# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

# FORM 8-K

## **CURRENT REPORT**

Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

January 27, 2015

Date of Report (Date of earliest event reported)

# Yahoo! Inc.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation) 000-28018 (Commission File Number) 77-0398689 (IRS Employer 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)

Not applicable

(Former name or former address, if changed since last report.)

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):

Uritten 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 January 27, 2015, Yahoo! Inc., a Delaware corporation ("Yahoo"), announced its financial results for the quarter and year ended December 31, 2014. A copy of Yahoo's press release announcing these financial results and other information regarding its financial condition is attached hereto as Exhibit 99.1.

The information in this 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 January 27, 2015.

### SIGNATURE

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/ Ken Goldman

Ken Goldman Chief Financial Officer

Date: January 27, 2015

# YAHOO! INC.

# INDEX TO EXHIBITS

Exhibit Number

**Description** 

99.1 Yahoo! Inc. press release dated January 27, 2015

## Yahoo Reports Fourth Quarter and Full Year 2014 Results

SUNNYVALE, Calif.--(BUSINESS WIRE)--January 27, 2015--Yahoo! Inc. (NASDAQ:YHOO) today reported results for the quarter and full year ended December 31, 2014.

"I'm pleased to report that our performance in Q4 and in 2014 continues to show stability in our core business," said Marissa Mayer, CEO of Yahoo. "Our mobile strategy and focus has transformed Yahoo and yielded significant results. In Q4, we saw \$254 million in mobile revenue, up 23% quarter-over-quarter. Across all of 2014, we saw gross mobile revenue of \$1.26 billion and GAAP mobile revenue of \$768 million. Our investment businesses - mobile, video, native, and social - collectively delivered more than \$1.1 billion in GAAP revenue, up 95% year-over-year. These growth drivers have really focused our investments and energy on the future of digital advertising."

	Q4 2013	Q4 2014	Full Year 2013	Full Year 2014
GAAP revenue	\$1,266 million	\$1,253 million	\$4,680 million	\$4,618 million
Revenue ex-TAC	\$1,200 million	\$1,179 million	\$4,426 million	\$4,401 million
GAAP income from operations	\$174 million	\$32 million	\$590 million	\$143 million
Non-GAAP income from operations	\$330 million	\$256 million	\$935 million	\$755 million
Adjusted EBITDA	\$478 million	\$409 million	\$1,564 million	\$1,362 million
Net earnings	\$348 million	\$166 million	\$1,366 million	\$7,522 million
GAAP net earnings per diluted share	\$0.33	\$0.17	\$1.26	\$7.45
Non-GAAP net earnings per diluted share	\$0.46	\$0.30	\$1.52	\$1.57

### **Business Highlights**

- Yahoo closed the acquisition of BrightRoll, the leading programmatic video advertising platform in the U.S. Through the acquisition of BrightRoll, Yahoo is now the largest video advertising platform in the U.S.
- The Company entered into a five-year global partnership with Mozilla to make Yahoo the default search experience on Mozilla's Firefox browser across mobile and desktop. This is the most significant partnership for Yahoo in five years.
- The Company announced that U.S. advertisers with managed accounts can use Yahoo Gemini to promote their apps across Yahoo Properties and Affiliate sites. Yahoo also expanded the cross-screen capabilities of video advertising for advertisers by integrating in-app inventory from Flurry's Marketplace.
- Yahoo launched many new features on its core applications, including: stationery designs on Yahoo Mail in partnership with Paperless Post, search within Yahoo Aviate, a new app for Flickr on the iPad, and enhanced features in the Yahoo and Yahoo Mail apps on iOS and Android.
- Yahoo recruited impressive sales talent in the fourth quarter and early 2015, hiring Lisa Utzschneider, Senior Vice President, Sales, Americas; Kathy Kayse as Vice President, Sales Strategy and Solutions; and Kevin Gentzel, Vice President of Advertising Sales.

"We are proud of our accomplishments to date on capital allocation and the returns they have produced for our shareholders," said Ken Goldman, CFO of Yahoo. "Since the beginning of Q2 2012, our significant buyback activity has seen us repurchase 354 million shares, totaling \$9.7 billion to date and representing about a 29% gross reduction in our initial share base. At an average price of \$27.44, this has been highly accretive for our shareholders. Following the planned tax-free spin-off of the remaining stake in Alibaba, which we also announced today, we will have returned a total of nearly \$50 billion in value to our shareholders to date."

# Fourth Quarter and Full Year 2014 Financial Highlights

# Transformative Investments:

- Our Transformative Investments comprise mobile, video, native and social. These offerings generated more than \$380 million and \$1.1 billion of GAAP revenue for the fourth quarter and full year of 2014, respectively.
- Gross mobile revenue for the fourth quarter and full year of 2014 was approximately \$413 million and \$1,261 million, respectively.
- GAAP mobile revenue for the fourth quarter and full year of 2014 was approximately \$254 million and \$768 million, respectively.

# **Reported Revenues:**

Search:

- GAAP search revenue was \$467 million for the fourth quarter, an increase of 1 percent compared to the fourth quarter of 2013. GAAP search revenue was \$1,793 million for the full year of 2014, a 3 percent increase compared to \$1,742 million for the prior year.
- Search revenue ex-TAC of \$462 million for the fourth quarter of 2014 was flat compared to the fourth quarter of 2013. Search revenue ex-TAC was \$1,784 million for the full year of 2014, a 5 percent increase compared to \$1,699 million for the prior year.
- Gross search revenue was \$932 million for the fourth quarter of 2014, an increase of 14 percent compared to the fourth quarter of 2013. Gross search revenue was \$3,382 million for the full year of 2014, an increase of 14 percent compared to the prior year. Gross search revenue was not previously reported.
- The number of Paid Clicks increased approximately 10 percent compared to the fourth quarter of 2013.
- Price-per-Click increased approximately 7 percent compared to the fourth quarter of 2013.

Display:

- GAAP display revenue was \$532 million for the fourth quarter of 2014, a 4 percent decrease compared to \$553 million for the fourth quarter of 2013. GAAP display revenue was \$1,868 million for the full year of 2014, a 4 percent decrease compared to \$1,950 million for the prior year.
- Display revenue ex-TAC was \$464 million for the fourth quarter of 2014, a 5 percent decrease compared to \$491 million for the fourth quarter of 2013. Display revenue ex-TAC was \$1,663 million for the full year of 2014, a 4 percent decrease compared to \$1,737 million for the prior year.
- The number of Ads Sold increased approximately 17 percent compared to the fourth quarter of 2013.
- Price-per-Ad decreased approximately 20 percent compared to the fourth quarter of 2013.

Cash, Cash Equivalents, and Marketable Securities:

- Cash, cash equivalents, and marketable securities were \$10 billion as of December 31, 2014 compared to \$5 billion as of December 31, 2013, an increase of \$5 billion.
- During the fourth quarter and year ended December 31, 2014, Yahoo repurchased approximately 22 million and approximately 62 million shares, respectively, for \$980 million and \$2.4 billion, respectively.
- During 2014, the Company also entered into two accelerated share repurchase agreements that resulted in the repurchase of approximately 40 million shares for \$1.7 billion. The accelerated share repurchase agreements were entered into pursuant to the Company's existing share repurchase program.

## Live Stream

Yahoo will live stream a video broadcast of the Company's fourth quarter and full year 2014 financial results at 2 p.m. Pacific Time/5 p.m. Eastern Time today. The live stream will be broadcast from Yahoo's Sunnyvale studio and will be available exclusively on Yahoo Finance at finance.yahoo.com. The Company will provide its business outlook for the first quarter during the presentation. Supplemental financial information can be accessed through the Company's Investor Relations website at investor.yahoo.net. The video will be archived after the event at investor.yahoo.net and will be available for 90 days following the broadcast.

## **Non-GAAP Financial Measures**

This press release and its attachments include the following financial measures defined as non-GAAP financial measures by the Securities and Exchange Commission ("SEC"): gross mobile revenue; gross search revenue; revenue ex-TAC; adjusted EBITDA; non-GAAP income from operations; non-GAAP net earnings; non-GAAP net earnings per share - diluted; and free cash flow.

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. Revenue ex-TAC is GAAP revenue less traffic acquisition costs. Adjusted EBITDA, non-GAAP income from operations, non-GAAP net earnings and non-GAAP net earnings per share - diluted, exclude from the most comparable GAAP financial measures certain gains, losses, and expenses that we do not believe are indicative of ongoing results, and exclude stock-based compensation expense. Adjusted EBITDA also excludes taxes, depreciation, amortization of intangible assets, other income, net (which includes interest), earnings in equity interests, and net income attributable to noncontrolling interests. Free cash flow is GAAP net cash provided by 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.

These measures may be different than 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"). Explanations of the Company's non-GAAP financial measures and reconciliations of these financial measures to the GAAP financial measures the Company considers most comparable are included in the accompanying "Note to Unaudited Condensed Consolidated Financial Statements," "Supplemental Financial Data and GAAP to Non-GAAP Reconciliations," and "GAAP to Non-GAAP Reconciliations."

# **About Yahoo**

Yahoo is a guide focused on making users' daily habits inspiring and entertaining. By creating highly personalized experiences for our users, we keep people connected to what matters most to them, across devices and around the world. In turn, we create value for advertisers by connecting them with the audiences that build their businesses. Yahoo is headquartered in Sunnyvale, California, and has offices located throughout the Americas, Asia Pacific (APAC) and the Europe, Middle East and Africa (EMEA) regions. For more information, visit the pressroom (pressroom.yahoo.net) or the Company's blog (yahoo.tumblr.com).

"Yahoo", "Company" and "we" refers to Yahoo! Inc. and its consolidated subsidiaries.

"Affiliates" refers to the third-party entities that have integrated Yahoo's advertising offerings into their Websites or other offerings (those Websites and other offerings, "Affiliate sites").

"Alibaba Group" means Alibaba Group Holding Limited.

"Net earnings" means net income attributable to Yahoo! Inc., and "net earnings per diluted share" means net income attributable to Yahoo! Inc. common stockholders per share – diluted.

"Ads Sold" consist of display ad impressions for paying advertisers on Yahoo Properties.

"Paid Clicks" are clicks by end-users on sponsored search listings (excluding native ads) on Yahoo Properties and Affiliate sites.

"Price-per-Ad" is defined as display revenue from Yahoo Properties divided by our total number of Ads Sold.

"Price-per-Click" is defined as Search click-driven revenue divided by our total number of Paid Clicks.

"Search click-driven revenue" is gross search revenue excluding the Microsoft RPS guarantee and search revenue from Yahoo Japan.

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

We periodically review, refine and update our methodologies for monitoring, gathering, and counting number of Ads Sold and Paid Clicks, and for calculating Search click-driven revenue, Price-per-Ad and Price-per-Click.

Additional information about how "Ads Sold," "Paid Clicks," "Price-per-Ad," "Price-per-Click" and "Search click-driven revenue" are defined and calculated is included under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, which is on file with the SEC and available on the SEC's website at <u>www.sec.gov</u>.

"Search Agreement" refers to the Search and Advertising Services and Sales Agreement between Yahoo and Microsoft Corporation, as amended.

"TAC" refers to traffic acquisition costs. TAC consists of payments to Affiliates and payments made to companies that direct consumer and business traffic to Yahoo Properties.

"Yahoo Properties" refers to the online properties and services that Yahoo provides to users.

This press release contains forward-looking statements concerning Yahoo's expected financial performance and Yahoo's strategic and operational plans (including, without limitation, the quotations from management). Risks and uncertainties may cause actual results to 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, acceptance by users of new products and services (including, without limitation, products and services for mobile devices and alternative platforms); Yahoo's ability to compete with new or existing competitors; reduction in spending by, or loss of, advertising customers; risks associated with the Search Agreement with Microsoft Corporation; risks related to acquiring or developing compelling content; risks related to joint ventures and the integration of acquisitions; risks related to possible impairment of goodwill or other assets; risks related to fluctuations in foreign currency exchange rates; risks related to Yahoo's regulatory environment; Yahoo's ability to protect its intellectual property and the value of its brands; adverse results in litigation; security breaches; interruptions or delays in the provision of Yahoo's services; risks related to Yahoo's international operations; risks related to the calculation of our key operational metrics; 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 January 27, 2015. Yahoo does not intend, and undertakes no duty, to update this information to reflect subsequent 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, 2013, as amended, and Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, which are on file with the SEC and available on the SEC's website at <u>www.sec.gov</u>. Additional information will also be set forth in those sections in Yahoo's Annual Report on Form 10-K for the year ended December 31, 2014, which will be filed with the SEC in the first quarter of 2015.

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#### Yahoo! Inc. Unaudited Condensed Consolidated Balance Sheets (in thousands)

	nber 31, 013	Dec	ember 31, 2014
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,077,590	\$	3,173,864
Short-term marketable securities	1,330,304		4,821,464
Accounts receivable, net	979,559		1,032,704
Prepaid expenses and other current assets	638,404		671,075
Total current assets	 5,025,857		9,699,107
Long-term marketable securities	1,589,500		2,230,892
Property and equipment, net	1,488,518		1,487,684
Goodwill	4,679,648		5,163,654
Intangible assets, net	417,808		470,842
Other long-term assets and investments	177,281		550,798
Investment in Alibaba Group	-		39,867,789
Investments in equity interests	 3,426,347		2,489,578
Total assets	\$ 16,804,959	\$	61,960,344
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable	\$ 138,031	\$	238,018
Income taxes payable related to sale of Alibaba Group ADSs	-		3,282,293
Accrued expenses and other current liabilities	907,782		671,307
Deferred revenue	294,499		336,963
Total current liabilities	 1,340,312	-	4,528,581
Convertible notes	1,110,585		1,170,423
Long-term deferred revenue	258,904		20,774
Capital lease and other long-term liabilities	116,605		143,095
Deferred tax liabilities related to investment in Alibaba Group	-		16,154,906
Deferred and other long-term tax liabilities, net	847,956		1,156,973
Total liabilities	3,674,362		23,174,752
Total Yahoo! Inc. stockholders' equity	13,074,909		38,741,837
Noncontrolling interests	55,688		43,755
Total equity	 13,130,597		38,785,592
Total liabilities and equity	\$ 16,804,959	\$	61,960,344

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

		Three Months Ended December 31,			Year Ended December 31,			
	_	2013		2014		2013		2014
Revenue	\$	1,265,795	\$	1,253,072	\$	4,680,380	\$	4,618,133
Operating expenses:								
Cost of revenue - traffic acquisition costs		65,594		73,616		254,442		217,531
Cost of revenue - other		273,906		261,971		1,094,938		1,080,783
Sales and marketing		311,501		301,987		1,130,820		1,234,268
Product development		275,265		316,231		1,008,487		1,207,146
General and administrative		149,791		162,997		569,555		574,743
Amortization of intangibles		14,139		17,924		44,841		66,750
Gains on sales of patents		(70,000)		(35,094)		(79,950)		(97,894)
Goodwill impairment charge		63,555		88,414		63,555		88,414
Restructuring charges, net		7,826		32,872		3,766		103,450
Total operating expenses	_	1,091,577	_	1,220,918	_	4,090,454	_	4,475,191
Income from operations		174,218		32,154		589,926		142,942
Other (expense) income, net	_	(2,691)	_	87,550	_	43,357		10,369,439
Income before income taxes and earnings in equity interests		171,527		119,704		633,283		10,512,381
Provision for income taxes		(41,498)		(52,340)		(153,392)		(4,038,102)
Earnings in equity interests	_	221,641		101,917		896,675		1,057,863
Net income		351,670		169,281		1,376,566		7,532,142
Less: Net income attributable to noncontrolling interests	_	(3,480)	_	(2,937)	_	(10,285)	_	(10,411)
Net income attributable to Yahoo! Inc.	\$	348,190	\$	166,344	\$	1,366,281	\$	7,521,731
Net income attributable to Yahoo! Inc. common stockholders per share - diluted $^{(1)}$	\$	0.33	\$	0.17	\$	1.26	\$	7.45
Shares used in per share calculation - diluted	=	1,038,754	=	962,626	_	1,070,811	_	1,004,108
Stock-based compensation expense by function:								
Cost of revenue - other	\$	6,330	\$	4,470	\$	15,545	\$	33,560
Sales and marketing		32,857		34,070		101,852		154,372
Product development		25,894		44,839		83,396		139,056
General and administrative		19,672		19,373		77,427		93,186
Supplemental Financial Data:								
Revenue ex-TAC	\$	1,200,201	\$	1,179,456	\$	4,425,938	\$	4,400,602
Adjusted EBITDA	\$	478,333	\$	409,222	\$	1,564,245	\$	1,361,548
Free cash flow	\$	266,069	\$	78,343	\$	786,465	\$	590,450

(1) The impact of outstanding stock awards of entities in which the Company holds equity interests that are accounted for using the equity method reduced the Company's diluted earnings per share by \$0.01 for the three months ended December 31, 2013 and \$0.02 and \$0.04 for the years ended December 31, 2013 and 2014, respectively.

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

		onths Ended mber 31,	Year Ended December 31,		
	2013	2014	2013	2014	
CASH FLOWS FROM OPERATING ACTIVITIES: Net income	\$ 351,670	\$ 169,281	\$ 1,376,566	\$ 7,532,142	
Adjustments to reconcile net income to net cash provided by operating activities:	\$ 551,070	5 109,281	\$ 1,370,300	\$ 7,552,142	
Depreciation	119,839	118,454	532,485	475,031	
Amortization of intangible assets	28,153	34,576	96,518	131,537	
Accretion of convertible notes discount	4,846	15,255	4,846	59,838	
Stock-based compensation expense	84,753	102,752	278,220	420,174	
Non-cash goodwill impairment charge	63,555	88,414	63,555	88,414	
Non-cash restructuring charges (reversals)	-	3,637	547	(3,394)	
Losses from sale of investments, assets, and other, net	2,403	7,623	22,397	35,473	
Gain on sale of Alibaba Group ADSs Cains on sales of notants	(70,000)	- (35,094)	- (79,950)	(10,319,437) (97,894)	
Gains on sales of patents Gain on Hortonworks warrants	(70,000)	(98,062)	(79,930)	(98,062)	
Earnings in equity interests	(221,641)	(101,917)	(896,675)	(1,057,863)	
Dividend income related to Alibaba Group Preference Shares	-	-	(35,726)	-	
Tax benefits from stock-based awards	15,167	34,649	49,061	145,711	
Excess tax benefits from stock-based awards	(17,214)	(35,190)	(64,407)	(149,582)	
Deferred income taxes	(9,321)	68,458	(84,302)	465,873	
Dividends received from equity investees	-	-	135,058	83,685	
Changes in assets and liabilities, net of effects of acquisitions:	(125.2(0))	(112.250)	26 100	20.270	
Accounts receivable, net	(135,260)	(113,370)	26,199	29,278	
Prepaid expenses and other Accounts payable	45,138 46,579	(99,659) 14,475	27,401 (7,764)	(78,601) 14,165	
Accrued expenses and other liabilities	84,853	12,821	(98,853)	132,839	
Income taxes payable related to sale of Alibaba Group ADSs		-	-	3,282,293	
Deferred revenue	(35,844)	(76,070)	(149,929)	(194,920)	
Net cash provided by operating activities	357,676	111,033	1,195,247	896,700	
CASH FLOWS FROM INVESTING ACTIVITIES:					
Acquisition of property and equipment, net	(108,821)	(67,880)	(338,131)	(372,147)	
Purchases of marketable securities	(975,888)	(5,821,556)	(3,223,190)	(7,384,144)	
Proceeds from sales of marketable securities	229,286	587,924	2,871,834	2,269,659	
Proceeds from maturities of marketable securities	191,350	76,740	748,915	945,696	
Proceeds from sale of Alibaba Group ADSs, net of underwriting discounts, commissions, and fees Proceeds related to the redemption of Alibaba Group Preference Shares	-	-	- 800,000	9,404,974	
Purchases of intangible assets	(210)	(178)	(2,500)	(2,658)	
Proceeds from settlement of derivative hedge contracts	306,207	68,417	312,266	254,496	
Payments for settlement of derivative hedge contracts	(11,051)	(236)	(22,708)	(5,454)	
Acquisitions, net of cash acquired	(60,315)	(545,199)	(1,247,544)	(859,036)	
Payments for investments in privately held companies	-	(14,000)	(4,226)	(74,399)	
Proceeds from sales of patents	70,000	23,500	79,950	86,300	
Other investing activities, net	3,335	3,391	2,113	4,630	
Net cash (used in) provided by investing activities	(356,107)	(5,689,077)	(23,221)	4,267,917	
CASH FLOWS FROM FINANCING ACTIVITIES:					
CASH FLOWS FROM FINANCING ACTIVITIES: Proceeds from issuance of common stock	149,850	60,461	353,267	308.029	
Repurchases of common stock	(231,278)	(1,612,995)	(3,344,396)	(4,163,227)	
Proceeds from issuance of convertible notes	1,412,344	-	1,412,344	-	
Payments for note hedges	(205,706)	-	(205,706)	-	
Proceeds from issuance of warrants	124,775	-	124,775	-	
Excess tax benefits from stock-based awards	17,214	35,190	64,407	149,582	
Tax withholdings related to net share settlements of restricted stock units	(33,638)	(54,454)	(139,815)	(280,879)	
Proceeds from credit facility borrowings	-	-	150,000	-	
Repayment of credit facility borrowings	-	-	(150,000)	-	
Distributions to noncontrolling interests Other financing activities, net	- (2.907)	- (4 397)	- (8.760)	(22,344)	
Net cash provided by (used in) financing activities	(2,897) 1,230,664	(4,387) (1,576,185)	(8,760) (1,743,884)	(13,627) (4,022,466)	
Net easil provided by (used in) mancing activities	1,230,004	(1,370,103)	(1,745,004)	(4,022,400)	
Effect of exchange rate changes on cash and cash equivalents	2,929	(17,192)	(18,330)	(45,877)	
Net change in cash and cash equivalents	1,235,162	(7,171,421)	(590,188)	1,096,274	
Cash and cash equivalents, beginning of period	842,428	10,345,285	2,667,778	2,077,590	
		<u> </u>	<u> </u>	<u> </u>	
Cash and cash equivalents, end of period	\$ <u>2,077,590</u>	\$3,173,864	\$ 2,077,590	\$3,173,864	

#### Yahoo! Inc. Note to Unaudited Condensed Consolidated Financial Statements

This press release and its attachments include the non-GAAP financial measures of gross mobile revenue; gross search revenue; revenue excluding traffic acquisition costs ("revenue ex-TAC"); adjusted EBITDA; non-GAAP income from operations; non-GAAP net earnings; non-GAAP net earnings per diluted share; and free cash flow, which are reconciled to revenue (in the case of gross mobile revenue, gross search revenue and revenue ex-TAC); net income attributable to Yahoo! Inc. (in the case of adjusted EBITDA and non-GAAP net earnings); income from operations; net income attributable to Yahoo! Inc. common stockholders per share – diluted; and net cash provided by operating activities, which we believe are the most comparable GAAP measures. Yahoo! Inc. (together with its consolidated subsidiaries, "Yahoo," the "Company," or "we") uses these non-GAAP financial measures for internal managerial purposes 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 additional ways 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, revenue, net income attributable to Yahoo! Inc., income from operations, net income attributable to Yahoo! Inc. common stockholders per share – diluted, and net cash provided by operating activities calculated in accordance with GAAP.

Each of gross mobile revenue and gross search revenue is a non-GAAP financial measure. Gross mobile revenue is defined as GAAP search revenue plus the related revenue share with third parties. Gross search revenue is defined as GAAP search revenue plus the related revenue share with third parties. We present these amounts to provide investors with additional metrics used by the Company for evaluation and decision-making purposes and as an indicator of the size of our presence in the relevant business. To this end, gross mobile revenue and gross search revenue report the total receipts generated on Yahoo Properties and Affiliate sites by the specified relevant Yahoo business (i.e., mobile or search), before any TAC or other revenue share is paid to the Affiliates and before any revenue share is allocated to Microsoft or other parties. A limitation of these non-GAAP measures is that they include revenue that is recognized by a third party and not by Yahoo; furthermore, they are measures which we have defined for internal and investor purposes that may be unique to us, and therefore 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 and revenue sharing differently. Management compensates for these limitations by also relying on the comparable financial measure GAAP revenue.

Revenue ex-TAC is a non-GAAP financial measure defined as GAAP revenue less TAC. TAC consists of payments made to Affiliates and payments made to companies that direct consumer and business traffic to Yahoo Properties. Based on the terms of the Search Agreement with Microsoft, Microsoft retains a revenue share of 12 percent of the net (after TAC) search revenue generated on Yahoo Properties and Affiliate sites in transitioned markets. Yahoo reports the net revenue it receives under the Search Agreement as revenue and no longer presents the associated TAC as an expense. Accordingly, for the current period Yahoo reports GAAP revenue associated with the Search Agreement on a net (after TAC) basis rather than a gross basis. For the 2013 comparison periods, revenue from markets that had not yet transitioned to Microsoft's platform was recorded on a gross basis, and the associated TAC was recorded as a part of operating expenses. We present revenue ex-TAC to provide investors a metric used by the Company for evaluation and decision-making purposes and to provide investors with comparable revenue numbers when comparing periods preceding, during and following the transition period. A limitation of revenue ex-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 revenue and total operating expenses, which includes TAC in non-transitioned markets.

Adjusted EBITDA is defined as net income attributable to Yahoo! Inc. 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. We present adjusted EBITDA because the exclusion of certain gains, losses, and expenses facilitates comparisons of the operating performance of the Company on a period to period basis. Adjusted EBITDA has limitations as an analytical tool and should not be considered in isolation or as a substitute for results reported under GAAP. These limitations include: adjusted EBITDA does not reflect tax payments and such payments reflect a reduction in cash available to us; adjusted EBITDA does not reflect the periodic costs of certain capitalized tangible and intangible assets used in generating revenues in our businesses; adjusted EBITDA does not include stock-based compensation expense related to the Company's workforce; adjusted EBITDA also excludes 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, and these items may represent a reduction or increase in cash available to us; and adjusted EBITDA is a measure that may be unique to the Company, and therefore it may not enhance the comparability of our results to other companies in our industry. Management compensates for these limitations by also relying on the comparable GAAP financial measure of net income attributable to Yahoo! Inc., which includes taxes, depreciation, amortization, stock-based compensation expense, other income, net (which includes interest), earnings in equity interests, net income attributable to noncontrolling interests and the other gains, losses and expenses that are excluded from adjusted EBITDA.

Non-GAAP income from operations is defined as 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. 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 expense enhances the ability of management and investors to understand the impact of stock-based compensation expense on income from operations. We consider non-GAAP income from operations to be a profitability measure which facilitates the forecasting of our operating results for future periods and allows for the comparison of our results to historical periods. A limitation of non-GAAP income from operations is that it does not include all items that impact our income from operations for the period. Management compensates for this limitation by also relying on the comparable GAAP financial measure of income from operations which includes the gains, losses, and expenses that are excluded from non-GAAP income from operations.

Non-GAAP net earnings is defined as net income attributable to Yahoo! Inc. 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. 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 expense enhances the ability of management and investors to understand the impact of stock-based compensation expense on net income and net income per share. We consider non-GAAP net earnings and non-GAAP net earnings per diluted share to be profitability measures which facilitate the forecasting of our results for future periods and allow for the comparison of our results to historical periods. A limitation of non-GAAP net earnings and non-GAAP net earnings per diluted share is that they do not include all items that impact our net income and net income per diluted share for the period. Management compensates for this limitation by also relying on the comparable GAAP financial measures of net income attributable to Yahoo! Inc. and net income attributable to Yahoo! Inc. common stockholders per share - diluted, both of which include the gains, losses, expenses and related tax effects that are excluded from non-GAAP net earnings and non-GAAP net income attributable to Yahoo! Inc.

Free cash flow is a non-GAAP financial measure defined as net cash provided by 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. 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.

#### Yahoo! Inc. Supplemental Financial Data and GAAP to Non-GAAP Reconciliations (in thousands)

$ \begin{array}{                                    $		Three Months Ended Yo	Year Ended				
Revenue for groups of similar services:         7         1         7         7         7         1         7         7         1         7         7         1         7         7         1         7         7         1         1         7         7         1         7         7         1         1         7         2         4         4         1         1         8         7         7         1         7         1         7         1         7         1         7         1         1         8         7         3         1         7         3         1         7         3         1         7         3         1         7         3         1         7         3         1         7         3         1         7         3         1         7         3         1         3         1         3         1         3         1         3         1		December 31, De	cember 31,				
Surch         5         407,210         \$         471,791         \$         1,728,81           Display         20,000         253,035         \$         1,728,11         \$         1,728,11         \$         1,728,11         \$         1,728,11         \$         1,884,035         985,233         \$         1,722,861         1,722,861         1,722,861         1,722,861         7,443,231         \$         1,722,861         1,722,861         1,722,861         7,443,831         \$         1,722,861         7,443,831         \$         1,722,861         7,443,831         \$         1,722,861         7,443,831         \$         1,722,861         7,443,831         \$         1,722,861         7,443,831         \$         1,782,861         7,448,833         \$         5         7,727,935         \$         1,732,861         \$         1,732,861         \$         1,732,861         \$         1,732,861         \$         4,648,337 </td <td></td> <td>2013 2014 2013</td> <td>2014</td>		2013 2014 2013	2014				
Biplay       53.088       50.778       1.99.800       1.888.08         Other       5       2.0000       2.23.73       99.7327         Total revenue       5       1.25.795       5       1.25.795       5       4.63.133         Revenue excluding traffic acquisition costs ("revenue ex-TAC") for groups of similar services:       6       443.710       5       1.741.791       5       1.722.861         GAAP search revenue       5       4.63.245       4.60.225       5       1.602.255       5       1.778       1.99.830       5       1.888.035         GAAP display revenue       c-TAC       2       4.61.465       5       4.62.215       1.69.938       5       1.735.82         Diplay revenue       c-TAC       2       4.61.465       5       4.62.178       5       1.888.035         TAC associated with other GAP revenue       c-TAC       2       4.64.006       2.777.168       1.66.3107         Other GAAP revenue e-TAC       2       2.04.007       2.24.109       5       1.253.072       5       9.72.27         TAC associated with other GAP revenue       c-TAC       2       2.04.007       2.24.109       5       1.053.017         Revenue e-TAC       2       2.04.017	Revenue for groups of similar services:						
$\begin{array}{c c c c c c c c c c c c c c c c c c c $							
Total revenue       \$ 1.265.778       \$ 1.265.072       \$ 1.468.0380       \$ $\frac{1.468.133}{4.618.133}$ Revenue excluding traffic acquisition costs ("revenue ex-TAC") for groups of similar service: GAAP search revenue       \$ 463.710       \$ 467.321       \$ 1.711.791       \$ 1.792.861         GAAP search revenue       \$ 2.469.386       \$ 467.321       \$ 1.711.791       \$ 1.792.861       (2.445)       \$ (.699.38)       \$ 1.703.882         GAAP display revenue       \$ 5.530.875       \$ 513.778       \$ 1.909.830       \$ 1.888.035       \$ (.67.72)       \$ (.246.35)       \$ (.772.13)       \$ (.264.20)       \$ (.274.81)							
Revenue excluding traffic acquisition costs ("revenue ex-TAC") for groups of similar service:         5         463,710         \$         1,722,361           CAAP search revenue         5         463,710         \$         1,722,361         5         1,722,361           TAC associated with search revenue         \$         461,365         \$         462,225         \$         1,699,388         \$         1,733,582           GAAP display revenue         \$         533,085         \$         1,737,185         \$         1,693,300         \$         1,868,035           TAC associated with display revenue         \$         243,000         \$         253,925         \$         997,237         \$         987,379         \$         987,379         \$         987,379         \$         987,379         \$         983,798         \$         957,327         \$         4,600,08         \$         4,253,98         \$         4,61,133           Other revenue ex-TAC         \$         1,265,795         \$         1,253,772         \$         4,600,380         \$         4,61,133           CAAP revenue ex-TAC         \$         1,265,795         \$         1,253,072         \$         3,431,692         \$         3,517,861           TAC         \$ <t< td=""><td>Other</td><td>249,000 253,973 988,75</td><td></td></t<>	Other	249,000 253,973 988,75					
$ \begin{array}{l c c c c c c c c c c c c c c c c c c c$	Total revenue	\$ <u>1,265,795</u> <u>\$1,253,072</u> <u>\$4,680,38</u>	0 \$ 4,618,133				
TAC associated with surch revenue $x$ -TAC       2.345, 15,096, 15,096, 16,24,333, 19,279,       5,169,258, 5,178,5382         GAAP display revenue $x$ -TAC       5,550,885, 5,51,778,582       5,169,258, 5,178,5382         Display revenue $x$ -TAC       5,550,885, 5,51,778,582       5,169,258, 5,178,158,158,158, 5,178,158,158,158,158,158,158,158,158,158,15	Revenue excluding traffic acquisition costs ("revenue ex-TAC") for groups of similar services:						
Search revenue ex-TAC $$$ \frac{461,365}{462,225}$ $$ \frac{1,699,358}{1,699,358}$ $$ \frac{1,783,582}{1,783,582}$$ GAAP display revenue       \$\$ 53,085 \$\$ 51,1778 \$\$ 1,949,800 \$\$       \$\$ 1,880,035         Display revenue ex-TAC       \$\$ 490,697 \$\$ \frac{464,006}{464,006}\$\$\$ \$\$ 51,777 (10,126,68) \$\$ (149,035)\$\$       \$\$ 1,699,358 \$\$ \$\$ 1,777 (10,126,68) \$\$ (149,035)\$\$         Other GAAP revenue       \$\$ 249,000 \$\$ 253,973 \$\$ 988,759 \$\$ 957,237       \$\$ 1,646,107 \$\$ (64,000)\$\$       \$\$ 239,013 \$\$ (146,000)\$\$         Other revenue ex-TAC       \$\$ 249,000 \$\$ 253,973 \$\$ 988,759 \$\$ 957,237       \$\$ (245,874)\$\$ \$\$ (252,25 \$\$ 900,001 \$\$ (232,371 \$\$ 939,013)\$\$         Revenue ex-TAC       \$\$ 244,000 \$\$ 253,972 \$\$ 4,680,380 \$\$ 4,618,133       \$\$ (245,795 \$\$ 1,253,072 \$\$ 4,680,380 \$\$ 4,618,133         TAC       \$\$ (265,894) \$\$ (7,516,61 \$\$ (224,442) \$\$ (217,531)\$\$       \$\$ (217,531)\$\$       \$\$ (24,442) \$\$ (217,531)\$\$         Revenue ex-TAC       \$\$ 1,020,101 \$\$ 1,179,456 \$\$ 4,425,038 \$\$ 4,400,602       \$\$ 1,179,456 \$\$ 4,425,038 \$\$ 4,400,602       \$\$ (64,47) \$\$ (224,442) \$\$ (217,531)\$\$         Revenue ex-TAC       \$\$ 959,835 \$\$ 972,092 \$\$ 3,481,502 \$\$ 3,517,861       \$\$ (24,442) \$\$ (217,531)\$\$       \$\$ (16,645) \$\$ (16,645)\$\$       \$\$ (16,645) \$\$ (16,645)\$\$ (16,645)\$\$         Revenue ex-TAC       \$\$ 913,333 \$\$ 972,092 \$\$ 3,481,502 \$\$ 3,517,861       \$\$ (16,645) \$\$ (16,645) \$\$ (16,645) \$\$ (16,645) \$\$ (16,645) \$\$ (16,645) \$\$ (16,645) \$\$ (16,645) \$\$ (16,645) \$\$ (16,645) \$\$ (16,645) \$\$ (16,645) \$\$ (16,645) \$\$ (16,645) \$\$ (16,645) \$\$ (16,645) \$\$ (16,645) \$	GAAP search revenue	\$ 463,710 \$ 467,321 \$ 1,741,79	1 \$ 1,792,861				
$ \begin{array}{c c c c c c c c c c c c c c c c c c c $	TAC associated with search revenue	(2,345) (5,096) (42,43	3) (9,279)				
TAC associated with display revenue ex-TAC $(62,388)$ $(67,77)$ $(212,66)$ $(224,928)$ Dibplay revenue ex-TAC $5$ $990,697$ $5$ $464,006$ $5$ $1,737,168$ $5$ $1663,107$ Diber GAAP revenue $5$ $290,000$ $5$ $253,973$ $5$ $988,759$ $(63,107)$ Other revenue ex-TAC $5$ $246,109$ $5$ $253,973$ $5$ $988,759$ $(3,324)$ CAAP revenue $5$ $1,265,795$ $5$ $1,253,072$ $5$ $4,680,480$ $5$ $4,618,133$ TAC $5$ $1,202,011$ $5$ $4,25,985$ $5$ $4,200,697$ $5$ $4,425,985$ $5$ $4,000,400$ Revenue ex-TAC $5$ $1,202,011$ $5$ $4,425,985$ $5$ $4,000,402$ Revenue ex-TAC $5$ $95,835$ $5$ $972,992$ $5$ $4,618,133$ TAC $6,43P$ $695,835$ $5$ $911,238$ $5$ $3,517,861$ TAC $6,43P$ $9,2385$ $5$ $92,244$ $5$ $3,$	Search revenue ex-TAC	\$ <u>461,365</u> \$ <u>462,225</u> \$ <u>1,699,35</u>	8 \$ 1,783,582				
Display revenue ex-TAC       \$ $\frac{464,006}{248,107}$ \$ $\frac{464,006}{248,107}$ \$ $\frac{1}{206,107}$ Other GAAP revenue TAC associated with other GAAP revenue CAAP revenue ex-TAC       \$ $\frac{209,007}{248,10}$ \$ $\frac{253,225}{23,225}$ \$ $\frac{997,237}{23,203}$ Revenue ex-TAC: GAAP revenue CAAP revenue TAC       \$ $\frac{1,265,795}{1,253,072}$ \$ $\frac{4,680,380}{4,425,338}$ \$ $\frac{4,618,133}{4,400,602}$ Revenue ex-TAC       \$ $\frac{1,265,795}{1,200,201}$ \$ $\frac{1,179,456}{1,274,508}$ \$ $\frac{4,425,538}{4,425,538}$ \$ $\frac{4,600,602}{4,425,538}$ Revenue ex-TAC       \$ $\frac{1,200,201}{1,200,201}$ \$ $\frac{1,179,456}{1,179,456}$ \$ $\frac{4,425,538}{4,425,538}$ \$ $\frac{4,600,602}{4,425,538}$ Revenue ex-TAC       \$ $\frac{959,835}{1,200,201}$ \$ $\frac{1,179,456}{5,5489}$ \$ $\frac{4,539,71}{4,425,528}$ \$ $\frac{3,517,861}{4,400,602}$ Revenue ex-TAC       \$ $\frac{959,835}{9,911,938}$ \$ $992,423$ \$ $\frac{3,351,86}{3,3251,316}$ \$ $\frac{3,517,861}{5,5489}$ \$ $\frac{1,663,491}{5,322,228}$ \$ $\frac{3,351,86}{3,3251,316}$ \$ $\frac{3,351,86}{5,33251,326}$ \$ $\frac{3,351,86}{5,33251,326}$ \$ $\frac{3,351,86}{5,33251,326}$ \$ $\frac{3,351,86}{5,33251,326}$ \$ $\frac{3,351,86}{5,33251,326}$ \$	GAAP display revenue	\$ 553,085 \$ 531,778 \$ 1,949,83	0 \$ 1,868,035				
Other GAAP revenue       \$ 249,000 \$ 253,073 \$ 988,753 \$ 957,137         Other revenue ex-TAC       \$ 249,000 \$ 253,073 \$ 988,753 \$ 957,013         Revenue ex-TAC       \$ $248,139$ \$ $253,225$ \$ $989,412$ \$ $953,913$ Revenue ex-TAC       \$ $1,265,795$ \$ $1,253,072 $ 4,680,380 $ 4,618,133         TAC       $ 1,265,795 $ 1,253,072 $ 4,680,380 $ 4,618,133         TAC       $ 1,265,795 $ 1,253,072 $ 4,680,380 $ 4,618,133         TAC       $ 1,209,201 $ 5,179,456 $ 4,422,938 $ 4,400,002         Revenue ex-TAC       $ 1,209,201 $ 5,179,456 $ 5,422,938 $ 5,400,002         Revenue ex-TAC       $ 1,209,201 $ 5,179,456 $ 5,422,938 $ 5,400,002         Revenue ex-TAC       $ 1,209,201 $ 5,179,456 $ 5,4452,938 $ 5,4460,002         Revenue ex-TAC       $ 99,335 $ 972,092 $ 5,348,924 $ 3,351,316         TAC       $ 99,335 $ 972,092 $ 5,348,924 $ 3,351,316         TAC       $ 911,938 $ 912,544 $ 5,322,528 $ 5,351,316 $ 3,481,592 $ 3,351,316         EMEA:       $ 90,358 $ 98,716 $ 5,351,86 $ 374,833 $ 106,925 $ 3,351,316 $ 3,351,316 $ 3,351,316 $ 3,351,316 $ 3,351,316 $ 3,351,316 $ 3,351,316 $ 3,351,316 $ 3,351,316 $ 3,351,316 $ 3,351,316 $ 3,351,316 $ 3,351,316 $ 3,351,316 $ 3,351,300 $ 3,572,549 $ 3,357,356 $ 3,422,71 $ 5,337,356 $ 3,422,71 $ 5,337,356 $ 3,422,71 $ 5,337,356 $ 3,422,71 $ 5,337,356 $ 3,422,71 $ 5,337,356 $ 3,422,71 $ 5,337,356 $ 3,422,71 $ 5,337,356 $ 3,422,71 $ 5,337,356 $ 3,422,71 $ 5,337,356 $ 3,422,71 $ 5,337,35 $ 5,449 $ 3,71,320 $ 3,71,320 $ 3,71,320 $ 3,75,501,339 $ 3,71,320 $ 3,71,320 $ 3,75,50 $ 3$	TAC associated with display revenue	(62,388) (67,772) (212,66	2) (204,928)				
TAC associated with other GAAP revenue $(381)$ $(748)$ $633$ $(3.324)$ Other revenue ex-TAC       \$248,139       \$253,225       \$99,412       \$953,913         Revenue ex-TAC       \$1,265,795       \$1,253,072       \$4,680,380       \$4,618,133         TAC       \$(65.594)       \$(73,616)       \$(254,42)       \$(217,531)         Revenue ex-TAC       \$1,200,201       \$1,179,456       \$4,400,602         Revenue ex-TAC       \$1,200,201       \$1,179,456       \$4,425,938       \$4,400,602         Revenue ex-TAC       \$1,200,201       \$1,179,456       \$4,259,38       \$4,400,602         Revenue ex-TAC       \$1,290,201       \$1,341,502       \$3,517,861       \$(166,545)         TAC       \$917,308       \$912,544       \$3,322,528       \$3,351,316         EMEA:       \$94,812       \$(128,974)       \$(166,545)       \$(166,545)         GAAP revenue ex-TAC       \$913,38       \$912,544       \$3,322,528       \$3,351,316         EMEA:       \$(0,078)       \$(9,482)       \$(42,915)       \$(3,687)         GAAP revenue ex-TAC       \$93,741       \$8,8576       \$342,271       \$(3,687)         TAC       \$93,741       \$8,8576       \$342,271       \$(3,687)	Display revenue ex-TAC	\$ <u>490,697</u> \$ <u>464,006</u> \$ <u>1,737,16</u>	8 \$ 1,663,107				
Other revenue ex-TAC       \$ $248,139$ \$ $253,225$ \$ $989,412$ \$ $953,913$ Revenue ex-TAC:       GAAP revenue       \$ 1,265,795       \$ 1,253,072       \$ 4,680,380       \$ 4,618,133         TAC $(655,99)$ $(71,366)$ $(244,42)$ $(21,531)$ $(21,442)$ $(21,531)$ Revenue ex-TAC       \$ 1,200,201       \$ 1,179,456       \$ 4,425,938       \$ 4,400,602         Revenue ex-TAC       \$ 1,200,201       \$ 1,179,456       \$ 4,425,938       \$ 4,400,602         Revenue ex-TAC       \$ 1,200,201       \$ 1,179,456       \$ 4,425,938       \$ 4,400,602         Revenue ex-TAC       \$ 999,835       \$ 972,092       \$ 3,481,502       \$ 3,517,861         TAC $(27,877)$ \$ 91,938       \$ 91,244       \$ 3,322,528       \$ 3,351,316         Revenue ex-TAC       \$ 91,938       \$ 91,244       \$ 3,322,528       \$ 3,351,316       \$ 374,833         TAC       \$ 91,938       \$ 91,244       \$ 3,322,328       \$ 3,351,316       \$ 3,48,33         GAAP revenue       \$ 103,819       \$ 96,538       \$ 3,48,33       \$ 1,166,515       \$ 3,48,33         TAC       \$ 93,741       \$ 86,876       \$ 342,271       \$ 3,351,316       \$ 1,12,20       \$ 1,179,456	Other GAAP revenue	\$    249,000   \$    253,973   \$    988,75	9 \$ 957,237				
Revenue cx-TAC: $GAAP$ revenue       S       1,265,795       S       1,253,072       S       4,688,0380       S       4,618,133         TAC $GS,594$ $(73,616)$ $(224,442)$ $(217,531)$ $(217,53)$ $(217,53)$ $(217,53)$ $(217,53)$ $(217,53)$ $(217,53)$ $(217,53)$ $(217,53)$ $(217,53)$ $(217,53)$ $(217,53)$ $(217,$	TAC associated with other GAAP revenue	(861) (748) 65	3 (3,324)				
GAAP revenue\$ 1,265,795\$ 1,253,072\$ 4,608,000\$ 4,618,133TAC\$ 1,002,010\$ 1,179,456\$ 4,459,385\$ 4,600,602Revenue ex-TAC\$ 1,200,201\$ 1,179,456\$ 4,459,385\$ 4,400,602Revenue ex-TAC\$ 1,179,456\$ 4,459,385\$ 4,400,602Revenue ex-TAC\$ 959,835\$ 972,092\$ 3,481,502\$ 3,517,861TAC $(47,897)$ $(92,548)$ $(158,974)$ $(166,545)$ Revenue ex-TAC\$ 911,938\$ 912,544\$ 3,322,528\$ 3,351,316EMEA: $(100,78)$ $(9,482)$ $(42,915)$ $(36,867)$ Revenue ex-TAC\$ 103,819\$ 96,358\$ 335,186\$ 374,833TAC $(100,78)$ $(9,482)$ $(42,915)$ $(36,867)$ Revenue ex-TAC\$ 93,741\$ 86,876\$ 342,271\$ 337,966Asia Pacific: $(100,78)$ $(4,580)$ $(52,553)$ $(14,119)$ Revenue ex-TAC\$ 100,210\$ 1,179,456\$ 4,425,938\$ 4,400,602Direct costs by segment <sup>(2)</sup> : $(120,200)$ \$ 1,179,456\$ 4,425,938\$ 4,400,602Direct costs by segment <sup>(2)</sup> : $(20,100)$ \$ 1,179,456\$ 4,425,938\$ 4,400,602Direct costs by segment <sup>(2)</sup> : $(20,100)$ \$ 1,179,456\$ 4,425,938\$ 4,400,602Direct costs by segment <sup>(2)</sup> : $(20,100)$ \$ 1,179,456\$ 4,425,938\$ 4,400,602Direct costs by segment <sup>(2)</sup> : $(20,100)$ \$ 1,179,456\$ 4,425,938\$ 4,400,602Direct costs by segment <sup>(2)</sup> : $(20,174)$	Other revenue ex-TAC	\$ <u>248,139</u> \$ <u>253,225</u> \$ <u>989,41</u>	2 \$ 953,913				
TAC       (65,594)       (72,616)       (254,42)       (217,531)         Revenue ex-TAC       S       1,200,201       S       1,179,456       S       4,400,602         Revenue ex-TAC by segment:       Americas       S       959,835       S       972,092       S       3,481,502       S       3,517,861         TAC       S       919,938       S       912,544       S       3,222,528       S       3,517,861         TAC       S       911,938       S       912,544       S       3,222,528       S       3,517,861         CAAP revenue       S       103,819       S       96,258       S       3,85,186       S       374,833         TAC       S       93,741       S       86,876       S       342,271       S       (56,867)         Asia Pacific:       GAAP revenue       S       103,819       S       96,258       S       385,186       S       725,439         TAC       S       93,741       S       86,876       S       342,271       S       374,833         TAC       S       93,741       S       184,622       S       813,692       S       725,439         TAC	Revenue ex-TAC:						
Revenue ex-TAC\$ $1.290.201$ \$ $1.179,456$ \$ $4.425,938$ \$ $4.400.602$ Revenue ex-TAC by segment: GAAP revenueGAAP revenue\$ 959,835\$ 972,092\$ $3.481,502$ \$ $3.517,861$ TAC $(47,897)$ $(595,48)$ $(158,974)$ $(166,545)$ Revenue ex-TAC\$ 911,938\$ 912,544\$ $3.322,528$ \$ $3.351,316$ EMEA: GAAP revenue\$ 103,819\$ 96,358\$ $385,186$ \$ $374,833$ TAC\$ 93,741\$ 96,358\$ $342,271$ \$ $337,966$ Asia Pacific: GAAP revenue ex-TAC\$ $93,741$ \$ $86,876$ \$ $342,271$ \$ $337,966$ Asia Pacific: GAAP revenue ex-TAC\$ $202,141$ \$ $184,622$ \$ $813,692$ \$ $725,439$ TAC\$ $93,741$ \$ $86,876$ \$ $342,271$ \$ $337,966$ Asia Pacific: GAAP revenue ex-TAC\$ $202,141$ \$ $184,622$ \$ $813,692$ \$ $725,439$ TAC\$ $202,141$ \$ $184,622$ \$ $813,692$ \$ $725,439$ TAC\$ $194,522$ \$ $180,036$ \$ $761,139$ \$ $711,1320$ Total revenue ex-TAC\$ $1,290,201$ \$ $1,179,456$ \$ $4,425,938$ \$ $4,400,602$ Direct costs by segment <sup>(3)</sup> . Americas\$ $8,537$ \$ $50,373$ \$ $50,438$ \$ $194,394$ \$ $199,612$ Clobal operating cost <sup>(3)</sup> $665,816$ $668,162$ $664,172$ \$ $88,524$ $86,225$ Asia Pacific $7,826$ $32,272$ $3,766$ $103,450$ Clobal operating cost <sup>(3)</sup> $665,686$ $668,162$ $664,172$ $86,5354$ </td <td>GAAP revenue</td> <td>\$ 1,265,795 \$ 1,253,072 \$ 4,680,38</td> <td>0 \$ 4,618,133</td>	GAAP revenue	\$ 1,265,795 \$ 1,253,072 \$ 4,680,38	0 \$ 4,618,133				
Revenue ex-TAC by segment:         Americas:       GAAP revenue       \$ 959,355       \$ 972,092       \$ 3,481,502       \$ 3,517,861         TAC       \$ 959,355       \$ 972,092       \$ 3,481,502       \$ 3,517,861       (166,545)         TAC       \$ 911,938       \$ 912,524       \$ 3,322,528       \$ 3,351,316         EMEA:       GAAP revenue       \$ 103,819       \$ 96,358       \$ 335,136       \$ 3,74,833         TAC       \$ 912,524       \$ 3,322,528       \$ 3,374,833       TAC       \$ 93,741       \$ 86,876       \$ 3,422,271       \$ 3,374,856         GAAP revenue       \$ 103,819       \$ 96,358       \$ 342,271       \$ 337,966       \$ 342,271       \$ 337,966         Asia Pacific:       \$ 93,741       \$ 86,876       \$ 342,271       \$ 337,966         GAAP revenue       \$ 202,141       \$ 184,622       \$ 813,002       \$ 725,439         TAC       \$ 194,522       \$ 180,036       \$ 761,139       \$ 711,320         Total revenue ex-TAC       \$ 1,179,456       \$ 4,425,938       \$ 4,400,602         Direct costs by segment <sup>(2)</sup> ;       Americas       \$ 50,373       \$ 50,438       \$ 194,394       \$ 199,612         EMEA       48,852       49,959       196,852       198,806	TAC	(65,594) (73,616) (254,44	2) (217,531)				
Americas: GAAP revenue TACS959,835S972,092S3,481,502S3,517,861TAC Revenue ex-TACS911,938S912,544S3,322,528S3,351,316EMEA: GAAP revenue TACS911,938S912,544S3,322,528S3,351,316EMEA: GAAP revenue TACS103,819S96,358S3,385,186S374,833CAC Revenue ex-TACS93,7411S86,876S342,2711S337,966Asia Pacifie: GAAP revenue TACS202,141S184,622S813,692S725,439Act C TACS194,522S180,036S761,139S711,320TAC ACS1,200,201S1,179,456S4,425,938S4,400,602Direct costs by segment $^{(2)}$ : AmericasS50,373S50,373S50,438S194,394S199,612EMEA EMEA24,48120,75288,53448,85249,959196,832198,806Global operating costs $^{(3)}$ 668,162664,1792,461,8832,652,305Restructuring charges, net Depreciation and amortization7,82632,8773606,568634,753109,590(97,894)Goodwill impairment charge Stock-based compensation expense63,55588,41463,55588,41463,55588,414	Revenue ex-TAC	\$ <u>1,200,201</u> \$ <u>1,179,456</u> \$ <u>4,425,93</u>	8 \$ 4,400,602				
GAAP revenue       \$ 959,835       \$ 972,092       \$ 3,81,502       \$ 3,517,861         TAC       (47,897)       (50,548)       (158,074)       (166,545)         Revenue ex-TAC       \$ 911,938       \$ 912,348       \$ 3,322,528       \$ 3,351,316         EMEA:       GAAP revenue       \$ 103,819       \$ 96,358       \$ 385,186       \$ 3,74,833         TAC       \$ 93,741       \$ 86,876       \$ 342,271       \$ 337,966         Asia Pacific:       \$ 93,741       \$ 86,876       \$ 342,271       \$ 337,966         GAAP revenue       \$ 202,141       \$ 184,622       \$ 813,692       \$ 725,439         TAC       \$ 104,879       \$ (42,915)       \$ (36,867)       \$ 337,966         Asia Pacific:       \$ 202,141       \$ 184,622       \$ 813,692       \$ 725,439         TAC       \$ 194,522       \$ 184,622       \$ 813,692       \$ 725,439         TAC       \$ 194,522       \$ 184,622       \$ 813,692       \$ 711,320         TAC       \$ 1,179,456       \$ 4,425,938       \$ 4,400,602         Direct costs by segment <sup>(2)</sup> :       \$ 1,179,456       \$ 4,425,938       \$ 199,612         Asia Pacific       \$ 4,8852       49,959       196,832       199,612         EMEA	Revenue ex-TAC by segment:						
TAC $(47,897)$ $(59,548)$ $(158,974)$ $(166,545)$ Revenue ex-TAC\$ 911,938\$ 912,544\$ 3,322,528\$ 3,351,316EMEA:GAAP revenue\$ 103,819\$ 96,358\$ 385,186\$ 374,833TAC $((40,078))$ $((42,877))$ $(42,917)$ $(56,867)$ Revenue ex-TAC\$ 93,741\$ 86,876\$ 342,271\$ 337,966Asia Pacific: $(7,619)$ $(44,886)$ $(52,553)$ $(14,119)$ GAAP revenue\$ 202,141\$ 184,622\$ 813,692\$ 725,439TAC\$ 93,741\$ 86,876\$ 342,271\$ 337,966Asia Pacific: $(7,619)$ $(4,486)$ $(52,553)$ $(14,119)$ Revenue ex-TAC\$ 194,522\$ 180,036\$ 761,139\$ 711,320Total revenue ex-TAC\$ 1,200,201\$ 1,179,456\$ 4,425,938\$ 4,400,602Direct costs by segment <sup>(2)</sup> :Americas\$ 50,373\$ 50,438\$ 194,394\$ 199,612Americas\$ 50,373\$ 50,438\$ 194,394\$ 199,612EMEA24,48120,75288,53486,225Asia Pacific48,85249,959196,832198,806Global operating costs <sup>(3)</sup> 668,162684,1792,461,8832,652,305Restructuring charges, net7,82632,8723,766103,450Depreciation and amorization147,981153,030628,778606,568Goadwill impairment charge63,55588,41463,55588,414Goodwill impairment charge63,555<	Americas:						
Revenue ex-TAC $s = 911,938$ $s = 912,544$ $s = 3,322,528$ $s = 3,351,316$ EMEA: GAAP revenue TACGAAP revenue (9,482) $s = 0,358$ $s = 3,351,316$ $s = 374,833$ TAC $s = 103,819$ $s = 0,6358$ $s = 385,186$ $s = 374,833$ Revenue ex-TAC $s = 93,774$ $s = 86,876$ $s = 342,271$ $s = 337,966$ Asia Pacific: GAAP revenue TAC $s = 03,774$ $s = 86,876$ $s = 342,271$ $s = 337,966$ Asia Pacific: GAAP revenue ex-TAC $s = 202,141$ $s = 184,622$ $s = 813,692$ $s = 725,439$ TAC $s = 194,522$ $s = 180,036$ $s = 761,139$ $s = 711,320$ Total revenue ex-TAC $s = 1,200,201$ $s = 1,179,456$ $s = 4,425,938$ $s = 4,400,602$ Direct costs by segment ( <sup>2</sup> ); Americas $s = 50,373$ $s = 50,373$ $s = 50,438$ $s = 199,612$ EMEA $24,481$ $20,752$ $s = 88,534$ $s = 265,235$ $s = 4,425,938$ $s = 4,400,602$ Direct costs by segment ( <sup>2</sup> ); Americas $s = 50,373$ $s = 199,612$ EMEA $24,481$ $20,752$ $38,534$ $38,524$ $38,524$ $38,524$ $38,524$ $38,524$ Global operating costs ( <sup>3</sup> ) $668,162$ $684,179$ $2,461,883$ $2,652,305$ Restructuring charges, net $7,826$ $32,872$ $3,766$ $103,450$ Depreciation and amortization $147,981$ $153,030$ $628,778$ $606,568$ Goudwill imp	GAAP revenue	\$ 959,835 \$ 972,092 \$ 3,481,50	2 \$ 3,517,861				
EMEA: GAAP revenue TACS103,819 (9,482)S96,358 (42,915)S374,833 (36,867)Revenue ex-TACS $93,741$ SS $86,876$ SS $342,271$ SS $337,966$ Asia Pacific: GAAP revenue TACGAAP revenue (7,619) $(4,586)$ (4,586)S $725,439$ (14,119)Revenue ex-TACS $202,141$ (7,619)S $813,692$ (4,586)S $725,439$ (14,119)Revenue ex-TACS $194,522$ (4,586)S $761,139$ (1,139S $711,320$ Total revenue ex-TACS $1,200,201$ (4,586) $5,761,139$ (5,2533)S $4,400,602$ Direct costs by segment (2): AmericasS $50,373$ (4,8852) $50,438$ (4,959)S $199,612$ (18,854)Direct costs by segment (2): AmericasS $50,373$ (4,8852) $50,438$ (19,752)S $199,612$ (19,800)Direct costs by segment (2): AmericasS $50,373$ (1,959) $50,438$ (1,952)S $199,612$ (1,958)Direct costs by segment (2): AmericasS $50,373$ (1,959) $50,438$ (1,952) $199,612$ (1,958)Direct costs by segment (2): AmericasS $50,373$ (1,959) $194,394$ (1,958) $199,612$ (1,958)Direct costs by segment (2): Asia Pacific $355,388,414$ (1,981) $50,303$ (1,983) $50,438$ (1,983) $194,394$ (1,984) $50,323,05$ (1,984)Goldwill impairment charge $63,555$ (1,984) $606,568$	TAC	(47,897) (59,548) (158,97	4) (166,545)				
$ \begin{array}{c} {\rm GAAP \ revenue} \\ {\rm TAC} \\ {\rm Revenue \ ex-TAC} \\ \\ \begin{array}{c} {\rm Asia \ Pacific:} \\ {\rm GAAP \ revenue} \\ {\rm GAAP \ revenue} \\ {\rm ex-TAC} \\ \\ \begin{array}{c} {\rm S} & 103,819 \\ {\rm s} & 9,6,358 \\ {\rm s} & 385,186 \\ {\rm s} & 342,271 \\ {\rm s} & 337,966 \\ \end{array} \\ \end{array} \\ \begin{array}{c} {\rm S} & 342,271 \\ {\rm s} & 337,966 \\ \end{array} \\ \\ \begin{array}{c} {\rm S} & 342,271 \\ {\rm s} & 337,966 \\ \end{array} \\ \begin{array}{c} {\rm S} & 342,271 \\ {\rm s} & 342,271 \\ {\rm s} & 337,966 \\ \end{array} \\ \end{array} \\ \begin{array}{c} {\rm Asia \ Pacific:} \\ {\rm GAAP \ revenue} \\ {\rm c} \\ {\rm GAP \ revenue} \\ {\rm TAC} \\ {\rm Revenue \ ex-TAC} \\ \end{array} \\ \begin{array}{c} {\rm S} & 202,141 \\ {\rm revenue \ ex-TAC} \\ {\rm s} & 194,522 \\ {\rm s} & 184,622 \\ {\rm s} & 194,594 \\ {\rm s} & 761,139 \\ {\rm s} & 711,320 \\ \end{array} \\ \end{array} \\ \begin{array}{c} {\rm Total \ revenue \ ex-TAC} \\ {\rm s} & 1,200,201 \\ {\rm s} & 1,179,456 \\ {\rm s} & 44,25,938 \\ {\rm s} & 4,400,602 \\ \end{array} \\ \end{array} \\ \begin{array}{c} {\rm Direct \ costs \ by \ segment \ (^2): \\ {\rm Americas} \\ {\rm EMEA} \\ {\rm Asia \ Pacific \\ {\rm Global \ operating \ costs \ (^3) \\ {\rm Restructuring \ costs \ (^3,55 \\ {\rm Restructuring \ costs \ (^3,55 \\ {\rm Restructuring \ costs \ (^3,55 \\ {\rm Global \ operating \ costs \ (^3,55 \\ {\rm Restructuring \ costs \ (^3,55 \\ {\rm Goodwill \ impairment \ charges \\ {\rm Guodwill \ impairment \ charges \\ {\rm Guodwill \ impairment \ charges \\ {\rm Suck-based \ compensation \ expense \\ {\rm Suck-based \ compensation \ expense \\ {\rm Restructuring \ costs \ (^3,55 $	Revenue ex-TAC	\$ <u>911,938</u> \$ <u>912,544</u> \$ <u>3,322,52</u>	8 \$ 3,351,316				
TAC Revenue ex-TAC $(10,078)$ $(9,482)$ $(42,915)$ $(36,867)$ Asia Pacific: GAAP revenue TAC $$ 93,741$ $$ 86,876$ $$ 342,271$ $$ 337,966$ Asia Pacific: GAAP revenue TAC $$ 202,141$ $$ 184,622$ $$ 813,692$ $$ 725,439$ TAC $(7,619)$ $(4,586)$ $(52,553)$ $(14,119)$ Revenue ex-TAC $$ 194,522$ $$ 180,036$ $$ 761,139$ $$ 711,320$ Total revenue ex-TAC $$ 1,179,456$ $$ 4,425,938$ $$ 4,400,602$ Direct costs by segment ( <sup>2)</sup> : Americas EMEA $$ 5,0,373$ $$ 5,0,438$ $$ 194,394$ $$ 199,612$ EMEA24,48120,75288,53486,225Asia Pacific48,85249,959196,832198,806Global operating costs ( <sup>3</sup> ) Depreciation and amortization $$ 147,981$ 153,030628,778606,568Gais on sales of patents Goodwill impairment charge $$ (70,000)$ $$ (79,50)$ $$ (79,50)$ $$ (79,594)$ Stock-based compensation expense $$ 84,753$ $$ 102,752$ $$ 278,220$ $$ 420,174$							
Revenue ex-TAC $$ $ $ $ $ $ $ $ $ $ $ $ $ $ $ $ $ $ $ $			· · · · ·				
Asia Pacific:       GAAP revenue       \$ 202,141       \$ 184,622       \$ 813,692       \$ 725,439         TAC       (7,619)       (4,586)       (52,553)       (14,119)         Revenue ex-TAC       \$ 194,522       \$ 180,036       \$ 761,139       \$ 711,320         Total revenue ex-TAC       \$ 1,200,201       \$ 1,179,456       \$ 4,425,938       \$ 4,400,602         Direct costs by segment <sup>(2)</sup> :       Americas       \$ 50,373       \$ 50,438       \$ 194,394       \$ 199,612         EMEA       24,481       20,752       88,534       86,225         Asia Pacific       48,852       49,959       196,832       198,806         Global operating costs <sup>(3)</sup> 668,162       684,179       2,461,883       2,652,305         Restructuring charges, net       7,826       32,872       3,766       103,450         Depreciation and amortization       147,981       153,030       628,778       606,568         Gais on sales of patents       (70,000)       (35,555       88,414       63,555       88,414         Stock-based compensation expense       84,753       102,752       278,220       420,174							
GAAP revenue       \$ 202,141       \$ 184,622       \$ 813,692       \$ 725,439         TAC       (7,619)       (4,586)       (52,553)       (14,119)         Revenue ex-TAC       \$ 194,522       \$ 180,036       \$ 761,139       \$ 711,320         Total revenue ex-TAC       \$ 1,200,201       \$ 1,179,456       \$ 4,425,938       \$ 4,400,602         Direct costs by segment <sup>(2)</sup> :       Americas       \$ 50,373       \$ 50,438       \$ 194,394       \$ 199,612         EMEA       24,481       20,752       88,534       86,225         Asia Pacific       48,852       49,959       196,832       198,806         Global operating costs <sup>(3)</sup> 668,162       684,179       2,461,883       2,652,305         Restructuring charges, net       7,826       32,872       3,766       103,450         Depreciation and amortization       147,981       153,030       628,778       606,568         Gaiss on sales of patents       (70,000)       (35,094)       (79,950)       (97,894)         Goodwill impairment charge       63,555       88,414       63,555       88,414         Stock-based compensation expense       84,753       102,752       278,220       420,174	Revenue ex-TAC	\$ <u>93,741</u> \$ <u>86,876</u> \$ <u>342,27</u>	1 \$ 337,966				
TAC Revenue ex-TAC $(7,619)$ 194,522 $(4,586)$ 180,036 $(52,553)$ 761,139 $(14,119)$ 711,320Total revenue ex-TAC\$ 194,522\$ 180,036\$ 761,139\$ 711,320Direct costs by segment (2): Americas\$ 1,179,456\$ 4,425,938\$ 4,400,602Direct costs by segment (2): Americas\$ 50,373\$ 50,438\$ 194,394\$ 199,612EMEA A sia Pacific $24,481$ $20,752$ $88,534$ $86,225$ Asia Pacific $48,852$ $49,959$ 196,832198,806Global operating costs (3) Restructuring charges, net Gains on sales of patents $668,162$ $684,179$ $2,461,883$ $2,652,305$ Restructuring charges Goodwill impairment charge $(70,000)$ $(35,094)$ $(79,950)$ $(97,894)$ Stock-based compensation expense $84,753$ $102,752$ $278,220$ $420,174$	Asia Pacific:						
Revenue ex-TAC       \$ 194,522       \$ 180,036       \$ 761,139       \$ 711,320         Total revenue ex-TAC       \$ 1,200,201       \$ 1,179,456       \$ 4,425,938       \$ 4,400,602         Direct costs by segment <sup>(2)</sup> :       Americas       \$ 50,373       \$ 50,438       \$ 194,394       \$ 199,612         EMEA       24,481       20,752       88,534       86,225         Asia Pacific       48,852       49,959       196,832       198,806         Global operating costs <sup>(3)</sup> 668,162       684,179       2,461,883       2,652,305         Restructuring charges, net       7,826       32,872       3,766       103,450         Depreciation and amortization       147,981       153,030       628,778       606,568         Gains on sales of patents       (70,000)       (35,094)       (79,950)       (97,894)         Goodwill impairment charge       63,555       88,414       63,555       88,414         Stock-based compensation expense       84,753       102,752       278,220       420,174	GAAP revenue	\$    202,141   \$    184,622   \$    813,69	2 \$ 725,439				
Total revenue ex-TAC       \$ 1,200,201       \$ 1,179,456       \$ 4,425,938       \$ 4,400,602         Direct costs by segment <sup>(2)</sup> :       Americas       \$ 50,373       \$ 50,438       \$ 194,394       \$ 199,612         EMEA       24,481       20,752       88,534       86,225         Asia Pacific       48,852       49,959       196,832       198,806         Global operating costs <sup>(3)</sup> 668,162       684,179       2,461,883       2,652,305         Restructuring charges, net       7,826       32,872       3,766       103,450         Depreciation and amortization       147,981       153,030       628,778       606,568         Gains on sales of patents       (70,000)       (35,094)       (79,950)       (97,894)         Goodwill impairment charge       63,555       88,414       63,555       88,414         Stock-based compensation expense       84,753       102,752       278,220       420,174	TAC	(7,619) (4,586) (52,55	3) (14,119)				
Direct costs by segment <sup>(2)</sup> :         Americas       \$ 50,373 \$ 50,438 \$ 194,394 \$ 199,612         EMEA       24,481 20,752 88,534 86,225         Asia Pacific       48,852 49,959 196,832 198,806         Global operating costs <sup>(3)</sup> 668,162 684,179 2,461,883 2,652,305         Restructuring charges, net       7,826 32,872 3,766 103,450         Depreciation and amortization       147,981 153,030 628,778 606,568         Gains on sales of patents       (70,000) (35,094) (79,950) (97,894)         Goodwill impairment charge       63,555 88,414 63,555 88,414         Stock-based compensation expense       84,753 102,752 278,220 420,174	Revenue ex-TAC	\$ <u>194,522</u> \$ <u>180,036</u> \$ <u>761,13</u>	9 \$ 711,320				
Americas       \$ 50,373 \$ 50,438 \$ 194,394 \$ 199,612         EMEA       24,481 20,752 88,534 86,225         Asia Pacific       48,852 49,959 196,832 198,806         Global operating costs <sup>(3)</sup> 668,162 684,179 2,461,883 2,652,305         Restructuring charges, net       7,826 32,872 3,766 103,450         Depreciation and amortization       147,981 153,030 628,778 606,568         Gains on sales of patents       (70,000) (35,094) (79,950) (97,894)         Goodwill impairment charge       63,555 88,4114 63,555 88,4114         Stock-based compensation expense       84,753 102,752 278,220 420,174	Total revenue ex-TAC	\$ <u>1,200,201</u> \$ <u>1,179,456</u> \$ <u>4,425,93</u>	8 \$ 4,400,602				
Americas       \$ 50,373 \$ 50,438 \$ 194,394 \$ 199,612         EMEA       24,481 20,752 88,534 86,225         Asia Pacific       48,852 49,959 196,832 198,806         Global operating costs <sup>(3)</sup> 668,162 684,179 2,461,883 2,652,305         Restructuring charges, net       7,826 32,872 3,766 103,450         Depreciation and amortization       147,981 153,030 628,778 606,568         Gains on sales of patents       (70,000) (35,094) (79,950) (97,894)         Goodwill impairment charge       63,555 88,4114 63,555 88,4114         Stock-based compensation expense       84,753 102,752 278,220 420,174	Direct costs by segment <sup>(2)</sup> :						
EMEA24,48120,75288,53486,225Asia Pacific48,85249,959196,832198,806Global operating costs <sup>(3)</sup> 668,162684,1792,461,8832,652,305Restructuring charges, net7,82632,8723,766103,450Depreciation and amortization147,981153,030628,778606,568Gains on sales of patents(70,000)(35,094)(79,950)(97,894)Goodwill impairment charge63,55588,41463,55588,414Stock-based compensation expense84,753102,752278,220420,174		\$ 50,373 \$ 50,438 \$ 194,39	4 \$ 199,612				
Global operating costs (3)668,162684,1792,461,8832,652,305Restructuring charges, net7,82632,8723,766103,450Depreciation and amortization147,981153,030628,778606,568Gains on sales of patents(70,000)(35,094)(79,950)(97,894)Goodwill impairment charge63,55588,41463,55588,414Stock-based compensation expense84,753102,752278,220420,174	EMEA						
Global operating costs (3)668,162684,1792,461,8832,652,305Restructuring charges, net7,82632,8723,766103,450Depreciation and amortization147,981153,030628,778606,568Gains on sales of patents(70,000)(35,094)(79,950)(97,894)Goodwill impairment charge63,55588,41463,55588,414Stock-based compensation expense84,753102,752278,220420,174	Asia Pacific	48,852 49,959 196,83	2 198,806				
Restructuring charges, net7,82632,8723,766103,450Depreciation and amortization147,981153,030628,778606,568Gains on sales of patents(70,000)(35,094)(79,950)(97,894)Goodwill impairment charge63,55588,41463,55588,414Stock-based compensation expense84,753102,752278,220420,174	Global operating costs <sup>(3)</sup>						
Depreciation and amortization147,981153,030628,778606,568Gains on sales of patents(70,000)(35,094)(79,950)(97,894)Goodwill impairment charge63,55588,41463,55588,414Stock-based compensation expense84,753102,752278,220420,174							
Gains on sales of patents       (70,000)       (35,094)       (79,950)       (97,894)         Goodwill impairment charge       63,555       88,414       63,555       88,414         Stock-based compensation expense       84,753       102,752       278,220       420,174							
Stock-based compensation expense         84,753         102,752         278,220         420,174	Gains on sales of patents						
	Goodwill impairment charge	63,555 88,414 63,55	5 88,414				
Income from operations	Stock-based compensation expense	84,753 102,752 278,22	0 420,174				
	Income from operations	\$ <u>174,218</u> \$ <u>32,154</u> \$ <u>589,92</u>	6 \$ 142,942				

(2) Direct costs for each segment include certain cost of revenue-other and costs associated with the local sales teams. Prior to the fourth quarter of 2014, 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.

(3) 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 the fourth quarter of 2014, 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.

#### Yahoo! Inc. Supplemental Financial Data and GAAP to Non-GAAP Reconciliations (continued) (in thousands)

		Three Months Ended December 31,					r Ended mber 31,		
		2013		2014		2013		2014	
Reconciliation of net income attributable to Yahoo! Inc. to adjusted EBITDA: Net income attributable to Yahoo! Inc. Depreciation and amortization Stock-based compensation expense Goodwill impairment charge	\$	348,190 147,981 84,753 63,555	\$	166,344 153,030 102,752 88,414	\$	1,366,281 628,778 278,220 63,555	\$	7,521,731 606,568 420,174 88,414	
Restructuring charges, net Other income (expense), net Provision for income taxes Earnings in equity interests Net income attributable to noncontrolling interests		7,826 2,691 41,498 (221,641) 3,480		32,872 (87,550) 52,340 (101,917) 2,937		3,766 (43,357) 153,392 (896,675) 10,285	_	103,450 (10,369,439) 4,038,102 (1,057,863) 10,411	
Adjusted EBITDA	\$	478,333	\$	409,222	_ \$	1,564,245	\$	1,361,548	
Reconciliation of net cash provided by operating activities to free cash flow: Net cash provided by operating activities Acquisition of property and equipment, net Dividends received from equity investees Excess tax benefits from stock-based awards Free cash flow	s s	357,676 (108,821) - 17,214 266,069	\$ \$	111,033 (67,880) 	\$ 	1,195,247 (338,131) (135,058) 64,407 786,465	\$ 	896,700 (372,147) (83,685) 149,582 590,450	
	Th	ree Months Ended December 31, 2013	Т	hree Months Ended December 31, 2014		Year Ended December 31, 2013		Year Ended December 31, 2014	
Reconciliation of GAAP mobile revenue to gross mobile revenue: GAAP mobile revenue Revenue share with third parties Gross mobile revenue			\$ \$	253,755 158,840 412,595	 - =		\$ \$	768,009 492,908 1,260,917	
Reconciliation of GAAP search revenue to gross search revenue: GAAP search revenue Revenue share with third parties Gross search revenue	\$ 	463,710 353,796 817,506	\$ \$	467,321 464,758 932,079	\$ 	1,741,791 1,231,086 2,972,877	\$ 	1,792,861 1,588,753 3,381,614	

#### Yahoo! Inc. GAAP to Non-GAAP Reconciliations (in thousands, except per share amounts)

	Three M Dece	onths	
	2013		2014
GAAP income from operations	\$ 174,218	\$	32,154
(a) Restructuring charges, net	7,826		32,872
(b) Stock-based compensation expense	84,753		102,752
(c) Goodwill impairment charge	63,555		88,414
Non-GAAP income from operations	\$ 330,352	\$	256,192
GAAP net income attributable to Yahoo! Inc.	\$ 348,190	\$	166,344
(a) Restructuring charges, net	7,826		32,872
(b) Stock-based compensation expense	84,753		102,752
(c) Goodwill impairment charge	63,555		88,414
(d) Gain on Hortonworks warrants	-		(98,062)
(e) To adjust the provision for income taxes to exclude the tax impact of items (a) through (d) above for the three months ended December 31, 2013 and 2014	(22,389)		1,124
Non-GAAP net earnings	\$ 481,935	\$	293,444
GAAP net income attributable to Yahoo! Inc. common stockholders per share - diluted <sup>(1)</sup>	\$ 0.33	\$	0.17
Non-GAAP net earnings per share - diluted <sup>(4)</sup>	\$ <u>0.46</u>	\$	0.30
Shares used in per share calculation - diluted	1,038,754	:	962,626
		r Ende mber	
GAAP income from operations	\$ 589,926	\$	142,942
(a) Restructuring charges, net	3,766		103,450
(b) Stock-based compensation expense	278,220		420,174
(c) Goodwill impairment charge	63,555		88,414
Non-GAAP income from operations	\$ 935,467	\$	754,980
GAAP net income attributable to Yahoo! Inc.	\$1,366,281	\$7,	521,731
(a) Restructuring charges, net	3,766		103,450
(b) Stock-based compensation expense	278,220		420,174
(c) Goodwill impairment charge	63,555		88,414
(d) Gain on Hortonworks warrants	-		(98,062)
(e) Gain related to sale of Alibaba Group ADSs	-	(10,	319,437)
(f) To adjust the provision for income taxes to exclude the tax impact of items (a) through (e) above for the year ended December 31, 2013 and 2014	(65,384)	3,	903,951
Non-GAAP net earnings	\$ <u>1,646,438</u>	\$ <u>1</u> ,	620,221
GAAP net income attributable to Yahoo! Inc. common stockholders per share - diluted <sup>(1)</sup>	\$ 1.26	\$ <u></u>	7.45
Non-GAAP net earnings per share - diluted <sup>(4)</sup>	\$ <u>1.52</u>	\$	1.57
Shares used in per share calculation - diluted	1,070,811	1,	004,108
(1) The impact of outstanding stock awards of entities in which the Company holds equity interests that are accounted for using the equity method reduced th	ie Company's	dilute	d

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 the three months ended December 31, 2013 and \$0.02 and \$0.04 for the years ended December 31, 2013 and 2014, respectively.
 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 \$0.02 and \$0.04 for the year ended December 31, 2013 and 2014, respectively.

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