

# YAHOO!

## Q4'14 FINANCIAL HIGHLIGHTS

January 27, 2015

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Throughout this presentation, we have rounded numbers as appropriate. In this presentation, “year-over-year” (y/y 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, refine, and update our methodologies for monitoring, gathering, and counting numbers of paid clicks and ads sold, and for calculating search click-driven revenue, price-per-click, and price-per-ad. Based on this process, from time to time we may update such methodologies. Prior period amounts have been revised to conform to the current presentation.

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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.
- **Alibaba Group** means Alibaba Group Holding Limited, and **"IPO"** means Alibaba Group's initial public offering of American Depositary Shares ("**ADS**"), in which Yahoo was a selling shareholder, and which was completed on September 24, 2014.
- **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 EPS (or non-GAAP net earnings per share) – diluted** is defined as non-GAAP net earnings divided by diluted shares outstanding.
- **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 GAAP 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 TAC.
- **RPS guarantee** refers to Microsoft's obligation under the Search Agreement, as amended, to guarantee the Company's revenue per search in transitioned markets for certain specified periods, or to provide fixed quarterly payments in lieu thereof.
- **TAC** refers to traffic acquisition costs. TAC consists of payments to third-party entities ("**Affiliates**") that have integrated Yahoo's advertising offerings into their Websites or other offerings 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.
- **Yahoo Properties** refers to the online properties and services that Yahoo provides to users.

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:

- **Adjusted EBITDA margin ex-TAC** is calculated as adjusted EBITDA divided by revenue ex-TAC;
- **Income from operations margin ex-TAC** is calculated as income from operations divided by revenue ex-TAC;
- **Net margin ex-TAC** is calculated as net earnings divided by revenue ex-TAC; and
- **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 Q4'14

- Revenue ex-TAC of \$1,179 million decreased 2% in the quarter on a YOY basis.
- Search revenue ex-TAC of \$462 million was flat in the quarter on a YOY basis.
- Display revenue ex-TAC of \$464 million decreased 5% in the quarter on a YOY basis.
- We repurchased ~22 million shares of stock at an average price of \$45.26 for \$980 million in the fourth quarter.
- We also repurchased ~16 million shares of stock under a new accelerated share repurchase agreement for \$800 million.

# Financials and Key Metrics at a Glance (\$ in millions, except per share amounts)

	Q4'13	Q4'14	YOY
GAAP revenue	\$1,266	\$1,253	(1%)
Revenue ex-TAC	\$1,200	\$1,179	(2%)
Adjusted EBITDA	\$478	\$409	(14%)
Income from operations <i>Income from operations margin ex-TAC</i>	\$174 15%	\$32 3%	(82%) (1200 bps)
Non-GAAP operating income <i>Non-GAAP operating income margin ex-TAC</i>	\$330 28%	\$256 22%	(22%) (600 bps)
Earnings in equity interests	\$222	\$102	(54%)
Net earnings <i>Net margin ex-TAC</i>	\$348 29%	\$166 14%	(52%) (1500 bps)
EPS attributable to Yahoo! Inc. – diluted	\$0.33	\$0.17	(48%)
Non-GAAP EPS – diluted	\$0.46	\$0.30	(35%)
Shares used in per share calculation – diluted	1,039	963	(7%)
Acquisition of property and equipment, net	\$109	\$68	(38%)
Free cash flow	\$266	\$78	(71%)
Cash and marketable securities	\$4,997	\$10,226 <sup>(1)</sup>	105%
Number of employees (at end of quarter)	12,200	12,500	2%

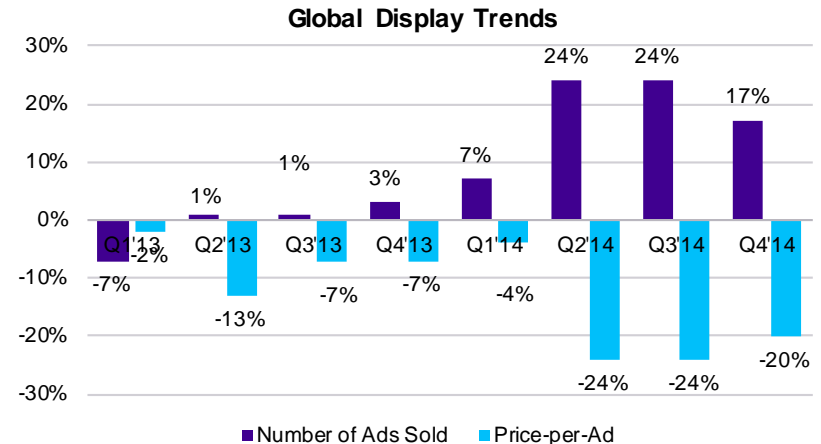
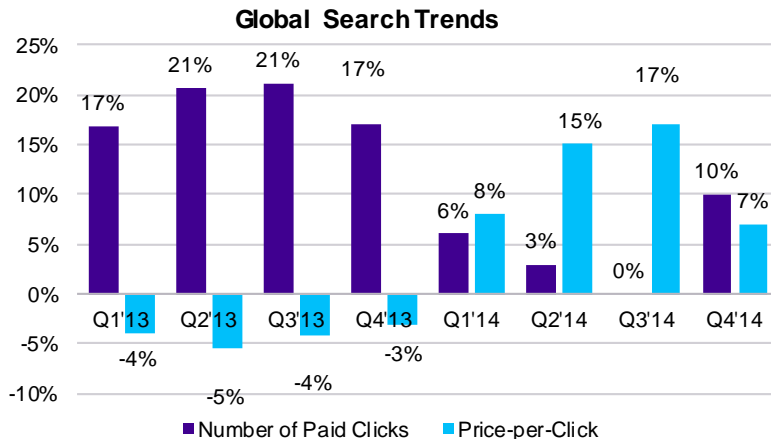
(1) In Q1'15, we expect to pay cash taxes of approximately \$3.3 billion related to our sale of Alibaba Group ADSs in the IPO.

# Financials and Key Metrics at a Glance (\$ in millions, except per share amounts)

	2013	2014	YOY
GAAP revenue	\$4,680	\$4,618	(1%)
Revenue ex-TAC	\$4,426	\$4,401	(1%)
Adjusted EBITDA	\$1,564	\$1,362	(13%)
Income from operations <i>Income from operations margin ex-TAC</i>	\$590 13%	\$143 3%	(76%) (1000 bps)
Non-GAAP operating income <i>Non-GAAP operating income margin ex-TAC</i>	\$935 21%	\$755 16%	(19%) (500 bps)
Earnings in equity interests	\$897	\$1,058	18%
Net earnings <i>Net margin ex-TAC</i>	\$1,366 31%	\$7,522 171%	N/M N/M
EPS attributable to Yahoo! Inc. – diluted	\$1.26	\$7.45	N/M
Non-GAAP EPS – diluted	\$1.52	\$1.57	3%
Shares used in per share calculation – diluted	1,071	1,004	(6%)
Acquisition of property and equipment, net	\$338	\$372	10%
Free cash flow	\$786	\$590	(25%)

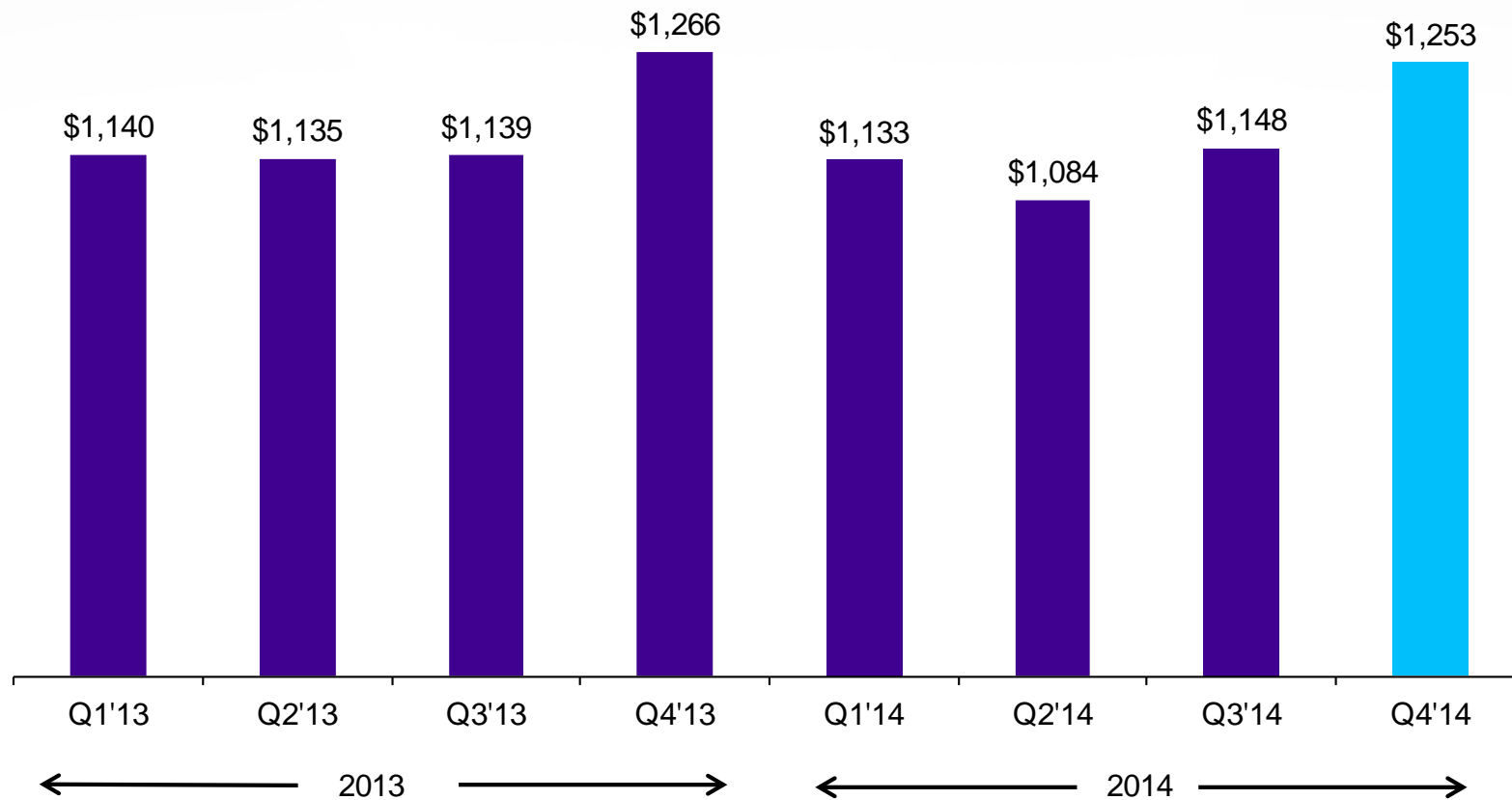
# Search and Display Metrics

YOY % Growth	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14
<b>Global Search<sup>(1)</sup></b>								
Number of Paid Clicks <sup>(2)</sup>	17%	21%	21%	17%	6%	3%	0%	10%
Price-per-Click ("PPC") <sup>(3)</sup>	(4%)	(5%)	(4%)	(3%)	8%	15%	17%	7%
Search click-driven revenue <sup>(4)</sup>	12%	14%	16%	13%	14%	19%	17%	18%
<b>Global Display<sup>(1) (5)</sup></b>								
Number of Ads Sold <sup>(6)</sup>	(7%)	1%	1%	3%	7%	24%	24%	17%
Price-per-Ad ("PPA") <sup>(7)</sup>	(2%)	(13%)	(7%)	(7%)	(4%)	(24%)	(24%)	(20%)



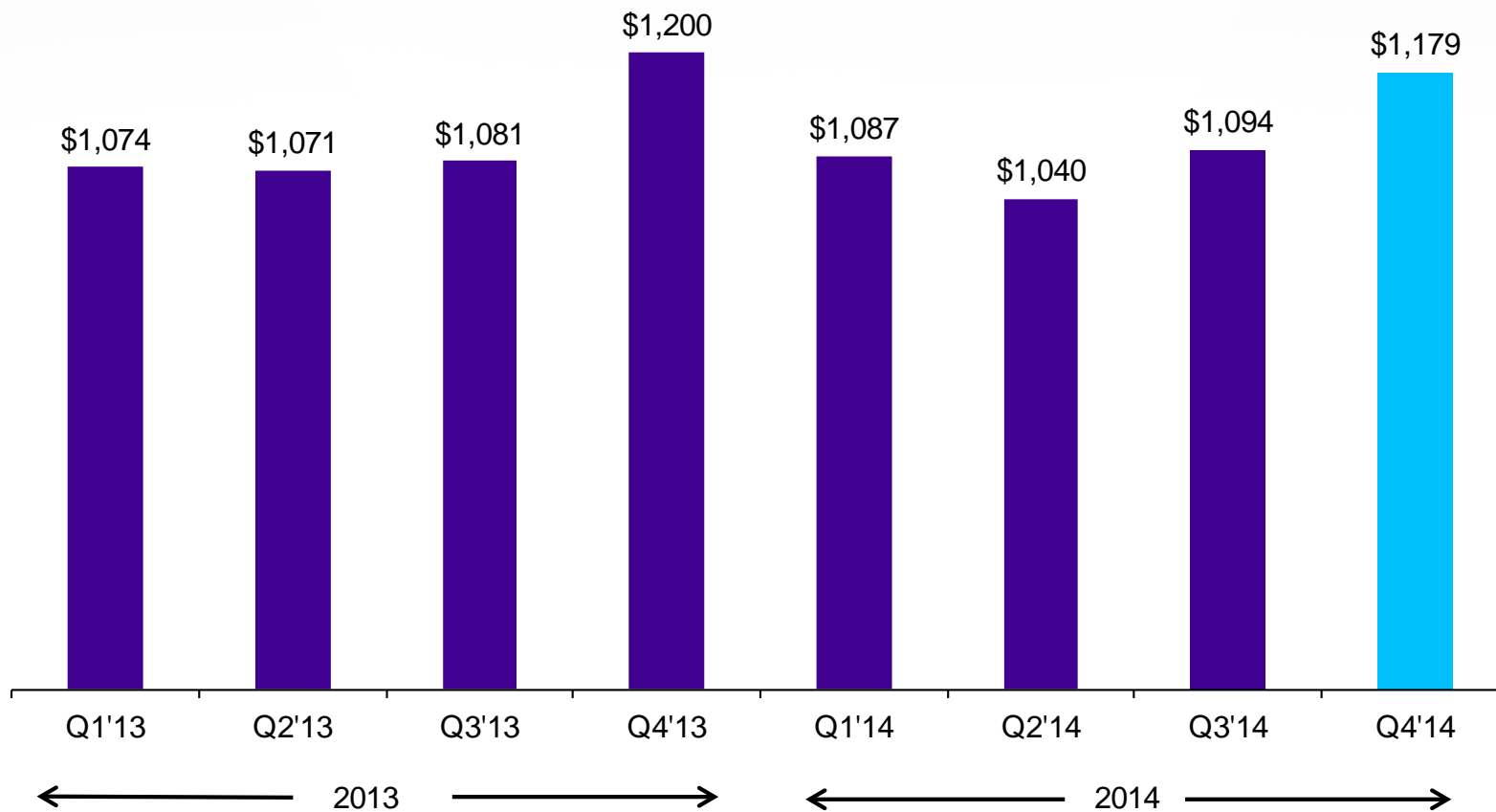
- (1) Source: Internal data excluding China and Japan (where Yahoo-branded sites are operated by third-party licensees). YOY growth for 2013 excludes the Korea market, due to the closure of our Korea business in Q4'12.
- (2) "Paid Clicks" are clicks by end-users on sponsored search listings (excluding native ad units) on Yahoo Properties and Affiliate sites.
- (3) Price-per-Click is calculated as search click-driven revenue divided by the total number of Paid Clicks.
- (4) "Search click-driven revenue" is gross search revenue (i.e., GAAP search revenue plus the related revenue share with third parties) excluding the Microsoft RPS guarantee.
- (5) Display metrics include data for graphical, sponsorship, and native ad units on Yahoo Properties (including mobile). Limited to data from the U.S., U.K., France, Germany, Spain, Italy, Taiwan, Hong Kong, Southeast Asia, and India. For periods prior to Q3'14, Tumblr data is limited to native ad units (which are included commencing Q1'14).
- (6) "Ads Sold" consist of display ad impressions for paying advertisers on Yahoo Properties.
- (7) Price-per-Ad is calculated as display revenue from Yahoo Properties divided by the number of Ads Sold.

## GAAP Revenue Trends (*\$ in millions*)





## Revenue ex-TAC Trends (*\$ in millions*)

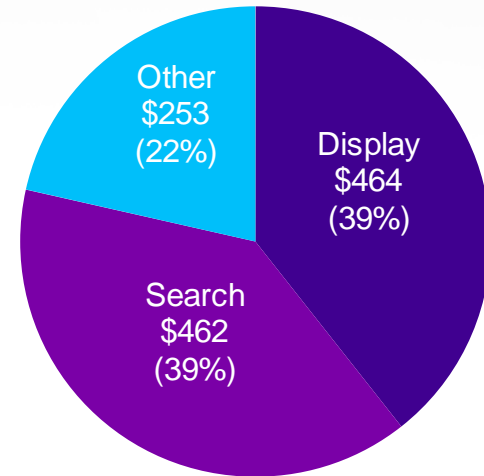
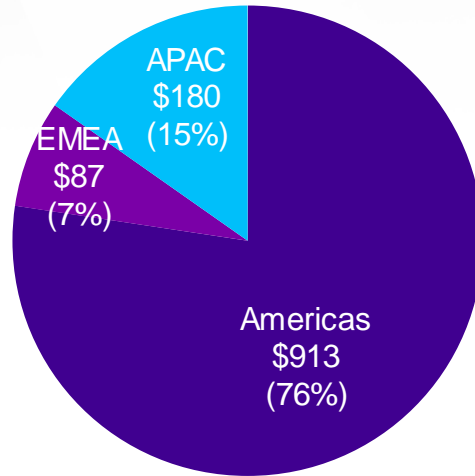


# Revenue ex-TAC by Geography & Source (\$ in millions)

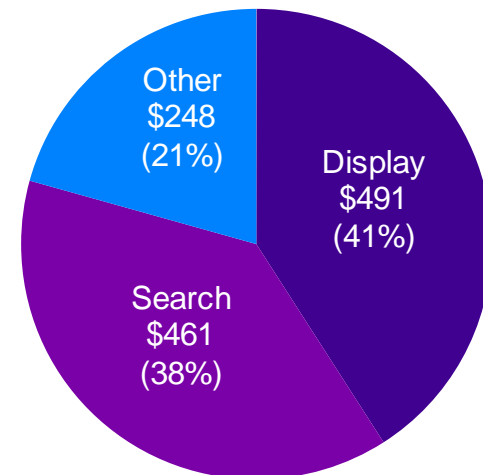
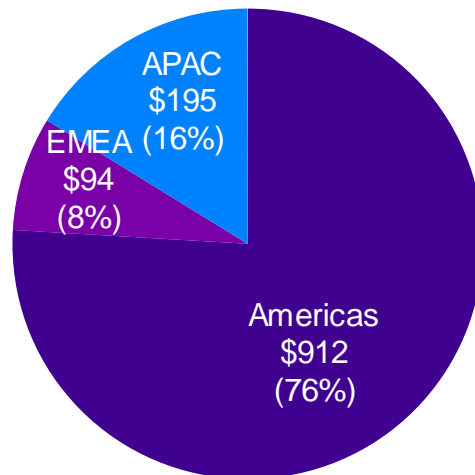
## Geography

## Source

**Q4'14 = \$1,179**



**Q4'13 = \$1,200**



# Revenue by Source

YOY % Growth	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14
Search revenue ex-TAC GAAP Search revenue	6% (10%)	5% (9%)	3% (8%)	8% (4%)	9% 5%	6% 2%	6% 4%	0% 1%
Display revenue ex-TAC GAAP Display revenue	(11%) (11%)	(11%) (12%)	(7%) (7%)	(6%) (6%)	2% 0%	(7%) (8%)	(6%) (5%)	(5%) (4%)
Other revenue ex-TAC GAAP Other revenue	10% 9%	10% 11%	4% 5%	(9%) (9%)	(11%) (10%)	(10%) (10%)	6% 6%	2% 2%
Total revenue ex-TAC GAAP Total revenue	0% (7%)	(1%) (7%)	(1%) (5%)	(2%) (6%)	1% (1%)	(3%) (4%)	1% 1%	(2%) (1%)

## Revenue ex-TAC by Source (*\$ in millions*)

	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14
Search revenue ex-TAC YOY Growth	\$409 6%	\$403 5%	\$426 3%	\$461 8%	\$444 9%	\$428 6%	\$450 6%	\$462 0%
Display revenue ex-TAC YOY Growth	\$402 (11%)	\$423 (11%)	\$421 (7%)	\$491 (6%)	\$409 2%	\$394 (7%)	\$396 (6%)	\$464 (5%)
Other revenue ex-TAC YOY Growth	\$264 10%	\$245 10%	\$233 4%	\$248 (9%)	\$234 (11%)	\$219 (10%)	\$248 6%	\$253 2%
Total revenue ex-TAC YOY Growth	\$1,074 0%	\$1,071 (1%)	\$1,081 (1%)	\$1,200 (2%)	\$1,087 1%	\$1,040 (3%)	\$1,094 1%	\$1,179 (2%)

# Geographic Segment Data (*\$ in millions*)

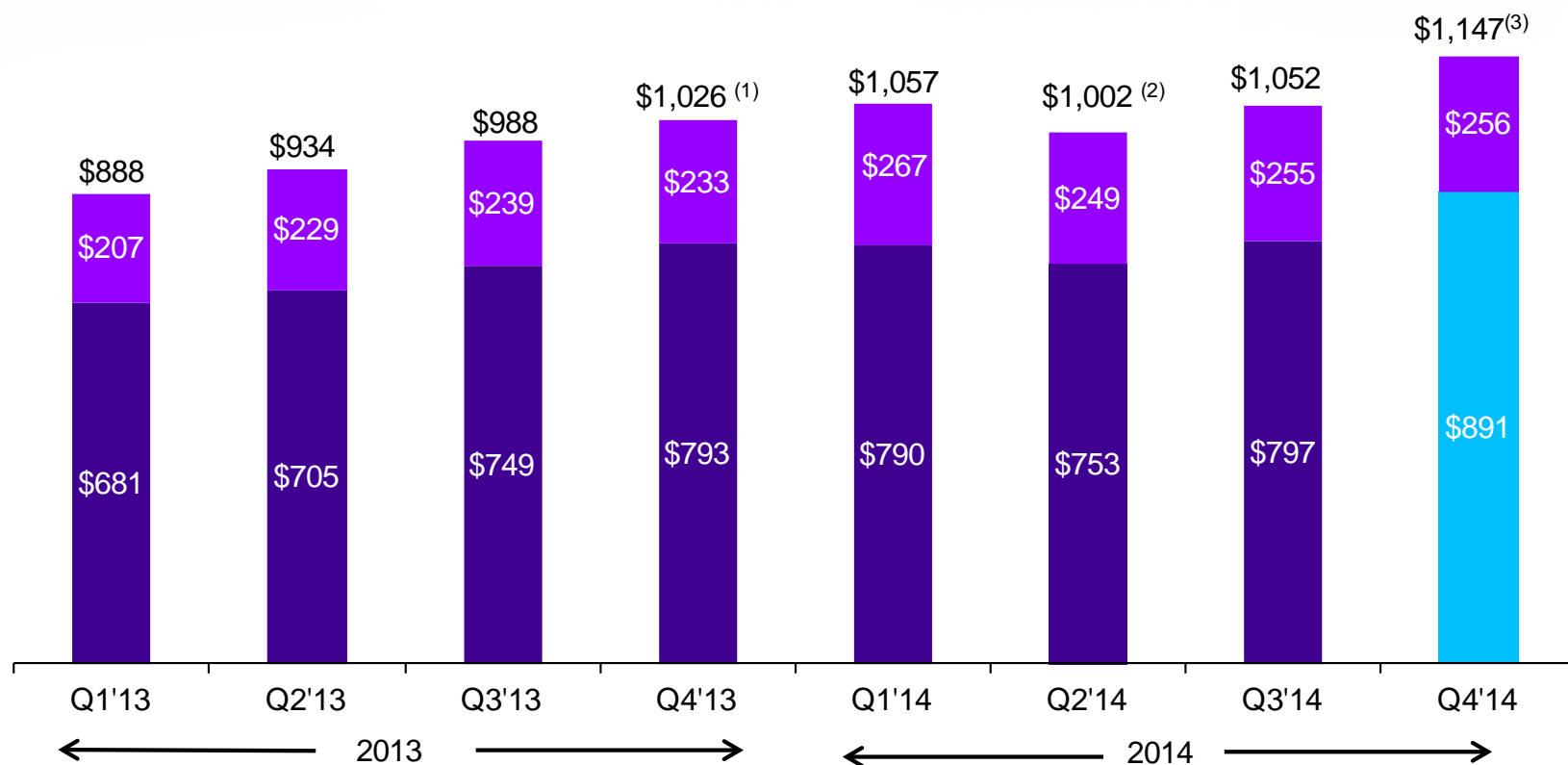
	Q4'13	Q4'14	YOY
<b>Americas</b>			
Revenue ex-TAC	\$912	\$913	0%
Direct costs <sup>(1)</sup>	<u>\$50</u>	<u>\$50</u>	0%
<b>Contribution</b>	<b>\$862</b>	<b>\$862</b>	<b>0%</b>
Americas contribution margin <sup>(2)</sup>	94%	94%	0 bps
<b>EMEA (Europe, Middle East, and Africa)</b>			
Revenue ex-TAC	\$94	\$87	(7%)
Direct costs <sup>(1)</sup>	<u>\$24</u>	<u>\$21</u>	(15%)
<b>Contribution</b>	<b>\$69</b>	<b>\$66</b>	<b>(5%)</b>
EMEA contribution margin <sup>(2)</sup>	74%	76%	200 bps
<b>Asia Pacific (APAC)</b>			
Revenue ex-TAC	\$195	\$180	(7%)
Direct costs <sup>(1)</sup>	<u>\$49</u>	<u>\$50</u>	2%
<b>Contribution</b>	<b>\$146</b>	<b>\$130</b>	<b>(11%)</b>
Asia Pacific contribution margin <sup>(2)</sup>	75%	72%	(300 bps)

(1) Direct costs for each segment include certain cost of revenue-other and costs associated with the local sales teams. Prior to Q4'14, marketing, media, costs associated with Yahoo Properties and ad operation costs were managed locally and included as direct costs for each segment. Prior period amounts have been revised to conform to the current presentation

(2) Contribution margin is calculated as contribution divided by revenue ex-TAC for each segment.

# Total Operating Expenses less TAC (\$ in millions)

■ Depreciation, Amortization, and Stock-based compensation expense



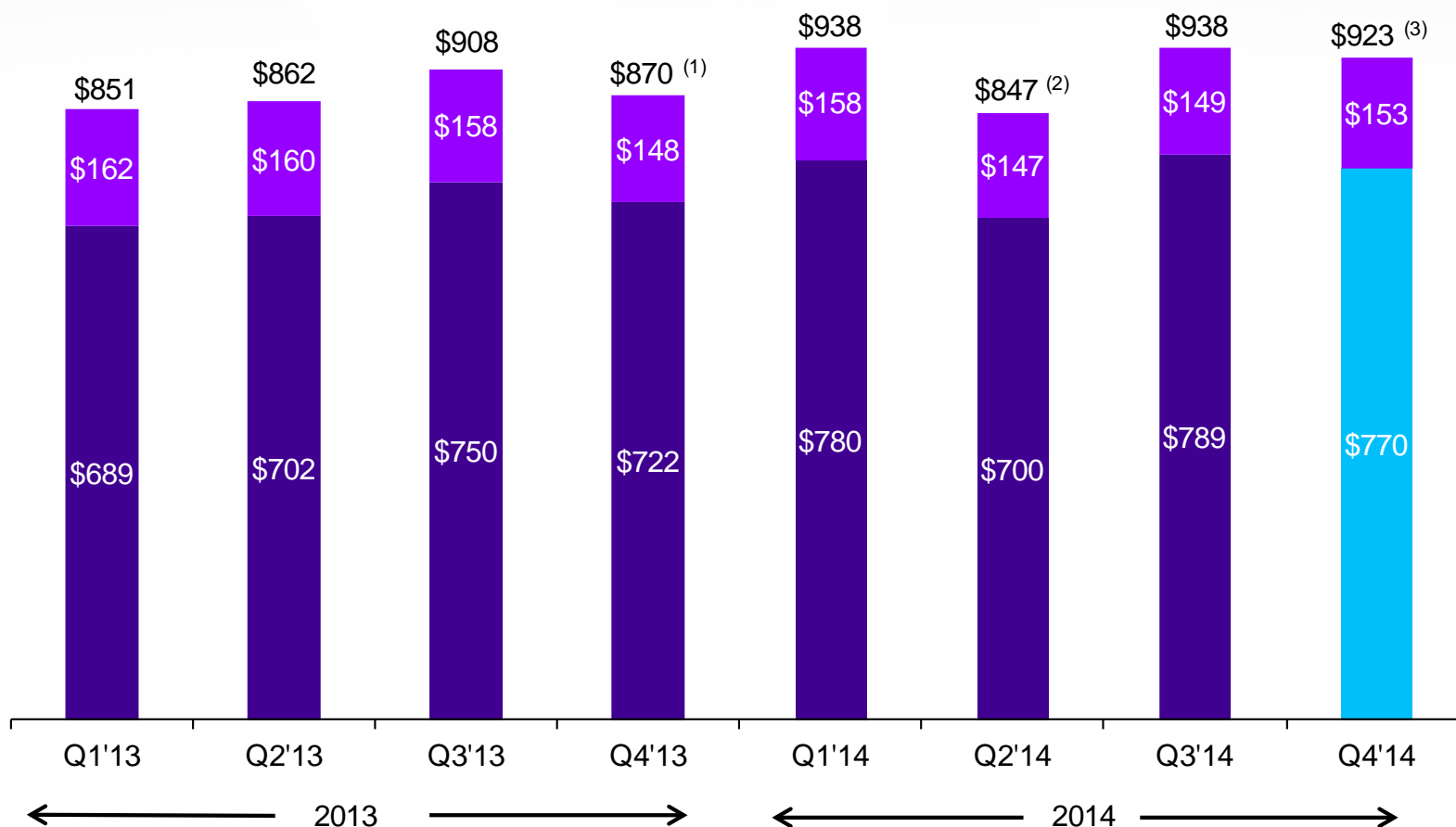
(1) Excluding a \$70 million benefit from a patent sale, Q4'13 would have been \$1,096 million.

(2) Excluding a \$62 million benefit from patent sales, Q2'14 would have been \$1,064 million.

(3) Excluding a \$35 million benefit from patent sales, Q4'14 would have been \$1,182 million.

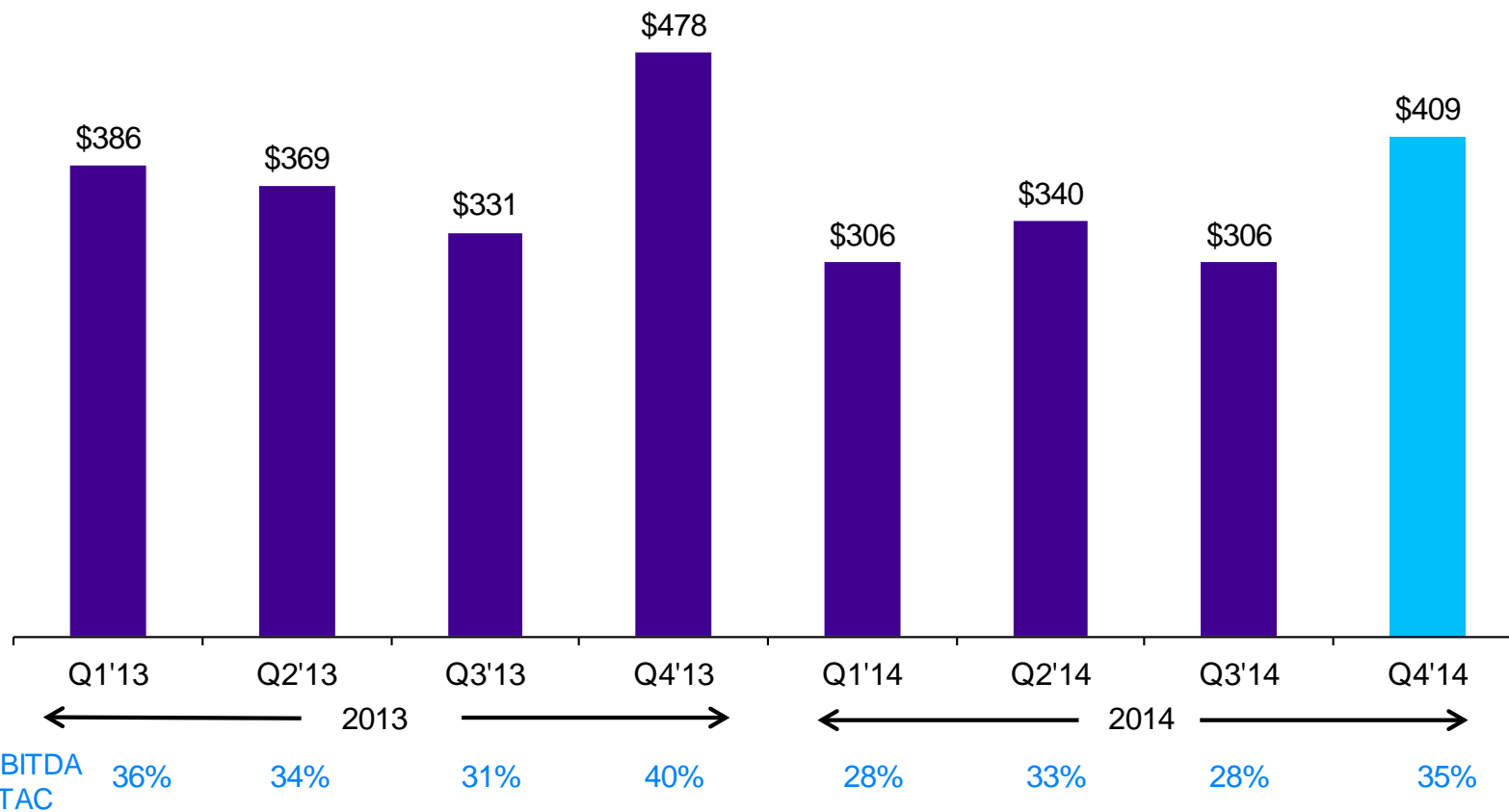
# Non-GAAP Total Operating Expenses (*\$ in millions*)

■ Depreciation and Amortization



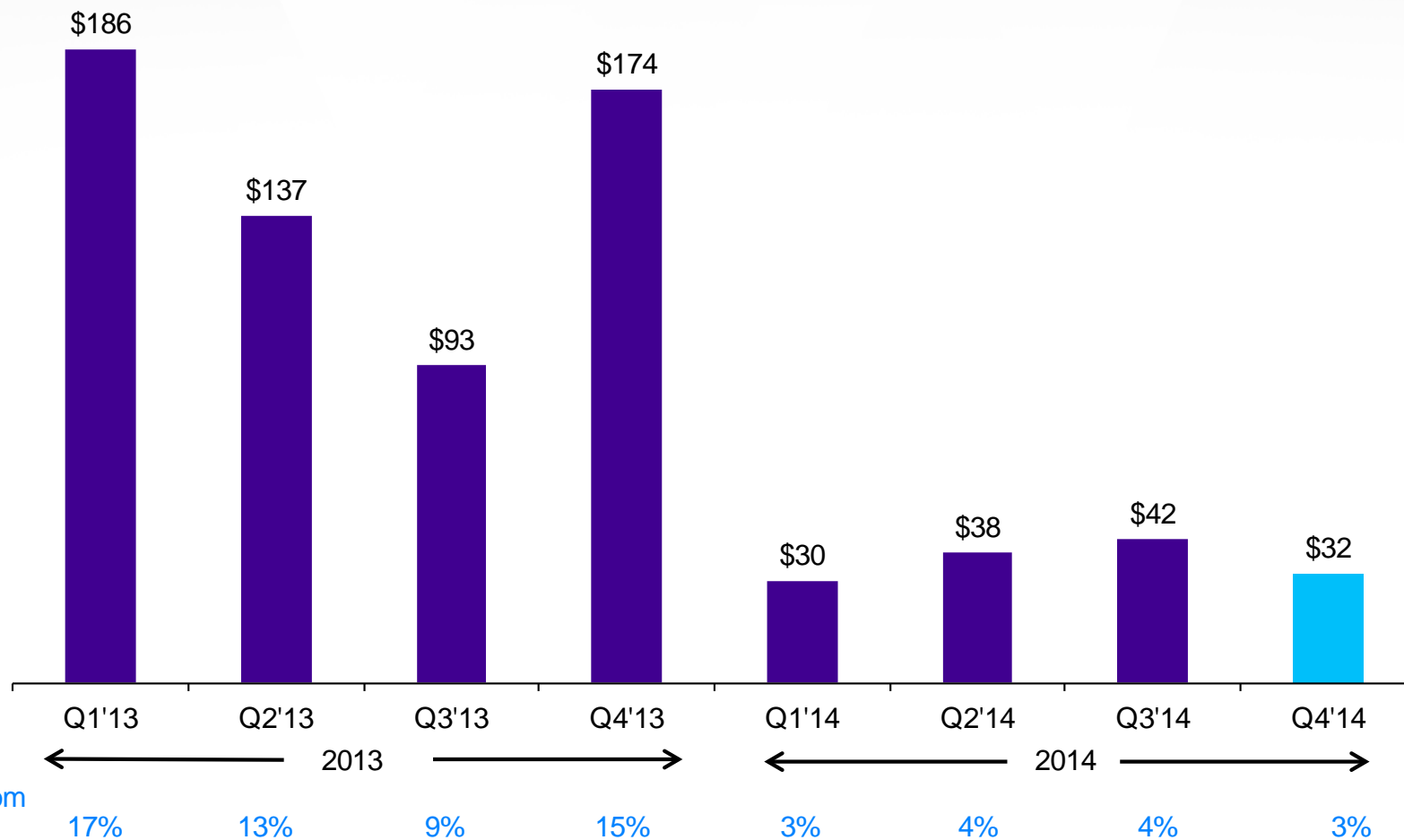
- (1) Excluding a \$70 million benefit from a patent sale, Q4'13 would have been \$940 million.
- (2) Excluding a \$62 million benefit from patent sales, Q2'14 would have been \$909 million.
- (3) Excluding a \$35 million benefit from patent sales, Q4'14 would have been \$958 million.

# Adjusted EBITDA (\$ in millions)



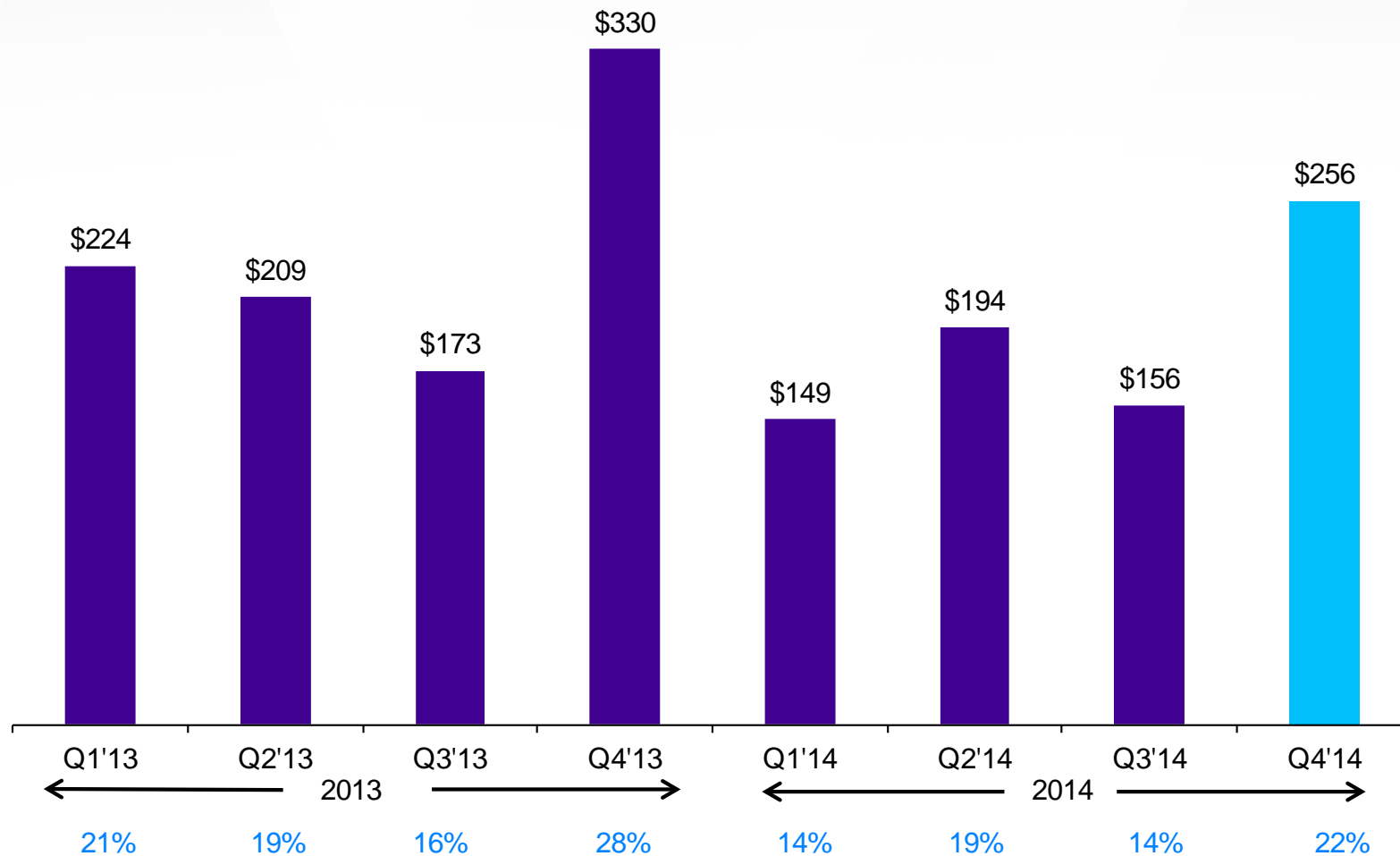


# GAAP Income from Operations (*\$ in millions*)



Income from operations margin ex-TAC

# Non-GAAP Operating Income (*\$ in millions*)



Non-GAAP  
operating income  
margin ex-TAC

## Key Balance Sheet Metrics *(\$ in millions)*

	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14
<b>Assets</b>								
Cash and marketable securities <sup>(1)</sup>	\$5,395	\$4,791	\$3,215	\$4,997	\$4,571	\$4,311	\$12,251 <sup>(2)</sup>	\$10,226
Accounts receivable, net	\$944	\$942	\$844	\$980	\$880	\$824	\$831	\$1,033
Alibaba Group preference shares	\$831	–	–	–	–	–	–	–
Property and equipment, net	\$1,613	\$1,580	\$1,536	\$1,489	\$1,479	\$1,470	\$1,484	\$1,488
Investment in Alibaba Group <sup>(1)</sup>	–	–	–	–	–	–	\$34,080	\$39,868
Total assets	\$16,491	\$16,226	\$14,906	\$16,805	\$16,593	\$16,457	\$57,298	\$61,960
<b>Liabilities and Equity</b>								
Current deferred revenue	\$308	\$295	\$294	\$294	\$291	\$288	\$415	\$337
Taxes payable related to sale of Alibaba Group ADSs	–	–	–	–	–	–	\$3,282	\$3,282
Total current liabilities	\$1,139	\$1,178	\$1,193	\$1,340	\$1,195	\$1,194	\$4,378 <sup>(3)</sup>	\$4,529 <sup>(3)</sup>
Total equity	\$14,186	\$13,859	\$12,546	\$13,131	\$12,963	\$12,731	\$36,754	\$38,786
Total liabilities and equity	\$16,491	\$16,226	\$14,906	\$16,805	\$16,593	\$16,457	\$57,298	\$61,960

(1) For presentation purposes, our remaining investment in Alibaba Group is presented separately from other marketable securities. Prior to the Alibaba Group IPO in Q3'14, our investment in Alibaba Group was classified within investments in equity interests. As a result of the IPO, our remaining interests (comprising approximately 15% of Alibaba Group's outstanding ordinary shares) were reclassified as available-for-sale marketable securities (subject to a lock-up agreement for one year from the IPO) and marked to market.

(2) In Q3'14, cash and marketable securities (a) increased as a result of our receipt of \$9.4 billion in cash, pre-tax, from our sale of Alibaba Group ADSs in the IPO, and (b) decreased as a result of our pre-payment of \$1.1 billion under an accelerated share repurchase agreement, among other factors.

(3) For Q3'14 and Q4'14, current liabilities includes \$3.3 billion in cash taxes, which we expect to pay in Q1'15 related to our sale of Alibaba Group ADSs in the IPO.

## Key Cash Flow Highlights (*\$ in millions*)

	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14
Net cash provided by operating activities	\$219	\$331	\$288	\$358	\$139	\$357	\$289	\$111
Acquisition of property and equipment, net	(\$70)	(\$82)	(\$78)	(\$109)	(\$85)	(\$107)	(\$112)	(\$68)
Dividends received from equity investees	(\$12)	(\$123)	–	–	–	(\$84)	–	–
Excess tax benefits from stock-based awards	\$13	\$6	\$29	\$17	\$60	\$20	\$35	\$35
Free cash flow	\$150	\$131	\$239	\$266	\$114	\$186	\$212	\$78
Acquisitions, net of cash acquired	\$10	\$1,014	\$163	\$60	\$22	–	\$292	\$545
Repurchases of common stock	\$775	\$653	\$1,685	\$231	\$450	\$719	\$1,382 <sup>(1)</sup>	\$1,613 <sup>(2)(3)</sup>

- (1) The Company repurchased approximately 8 million shares of its common stock in Q3'14 at an average price of \$36.76 per share for \$282 million. In addition in Q3'14, the Company entered into an accelerated share repurchase ("ASR") agreement under which it prepaid \$1.1 billion and received an initial delivery of approximately 15 million shares on September 30, 2014. Final settlement occurred on October 17, 2014, resulting in a total of approximately 23.5 million shares repurchased for \$933 million. The Company received a return of cash for the remaining amount not settled in shares of \$167 million.
- (2) In Q4'14 the Company entered into a second ASR agreement (which settled during the quarter) under which the Company repurchased approximately 16 million shares at an average price of \$48.89 for \$800 million. Excluding ASR transactions, during Q4'14 the Company repurchased approximately 22 million shares at an average price of \$45.26 per share for \$980 million. The Q4'14 amount shown in the table reflects these transactions, net of the return of cash from the Q3'14 ASR agreement described in note (1).
- (3) During full year 2014, the Company repurchased approximately 102 million shares at an average price of \$40.94 per share for \$4.2 billion.

## Business Outlook (*\$ in millions*)

	Q1'15 Current Outlook
GAAP revenue	\$1,110 – \$1,150
Revenue ex-TAC	\$1,020 – \$1,060
Adjusted EBITDA	\$200 – \$240
Non-GAAP operating income	\$50 – \$90

Note: The above business outlook is based on information and expectations as of January 27, 2015. 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 by Segment

## Reconciliations of GAAP Revenue to Revenue ex-TAC

	Quarterly Data								Yearly Data	
\$ in millions	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	2013	2014
<b>Americas</b>										
GAAP revenue	\$842	\$829	\$851	\$960	\$867	\$806	\$873	\$972	\$3,482	\$3,518
TAC	(38)	(37)	(36)	(48)	(34)	(30)	(43)	(60)	(159)	(167)
<b>Revenue ex-TAC</b>	<b>\$805</b>	<b>\$791</b>	<b>\$815</b>	<b>\$912</b>	<b>\$833</b>	<b>\$775</b>	<b>\$831</b>	<b>\$913</b>	<b>\$3,323</b>	<b>\$3,351</b>
<b>EMEA</b>										
GAAP revenue	\$95	\$97	\$89	\$104	\$92	\$98	\$89	\$96	\$385	\$375
TAC	(12)	(11)	(10)	(10)	(9)	(10)	(8)	(9)	(43)	(37)
<b>Revenue ex-TAC</b>	<b>\$83</b>	<b>\$86</b>	<b>\$79</b>	<b>\$94</b>	<b>\$82</b>	<b>\$88</b>	<b>\$81</b>	<b>\$87</b>	<b>\$342</b>	<b>\$338</b>
<b>Asia Pacific</b>										
GAAP revenue	\$203	\$209	\$199	\$202	\$174	\$181	\$186	\$185	\$814	\$725
TAC	(17)	(16)	(12)	(8)	(3)	(3)	(4)	(5)	(53)	(14)
<b>Revenue ex-TAC</b>	<b>\$186</b>	<b>\$193</b>	<b>\$187</b>	<b>\$195</b>	<b>\$172</b>	<b>\$177</b>	<b>\$182</b>	<b>\$180</b>	<b>\$761</b>	<b>\$711</b>
<b>Worldwide</b>										
GAAP revenue	\$1,140	\$1,135	\$1,139	\$1,266	\$1,133	\$1,084	\$1,148	\$1,253	\$4,680	\$4,618
TAC	(66)	(64)	(58)	(66)	(46)	(44)	(54)	(74)	(254)	(218)
<b>Revenue ex-TAC</b>	<b>\$1,074</b>	<b>\$1,071</b>	<b>\$1,081</b>	<b>\$1,200</b>	<b>\$1,087</b>	<b>\$1,040</b>	<b>\$1,094</b>	<b>\$1,179</b>	<b>\$4,426</b>	<b>\$4,401</b>

# Table 2 – Revenue Details

## Reconciliations of GAAP Revenue to Revenue ex-TAC by Source

	Quarterly Data								Yearly Data	
\$ in millions	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	2013	2014
<b>Display</b>										
GAAP display revenue	\$455	\$472	\$470	\$553	\$453	\$436	\$447	\$532	\$1,950	\$1,868
YOY growth	(11%)	(12%)	(7%)	(6%)	0%	(8%)	(5%)	(4%)	(9%)	(4%)
Display TAC	<u>(53)</u>	<u>(49)</u>	<u>(49)</u>	<u>(62)</u>	<u>(44)</u>	<u>(42)</u>	<u>(51)</u>	<u>(68)</u>	<u>(213)</u>	<u>(205)</u>
<b>Display revenue ex-TAC</b>	<b>\$402</b>	<b>\$423</b>	<b>\$421</b>	<b>\$491</b>	<b>\$409</b>	<b>\$394</b>	<b>\$396</b>	<b>\$464</b>	<b>\$1,737</b>	<b>\$1,663</b>
<b>Search</b>										
GAAP search revenue	\$425	\$418	\$435	\$464	\$445	\$428	\$452	\$467	\$1,742	\$1,793
YOY growth	(10%)	(9%)	(8%)	(4%)	5%	2%	4%	1%	(8%)	3%
Search TAC	<u>(16)</u>	<u>(15)</u>	<u>(9)</u>	<u>(2)</u>	<u>1</u>	<u>(1)</u>	<u>(3)</u>	<u>(5)</u>	<u>(42)</u>	<u>(9)</u>
<b>Search revenue ex-TAC</b>	<b>\$409</b>	<b>\$403</b>	<b>\$426</b>	<b>\$461</b>	<b>\$444</b>	<b>\$428</b>	<b>\$450</b>	<b>\$462</b>	<b>\$1,699</b>	<b>\$1,784</b>
<b>Other</b>										
GAAP other revenue	\$261	\$245	\$234	\$249	\$235	\$220	\$249	\$254	\$989	\$957
YOY growth	9%	11%	5%	(9%)	(10%)	(10%)	6%	2%	3%	(3%)
Other TAC	<u>3</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>(3)</u>
<b>Other revenue ex-TAC</b>	<b>\$264</b>	<b>\$245</b>	<b>\$233</b>	<b>\$248</b>	<b>\$234</b>	<b>\$219</b>	<b>\$248</b>	<b>\$253</b>	<b>\$989</b>	<b>\$954</b>
<b>Total</b>										
GAAP revenue	\$1,140	\$1,135	\$1,139	\$1,266	\$1,133	\$1,084	\$1,148	\$1,253	\$4,680	\$4,618
YOY growth	(7%)	(7%)	(5%)	(6%)	(1%)	(4%)	1%	(1%)	(6%)	(1%)
TAC	<u>(66)</u>	<u>(64)</u>	<u>(58)</u>	<u>(66)</u>	<u>(46)</u>	<u>(44)</u>	<u>(54)</u>	<u>(74)</u>	<u>(254)</u>	<u>(218)</u>
<b>Revenue ex-TAC</b>	<b>\$1,074</b>	<b>\$1,071</b>	<b>\$1,081</b>	<b>\$1,200</b>	<b>\$1,087</b>	<b>\$1,040</b>	<b>\$1,094</b>	<b>\$1,179</b>	<b>\$4,426</b>	<b>\$4,401</b>



## Table 3 – Revenue and Direct Costs by Segment

\$ in millions	Q4'13	Q4'14
<b>Revenue by segment:</b>		
Americas	\$960	\$972
EMEA	104	96
Asia Pacific	<u>202</u>	<u>185</u>
<b>Total revenue</b>	<b>\$1,266</b>	<b>\$1,253</b>
TAC	<u>(66)</u>	<u>(74)</u>
<b>Total revenue ex-TAC</b>	<b>\$1,200</b>	<b>\$1,179</b>
<b>Direct costs by segment<sup>(1)</sup>:</b>		
Americas	\$50	\$50
EMEA	24	21
Asia Pacific	49	50
Global operating costs <sup>(2)</sup>	668	684
Restructuring charges, net	8	33
Depreciation and amortization	148	153
Gains on sales of patents	(70)	(35)
Stock-based compensation expense	85	103
Goodwill impairment charge	<u>64</u>	<u>88</u>
<b>Income from operations</b>	<b>\$174</b>	<b>\$32</b>

(1) Direct costs for each segment include certain cost of revenue-other and costs associated with the local sales teams. Prior to Q4'14, marketing, media, costs associated with Yahoo Properties and ad operation costs were managed locally and included as direct costs for each segment. Prior period amounts have been revised to conform to the current presentation.

(2) Global operating costs include product development, marketing, real estate workplace, general and administrative, and other corporate expenses that are managed on a global basis and that are not directly attributable to any particular segment. Beginning in Q4'14, marketing, media, costs associated with Yahoo Properties and other ad operation costs are managed globally and included as global costs. Prior period amounts have been revised to conform to the current presentation.

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# 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	Quarterly Data								Yearly Data	
	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	FY2013	FY2014
<b>GAAP total operating expenses</b>	<b>\$954</b>	<b>\$998</b>	<b>\$1,046</b>	<b>\$1,092</b>	<b>\$1,103</b>	<b>1,046</b>	<b>\$1,106</b>	<b>\$1,221</b>	<b>\$4,090</b>	<b>\$4,475</b>
Less: Traffic acquisition costs	(66)	(64)	(58)	(66)	(46)	(44)	(54)	(74)	(254)	(218)
<b>Total operating expenses less TAC</b>	<b>\$888</b>	<b>\$934</b>	<b>\$988</b>	<b>\$1,026</b>	<b>\$1,057</b>	<b>\$1,002</b>	<b>\$1,052</b>	<b>\$1,147</b>	<b>\$3,836</b>	<b>\$4,258</b>
Less: Restructuring charges (reversals), net	(7)	4	(1)	8	9	53	8	33	4	103
Less: Stock-based compensation expense	45	68	81	85	109	102	106	103	278	420
Less: Goodwill impairment charge	=	=	=	64	=	=	=	88	64	88
<b>Non-GAAP total operating expenses</b>	<b>\$851</b>	<b>\$862</b>	<b>\$908</b>	<b>\$870<sup>(1)</sup></b>	<b>\$938</b>	<b>\$847<sup>(2)</sup></b>	<b>\$938</b>	<b>\$923<sup>(3)</sup></b>	<b>\$3,490<sup>(1)</sup></b>	<b>\$3,647<sup>(4)</sup></b>

(1) Excluding a \$70 million benefit from a patent sale, Q4'13 would have been \$940 million and FY2013 would have been \$3,717 million.

(2) Excluding a \$62 million benefit from patent sales, Q2'14 would have been \$909 million.

(3) Excluding a \$35 million benefit from patent sales, Q4'14 would have been \$958 million.

(4) Excluding a \$98 million benefit from patent sales, FY2014 would have been \$3,745 million.

# Table 5 – Adjusted EBITDA

## Reconciliation of GAAP Net Earnings to Adjusted EBITDA

\$ in millions	Quarterly Data								Yearly Data	
	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	2013	2014
<b>GAAP net earnings</b>	<b>\$390</b>	<b>\$331</b>	<b>\$297</b>	<b>\$348</b>	<b>\$312</b>	<b>\$270</b>	<b>\$6,774</b>	<b>\$166</b>	<b>\$1,366</b>	<b>\$7,522</b>
(a) Depreciation and amortization	162	160	158	148	158	147	149	153	629	607
(b) Stock-based compensation expense	45	68	81	85	109	102	107	103	278	420
(c) Restructuring charges, net	(7)	4	(1)	8	9	53	8	33	4	103
(d) Other income, net	(17)	(24)	(5)	3	13	14	(\$10,309) <sup>(1)</sup>	(88)	(43)	(10,369) <sup>(1)</sup>
(e) Provision for income taxes	30	50	32	41	4	8	3,973 <sup>(2)</sup>	52	153	4,038 <sup>(2)</sup>
(f) Earnings in equity interests	(218)	(225)	(233)	(222)	(301)	(256)	(399)	(102)	(897)	(1,058)
(g) Net income attributable to noncontrolling interests	1	4	2	3	2	3	2	3	10	10
(j) Goodwill impairment charge	-	-	-	64	-	-	-	88	64	88
<b>Adjusted EBITDA</b>	<b>\$386</b>	<b>\$369</b>	<b>\$331</b>	<b>\$478</b>	<b>\$306</b>	<b>\$340</b>	<b>\$306</b>	<b>\$409</b>	<b>\$1,564</b>	<b>\$1,362</b>
Adjusted EBITDA margin ex-TAC	36%	34%	31%	40%	28%	33%	28%	35%	35%	31%
GAAP net margin <sup>(3)</sup>	34%	29%	26%	28%	28%	28%	N/M	13%	29%	163%

(1) For Q3'14 and FY2014, other income, net includes a \$10.3 billion pre-tax gain related to the Alibaba Group IPO.

(2) For Q3'14 and FY2014, provision for income taxes includes \$3.3 billion related to the Company's sale of Alibaba Group ADSs, and an additional tax provision of \$0.7 billion arising from the Company's non-cash gain related to IPO dilution of the Company's ownership interest in Alibaba Group.

(3) GAAP net margin is calculated as GAAP net earnings divided by GAAP revenue.

# Table 6 – Non-GAAP Operating Income

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

	Quarterly Data								Yearly Data	
\$ in millions	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	2013	2014
<b>GAAP income from operations</b>	<b>\$186</b>	<b>\$137</b>	<b>\$93</b>	<b>\$174</b>	<b>\$30</b>	<b>\$38</b>	<b>\$42</b>	<b>\$32</b>	<b>\$590</b>	<b>\$143</b>
(a) Restructuring (reversals) charges, net	(7)	4	(1)	8	9	53	8	33	4	103
(b) Stock-based compensation expense	45	68	81	85	109	102	106	103	278	420
(c) Goodwill impairment charge	=	=	=	<u>64</u>	=	=	=	<u>88</u>	<u>64</u>	<u>88</u>
<b>Non-GAAP operating income</b>	<b>\$224</b>	<b>\$209</b>	<b>\$173</b>	<b>\$330</b>	<b>\$149</b>	<b>\$194</b>	<b>\$156</b>	<b>\$256</b>	<b>\$935</b>	<b>\$755</b>
GAAP operating income margin	16%	12%	8%	14%	3%	4%	4%	<b>3%</b>	13%	<b>3%</b>
Non-GAAP operating income margin <sup>(1)</sup>	20%	18%	15%	26%	13%	18%	14%	<b>20%</b>	20%	<b>16%</b>
Non-GAAP operating income margin ex-TAC	21%	19%	16%	28%	14%	19%	14%	<b>22%</b>	21%	<b>17%</b>

(1) Non-GAAP operating income margin is calculated as Non-GAAP operating income divided by GAAP revenue.

# Table 7 – Free Cash Flow

## Reconciliation of GAAP Net Cash Provided by Operating Activities to Free Cash Flow

	Quarterly Data								Yearly Data	
\$ in millions	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	2013	2014
<b>GAAP net cash provided by operating activities</b>	<b>\$219</b>	<b>\$331</b>	<b>\$288</b>	<b>\$358</b>	<b>\$139</b>	<b>\$357</b>	<b>\$289</b>	<b>\$111</b>	<b>\$1,195</b>	<b>\$897</b>
Excess tax benefits from stock-based awards	13	6	29	17	60	20	35	35	64	150
Acquisition of property and equipment, net	(70)	(82)	(78)	(109)	(85)	(107)	(112)	(68)	(338)	(372)
Dividends received from equity investees	<u>(12)</u>	<u>(123)</u>	=	=	=	<u>(84)</u>	=	=	<u>(135)</u>	<u>(84)</u>
<b>Free cash flow</b>	<b>\$150</b>	<b>\$131</b>	<b>\$239</b>	<b>\$266</b>	<b>\$114</b>	<b>\$186</b>	<b>\$212</b>	<b>\$78</b>	<b>\$786</b>	<b>\$590</b>

## Table 8 – Non-GAAP Net Earnings Per Share

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	Quarterly Data								Yearly Data	
	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	2013	2014
<b>GAAP net earnings</b>	<b>\$390</b>	<b>\$331</b>	<b>\$297</b>	<b>\$348</b>	<b>\$312</b>	<b>\$270</b>	<b>\$6,774</b>	<b>\$166</b>	<b>\$1,366</b>	<b>\$7,522</b>
Adjustments	<u>30</u>	<u>55</u>	<u>62</u>	<u>134</u>	<u>90</u>	<u>112</u>	<u>6,231</u>	<u>127</u>	<u>280</u>	<u>5,902</u>
<b>Non-GAAP net earnings</b>	<b>\$420</b>	<b>\$386</b>	<b>\$358</b>	<b>\$482</b>	<b>\$402</b>	<b>\$382</b>	<b>\$543</b>	<b>\$293</b>	<b>\$1,646</b>	<b>\$1,620</b>
GAAP revenue	\$1,140	\$1,135	\$1,139	\$1,266	\$1,133	\$1,084	\$1,148	\$1,253	\$4,680	\$4,618
GAAP net margin <sup>(1)</sup>	34%	29%	26%	28%	28%	25%	N/M	13%	29%	N/M
Non-GAAP net margin <sup>(2)</sup>	37%	34%	31%	38%	35%	35%	47%	23%	35%	35%
GAAP net earnings per share – diluted <sup>(3)</sup>	\$0.35	\$0.30	\$0.28	\$0.33	\$0.29	\$0.26	\$6.70	\$0.17	\$1.26	\$7.45
<b>Non-GAAP net earnings per share – diluted<sup>(4)</sup></b>	<b>\$0.38</b>	<b>\$0.35</b>	<b>\$0.34</b>	<b>\$0.46</b>	<b>\$0.38</b>	<b>\$0.37</b>	<b>\$0.52</b>	<b>\$0.30</b>	<b>\$1.52</b>	<b>\$1.57</b>
Diluted shares outstanding	1,108	1,095	1,042	1,039	1,031	1,015	1,008	963	1,071	1,004

(1) GAAP net margin is calculated as GAAP net earnings divided by GAAP revenue.

(2) Non-GAAP net margin is calculated as non-GAAP net earnings divided by GAAP revenue.

(3) 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 \$0.01 for Q4'13, \$0.01 for Q1'14, \$0.01 for Q2'14, \$0.02 for Q3'14, \$0.02 for FY2013, and \$0.04 for FY2014.

(4) 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 non-GAAP diluted earnings per share by \$0.01 for Q1'14, \$0.01 for Q2'14, \$0.02 for Q3'14, \$0.02 for FY2013, and \$0.04 for FY2014.

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

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

	Quarterly Data								Yearly Data	
\$ in millions	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	2013	2014
<b>GAAP net earnings</b>	<b>\$390</b>	<b>\$331</b>	<b>\$297</b>	<b>\$348</b>	<b>\$312</b>	<b>\$270</b>	<b>\$6,774</b>	<b>\$166</b>	<b>\$1,366</b>	<b>\$7,522</b>
(a) Restructuring (reversals) charges, net	(7)	4	(1)	8	9	53	8	33	4	103
(b) Stock-based compensation expense	45	68	81	85	109	102	106	103	278	420
(c) Goodwill impairment charge	–	–	–	64	–	–	–	88	64	88
(d) Gain related to sale of Alibaba Group ADSs	–	–	–	–	–	–	(10,319)	–	–	(10,319)
(e) Gain on Hortonworks warrants	–	–	–	–	–	–	–	(98)	–	(98)
(f) To adjust the provision for income taxes to exclude the tax impact of items (a) - (e)	(8)	(17)	(18)	(22)	(29)	(43)	3,974	1	(65)	3,904
<b>Non-GAAP net earnings</b>	<b>\$420</b>	<b>\$386</b>	<b>\$358</b>	<b>\$482</b>	<b>\$402</b>	<b>\$382</b>	<b>\$543</b>	<b>\$293</b>	<b>\$1,646</b>	<b>\$1,620</b>

## Table 10 – Business Outlook Reconciliations

\$ in millions	Q1'15 Current Outlook
<b>Revenue ex-TAC:</b>	
GAAP revenue	\$1,110 – \$1,150
Less: TAC	<u>\$90</u>
Revenue ex-TAC	\$1,020 – \$1,060
<b>Adjusted EBITDA<sup>(1)</sup>:</b>	
Depreciation and amortization	\$150
Stock-based compensation	\$110 – \$120
<b>Non-GAAP operating income:</b>	
GAAP income from operations	(\$60) – (\$30)
Excluding: Stock-based compensation	<u>\$110 – \$120</u>
Non-GAAP operating income	<b>\$50 – \$90</b>

(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 January 27, 2015. 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 Q4'14, provision for income taxes was \$52 million and tax rate was 43.7%. Excluding the effect of stock-based compensation (which decreased provision for income taxes by \$24 million on a GAAP basis), net restructuring charges (which decreased provision for income taxes by \$12 million on a GAAP basis), and the gain on Hortonworks warrants (which increased provision for income taxes by \$37 million), provision for income taxes, as adjusted, would have been \$51 million and tax rate, as adjusted, would have been 20.8% on a non-GAAP basis.
- **Non-GAAP cash expenses on a normalized basis** – On a GAAP basis in Q4'14, total operating expenses were \$1,221 million and non-GAAP operating expenses were \$923 million (after the exclusions listed in Appendix Table 4). Further, excluding depreciation and amortization of \$153 million and the patent sale benefit of \$35 million, non-GAAP short-term expenses on a normalized basis were \$805 in Q4'14.

## Table 12 – Additional Reconciliations, cont'd

\$ in millions	Quarterly Data		Yearly Data	
	Q4'13	Q4'14	2013	2014
<b>Reconciliation of GAAP mobile revenue to gross mobile revenue:</b>				
GAAP mobile revenue		\$254		\$768
Revenue share with third parties		<u>159</u>		<u>493</u>
<b>Gross mobile revenue</b>		<b>\$413</b>		<b>\$1,261</b>
<b>Reconciliation of GAAP search revenue to gross search revenue:</b>				
GAAP search revenue	\$464	\$467	\$1,742	\$1,793
Revenue share with third parties	<u>354</u>	<u>465</u>	<u>1,231</u>	<u>1,589</u>
<b>Gross search revenue</b>	<b>\$818</b>	<b>\$932</b>	<b>\$2,973</b>	<b>\$3,382</b>

Note: "Gross mobile revenue" is GAAP mobile revenue plus the related revenue share with third parties.

"Gross search revenue" is GAAP search revenue plus the related revenue share with third parties.

Please refer to the Company's earnings release for more information regarding these non-GAAP financial measures.