

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 8-K

CURRENT REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT: October 8, 2003

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YAHOO! INC.  
(Exact name of registrant as specified in its charter)

0-28018  
(Commission File Number)

DELAWARE

77-0398689

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer Identification No.)

701 FIRST AVE.  
SUNNYVALE, CALIFORNIA 94089  
(Address of principal executive offices, with zip code)

(408) 349-3300  
(Registrant's telephone number, including area code)

Item 7. Financial Statements and Exhibits.  
(c) Exhibits.

99.1 Press release dated October 8, 2003 by Yahoo! Inc.

Item 12. Results of Operations and Financial Condition

This Report on Form 8-K is being filed under the Securities Exchange Act of 1934, as amended.

On October 8, 2003, Yahoo! Inc., a Delaware corporation ("Yahoo!"), announced its financial results for the fiscal quarter ended September 30, 2003 and certain other information. A copy of Yahoo!'s press release announcing these financial results and certain other information is attached as Exhibit 99.1 hereto and incorporated by reference herein.

The press release filed as an exhibit to this report includes "safe harbor" language pursuant to the Private Securities Litigation Reform Act of 1995, as amended, indicating that certain statements about the Company's business and other matters contained in the press release are "forward-looking" rather than "historic." The press release also states that a more thorough discussion of certain factors which may affect the Company's operating results is included, among other sections, under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 and the Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, which are on file with the Securities and Exchange Commission ("SEC") and available at the Securities and Exchange Commission's website (<http://www.sec.gov>), and will also be included in the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2003 to be filed with the Securities and Exchange Commission in the fourth quarter of 2003.

The press release also discloses certain financial measures, such as revenues excluding traffic acquisition costs ("TAC"), operating income before depreciation and amortization and free cash flow, that may be considered non-GAAP financial measures in certain circumstances. Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position, or cash flows that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with generally accepted accounting principles. We believe these financial measures provide useful information to both management and investors by excluding certain expenses, gains and losses that may not be indicative of our core operating results. We believe these financial measures are useful to investors in allowing for greater transparency to supplemental information used by management in its financial and operational decision-making. In addition, we have historically reported similar financial measures to our investors and believe that the inclusion of comparative numbers provides consistency in our financial reporting at this time.

The Company believes that financial measures that may be considered non-GAAP in certain circumstances, including revenues excluding TAC, operating income before depreciation and amortization and free cash flow are helpful, when presented in conjunction with the comparable GAAP measures of gross profit, income from operations, and cash flow from operating activities.

Revenues excluding TAC is defined as gross profit before other cost of revenues. We believe this measure is useful to management and investors as it is more comparable to our historical results, as traffic acquisition costs paid to affiliates of Overture Services, Inc., the Company's recently acquired wholly-owned subsidiary ("Overture"), are a significant percentage of revenues generated from Overture's sponsored search services.

Operating income before depreciation and amortization is defined as income (loss) from operations before depreciation and amortization. We consider operating income before depreciation and amortization to be an important indicator of the operational strength of the Company. This measure eliminates the effects of depreciation and amortization from period to period, which we believe is useful to management and investors in evaluating the operating performance of the Company as depreciation and amortization costs are not directly attributable to the underlying performance of the Company's business operations. A limitation associated with this measure is that it does not reflect the periodic costs of certain capitalized tangible and intangible assets used in generating revenues in the Company's businesses. Management evaluates the costs of such tangible and intangible assets through other financial measures such as capital expenditures.

Free cash flow is defined as cash flow from operating activities less capital expenditures and change in long-term deferred revenue. Change in long-term deferred revenue represents cash payments received in advance of revenue recognized related to the Company's agreement with its sponsored search provider. Free cash flow is considered a liquidity measure and provides useful information to management and investors about the amount of cash generated after the acquisition of property and equipment and change in long-term deferred revenue, which can then be used for strategic opportunities including, among others, investing in the Company's business, making strategic acquisitions, strengthening the balance sheet and repurchasing stock. A limitation of free cash flow is that it does not represent the total increase or decrease in the cash balance for the period.

In addition, management refers to these financial measures to facilitate internal and external comparisons to the Company's historical operating results, in making operating decisions, for budget planning purposes, and to form the basis upon which management is compensated. These measures should be considered in addition to, not as a substitute for, or superior to, gross profit, income from operations, cash flow from operating activities, or other measures of financial performance prepared in accordance with generally accepted accounting principles. The non-GAAP measures included in our press release have been reconciled to the most directly comparable GAAP measure as is now required under new SEC rules regarding the use of non-GAAP financial measures.

As used herein, "GAAP" refers to accounting principles generally accepted in the United States.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

YAHOO! INC.

Date: October 8, 2003

By: /s/ Susan Decker

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Susan Decker  
Executive Vice President, Finance and  
Administration, and Chief Financial Officer

YAHOO! INC.

INDEX TO EXHIBITS

Exhibit Number  
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Description  
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99.1

Press Release dated October 8, 2003.

Yahoo! Reports Third Quarter 2003 Financial Results;  
Company Posts Third Quarter Operating Income of \$83 Million,  
Operating Income Before Depreciation and Amortization of \$117 Million

SUNNYVALE, Calif.--(BUSINESS WIRE)--Oct. 8, 2003--Yahoo! Inc. (Nasdaq:YHOO) today reported results for the third quarter ended September 30, 2003. Net revenues for the third quarter totaled \$356.8 million, a 43 percent increase over the \$248.8 million reported for the same period in 2002. Operating income for the third quarter of 2003 was \$83.5 million, compared to \$29.5 million for the same period of 2002. Operating income before depreciation and amortization for the third quarter of 2003 was \$116.5 million, compared to \$59.2 million for the same period of 2002. Cash flow from operating activities for the third quarter of 2003 was \$135.5 million, compared to \$72.3 million for the same period of 2002. Free cash flow for the third quarter of 2003 was \$97.1 million, compared to \$59.0 million for the same period of 2002.

Net revenues for the nine months ended September 30, 2003 totaled \$961.2 million, a 44 percent increase over the \$667.3 million reported for the same period in 2002. Operating income for the nine months ended September 30, 2003 was \$201.2 million, compared to \$32.8 million for the same period of 2002. Operating income before depreciation and amortization for the nine months ended September 30, 2003 was \$297.8 million, compared to \$113.0 million for the same period of 2002. Cash flow from operating activities for the nine months ended September 30, 2003 was \$326.3 million, compared to \$223.1 million for the same period of 2002. Free cash flow for the nine months ended September 30, 2003 was \$246.6 million, compared to \$158.2 million for the same period of 2002.

"Yahoo!'s record financial performance in the third quarter is the product of consistent execution against the strategic priorities we have outlined over the past two years. On a year over year basis, we saw double digit increases in each of our three line items -- marketing services, fees, and listings -- demonstrating that we delivered strong, diverse and balanced growth," said Terry Semel, chairman and chief executive officer, Yahoo!. "As we more fully take advantage of the revenue potential across our entire business, we believe we can continue to meet our long-term objective for superior, consistent and sustainable growth. In this quarter our business grew stronger and better and we continue to remain optimistic about the future."

#### Business Outlook

"We are very pleased with the strength of our third quarter report card, both in terms of what it says about our current fundamentals and also with respect to progress on our key longer-term measures of success. Our client base really says it all: we are supported by hundreds of blue chip traditional marketers, thousands of small and medium-sized businesses, and millions of consumers around the world," said Susan Decker, chief financial officer, Yahoo!. "All these elements constitute a strong, diverse, and well-distributed foundation, which assists us in our longer-term objective to generate consistent and sustainable growth across our key financial metrics." Please refer to the "Notes to Unaudited Condensed Consolidated Statements of Operations" and "Business Outlook" attached to this press release.

#### Third Quarter 2003 Financial Highlights

**Revenues:** In the third quarter of 2003, Yahoo! reported net revenues of \$356.8 million, a 43 percent increase from the same period in 2002. For the nine months ended September 30, 2003, net revenues were \$961.2 million, a 44 percent increase from the \$667.3 million reported in the same period in 2002.

Marketing services revenues for the third quarter of 2003 totaled \$245.1 million, a 48 percent increase from the same period in 2002. Marketing services revenues for the nine months ended September 30, 2003 totaled \$654.2 million, a 44 percent increase from the same period in 2002. These increases resulted from a combination of a strong increase in revenues from Yahoo!'s sponsored search services, and growth in the balance of Yahoo!'s global marketing services revenues.

Fees revenues for the third quarter of 2003 totaled \$79.4 million, a 38 percent increase compared to the same period in 2002. Fees revenues for the nine months ended September 30, 2003 totaled \$213.0 million, a 46 percent increase compared to the same period in 2002. These increases were primarily driven by the growth in paying

relationships for Yahoo!'s premium services, including the SBC Yahoo! DSL and Dial products, Yahoo! Personals, and our small business and communications suites of premium services, partially offset by a decrease in our event webcasting business.

Listings revenues for the third quarter of 2003 totaled \$32.4 million, a 26 percent increase compared to the same period in 2002. Listings revenues for the nine months ended September 30, 2003 totaled \$93.9 million, a 42 percent increase compared to the same period in 2002. These increases were driven primarily by the incremental contribution of revenue from HotJobs, which was acquired in February 2002, as well as increases in our search and marketplace services revenues.

Operating income and Operating income before depreciation and amortization: Operating income for the third quarter of 2003 totaled \$83.5 million, compared to \$29.5 million in the same period of 2002. Operating income before depreciation and amortization for the third quarter of 2003 totaled \$116.5 million, a 97 percent increase compared to the \$59.2 million reported in the same period of 2002. Operating income margin was 23 percent of net revenues in the third quarter of 2003 compared to 12 percent of net revenues for the same period of 2002. Operating income before depreciation and amortization margin increased to 33 percent of net revenues in the third quarter of 2003 compared to 24 percent of net revenues in the same period of 2002. The substantial increase in operating income and operating income before depreciation and amortization reflects strong growth in net revenues and only a 25 percent increase in costs on a year over year basis as a result of our ongoing cost discipline.

Operating income for the nine months ended September 30, 2003 totaled \$201.2 million, compared to \$32.8 million in the same period of 2002. Operating income before depreciation and amortization for the nine months ended September 30, 2003 totaled \$297.8 million, a 164 percent increase compared to the \$113.0 million reported in the same period of 2002. Operating income margin was 21 percent of net revenues for the nine months ended September 30, 2003 compared to 5 percent of net revenues for the same period of 2002. Operating income before depreciation and amortization margin increased to 31 percent of net revenues for the nine months ended September 30, 2003 compared to 17 percent of net revenues in the same period of 2002. The increase in operating income and operating income before depreciation and amortization reflects strong growth in net revenues and only a 20 percent increase in costs on a year over year basis.

Cash flow from operating activities and Free cash flow: Cash flow from operating activities for the third quarter of 2003 totaled \$135.5 million, compared to \$72.3 million for the same period of 2002. Free cash flow for the third quarter of 2003 totaled \$97.1 million, a 65 percent increase compared to the \$59.0 million reported for the same period of 2002.

Cash flow from operating activities for the nine months ended September 30, 2003 totaled \$326.3 million, compared to \$223.1 million for the same period of 2002. Free cash flow for the nine months ended September 30, 2003 totaled \$246.6 million, a 56 percent increase compared to the \$158.2 million reported for the same period of 2002.

Net Income (Loss): Net income for the third quarter of 2003 was \$65.3 million or \$0.10 per diluted share, compared with \$28.9 million or \$0.05 per diluted share for the same period of 2002.

Net income for the nine months ended September 30, 2003 was \$162.9 million or \$0.26 per diluted share, compared with income before the cumulative effect of accounting change of \$60.7 million or \$0.10 per diluted share for the same period of 2002. Net loss was \$3.4 million or \$0.01 per diluted share for the nine months ended September 30, 2002, including the charge of \$64.1 million for the cumulative effect of the accounting change for the implementation of Statement of Financial Accounting Standard No. 142 ("SFAS 142"). SFAS 142, which the Company adopted January 1, 2002, requires companies to assess the goodwill recorded from previous acquisitions, and as necessary, record an impairment charge that does not affect cash or the Company's operations.

#### Quarterly Conference Call

Yahoo! will host a conference call to discuss third quarter results at 5:00 p.m. Eastern Time today. A live Webcast of the conference call, together with supplemental financial information can be accessed through the Company's Investor Relations Web site at <http://yhoo.client.shareholder.com/earnings.cfm>. In addition, an archive of the Webcast can be accessed through the same link. An audio replay of the call will be available following the conference call by calling 877-213-9653 or 630-652-3041, reservation number: 7802416.

About Yahoo!

Yahoo! Inc. is a leading provider of comprehensive online products and services to consumers and businesses worldwide. Yahoo! is the No. 1 Internet brand globally and the most trafficked Internet destination worldwide. Headquartered in Sunnyvale, Calif., Yahoo!'s global network includes 25 World properties and is available in 13 languages.

This press release includes the financial measures revenues excluding traffic acquisition costs, operating income before depreciation and amortization and free cash flow. These measures may be considered non-GAAP financial measures and may be different from non-GAAP financial measures used by other companies. The presentation of this financial information is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with generally accepted accounting principles. See Note 3 of the Notes to Unaudited Condensed Consolidated Statements of Operations and reconciliations to GAAP financial measures included in this press release.

This press release and its attachments contain forward-looking statements that involve risks and uncertainties concerning Yahoo!'s expected financial performance (as described without limitation in the Business Outlook section and quotations from management in this press release), 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, decreases or delays in marketing services spending, including performance of the Company's newly acquired Overture business; the actual increases in demand by customers for Yahoo!'s premium services; acceptance of new products and services; general economic conditions; risks related to the integration of recent acquisitions; the ability to adjust to changes in personnel, including management changes; and the dependence on third parties for technology, services, content and distribution. All information set forth in this release and its attachments is as of October 8, 2003. Yahoo! undertakes no duty to update this information. More information about potential factors that could affect the Company's business and financial results is included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 and Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, including (without limitation) under the captions, "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," which are on file with the SEC and available at the SEC's website at [www.sec.gov](http://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 September 30, 2003, which will be filed with the SEC in the fourth quarter of 2003.

Yahoo! Inc.

Unaudited Condensed Consolidated Statements of Operations  
(in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2003	2002	2003
Net revenues	\$248,823	\$356,821	\$667,280	\$961,175
Cost of revenues	41,033	47,287	120,562	137,261
Gross profit	207,790	309,534	546,718	823,914
Operating expenses:				
Sales and marketing	109,086	128,846	315,247	364,752
Product development	37,352	48,026	105,296	130,397
General and administrative	25,961	39,653	78,067	102,498
Amortization of intangibles	5,914	9,511	15,288	25,020
Total operating expenses	178,313	226,036	513,898	622,667
Income from operations	29,477	83,498	32,820	201,247
Other income, net(1)	19,535	23,935	71,432	66,529
Minority interests in operations of consolidated subsidiaries	(916)	(2,063)	(565)	(5,097)
Income before income taxes and				



cumulative effect of accounting change	48,096	105,370	103,687	262,679
Provision for income taxes	19,239	40,041	42,961	99,819
Income before cumulative effect of accounting change	28,857	65,329	60,726	162,860
Cumulative effect of accounting change	-	-	(64,120)	-
Net income (loss)	\$ 28,857	\$ 65,329	\$ (3,394)	\$162,860
Net income (loss) per share - diluted:				
Income before cumulative effect of accounting change	\$ 0.05	\$ 0.10	\$ 0.10	\$ 0.26
Cumulative effect of accounting change	-	-	(0.11)	-
Net income (loss) per share - diluted	\$ 0.05	\$ 0.10	\$ (0.01)	\$ 0.26
Shares used in per share calculation - diluted(2)	607,134	637,444	610,899	627,270

Supplemental Financial Data(3)

Income from operations	\$ 29,477	\$ 83,498	\$ 32,820	\$201,247
Operating income before depreciation and amortization	\$ 59,228	\$116,511	\$113,002	\$297,836
Cash flow from operating activities	\$ 72,265	\$135,533	\$223,090	\$326,284
Free cash flow	\$ 58,972	\$ 97,088	\$158,209	\$246,566

Yahoo! Inc.

Notes to Unaudited Condensed Consolidated Statements of Operations  
(in thousands, except per share amounts and percentages)

- (1) Other income, net for the three months ended September 30, 2002 includes \$0.7 million of net investment losses and \$0.8 million of contract termination fees. Other income, net for the nine months ended September 30, 2002 includes \$2.3 million of net investment gains and \$1.7 million of net proceeds from the termination of contracts. There were no material comparative amounts for the three months ended September 30, 2003. Other income, net for the nine months ended September 30, 2003 includes approximately \$1.6 million of net investment losses, \$0.7 million of proceeds from the termination of a contract, and \$0.2 million of net gains on disposal of assets.
- (2) Diluted net loss per share for the nine months ended September 30, 2002 is computed excluding common share equivalents of 16,779 shares, as their effect is anti-dilutive.
- (3) The Company believes that financial measures that may be considered non-GAAP in certain circumstances, including revenues excluding traffic acquisition costs ("TAC"), operating income before depreciation and amortization and free cash flow are helpful, when presented in conjunction with the comparable GAAP measures of gross profit, income from operations, and cash flow from operating activities.

Revenues excluding TAC (referred to in our business outlook) is defined as gross profit before other cost of revenues. We believe this measure is useful to management and investors as it is more comparable to our historical results, as traffic acquisition costs paid to affiliates of Overture Services, Inc., the Company's recently acquired wholly-owned subsidiary ("Overture"), are a significant percentage of revenues generated from Overture's sponsored search services.

Operating income before depreciation and amortization is defined as income (loss) from operations before depreciation and

amortization. We consider operating income before depreciation and amortization to be an important indicator of the operational strength of the Company. This measure eliminates the effects of depreciation and amortization from period to period, which we believe is useful to management and investors in evaluating the operating performance of the Company as depreciation and amortization costs are not directly attributable to the underlying performance of the Company's business operations. A limitation associated with this measure is that it does not reflect the periodic costs of certain capitalized tangible and intangible assets used in generating revenues in the Company's businesses. Management evaluates the costs of such tangible and intangible assets through other financial measures such as capital expenditures.

Free cash flow is defined as cash flow from operating activities less capital expenditures and change in long-term deferred revenue. Change in long-term deferred revenue represents cash payments received in advance of revenue recognized related to the Company's agreement with its sponsored search provider. Free cash flow is considered a liquidity measure and provides useful information to management and investors about the amount of cash generated after the acquisition of property and equipment and change in long-term deferred revenue, which can then be used for strategic opportunities including, among others, investing in the Company's business, making strategic acquisitions, strengthening the balance sheet and repurchasing stock. A limitation of free cash flow is that it does not represent the total increase or decrease in the cash balance for the period.

In addition, management refers to these financial measures to facilitate internal and external comparisons to the Company's historical operating results, in making operating decisions, for budget planning purposes, and to form the basis upon which management is compensated. These measures should be considered in addition to, not as a substitute for, or superior to, gross profit, income from operations, cash flow from operating activities, or other measures of financial performance prepared in accordance with generally accepted accounting principles.

Yahoo! Inc.  
Reconciliations to Unaudited Condensed Consolidated  
Statements of Operations  
(in thousands, except percentages)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2003	2002	2003
Net revenues for groups of similar services:				
Marketing services	\$165,761	\$245,072	\$ 455,146	\$ 654,235
Fees	57,331	79,358	145,940	213,013
Listings	25,731	32,391	66,194	93,927
Total net revenues	\$248,823	\$356,821	\$ 667,280	\$ 961,175
Net revenues by segment:				
United States	\$210,135	\$299,759	\$ 564,212	\$ 809,650
International	38,688	57,062	103,068	151,525
Total net revenues	\$248,823	\$356,821	\$ 667,280	\$ 961,175
Operating income before depreciation and amortization reconciliation:				
Income from operations	\$ 29,477	\$ 83,498	\$ 32,820	\$ 201,247
Depreciation and amortization	29,751	33,013	80,182	96,589
Operating income before depreciation and amortization	\$ 59,228	\$116,511	\$ 113,002	\$ 297,836
Income from operations margin percentage	12%	23%	5%	21%
Operating income before depreciation and amortization margin				

percentage	24%	33%	17%	31%
Operating income (loss) before depreciation and amortization by segment:				
Operating income before depreciation and amortization - United States	\$ 57,621	\$106,122	\$ 123,004	\$ 273,625
Operating income (loss) before depreciation and amortization - International	1,607	10,389	(10,002)	24,211
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Operating income before depreciation and amortization	\$ 59,228	\$116,511	\$ 113,002	\$ 297,836
	=====	=====	=====	=====
Operating income (loss) before depreciation and amortization by segment reconciliation:				
United States				
Income from operations	\$ 30,751	\$ 77,684	\$ 51,354	\$ 189,156
Depreciation and amortization	26,870	28,438	71,650	84,469
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Operating income before depreciation and amortization - United States	\$ 57,621	\$106,122	\$ 123,004	\$ 273,625
	=====	=====	=====	=====
Income from operations margin percentage	15%	26%	9%	23%
Operating income before depreciation and amortization margin percentage	27%	35%	22%	34%
International				
Income (loss) from operations	\$ (1,274)	\$ 5,814	\$ (18,534)	\$ 12,091
Depreciation and amortization	2,881	4,575	8,532	12,120
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Operating income (loss) before depreciation and amortization - International	\$ 1,607	\$ 10,389	\$ (10,002)	\$ 24,211
	=====	=====	=====	=====
Income from operations margin percentage	(3%)	10%	(18%)	8%
Operating income before depreciation and amortization margin percentage	4%	18%	(10%)	16%
Free cash flow reconciliation:				
Cash flow from operating activities	\$ 72,265	\$135,533	\$ 223,090	\$ 326,284
Acquisition of property and equipment, net	(13,293)	(38,445)	(34,881)	(79,718)
Change in long-term deferred revenue	-	-	(30,000)	-
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Free cash flow	\$ 58,972	\$ 97,088	\$ 158,209	\$ 246,566
	=====	=====	=====	=====

Yahoo! Inc.  
Business Outlook

Business Outlook

The following business outlook is based on current information (including the effect of our acquisition of Overture) and expectations as of October 8, 2003. Yahoo!'s business outlook as of today is expected to be available on the Company's Investor Relations Web site throughout the current quarter. It is currently expected the full

business outlook will not be updated until the release of Yahoo!'s next quarterly earnings announcement, notwithstanding subsequent developments; however, Yahoo! may update the full business outlook or any portion thereof at any time.

	Three months ending December 31, 2003	Year ending December 31, 2003
Revenues excluding traffic acquisition costs(a) ("TAC") outlook reconciliation (in millions):		
Gross Profit	\$ 395 - \$430	\$1,219 - \$1,254
Other cost of revenues	\$ 67 - \$ 72	\$ 204 - \$ 209
Revenues excluding TAC	\$ 462 - \$502	\$1,423 - \$1,463
Operating income before depreciation and amortization reconciliation (in millions):		
Income from operations	\$ 70 - \$ 85	\$ 271 - \$ 286
Depreciation and amortization	\$ 60 - \$ 65	\$ 157 - \$ 162
Operating income before depreciation and amortization	\$ 130 - \$150	\$ 428 - \$ 448

(a) Refer to Note 3 of Notes to Unaudited Condensed Consolidated Statements of Operations.

Yahoo! Inc.  
Unaudited Consolidated Summary Cash Flow Data  
(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2003	2002	2003
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income (loss)	\$ 28,857	\$ 65,329	\$ (3,394)	\$ 162,860
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	29,751	33,013	80,182	96,589
Tax benefits from stock options	17,687	36,198	38,443	85,843
Cumulative effect of accounting change	-	-	64,120	-
Earnings in equity interests	(5,527)	(12,495)	(15,327)	(32,225)
Minority interests in operations of consolidated subsidiaries	916	2,063	565	5,097
Noncash (gains) losses and impairments of investments	171	113	(2,930)	6,081
Other noncash charges	2,452	2,156	9,228	5,201
Changes in assets and liabilities, net of effects of acquisitions:				
Accounts receivable, net	(17,233)	(8,286)	(20,759)	(31,815)
Prepaid expenses and other assets	1,098	3,209	24,972	(756)
Accounts payable	(1,013)	685	(1,080)	280
Accrued expenses and other liabilities	6,018	19,080	(4,595)	18,147
Deferred revenue	9,088	(5,532)	23,665	10,982
Long-term				

deferred revenue	-	-	30,000	-
Net cash provided by operating activities	72,265	135,533	223,090	326,284
CASH FLOWS FROM INVESTING ACTIVITIES:				
Acquisition of property and equipment, net	(13,293)	(38,445)	(34,881)	(79,718)
Purchases of marketable securities	(254,194)	(966,120)	(797,231)	(1,632,298)
Proceeds from sales and maturities of marketable securities	312,995	390,930	808,740	1,041,429
Acquisitions, net of cash acquired	-	-	(189,168)	(228,318)
Proceeds from (purchases of) other investments	(7,649)	9,037	(6,962)	2,763
Net cash provided by (used in) investing activities	37,859	(604,598)	(219,502)	(896,142)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from issuance of debt	-	-	-	733,125
Proceeds from issuance of common stock, net	2,916	74,416	38,615	203,027
Repurchase of common stock	(100,000)	-	(100,000)	-
Net cash provided by (used in) financing activities	(97,084)	74,416	(61,385)	936,152
Effect of exchange rate changes on cash and cash equivalents	2,688	585	4,484	4,252
Net change in cash and cash equivalents	15,728	(394,064)	(53,313)	370,546
Cash and cash equivalents, beginning of period	303,591	1,075,582	372,632	310,972
Cash and cash equivalents, end of period	\$ 319,319	\$ 681,518	\$ 319,319	\$ 681,518

Yahoo! Inc.  
Unaudited Consolidated Summary Balance Sheet Data  
(in thousands)

	December 31, 2002	September 30, 2003
ASSETS		
Cash and cash equivalents	\$ 310,972	\$ 681,518
Investments in marketable debt securities	1,223,066	1,804,939
Accounts receivable, net	113,612	151,024
Property and equipment, net	371,272	386,443
Goodwill	415,225	635,488
Intangible assets, net	96,252	121,023
Other assets	259,782	325,270
Total assets	\$ 2,790,181	\$ 4,105,705

LIABILITIES AND STOCKHOLDERS' EQUITY

Accounts payable and accrued expenses	\$ 276,313	\$ 341,070
Deferred revenue	135,501	150,518
Long term debt	-	750,000
Long term liabilities	84,540	102,374
	-----	-----
Total liabilities	496,354	1,343,962
	-----	-----
Minority interests in consolidated subsidiaries	31,557	36,654
Stockholders' equity	2,262,270	2,725,089
	-----	-----
Total liabilities and stockholders' equity	\$ 2,790,181	\$ 4,105,705
	=====	=====

Yahoo! Inc.

Unaudited Supplemental Financial Information and Business Metrics  
(in thousands, except percentages)

	Q1	Q2	Q3	Q4
	-----	-----	-----	-----
	2002	2002	2002	2002
	-----	-----	-----	-----
<b>NET REVENUES:</b>				
Net revenues for groups of similar services:				
Marketing services	\$ 137,675	\$151,710	\$165,761	\$196,422
Fees	39,546	49,063	57,331	62,001
Listings	15,444	25,019	25,731	27,364
	-----	-----	-----	-----
Total net revenues	\$ 192,665	\$225,792	\$248,823	\$285,787
	=====	=====	=====	=====
Net revenues for groups of similar services (Trailing Twelve Months):				
Marketing services	\$ 561,673	\$566,728	\$603,358	\$651,568
Fees	130,138	150,865	178,426	207,941
Listings	38,061	55,906	74,407	93,558
	-----	-----	-----	-----
Total net revenues	\$ 729,872	\$773,499	\$856,191	\$953,067
	=====	=====	=====	=====
Net revenues by segment:				
United States	\$ 166,612	\$187,465	\$210,135	\$242,386
International	26,053	38,327	38,688	43,401
	-----	-----	-----	-----
Total net revenues	\$ 192,665	\$225,792	\$248,823	\$285,787
	=====	=====	=====	=====
Net revenues by segment (Trailing Twelve Months):				
United States	\$ 613,970	\$652,324	\$723,094	\$806,598
International	115,902	121,175	133,097	146,469
	-----	-----	-----	-----
Total net revenues	\$ 729,872	\$773,499	\$856,191	\$953,067
	=====	=====	=====	=====
<b>OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION:</b>				
Operating income before depreciation and amortization:				
Income (loss) from operations	\$ (4,175)	\$ 7,518	\$ 29,477	\$ 55,368
Depreciation and amortization	22,955	27,476	29,751	29,207
	-----	-----	-----	-----
Operating income before depreciation and amortization	\$ 18,780	\$ 34,994	\$ 59,228	\$ 84,575
	=====	=====	=====	=====
Income (loss) from operations margin percentage	(2%)	3%	12%	19%
Operating income before depreciation and amortization margin percentage	10%	15%	24%	30%
Operating income (loss) before depreciation and amortization (Trailing Twelve Months):				
Income (loss) from operations	\$(129,677)	\$(48,325)	\$ 7,514	\$ 88,188
Depreciation and amortization	123,319	118,553	116,223	109,389
	-----	-----	-----	-----

Operating income (loss) before depreciation and amortization	\$ (6,358)	\$ 70,228	\$123,737	\$197,577
	=====	=====	=====	=====

Income (loss) from operations margin percentage	(18%)	(6%)	1%	9%
Operating income (loss) before depreciation and amortization margin percentage	(1%)	9%	14%	21%

Operating income (loss) before depreciation and amortization by segment:

Operating income before depreciation and amortization				
- United States	\$ 26,829	\$ 38,554	\$ 57,621	\$ 81,315
Operating income (loss) before depreciation and amortization - International	(8,049)	(3,560)	1,607	3,260
	-----	-----	-----	-----
Operating income before depreciation and amortization	\$ 18,780	\$ 34,994	\$ 59,228	\$ 84,575
	=====	=====	=====	=====

Operating income (loss) before depreciation and amortization by segment (Trailing Twelve Months):

Operating income before depreciation and amortization				
- United States	\$ 29,551	\$ 97,631	\$140,036	\$204,319
Operating income (loss) before depreciation and amortization - International	(35,909)	(27,403)	(16,299)	(6,742)
	-----	-----	-----	-----
Operating income (loss) before depreciation and amortization	\$ (6,358)	\$ 70,228	\$123,737	\$197,577
	=====	=====	=====	=====

Operating income (loss) before depreciation and amortization by segment reconciliation:

United States				
Income from operations	\$ 6,729	\$ 13,874	\$ 30,751	\$ 55,021
Depreciation and amortization	20,100	24,680	26,870	26,294
	-----	-----	-----	-----
Operating income before depreciation and amortization - United States	\$ 26,829	\$ 38,554	\$ 57,621	\$ 81,315
	=====	=====	=====	=====

Income (loss) from operations margin percentage	4%	7%	15%	23%
Operating income before depreciation and amortization margin percentage	16%	21%	27%	34%

International				
Income (loss) from operations	\$ (10,904)	\$ (6,356)	\$ (1,274)	\$ 347
Depreciation and amortization	2,855	2,796	2,881	2,913
	-----	-----	-----	-----

Operating income (loss) before depreciation and amortization- International	\$ (8,049)	\$ (3,560)	\$ 1,607	\$ 3,260
	=====	=====	=====	=====

Income (loss) from operations margin percentage	(42%)	(17%)	(3%)	1%
Operating income before depreciation and amortization margin percentage	(31%)	(9%)	4%	8%

Operating income (loss) before depreciation and amortization by segment reconciliation (Trailing Twelve Months):

United States				
Income (loss) from operations	\$ (80,217)	\$ (7,949)	\$ 35,540	\$106,375
Depreciation and				

amortization	109,768	105,580	104,496	97,944
	-----	-----	-----	-----
Operating income before depreciation and amortization - United States	\$ 29,551	\$ 97,631	\$140,036	\$204,319
	=====	=====	=====	=====
Income (loss) from operations margin percentage	(13%)	(1%)	5%	13%
Operating income before depreciation and amortization margin percentage	5%	15%	19%	25%
International				
Income (loss) from operations	\$ (49,460)	\$(40,376)	\$(28,026)	\$(18,187)
Depreciation and amortization	13,551	12,973	11,727	11,445
	-----	-----	-----	-----
Operating income (loss) before depreciation and amortization- International	\$(35,909)	\$(27,403)	\$(16,299)	\$ (6,742)
	=====	=====	=====	=====
Income (loss) from operations margin percentage	(43%)	(33%)	(21%)	(12%)
Operating income before depreciation and amortization margin percentage	(31%)	(23%)	(12%)	(5%)

FREE CASH FLOW:

Free cash flow reconciliation:

Cash flow from operating activities	\$ 47,443	\$103,382	\$ 72,265	\$ 79,358
Acquisition of property and equipment, net	(7,287)	(14,301)	(13,293)	(16,672)
Change in long-term deferred revenue	-	(30,000)	-	-
	-----	-----	-----	-----
Free cash flow	\$ 40,156	\$ 59,081	\$ 58,972	\$ 62,686
	=====	=====	=====	=====

Free cash flow reconciliation (Trailing Twelve Months):

Cash flow from operating activities	\$ 83,240	\$192,226	\$236,073	\$302,448
Acquisition of property and equipment, net	(52,043)	(52,743)	(49,223)	(51,553)
Change in long-term deferred revenue	-	(30,000)	(30,000)	(30,000)
	-----	-----	-----	-----
Free cash flow	\$ 31,197	\$109,483	\$156,850	\$220,895
	=====	=====	=====	=====

	Q1	Q2	Q3
	-----	-----	-----
	2003	2003	2003
	-----	-----	-----

NET REVENUES:

Net revenues for groups of similar services:

Marketing services	\$ 189,965	\$ 219,198	\$ 245,072
Fees	63,729	69,926	79,358
Listings	29,254	32,282	32,391
	-----	-----	-----
Total net revenues	\$ 282,948	\$ 321,406	\$ 356,821
	=====	=====	=====

Net revenues for groups of similar services (Trailing Twelve Months):

Marketing services	\$ 703,858	\$ 771,346	\$ 850,657
Fees	232,124	252,987	275,014
Listings	107,368	114,631	121,291
	-----	-----	-----
Total net revenues	\$1,043,350	\$1,138,964	\$1,246,962
	=====	=====	=====

Net revenues by segment:

United States	\$ 238,546	\$ 271,345	\$ 299,759
International	44,402	50,061	57,062



Total net revenues	\$ 282,948	\$ 321,406	\$ 356,821
	=====	=====	=====
Net revenues by segment (Trailing Twelve Months):			
United States	\$ 878,532	\$ 962,412	\$1,052,036
International	164,818	176,552	194,926
	-----	-----	-----
Total net revenues	\$1,043,350	\$1,138,964	\$1,246,962
	=====	=====	=====

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION:  
Operating income before depreciation and amortization:

Income (loss) from operations	\$ 54,977	\$ 62,772	\$ 83,498
Depreciation and amortization	29,073	34,503	33,013
	-----	-----	-----

Operating income before depreciation and amortization	\$ 84,050	\$ 97,275	\$ 116,511
	=====	=====	=====

Income (loss) from operations margin percentage	19%	20%	23%
Operating income before depreciation and amortization margin percentage	30%	30%	33%

Operating income (loss) before depreciation and amortization  
(Trailing Twelve Months):

Income (loss) from operations	\$ 147,340	\$ 202,594	\$ 256,615
Depreciation and amortization	115,507	122,534	125,796
	-----	-----	-----

Operating income (loss) before depreciation and amortization	\$ 262,847	\$ 325,128	\$ 382,411
	=====	=====	=====

Income (loss) from operations margin percentage	14%	18%	21%
Operating income (loss) before depreciation and amortization margin percentage	25%	29%	31%

Operating income (loss) before depreciation and amortization  
by segment:

Operating income before depreciation and amortization - United States	\$ 76,948	\$ 90,555	\$ 106,122
Operating income (loss) before depreciation and amortization - International	7,102	6,720	10,389
	-----	-----	-----

Operating income before depreciation and amortization	\$ 84,050	\$ 97,275	\$ 116,511
	=====	=====	=====

Operating income (loss) before depreciation and amortization by  
segment (Trailing Twelve Months):

Operating income before depreciation and amortization - United States	\$ 254,438	\$ 306,439	\$ 354,940
Operating income (loss) before depreciation and amortization - International	8,409	18,689	27,471
	-----	-----	-----

Operating income (loss) before depreciation and amortization	\$ 262,847	\$ 325,128	\$ 382,411
--	------------	------------	------------

	=====	=====	=====
Operating income (loss) before depreciation and amortization			
by segment reconciliation:			
United States			
Income from operations	\$ 51,000	\$ 60,472	\$ 77,684
Depreciation and amortization	25,948	30,083	28,438
	-----	-----	-----
Operating income before depreciation and amortization - United States	\$ 76,948	\$ 90,555	\$ 106,122
	=====	=====	=====
Income (loss) from operations margin percentage	21%	22%	26%
Operating income before depreciation and amortization margin percentage	32%	33%	35%
International			
Income (loss) from operations	\$ 3,977	\$ 2,300	\$ 5,814
Depreciation and amortization	3,125	4,420	4,575
	-----	-----	-----
Operating income (loss) before depreciation and amortization - International	\$ 7,102	\$ 6,720	\$ 10,389
	=====	=====	=====
Income (loss) from operations margin percentage	9%	5%	10%
Operating income before depreciation and amortization margin percentage	16%	13%	18%
Operating income (loss) before depreciation and amortization by segment reconciliation (Trailing Twelve Months):			
United States			
Income (loss) from operations	\$ 150,646	\$ 197,244	\$ 244,177
Depreciation and amortization	103,792	109,195	110,763
	-----	-----	-----
Operating income before depreciation and amortization - United States	\$ 254,438	\$ 306,439	\$ 354,940
	=====	=====	=====
Income (loss) from operations margin percentage	17%	20%	23%
Operating income before depreciation and amortization margin percentage	29%	32%	34%
International			
Income (loss) from operations	\$ (3,306)	\$ 5,350	\$ 12,438
Depreciation and amortization	11,715	13,339	15,033
	-----	-----	-----
Operating income (loss) before depreciation and amortization - International	\$ 8,409	\$ 18,689	\$ 27,471
	=====	=====	=====
Income (loss) from operations margin percentage	(2%)	3%	6%
Operating income before depreciation and amortization margin			

percentage

5%

11%

14%

FREE CASH FLOW:

Free cash flow reconciliation:

Cash flow from operating activities	\$ 98,628	\$ 92,123	\$ 135,533
Acquisition of property and equipment, net	(20,503)	(20,770)	(38,445)
Change in long-term deferred revenue	-	-	-
	-----	-----	-----
Free cash flow	\$ 78,125	\$ 71,353	\$ 97,088
	=====	=====	=====

Free cash flow reconciliation (Trailing Twelve Months):

Cash flow from operating activities	\$ 353,633	\$ 342,374	\$ 405,642
Acquisition of property and equipment, net	(64,769)	(71,238)	(96,390)
Change in long-term deferred revenue	(30,000)	-	-
	-----	-----	-----
Free cash flow	\$ 258,864	\$ 271,136	\$ 309,252
	=====	=====	=====

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