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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
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FORM 8-K
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Current Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

July 17, 2007
Date of Report (Date of Earliest Event Reported)
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Yahoo! Inc.
(Exact name of Registrant as specified in its charter)
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Delaware 0-28018 77-0398689
(State or other Jurisdiction (Commission File No.) (IRS Employer
of Incorporation) Identification No.)

701 First Ave.
Sunnyvale, California 94089
(Address of principal executive offices, including zip code)

(408) 349-3300
(Registrant's telephone number, including area code)
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Check the appropriate box below if the Form 8-K filing is intended to
simultaneously satisfy the filing obligation of the registrant under any of the
following provisions (see General Instruction A.2. below):

- [ ] Written communications pursuant to Rule 425 under the Securities Act
(17 CFR 230.425)
[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act
(17 CFR 240.14a-12)
[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the
Exchange Act (17 CFR 240.14d-2(b))
[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the
Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition

On July 17, 2007, Yahoo! Inc., a Delaware corporation ("Yahoo!")
announced its financial results for the second quarter ended June 30, 2007 and
certain other information. A copy of Yahoo!'s press release announcing these
financial results and certain other information is attached hereto as
Exhibit 99.1.

The information in this Current Report, including Exhibit 99.1, shall
not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act
of 1934, as amended (the "Exchange Act") or otherwise subject to the liabilities
under that Section and shall not be deemed to be incorporated by reference into
any filing of Yahoo! under the Securities Act of 1933, as amended, or the
Exchange Act.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

The following exhibit is furnished with this report on Form 8-K:

99.1 Yahoo! Inc. Press Release dated July 17, 2007.

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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 hereunto duly authorized.

YAHOO! INC.

By: /s/ Blake Jorgensen

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Blake Jorgensen  
Chief Financial Officer (Principal  
Financial Officer)

Date: July 17, 2007

YAHOO! INC.

INDEX TO EXHIBITS

Exhibit Number  
-----  
99.1

Description  
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Yahoo! Inc. Press Release dated July 17, 2007

## Yahoo! Reports Second Quarter 2007 Financial Results

Revenues - \$1,698 Million

Operating Income - \$185 Million

Operating Income Before Depreciation, Amortization and Stock-Based  
Compensation Expense - \$474 Million

SUNNYVALE, Calif.--(BUSINESS WIRE)--July 17, 2007--Yahoo! Inc. (Nasdaq:YHOO) today reported results for the second quarter ended June 30, 2007.

"I am focused on doing everything we need to do to strengthen our business, capture long-term growth opportunities and create increased value for our shareholders," said Jerry Yang, co-founder and chief executive officer, Yahoo! Inc. "By sharpening our focus, speeding execution, building our technology and talent, and investing in key growth areas, we can put Yahoo! on a clear path to fulfill its potential as an Internet leader."

## Second Quarter 2007 Financial Results

- Revenues were \$1,698 million for the second quarter of 2007, an 8 percent increase compared to \$1,576 million for the same period of 2006.
- Marketing services revenues were \$1,486 million for the second quarter of 2007, a 7 percent increase compared to \$1,386 million for the same period of 2006.
- Marketing services revenues from Owned and Operated sites were \$887 million for the second quarter of 2007, an 18 percent increase compared to \$752 million for the same period of 2006.
- Marketing services revenues from Affiliate sites were \$599 million for the second quarter of 2007, a 5 percent decrease compared to \$634 million for the same period of 2006.
- Fees revenues were \$212 million for the second quarter of 2007, a 12 percent increase compared to \$190 million for the same period of 2006.
- Revenues excluding traffic acquisition costs ("TAC") were \$1,244 million for the second quarter of 2007, an 11 percent increase compared to \$1,123 million for the same period of 2006.
- Gross profit for the second quarter of 2007 was \$1,015 million, a 9 percent increase compared to \$930 million for the same period of 2006.
- Operating income for the second quarter of 2007 was \$185 million, a 19 percent decrease compared to \$230 million for the same period of 2006.
- Operating income before depreciation, amortization and stock-based compensation expense for the second quarter of 2007 was \$474 million, a 4 percent increase compared to \$457 million for the same period of 2006.
- Cash flow from operating activities for the second quarter of 2007 was \$406 million, a 6 percent decrease compared to \$430 million for the same period of 2006.
- Free cash flow for the second quarter of 2007 was \$328 million, an 8 percent decrease compared to \$358 million for the same period of 2006.
- Net income for the second quarter of 2007 was \$161 million or \$0.11 per diluted share compared to \$164 million or \$0.11 per diluted share for the same period of 2006.
- Non-GAAP net income for the second quarter of 2007 was \$238 million or \$0.17 per diluted share compared to non-GAAP net income of \$241 million or \$0.16 per diluted share for the same period of 2006.

- The provision for income taxes for the second quarter of 2007 was \$88 million and yielded an effective tax rate of 41 percent. The provision for income taxes for the second quarter of 2006 was \$123 million and yielded an effective tax rate of 46 percent.
- Explanations of the Company's non-GAAP financial measures and the related reconciliations to the GAAP financial measures the Company considers most comparable are included in the accompanying "Note to Unaudited Condensed Consolidated Statements of Income," "Reconciliations to Unaudited Condensed Consolidated Statements of Income," and "Reconciliation of GAAP Net Income and GAAP Net Income Per Share to Non-GAAP Net Income and Non-GAAP Net Income Per Share."

"Over the last several months, we have made considerable progress driving much tighter focus within our core operations to drive growth. This will take time and continued investment, but we are operating with a great sense of urgency," said Susan Decker, president, Yahoo! Inc. "In order to create meaningful value for shareholders and to drive growth in the future, we will aggressively look at all opportunities to allocate our capital and talent in the most effective ways."

#### Segment Financial Results

- United States segment revenues for the second quarter of 2007 were \$1,119 million, a 5 percent increase compared to \$1,070 million for the same period of 2006.
- International segment revenues for the second quarter of 2007 were \$579 million, a 15 percent increase compared to \$506 million for the same period of 2006.
- United States segment operating income before depreciation, amortization and stock-based compensation expense for the second quarter of 2007 was \$362 million, a 6 percent increase compared to \$341 million for the same period of 2006.
- International segment operating income before depreciation, amortization and stock-based compensation expense for the second quarter of 2007 was \$111 million, a 4 percent decrease compared to \$116 million for the same period of 2006.

#### Cash Flow Information

Free cash flow was \$328 million for the second quarter of 2007 compared to \$358 million for the same period of 2006. In addition to free cash flow, Yahoo! generated \$132 million from the issuance of common stock as a result of the exercise of employee stock options. This was offset by \$418 million used for direct stock repurchases and \$24 million used for acquisitions. Cash, cash equivalents and investments in marketable debt securities were \$3,152 million at June 30, 2007 as compared to \$3,128 million at March 31, 2007, an increase of \$24 million.

"While Yahoo! delivered another quarter of revenue growth, profitability and most importantly, strong free cash flow, we are committed to making continued improvements across all of our financial metrics," said Blake Jorgensen, chief financial officer, Yahoo! Inc. "Though there is hard work ahead, I believe the potential for this great company is enormous, and I look forward to partnering with Jerry and Sue to help take Yahoo! into its next phase of growth."

#### Quarterly Conference Call

Yahoo! will host a conference call to discuss second 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 website 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 888-286-8010 or 617-801-6888, reservation number: 21933763.

#### About Yahoo!

Yahoo! Inc. is a leading global Internet brand and one of the most trafficked Internet destinations worldwide. Yahoo!'s mission is to connect people to their passions, their communities, and the world's

knowledge. Yahoo! is headquartered in Sunnyvale, California.

Affiliate sites refer to Yahoo!'s distribution network of third-party entities who have integrated Yahoo!'s search and/or display advertising offerings into their websites.

This press release and its attachments include the following financial measures defined as non-GAAP financial measures by the Securities and Exchange Commission: revenues excluding traffic acquisition costs or TAC, operating income before depreciation, amortization and stock-based compensation expense, free cash flow, and non-GAAP net income and non-GAAP net income per share. These measures 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 ("GAAP"). See "Note to Unaudited Condensed Consolidated Statements of Income," "Reconciliations to Unaudited Condensed Consolidated Statements of Income," and "Reconciliation of GAAP Net Income and GAAP Net Income Per Share to Non-GAAP Net Income and Non-GAAP Net Income Per Share" included in this press release for further information regarding these non-GAAP financial measures.

This press release and its attachments contain forward-looking statements that involve risks and uncertainties concerning Yahoo!'s expected financial performance (including without limitation the statements and information in the Business Outlook section and the 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, the successful implementation, and acceptance by advertisers, of the Company's new search advertising system; the Company's ability to compete with new or existing competitors; the implementation and results of the Company's ongoing strategic initiatives; 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 the Company's international operations; failure to manage growth and diversification; adverse results in litigation, including intellectual property infringement claims; the Company'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; and general economic conditions. All information set forth in this press release and its attachments is as of July 17, 2007. 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 the Company'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 the Company's Annual Report on Form 10-K for the year ended December 31, 2006 and the Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, 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 June 30, 2007, which will be filed with the SEC in the third quarter of 2007.

Yahoo! and the Yahoo! logos are trademarks and/or registered trademarks of Yahoo! Inc. All other names are trademarks and/or registered trademarks of their respective owners.

Yahoo! Inc.  
Unaudited Condensed Consolidated Statements of Income  
(in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2007	2006	2007
Revenues	\$1,575,854	\$1,697,920	\$3,142,909	\$3,369,770
Cost of revenues	645,767	683,012	1,303,710	1,396,649

Gross profit	930,087	1,014,908	1,839,199	1,973,121
Operating expenses:				
Sales and marketing	325,845	390,430	657,005	757,849
Product development	208,743	281,086	426,320	520,586
General and administrative	131,909	133,258	260,214	288,423
Amortization of intangibles	34,003	25,177	64,861	52,279
Total operating expenses	700,500	829,951	1,408,400	1,619,137
Income from operations	229,587	184,957	430,799	353,984
Other income, net	36,090	30,736	71,526	66,187
Income before income taxes, earnings in equity interests and minority interests	265,677	215,693	502,325	420,171
Provision for income taxes	(122,698)	(87,732)	(225,630)	(180,090)
Earnings in equity interests	21,634	32,106	48,071	61,255
Minority interests in operations of consolidated subsidiaries	(283)	500	(577)	1,655
Net income	\$ 164,330	\$ 160,567	\$ 324,189	\$ 302,991
Net income per share - diluted	\$ 0.11	\$ 0.11	\$ 0.22	\$ 0.21
Shares used in per share calculation - diluted	1,476,642	1,403,819	1,484,809	1,410,779
Stock-based compensation expense was allocated as follows:				
Cost of revenues	\$ 1,582	\$ 2,357	\$ 3,267	\$ 4,364
Sales and marketing	38,489	52,110	77,356	102,378
Product development	36,170	64,451	73,887	112,751
General and administrative	23,482	9,861	53,854	49,292
Total stock-based compensation expense	\$ 99,723	\$ 128,779	\$ 208,364	\$ 268,785

Supplemental Financial Data (See Note)

Revenues excluding TAC	\$1,122,655	\$1,243,766	\$2,210,353	\$2,426,842
Operating income before depreciation, amortization and stock-based compensation expense	\$ 456,858	\$ 473,629	\$ 891,790	\$ 933,664
Free cash flow	\$ 357,830	\$ 328,193	\$ 700,776	\$ 696,943
Non-GAAP net income per share excluding stock-based compensation expense	\$ 0.16	\$ 0.17	\$ 0.32	\$ 0.33

Yahoo! Inc.

Note to Unaudited Condensed Consolidated Statements of Income

This press release and its attachments include the non-GAAP financial measures of revenues excluding traffic acquisition costs or TAC, operating income before depreciation, amortization and stock-based compensation expense, free cash flow and non-GAAP net income and non-GAAP net income per share, which are reconciled to gross profit, income from operations, cash flow from operating activities, and net income and net income per share, respectively, which we believe are the most comparable GAAP measures. We use these non-GAAP financial measures for internal managerial purposes, when publicly providing our business outlook, and to facilitate period-to-period comparisons. We describe limitations specific to each non-GAAP financial measure below. Management generally compensates for limitations in the use of non-GAAP financial measures by relying on comparable GAAP financial measures and providing investors with a reconciliation of the non-GAAP financial measure to the most directly comparable GAAP financial measure or measures. Further, management uses non-GAAP financial measures only in addition to and in conjunction with results presented in accordance with GAAP. We believe that these non-GAAP financial measures reflect an additional way of viewing aspects of our operations that, when viewed with our GAAP results, provide a more complete understanding of factors and trends affecting our business. These non-GAAP measures should be considered as a supplement to, and not as a substitute for, or superior to, gross profit, income from operations, cash flow from operating activities, and net income and net income per share calculated in accordance with GAAP.

Revenues excluding TAC is defined as gross profit plus other cost of revenues. Under GAAP, both our revenues and cost of revenues include TAC. In defining revenues excluding TAC as our non-GAAP gross profit measure, we have removed TAC from both revenues and cost of revenues. TAC consists of payments made to affiliates that have integrated our sponsored search and/or display advertising offerings into their websites and payments made to companies that direct consumer and business traffic to the Yahoo! website. We present revenues excluding TAC: (1) to provide a metric for our investors to analyze and value our Company and (2) to provide investors one of the primary metrics used by the Company for evaluation and decision-making purposes. We provide revenues excluding TAC because we believe it is useful to investors in valuing our Company. One of the ways investors value companies is to apply a multiple to revenues. Since a significant portion of the GAAP revenues associated with our sponsored search offerings is paid to our third-party affiliates, we believe investors find it more meaningful to apply multiples to revenues excluding TAC to assess our value as this avoids "double counting" revenues that are paid to, and being reported by, our third-party affiliates. Further, management uses revenues excluding TAC for evaluating the performance of our business, making operating decisions, budgeting purposes, and as a factor in determining management compensation. A limitation of revenues excluding TAC is that it is a measure which we have defined for internal and investor purposes that may be unique to the Company and therefore it may not enhance the comparability of our results to other companies in our industry who have similar business arrangements but address the impact of TAC differently. Management compensates for these limitations by also relying on the comparable GAAP financial measures of revenues, cost of revenues and gross profit, each of which includes the impact of TAC.

Operating income before depreciation, amortization and stock-based compensation expense is defined as income from operations before depreciation, amortization of intangible assets and stock-based compensation expense (including the compensation of Terry Semel who served as our chief executive officer through June 18, 2007 and whose compensation since June 1, 2006 consisted almost entirely of stock-based compensation). We consider this measure to be an important indicator of the operational strength of the Company. We exclude depreciation and amortization because while tangible and intangible assets support our businesses, we do not believe the related depreciation and amortization costs are directly attributable to the operating performance of our business. This measure is used by some investors when assessing the performance of our Company. In addition, because of the variety of equity awards used by companies, the varying methodologies for determining stock-based compensation expense, and the subjective assumptions involved in those determinations, we believe excluding stock-based compensation



enhances the ability of management and investors to understand the impact of stock-based compensation expense on our operating income. We do not include depreciation, amortization and stock-based compensation expense in our internal measures or in the measures used by the Company to formulate our business outlook presented with our quarterly financial information to investors. A limitation associated with the non-GAAP measure of operating income before depreciation, amortization and stock-based compensation expense is that it does not reflect the periodic costs of certain capitalized tangible and intangible assets used in generating revenues in our businesses. Management evaluates the costs of such tangible and intangible assets through other financial measures such as capital expenditures. A further limitation associated with this measure is that it does not include stock-based compensation expense related to the Company's workforce. Management compensates for these limitations by also relying on the comparable GAAP financial measure of income from operations, which includes depreciation, amortization and stock-based compensation expense.

Free cash flow is defined as cash flow from operating activities, less net capital expenditures and dividends received and includes the excess tax benefits from stock-based compensation. We consider free cash flow to be a liquidity measure which provides useful information to management and investors about the amount of cash generated by the business after the acquisition of property and equipment, 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. Management compensates for this limitation by also relying on the net change in cash and cash equivalents as presented in the Company's unaudited condensed consolidated statements of cash flows prepared in accordance with GAAP which incorporates all cash movements during the period.

Non-GAAP net income is defined as net income excluding certain gains, losses and expenses and their related tax effects that we do not believe are indicative of our ongoing operating results and further adjusted for stock-based compensation expense. Effective January 1, 2006, we adopted Statement of Financial Accounting Standard No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"). In our calculation of non-GAAP net income and non-GAAP net income per share, we have excluded stock-based compensation expense calculated in accordance with SFAS123R and its related tax effects. We consider non-GAAP net income and non-GAAP net income per share to be profitability measures which facilitate the forecasting of our operating results for future periods and allow for the comparison of our results to historical periods. A limitation of non-GAAP net income and non-GAAP net income per share is that they do not include all items that impact our net income and net income per share for the period. Management compensates for this limitation by also relying on the comparable GAAP financial measures of net income and net income per share, both of which include the expense and related tax effects of the item excluded from non-GAAP net income and non-GAAP net income per share.

Yahoo! Inc.  
Reconciliations to Unaudited Condensed Consolidated Statements of  
Income  
(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2007	2006	2007
Revenues for groups of similar services :				
Marketing services:				
Owned and Operated sites	\$ 752,414	\$ 886,643	\$1,468,982	\$1,703,989
Affiliate sites	633,831	599,389	1,298,117	1,250,662
	1,386,245	1,486,032	2,767,099	2,954,651
Marketing services Fees	189,609	211,888	375,810	415,119
	\$1,575,854	\$1,697,920	\$3,142,909	\$3,369,770
Total revenues	\$1,575,854	\$1,697,920	\$3,142,909	\$3,369,770

Revenues by segment:				
United States	\$1,070,134	\$1,118,514	\$2,167,172	\$2,219,271
International	505,720	579,406	975,737	1,150,499
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Total revenues	<u>\$1,575,854</u>	<u>\$1,697,920</u>	<u>\$3,142,909</u>	<u>\$3,369,770</u>

Cost of revenues:				
Traffic acquisition costs ("TAC")	\$ 453,199	\$ 454,154	\$ 932,556	\$ 942,928
Other cost of revenues	192,568	228,858	371,154	453,721
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Total cost of revenues	<u>\$ 645,767</u>	<u>\$ 683,012</u>	<u>\$1,303,710</u>	<u>\$1,396,649</u>

Revenues excluding TAC:				
Gross profit	\$ 930,087	\$1,014,908	\$1,839,199	\$1,973,121
Other cost of revenues	192,568	228,858	371,154	453,721
	-----	-----	-----	-----
Revenues excluding TAC	<u>\$1,122,655</u>	<u>\$1,243,766</u>	<u>\$2,210,353</u>	<u>\$2,426,842</u>

Revenues excluding TAC by segment:				
United States:				
Gross profit	\$ 679,116	\$ 752,598	\$1,361,507	\$1,454,350
Other cost of revenues	157,388	183,091	301,662	364,271
	-----	-----	-----	-----
Revenues excluding TAC	<u>\$ 836,504</u>	<u>\$ 935,689</u>	<u>\$1,663,169</u>	<u>\$1,818,621</u>

International:				
Gross profit	\$ 250,971	\$ 262,310	\$ 477,692	\$ 518,771
Other cost of revenues	35,180	45,767	69,492	89,450
	-----	-----	-----	-----
Revenues excluding TAC	<u>\$ 286,151</u>	<u>\$ 308,077</u>	<u>\$ 547,184</u>	<u>\$ 608,221</u>

Operating income before depreciation, amortization and stock-based compensation expense:				
Income from operations	\$ 229,587	184,957	\$ 430,799	\$ 353,984
Depreciation and amortization	127,548	159,893	252,627	310,895
Stock-based compensation expense	99,723	128,779	208,364	268,785
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Operating income before depreciation, amortization and stock-based compensation expense	<u>\$ 456,858</u>	<u>\$ 473,629</u>	<u>\$ 891,790</u>	<u>\$ 933,664</u>
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Operating income before depreciation, amortization and stock-based compensation expense by segment:

  Operating income before depreciation, amortization and stock-based

compensation expense - United States	\$ 340,598	\$ 362,337	\$ 675,867	\$ 703,855
Operating income before depreciation, amortization and stock-based compensation expense - International	116,260	111,292	215,923	229,809

Operating income before depreciation, amortization and stock-based compensation expense	\$ 456,858	\$ 473,629	\$ 891,790	\$ 933,664
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United States: Income from operations	\$ 148,144	\$ 116,895	\$ 285,095	\$ 209,724
Depreciation and amortization	103,081	129,893	203,638	251,646
Stock-based compensation expense	89,373	115,549	187,134	242,485

Operating income before depreciation, amortization and stock-based compensation expense - United States	\$ 340,598	\$ 362,337	\$ 675,867	\$ 703,855
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International: Income from operations	\$ 81,443	\$ 68,062	\$ 145,704	\$ 144,260
Depreciation and amortization	24,467	30,000	48,989	59,249
Stock-based compensation expense	10,350	13,230	21,230	26,300

Operating income before depreciation, amortization and stock-based compensation expense - International	\$ 116,260	\$ 111,292	\$ 215,923	\$ 229,809
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Free cash flow: Cash flow from operating activities	\$ 429,684	\$ 405,603	\$ 814,565	\$ 840,303
Acquisition of property and equipment, net	(175,078)	(144,676)	(316,825)	(262,695)
Dividends received	(12,908)	(15,156)	(12,908)	(15,156)
Excess tax benefits from stock-based awards	116,132	82,422	215,944	134,491
Free cash flow	\$ 357,830	\$ 328,193	\$ 700,776	\$ 696,943

Yahoo! Inc.

Reconciliation of GAAP Net Income and GAAP Net Income Per Share to  
Non-GAAP Net Income and Non-GAAP Net Income Per Share  
(in thousands, except per share amounts)

	Three Months Ended June 30,	
	2006	2007
GAAP Net income	\$ 164,330	\$ 160,567
(a) Stock-based compensation as measured using the fair value method under SFAS 123R	99,723	128,779
To adjust the provision for income taxes to reflect an effective tax rate of 40% in both the three month periods ended June 30, 2006 and 2007, respectively, and to reflect the tax impact of item (a) in both periods	(23,462)	(51,584)
Non-GAAP Net income excluding stock-based compensation expense	\$ 240,591	\$ 237,762
GAAP Net income per share - diluted	\$ 0.11	\$ 0.11
Non-GAAP Net income excluding stock-based compensation expense per share - diluted	\$ 0.16	\$ 0.17
Shares used in per share calculations - diluted	1,476,642	1,403,819

	Six Months Ended June 30,	
	2006	2007
GAAP Net income	\$ 324,189	\$ 302,991
(a) Stock-based compensation as measured using the fair value method under SFAS 123R	208,364	268,785
To adjust the provision for income taxes to reflect an effective tax rate of 40% in the six months ended June 30, 2006 and 41% in the six months ended June 30, 2007, and to reflect the tax impact of item (a) in both periods	(58,646)	(99,940)
Non-GAAP Net income excluding stock-based compensation expense	\$ 473,907	\$ 471,836
GAAP Net income per share - diluted	\$ 0.22	\$ 0.21
Non-GAAP Net income excluding stock-based compensation expense per share - diluted	\$ 0.32	\$ 0.33
Shares used in per share calculations - diluted	1,484,809	1,410,779

Yahoo! Inc.  
Business Outlook

The following business outlook is based on current information and expectations as of July 17, 2007. Yahoo!'s business outlook as of today is expected to be available on the Company's Investor Relations

website throughout the current quarter. Yahoo! does not expect, and undertakes no obligation, to update the business outlook prior to the release of the Company's next quarterly earnings announcement, notwithstanding subsequent developments; however, Yahoo! may update the business outlook or any portion thereof at any time at its discretion.

	Three Months Ending September 30, 2007	Year Ending December 31, 2007
	-----	-----
Revenues excluding TAC(1) outlook (in millions):		
Gross profit	\$945 - \$1,055	\$4,025 - \$4,205
Other cost of revenues	225 - 255	865 - 985
	-----	-----
Revenues excluding TAC	<u>\$1,170 - \$1,310</u>	<u>\$4,890 - \$5,190</u>
	=====	=====
Operating income before depreciation, amortization and stock-based compensation expense(1) outlook (in millions):		
Income from operations	\$90 - \$120	\$625 - \$725
Depreciation and Amortization	150 - 170	600 - 640
Stock-based compensation expense	140 - 160	550 - 590
	-----	-----
Operating income before depreciation, amortization and stock-based compensation expense	<u>\$380 - \$450</u>	<u>\$1,775 - \$1,955</u>
	=====	=====

(1) Refer to Note to Unaudited Condensed Consolidated Statements of Income.

Yahoo! Inc.  
Unaudited Condensed Consolidated Statements of Cash Flows  
(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2007	2006	2007
	-----	-----	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	\$ 164,330	\$ 160,567	\$ 324,189	\$ 302,991
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	70,587	103,002	139,201	197,511
Amortization of intangible assets	56,961	56,891	113,426	113,384
Stock-based compensation expense	99,723	128,779	208,364	268,785
Tax benefits from stock-based awards	115,985	96,964	227,820	164,655
Excess tax benefits from stock-based awards	(116,132)	(82,422)	(215,944)	(134,491)
Deferred income taxes	(31,449)	(48,539)	(63,539)	(90,839)
Earnings in equity interests	(21,634)	(32,106)	(48,071)	(61,255)
Dividends received	12,908	15,156	12,908	15,156

Minority interests in operations of consolidated subsidiaries	283	(500)	577	(1,655)
(Gains)/losses from sale of investments, assets and other, net	5,207	4,379	(2,070)	1,522
Changes in assets and liabilities, net of effects of acquisitions:				
Accounts receivable, net	(13,254)	3,151	(53,355)	43,365
Prepaid expenses and other	(4,604)	(25,877)	(15,963)	(12,519)
Accounts payable	28,100	98	63,753	31,078
Accrued expenses and other liabilities	42,327	18,883	88,596	(15,839)
Deferred revenue	20,346	7,177	34,673	18,454
	-----	-----	-----	-----
Net cash provided by operating activities	429,684	405,603	814,565	840,303
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CASH FLOWS FROM INVESTING ACTIVITIES:				
Acquisition of property and equipment, net	(175,078)	(144,676)	(316,825)	(262,695)
Purchases of marketable debt securities	(313,571)	(422,752)	(648,333)	(993,039)
Proceeds from sales and maturities of marketable debt securities	409,679	616,756	845,674	1,344,752
Acquisitions, net of cash acquired	(60,833)	(24,432)	(55,329)	(36,011)
Other investing activities, net	(299)	(13,344)	(644)	(19,914)
	-----	-----	-----	-----
Net cash (used in) provided by investing activities	(140,102)	11,552	(175,457)	33,093
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CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from issuance of common stock, net	102,306	131,803	189,825	203,725
Repurchases of common stock	(51,311)	(418,175)	(690,209)	(1,013,181)
Structured stock repurchases, net	(250,000)	-	(227,705)	(250,000)
Excess tax benefits from stock-based awards	116,132	82,422	215,944	134,491
Other financing activities, net	-	(3,708)	-	(3,708)
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Net cash used in financing activities	(82,873)	(207,658)	(512,145)	(928,673)
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Effect of exchange rate changes on cash				

and cash equivalents	22,419	7,237	34,567	11,218
Net change in cash and cash equivalents	229,128	216,734	161,530	(44,059)
Cash and cash equivalents, beginning of period	1,362,095	1,309,078	1,429,693	1,569,871
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Cash and cash equivalents, end of period	<u>\$1,591,223</u>	<u>\$1,525,812</u>	<u>\$1,591,223</u>	<u>\$ 1,525,812</u>

Supplemental schedule of acquisition-related activities:

Cash paid for acquisitions	\$ 60,983	\$ 25,894	\$ 63,006	\$ 41,767
Cash acquired in acquisitions	(150)	(1,462)	(7,677)	(5,756)
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	<u>\$ 60,833</u>	<u>\$ 24,432</u>	<u>\$ 55,329</u>	<u>\$ 36,011</u>

Common stock, restricted stock and stock options issued in connection with acquisitions	\$ -	\$ -	\$ -	\$ 54,528
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Yahoo! Inc.  
Unaudited Condensed Consolidated Balance Sheets  
(in thousands)

	December 31, 2006	June 30, 2007
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<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,569,871	\$ 1,525,812
Short-term marketable debt securities	1,031,528	865,325
Accounts receivable, net	930,964	891,621
Prepaid expenses and other current assets	217,779	361,891
	-----	-----
Total current assets	3,750,142	3,644,649
Long-term marketable debt securities	935,886	760,402
Property and equipment, net	1,101,379	1,175,858
Goodwill	2,968,557	3,004,052
Intangible assets, net	405,822	393,337
Other long-term assets	459,988	550,339
Investments in equity interests	1,891,834	1,962,671
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Total assets	<u>\$ 11,513,608</u>	<u>\$ 11,491,308</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 109,130	\$ 142,552
Accrued expenses and other current liabilities	1,046,882	923,044
Deferred revenue	317,982	341,504
	-----	-----
Total current liabilities	1,473,994	1,407,100
Long-term deferred revenue	64,939	61,170
Long-term debt	749,915	749,632
Other long-term liabilities	36,890	36,451
Deferred and other tax liabilities, net	19,204	261,478
Minority interests in consolidated subsidiaries	8,056	7,748

Stockholders' equity	9,160,610	8,967,729
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Total liabilities and stockholders' equity	\$ 11,513,608	\$ 11,491,308
	=====	=====

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