! and partners such as the Newspaper Consortium. Limited to data from the U.S., U.K., France, Germany, Spain, Italy, Taiwan, Hong Kong, Southeast Asia (excluding Korea) and India.

(6) Ads Sold consist of display ad impressions on Yahoo! Properties for paying advertisers.

(7) Price-per-Ad is calculated on a constant currency basis as display revenue divided by the Number of Ads Sold.

Revenue ex-TAC Trends



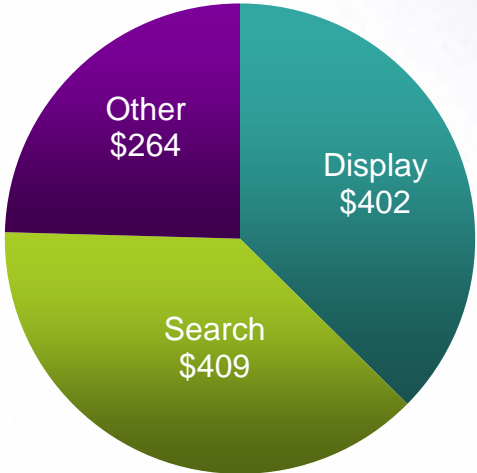
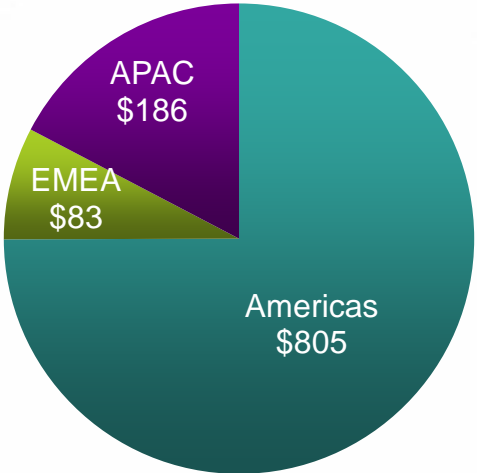
Revenue ex-TAC by Geography & Source

\$ in millions

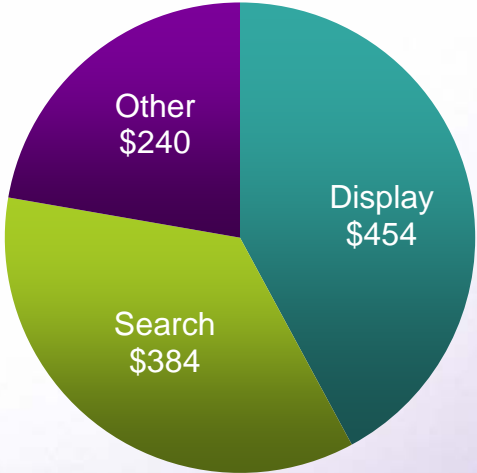
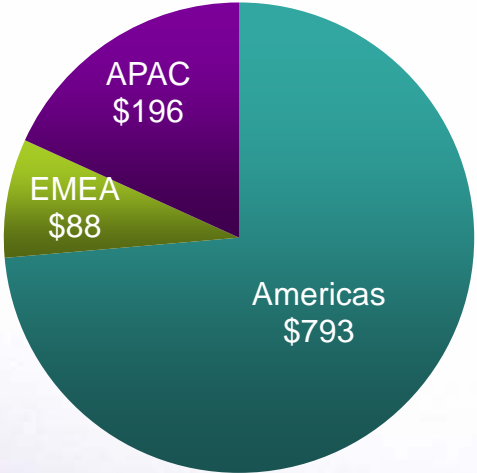
Geography

Source

Q1'13 = \$1,074



Q1'12 = \$1,077



Revenue ex-TAC by Source

\$ in millions	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13
Display revenue ex-TAC	\$454	\$473	\$452	\$520	\$402
YOY Growth	(4%)	1%	0%	(5%)	(11%)
Search revenue ex-TAC	\$384	\$385	\$414	\$427	\$409
YOY Growth	8%	4%	11%	14%	6%
Other revenue ex-TAC	\$240	\$222	\$223	\$273	\$264
YOY Growth	1%	(7%)	(10%)	10%	10%
Total revenue ex-TAC	\$1,077	\$1,081	\$1,089	\$1,221	\$1,074
YOY Growth	1%	0%	2%	4%	0%

Geographic Segment Data

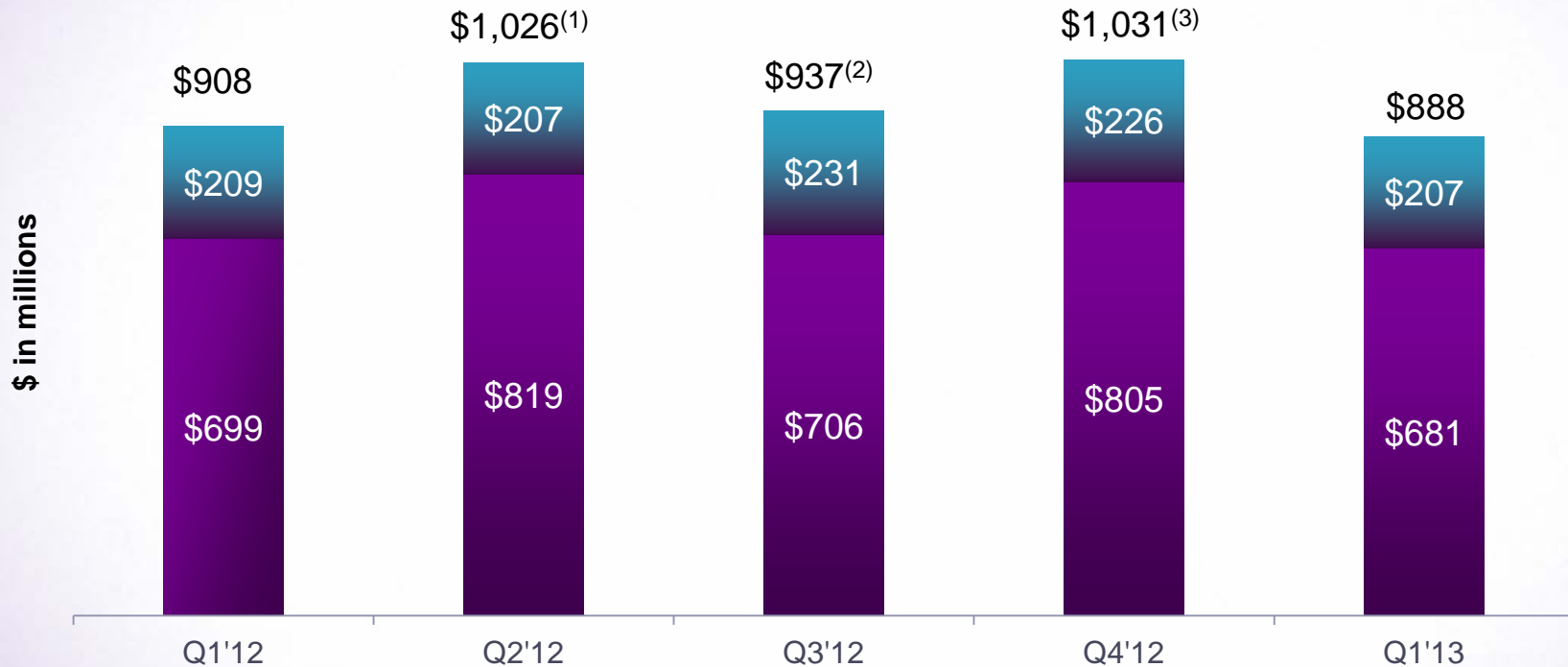
\$ in millions	Q1'12	Q1'13	YOY
Americas			
Revenue ex-TAC	\$793	\$805	1%
Direct costs ⁽¹⁾	<u>\$179</u>	<u>\$170</u>	(5%)
Contribution	\$614	\$635	3%
Americas contribution margin ⁽²⁾	77%	79%	200bps
EMEA			
Revenue ex-TAC	\$88	\$83	(6%)
Direct costs ⁽¹⁾	<u>\$40</u>	<u>\$38</u>	(4%)
Contribution	\$48	\$45	(6%)
EMEA contribution margin ⁽²⁾	55%	54%	(100bps)
Asia Pacific			
Revenue ex-TAC	\$196	\$186	(5%)
Direct costs ⁽¹⁾	<u>\$51</u>	<u>\$55</u>	7%
Contribution	\$145	\$131	(10%)
Asia Pacific contribution margin ⁽²⁾	74%	70%	(400bps)

(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 Operating Expenses less TAC

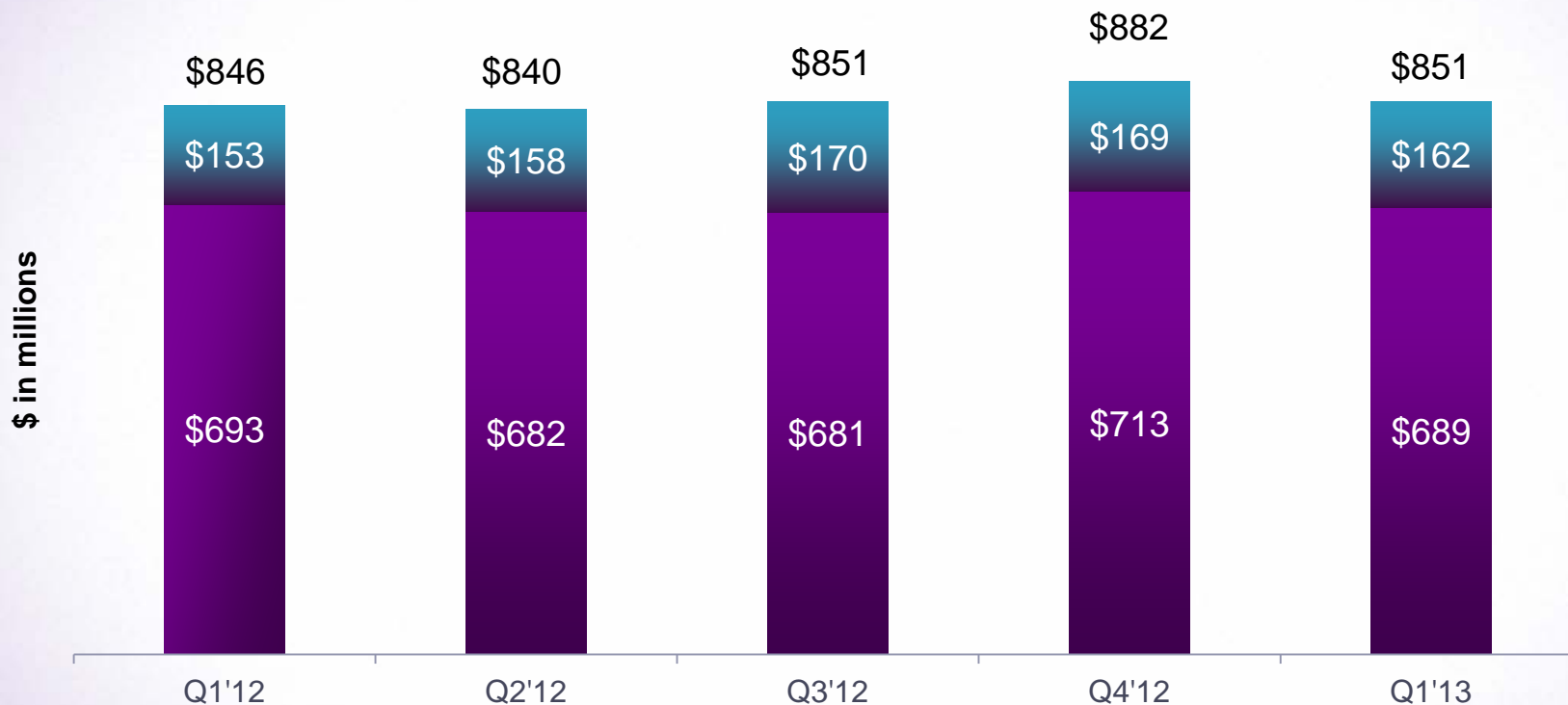
■ Depreciation, Amortization, and Stock-based compensation



- (1) Total operating expenses less TAC in Q2'12 was negatively impacted by a total of \$136 million of restructuring charges and deal-related expenses. Please see Appendix Table 4.
- (2) Total operating expenses less TAC in Q3'12 was negatively impacted by a total of \$25 million of restructuring charges. Please see Appendix Table 4.
- (3) Total operating expenses less TAC in Q4'12 was negatively impacted by \$99 million of costs related to the Korea business (including restructuring charges of \$83 million related to the closure of the Korea business) partially offset by \$7 million in net reversals of prior restructuring charges. Please see Appendix Table 4.

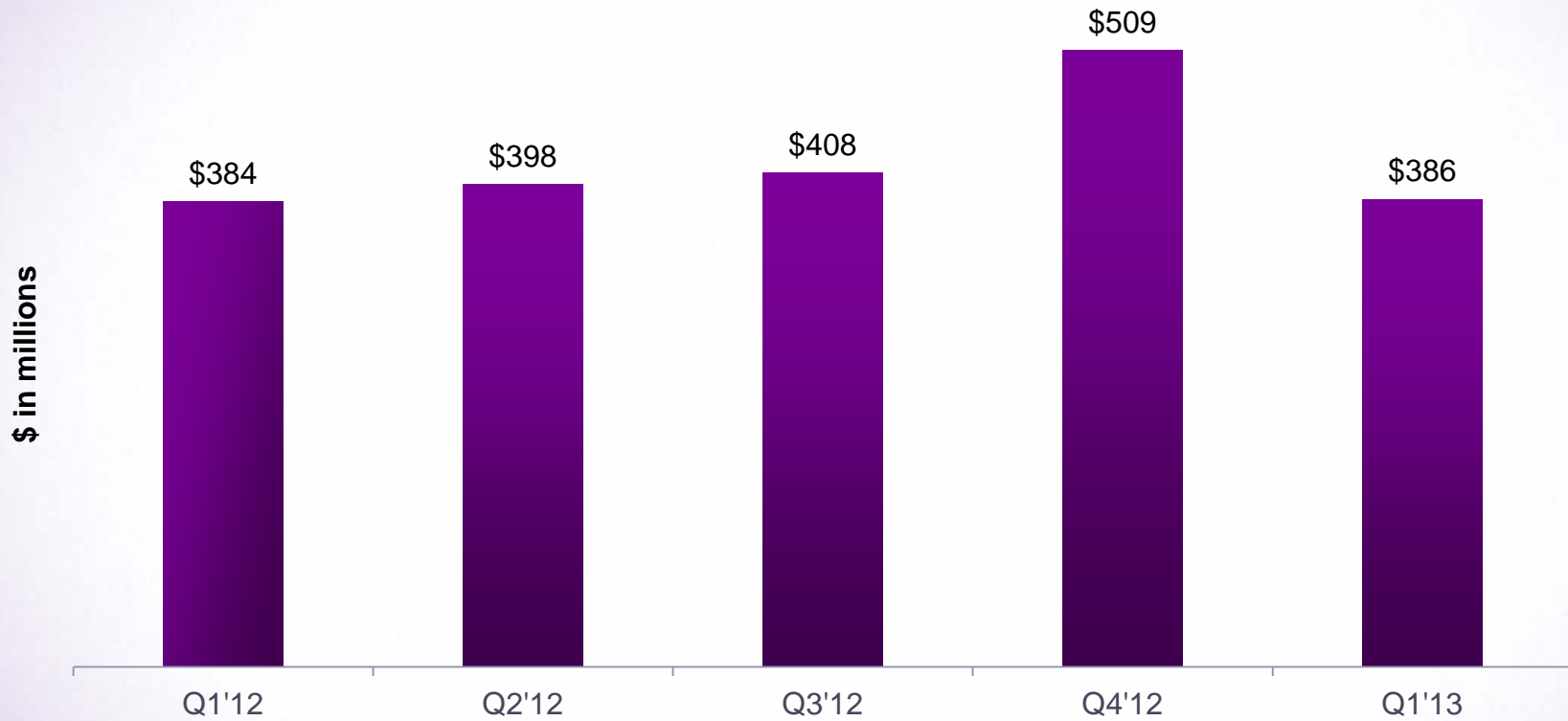
Non-GAAP Total Operating Expenses*

■ Depreciation and Amortization



*Commencing in 2013, Non-GAAP Total operating expenses excludes stock-based compensation expense. Prior period amounts have been revised to conform to the current presentation.

Adjusted EBITDA



GAAP Income from Operations



- (1) Income from operations in Q2'12 was negatively impacted by a total of \$136 million of restructuring charges and deal-related expenses. Please see Appendix Table 6.
- (2) Income from operations in Q3'12 was negatively impacted by a total of \$25 million of restructuring charges. Please see Appendix Table 6.
- (3) Income from operations in Q4'12 was negatively impacted by a total of \$99 million of costs related to the Korea business (including restructuring charges of \$83 million related to the closure of the Korea business), partially offset by \$7 million in net reversals of prior restructuring charges. Please see Appendix Table 6.

Non-GAAP Operating Income*



*Commencing in 2013, Non-GAAP Operating income excludes stock-based compensation expense. Prior period amounts have been revised to conform to the current presentation.

Key Balance Sheet Metrics

\$ in millions	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13
Assets					
Cash & marketable debt securities	\$2,652	\$2,401	\$9,427 ⁽¹⁾	\$6,022	\$5,395
Accounts receivable, net	\$942	\$1,041	\$954	\$1,008	\$944
Alibaba Group preference shares	—	—	\$803	\$816	\$831
Property and equipment, net	\$1,727	\$1,664	\$1,671	\$1,686	\$1,613
Total assets	\$14,963	\$14,658	\$20,414	\$17,103	\$16,491
Liabilities and Equity					
Current deferred revenue	\$179	\$177	\$309	\$297	\$308
Total current liabilities	\$1,070	\$1,077	\$3,506	\$1,290	\$1,139
Total equity	\$12,860	\$12,516	\$15,606	\$14,606	\$14,186
Total liabilities and equity	\$14,963	\$14,658	\$20,414	\$17,103	\$16,491
Market value of ~35% ownership in Yahoo Japan (at 3/31/13) ⁽²⁾					\$9,298
Value of approximately 24% ownership in Alibaba based on recent transaction ⁽³⁾					\$8,100

(1) In Q3'12, Cash & marketable debt securities was positively impacted by Yahoo!'s receipt of proceeds from the sale of Alibaba shares.

(2) Pre-tax market value is based on public market share price for Yahoo Japan on March 31, 2013.

(3) Pre-tax value is based on \$15.50 price per share at which Alibaba sold common equity to third-party purchasers in its most recent round of common equity funding (September 2012); does not include \$831 million in Alibaba Group preference shares held by Yahoo!.

Key Cash Flow Highlights

\$ in millions	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13
Tax payment on sale of Alibaba shares	–	–	–	(\$2,266)	–
Share repurchases	\$71	\$456	\$190	\$1,451	\$775
Net cash provided by operating activities, as adjusted	\$297	\$275	\$496 ⁽¹⁾	\$366 ⁽²⁾	\$219
Acquisition of property and equipment, net	\$110	\$106	\$140	\$150	\$70
Free cash flow, as adjusted ⁽³⁾	\$196	\$93	\$920	\$221	\$150

(1) Including a payment of \$550 million from Alibaba in satisfaction of certain future royalty payments under the existing technology and intellectual property license agreement with Alibaba, GAAP Net cash provided by operating activities for Q3'12 was \$1,046 million.

(2) Including a cash tax payment of \$2.3 billion related to the sale of Alibaba shares, GAAP Net cash provided by (used in) operating activities for Q4'12 was (\$1.9) billion.

(3) See Appendix Table 7 for the reconciliation of Free cash flow, as adjusted.

Business Outlook

\$ in millions	Q2'13 Current Outlook	2013 Current Outlook
Revenue ex-TAC	\$1,060 - \$1,090	\$4,500 - \$4,600
Adjusted EBITDA	\$350 - \$370	\$1,600 - \$1,700
Non-GAAP Operating income	\$190 - \$210	\$1,050 - \$1,100

Note: The above business outlook is based on information and expectations as of April 16, 2013. 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 Calculated by Segment

Reconciliations of GAAP Revenue to Revenue ex-TAC

\$ in millions	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13
Americas					
GAAP Revenue	\$836	\$822	\$844	\$960	\$842
TAC	<u>(43)</u>	<u>(46)</u>	<u>(41)</u>	<u>(52)</u>	<u>(38)</u>
Revenue ex-TAC	\$793	\$776	\$802	\$908	\$805
EMEA					
GAAP Revenue	\$134	\$128	\$96	\$114	\$95
TAC	<u>(46)</u>	<u>(34)</u>	<u>(17)</u>	<u>(17)</u>	<u>(12)</u>
Revenue ex-TAC	\$88	\$94	\$79	\$97	\$83
Asia Pacific					
GAAP Revenue	\$251	\$268	\$262	\$272	\$203
TAC	<u>(55)</u>	<u>(57)</u>	<u>(54)</u>	<u>(56)</u>	<u>(17)</u>
Revenue ex-TAC	\$196	\$211	\$207	\$217	\$186
Worldwide					
GAAP Revenue	\$1,221	\$1,218	\$1,202	\$1,346	\$1,140
TAC	<u>(144)</u>	<u>(137)</u>	<u>(113)</u>	<u>(125)</u>	<u>(66)</u>
Revenue ex-TAC	\$1,077	\$1,081	\$1,089	\$1,221	\$1,074

Table 2 – Revenue Details

Reconciliations of GAAP Revenue to Revenue ex-TAC by Source

\$ in millions	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13
Display					
GAAP Display Revenue	\$511	\$535	\$506	\$591	\$455
YOY Growth	(2%)	2%	1%	(3%)	(11%)
Display TAC	<u>(57)</u>	<u>(62)</u>	<u>(54)</u>	<u>(70)</u>	<u>(53)</u>
Display Revenue ex-TAC	\$454	\$473	\$452	\$520	\$402
Search					
GAAP Search Revenue	\$470	\$461	\$473	\$482	\$425
YOY Growth	3%	(1%)	1%	4%	(10%)
Search TAC	<u>(87)</u>	<u>(75)</u>	<u>(58)</u>	<u>(55)</u>	<u>(16)</u>
Search Revenue ex-TAC	\$384	\$385	\$414	\$427	\$409
Other					
GAAP Other Revenue	\$240	\$222	\$223	\$273	\$261
YOY Growth	1%	(7%)	(10%)	10%	9%
Other TAC	<u>(0)</u>	<u>(0)</u>	<u>(0)</u>	<u>(0)</u>	<u>3</u>
Other Revenue ex-TAC	\$240	\$222	\$223	\$273	\$264
Total					
GAAP Revenue	\$1,221	\$1,218	\$1,202	\$1,346	\$1,140
YOY Growth	1%	(1%)	(1%)	2%	(7%)
TAC	<u>(144)</u>	<u>(137)</u>	<u>(113)</u>	<u>(125)</u>	<u>(66)</u>
Revenue ex-TAC	\$1,077	\$1,081	\$1,089	\$1,221	\$1,074

Table 3 – Revenue and Direct Costs by Segment

\$ in millions	Q1'12	Q1'13
Revenue by segment:		
Americas	\$836	\$842
EMEA	134	95
Asia Pacific	<u>251</u>	<u>203</u>
Total revenue	1,221	1,140
TAC	<u>(144)</u>	<u>(66)</u>
Total revenue ex-TAC	\$1,077	\$1,074
Direct costs by segment:		
Americas	\$179	\$170
EMEA	40	38
Asia Pacific	51	55
Global operating costs ⁽¹⁾	422	425
Restructuring charges, net	6	(7)
Depreciation and amortization	153	162
Stock-based compensation expense	<u>56</u>	<u>45</u>
Income from operations	\$169	\$186

(1) Global operating costs include product development, service engineering and operations, 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 Operating Expenses

Reconciliations of GAAP Total Operating Expenses to Total Operating Expenses less TAC, and to Non-GAAP Total Operating Expenses*

\$ in millions	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13
GAAP Total operating expenses	\$1,052	\$1,163	\$1,050	\$1,156	\$954
Less: Traffic acquisition costs	<u>(144)</u>	<u>(137)</u>	<u>(113)</u>	<u>(125)</u>	<u>(66)</u>
Total operating expenses less TAC	\$908	\$1,026	\$937	\$1,031	\$888
Less: Restructuring charges, net	6	129	25	(7) ⁽¹⁾	(7)
Less: Deal-related expenses ⁽²⁾	–	7	–	–	–
Less: Costs associated with the Korea business and its closure	–	–	–	99	–
Less: Stock-based compensation expense	<u>56</u>	<u>50</u>	<u>61</u>	<u>57</u>	<u>45</u>
Non-GAAP Total operating expenses*	\$846	\$840	\$851	\$882	\$851

* Commencing in 2013, Non-GAAP Total operating expenses excludes stock-based compensation expense. Prior period amounts have been revised to conform to the current presentation.

- (1) For Q4'2012, this amount excludes the restructuring charges related to the closure of the Korea business of \$83 million, which are included in the line "Costs associated with the Korea business and its closure."
(2) Deal-related expenses relate to, among other matters, the agreement Yahoo! entered into with Alibaba regarding Yahoo!'s stake in Alibaba.

Table 5 – Adjusted EBITDA Calculations

Reconciliation of GAAP Net Earnings to Adjusted EBITDA

\$ in thousands	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13
GAAP Net earnings	\$286,343	\$226,631	\$3,160,238	\$272,267	\$390,285
(a) Depreciation and amortization	153,248	157,739	169,511	168,769	162,092
(b) Stock-based compensation expense	55,966	49,571	61,366	57,574	44,605
(c) Restructuring charges, net	5,717	129,092	24,727	(6,794) ⁽¹⁾	(7,062)
(d) Other income, net	(2,278)	(20,175)	(4,607,656) ⁽²⁾	(17,730)	(17,072)
(e) Provision for income taxes	56,419	26,523	1,774,094	83,007	29,736
(f) Earnings in equity interest	(172,243)	(179,991)	(175,265)	(148,939)	(217,588)
(g) Net income attributable to noncontrolling interests	1,135	1,825	778	1,385	609
(h) Deal-related expenses ⁽³⁾	-	6,500	-	-	-
(i) Costs associated with the Korea business and its closure	-	-	-	99,485	-
Adjusted EBITDA	\$384,307	\$397,715	\$407,793	\$509,024	\$385,605

(1) For Q4'12, this amount excludes the restructuring charges related to the closure of the Korea business of \$83 million, which are included in item (i).

(2) Q3'12 includes a \$4.6 billion gain on the sale of Alibaba shares.

(3) Deal-related expenses relate to, among other matters, the agreement Yahoo! entered into with Alibaba regarding Yahoo!'s stake in Alibaba.

Table 6 – Calculation of Non-GAAP Operating Income*

Reconciliation of GAAP Income from Operations to Non-GAAP Operating Income*

\$ in thousands	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13
GAAP Operating income	\$169,376	\$54,813	\$152,189	\$189,990	\$185,970
(a) Restructuring charges, net	5,717	129,092	24,727	(6,794) ⁽¹⁾	(7,062)
(b) Deal-related expenses ⁽²⁾	–	6,500	–	–	–
(c) Costs associated with the Korea business and its closure	–	–	–	99,485	–
(d) Stock-based compensation expense	<u>55,966</u>	<u>49,571</u>	<u>61,366</u>	<u>57,462</u>	<u>44,605</u>
Non-GAAP Operating income*	\$231,059	\$239,976	\$238,282	\$340,143	\$223,513
GAAP Operating income margin	14%	5%	13%	14%	16%
Non-GAAP Operating income margin⁽³⁾	19%	20%	20%	25%	20%
Non-GAAP Operating income margin ex-TAC	21%	22%	22%	28%	21%

* Commencing in 2013, Non-GAAP Operating income excludes stock-based compensation expense. Prior period amounts have been revised to conform to the current presentation.

(1) For Q4'12, this amount excludes the restructuring charges related to the closure of the Korea business of \$83 million, which are included in item (c).

(2) Deal-related expenses relate to, among other matters, the agreement Yahoo! entered into with Alibaba regarding Yahoo!'s stake in Alibaba.

(3) Non-GAAP Operating income margin is calculated as Non-GAAP Operating income divided by GAAP Revenue.

Table 7 – Free Cash Flow Calculation

Reconciliation of GAAP Cash Flow from Operating Activities to Free Cash Flow and to Free Cash Flow, as adjusted

\$ in millions	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13
GAAP Net cash provided by (used in) operating activities	\$297	\$275	\$1,046	(\$1,900)	\$219
Excess tax benefits from stock-based awards	8	9	14	5	13
Acquisition of property & equipment, net	(110)	(106)	(140)	(150)	(70)
Dividends received from equity investees	=	<u>(84)</u>	=	=	<u>(12)</u>
Free cash flow⁽¹⁾	\$196	\$93	\$920⁽¹⁾	(\$2,045)	\$150
Tax payment on sale of Alibaba shares ⁽²⁾	=	=	=	<u>2,266</u>	=
Free cash flow, as adjusted	\$196	\$93	\$920	\$221	\$150

(1) Free cash flow was positively impacted in Q3'12 by a cash payment of \$550 million from Alibaba in satisfaction of certain future royalty payments under the existing technology and intellectual property license agreement with Alibaba.

(2) Cash tax payment of \$2.3 billion related to the sale of Alibaba shares.

Table 8 – Non-GAAP Net Earnings Per Share* Calculation

Reconciliation of GAAP Net Earnings and GAAP Net Earnings Per Share – Diluted to Non-GAAP Net Earnings* and Non-GAAP Net Earnings Per Share – Diluted*

\$ in millions; except per share amounts	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13
GAAP Net earnings	\$286	\$227	\$3,160	\$272	\$390
Adjustments	<u>47</u>	<u>136</u>	<u>(2,690)</u>	<u>141</u>	<u>30</u>
Non-GAAP Net earnings*	\$334	\$363	\$470	\$413	\$420
GAAP Revenue	\$1,221	\$1,218	\$1,202	\$1,346	\$1,140
GAAP Net margin	23%	19%	NM	20%	34%
Non-GAAP Net margin ⁽¹⁾	27%	30%	39%	31%	37%
GAAP Net earnings per share – diluted	\$0.23	\$0.18	\$2.64	\$0.23	\$0.35
Non-GAAP Net earnings per share – diluted*	\$0.27	\$0.30	\$0.39	\$0.35	\$0.38
Diluted shares outstanding	1,226	1,222	1,195	1,168	1,108

* Commencing in 2013, Non-GAAP Net earnings and Non-GAAP Net earnings per share – diluted exclude stock-based compensation expense and its related tax effects. Prior period amounts have been revised to conform to the current presentations.

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

Note: All per share amounts are based on fully diluted share counts. Please refer to Appendix Table 9 for details on Adjustments.

Table 9 – Non-GAAP Net Earnings* Calculation

Reconciliation of GAAP Net Earnings to Non-GAAP Net Earnings*, with Details on Adjustments

\$ in thousands	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13
GAAP Net earnings	\$286,343	\$226,631	\$3,160,238	\$272,267	\$390,285
(a) Restructuring charges, net	5,717	129,092	24,727	(6,794) ⁽²⁾	(7,062)
(b) Deal-related expenses ⁽¹⁾	–	6,500	–	–	–
(c) Gain related to sale of Alibaba shares	–	–	(4,603,322)	–	–
(d) Costs associated with the Korea business and its closure	–	–	–	99,485	–
(e) Stock-based compensation expense	55,966	49,571	61,366	57,462	44,605
(f) To adjust the provision for income taxes to exclude the tax impact of items (a) - (e)	(14,444)	(49,212)	1,827,093	(9,100)	(7,646)
Non-GAAP Net earnings*	\$333,582	\$362,582	\$470,102	\$413,320	\$420,182

* Commencing in 2013, Non-GAAP Net earnings excludes stock-based compensation expense and its related tax effects. Prior period amounts have been revised to conform to the current presentation.

(1) Deal-related expenses relate to, among other matters, the agreement Yahoo! entered into with Alibaba regarding Yahoo!'s stake in Alibaba.

(2) Q4'12 excludes the restructuring charges related to the closure of the Korea business of \$83 million, which are included in item (d).

Table 10 – Business Outlook Reconciliations

\$ in millions	Q2'13 Current Outlook	FY 2013 Current Outlook
Revenue ex-TAC:		
GAAP Revenue	\$1,120 - \$1,160	\$4,750 - \$4,880
Less: TAC	<u>\$60 - \$70</u>	<u>\$250 - \$280</u>
Revenue ex-TAC	\$1,060 - \$1,090	\$4,500 - \$4,600
Adjusted EBITDA⁽¹⁾		
Depreciation & Amortization	\$160	\$550 - \$600
Stock-based compensation	\$70	\$240 - \$250
Non-GAAP Operating income:		
GAAP Income from operations	\$120 - \$140	\$810 - \$850
Excluding: Stock-based compensation	<u>\$70</u>	<u>\$240 - \$250</u>
Non-GAAP Operating income	\$190 - \$210	\$1,050 - \$1,100

(1) Yahoo! has not reconciled its Adjusted EBITDA outlook to the comparable forward-looking GAAP financial measure, Net earnings, because it is unable to provide a forward-looking estimate of certain reconciling items between Net earnings and Adjusted EBITDA, including: other income, net; provision for income taxes; earnings in equity interests; and net income attributable to noncontrolling interests. Certain factors that are materially significant to Yahoo!'s ability to estimate these items are out of the Company's control and/or cannot be reasonably predicted. Accordingly, a reconciliation to Net earnings is not available without unreasonable effort.

Note: The above business outlook is based on information and expectations as of April 16, 2013. 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 11 – Additional Reconciliations

- **Non-GAAP Tax Rate** – On a GAAP basis in Q1'13, provision for income taxes was (\$30) million and tax rate was 15%. Excluding the effect of Stock-based compensation (which lowered provision for income taxes by \$10) and net restructuring charge reversals (which increased provision for income taxes by \$3) in Q1'13, provision for income taxes, as adjusted, would have been (\$37) million and tax rate, as adjusted, would have been 16% on a non-GAAP basis.