



Q2'08 Financial Highlights

July 22, 2008

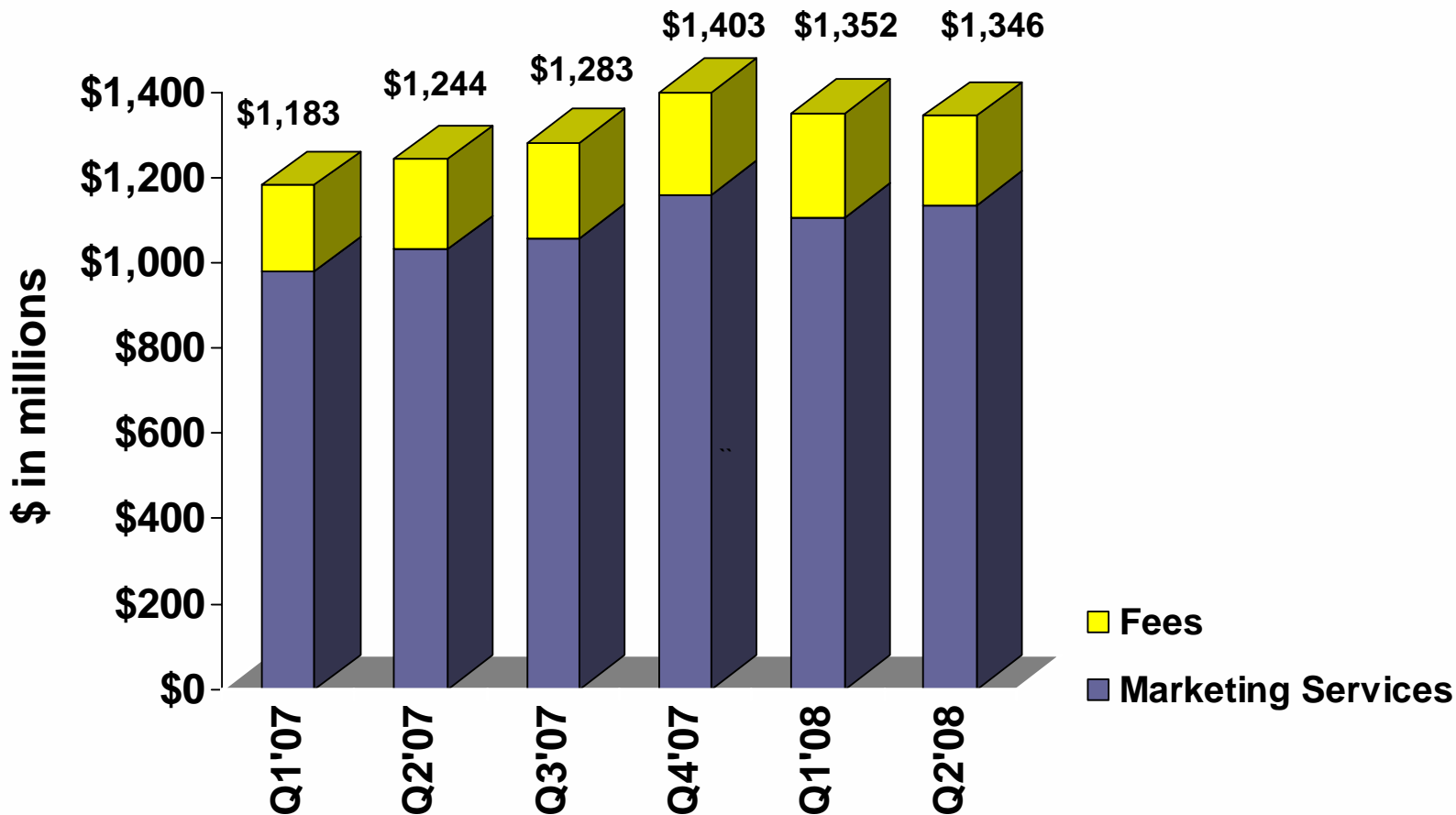


Note:

The matters discussed in this presentation contain forward-looking statements that involve risks and uncertainties concerning Yahoo!'s expected financial performance, 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 expected benefits of the commercial agreement with Google may not be realized, including as a result of actions taken by United States or foreign regulatory authorities and the response or acceptance of the agreement by publishers, advertisers, users, and employees; the implementation and results of Yahoo!'s ongoing strategic initiatives; the impact of organizational changes; Yahoo!'s ability to compete with new or existing competitors; 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 Yahoo!'s international operations; failure to manage growth and diversification; adverse results in litigation, including intellectual property infringement claims; Yahoo!'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; general economic conditions and changes in economic conditions; potential continuing uncertainty arising in connection with Microsoft's various proposals to acquire all or a part of Yahoo!; the possibility that Microsoft or another person may in the future make other proposals, or take other actions which may create uncertainty for our employees, publishers, advertisers, and other business partners; and the possibility of significant costs of defense, indemnification, and liability resulting from stockholder litigation relating to such proposals. All information in this presentation is as of July 22, 2008 and 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 Yahoo!'s business and financial results is included in Yahoo!'s Annual Report on Form 10-K for the fiscal year ended December 31, 2007, as amended, and the quarterly report on Form 10-Q for the quarter ended March 31, 2008, which are on file with the Securities and Exchange Commission ("SEC") and available online 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 June 30, 2008, which will be filed with the SEC in the third quarter of 2008.



Quarterly Revenue ex-TAC Trends



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

Throughout this presentation, we have rounded numbers as appropriate.



Revenue and Revenue ex-TAC Comparisons

\$ in millions	Q2'07	Q1'08	Q2'08	Q2'08	
				YOY	QOQ
Revenues for Groups of Similar Services					
Marketing Services:					
Owned and Operated sites ⁽¹⁾	\$892.3	\$965.8	\$1,015.7	14%	5%
Affiliate sites ⁽²⁾	593.7	606.7	571.3	(4%)	(6%)
Fees	<u>211.9</u>	<u>245.1</u>	<u>211.1</u>	0%	(14%)
Total Revenue	\$1,697.9	\$1,817.6	\$1,798.1	6%	(1%)
Revenue ex-TAC					
United States	\$935.7	\$1,030.0	\$993.6	6%	(4%)
International	<u>308.1</u>	<u>322.1</u>	<u>352.3</u>	14%	9%
Total	\$1,243.8	\$1,352.1	\$1,346.0	8%	0%

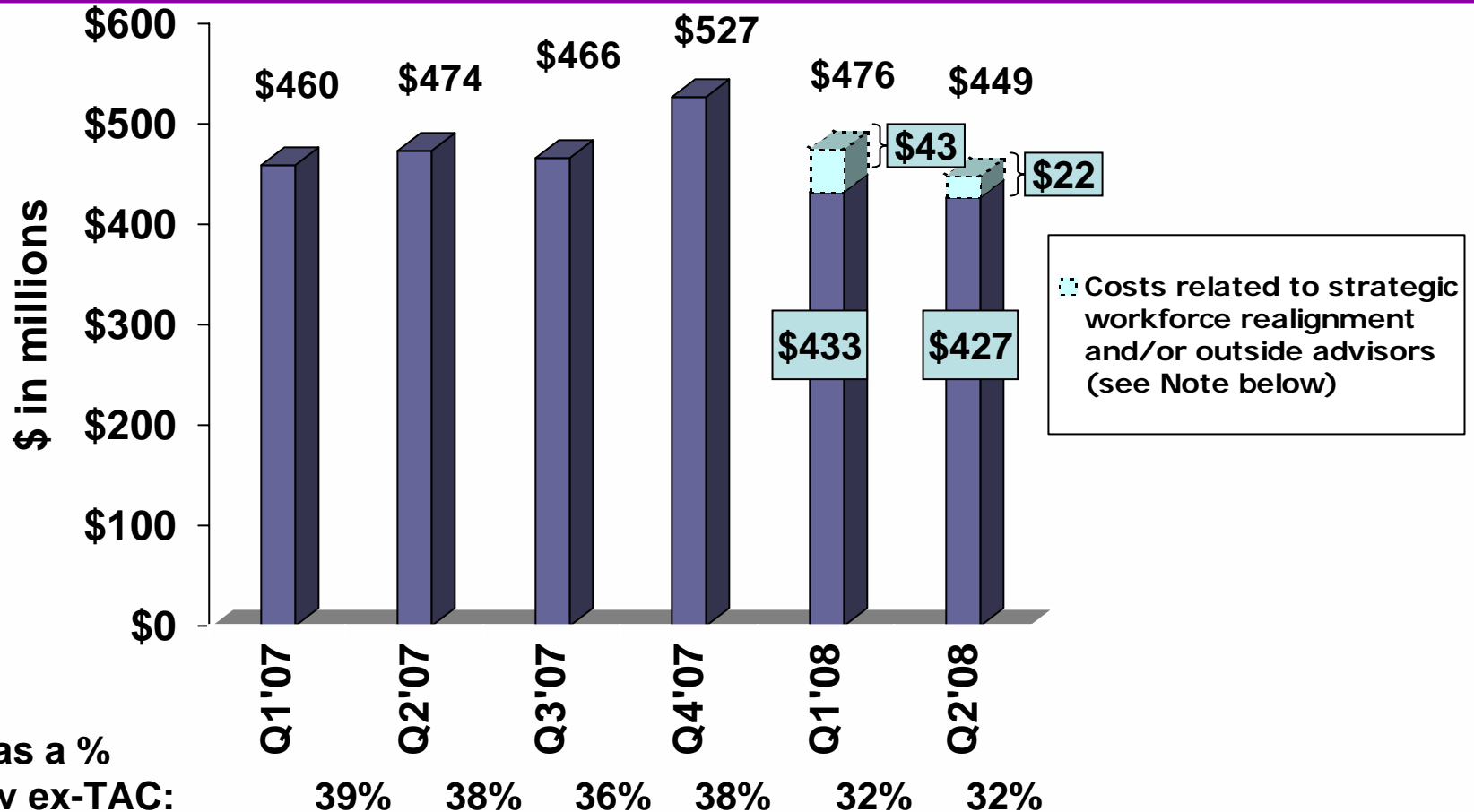
Note: Revenue excluding traffic acquisition costs (Revenue ex-TAC) is a non-GAAP measure defined as GAAP Revenue less TAC. Please refer to supporting Table 1 for Revenue ex-TAC reconciliation.

(1) Refers to Yahoo!'s owned and operated online properties and services.

(2) Refers to Yahoo!'s distribution network of third-party entities who have integrated Yahoo!'s advertising offerings into their websites or their other offerings.



Operating Cash Flow (OCF) Trends



OCF as a %
of Rev ex-TAC:

Note: Operating Cash Flow (OCF) is also referred to as operating income before depreciation, amortization, and stock-based compensation expense. Operating Cash Flow is a non-GAAP measure 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). Q1'08 OCF of \$433 million includes a pre-tax cash charge of \$29 million for severance pay expenses and cash expenditures related to a strategic workforce realignment the Company implemented during the quarter, as well as incremental costs of \$14 million incurred for outside advisors related to Microsoft's unsolicited proposal, other strategic alternatives, and related litigation defense costs. Q2'08 OCF of \$427 million includes incremental costs of \$22 million incurred for outside advisors related to Microsoft's proposals to acquire all or a part of the Company, other strategic alternatives, the proxy contest, and related litigation defense costs. Please refer to supporting Table 2 for Operating Cash Flow Calculation by Segment and Table 8 for GAAP Operating Income as a Percentage of GAAP Revenue by Segment.



Operating Cash Flow Comparisons

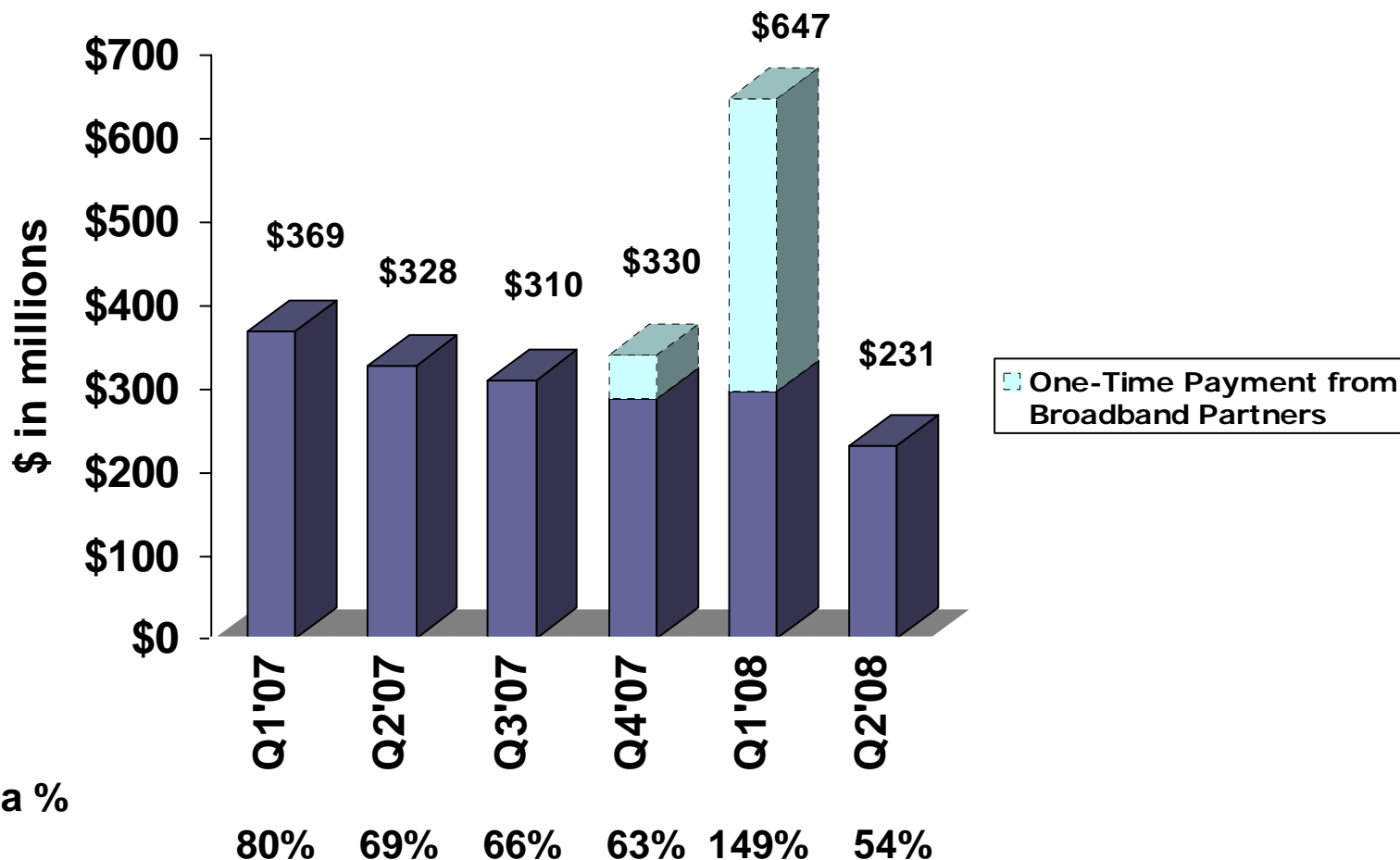
\$ in millions	Q2'07	Q1'08	Q2'08	Q2'08	
				YOY	QOQ
Operating Cash Flow					
United States	\$362.3	\$315.2	\$297.9	(18%)	(5%)
International	<u>111.3</u>	<u>118.0</u>	<u>129.2</u>	16%	9%
Total	\$473.6	\$433.1	\$427.0	(10%)	(1%)
Operating Cash Flow as a Percent of Revenue ex-TAC					
United States	39%	31%	30%		
International	36%	37%	37%		
Total	38%	32%	32%		

Note: Operating Cash Flow (OCF) is a non-GAAP measure 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). Q1'08 OCF includes a pre-tax cash charge of \$29 million for severance pay expenses and related cash expenditures related to a strategic workforce realignment the Company implemented during the quarter, as well as incremental costs of \$14 million incurred for outside advisors related to Microsoft's unsolicited proposal, other strategic alternatives, and related litigation defense costs. Q2'08 OCF of \$427 million includes incremental costs of \$22 million incurred for outside advisors related to Microsoft's proposals to acquire all or a part of the Company, other strategic alternatives, the proxy contest, and related litigation defense costs.

Please refer to supporting Table 2 for Operating Cash Flow Calculation by Segment and Table 8 for GAAP Operating Income as a Percentage of GAAP Revenue by Segment.



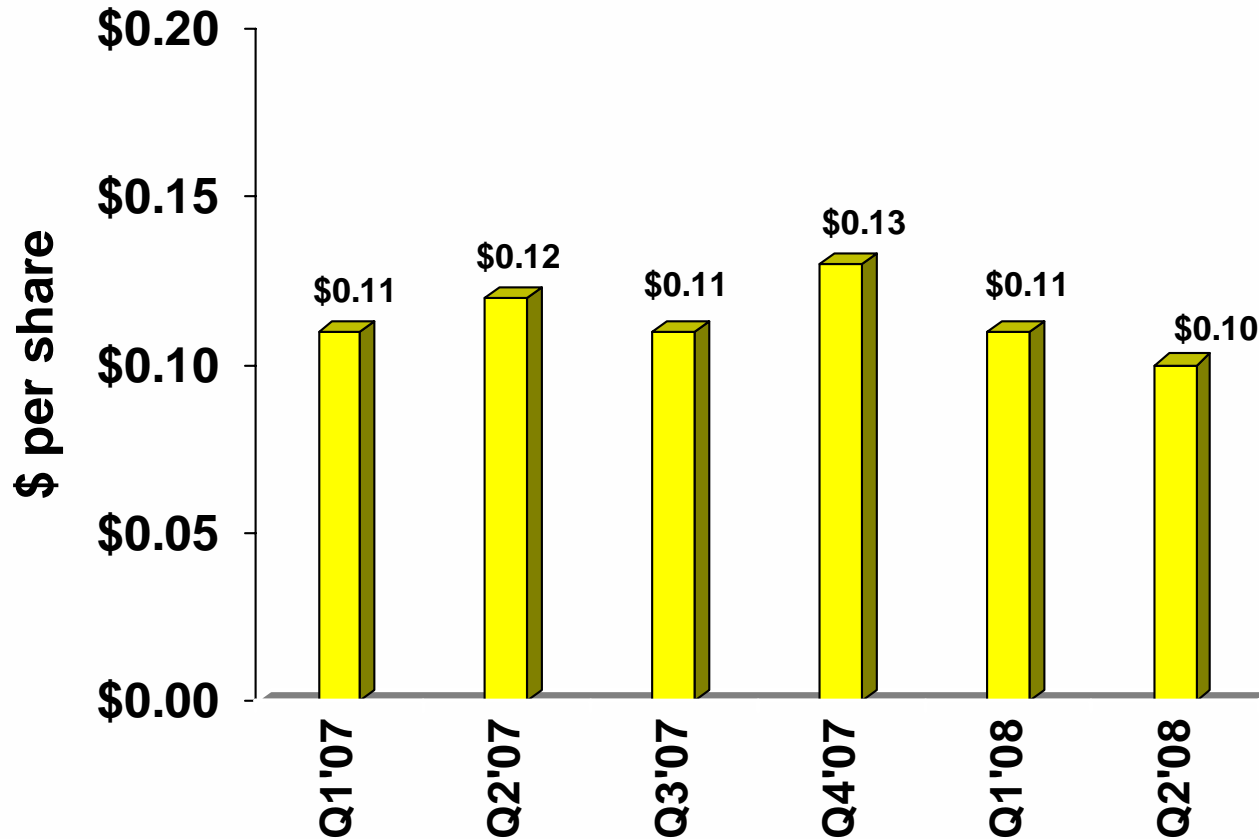
Free Cash Flow (FCF) Trends



Note: Free Cash Flow (FCF) 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. Q1'08 free cash flow includes a \$350 million one-time payment from AT&T Inc. Q4'07 free cash flow includes a \$52 million one-time payment from Rogers Communications. Please refer to supporting Table 3 for FCF Calculation and Table 9 for Cash Flow from Operations as a Percentage of Operating Income and as a Percentage of GAAP Revenue.



Non-GAAP Net Income Per Share Trends



Note: All per share amounts are based on fully diluted share counts. Previously, in reporting results for 2007, for comparative purposes we had presented a non-GAAP net income per share financial measure that excluded stock-based compensation expense calculated in accordance with Statement of Financial Accounting Standard No. 123 (revised 2004), "Share-based Payment," and its related tax effects. In this presentation's reported results, no such adjustment has been made to non-GAAP net income numbers because net income amounts reported in 2007 and 2008 in each case include stock-based compensation expense. Q1'08 net income includes a net strategic workforce realignment charge of \$17 million (comprised of \$29 million in pre-tax cash charges, offset by \$12 million in stock-based compensation expense reversals), as well as incremental costs of \$14 million incurred for outside advisors related to Microsoft's unsolicited proposal, other strategic alternatives, and related litigation defense costs. Q2'08 net income includes incremental costs of \$22 million incurred for outside advisors related to Microsoft's proposals to acquire all or a part of the Company, other strategic alternatives, the proxy contest, and related litigation defense costs. See Tables 4 and 5 for reconciliation of GAAP Net income and GAAP Net income per share to Non-GAAP Net income and Non-GAAP Net income per share.



Key Operational & Balance Sheet Metrics

<i>\$ in millions except where noted</i>	Q1'07	Q2'07	Q3'07	Q4'07	Q1'08	Q2'08
Cash & Marketable Debt Securities	\$3,128	\$3,152	\$2,763	\$2,363	\$2,848	\$3,219
Accounts Receivable, net	\$893	\$892	\$950	\$1,056	\$1,040	\$1,042
<i>DSO (in days)</i>	48	48	49	53	52	53
Current Deferred Revenue	\$331	\$342	\$337	\$368	\$496	\$478
Ending Employees (ones)	11,700	12,400	13,600	14,300	13,800	14,300

Note: In Q2'08, the cash and marketable debt securities balance was \$3,219 million, an increase of \$371 million from Q1'08, due to \$231 million of Free Cash Flow (see Table 3 for Free Cash Flow Calculation) and \$191 million of cash generated from the issuance of common stock as a result of the exercise of employee stock options, offset by \$14 million used for acquisitions and \$42 million used to acquire intellectual property rights.



Business Outlook

<i>\$ in millions</i>	Previous Outlook	Current Outlook	
	FY'08	Q3'08	FY'08
GAAP Revenue	\$7,200-\$8,000	\$1,780-\$1,980	\$7,350-\$7,850
Operating Cash Flow (OCF)	\$1,775-\$2,025	\$405-\$465	\$1,825-\$1,975
Free Cash Flow (FCF)	\$900-\$1,050	-	\$900-\$1,050
Capital Expenditures	\$675-\$775	-	\$675-\$775

Note: The above business outlook is based on current information and expectations as of July 22, 2008. Yahoo! does not expect, and undertakes no obligation, to update this business outlook prior to the release of the Company's next quarterly earnings announcement, notwithstanding subsequent developments; however, Yahoo! may update this business outlook or any portion thereof at any time at its discretion. The outlook for the three months ending September 30, 2008 (Q3'08) excludes any incremental costs incurred for outside advisors related to Microsoft's proposals to acquire all or a part of the Company, other strategic alternatives, the proxy contest, and related litigation defense costs. The outlook for the year ending December 31, 2008 (FY'08) excludes any impact of the Company's strategic workforce realignment, including \$29 million of such costs incurred through June 30, 2008, and incremental costs incurred for outside advisors related to Microsoft's proposals to acquire all or a part of the Company, other strategic alternatives, the proxy contest, and related litigation defense costs, including \$36 million of such incremental costs incurred through June 30, 2008. Free Cash Flow outlook does not include a \$350 million one-time payment from AT&T Inc. recorded in the first quarter of 2008.

Please refer to supporting Tables 6 and 7 for Operating Cash Flow and Free Cash Flow Outlook Calculations.





Table 1 – Revenue ex-TAC Calculation by Segment

Reconciliation of GAAP Revenue to Revenue ex-TAC

<i>\$ in millions</i>	Q1'07	Q2'07	Q3'07	Q4'07	Q1'08	Q2'08
United States						
GAAP Revenue	\$1,100.8	\$1,118.5	\$1,194.9	\$1,312.9	\$1,307.4	\$1,264.5
TAC	<u>(217.8)</u>	<u>(182.8)</u>	<u>(232.8)</u>	<u>(255.2)</u>	<u>(277.4)</u>	<u>(270.9)</u>
US Revenue ex-TAC	\$882.9	\$935.7	\$962.1	\$1,057.8	\$1,030.0	\$993.6
International						
GAAP Revenue	\$571.1	\$579.4	\$572.6	\$519.1	\$510.2	\$533.6
TAC	<u>(270.9)</u>	<u>(271.3)</u>	<u>(252.1)</u>	<u>(173.7)</u>	<u>(188.1)</u>	<u>(181.2)</u>
Int'l Revenue ex-TAC	\$300.1	\$308.1	\$320.5	\$345.3	\$322.1	\$352.3
Worldwide						
GAAP Revenue	\$1,671.9	\$1,697.9	\$1,767.5	\$1,832.0	\$1,817.6	\$1,798.1
TAC	<u>(488.8)</u>	<u>(454.2)</u>	<u>(484.9)</u>	<u>(428.9)</u>	<u>(465.5)</u>	<u>(452.1)</u>
Revenue ex-TAC	\$1,183.1	\$1,243.8	\$1,282.6	\$1,403.1	\$1,352.1	\$1,346.0

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



Table 2 – Operating Cash Flow Calculation by Segment

Reconciliation of Operating Income to Operating Cash Flow

<i>\$ in millions</i>	Q1'07	Q2'07	Q3'07	Q4'07	Q1'08	Q2'08
United States						
Operating Income	\$92.8	\$116.9	\$68.6	\$102.4	\$49.2	\$21.7
Depreciation & Amortization	121.8	129.9	139.8	144.8	153.2	168.5
Stock-Based Compensation Expense	<u>126.9</u>	<u>115.6</u>	<u>130.0</u>	<u>144.1</u>	<u>112.8</u>	<u>107.7</u>
Operating Cash Flow	\$341.5	\$362.3	\$338.4	\$391.3	\$315.2	\$297.9
International						
Operating Income	\$76.2	\$68.1	\$81.6	\$88.8	\$71.5	\$78.8
Depreciation & Amortization	29.2	30.0	30.8	33.0	34.3	34.9
Stock-Based Compensation Expense	<u>13.1</u>	<u>13.2</u>	<u>15.5</u>	<u>14.0</u>	<u>12.2</u>	<u>15.5</u>
Operating Cash Flow	\$118.5	\$111.3	\$127.9	\$135.7	\$118.0	\$129.2
Worldwide						
Operating Income	\$169.0	\$185.0	\$150.2	\$191.2	\$120.6	\$100.5
Depreciation & Amortization	151.0	159.9	170.6	177.7	187.5	203.4
Stock-Based Compensation Expense	<u>140.0</u>	<u>128.8</u>	<u>145.5</u>	<u>158.1</u>	<u>125.0</u>	<u>123.2</u>
Operating Cash Flow	\$460.0	\$473.6	\$466.3	\$527.1	\$433.1	\$427.0

Note: Operating Cash Flow (OCF) is a non-GAAP measure 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). Q1'08 net income includes a net strategic workforce realignment charge of \$17 million (comprised of \$29 million in pre-tax cash charges, offset by \$12 million in stock-based compensation expense reversals), as well as incremental costs of \$14 million incurred for outside advisors related to Microsoft's unsolicited proposal, other strategic alternatives, and related litigation defense costs. Q2'08 net income includes incremental costs of \$22 million incurred for outside advisors related to Microsoft's proposals to acquire all or a part of the Company, other strategic alternatives, the proxy contest, and related litigation defense costs.



Table 3 - Free Cash Flow Calculation

Reconciliation of Cash Flow from Operating Activities to FCF

<i>\$ in millions</i>	Q1'07	Q2'07	Q3'07	Q4'07	Q1'08	Q2'08
Free Cash Flow						
Cash Flow from Operating Activities	\$434.7	\$405.6	\$456.7	\$621.9	\$786.3	\$425.8
Excess Tax Benefits from Stock-Based Comp	52.1	82.4	-	(99.1)	-	-
Acquisition of Property & Equipment, Net	(118.0)	(144.7)	(147.2)	(192.4)	(139.8)	(175.9)
Dividends Received	=	<u>(15.2)</u>	=	=	=	<u>(18.9)</u>
Total	\$368.8	\$328.2	\$309.6	\$330.4	\$646.5	\$231.0

Note: Free Cash Flow (FCF) 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. The excess tax benefits from stock-based compensation, as reported on the statements of cash flows in 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. Excluding a \$350 million one-time payment from AT&T Inc. in Q1'08 and a \$52 million one-time payment from Rogers Communications in Q4'07, adjusted free cash flow for Q1'08 and Q4'07 was \$296.5 million and \$278.4 million, respectively.



Table 4 – Non-GAAP Net Income Per Share Calculation

Reconciliation of GAAP Net Income and GAAP Net Income Per Share to Non-GAAP Net Income and Non-GAAP Net Income Per Share

<i>in millions except per share amounts</i>	Q1'07	Q2'07	Q3'07	Q4'07	Q1'08	Q2'08
GAAP Net Income	\$142.4	\$160.6	\$151.3	\$205.7	\$542.2	\$131.2
Adjustments	<u>11.2</u>	<u>2.1</u>	<u>1.7</u>	<u>(19.0)</u>	<u>(385.5)</u>	<u>7.3</u>
Non-GAAP Net Income	\$153.6	\$162.7	\$152.9	\$186.7	\$156.7	\$138.5
GAAP Net Income Per Share	\$0.10	\$0.11	\$0.11	\$0.15	\$0.37 ^[1]	\$0.09
Non-GAAP Net Income Per Share	\$0.11	\$0.12	\$0.11	\$0.13	\$0.11	\$0.10
Diluted Shares Outstanding	1,418.2	1,403.8	1,395.1	1,396.3	1,395.4	1,399.3

Note: All per share amounts are based on fully diluted share counts. Please refer to supporting Table 5 for details on Adjustments.

[1] The impact of outstanding stock awards of entities in which the Company holds equity interests that are accounted for using the equity method reduced the Company's diluted earnings per share by \$0.02 for the three months ended March 31, 2008.



Table 5 - Non-GAAP Net Income Calculation

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

<i>\$ in thousands</i>	Q1'07	Q2'07	Q3'07	Q4'07	Q1'08	Q2'08
GAAP Net income	<u>\$ 142,424</u>	<u>\$ 160,567</u>	<u>\$ 151,286</u>	<u>\$ 205,723</u>	<u>\$ 542,163</u>	<u>\$ 131,215</u>
(a) Non-cash gain arising from increased dilution of our ownership in Alibaba Group, resulting in the recognition of a further gain on the sale of Yahoo! China	-	-	-	(6,842)	-	-
(b) Incremental costs incurred for outside advisors related to Microsoft's unsolicited proposal (in Q1'08) and proposals to acquire all or a part of the Company (in Q2'08), other strategic alternatives, the proxy contest, and related litigation defense costs	-	-	-	-	13,856	22,300
(c) Strategic workforce realignment costs, net (comprised of \$29 million in pre-tax cash charges, offset by \$12 million in related stock-based compensation expense reversals)	-	-	-	-	16,885	-
(d) Yahoo!'s net non-cash gain related to Alibaba Group's initial public offering of Alibaba.com, net of tax, which is included in earnings in equity interests	-	-	-	-	(401,090)	-
(e) To adjust the provision for income taxes to reflect the tax impact of items (a) - (c)	-	-	-	2,707	(11,495)	(8,854)
(f) To adjust the provision for income taxes to reflect the applicable effective tax rates for the period	11,180	2,102	1,659	(14,890)	(3,640)	(6,138)
Non-GAAP Net income	<u>\$ 153,604</u>	<u>\$ 162,669</u>	<u>\$ 152,945</u>	<u>\$ 186,698</u>	<u>\$ 156,679</u>	<u>\$ 138,523</u>



Table 6 – Operating Cash Flow Outlook Calculation

Reconciliation of Operating Income to OCF Outlook

<i>\$ in millions</i>	Previous FY'08	Current	
		Q3'08	FY'08
Operating Cash Flow			
Operating Income	\$595-\$705	\$65-\$85	\$525-\$595
Depreciation & Amortization	710-790	200-220	800-840
Stock-Based Compensation Expense	<u>470-530</u>	<u>140-160</u>	<u>500-540</u>
Total	\$1,775-\$2,025	\$405-\$465	\$1,825-\$1,975

Note: Operating Cash Flow (OCF) is a non-GAAP measure 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). The current outlook is based on current information and expectations as of July 22, 2008. Yahoo! does not expect, and undertakes no obligation, to update this outlook prior to the release of the Company's next quarterly earnings announcement, notwithstanding subsequent developments; however, Yahoo! may update this business outlook or any portion thereof at any time at its discretion. The outlook for the three months ending September 30, 2008 (Q3'08) excludes any incremental costs incurred for outside advisors related to Microsoft's proposals to acquire all or a part of the Company, other strategic alternatives, the proxy contest, and related litigation defense costs. The outlook for the year ending December 31, 2008 (FY'08) excludes any impact of the Company's strategic workforce realignment, including \$29 million of such costs incurred through June 30, 2008, and incremental costs incurred for outside advisors related to Microsoft's proposals to acquire all or a part of the Company, other strategic alternatives, the proxy contest, and related litigation defense costs, including \$36 million of such incremental costs incurred through June 30, 2008.



Table 7 - Free Cash Flow Outlook Calculation

Reconciliation of Cash Flow from Operating Activities Outlook to FCF Outlook

<i>\$ in millions</i>	Previous FY'08	Current FY'08
Free Cash Flow		
Cash Flow from Operating Activities	\$1,475-\$1,625	\$1,819-\$1,969
Excess Tax Benefits from Stock-Based Compensation	450-550	125-225
Acquisition of Property & Equipment, Net	(675-775)	(675-775)
One-Time Payment from AT&T Inc.	(350)	(350)
Dividends Received	=	<u>(19)</u>
Total	\$900-\$1,050	\$900-\$1,050

Note: Free Cash Flow (FCF) 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. The current outlook is as of July 22, 2008. Yahoo! does not intend, and undertakes no duty, to update this information to reflect future events or circumstances.



Table 8 – GAAP Operating Income as a Percentage of GAAP Revenue by Segment

	Q1'07	Q2'07	Q3'07	Q4'07	Q1'08	Q2'08
United States	8%	10%	6%	8%	4%	2%
International	13%	12%	14%	17%	14%	15%
Worldwide	10%	11%	8%	10%	7%	6%

Note: Q1'08 GAAP operating income includes a net strategic workforce realignment charge of \$17 million (comprised of \$29 million in severance pay expenses and related cash expenditures, offset by \$12 million in stock-based compensation expense reversals), as well as incremental costs of \$14 million incurred for outside advisors related to Microsoft's unsolicited proposal, other strategic alternatives, and related litigation defense costs. Q2'08 GAAP operating income includes incremental costs of \$22 million incurred for outside advisors related to Microsoft's proposals to acquire all or a part of the Company, other strategic alternatives, the proxy contest, and related litigation defense costs.



Table 9 – Cash Flow from Operations as a Percentage of Operating Income and as a Percentage of GAAP Revenue

	Q1'07	Q2'07	Q3'07	Q4'07	Q1'08	Q2'08
Cash Flow from Operations/Operating Income	257%	219%	304%	325%	652%	424%
Cash Flow from Operations/GAAP Revenue	26%	24%	26%	34%	43%	24%

Note: Q1'08 Cash Flow from Operations includes a \$350 million one-time payment from AT&T Inc. and Q4'07 Cash Flow from Operations includes a \$52 million one-time payment from Rogers Communications.

DO YOU
YAHOO!®?