

Filed by Microsoft Corporation pursuant to Rule 425 of the Securities Act of 1933 and deemed filed pursuant to Rule 14a-12 of the Securities Exchange Act of 1934

Subject Company: Yahoo! Inc.
Commission File No.: 000-28018

The following presentation was used in connection with the "Microsoft Strategic Update" presented to financial analysts on February 4, 2008:



Statements in this presentation that are "forward-looking statements" about Microsoft are based on current expectations and assumptions that are subject to risks and uncertainties. Additional information concerning factors that could cause results to differ materially from those discussed in any forward looking statements are contained in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" sections of Microsoft's SEC filings, including, but not limited to, its annual report on Form 10-K and quarterly reports on Form 10-Q, copies of which may be obtained by contacting Microsoft's Investor Relations department at (800) 285-7772 or at Microsoft's Investor Relations website at <http://www.microsoft.com/msft>.

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This presentation includes forward-looking statements, including statements about our beliefs and expectations regarding the proposed business combination of Microsoft and Yahoo!, the potential costs and benefits of any such transaction and potential synergies of the proposed transaction, and actual results could differ materially. Additional information concerning factors that could cause actual results to differ materially from those projected in any forward-looking statements would be contained in a registration statement on Form S-4 and the related prospectus/proxy statement.

We undertake no duty to update any forward-looking statements in today's presentation.

Microsoft Strategy

*Be the industry-leading innovator of software
...delivered through applications, hardware & online services
...spanning our four businesses*

DESKTOP



ENTERPRISE



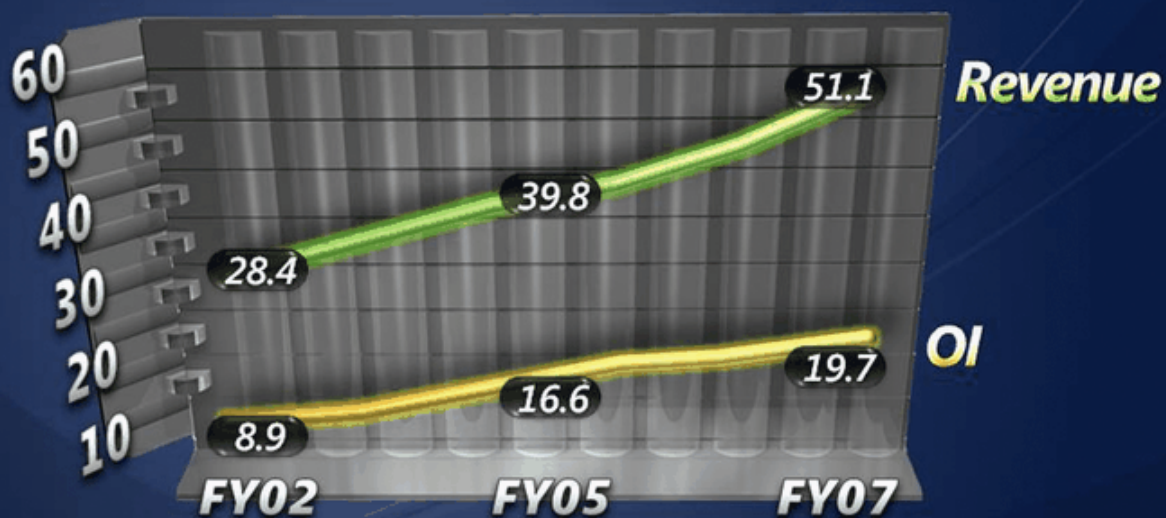
ONLINE



DEVICES



Long Term Approach



Doubled profit, nearly doubled revenue in last five years

OI adjusted to exclude one-time charges

Our Business

| | GROWTH* | KEY DRIVERS |
|---|---------|--|
| CLIENT | 20% | Windows Vista |
| MBD | 20% | Office 2007, SharePoint, Exchange Unified Communications/Voice, BI Business Apps |
| SERVER & TOOLS | 16% | SQL Server .NET |
| OSB | 32% | Search & advertising Portal & communications |
| EDD | 25% | Xbox consoles Xbox attach |
| EMERGING MARKETS | >25% | Sales force expansion Public sector Unlimited Potential |
| ENTERPRISE AGREEMENT BILLING | >20% | Specialists Enterprise selling, support, partner model Trustworthy Computing |

**1H FY08 YoY growth, adjusted for Tech Guarantee*

Announcing:

Release to Manufacturing



Windows Server[®] 2008



Windows Vista[™]
Service Pack 1

Growth Opportunities

Windows
through OEM



Corporate
Desktop Value



Server
Units



Office: SMB
& Consumer



Online
Advertising



Xbox
Attach



Windows
Mobile



Other &
Nascent



Investment Areas

STRATEGIC INTENT

Windows
through
OEM



Windows R&D
Windows Marketing

Next version innovation
Consumer excitement

Corporate
Desktop
Value



Enterprise Search
Enterprise Sales Force

Extend desktop value

Server
Units



Virtualization
Security & Management
HPC & Web Server

Democratize virtualization
Drive share in key workloads

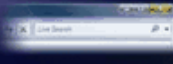
Office SMB
& Consumer



Office Live
Dynamics CRM

Address SMB IT, S&M needs
Expand Office to the Web

Online
Ads



Web Search
Ad Platform

Getting R&D, brand to scale

Xbox
Attach



International Markets
Xbox Live

Address global demand

Windows
Mobile



Mobile Services & Platform
Mobile Marketing

Expand offer breadth, depth
Drive awareness, unit sales

Investment Areas

Other & Nascent

| | | STRATEGIC INTENT |
|---|--|---|
| Healthcare, Education |  | Expand footprint in key verticals |
| Zune |  | Drive market share Deliver software platform |
| Surface |  | Scale commercial sales Extend to consumer market |
| Geo-specific: Sales force & product differentiation |  | Emerging market growth Drive premium mix |
| Cloud Platform |  | Commercialize efforts |

Investment Areas

Software+Services

| | OFFER | BUSINESS MODEL |
|-------------------------|-------------------------------|----------------------------------|
| Windows | Windows Live | Adds advertising |
| Corporate Desktop Value | Microsoft Online | Adds subscriptions |
| Server Units | Cloud Platform | Adds subscriptions |
| Office SMB & Consumer | Office Live Dynamics Live | Adds subscriptions, advertising |
| Online Ads | Live Search, portal, adCenter | Advertising |
| Xbox Attach | Xbox Live | Adds subscriptions, transactions |
| Windows Mobile | Windows Live Mobile | Adds advertising |
| Other | Zune, Mediaroom | Adds subscriptions, transactions |

YAHOO!

Synergies & Value Creation



YAHOO!

Transaction Summary

- \$44.6 Billion
- \$31 per share
 - \$31 cash, or
 - 0.9509 of Microsoft share
 - Shareholder election subject to 50/50 proration
- Targeted to close in 2nd half of CY'08
- 62% premium to Yahoo! closing price on 1/31/08
- \$1 billion in synergies
- Microsoft EPS impact breakeven or better in second full fiscal year post closing*

* Excluding purchase accounting and one time costs

FY09 Early Outlook

- Revenue – Economic backdrop
 - US (38%)
 - Mature markets (48%)
 - Emerging markets (14%)
- COGS – Investment in services infrastructure
- Operating costs



Summary

Investing for Growth

Long-Term Approach

Strategy Aligned with Shareholder Value

EXECUTIVE DISCUSSION

Reconciliation of differences between GAAP and non-GAAP financial measures: operating income

\$ in millions

| | Twelve Months Ended | | |
|---|---------------------|-----------------|----------------|
| | 6/30/2007 | 6/30/2005 | 6/30/2002 |
| GAAP Operating Income | \$18,524 | \$14,561 | \$8,272 |
| Add back | | | |
| Legal charges | 154 | 2,060 | 660 |
| Xbox 360 warranty charges | 1,057 | | |
| Operating Income, adjusted for items above | \$19,735 | \$16,621 | \$8,932 |

The non-GAAP measures provided above, which remove charges from the most directly comparable GAAP measures are included as an additional clarifying item to aid readers of the financial statements in further understanding the Company's third quarter performance and the impact that certain items and events had on the financial results. The non-GAAP financial measures provided above should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with GAAP.

Reconciliation of differences between GAAP and non-GAAP financial measures: Client and MBD revenue

\$ in millions

| | Six Months Ended | | |
|--|------------------|----------------|------------|
| | 12/31/2007 | 12/31/2006 | Y/Y |
| GAAP Client Revenue | \$8,473 | \$5,893 | 44% |
| Add back | | | |
| Technology guarantee & pre-shipments | | 1,182 | |
| Revenue, adjusted for items above | \$8,473 | \$7,075 | 20% |

| | Six Months Ended | | |
|--|------------------|----------------|------------|
| | 12/31/2007 | 12/31/2006 | Y/Y |
| GAAP MBD Revenue | \$8,922 | \$6,941 | 29% |
| Add back | | | |
| Technology guarantee & pre-shipments | | 500 | |
| Revenue, adjusted for items above | \$8,922 | \$7,441 | 20% |

The non-GAAP measures provided above which remove the technology guarantee and pre-shipments from the most directly comparable GAAP measures are included as an additional clarifying item to aid readers of the financial statements in further understanding the Company's third quarter performance and the impact that certain items and events had on the financial results. The non-GAAP financial measures provided above should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with GAAP.