

Yahoo! Inc.

Q4'09 Financial Highlights

1.26.2010



Note:

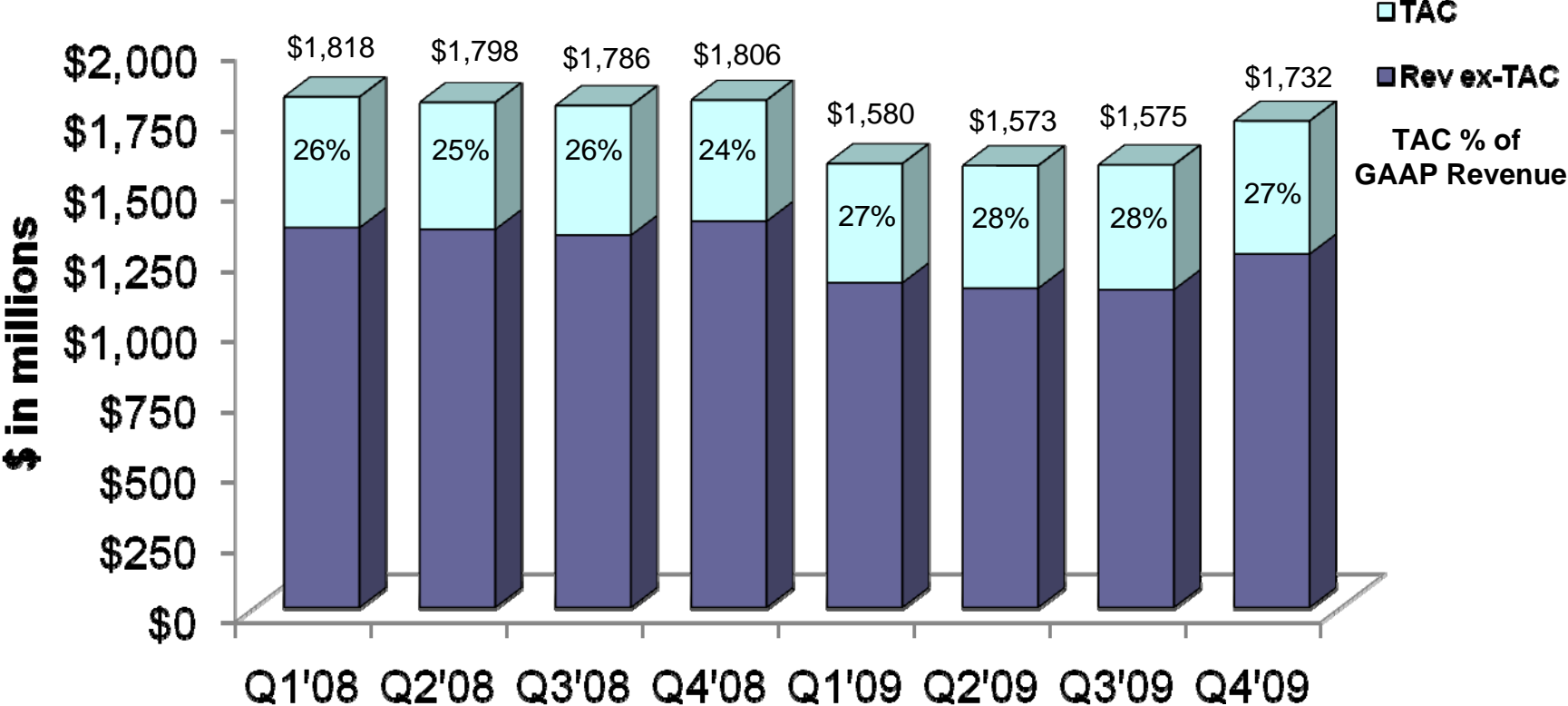
The matters discussed in this presentation contain forward-looking statements that involve risks and uncertainties concerning Yahoo!'s expected financial performance, as well as Yahoo!'s strategic and operational plans. Actual results may differ materially from the results predicted, and reported results 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 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; and risks and uncertainties with respect to our search agreement with Microsoft Corporation. All information in this presentation is as of January 26, 2010. 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, 2008, and Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, which are on file with the Securities and Exchange Commission ("SEC") and available on the SEC's web site 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 year ended December 31, 2009, which will be filed with the SEC in the first quarter of 2010.





Quarterly Overview

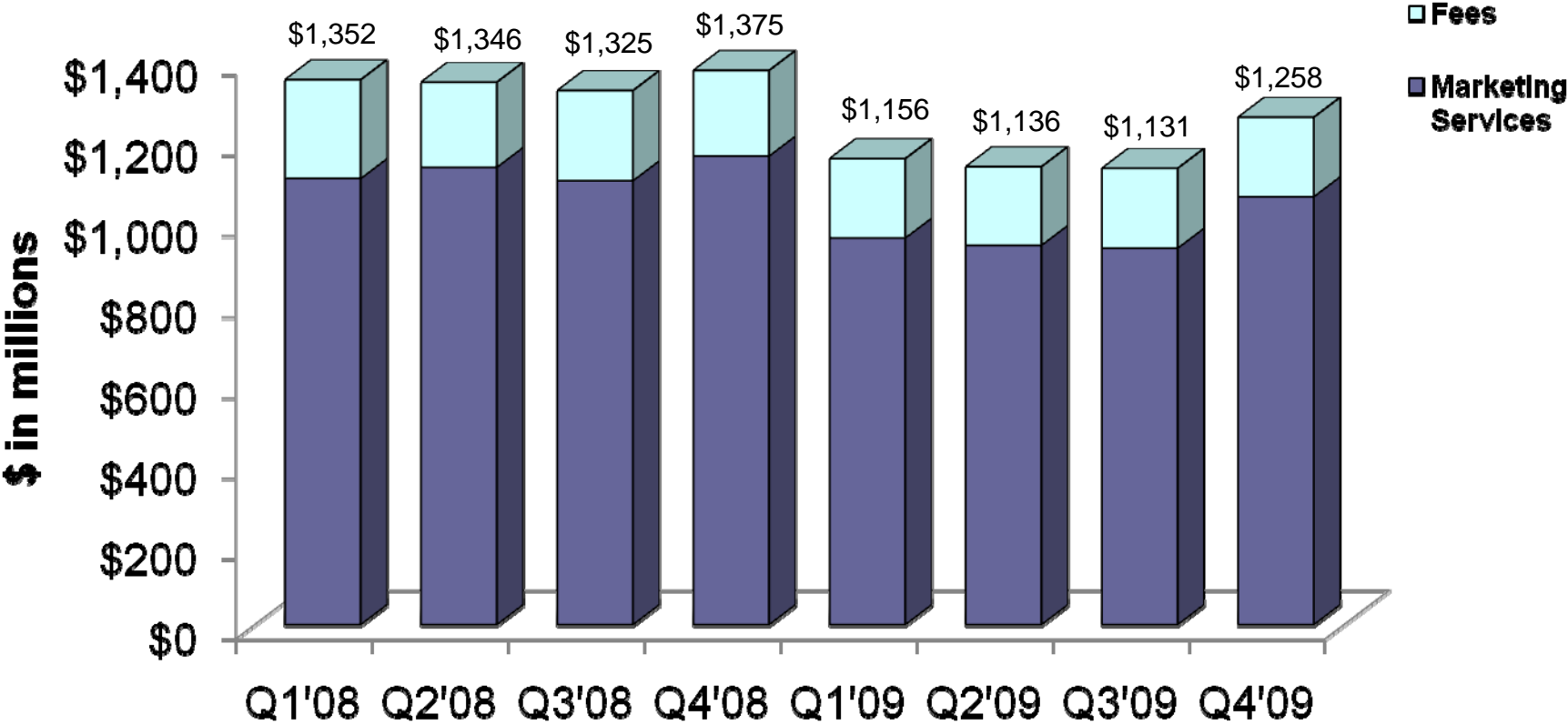
Quarterly GAAP Revenue & TAC Rate Trends



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.



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.



Revenue and Revenue ex-TAC Comparisons

\$ in millions	Q4'08	Q3'09	Q4'09	Q4'09	
				YOY	QOQ
Revenues for Groups of Similar Services					
Marketing Services:					
Owned and Operated sites ⁽¹⁾	\$1,062.6	\$851.4	\$971.3	(9%)	14%
Affiliate sites ⁽²⁾	531.4	526.0	564.0	6%	7%
Fees	<u>212.3</u>	<u>198.1</u>	<u>196.7</u>	(7%)	(1%)
Total Revenue	\$1,806.4	\$1,575.4	\$1,732.0	(4%)	10%
Revenue ex-TAC					
United States	\$1,047.0	\$848.5	\$927.0	(11%)	9%
International	<u>328.2</u>	<u>283.0</u>	<u>331.5</u>	1%	17%
Total	\$1,375.2	\$1,131.4	\$1,258.5	(8%)	11%

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	Q1'09	Q2'09	Q3'09	Q4'09
Reported GAAP Revenue Growth	9%	6%	1%	(1%)	(13%)	(13%)	(12%)	(4%)
Impact of:								
Overture Japan Transaction ⁽¹⁾	7%	7%	5%	0%	0%	0%	0%	0%
Currency ⁽²⁾	(2%)	(1%)	0%	4%	5%	5%	3%	(3%)
Acquisitions/Divestitures ⁽³⁾	<u>(2%)</u>	<u>(3%)</u>	<u>(1%)</u>	<u>0%</u>	<u>5%</u>	<u>2%</u>	<u>2%</u>	<u>2%</u>
Total Impact	3%	3%	4%	4%	10%	7%	5%	(1%)
Adjusted Growth Rate	12%	9%	5%	3%	(3%)	(6%)	(7%)	(5%)

(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.

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

(3) The acquisitions/divestitures impact 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.

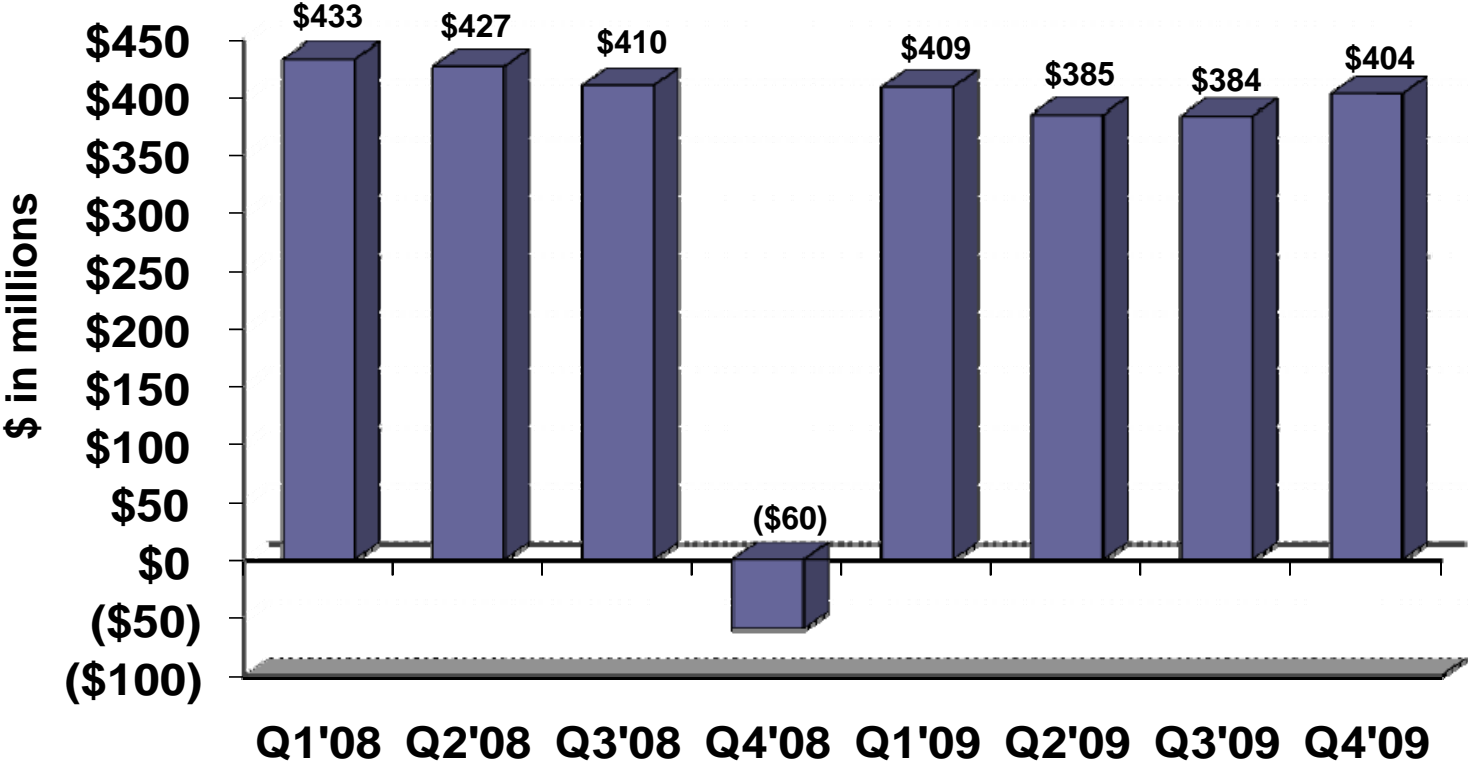


GAAP Revenue Details

<i>\$ in millions</i>	Q1'08	Q2'08	Q3'08	Q4'08	Q1'09	Q2'09	Q3'09	Q4'09
O&O Search	\$410	\$424	\$438	\$436	\$399	\$359	\$354	\$370
Year/Year Growth	20%	18%	17%	11%	(3%)	(15%)	(19%)	(15%)
O&O Display	\$426	\$457	\$435	\$506	\$371	\$393	\$399	\$503
Year/Year Growth	16%	11%	3%	(2%)	(13%)	(14%)	(8%)	(1%)
Affiliate	\$607	\$571	\$561	\$531	\$511	\$520	\$526	\$564
Year/Year Growth	(7%)	(4%)	(10%)	(4%)	(16%)	(9%)	(6%)	6%
O&O Listings & Other Marketing Services	\$130	\$135	\$130	\$120	\$102	\$106	\$98	\$98
Year/Year Growth	18%	13%	3%	(4%)	(22%)	(21%)	(24%)	(18%)
Total Marketing Services	\$1,572	\$1,587	\$1,563	\$1,594	\$1,383	\$1,378	\$1,377	\$1,535
Year/Year Growth	7%	7%	1%	0%	(12%)	(13%)	(12%)	(4%)
Fees	\$245	\$211	\$224	\$212	\$197	\$195	\$198	\$197
Year/Year Growth	21%	0%	0%	(12%)	(20%)	(8%)	(11%)	(7%)
Total Revenues	\$1,818	\$1,798	\$1,786	\$1,806	\$1,580	\$1,573	\$1,575	\$1,732
Year/Year Growth	9%	6%	1%	(1%)	(13%)	(13%)	(12%)	(4%)



Operating Cash Flow (OCF) Trends



OCF as a % of Rev ex-TAC:	Q1'08	Q2'08	Q3'08	Q4'08	Q1'09	Q2'09	Q3'09	Q4'09
	32%	32%	31%	(4%)	35%	34%	34%	32%

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 (loss) from operations before depreciation, amortization of intangible assets, and stock-based compensation expense. Please refer to supporting Table 2 for Operating Cash Flow Calculation by Segment and Table 6 for GAAP Operating Income as a Percentage of GAAP Revenue by Segment.



Operating Cash Flow Comparisons

\$ in millions	Q4'08	Q3'09	Q4'09	Q4'09	
				YOY	QOQ
Operating Cash Flow					
United States	\$308.4	\$259.0	\$275.6	(11%)	6%
International	<u>(368.3)</u>	<u>125.4</u>	<u>128.0</u>	N/M	2%
Total	(\$60.0)	\$384.5	\$403.7	N/M	5%
Operating Cash Flow as a Percent of Revenue ex-TAC					
United States	29%	31%	30%		
International	N/M	44%	39%		
Total	(4%)	34%	32%		

Note: Operating Cash Flow (OCF) is a non-GAAP financial measure defined as income (loss) from operations before depreciation, amortization of intangible assets, and stock-based compensation expense.

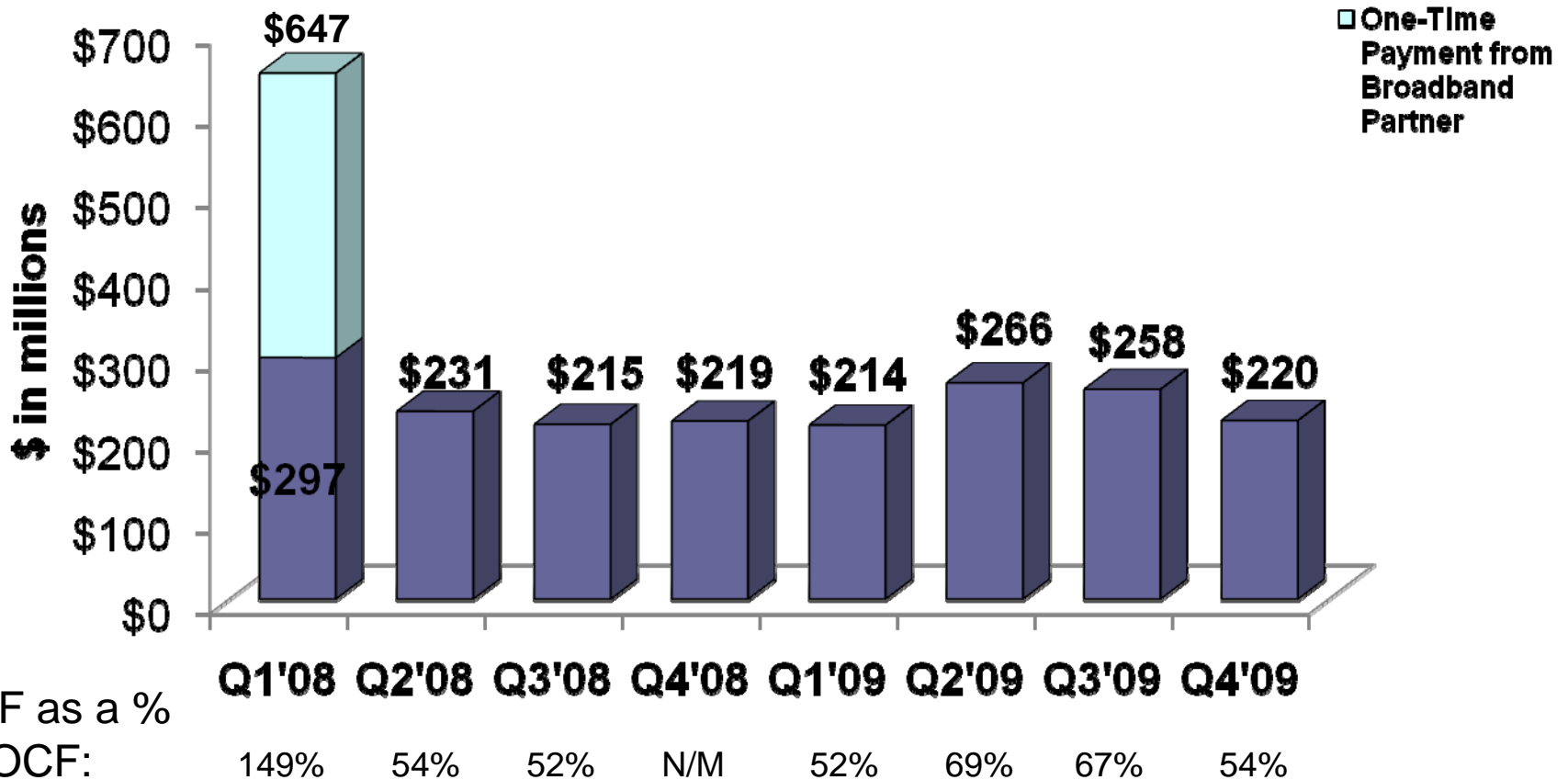
Q4'08 OCF of (\$60) million includes a goodwill impairment charge of \$488 million related to our international segment.

Please refer to supporting Table 2 for Operating Cash Flow Calculation by Segment and Table 6 for GAAP Operating Income as a Percentage of GAAP Revenue by Segment.

N/M = Not Meaningful



Free Cash Flow (FCF) Trends

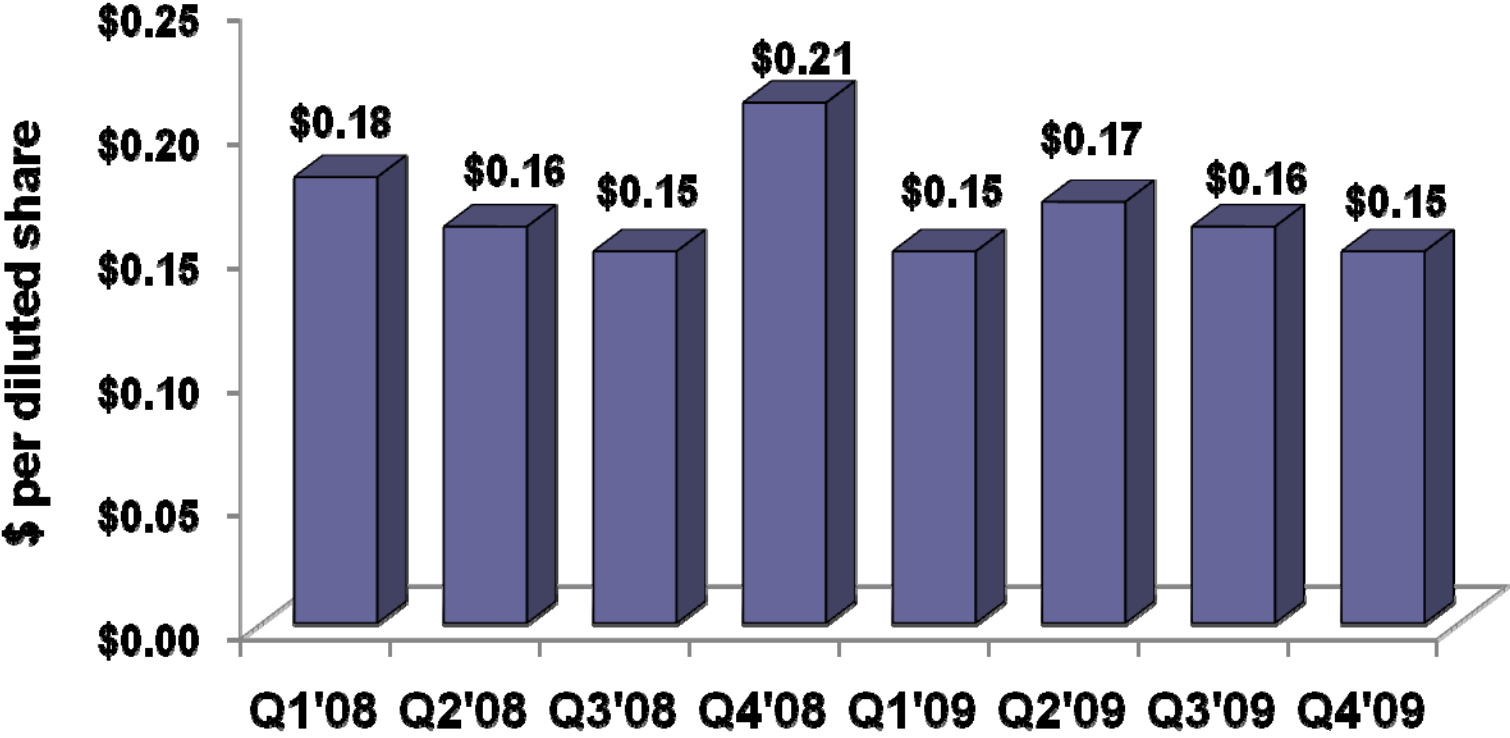


Note: Free Cash Flow (FCF) is a non-GAAP financial measure defined as cash flow from operating activities (adjusted to include excess tax benefits from stock-based compensation), less net capital expenditures and dividends received. Q1'08 free cash flow includes a \$350 million one-time payment from AT&T Inc. Please refer to supporting Table 3 for Free Cash Flow Calculation and Table 7 for Cash Flow from Operations as a Percentage of Operating Income and as a Percentage of GAAP Revenue.

N/M = Not Meaningful



Non-GAAP Net Income Per Share Trends



Note: Non-GAAP Net Income is a non-GAAP financial measure defined as net income (loss) attributable to Yahoo! Inc. excluding certain gains, losses, expenses, and their related tax effects that we do not believe are indicative of our ongoing operating results and further adjusted to exclude stock-based compensation expense. Prior-period amounts have been revised to conform to the current presentation. All per share amounts are based on fully diluted share counts.

See Table 4 for Reconciliation of GAAP Net Income (Loss) Attributable to Yahoo! Inc. and GAAP Net Income (Loss) Attributable to Yahoo! Inc. Per Share - Diluted 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>	Q1'08	Q2'08	Q3'08	Q4'08	Q1'09	Q2'09	Q3'09	Q4'09
Cash & Marketable Debt Securities	\$2,848	\$3,219	\$3,299	\$3,522	\$3,691	\$4,197	\$4,503	\$4,518
Accounts Receivable, net	\$1,040	\$1,042	\$993	\$1,060	\$913	\$907	\$907	\$1,003
DSO (in days)	52	53	51	54	52	53	53	53
Current Deferred Revenue	\$496	\$478	\$447	\$413	\$406	\$417	\$413	\$411
Ending Employees (ones)	13,800	14,300	15,200	13,600	13,500	13,000	13,200	13,900
<i>Year/Year Growth</i>								
Page Views	20%	23%	15%	13%	5%	4%	5%	3%

Note: In Q4'09, the cash and marketable debt securities balance was \$4.5 billion, an increase of \$15 million from Q3'09, due primarily to \$220 million of Free Cash Flow (see Table 3 for Free Cash Flow Calculation), offset by \$23 million used to repurchase common stock, \$177 million used for acquisitions, and \$27 million used for tax withholdings related to the vesting of equity awards.

Note: 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 our Owned and Operated sites. The Q4'09 Page View growth shown above reflects a revised methodology. Prior period growth amounts have been revised to conform to the current methodology.



Business Outlook

<i>\$ in millions</i>	<i>Q1'10 Current Outlook</i>
Revenues	\$1,575-\$1,675
Income from Operations	\$90-\$110

Note: The above business outlook is based on current information and expectations as of January 26, 2010. 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, 2010 excludes advisory and retention costs related to the Microsoft search agreement and any restructuring charges arising from our ongoing cost initiatives as these amounts are not currently estimable. These costs could have a significant impact on the outlook amounts.





Appendix

Table 1 – Revenue ex-TAC Calculation by Segment

Reconciliation of GAAP Revenue to Revenue ex-TAC

<i>\$ in millions</i>	Q1'08	Q2'08	Q3'08	Q4'08	Q1'09	Q2'09	Q3'09	Q4'09
United States								
GAAP Revenue	\$1,305.3	\$1,262.2	\$1,276.8	\$1,338.0	\$1,187.9	\$1,152.4	\$1,143.2	\$1,230.9
TAC	<u>(277.4)</u>	<u>(270.9)</u>	<u>(286.4)</u>	<u>(291.0)</u>	<u>(290.1)</u>	<u>(290.5)</u>	<u>(294.7)</u>	<u>(304.0)</u>
US Revenue ex-TAC	\$1,027.9	\$991.3	\$990.4	\$1,047.0	\$897.8	\$861.9	\$848.5	\$927.0
International								
GAAP Revenue	\$512.3	\$535.9	\$509.7	\$468.4	\$392.1	\$420.5	\$432.2	\$501.0
TAC	<u>(188.1)</u>	<u>(181.2)</u>	<u>(174.7)</u>	<u>(140.1)</u>	<u>(133.7)</u>	<u>(146.0)</u>	<u>(149.3)</u>	<u>(169.5)</u>
Int'l Revenue ex-TAC	\$324.1	\$354.7	\$334.9	\$328.2	\$258.5	\$274.5	\$283.0	\$331.5
Worldwide								
GAAP Revenue	\$1,817.6	\$1,798.1	\$1,786.4	\$1,806.4	\$1,580.0	\$1,572.9	\$1,575.4	\$1,732.0
TAC	<u>(465.5)</u>	<u>(452.1)</u>	<u>(461.1)</u>	<u>(431.1)</u>	<u>(423.8)</u>	<u>(436.6)</u>	<u>(444.0)</u>	<u>(473.5)</u>
Revenue ex-TAC	\$1,352.1	\$1,346.0	\$1,325.3	\$1,375.2	\$1,156.2	\$1,136.3	\$1,131.4	\$1,258.5

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>	Q1'08	Q2'08	Q3'08	Q4'08	Q1'09	Q2'09	Q3'09	Q4'09
United States								
Operating Income	\$47.1	\$19.4	\$2.5	\$115.0	\$20.8	(\$8.6)	\$4.2	\$24.2
Depreciation & Amortization	153.2	168.5	171.4	164.4	159.9	182.8	152.5	157.5
Stock-Based Compensation Expense ⁽¹⁾	<u>112.8</u>	<u>107.7</u>	<u>114.3</u>	<u>28.9</u>	<u>112.1</u>	<u>93.9</u>	<u>102.3</u>	<u>93.9</u>
Operating Cash Flow	\$313.1	\$295.5	\$288.2	\$308.4	\$292.7	\$268.2	\$259.0	\$275.6
International								
Operating Income	\$73.5	\$81.1	\$67.6	(\$393.3)	\$79.9	\$84.3	\$87.3	\$94.6
Depreciation & Amortization	34.3	34.9	36.2	27.1	21.7	22.0	26.1	24.3
Stock-Based Compensation Expense ⁽¹⁾	<u>12.2</u>	<u>15.5</u>	<u>18.3</u>	<u>(2.1)</u>	<u>14.7</u>	<u>11.0</u>	<u>12.1</u>	<u>9.1</u>
Operating Cash Flow	\$120.0	\$131.5	\$122.1	(\$368.3)	\$116.2	\$117.2	\$125.4	\$128.0
Worldwide								
Operating Income	\$120.6	\$100.5	\$70.2	(\$278.3)	\$100.7	\$75.8	\$91.5	\$118.8
Depreciation & Amortization	187.5	203.4	207.6	191.6	181.6	204.8	178.5	181.8
Stock-Based Compensation Expense ⁽¹⁾	<u>125.0</u>	<u>123.2</u>	<u>132.6</u>	<u>26.8</u>	<u>126.7</u>	<u>104.9</u>	<u>114.4</u>	<u>103.1</u>
Operating Cash Flow	\$433.1	\$427.0	\$410.4	(\$60.0)	\$409.0	\$385.4	\$384.5	\$404.0

Note: Operating Cash Flow (OCF) is a non-GAAP financial measure defined as income (loss) from operations before depreciation, amortization of intangible assets, and stock-based compensation expense.

(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>	Q1'08	Q2'08	Q3'08	Q4'08	Q1'09	Q2'09	Q3'09	Q4'09
Free Cash Flow								
Cash Flow from Operating Activities	\$786.3	\$425.8	\$347.1	\$321.0	\$262.3	\$341.8	\$348.6	\$351.1
Excess Tax Benefits from Stock-Based Awards	-	-	35.5	89.6	22.1	45.1	9.5	38.4
Acquisition of Property & Equipment, Net	(139.8)	(175.9)	(167.2)	(191.9)	(70.5)	(94.7)	(98.9)	(169.7)
Dividends Received	=	<u>(18.9)</u>	=	=	=	<u>(26.1)</u>	<u>(1.5)</u>	=
Total	\$646.5	\$231.0	\$215.3	\$218.7	\$214.0	\$266.0	\$257.7	\$219.7

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 cash flows from 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 (Loss) Attributable to Yahoo! Inc. and GAAP Net Income (Loss) Attributable to Yahoo! Inc. Common Stockholders Per Share - Diluted to Non-GAAP Net Income and Non-GAAP Net Income Per Share - Diluted

<i>in millions except per share amounts</i>	Q1'08	Q2'08	Q3'08	Q4'08	Q1'09	Q2'09	Q3'09	Q4'09
GAAP Net Income (Loss) Attributable to Yahoo! Inc.	\$536.8	\$131.2	\$54.3	(\$303.4) ⁽²⁾	\$117.6	\$141.4	\$186.1	\$153.0
Adjustments	<u>(290.7)</u>	<u>94.1</u>	<u>159.1</u>	<u>598.8</u>	<u>96.1</u>	<u>94.5</u>	<u>37.5</u>	<u>60.8</u>
Non-GAAP Net Income	\$246.1	\$225.3	\$213.4	\$295.4	\$213.6	\$235.9	\$223.6	\$213.8
GAAP Net Income Attributable to Yahoo! Inc. Common Stockholders Per Share - Diluted	\$0.37 ⁽¹⁾	\$0.09	\$0.04	(\$0.22)	\$0.08	\$0.10	\$0.13	\$0.11
Non-GAAP Net Income Per Share - Diluted	\$0.18	\$0.16	\$0.15	\$0.21	\$0.15	\$0.17	\$0.16	\$0.15
Diluted Shares Outstanding	1,393.8	1,397.8	1,397.5	1,397.8	1,406.5	1,414.3	1,424.9	1,417.0

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 (Loss) Attributable to Yahoo! Inc. Calculation

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

\$ in thousands		Q1'08	Q2'08	Q3'08	Q4'08	Q1'09	Q2'09	Q3'09	Q4'09
GAAP Net income (loss) attributable to Yahoo! Inc.		<u>\$ 536,840</u>	<u>\$ 131,161</u>	<u>\$ 54,348</u>	<u>\$ (303,428)</u>	<u>\$ 117,558</u>	<u>\$ 141,387</u>	<u>\$ 186,093</u>	<u>\$ 152,954</u>
(a)	Stock-based compensation expense	137,289	123,168	132,599	44,787	126,720	112,526	114,430	84,411
(b)	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	-	-	-	-	-	-	-	-
(c)	Incremental advisory litigation, and retention costs related to the Microsoft search agreement or 2008 strategic alternatives	13,856	22,300	36,555	6,769	3,709	2,596	12,141	32,013
(d)	Restructuring charges, net.	16,885	-	-	89,969	4,801	65,002	16,689	40,409
(e)	Gain on sale of Gmarket investment	-	-	-	-	-	(66,684)	-	-
(f)	Gain on sale of the Company's direct investment in Alibaba.com	-	-	-	-	-	-	(98,167)	-
(g)	Goodwill impairment charge	-	-	-	487,537	-	-	-	-
(h)	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)	-	-	-	-	-	-	-
(i)	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	-	-	-	-	-
(j)	To adjust the provision for income taxes to reflect the tax impact of items (a) - (g)	(45,036)	(38,385)	(46,122)	(49,073)	(33,250)	(30,642)	3,577	(46,014)
(k)	To adjust the provision for income taxes to reflect the applicable effective tax rates for the period	(12,677)	(12,989)	5,855	18,808	(5,902)	11,731	(11,174)	(49,953)
Non-GAAP Net income		<u>\$ 246,067</u>	<u>\$ 225,255</u>	<u>\$ 213,423</u>	<u>\$ 295,369</u>	<u>\$ 213,636</u>	<u>\$ 235,916</u>	<u>\$ 223,589</u>	<u>\$ 213,820</u>

Note: 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 – GAAP Operating Income as a Percentage of GAAP Revenue by Segment

<i>Segment</i>	Q1'08	Q2'08	Q3'08	Q4'08	Q1'09	Q2'09	Q3'09	Q4'09
United States	4%	2%	0%	9%	2%	(1%)	0%	2%
International	14%	15%	13%	N/M	20%	20%	20%	19%
Worldwide	7%	6%	4%	(15%)	6%	5%	6%	7%

Note: Q4'08 GAAP operating income includes a goodwill impairment charge of \$488 million related to our international segment.

N/M = Not Meaningful



Table 7 – Cash Flow from Operations as a Percentage of Operating Income and as a Percentage of GAAP Revenue

	Q1'08	Q2'08	Q3'08	Q4'08	Q1'09	Q2'09	Q3'09	Q4'09
Cash Flow from Operations/Operating Income	652%	424%	495%	N/M	261%	451%	381%	296%
Cash Flow from Operations/GAAP Revenue	43%	24%	19%	18%	17%	22%	22%	20%

Note: Q1'08 Cash Flow from Operations includes a \$350 million one-time payment from AT&T Inc. Q4'08 operating income includes a goodwill impairment charge of \$488 million related to our international segment.

N/M = Not Meaningful

