



Q4'08 Financial Highlights

January 27, 2009

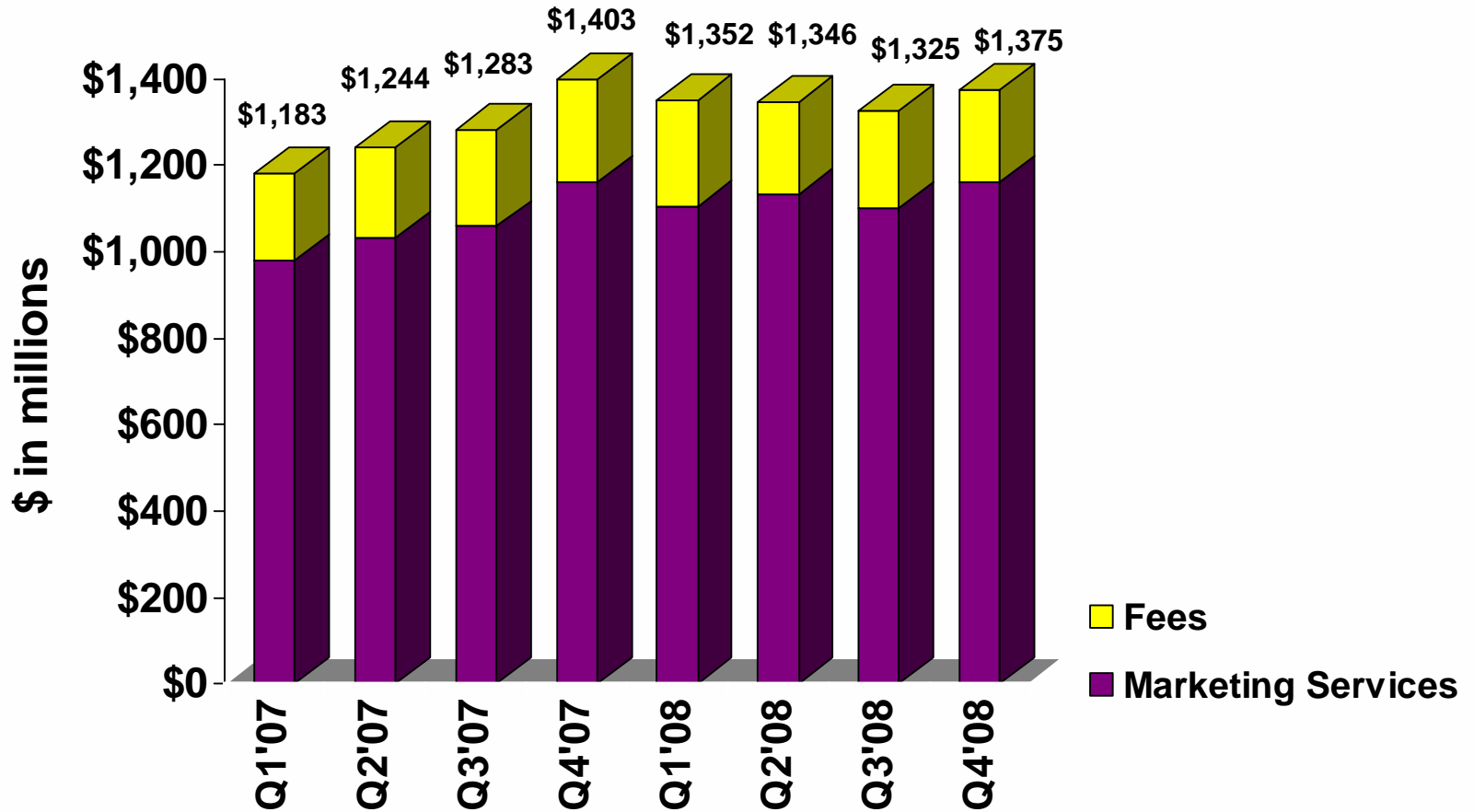


Note:

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 impact of management and organizational changes; the implementation and results of Yahoo!'s ongoing strategic and cost reduction initiatives; 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; the possibility that third parties may in the future make proposals to acquire all or a part of Yahoo!, 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. All information in this presentation is as of January 27, 2009 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 under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" 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 September 30, 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 Annual Report on Form 10-K for the fiscal year ended December 31, 2008, which will be filed with the SEC in the first quarter of 2009.



Quarterly Revenue ex-TAC Trends



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

Throughout this presentation, we have rounded numbers as appropriate.



Revenue and Revenue ex-TAC Comparisons

\$ in millions	Q4'07	Q3'08	Q4'08	Q4'08	
				YOY	QOQ
Revenues for Groups of Similar Services					
Marketing Services:					
Owned and Operated sites ⁽¹⁾	\$1,035.2	\$1,002.1	\$1,062.6	3%	6%
Affiliate sites ⁽²⁾	554.8	560.7	531.5	(4%)	(5%)
Fees	<u>242.0</u>	<u>223.7</u>	<u>212.3</u>	(12%)	(5%)
Total Revenue	\$1,832.0	\$1,786.4	\$1,806.4	(1%)	1%
Revenue ex-TAC					
United States	\$1,057.8	\$993.5	\$1,047.0	(1%)	5%
International	<u>345.3</u>	<u>331.8</u>	<u>328.2</u>	(5%)	(1%)
Total	\$1,403.1	\$1,325.3	\$1,375.2	(2%)	4%

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

(1) Refers to Yahoo!'s owned and operated (O&O) 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.



Adjusted GAAP Revenue Growth

<i>Year/Year Growth</i>	Q1'08	Q2'08	Q3'08	Q4'08
Reported GAAP Revenue Growth	9%	6%	1%	(1%)
Impact Of:				
Overture Japan Transaction ⁽¹⁾	7%	7%	5%	0%
Currency ⁽²⁾	(2%)	(1%)	0%	4%
Acquisitions/Divestitures ⁽³⁾	<u>(2%)</u>	<u>(3%)</u>	<u>(1%)</u>	<u>0%</u>
Total Impact	3%	3%	4%	4%
Adjusted Growth Rate	12%	9%	5%	3%

(1) In August 2007, the Company sold its Overture Japan business to Yahoo! Japan, and the transaction reduced reported GAAP revenue growth in Q1-Q3'08 as shown above.

(2) The currency impact shown above reflects the impact on year-over-year reported GAAP revenue growth from changes in currency exchange rates.

(3) The acquisitions/divestitures impact shown above reflects the contribution to reported GAAP revenue growth from acquisitions made in the prior 12 months and the loss of revenue related to a business divested in Q4'08.

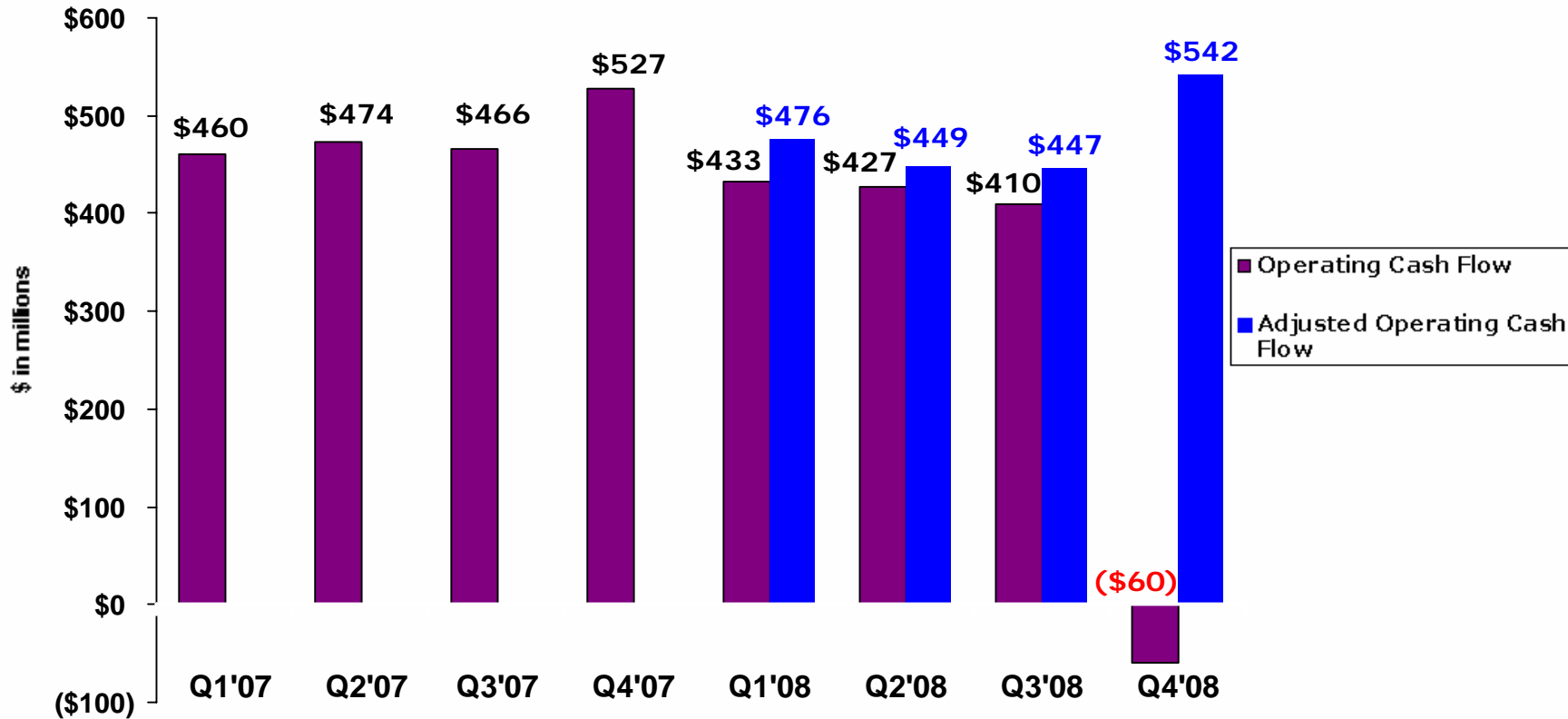


GAAP Revenue Details

<i>\$ in millions</i>	Q1'07	Q2'07	Q3'07	Q4'07	Q1'08	Q2'08	Q3'08	Q4'08
O&O Search	\$342	\$361	\$375	\$392	\$410	\$424	\$438	\$436
Year/Year Growth	17%	30%	29%	28%	20%	18%	17%	11%
O&O Display	\$367	\$413	\$421	\$518	\$426	\$457	\$435	\$506
Year/Year Growth	16%	12%	21%	20%	16%	11%	3%	(2%)
Affiliate	\$649	\$594	\$621	\$555	\$607	\$571	\$561	\$532
Year/Year Growth	(2%)	(6%)	(1%)	(13%)	(7%)	(4%)	(10%)	(4%)
Listings & Other Marketing Services	\$110	\$119	\$126	\$125	\$130	\$135	\$130	\$120
Year/Year Growth	1%	6%	17%	8%	18%	13%	3%	(4%)
Total Marketing Services	\$1,469	\$1,486	\$1,544	\$1,590	\$1,572	\$1,587	\$1,563	\$1,594
Year/Year Growth	6%	7%	13%	7%	7%	7%	1%	0%
Fees	\$203	\$212	\$224	\$242	\$245	\$211	\$224	\$212
Year/Year Growth	9%	12%	7%	14%	21%	0%	0%	(12%)
Total Revenues	\$1,672	\$1,698	\$1,768	\$1,832	\$1,818	\$1,798	\$1,786	\$1,806
Year/Year Growth	7%	8%	12%	8%	9%	6%	1%	(1%)



Operating Cash Flow (OCF) Trends and Adjusted Operating Cash Flow



OCF as a %

of Rev ex-TAC:

39% 38% 36% 38% 32% 32% 31% (4%)

Note: Operating Cash Flow (OCF) is also referred to as operating income before depreciation, amortization, and stock-based compensation expense. OCF is a non-GAAP financial 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, and adjusted OCF of \$476 million excludes, 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 and Q3'08 OCF of \$410 million include, and Q2'08 adjusted OCF of \$449 million and Q3'08 adjusted OCF of \$447 million exclude, incremental costs of \$22 million and \$37 million, respectively, incurred for outside 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 costs (the "strategic alternatives and related matters"). Q4'08 OCF of (\$60) million includes, and Q4'08 adjusted OCF of \$542 million excludes, the goodwill impairment charge of \$488 million related to our international segment; restructuring charges of \$108 million for severance, facilities, and other restructuring costs; and incremental costs for advisors of \$7 million related to the strategic alternatives and related matters.

Please refer to supporting Table 2 for Operating Cash Flow Calculation by Segment and Table 7 for GAAP Operating Income as a Percentage of GAAP Revenue by Segment.



Operating Cash Flow Comparisons

\$ in millions	Q4'07	Q3'08	Q4'08	Q4'08	
				YOY	QOQ
Operating Cash Flow					
United States	\$391.3	\$291.4	\$308.4	(21%)	6%
International	<u>135.7</u>	<u>119.0</u>	<u>(368.3)</u>	N/M	N/M
Total	\$527.1	\$410.4	(\$60.0)	N/M	N/M
Operating Cash Flow as a Percent of Revenue ex-TAC					
United States	37%	29%	29%		
International	39%	36%	N/M		
Total	38%	31%	(4%)		

Note: Operating Cash Flow (OCF) is a non-GAAP financial 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). Q3'08 OCF of \$410 million includes incremental costs for advisors of \$37 million related to the strategic alternatives and related matters. Q4'08 OCF of (\$60) million includes the goodwill impairment charge of \$488 million related to our international segment; restructuring charges of \$108 million for severance, facilities and other restructuring costs; and incremental costs for advisors of \$7 million related to the strategic alternatives and related matters.

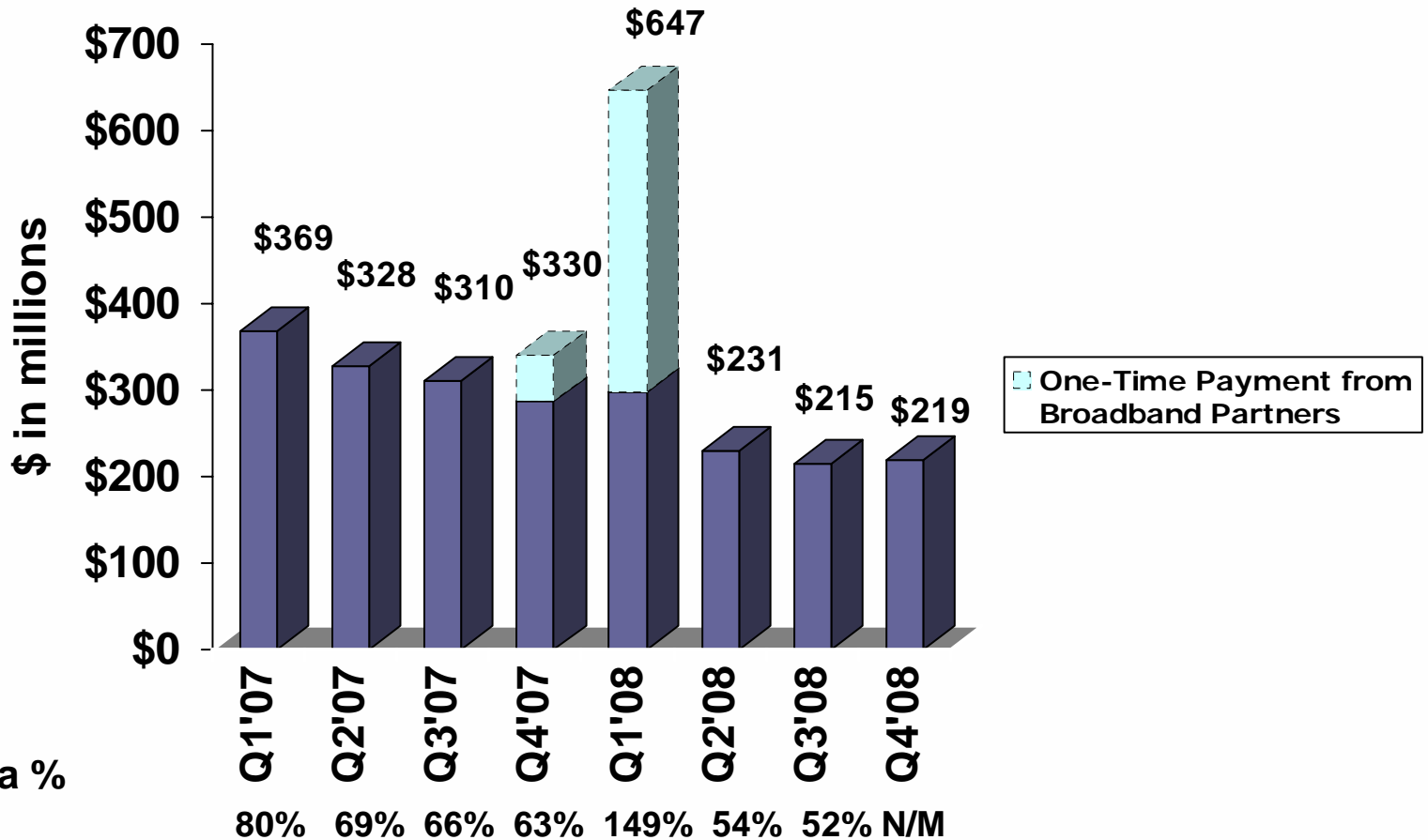
Please refer to supporting Table 2 for Operating Cash Flow Calculation by Segment and Table 7 for GAAP Operating Income as a Percentage of GAAP Revenue by Segment.

8 N/M = Not Meaningful





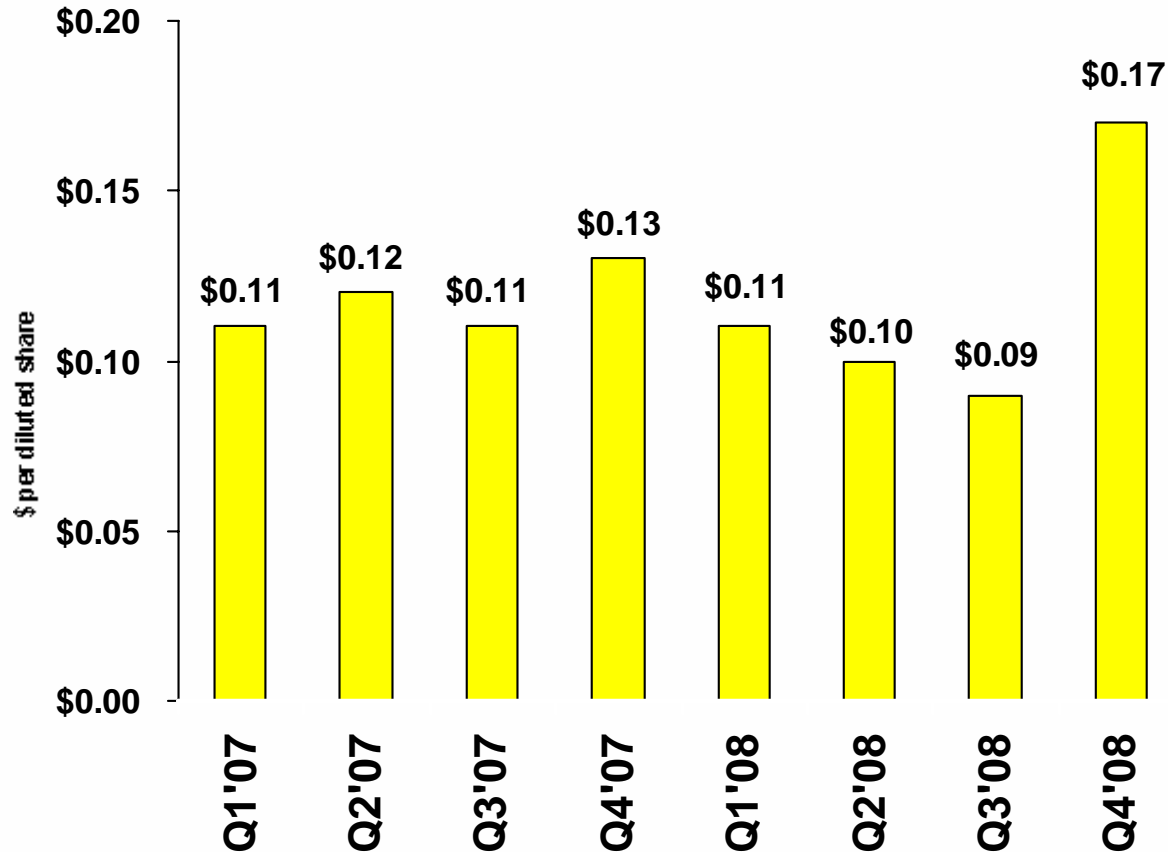
Free Cash Flow (FCF) Trends



Note: Free Cash Flow (FCF) is a non-GAAP financial 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 Free Cash Flow Calculation and Table 8 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: Non-GAAP Net Income is a non-GAAP financial measure defined as net income excluding certain gains, losses, expenses, and their related tax effects that we believe are not indicative of our ongoing operating results. All per share amounts are based on fully diluted share counts. Q1'08 non-GAAP net income excludes a net strategic workforce realignment charge of \$17 million (comprised of \$29 million in pre-tax cash charges 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 non-GAAP net income and Q3'08 non-GAAP net income exclude incremental costs for advisors of \$22 million and \$37 million, respectively, related to the strategic alternatives and related matters. Q4'08 non-GAAP net income excludes the goodwill impairment charge of \$488 million related to our international segment; restructuring charges, net, of \$90 million (comprised of \$108 million in severance, facilities and other restructuring costs, offset by \$18 million in stock-based compensation expense reversals); and incremental costs for advisors of \$7 million related to the strategic alternatives and related matters.

Q4'08 non-GAAP net income also includes a reversal to stock-based compensation expense of \$51 million pre-tax to reflect an increase in estimated forfeiture rates related to equity awards.

See Table 4 for Reconciliation of GAAP Net Income and GAAP Net Income per Share to Non-GAAP Net Income and Non-GAAP Net Income per Share and Table 5 for Reconciliation of GAAP Net Income to Non-GAAP Net Income, with Details on Adjustments.



Key Operational & Balance Sheet Metrics

<i>\$ in millions except where noted</i>	Q1'07	Q2'07	Q3'07	Q4'07	Q1'08	Q2'08	Q3'08	Q4'08
Cash & Marketable Debt Securities	\$3,128	\$3,152	\$2,763	\$2,363	\$2,848	\$3,219	\$3,299	\$3,522
Accounts Receivable, net	\$893	\$892	\$950	\$1,056	\$1,040	\$1,042	\$993	\$1,060
DSO (in days)	48	48	49	53	52	53	51	54
Current Deferred Revenue	\$331	\$342	\$337	\$368	\$496	\$478	\$447	\$413
Ending Employees (ones)	11,700	12,400	13,600	14,300	13,800	14,300	15,200	13,600
Year/Year Growth								
Page Views	14%	9%	14%	11%	20%	23%	17%	15%

Note: In Q4'08, the cash and marketable debt securities balance was \$3.5 billion, an increase of \$223 million from Q3'08, due to \$219 million of Free Cash Flow (see Table 3 for Free Cash Flow Calculation), \$32 million of cash generated from the issuance of common stock as a result of the exercise of employee stock options, and a net \$19 million from other investing activities, offset by \$4 million used to acquire intellectual property rights, and by \$12 million used for tax withholdings related to net share settlements of restricted stock rewards and restricted stock units.



Business Outlook

<i>\$ in millions</i>	Q1'09 Current Outlook
GAAP Revenue	\$1,525-\$1,725
Operating Cash Flow (OCF)	\$365-\$415

Note: The above business outlook is based on current information and expectations as of January 27, 2009. 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 March 31, 2009 excludes any restructuring charges arising from our ongoing cost reduction initiatives as well as any incremental costs for advisors related to the strategic alternatives and related matters and reflects an increase in estimated forfeiture rates enacted in Q4'08 related to equity awards.

Please refer to supporting Table 6 for Operating Cash Flow Outlook.





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	Q3'08	Q4'08
United States								
GAAP Revenue	\$1,100.8	\$1,118.5	\$1,194.9	\$1,312.9	\$1,307.4	\$1,264.5	\$1,279.9	\$1,338.0
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>	<u>(286.4)</u>	<u>(291.0)</u>
US Revenue ex-TAC	\$882.9	\$935.7	\$962.1	\$1,057.8	\$1,030.0	\$993.6	\$993.5	\$1,047.0
International								
GAAP Revenue	\$571.1	\$579.4	\$572.6	\$519.1	\$510.2	\$533.6	\$506.5	\$468.4
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>	<u>(174.7)</u>	<u>(140.1)</u>
Int'l Revenue ex-TAC	\$300.1	\$308.1	\$320.5	\$345.3	\$322.1	\$352.3	\$331.8	\$328.2
Worldwide								
GAAP Revenue	\$1,671.9	\$1,697.9	\$1,767.5	\$1,832.0	\$1,817.6	\$1,798.1	\$1,786.4	\$1,806.4
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>	<u>(461.1)</u>	<u>(431.1)</u>
Revenue ex-TAC	\$1,183.1	\$1,243.8	\$1,282.6	\$1,403.1	\$1,352.1	\$1,346.0	\$1,325.3	\$1,375.2

Note: Revenue ex-TAC is a non-GAAP financial 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	Q3'08	Q4'08
United States								
Operating Income	\$92.8	\$116.9	\$68.6	\$102.4	\$49.2	\$21.7	\$5.7	\$115.0
Depreciation & Amortization	121.8	129.9	139.8	144.8	153.2	168.5	171.4	164.4
Stock-Based Compensation Expense ⁽¹⁾	<u>126.9</u>	<u>115.5</u>	<u>130.0</u>	<u>144.1</u>	<u>112.8</u>	<u>107.7</u>	<u>114.3</u>	<u>28.9</u>
Operating Cash Flow	\$341.5	\$362.3	\$338.4	\$391.3	\$315.2	\$297.9	\$291.4	\$308.4
International								
Operating Income	\$76.2	\$68.1	\$81.6	\$88.8	\$71.5	\$78.8	\$64.5	(\$393.3)
Depreciation & Amortization	29.2	30.0	30.8	33.0	34.3	34.9	36.2	27.1
Stock-Based Compensation Expense ⁽¹⁾	<u>13.1</u>	<u>13.2</u>	<u>15.5</u>	<u>14.0</u>	<u>12.2</u>	<u>15.5</u>	<u>18.3</u>	<u>(2.1)</u>
Operating Cash Flow	\$118.5	\$111.3	\$127.9	\$135.7	\$118.0	\$129.2	\$119.0	(\$368.3)
Worldwide								
Operating Income	\$169.0	\$185.0	\$150.2	\$191.2	\$120.6	\$100.5	\$70.2	(\$278.3)
Depreciation & Amortization	151.0	159.9	170.6	177.7	187.5	203.4	207.6	191.6
Stock-Based Compensation Expense ⁽¹⁾	<u>140.0</u>	<u>128.8</u>	<u>145.5</u>	<u>158.1</u>	<u>125.0</u>	<u>123.2</u>	<u>132.6</u>	<u>26.8</u>
Operating Cash Flow	\$460.0	\$473.6	\$466.3	\$527.1	\$433.1	\$427.0	\$410.4	(\$60.0)

Note: Operating Cash Flow (OCF) is a non-GAAP financial 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 in the quarter, as well as incremental costs for advisors of \$14 million related to Microsoft's unsolicited proposal, other strategic alternatives, and related litigation defense costs. Q2'08 OCF and Q3'08 OCF include incremental costs for advisors of \$22 million and \$37 million, respectively, related to the strategic alternatives and related matters. Q4'08 OCF of (\$60) million includes the goodwill impairment charge of \$488 million related to our international segment; restructuring charges of \$108 million for severance, facilities and other restructuring costs; and incremental costs for advisors of \$7 million related to the strategic alternatives and related matters.

(1) In Q4'08, the Company recorded a reversal to stock-based compensation expense of \$51 million pre-tax to reflect an increase in estimated forfeiture rates related to equity awards.



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	Q3'08	Q4'08
Free Cash Flow								
Cash Flow from Operating Activities	\$434.7	\$405.6	\$456.7	\$621.9	\$786.3	\$425.8	\$347.1	\$321.0
Excess Tax Benefits from Stock-Based Awards	52.1	82.4	-	(99.1)	-	-	35.5	89.6
Acquisition of Property & Equipment, Net	(118.0)	(144.7)	(147.2)	(192.4)	(139.8)	(175.9)	(167.2)	(191.9)
Dividends Received	-	(15.2)	-	-	-	(18.9)	-	-
Total	\$368.8	\$328.2	\$309.6	\$330.4	\$646.5	\$231.0	\$215.3	\$218.7

Note: Free Cash Flow (FCF) is a non-GAAP financial 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.



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	Q3'08	Q4'08
GAAP Net Income	\$142.4	\$160.6	\$151.3	\$205.7	\$542.2	\$131.2	\$54.3	(\$303.4) ⁽²⁾
Adjustments	<u>11.2</u>	<u>2.1</u>	<u>1.7</u>	<u>(21.7)</u>	<u>(387.8)</u>	<u>7.3</u>	<u>68.8</u>	<u>541.9</u>
Non-GAAP Net Income	\$153.6	\$162.7	\$152.9	\$184.0	\$154.4	\$138.5	\$123.1	\$238.5
GAAP Net Income Per Share	\$0.10	\$0.11	\$0.11	\$0.15	\$0.37 ⁽¹⁾	\$0.09	\$0.04	(\$0.22)
Non-GAAP Net Income Per Share	\$0.11	\$0.12	\$0.11	\$0.13	\$0.11	\$0.10	\$0.09	\$0.17
Diluted Shares Outstanding	1,418.2	1,403.8	1,395.1	1,396.3	1,395.4	1,399.3	1,397.6	1,397.8

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.

(2) Both GAAP net income and non-GAAP net income for Q4'08 include a reversal to stock-based compensation expense of \$51 million pre-tax to reflect an increase in estimated forfeiture rates related to equity awards.



Table 5 - Non-GAAP Net Income Calculation

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

\$ in thousands	Q1'07	Q2'07	Q3'07	Q4'07	Q1'08	Q2'08	Q3'08	Q4'08
GAAP Net income	\$ 142,424	\$ 160,567	\$ 151,286	\$ 205,723	\$ 542,163	\$ 131,215	\$ 54,348	\$ (303,428) ⁽¹⁾
(a) 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	(400)	(417)	(407)	(6,842)	-	-	-	-
(b) Incremental costs for advisors related to the strategic alternatives and related matters	-	-	-	-	13,857	22,300	36,555	6,769
(c) Restructuring charges, net (Q1 2008 charge comprised of \$29 million in pre-tax cash charges, offset by \$12 million in related stock-based compensation expense reversals; Q4 2008 charge comprised of \$108 million in charges, offset by \$18 million in related stock-based compensation expense reversals)	-	-	-	-	16,885	-	-	89,969
(d) Goodwill impairment charge	-	-	-	-	-	-	-	487,537
(e) To adjust the provision for income taxes to reflect the tax impact of items (a) - (d)	-	-	-	-	(11,757)	(8,529)	(13,980)	(38,216)
(f) To adjust the provision for income taxes to reflect the applicable effective tax rates for the period	11,180	2,102	1,659	(14,899)	(10,379)	(10,446)	12,302	(4,169)
(g) Yahoo!'s 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)	-	-	-
(h) Yahoo!'s non-cash loss related to the impairment of our direct investment in Alibaba.com, net of tax, which is included in earnings in equity interests	-	-	-	-	-	-	30,188	-
Non-GAAP Net income	\$ 153,204	\$ 162,252	\$ 152,538	\$ 183,982	\$ 149,679	\$ 134,540	\$ 119,413	\$ 238,462

(1) During the three months ended December 31, 2008, the Company recorded a reversal to stock-based compensation expense of \$51 million pre-tax to reflect an increase in estimated forfeiture rates related to equity awards. The impact of this reversal is included in both GAAP net income/(loss) and non-GAAP net income in the table above.



Table 6 – Operating Cash Flow Outlook Calculation

Reconciliation of Operating Income to OCF Outlook

<i>\$ in millions</i>	<i>Q1'09 Current Outlook</i>
Operating Cash Flow Outlook	
Operating Income	\$75-\$85
Depreciation & Amortization	180-200
Stock-Based Compensation Expense	<u>110-130</u>
Total	\$365-\$415

Note: Operating Cash Flow (OCF) is a non-GAAP financial 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 January 27, 2009. 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 March 31, 2009 excludes any restructuring charges arising from our ongoing cost reduction initiatives as well as any incremental costs for advisors related to the strategic alternatives and related matters and reflects an increase in estimated forfeiture rates enacted in Q4'08 related to equity awards.



Table 7 – GAAP Operating Income as a Percentage of GAAP Revenue by Segment

	Q1'07	Q2'07	Q3'07	Q4'07	Q1'08	Q2'08	Q3'08	Q4'08
United States	8%	10%	6%	8%	4%	2%	0%	9%
International	13%	12%	14%	17%	14%	15%	13%	N/M
Worldwide	10%	11%	8%	10%	7%	6%	4%	(15%)

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 for advisors of \$14 million related to Microsoft's unsolicited proposal, other strategic alternatives, and related litigation defense costs. Q2'08 GAAP operating income and Q3'08 GAAP operating income include incremental costs for advisors of \$22 million and \$37 million, respectively, related to the strategic alternatives and related matters. Excluding these charges, US GAAP operating income as a percentage of GAAP revenue would have been 6% in Q1'08, 3% in Q2'08, and 3% in Q3'08, and Worldwide GAAP operating income as a percentage of GAAP revenue would have been 8% in Q1'08, 7% in Q2'08, and 6% in Q3'08. Q4'08 GAAP operating income includes the goodwill impairment charge of \$488 million related to our international segment; restructuring charges of \$108 million for severance, facilities and other restructuring costs; and incremental costs for advisors of \$7 million related to the strategic alternatives and related matters. Excluding these charges, US, International, and Worldwide GAAP operating income as a percentage of GAAP revenue would have been 15%, 25%, and 18%, respectively, in Q4'08.



Table 8 – 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	Q3'08	Q4'08
Cash Flow from Operations/Operating Income	257%	219%	304%	325%	652%	424%	495%	<i>N/M</i>
Cash Flow from Operations/GAAP Revenue	26%	24%	26%	34%	43%	24%	19%	18%

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. Q4'08 operating income includes the goodwill impairment charge of \$488 million related to our international segment; restructuring charges of \$108 million for severance, facilities and other restructuring costs; and incremental costs for advisors of \$7 million related to the strategic alternatives and related matters. Excluding these costs, Cash Flow from Operations as a percentage of Operating Income would have been 99% in Q4'08.

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