SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K/A

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998

COMMISSION FILE NUMBER 0-28018

YAHOO! INC.

(Exact name of Registrant as specified in its charter)

CALIFORNIA	77-0398689
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3420 CENTRAL EXPRESSWAY
SANTA CLARA, CALIFORNIA 95051

(Address of principal executive offices)

Registrant's telephone number, including area code: (408) 731-3300

Securities registered pursuant to Section 12(b) of the Act:

NONE

Securities registered pursuant to Section 12(g) of the Act:

COMMON STOCK, $.00017 PAR VALUE
(Title of Class)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes _X_ No ____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. / /

As of January 31, 1999, the aggregate market value of voting stock held by non-affiliates of the Registrant, based upon the closing sales price for the Registrant's Common Stock, as reported in the NASDAQ National Market System, was $15,415,530,000. Shares of Common Stock held by each officer and director and by each person who owns 5% or more of the outstanding Common Stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for any other purpose.

The number of shares of the Registrant's Common Stock outstanding as of January 31, 1999 was 200,510,944.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents (or parts thereof) are incorporated by reference into the following parts of this Form 10-K:

(1) Proxy Statement for the 1999 Annual Meeting of Shareholders--Items 10, 11, 12 and 13.

The Registrant hereby amends Items 6, 7, 8 and 14 of its Annual Report on Form 10-K filed on February 26, 1999 as follows:

ITEM 6. SELECTED FINANCIAL DATA

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	YEAR ENDED DECEMBER 31,			
	1998	1997	1996	1995
STATEMENTS OF OPERATIONS DATA:				
Net revenues	$ 203,270	$ 70,450	$ 21,490	$ 1,620
Gross profit	176,528	59,565	16,768	1,339
Total operating expenses	147,760	90,347	27,702	2,428
Net income (loss)	25,588(a)	(25,520)(b)	(6,427)	(1,016)
Net income (loss) per share--basic*	0.14	(0.15)	(0.04)	(0.01)
Net income (loss) per share--diluted*	$ 0.11(a)	$ (0.15)(b)	$ (0.04)	$ (0.01)
Shares used in per share calculation--basic*	184,060	174,672	157,300	109,468
Shares used in per share calculation--diluted*	224,100	174,672	157,300	109,468

	DECEMBER 31,			
	1998	1997	1996	1995
BALANCE SHEETS DATA:				
Cash, cash equivalents, and short and long-term investments in marketable debt securities	$ 482,426	$ 108,045	$ 106,695	$ 6,167
Working capital	387,256	84,050	92,790	5,620
Total assets	621,884	143,512	116,205	7,489
Shareholders' equity	$ 536,210	$ 118,358	$ 105,916	$ 5,975

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Note: The selected financial data for the four years ended December 31, 1998 has been restated to reflect the acquisition of Yoyodyne Entertainment, Inc. which was accounted for as a pooling of interests.

* Reflects the two-for-one stock splits effective August 1998 and February 1999.

(a) Net income and net income per share include non-recurring charges of $19.4 million incurred in connection with the June 1998 acquisition of Viaweb Inc., the October 1998 acquisition of Yoyodyne Entertainment, Inc., and the December 1998 acquisition of HyperParallel, Inc., and amortization of $4.9 million on intangible assets.

(b) Net loss and net loss per share include non-recurring charges of $21.2 million related to the Yahoo! Marketplace restructuring and $3.9 million incurred in connection with the October 1997 acquisition of Four11 Corporation.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

EXCEPT FOR HISTORICAL INFORMATION, THE DISCUSSION IN THIS REPORT (INCLUDING, WITHOUT LIMITATION, THE DISCUSSION UNDER THE HEADING "RESULTS OF OPERATIONS") CONTAINS FORWARD-LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. THE COMPANY'S ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE DISCUSSED HEREIN. FACTORS THAT COULD CAUSE OR CONTRIBUTE TO SUCH DIFFERENCES INCLUDE, BUT ARE NOT LIMITED TO, THOSE DISCUSSED BELOW, AND THE RISKS DISCUSSED UNDER THE CAPTION, "RISK FACTORS" IN ITEM 1 OF THIS ANNUAL REPORT ON FORM 10-K.

OVERVIEW

Yahoo! Inc. ("Yahoo!" or the "Company") is a global Internet media company that offers a branded network of comprehensive information, communication, and shopping services to millions of users daily. As the first online navigational guide to the World Wide Web (the "Web"), www.yahoo.com is a leading guide in terms of traffic, advertising, household and business user reach, and is one of the most recognized brands associated with the Internet. The Company was incorporated in California on March 5, 1995 and commenced operations on that date. In August 1995, the Company commenced selling advertisements on its Web pages and recognized its initial revenues. In April 1996, the Company completed its initial public offering.

On October 20, 1997, the Company completed the acquisition of Four11 Corporation ("Four11"), a privately-held online communications and Internet directory company. Under the terms of the acquisition, which was accounted for as a pooling of interests, the Company exchanged 6,022,880 shares of Yahoo! Common Stock for all of Four11's outstanding shares and assumed 593,344 options and warrants to purchase Yahoo! Common Stock. During the quarter ended December 31, 1997, the Company recorded a one-time charge of $3.9 million for the acquisition. These costs consisted of investment banking fees, legal and accounting fees, redundancy costs, and certain other expenses directly related to the acquisition. The consolidated financial statements for the three years ended December 31, 1998 and the accompanying notes reflect the Company's financial position and the results of operations as if Four11 was a wholly-owned subsidiary of the Company since inception.

On June 10, 1998, the Company completed the acquisition of all outstanding shares of Viaweb Inc. ("Viaweb"), a provider of software and services for hosting online stores, through the issuance of 1,574,364 shares of Yahoo! Common Stock. All outstanding options to purchase Viaweb common stock were converted into options to purchase 244,504 shares of Yahoo! Common Stock. The acquisition was accounted for as a purchase in accordance with the provisions of Accounting Principles Board Opinion ("APB") No. 16. Under the purchase method of accounting, the purchase price is allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of the acquisition. Results of operations for Viaweb have been included with those of the Company for periods subsequent to the date of acquisition.

The total purchase price of the acquisition was $48.6 million including acquisition expenses of $1.8 million. Of the purchase price, $15.0 million was assigned to in-process research and development and expensed upon the consummation of the acquisition. The purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values as determined by the Company and pursuant to discussions with the Staff of the Securities and Exchange Commission (the "Staff").

Among the factors considered in discussions with the Staff in determining the amount of the allocation of the purchase price to in-process research and development were various factors such as estimating the stage of development of each in-process research and development project at the date of acquisition, estimating cash flows resulting from the expected revenues generated from such projects, and discounting the net cash flows, in addition to other assumptions. The remaining identified intangibles, including the value of purchased technology and other intangibles will be amortized on a straight-line basis over three and seven years, respectively. Amortization expense of purchased technology and other intangible assets was $2.9 million and $2.0 million, respectively, for the year ended December 31, 1998. In addition, other factors were considered in discussions with the Staff in determining the value assigned to purchased in-process technology such as research projects in areas supporting the online store technology (including significant enhancement to the ability of the product to support multiple users and multiple servers), developing functionality to support the ability to process credit card orders, and enhancing the product's user interface by developing functionality that would allow the product to be used outside of the United States. If none of these projects is successfully developed, the Company's sales and profitability may be adversely affected in future periods. Additionally, the failure of any particular individual project in process could impair the value of other intangible assets acquired. The Company began to benefit from the purchased in-process technology in late 1998.

Yahoo! is continuing the development efforts associated with online store technology, credit card processing and to a lesser extent international functionality. The development efforts with respect to the online store technology and credit card processing are on schedule with Yahoo!'s original assumptions with various features having been introduced as of December 31, 1998. Given the complexities of completing the international functionality, Yahoo! continues to make progress in the development of these features and now expects to be substantially complete by the end of June 1999.

On July 17, 1998, the Company completed the acquisition of WebCal Corporation ("WebCal"), a privately-held developer and marketer of Web-based calendaring and scheduling products, and publisher of EventCal, a comprehensive database of world-wide public events. Under the terms of the acquisition, which was accounted for as a pooling of interests, the Company exchanged 541,908 shares of Yahoo! Common Stock for all of WebCal's outstanding shares. The historical operations of WebCal are not material to the Company's financial position or results of operations, therefore, prior period financial statements have not been restated for this acquisition.

On October 20, 1998, the Company acquired Yoyodyne Entertainment, Inc. ("Yoyodyne"), a privately-held, direct marketing services company. Under the terms of the acquisition, which was accounted for as a pooling of interests, the Company exchanged 561,244 shares of Yahoo! Common Stock and options and warrants to purchase Yahoo! Common Stock for all of Yoyodyne's outstanding shares, options, and warrants. The consolidated financial statements for the three years ended December 31, 1998 and the accompanying notes reflect the Company's financial position and the results of operations as if Yoyodyne was a wholly-owned subsidiary of the Company since inception. During October 1998, the Company recorded a one-time charge of $2.1 million for acquisition-related costs. These costs consisted of broker fees, legal and accounting fees, and certain other expenses directly related to the acquisition.

On December 17, 1998, the Company completed the acquisition of all of the outstanding shares of HyperParallel, Inc. ("HyperParallel"), a company specializing in data analysis, through the issuance of 74,856 shares of Yahoo! Common Stock and approximately $700,000 of cash totaling $8.1 million including acquisition costs. The acquisition was accounted for as a purchase in accordance with APB 16. Under the purchase method of accounting, the purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of the acquisition. Results of operations for HyperParallel have been included with those of the Company for periods subsequent to the acquisition.

Approximately $2.3 million of the total purchase price was allocated to in-process research and development. This amount was developed by estimating the stage of development of each in-process research and development project at the date of the acquisition, estimating incremental cash flows generated from such projects, and discounting the net cash flows back to their present value using a discount rate of 35%, which represents a premium to the Company's cost of capital to take into account the uncertainty surrounding the successful development of the purchased in-process technology. The projections were based on management's estimates of market size and growth, expected trends in advertising and technology, expected research and development and selling and general administrative expenditures, and the expected timing of new product introductions. Approximately $1.2 million of the total purchase price was allocated to existing technology which is being amortized over 3 years. The value of the existing technology was developed based on similar assumptions using a discount rate of 25%. The projections used in developing the values should not be considered an accurate predictor of future performance for several reasons, including the consideration of many factors outside the control of the Company. The remaining purchase price of approximately $4.6 million was allocated to goodwill which is being amortized over 7 years. Tangible assets acquired and liabilities assumed were not material to the Company's financial statements.

The value assigned to purchased in-process technology was determined by identifying three research projects in-progress as of the acquisition date. These three research projects in-progress focus on technologies surrounding search tools. Two of the application oriented development projects were 70% and 20% complete as of the acquisition date. These projects are expected to be completed in the first and fourth quarters, respectively, of 1999. The remaining project relates to the next release of the current search tool which was approximately 20% complete as of the acquisition date and is expected to be completed in the fourth quarter of 1999. Future research and development costs to be incurred on the individual in-process projects are not expected to be material to Yahoo!'s financial position or results of operations. In addition, if none of these projects were successfully developed, Yahoo!'s revenues and profitability would not be materially adversely affected.

On January 28, 1999, the Company announced the signing of a definitive agreement to acquire GeoCities, a publicly traded Internet company. Under the terms of the acquisition, which will be accounted for as a pooling of interests, the Company will exchange approximately 21,254,000 shares of Yahoo! Common Stock for approximately 31,403,000 shares of GeoCities common stock. Additionally, the Company will convert approximately 8,894,000 GeoCities stock options into approximately 6,019,000 Yahoo! stock options. The acquisition is expected to be completed in the second quarter of 1999 and is subject to certain conditions, regulatory approval, and approval by GeoCities stockholders. The Company expects to record a one-time charge in the second quarter of 1999 relating to expenses incurred with this transaction. GeoCities' operating results for the years ended December 31, 1998, 1997, and 1996 included revenues of approximately $18.4 million, $4.6 million, and $0.3 million, respectively, and net losses of approximately $19.8 million, $8.9 million, and $3.0 million, respectively.

The Company's revenues are derived principally from the sale of banner and sponsorship advertisements. The Company's standard rates for banner advertising currently range from approximately $6.00 per thousand impressions for run of network to approximately $90.00 per thousand impressions for highly targeted audiences and properties. To date, the duration of the Company's banner advertising commitments has ranged from one week to two years. Sponsorship advertising contracts have longer terms (ranging from three months to two years) than standard banner advertising contracts and also involve more integration with Yahoo! services, such as the placement of buttons that provide users with direct links to the advertiser's Web site. Advertising revenues on both banner and sponsorship contracts are recognized ratably over the period in which the advertisement is displayed, provided that no significant Company obligations remain at the end of a period and collection of the resulting receivable is probable. Company obligations typically include guarantees of minimum number of "impressions," or times that an advertisement appears in pages viewed by users of the Company's online properties. To the extent minimum guaranteed impressions are not met, the Company defers recognition of the corresponding revenues until the remaining guaranteed impression levels are achieved. The Company also earns revenue on sponsorship contracts from fees relating to the design, coordination, and integration of customers' content and links into Yahoo! online media properties. These development fees are recognized as revenue once the related activities have been performed and the customer's Web links are available on Yahoo! online media properties. A number of the Company's agreements provide that Yahoo! receive revenues from electronic commerce transactions. Currently, these revenues are recognized by the Company upon notification from the advertiser of revenues earned by Yahoo!. Revenues from barter transactions are recognized during the period in which the advertisements are displayed in Yahoo! properties. Barter transactions are recorded at the fair value of the goods or services provided or received, whichever is more readily determinable in the circumstances. To date, revenues from development fees, electronic commerce transactions, and barter transactions have each been less than 10% of net revenues.

In August 1996, the Company entered into agreements with Visa International Service Association ("VISA") and another party (together, the "Visa Group") to establish a limited liability company, Yahoo! Marketplace L.L.C., to develop and operate a navigational service focused on information and resources for the purchase of consumer products and services over the Internet. During July 1997, prior to the completion of significant business activities and public launch of the property, the Company and VISA entered into an agreement under which the Visa Group released the Company from certain obligations and claims. In connection with this agreement, Yahoo! issued 2,797,924 shares of Yahoo! Common Stock to the Visa Group, for which the Company recorded a one-time, non-cash, pre-tax charge of $21.2 million in the second quarter ended June 30, 1997.

RESULTS OF OPERATIONS

NET REVENUES. Net revenues were $203.3 million, $70.5 million , and $21.5 million for the years ended December 31, 1998, 1997, and 1996, respectively. The increases from year to year are due primarily to the increasing number of advertisers purchasing space on the Company's online media properties as well as larger and longer-term purchases by certain advertisers. Approximately 3,800 customers advertised on the Company's online media properties during 1998 as compared to approximately 2,600 and 700 in 1997 and 1996, respectively. No one customer accounted for 10% or more of net revenues during the years ended December 31, 1998 and 1997, and SOFTBANK and its related companies ("SOFTBANK") accounted for 11% of net revenues during 1996. Advertising purchases by SOFTBANK, a 30% shareholder of the Company at December 31, 1998, accounted for approximately 5% and 4% of net revenues during the years ended December 31, 1998 and 1997, respectively. Contracted prices on these orders are comparable to those given to other major customers of the Company. International revenues have accounted for less than 10% of net revenues during the years ended December 31, 1998, 1997, and 1996. Barter revenues also represented less than 10% of net revenues during those periods. There can be no assurance that customers will continue to purchase advertising on the Company's Web pages, that advertisers will not make smaller and shorter term purchases, or that market prices for Web-based advertising will not decrease due to competitive or other factors. Additionally, while the Company has experienced strong revenue growth during the last three years, management does not believe that this level of revenue growth will be sustained in future periods.

COST OF REVENUES. Cost of revenues consists of the expenses associated with the production and usage of Yahoo! and the Company's other online media properties. These costs primarily consist of fees paid to third parties for content included on the Company's online media properties, Internet connection charges, amortization of purchased technology, prize awards, equipment depreciation, and compensation. Cost of revenues were $26.7 million for the year ended December 31, 1998, or 13% of net revenues, as compared to $10.9 million, or 15% of net revenues, and $4.7 million, or 22% of net revenues, for the years ended December 31, 1997 and 1996, respectively. The absolute dollar increases in cost of revenues from year to year are primarily attributable to an increase in the quantity of content available on the Company's online media properties, the increased usage of these properties, and the amortization of technology purchased in the Viaweb acquisition. The Company anticipates that its content and Internet connection expenses will increase with the quantity and quality of content available on Yahoo! online media properties, and increased usage of these properties. As measured in page views (defined as electronic page displays), the Company delivered an average of approximately 167 million page views per day in December 1998 compared with an average of approximately 65 million page views per day in December 1997 and an average of approximately 20 million page views per day in December 1996. Yahoo! Japan, an unconsolidated joint venture of the Company that began operations in April 1996, is included in these page views figures and accounted for an average of approximately 13 million per day in December 1998, an average of approximately 5 million per day in December 1997, and an average of approximately 1.4 million per day in December 1996. The Company anticipates that its content and Internet connection expenses will continue to increase in absolute dollars for the foreseeable future. The Company currently anticipates cost of revenues will be in the range of 10% to 13% of net revenues for 1999, however, anticipated spending levels may vary as a result of acquisitions and future business combinations.

SALES AND MARKETING. Sales and marketing expenses were $92.4 million for the year ended December 31, 1998, or 45% of net revenues. For the years ended December 31, 1997 and 1996, sales and marketing expenses were $45.8 million and $16.2 million, or 65% and 75% of net revenues, respectively. Sales and marketing expenses consist primarily of advertising and other marketing-related expenses (which include distribution costs), compensation and employee-related expenses, sales commissions, and travel costs. The year-to-year increases in absolute dollars are primarily attributable to an increase in advertising and distribution costs associated with the Company's aggressive brand-building strategy, increases in compensation expense associated with growth in its direct sales force and marketing personnel, expansion in the international subsidiaries with the addition of subsidiaries in Germany, France, and the United Kingdom during 1996, Sweden, Australia, Singapore, Korea, Denmark, and Norway during 1997, and Italy, Hong Kong, and Spain as well as Yahoo! guides in Spanish and Mandarin Chinese languages during 1998, and an increase in sales commissions associated with the increase in revenues. The Company anticipates that sales and marketing expenses in absolute dollars will increase in future periods as it continues to pursue an aggressive brand-building strategy through advertising and distribution, continues to expand its international operations, and continues to build its global direct sales organization. As a percentage of net revenues, the Company currently anticipates that sales and marketing expenses will be in the range of 40% to 43% for 1999, however, anticipated spending levels may vary as a result of acquisitions and future business combinations.

PRODUCT DEVELOPMENT. Product development expenses were $22.7 million, or 11% of net revenues for the year ended December 31, 1998 compared to $12.1 million and $5.7 million, or 17% and 27% of net revenues for the years ended December 31, 1997 and 1996, respectively. Product development expenses consist primarily of employee compensation relating to developing and enhancing the features and functionality of Yahoo! online media properties. The year-to-year increases in absolute dollars are primarily attributable to increases in the number of engineers that develop and enhance Yahoo! online media properties. To date, all internal product development costs have been expensed as incurred. The Company believes that significant investments in product development are required to remain competitive. Consequently, the Company expects to incur increased product development expenditures in absolute dollars in future periods. As a percentage of net revenues, the Company currently anticipates that product development expenses will range from 10% to 12% during 1999, however, anticipated spending levels may vary as a result of acquisitions and future business combinations.

GENERAL AND ADMINISTRATIVE. General and administrative expenses were $11.2 million, or 6% of net revenues for the year ended December 31, 1998 compared to $7.4 million and $5.8 million, or 10% and 27% of net revenues for the years ended December 31, 1997 and 1996, respectively. General and administrative expenses consist primarily of compensation and fees for professional services, and the year-to-year increases in absolute dollars are primarily attributable to increases in these areas. The Company believes that the absolute dollar level of general and administrative expenses will increase in future periods, as a result of an increase in personnel and increased fees for professional services. As a percentage of net revenues, the Company currently anticipates that general and administrative expenses will approximate 5% during 1999, however, anticipated spending levels may vary as a result of acquisitions and future business combinations.

AMORTIZATION OF INTANGIBLES. As part of the Viaweb acquisition, the Company recorded an intangible asset related to goodwill in the amount of $24.3 million. This asset is being amortized over a seven-year period beginning in June 1998.

OTHER--NON-RECURRING COSTS. During June 1998, the Company completed the acquisition of all outstanding shares of Viaweb through the issuance of 1,574,364 shares of Yahoo! Common Stock. All outstanding options to purchase Viaweb common stock were converted into options to purchase 244,504 shares of Yahoo! Common Stock. During the quarter ended June 30, 1998, the Company recorded a non-recurring charge of $15.0 million for in-process research and development that had not yet reached technological feasibility and had no alternative future use. On October 20, 1998, the Company completed the acquisition of all outstanding shares, options, and warrants of Yoyodyne through the issuance of 561,244 shares of Yahoo! Common Stock and options and warrants to purchase Yahoo! Common Stock. During the quarter ended December 31, 1998, the Company recorded a one-time charge of approximately $2.1 million for expenses incurred with the transaction. During December 1998, the Company completed the acquisition of all outstanding shares of HyperParallel through the issuance of 74,856 shares of Yahoo! Common Stock and some cash. During the quarter ended December 31, 1998, the Company recorded a non-recurring charge of $2.3 million for in-process research and development that had not yet reached technological feasibility and had no alternative future use.

During July 1997, the Company and VISA entered into an agreement under which the Visa Group released the Company from certain obligations and claims. In connection with this agreement, Yahoo! issued 2,797,924 shares of Yahoo! Common Stock to the Visa Group, for which the Company recorded a one-time, non-cash, pre-tax charge of $21.2 million in the second quarter ended June 30, 1997. In conjunction with the October 1997 acquisition of Four11 Corporation, the Company recorded a one-time charge of $3.9 million which consisted of investment banking fees, legal and accounting fees, redundancy costs, and certain other expenses directly related to the acquisition.

INVESTMENT INCOME, NET. Investment income, net of expense, was $14.6 million for the year ended December 31, 1998 compared to $4.5 million and $4.0 million for the years ended December 31, 1997 and 1996, respectively. The increase from 1997 to 1998 is primarily attributable to a higher average investment balance, principally due to proceeds of $250.0 million received by the Company on July 14, 1998 from a private placement of shares to SOFTBANK. Investment income in future periods may fluctuate as a result of fluctuations in average cash balances maintained by the Company and changes in the market rates of its investments.

MINORITY INTERESTS IN OPERATIONS OF CONSOLIDATED SUBSIDIARIES. Minority interests in operations of consolidated subsidiaries were $68,000 for the year ended December 31, 1998 compared to $727,000 and $540,000 for the years ended December 31, 1997 and 1996, respectively. The decrease from 1997 to 1998 is primarily attributable to near break-even results in the European and Korean joint ventures in the aggregate. The increase from 1996 to 1997 is primarily attributable to the staggered launch dates of the joint ventures. Yahoo! Europe operations began during the third quarter of 1996 and Yahoo! Korea operations started in the third quarter of 1997. The Company expects that minority interests in operations of consolidated subsidiaries in the aggregate will continue to fluctuate in future periods as a function of the results from consolidated subsidiaries. When, and if, the consolidated subsidiaries become profitable, the minority interests adjustment on the statement of operations will reduce the Company's net income by the minority partners' share of the subsidiaries' net income.

INCOME TAXES. Yahoo! recorded an income tax provision of $17.8 million in 1998. At December 31, 1998, the Company had net operating loss carryforwards and research tax credit carryforwards, which if not utilized, will begin to expire in 2003 through 2010. Deferred tax assets totaled $152.7 million of which approximately $141 million relates to net operating loss carryforwards and tax credit carryforwards from the exercise of stock options. When recognized, the tax benefit of the loss and credit carryforwards is accounted for as a credit to additional paid-in capital rather than as a reduction of income tax expense. The Company has a valuation allowance of $135.1 million for deferred tax assets for which realization is not more-likely-than-not. The Company's 1998 estimated income tax rate was impacted during the year by the release of the prior year's valuation allowance, nondeductible acquisition-related charges, and pre-acquisition losses of companies acquired in 1998.

NET INCOME (LOSS). The Company recorded net income of $25.6 million or $0.11 per share diluted for the year ended December 31,1998 compared to net losses of $25.5 million and $6.4 million, or $0.15, and $0.04 per share diluted for the years ended December 31, 1997 and 1996, respectively. Excluding the effect of the non-recurring charge of $19.4 million incurred in connection with various 1998 acquisitions and the amortization of $2.9 million and $2.0 million from the purchased technology and intangible assets acquired in the purchase of Viaweb, the Company earned $49.9 million or $0.22 per share diluted for the year ended December 31, 1998. Excluding the effect of the one-time, non-cash, pre-tax charge of $21.2 million recorded for the restructuring of the Yahoo! Marketplace agreements with the Visa Group and the one-time charge of $3.9 million recorded for costs incurred for the acquisition of Four11, the Company's net loss was $0.4 million or $0.00 per share diluted for the year ended December 31, 1997.

LIQUIDITY AND CAPITAL RESOURCES

Yahoo! invests excess cash predominantly in debt instruments that are highly liquid, of high-quality investment grade, and predominantly have maturities of less than one year with the intent to make such funds readily available for operating purposes. At December 31, 1998, the Company had cash and cash equivalents and investments in marketable debt securities totaling $482.4 million compared to $108.0 million at December 31, 1997. For the year ended December 31, 1998, cash provided by operating activities was $110.3 million compared to cash provided by operating activities of $0.5 million and cash used for operating activities of $2.4 million for the years ended December 31, 1997 and 1996, respectively.

For the year ended December 31, 1998, cash provided by operating activities of $110.3 million was primarily due to earnings, before non-recurring charges of $17.3 million and depreciation and amortization of $10.2 million, increases in deferred revenue (due to invoicing and cash receipts in excess of revenue) and accrued liabilities, and tax benefits from stock option plans. The increase in deferred revenue relates principally to overall significant growth in revenue and increases in advanced payments on several new and relatively longer sponsorship agreements. For the year ended December 31, 1997, cash provided by operating activities of $0.5 million was primarily due to increases in accrued liabilities and deferred revenue, substantially offset by increases in prepaid expenses and other assets, which resulted primarily from a $5.0 million one-time non-refundable license payment to Netscape under the Netscape Guide by Yahoo! agreement and a $2.9 million payment to Netscape under the international Netscape Net Search program agreement. For the year ended December 31, 1996, cash used by operating activities was $2.4 million.

Cash used in investing activities was $329.9 million for the year ended December 31, 1998. Purchases (net of sales and maturities) of investments in marketable securities and other assets during the period were $312.8 million and capital expenditures totaled $11.9 million. Capital expenditures have generally been comprised of purchases of computer hardware and software as well as leasehold improvements related to leased facilities, and are expected to increase in future periods. Cash provided by investing activities was $19.6 million for the year ended December 31, 1997. Sales and maturities (net of purchases) of investments in marketable securities during the period were $27.9 million and capital expenditures totaled $6.7 million. Cash used in investing activities was $76.2 million for the year ended December 31, 1996. Purchases (net of sales and maturities) of investments in marketable securities and other assets during the period were $72.0 million and capital expenditures totaled $3.4 million.

For the year ended December 31, 1998, cash provided by financing activities of $281.3 million was due primarily to the issuance of Common Stock to SOFTBANK in the amount of $250.0 million during July 1998 and the issuance of Common Stock pursuant to the exercise of stock options. For the year ended December 31, 1997, cash provided by financing activities of $9.6 million was due primarily to the issuance of Common Stock pursuant to the exercise of stock options. For the year ended December 31, 1996, cash provided by financing activities of $107.2 million was primarily due to the March 1996 issuance of 5.1 million shares of Convertible Series C Preferred Stock for aggregate proceeds of $63.8 million, the April 1996 initial public offering of 17.9 million shares of Common Stock for net proceeds of $35.1 million, and other issuances of Common Stock.

The Company currently has no material commitments other than those under operating lease agreements. The Company has experienced a substantial increase in its capital expenditures and operating lease arrangements since its inception, which is consistent with increased staffing, and anticipates that this will continue in the future. Additionally, the Company will continue to evaluate possible acquisitions of, or investments in businesses, products, and technologies that are complementary to those of the Company, which may require the use of cash. Management believes existing cash and investments will be sufficient to meet the Company's operating requirements for at least the next twelve months; however, the Company may sell additional equity or debt securities or obtain credit facilities to further enhance its liquidity position. The sale of additional securities could result in additional dilution to the Company's shareholders.

YEAR 2000 IMPLICATIONS

Many currently installed computer systems and software products are coded to accept only two-digit entries in the date code field and cannot distinguish 21st century dates from 20th century dates. These date code fields will need to distinguish 21st century dates from 20th century dates and, as a result, many companies' software and computer systems may need to be upgraded or replaced in order to comply with such "Year 2000" requirements. The Company is in the process of assessing the Year 2000 issue and expects to complete the program by the spring of 1999. The Company has not incurred material costs to date in this process, and currently does not believe that the cost of additional actions will have a material effect on its results of operations or financial condition. Although Yahoo! currently believes that its systems are Year 2000 compliant in all material respects, the current systems and products may contain undetected errors or defects with Year 2000 date functions that may result in material costs. Although Yahoo! is not aware of any material operational issues or costs associated with preparing its internal systems for the Year 2000, the Company may experience serious unanticipated negative consequences (such as significant downtime for one or more Yahoo! Media properties) or material costs caused by undetected errors or defects in the technology used in its internal systems. In addition, the Company utilizes third-party equipment, software and content, including non-information technology systems ("non-IT systems"), such as its security system, building equipment, and non-IT systems embedded microcontrollers that may not be Year 2000 compliant. The Company is in the process of developing a plan to assess whether these third parties are adequately addressing the Year 2000 issue and whether any of its non-IT systems have material Year 2000 compliance problems. Failure of such third-party equipment, software, or content to operate properly with regard to the year 2000 and thereafter could require the Company to incur unanticipated expenses to remedy any problems, which could have a material adverse effect on its business, results of operations, and financial condition. Yahoo! is in the process of fully developing a comprehensive contingency plan to address situations that may result if it is unable to achieve Year 2000 readiness of its critical operations. Finally, the Company is also subject to external forces that might generally affect industry and commerce, such as utility or transportation company Year 2000 compliance failures and related service interruptions. Furthermore, the purchasing patterns of advertisers may be affected by Year 2000 issues as companies expend significant resources to correct their current systems for Year 2000 compliance. The Company does not currently have any information about the Year 2000 status of its advertising customers. However, these expenditures may result in reduced funds available for Web advertising or sponsorship of Web services, which could have a material adverse effect on the Company's business, results of operations, and financial condition.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to the impact of interest rate changes, foreign currency fluctuations, and change in the market values of its investments.

INTEREST RATE RISK. The Company's exposure to market rate risk for changes in interest rates relates primarily to the Company's investment portfolio. The Company has not used derivative financial instruments in its investment portfolio. The Company invests its excess cash in debt instruments of the U.S. Government and its agencies, and in high-quality corporate issuers and, by policy, limits the amount of credit exposure to any one issuer. The Company protects and preserves its invested funds by limiting default, market and reinvestment risk.

Investments in both fixed rate and floating rate interest earning instruments carries a degree of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these factors, the Company's future investment income may fall short of expectations due to changes in interest rates or the Company may suffer losses in principal if forced to sell securities which have declined in market value due to changes in interest rates.

FOREIGN CURRENCY RISK. International revenues from the Company's foreign subsidiaries were less than 10% of total revenues. International sales are made mostly from the Company's foreign sales subsidiaries in their respective countries and are typically denominated in the local currency of each country. These subsidiaries also incur most of their expenses in the local currency. Accordingly, all foreign subsidiaries use the local currency as their functional currency.

The Company's international business is subject to risks typical of an international business, including, but not limited to differing economic conditions, changes in political climate, differing tax structures, other regulations and restrictions, and foreign exchange rate volatility. Accordingly, the Company's future results could be materially adversely impacted by changes in these or other factors.

The Company's exposure to foreign exchange rate fluctuations arises in part from intercompany accounts in which costs incurred in the United States are charged to the Company's foreign sales subsidiaries. These intercompany accounts are typically denominated in the functional currency of the foreign subsidiary in order to centralize foreign exchange risk with the parent company in the United States. The Company is also exposed to foreign exchange rate fluctuations as the financial results of foreign subsidiaries are translated into U.S. dollars in consolidation. As exchange rates vary, these results, when translated, may vary from expectations and adversely impact overall expected profitability. The effect of foreign exchange rate fluctuations on the Company in 1998 was not material.

INVESTMENT RISK. The Company invests in equity instruments of privately-held, information technology companies for business and strategic purposes. These investments are included in other long-term assets and are accounted for under the cost method when ownership is less than 20%. For these non-quoted investments, the Company's policy is to regularly review the assumptions underlying the operating performance and cash flow forecasts in assessing the carrying values. The Company identifies and records impairment losses on long-lived assets when events and circumstances indicate that such assets might be impaired. To date, no such impairment has been recorded. During 1998, certain of these investments in privately-held companies became marketable equity securities when the investees completed initial public offerings. Such investments, which are in the Internet industry, are subject to significant fluctuations in fair market value due to the volatility of the stock market, and are recorded as long-term investments.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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All other schedules are omitted because they are not applicable or the required information is shown in the Consolidated Financial Statements or Notes thereto.

Supplementary Financial Data:

Quarterly Financial Data (unaudited) for the two years ended December 31, 1998........ 35

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Yahoo! Inc.

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Yahoo! Inc. and its subsidiaries at December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ PricewaterhouseCoopers LLP
San Jose, California
January 8, 1999, except as to the stock split described in Note 1
and Note 10, which are as of February 8, 1999

YAHOO! INC.

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS, EXCEPT PAR VALUE)

	DECEMBER 31, 1998	DECEMBER 31, 1997
ASSETS		
Current assets:		
Cash and cash equivalents	$ 125,474	$ 63,571
Short-term investments in marketable securities	308,025	27,772
Accounts receivable, net of allowance of $4,967 in 1998 and $2,598 in 1997	24,831	11,163
Prepaid expenses and other current assets	8,909	5,982
Total current assets	467,239	108,488
Long-term investments in marketable securities	90,266	16,702
Property and equipment, net	15,189	7,364
Other assets	49,190	10,958
Total assets	$ 621,884	$ 143,512
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 6,302	$ 5,256
Accrued expenses and other current liabilities	34,419	12,685
Deferred revenue	38,301	5,085
Due to related parties	961	1,412
Total current liabilities	79,983	24,438
Deferred tax liability	4,443	--
Commitments and contingencies (Note 9)		
Minority interests in consolidated subsidiaries	1,248	716
Shareholders' equity:		
Preferred Stock, $0.001 par value; 10,000 shares authorized; none issued or outstanding in 1998 and 1997	--	--
Common Stock, $0.00017 par value; 900,000 shares authorized; 199,019 issued and outstanding in 1998 and 180,408 issued and outstanding in 1997	23	20
Additional paid-in capital	522,997	151,744
Accumulated deficit	(8,442)	(32,963)
Accumulated other comprehensive income (loss)	21,632	(443)
Total shareholders' equity	536,210	118,358
Total liabilities and shareholders' equity	$ 621,884	$ 143,512

The accompanying notes are an integral part of these consolidated financial statements.

YAHOO! INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
Net revenues	$ 203,270	$ 70,450	$ 21,490
Cost of revenues	26,742	10,885	4,722
Gross profit	176,528	59,565	16,768
Operating expenses:			
Sales and marketing	92,380	45,778	16,168
Product development	22,742	12,082	5,700
General and administrative	11,210	7,392	5,834
Amortization of intangibles	2,028	--	--
Other--non-recurring costs	19,400	25,095	--
Total operating expenses	147,760	90,347	27,702
Income (loss) from operations	28,768	(30,782)	(10,934)
Investment income, net	14,579	4,535	3,967
Minority interests in operations of consolidated subsidiaries	68	727	540
Income (loss) before income taxes	43,415	(25,520)	(6,427)
Provision for income taxes	17,827	--	--
Net income (loss)	$ 25,588	$ (25,520)	$ (6,427)
Net income (loss) per share--basic	$ 0.14	$ (0.15)	$ (0.04)
Net income (loss) per share--diluted	$ 0.11	$ (0.15)	$ (0.04)
Shares used in per share calculation--basic	184,060	174,672	157,300
Shares used in per share calculation--diluted	224,100	174,672	157,300

The accompanying notes are an integral part of these consolidated financial statements.

YAHOO! INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(IN THOUSANDS)

	PREFERRED STOCK		COMMON STOCK		ADDITIONAL	
	SHARES	AMOUNT	SHARES	AMOUNT	PAID-IN CAPITAL	ACCUMULATED DEFICIT
Balance at December 31, 1995	7,738	$ 8	65,693	$ 1	$ 6,982	$ (1,016)
Comprehensive income (loss):						
Net loss	--	--	--	--	--	(6,427)
Other comprehensive income (loss), net of tax:						
Foreign currency translation adjustment						
Other comprehensive income (loss)	--	--	--	--	--	--
Comprehensive income (loss)						
Issuance of Convertible Series C Preferred Stock	5,100	5	--	--	63,745	--
Sale of Common Stock, net of issuance costs	--	--	17,940	3	35,103	--
Conversion of Convertible Preferred Stock to Common Stock	(12,838)	(13)	77,028	13	--	--
Issuance of Common Stock, net of issuance costs	--	--	1,887	--	7,368	--
Issuance of Common Stock pursuant to exercise of options	--	--	2,978	1	9	--
Compensation expense on option grants and warrant issuances	--	--	--	--	197	--
Balance at December 31, 1996	--	--	165,526	18	113,404	(7,443)
Comprehensive income (loss):						
Net loss	--	--	--	--	--	(25,520)
Other comprehensive income (loss), net of tax:						
Foreign currency translation adjustment						
Other comprehensive income (loss)	--	--	--	--	--	--
Comprehensive income (loss)						
Issuance of Common Stock pursuant to exercise of warrants	--	--	1,395	--	--	--
Issuance of Common Stock for acquisitions and investments	--	--	461	--	6,400	--
Issuance of Common Stock pursuant to Visa Group Agreement	--	--	2,798	1	21,049	--
Issuance of Common Stock for employee stock plans and other	--	--	10,228	1	7,515	--
Write-up of investment in Yahoo! Japan	--	--	--	--	1,700	--
Compensation and other expense on option grants and warrant issuances	--	--	--	--	1,676	--
Balance at December 31, 1997	--	--	180,408	20	151,744	(32,963)
Comprehensive income (loss):						
Net income	--	--	--	--	--	25,588
Other comprehensive income (loss), net of tax:						
Net unrealized gains on securities						
Foreign currency translation adjustment						
Other comprehensive income (loss)	--	--	--	--	--	--
Comprehensive income (loss)						
Issuance of Common Stock pursuant to exercise of warrants	--	--	191	--	196	--
Issuance of Common Stock for acquisitions	--	--	2,289	--	54,195	--
Sale of Common Stock, net of issuance costs	--	--	5,454	1	249,448	--
Issuance of Common Stock for employee stock plans	--	--	10,677	2	31,032	--
Compensation expense on option grants	--	--	--	--	926	--
Tax benefits from stock options	--	--	--	--	35,456	--
Accumulated deficit from acquisition	--	--	--	--	--	(1,067)
Balance at December 31, 1998	--	$ --	199,019	$ 23	$ 522,997	$ (8,442)

	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL	COMPREHENSIVE INCOME (LOSS)
Balance at December 31, 1995	$ --	$ 5,975	
Comprehensive income (loss):			
Net loss	--	(6,427)	$ (6,427)
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustment			(63)
Other comprehensive income (loss)	(63)	(63)	(63)
Comprehensive income (loss)			$ (6,490)

Issuance of Convertible Series C Preferred Stock	--	63,750	
Sale of Common Stock, net of issuance costs	--	35,106	
Conversion of Convertible Preferred Stock to Common Stock	--	--	
Issuance of Common Stock, net of issuance costs	--	7,368	
Issuance of Common Stock pursuant to exercise of options	--	10	
Compensation expense on option grants and warrant issuances	--	197	
Balance at December 31, 1996	(63)	105,916	
Comprehensive income (loss):			
Net loss	--	(25,520)	$ (25,520)
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustment			(380)
Other comprehensive income (loss)	(380)	(380)	(380)
Comprehensive income (loss)			$ (25,900)
Issuance of Common Stock pursuant to exercise of warrants	--	--	
Issuance of Common Stock for acquisitions and investments	--	6,400	
Issuance of Common Stock pursuant to Visa Group Agreement	--	21,050	
Issuance of Common Stock for employee stock plans and other	--	7,516	
Write-up of investment in Yahoo! Japan	--	1,700	
Compensation and other expense on option grants and warrant issuances	--	1,676	
Balance at December 31, 1997	(443)	118,358	
Comprehensive income (loss):			
Net income	--	25,588	$ 25,588
Other comprehensive income (loss), net of tax:			
Net unrealized gains on securities			21,787
Foreign currency translation adjustment			288
Other comprehensive income (loss)	22,075	22,075	22,075
Comprehensive income (loss)			$ 47,663
Issuance of Common Stock pursuant to exercise of warrants	--	196	
Issuance of Common Stock for acquisitions	--	54,195	
Sale of Common Stock, net of issuance costs	--	249,449	
Issuance of Common Stock for employee stock plans	--	31,034	
Compensation expense on option grants	--	926	
Tax benefits from stock options	--	35,456	
Accumulated deficit from acquisition	--	(1,067)	
Balance at December 31, 1998	$ 21,632	$ 536,210	

The accompanying notes are an integral part of these consolidated financial statements.

YAHOO! INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 25,588	$ (25,520)	$ (6,427)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	10,215	2,737	639
Tax benefits from stock options	17,827	--	--
Non-cash charges related to stock option grants and warrant issuances	926	1,676	197
Minority interests in operations of consolidated subsidiaries	(68)	(727)	(540)
Purchased in-process research and development	17,300	--	--
Other non-cash charge	--	21,245	--
Changes in assets and liabilities:			
Accounts receivable, net	(13,616)	(5,963)	(4,269)
Prepaid expenses	2,144	(6,110)	(386)
Accounts payable	515	2,425	1,386
Accrued expenses and other current liabilities	16,688	7,404	4,393
Deferred revenue	33,210	2,983	1,665
Due to related parties	(451)	330	948
Net cash provided by (used in) operating activities	110,278	480	(2,394)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property and equipment	(11,911)	(6,722)	(3,442)
Cash acquired in acquisitions	199	--	--
Purchases of marketable securities	(471,135)	(58,753)	(115,247)
Proceeds from sales and maturities of marketable securities	158,350	86,678	43,240
Other investments	(5,445)	(1,649)	(729)
Net cash provided by (used in) investing activities	(329,942)	19,554	(76,178)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of Common Stock, net	280,679	7,516	42,484
Proceeds from issuance of Convertible Preferred Stock	--	--	63,750
Proceeds from minority investors	600	999	1,050
Other	--	1,106	(128)
Net cash provided by financing activities	281,279	9,621	107,156
Effect of exchange rate changes on cash and cash equivalents	288	(380)	(63)
Net change in cash and cash equivalents	61,903	29,275	28,521
Cash and cash equivalents at beginning of year	63,571	34,296	5,775
Cash and cash equivalents at end of year	$ 125,474	$ 63,571	$ 34,296

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE COMPANY. Yahoo! Inc. ("Yahoo!" or the "Company") is a global Internet media company that offers a branded network of comprehensive information, communication, and shopping services to millions of users daily. The Company was incorporated in California on March 5, 1995 and commenced operations on that date. The Company conducts its business within one industry segment.

On October 20, 1998 and 1997, the Company consummated its acquisitions of Yoyodyne Entertainment, Inc. ("Yoyodyne") and Four11 Corporation ("Four11"), respectively, upon which Yoyodyne's and Four11's shareholders exchanged all of their shares for shares of the Company's Common Stock in business combinations that were accounted for as pooling of interests. The consolidated financial statements for the three years ended December 31, 1998 and the accompanying notes reflect the Company's financial position and the results of operations as if Yoyodyne and Four11 were wholly-owned subsidiaries of the Company since inception.

Components of the consolidated results of operations of Yahoo! and of Four11 and Yoyodyne prior to their acquisitions by Yahoo! are as follows (in thousands):

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
NET REVENUES			
Yahoo!....................................	$ 201,446	$ 65,460	$ 19,073
Four11....................................	--	1,951	624
Yoyodyne..................................	1,824	3,039	1,793
	$ 203,270	$ 70,450	$ 21,490
NET INCOME (LOSS)			
Yahoo!....................................	$ 30,216	$ (19,973)	$ (2,334)
Four11....................................	--	(2,914)	(1,951)
Yoyodyne..................................	(4,628)	(2,633)	(2,142)
	$ 25,588	$ (25,520)	$ (6,427)

STOCK SPLITS. During July 1998, the Company's Board of Directors approved a two-for-one Common Stock split. Shareholders of record on July 17, 1998 (the record date) received one additional share for every share held on that date. The shares were distributed on July 31, 1998 and the stock split was effective on August 3, 1998. During January 1999, the Company's Board of Directors approved a two-for-one Common Stock split. Shareholders of record on January 22, 1999 (the record date) received one additional share for every share held on that date. The shares were distributed on February 5, 1999 and the stock split was effective on February 8, 1999. All share numbers in these consolidated financial statements and notes thereto for all periods presented have been adjusted to reflect the two-for-one common stock splits.

PRINCIPLES OF CONSOLIDATION. The consolidated financial statements include the accounts of Yahoo! Inc. and its majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. The equity and net loss attributable to the minority shareholder interests that related to the Company's subsidiaries, are shown separately in the consolidated balance sheets and consolidated statements of operations, respectively. Losses in excess of the minority interest equity would be charged against the Company. Investments in entities owned 20% or more but less than

NOTE 1 THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
majority owned and not otherwise controlled by the Company are accounted for under the equity method.

RECLASSIFICATIONS. Certain prior years' balances have been reclassified to conform with the current year's presentation.

REVENUE RECOGNITION. The Company's revenues are derived principally from the sale of banner and sponsorship advertisements. The Company's standard rates for banner advertising currently range from approximately $6.00 per thousand impressions for run of network to approximately $90.00 per thousand impressions for highly targeted audiences and properties. To date, the duration of the Company's banner advertising commitments has ranged from one week to two years. Sponsorship advertising contracts have longer terms (ranging from three months to two years) than standard banner advertising contracts and also involve more integration with Yahoo! services, such as the placement of buttons that provide users with direct links to the advertiser's Web site. Advertising revenues on both banner and sponsorship contracts are recognized ratably over the period in which the advertisement is displayed, provided that no significant Company obligations remain at the end of a period and collection of the resulting receivable is probable. Company obligations typically include guarantees of minimum number of "impressions," or times that an advertisement appears in pages viewed by users of the Company's online properties. To the extent minimum guaranteed impressions are not met, the Company defers recognition of the corresponding revenues until the remaining guaranteed impression levels are achieved.

The Company also earns revenue on sponsorship contracts from fees relating to the design, coordination, and integration of customers' content and links into Yahoo! online media properties. These development fees are recognized as revenue once the related activities have been performed and the customer's Web links are available on Yahoo! online media properties. A number of the Company's agreements provide that Yahoo! receive revenues from electronic commerce transactions. Currently, these revenues are recognized by the Company upon notification from the advertiser of revenues earned by Yahoo!. Revenues from barter transactions are recognized during the period in which the advertisements are displayed in Yahoo! properties. Barter transactions are recorded at the fair value of the goods or services provided or received, whichever is more readily determinable in the circumstances. To date, revenues from development fees, electronic commerce transactions, and barter transactions have each been less than 10% of net revenues.

No one customer accounted for 10% or more of net revenues during 1998 and 1997, and SOFTBANK and its related companies ("SOFTBANK"), a holder of approximately 30% of the Company's Common Stock at December 31, 1998, accounted for 11% of net revenues during 1996 (see Note 4).

Deferred revenue is primarily comprised of billings in excess of recognized revenue relating to advertising contracts and payments received pursuant to sponsorship advertising contracts in advance of revenue recognition.

PRODUCT DEVELOPMENT. Costs incurred in the classification and organization of listings within Yahoo! properties and the development of new products and enhancements to existing products are charged to expense as incurred. Material software development costs subsequent to the establishment of technological feasibility are capitalized. Based upon the Company's product development process, technological feasibility is established upon completion of a working model. Costs incurred by the

NOTE 1 THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
Company between completion of the working model and the point at which the product is ready for general release have been insignificant.

ADVERTISING COSTS. Advertising production costs are recorded as expense the first time an advertisement appears. All other advertising costs are expensed as incurred. The Company does not incur any direct-response advertising costs. Advertising expense totaled approximately $32.7 million, $10.9 million, and $4.2 million for 1998, 1997, and 1996, respectively.

BENEFIT PLAN. The Company maintains a 401(k) Profit Sharing Plan (the "Plan") for its full-time employees. Each participant in the Plan may elect to contribute from 1% to 17% of his or her annual compensation to the Plan. The Company matches employee contributions at a rate of 25%. Employee contributions are fully vested, whereas vesting in matching Company contributions occurs at a rate of 33.3% per year of employment. During 1998, 1997 and 1996, the Company's contributions amounted to $584,000, $263,000, and $81,000, respectively.

CASH AND CASH EQUIVALENTS, SHORT AND LONG-TERM INVESTMENTS. The Company invests its excess cash in debt instruments of the U.S. Government and its agencies, and in high-quality corporate issuers. All highly liquid instruments with an original maturity of three months or less are considered cash equivalents, those with original maturities greater than three months and current maturities less than twelve months from the balance sheet date are considered short-term investments, and those with maturities greater than twelve months from the balance sheet date are considered long-term investments.

The Company's marketable securities are classified as available-for-sale as of the balance sheet date and are reported at fair value, with unrealized gains and losses, net of tax, recorded in shareholders' equity. Realized gains or losses and permanent declines in value, if any, on available-for-sale securities will be reported in other income or expense as incurred. As of December 31, 1998, the Company recorded net unrealized gains, net of income taxes, of $21.8 million.

The Company invests in equity instruments of privately-held, information technology companies for business and strategic purposes. These investments are included in other long-term assets and are accounted for under the cost method when ownership is less than 20%. For these non-quoted investments, the Company's policy is to regularly review the assumptions underlying the operating performance and cash flow forecasts in assessing the carrying values. The Company identifies and records impairment losses on long-lived assets when events and circumstances indicate that such assets might be impaired. To date, no such impairment has been recorded. During 1998, certain of these investments in privately-held companies became marketable equity securities when the investees completed initial public offerings. Such investments, which are in the Internet industry, are subject to significant fluctuations in fair market value due to the volatility of the stock market, and are recorded as long-term investments.

CONCENTRATION OF CREDIT RISK. Financial instruments that potentially subject the Company to significant concentration of credit risk consist primarily of cash, cash equivalents, short and long-term investments, and accounts receivable. Substantially all of the Company's cash, cash equivalents, and short and long-term investments are managed by four financial institutions. Accounts receivable are typically unsecured and are derived from revenues earned from customers primarily located in the United States. The Company performs ongoing credit evaluations of its customers and maintains

NOTE 1 THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
reserves for potential credit losses; historically, such losses have been within management's expectations. At December 31, 1998 and 1997, no one customer accounted for 10% or more of the accounts receivable balance.

DEPRECIATION AND AMORTIZATION. Property and equipment, including leasehold improvements, are stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets, generally two to five years. Goodwill and other intangible assets are included in other assets and are carried at cost less accumulated amortization, which is being provided on a straight-line basis over the economic lives of the respective assets, generally three to seven years. The Company periodically evaluates the recoverability of its long-lived assets based on expected undiscounted cash flows and recognizes impairments, if any, based on expected discounted future cash flows.

INCOME TAXES. Income taxes are computed using the asset and liability method. Under the asset and liability method, deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using the currently enacted tax rates and laws. A valuation allowance is provided for the amount of deferred tax assets that, based on available evidence, are not expected to be realized.

STOCK-BASED COMPENSATION. The Company accounts for stock-based employee compensation arrangements in accordance with the provisions of Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees," and complies with the disclosure provisions of Statement of Financial Accounting Standards ("SFAS') No. 123, "Accounting for Stock-Based Compensation." Under APB 25, compensation cost is recognized over the vesting period based on the difference, if any, on the date of grant between the fair value of the Company's stock and the amount an employee must pay to acquire the stock.

FOREIGN CURRENCY AND INTERNATIONAL OPERATIONS. The functional currency of the Company's international subsidiaries is the local currency. The financial statements of these subsidiaries are translated to United States dollars using year-end rates of exchange for assets and liabilities, and average rates of exchange for the year for revenues, costs, and expenses. Translation gains (losses), which are deferred and accumulated as a component of shareholders' equity, were $288,000, ($380,000), and ($63,000) for 1998, 1997, and 1996, respectively. Net gains and losses resulting from foreign exchange transactions are included in the consolidated statements of operations and were not significant during the periods presented. International revenues have accounted for less than 10% of net revenues in the years ended December 31, 1998, 1997, and 1996. International assets were not significant at December 31, 1998, 1997, or 1996.

BASIC AND DILUTED NET INCOME (LOSS) PER SHARE. Basic net income (loss) per share is computed using the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is computed using the weighted average number of common and common equivalent shares outstanding during the period. Common equivalent shares consist of the incremental common shares issuable upon conversion of convertible preferred stock (using the if-converted method) and shares issuable upon the exercise of stock options and warrants (using the treasury stock method). For 1998, common equivalent shares primarily related to shares issuable upon the exercise of stock options and approximated 40.0 million shares. Common equivalent shares in 1997 and 1996 were excluded from the computation as their effect was anti-dilutive.

NOTE 1 THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

COMPREHENSIVE INCOME. In June 1997, the Financial Accounting Standards Board ("FASB") issued SFAS 130, "Reporting Comprehensive Income," which was adopted by the Company in the first quarter of fiscal 1998. SFAS 130 establishes standards for reporting comprehensive income and its components in a financial statement. Comprehensive income as defined includes all changes in equity (net assets) during a period from non-owner sources. Examples of items to be included in comprehensive income, which are excluded from net income, include foreign currency translation adjustments and unrealized gains and losses on available-for-sale securities. Accumulated other comprehensive income, as presented on the accompanying consolidated balance sheets, consists of the net unrealized gains on available-for-sale securities, net of tax and the cumulative translation adjustment.

RECENT ACCOUNTING PRONOUNCEMENTS. In June 1998, the FASB issued SFAS 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS 133 establishes methods of accounting for derivative financial instruments and hedging activities related to those instruments as well as other hedging activities, and is effective for fiscal years beginning after June 15, 1999. The Company is currently determining the additional disclosures, if any, that may be required under this pronouncement. In March 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-1 ("SOP 98-1"), "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." This standard requires companies to capitalize qualifying computer software costs which are incurred during the application development stage and amortize them over the software's estimated useful life. SOP 98-1 is effective for fiscal years beginning after December 15, 1998. The Company is currently evaluating the impact of SOP 98-1 on its financial statements and related disclosures.

NOTE 2 BALANCE SHEET COMPONENTS (IN THOUSANDS)

	DECEMBER 31, 1998	DECEMBER 31, 1997
Property and equipment:		
Computers and equipment	$ 17,254	$ 7,383
Furniture and fixtures	4,465	2,316
Leasehold improvements	1,790	894
	23,509	10,593
Less: accumulated depreciation	(8,320)	(3,229)
	$ 15,189	$ 7,364
Other assets:		
Intangible assets (Note 5)	$ 40,731	$ 1,530
Investments in privately-held companies	5,445	6,450
Other	3,014	2,978
	$ 49,190	$ 10,958
Accrued expenses and other current liabilities:		
Accrued compensation and related expenses	$ 9,732	$ 2,951
Accrued content, connect, and other costs	7,726	2,909
Accrued sales and marketing related expenses	4,947	2,222
Accrued professional service expenses	5,084	1,730
Other	6,930	2,873
	$ 34,419	$ 12,685

NOTE 3 INVESTMENTS

At December 31, 1998, short and long-term investments in marketable securities were classified as available-for-sale as follows (in thousands):

	GROSS AMORTIZED COSTS	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
U.S. Government and agencies	$ 331,757	$ 611	$ --	$ 332,368
Municipal bonds	12,893	81	--	12,974
Corporate debt securities	8,584	26	--	8,610
Corporate equity securities	7,454	33,885	--	41,339
Other	3,020	--	(20)	3,000
	$ 363,708	$ 34,603	$ (20)	$ 398,291

NOTE 3 INVESTMENTS (CONTINUED)

The contractual maturities of debt securities classified as available-for-sale as of December 31, 1998 are as follows (in thousands):

	ESTIMATED FAIR VALUE
Due within one year	$ 308,025
Due after one year through two years	48,927
	$ 356,952

At December 31, 1997, short and long-term investments in marketable securities were classified as available-for-sale and consisted of 81% corporate debt securities, 8% debt securities of the U.S. Government and its agencies, 4% municipal debt securities, and 7% foreign debt securities. At December 31, 1997, the fair value of the investments approximated cost.

NOTE 4 RELATED PARTY TRANSACTIONS

During 1998, 1997 and 1996, the Company recognized net revenues of approximately $10.3 million, $3.1 million, and $2.4 million, respectively, on advertising contracts and publication, development, and licensing arrangements with SOFTBANK and its related companies (such as E*Trade Group, Inc., Kingston Technology Company, and E-Loan, Inc.), a holder of approximately 30% of the Company's Common Stock at December 31, 1998. Prices on these contracts were comparable to those given to other similar customers of the Company. Additionally, three SOFTBANK-related companies provided Internet access and sales and marketing-related services for fees of approximately $3.1 million, $3.2 million, and $2.3 million during 1998, 1997, and 1996, respectively. Sequoia Capital, a holder of approximately 3% of the Company's Common Stock at December 31, 1998, was also an investor in one of these SOFTBANK-related companies.

NOTE 5 ACQUISITIONS

ACQUISITION OF NETCONTROLS. On July 31, 1997, the Company entered into a stock purchase agreement to acquire all of the outstanding capital stock of NetControls, Inc. for 148,668 shares of the Company's Common Stock. The acquisition was recorded as a purchase for accounting purposes and the majority of the purchase price of approximately $1.4 million is being amortized over the three-year estimated useful life of the technology acquired. Upon acquisition, the historical financial results of NetControls, Inc. were de minimis.

ACQUISITION OF FOUR11. On October 20, 1997, the Company completed the acquisition of Four11 Corporation, a privately-held online communications and Internet directory company. Under the terms of the acquisition, which was accounted for as a pooling of interests, the Company exchanged 6,022,880 shares of Yahoo! Common Stock for all of Four11's outstanding shares and assumed 593,344 options and warrants to purchase Yahoo! Common Stock. All outstanding Four11 preferred shares were converted into Four11 common stock immediately prior to the acquisition. During the quarter ended December 31, 1997, the Company recorded a one-time charge of $3.9 million for acquisition-related costs. These costs consisted of investment banking fees, legal and accounting fees, redundancy costs, and certain other expenses directly related to the acquisition.

NOTE 5 ACQUISITIONS (CONTINUED)

ACQUISITION OF VIAWEB INC. On June 10, 1998, the Company completed the acquisition of all outstanding shares of Viaweb, a provider of software and services for hosting online stores, through the issuance of 1,574,364 shares of Yahoo! Common Stock. All outstanding options to purchase Viaweb common stock were converted into options to purchase 244,504 shares of Yahoo! Common Stock. The acquisition was accounted for as a purchase in accordance with the provisions of APB 16. Under the purchase method of accounting, the purchase price is allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of the acquisition. Results of operations for Viaweb have been included with those of the Company for periods subsequent to the date of acquisition.

The total purchase price of the acquisition was $48.6 million including acquisition expenses of $1.8 million. The purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values as determined by the Company and pursuant to discussions with the Staff of the Securities and Exchange Commission (the "Staff") as follows (in thousands):

In-process research and development	$ 15,000
Purchased technology	15,000
Goodwill	24,332
Tangible assets acquired	571
Liabilities assumed	(344)
Deferred tax liability	(6,000)
	$ 48,559

Among the factors considered in discussions with the Staff in determining the amount of the allocation of the purchase price to in-process research and development were various factors such as estimating the stage of development of each in-process research and development project at the date of acquisition, estimating cash flows resulting from the expected revenues generated from such projects, and discounting the net cash flows, in addition to other assumptions. The remaining identified intangibles, including the value of purchased technology and other intangibles will be amortized on a straight-line basis over three and seven years, respectively. Amortization expense of purchased technology and other intangible assets was $2.9 million and $2.0 million, respectively, for the year ended December 31, 1998. A deferred tax liability has been recognized for the difference between the assigned values for book purposes and the tax bases of assets in accordance with the provisions of SFAS 109. In addition, other factors were considered in discussions with the Staff in determining the value assigned to purchased in-process technology such as research projects in areas supporting the online store technology (including significant enhancement to the ability of the product to support multiple users and multiple servers), developing functionality to support the ability to process credit card orders, and enhancing the product's user interface by developing functionality that would allow the product to be used outside of the United States. If none of these projects is successfully developed, the Company's sales and profitability may be adversely affected in future periods. Additionally, the failure of any particular individual project in process could impair the value of other intangible assets acquired. The Company began to benefit from the purchased in-process technology in late 1998.

Yahoo! is continuing the development efforts associated with online store technology, credit card processing and to a lesser extent international functionality. The development efforts with respect to

NOTE 5 ACQUISITIONS (CONTINUED)

the online store technology and credit card processing are on schedule with Yahoo!'s original assumptions with various features having been introduced as of December 31, 1998. Given the complexities of completing the international functionality, Yahoo! continues to make progress in the development of these features and now expects to be substantially complete by the end of June 1999.

ACQUISITION OF WEBCAL CORPORATION. On July 17, 1998, the Company completed the acquisition of WebCal Corporation ("WebCal"), a privately-held developer and marketer of Web-based calendaring and scheduling products, and publisher of EventCal, a comprehensive database of world-wide public events. Under the terms of the acquisition, which was accounted for as a pooling of interests, the Company exchanged 541,908 shares of Yahoo! Common Stock for all of WebCal's outstanding shares. The historical operations of WebCal are not material to the Company's financial position or results of operations, therefore, prior period financial statements have not been restated for this acquisition. WebCal's accumulated deficit on July 17, 1998 was $1.1 million. Net revenues and pre-tax net loss for WebCal in 1998 through the date of the acquisition approximated $2,000 and $847,000, respectively.

ACQUISITION OF YOYODYNE ENTERTAINMENT, INC. On October 20, 1998, the Company acquired Yoyodyne Entertainment, Inc., a privately-held, direct marketing services company. Under the terms of the acquisition, which was accounted for as a pooling of interests, the Company exchanged 561,244 shares of Yahoo! Common Stock and options and warrants to purchase Yahoo! Common Stock for all of Yoyodyne's outstanding shares, options, and warrants. The consolidated financial statements for the three years ended December 31, 1998 and the accompanying notes reflect the Company's financial position and the results of operations as if Yoyodyne was a wholly-owned subsidiary of the Company since inception. During October 1998, the Company recorded a one-time charge of $2.1 million for acquisition-related costs. These costs consisted of broker fees, legal and accounting fees, and certain other expenses directly related to the acquisition.

ACQUISITION OF HYPERPARALLEL, INC. On December 17, 1998, the Company completed the acquisition of all of the outstanding shares of HyperParallel, Inc. ("HyperParallel"), a company specializing in data analysis, through the issuance of 74,856 shares of Yahoo! Common Stock and approximately $700,000 of cash totaling $8.1 million including acquisition costs. The acquisition was accounted for as a purchase in accordance with APB 16. Under the purchase method of accounting, the purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of the acquisition. Results of operations for HyperParallel have been included with those of the Company for periods subsequent to the acquisition.

Approximately $2.3 million of the total purchase price was allocated to in-process research and development. This amount was developed by estimating the stage of development of each in-process research and development project at the date of the acquisition, estimating incremental cash flows generated from such projects, and discounting the net cash flows back to their present value using a discount rate of 35%, which represents a premium to the Company's cost of capital to take into account the uncertainty surrounding the successful development of the purchased in-process technology. The projections were based on management's estimates of market size and growth, expected trends in advertising and technology, expected research and development and selling and general administrative expenditures, and the expected timing of new product introductions. Approximately $1.2 million of the total purchase price was allocated to existing technology which is being amortized over 3 years. The value of the existing technology was developed based on similar assumptions using a discount rate of 25%. The projections used in developing the values should not be considered an accurate predictor of

NOTE 5 ACQUISITIONS (CONTINUED)

future performance for several reasons, including the consideration of many factors outside the control of the Company. The remaining purchase price of approximately $4.6 million was allocated to goodwill which is being amortized over 7 years. Tangible assets acquired and liabilities assumed were not material to the Company's financial statements.

The value assigned to purchased in-process technology was determined by identifying three research projects in-progress as of the acquisition date. These three research projects in-progress focus on technologies surrounding search tools. Two of the application oriented development projects were 70% and 20% complete as of the acquisition date. These projects are expected to be completed in the first and fourth quarters, respectively, of 1999. The remaining project relates to the next release of the current search tool which was approximately 20% complete as of the acquisition date and is expected to be completed in the fourth quarter of 1999. Future research and development costs to be incurred on the individual in-process projects are not expected to be material to Yahoo!'s financial position or results of operations. In addition, if none of these projects were successfully developed, Yahoo!'s revenues and profitability would not be materially adversely affected.

UNAUDITED PRO FORMA DISCLOSURES OF SIGNIFICANT ACQUISITIONS. The following unaudited pro forma consolidated results of operations give effect to the acquisitions of Viaweb and HyperParallel as if they occurred as of the beginning of the period (in thousands, except per share data):

	YEAR ENDED DECEMBER 31,	
	1998	1997
Net revenues	$ 204,136	$ 71,392
Net income (loss)	$ 22,290	$ (31,866)
Net income (loss) per share--basic	$ 0.12	$ (0.18)
Net income (loss) per share--diluted	$ 0.10	$ (0.18)
Shares used in per share calculation--basic	184,835	175,929
Shares used in per share calculation--diluted	224,983	175,929

NOTE 6 JOINT VENTURES

YAHOO! JAPAN. During April 1996, the Company signed a joint venture agreement with SOFTBANK whereby Yahoo! Japan Corporation was formed to establish and manage in Japan a Japanese version of the Yahoo! Internet Guide, develop related Japanese online navigational services, and conduct other related business. The Company's ownership interest in the joint venture upon inception was 40%. During November 1997, Yahoo! Japan Corporation completed its initial public offering, issuing 975 previously unissued shares and raising total proceeds of approximately $5.5 million. Accordingly, the Company increased its investment by $1.7 million, recorded as additional paid-in capital, to reflect the increase in the Company's share of Yahoo! Japan Corporation's net assets. The investment is being accounted for using the equity method and the Company's share of net income, to date, has been immaterial. At December 31, 1998, the carrying value of the investment was $2.9 million and is recorded in other assets. However, the fair value of the Company's 34% ownership in Yahoo! Japan, based on the quoted trading price, was approximately $170 million at December 31, 1998.

YAHOO! EUROPE. On November 1, 1996, the Company signed a joint venture agreement with a subsidiary of SOFTBANK whereby separate companies were formed in Germany, the United Kingdom,

NOTE 6 JOINT VENTURES (CONTINUED)

and France ("Yahoo! Europe") to establish and manage versions of the Yahoo! Internet Guide for those countries, develop related online navigational services, and conduct other related business. The parties have invested a total of $6.0 million in proportion to their respective equity interests as of December 31, 1998. The Company has a majority share of approximately 70% in each of the Yahoo! Europe entities, and therefore, has consolidated their financial results. During 1998, 1997, and 1996, Yahoo! Europe incurred losses from operations of $409,000, $1,807,000 and $842,000, respectively. SOFTBANK's interest in the net assets of Yahoo! Europe at December 31, 1998 and 1997, as represented by the minority interest on the balance sheet, was $883,000 and $405,000, respectively.

YAHOO! KOREA. During August 1997, the Company signed a joint venture agreement with SOFTBANK and other SOFTBANK affiliate companies whereby Yahoo! Korea was formed to develop and operate a Korean version of the Yahoo! Internet Guide, develop related Korean online navigational services, and conduct other related business. The parties have invested a total of $1.0 million in proportion to their respective equity interests. The Company has a majority share of approximately 60% in the joint venture, and therefore, has consolidated the financial results, which have been insignificant to date. SOFTBANK's interest in the net assets of Yahoo! Korea at December 31, 1998 and 1997, as represented by the minority interest on the balance sheet, was $365,000 and $311,000, respectively.

YAHOO! MARKETPLACE. On August 26, 1996, Yahoo! entered into agreements with Visa International Service Association ("VISA") and another party (together, the "Visa Group") to establish a limited liability company, Yahoo! Marketplace L.L.C., to develop and operate a navigational service focused on information and resources for the purchase of consumer products and services over the Internet. Yahoo!'s principal obligations included a commitment to provide operating contributions to support implementation of the service including its look and feel, development of its software, hiring of its management, promotion of the service, promotion of VISA, a nonexclusive license to Yahoo! Marketplace to use the Yahoo! brand and search tools, and an agreement that Yahoo! Marketplace would be used exclusively for the activities defined in the operating agreement. VISA's key obligations included a commitment to provide operating contributions including encouraging VISA member banks to participate and utilize the services of Yahoo! Marketplace, assistance in implementing systems to process payments, other marketing assistance activities, providing non-exclusive rights to utilization of the VISA brand, and an agreement not to compete for 18 months by entering into a similar arrangement with a Yahoo! competitor. As of December 31, 1996, the parties had invested a total of $1.0 million. At December 31, 1996, Yahoo! owned approximately 55% of the equity interest in Yahoo! Marketplace. Yahoo! Marketplace incurred start-up losses of $246,000 in 1997 and $637,000 in 1996.

During May 1997, Yahoo! received a letter from VISA formally expressing its concerns with respect to breach of contract, Yahoo! support obligations, and exclusivity. In June 1997, Yahoo! conducted numerous discussions concerning settlement of these obligations and claims and proposed a settlement with the Visa Group which was signed in July 1997, prior to the completion of significant business activities and public launch of the property. In connection with this settlement, Yahoo! issued 2,797,924 shares of Yahoo! Common Stock to the Visa Group, for which Yahoo! recorded a one-time, non-cash, pre-tax charge of $21.2 million in the second quarter ended June 30, 1997. The settlement ultimately released Yahoo! from all of its obligations described above. The agreement settled all disputes and claims arising among the parties with respect to the interpretation of and the parties' respective performance under the agreements and released the parties from further liability. It also

NOTE 6 JOINT VENTURES (CONTINUED)

released Yahoo! from any other further damage claims by VISA for non-performance. Yahoo! also forfeited its non-compete commitment from VISA. No portions of these agreements continued in effect subsequent to the settlement.

NOTE 7 SHAREHOLDERS' EQUITY

COMMON STOCK. On April 11, 1996, the Company completed its initial public offering of 17.9 million shares of its Common Stock. Net proceeds to the Company aggregated $35.1 million. As of the closing date of the offering, all of the Convertible Preferred Stock outstanding was converted into an aggregate of approximately 77 million shares of Common Stock. On July 14, 1998, the Company received proceeds of $250.0 million in exchange for 5,453,760 newly issued shares of Yahoo! Common Stock through a private placement with SOFTBANK. The shares purchased by SOFTBANK are subject to a pre-existing agreement, entered into in 1996, that prohibits SOFTBANK from purchasing additional shares of the Company's capital stock if such purchase would result in SOFTBANK owning more than 35% of the Company's capital stock (assuming the exercise of all outstanding options and warrants to purchase capital stock).

STOCK OPTION PLANS. Pursuant to the consummation of the acquisitions of Viaweb Inc. and Yoyodyne Entertainment, Inc. during 1998, the Company assumed the Viaweb 1997 Stock Option Plan (the "Viaweb Plan") and the 1996 Yoyodyne Stock Option Plan (the "Yoyodyne Plan"), respectively. As of December 31, 1998, the Company had five stock-based compensation plans which are described below.

The 1995 Stock Plan (the "Stock Plan"), the 1995 Four11 Stock Option Plan (the "Four11 Plan"), the Viaweb Plan, and the Yoyodyne Plan (collectively the "Plans") allow for the issuance of incentive stock options, non-qualified stock options, and stock purchase rights to purchase a maximum of 87.6 million shares of the Company's Common Stock. Under the Plans, incentive stock options may be granted to employees, directors, and officers of the Company and non-qualified stock options and stock purchase rights may be granted to consultants, employees, directors, and officers of the Company. Options granted under the Plans are for periods not to exceed ten years, and must be issued at prices not less than 100% and 85%, for incentive and nonqualified stock options, respectively, of the fair market value of the stock on the date of grant as determined by the Board of Directors. Options granted to shareholders who own greater than 10% of the outstanding stock are for periods not to exceed five years and must be issued at prices not less than 110% of the fair market value of the stock on the date of grant as determined by the Board of Directors. Options granted under the Stock Plan and the Four11 Plan generally vest 25% after the first year of service and ratably each month over the remaining thirty-six month period. Options granted under the Viaweb Plan generally vest 25% on each anniversary over four years. Options granted under the Yoyodyne Plan have various vesting periods that do not exceed thirty-six months. Options issued under the Four11 Plan may be exercised prior to vesting and are subject to repurchase in the event of a voluntary termination, at the original purchase price. At December 31, 1998, shares subject to repurchase under the provisions of the Four11 Plan were insignificant.

The 1996 Directors' Stock Option Plan (the "Directors' Plan") provides for the issuance of up to 1.2 million non-statutory stock options to non-employee directors of the Company. Each person who becomes a non-employee director of the Company after the date of the Company's initial public offering will automatically be granted a non-statutory option (the "First Option") to purchase 240,000

NOTE 7 SHAREHOLDERS' EQUITY (CONTINUED)

shares of Common Stock upon the date on which such person first becomes a director. Thereafter, each director of the Company will be granted an annual option (the "Annual Option") to purchase 30,000 shares of Common Stock. Options under the Directors' Plan will be granted at the fair market value of the stock on the date of grant as determined by the Board of Directors and will vest in equal monthly installments over four years, in the case of the First Option, or at the end of four years in the case of the Annual Option. Options granted under the Directors' Plan are for periods not to exceed 10 years.

Activity under the Company's stock option plans is summarized as follows (in thousands, except per share amounts):

	AVAILABLE FOR GRANT	OPTIONS OUTSTANDING	WEIGHTED AVERAGE PRICE PER SHARE
Balance at December 31, 1995	10,279	19,906	$ 0.00
Additional shares reserved	19,252		
Options granted	(22,829)	22,829	1.68
Options canceled	1,845	(1,845)	1.66
Options exercised		(2,978)	0.00
Balance at December 31, 1996	8,547	37,912	0.94
Additional shares reserved	30,000		
Options granted	(18,442)	18,442	9.38
Options canceled	356	(356)	2.30
Options exercised		(9,670)	0.53
Balance at December 31, 1997	20,461	46,328	4.35
Additional shares reserved	8,245		
Options granted	(19,566)	19,566	54.94
Options canceled	2,494	(2,494)	12.23
Options exercised		(10,551)	2.89
Balance at December 31, 1998	11,634	52,849	$ 22.99

NOTE 7 SHAREHOLDERS' EQUITY (CONTINUED)

The following table summarizes information concerning outstanding and exercisable options at December 31, 1998 (in thousands, except per share amounts):

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (IN YEARS)	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE
less than $0.01	8,002	6.6	$ 0.00	5,187	$ 0.00
$0.03-$1.17	6,473	7.1	0.60	3,141	0.69
$1.25-$3.21	5,940	7.6	2.57	1,765	2.53
$3.33-$8.08	5,518	8.3	5.41	912	5.15
$10.78-$13.47	7,711	8.9	12.96	1,766	13.09
$13.94-$29.14	6,100	9.2	20.58	141	14.41
$30.38-$57.75	6,481	9.6	47.12	--	--
$62.41-$135.00	6,624	9.9	95.89	--	--
	52,849	8.4	$ 22.99	12,912	$ 2.83

Options to purchase approximately 7.9 million shares and 3.3 million shares were vested at December 31, 1997 and 1996, respectively. The weighted average exercise prices per share for options vested at December 31, 1997 and 1996 were $0.99 and less than $0.01, respectively. Through December 31, 1998, Yahoo! and certain acquired entities recorded compensation expense related to certain stock options issued with exercise prices below the fair market value of the related common stock. The Company recorded compensation expense in the amount of $926,000, $1,215,000, and $164,000 in 1998, 1997, and 1996, respectively. Approximately $1,017,000 remains to be amortized over the remaining vesting periods of the options.

EMPLOYEE STOCK PURCHASE PLAN. Effective March 6, 1996, the Company's Board of Directors adopted the Employee Stock Purchase Plan (the "Purchase Plan"), which provides for the issuance of a maximum of 1,800,000 shares of Common Stock. Eligible employees can have up to 15% of their earnings withheld, up to certain maximums, to be used to purchase shares of the Company's Common Stock on every December 31(st) and June 30(th). The price of the Common Stock purchased under the Purchase Plan will be equal to 85% of the lower of the fair market value of the Common Stock on the commencement date of each six-month offering period or the specified purchase date. During 1998, 126,000 shares were purchased at prices from $14.72 to $36.10 per share. During 1997, 537,000 shares were purchased at prices from $1.85 to $4.83 per share. There were no shares issued under the Purchase Plan during 1996. At December 31, 1998, 1,137,000 shares were available under the Purchase Plan for future issuance.

STOCK COMPENSATION. The Company accounts for stock-based compensation in accordance with the provisions of APB 25. Had compensation expense been determined based on the fair value at the

NOTE 7 SHAREHOLDERS' EQUITY (CONTINUED)

grant dates, as prescribed in SFAS 123, the Company's results would have been as follows (in thousands, except per share amounts):

	1998	1997	1996
Net income (loss):			
As reported	$ 25,588	$ (25,520)	$ (6,427)
Pro forma	$ (10,291)	$ (31,918)	$ (7,273)
Net income (loss) per share--basic:			
As reported	$ 0.14	$ (0.15)	$ (0.04)
Pro forma	$ (0.06)	$ (0.18)	$ (0.05)
Net income (loss) per share--diluted:			
As reported	$ 0.11	$ (0.15)	$ (0.04)
Pro forma	$ (0.06)	$ (0.18)	$ (0.05)

Prior to the Company's initial public offering, the fair value of each option grant was determined on the date of grant using the minimum value method. Subsequent to the offering, the fair value was determined using the Black-Scholes model. The weighted average fair market value of an option granted during 1998, 1997, and 1996 was $26.53, $4.34, and $0.79, respectively. Except for the volatility assumption which was only used under the Black-Scholes model, the following range of assumptions was used to perform the calculations: expected life of 36 months in 1998 and 1997, and 30 months in 1996; risk-free interest rate ranges of 4.2% to 5.6% during 1998, 5.6% to 6.6% during 1997, and 5.1% to 6.5% during 1996; expected volatility of 67% in 1998, 59% in 1997, and 53% in 1996; and no expected dividend yield for the three years ended December 31, 1998. Because additional stock options are expected to be granted each year, the above pro forma disclosures are not representative of pro forma effects on reported financial results for future years.

NOTE 8 INCOME TAXES

The components of income (loss) before taxes are as follows (in thousands):

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
United States	$ 44,718	$ (22,962)	$ (5,488)
Foreign	(1,303)	(2,558)	(939)
	$ 43,415	$ (25,520)	$ (6,427)

NOTE 8 INCOME TAXES (CONTINUED)

The provision for income taxes in 1998 is composed of the following (in thousands):

Current:	
Federal	$ 20,333
State	1,937
	22,270
Deferred:	
Federal	(3,616)
State	(827)
	(4,443)
Total provision	$ 17,827

No provision for federal and state income taxes for 1997 and 1996 has been recorded as the Company incurred net operating losses for these periods.

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate as follows (in thousands):

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
Income tax at the federal statutory rate of 35%	$ 15,195	$ (8,010)	$ (817)
State income tax, net of federal benefit	1,937	(1,626)	(112)
Non-deductible acquisition-related charges	8,521	--	--
Research tax credits	(1,155)	--	--
Change in valuation allowances	(6,770)	8,175	864
Other	99	1,461	65
	$ 17,827	$ --	$ --

NOTE 8 INCOME TAXES (CONTINUED)

Deferred income taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The components of the net deferred income tax assets are as follows (in thousands):

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
Deferred income tax assets:			
Net operating loss and credit carryforwards....	$ 148,249	$ 25,512	$ 4,303
Nondeductible reserves and expenses...........	4,443	3,667	1,468
Gross deferred tax assets.....................	152,692	29,179	5,771
Valuation allowance...........................	(135,063)	(29,179)	(5,771)
	17,629	--	--
Deferred income tax liabilities:			
Unrealized investment gains...................	(12,796)	--	--
Intangible assets.............................	(4,833)	--	--
Gross deferred tax liabilities................	(17,629)	--	--
	$ --	$ --	$ --

As of December 31, 1998, the Company's federal and state net operating loss carryforwards for income tax purposes were approximately $333 million and $181 million, respectively. If not utilized, the federal net operating loss carryforwards will begin to expire in 2010, and the state net operating loss carryforwards will begin to expire in 2003. The Company's federal and state research tax credit carryforwards for income tax purposes are approximately $10.7 million and $10.1 million, respectively. If not utilized, the federal tax credit carryforwards will begin to expire in 2010. Approximately $13 million of net operating loss carryforwards relate to acquired entities and expire beginning in 2010. Utilization of these net operating loss carryforwards may be limited by a cumulative stock ownership change of more than 50%, or by other limitations.

Deferred tax assets of approximately $141 million as of December 31, 1998 pertain to certain net operating loss carryforwards and credit carryforwards resulting from the exercise of employee stock options. When recognized, the tax benefit of these loss and credit carryforwards are accounted for as a credit to additional paid-in capital rather than a reduction of the income tax provision. Deferred tax assets include approximately $1.6 million related to net operating loss carryforwards in various foreign jurisdictions. These carryforwards will expire if not utilized.

NOTE 9 COMMITMENTS AND CONTINGENCIES

OPERATING LEASES. During December 1998, the Company entered into a non-cancelable operating sublease agreement that will provide the Company with additional office space at its existing Santa Clara, California location. Additionally during 1998, the Company entered into various other non-cancelable operating lease agreements for its sales offices throughout the U.S. and its international subsidiaries. Future minimum lease payments under non-cancelable operating leases with initial terms of one year or more are $3.6 million in 1999, $3.3 million in 2000, $2.7 million in 2001, $2.6 million in 2002, $2.5 million in 2003, and $0.6 million thereafter. Certain of the Company's lease agreements have

NOTE 9 COMMITMENTS AND CONTINGENCIES (CONTINUED)

a five year renewal option from the date of expiration. Total minimum rental payments aggregate $15.4 million. Rent expense under operating leases totaled $2.3 million, $1.4 million, and $0.5 million during 1998, 1997, and 1996, respectively.

LEGAL. From time to time the Company is subject to legal proceedings and claims in the ordinary course of business, including claims of alleged infringement of trademarks, copyrights and other intellectual property rights, and a variety of claims arising in connection with the Company's email, message boards, and other communications and community features, such as claims alleging defamation and invasion of privacy. The Company is not currently aware of any legal proceedings or claims that the Company believes will have, individually or in the aggregate, a material adverse effect on the Company's financial position or results of operations.

NOTE 10 SUBSEQUENT EVENT

GEOCITIES. On January 28, 1999, the Company announced the signing of a definitive agreement to acquire GeoCities, a publicly traded Internet company. Under the terms of the acquisition, which will be accounted for as a pooling of interests, the Company will exchange approximately 21,254,000 shares of Yahoo! Common Stock for approximately 31,403,000 shares of GeoCities common stock. Additionally, the Company will convert approximately 8,894,000 GeoCities stock options into approximately 6,019,000 Yahoo! stock options. The acquisition is expected to be completed in the second quarter of 1999 and is subject to certain conditions, regulatory approval, and approval by GeoCities stockholders. The Company expects to record a one-time charge in the second quarter of 1999 relating to expenses incurred with this transaction.

GeoCities' operating results for the years ended December 31, 1998, 1997, and 1996 included revenues of approximately $18.4 million, $4.6 million, and $0.3 million, respectively, and net losses of approximately $19.8 million, $8.9 million, and $3.0 million, respectively.

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS

YEARS ENDED DECEMBER 31, 1998, 1997, AND 1996

(IN THOUSANDS)

		ADDITIONS			
ALLOWANCE FOR DOUBTFUL ACCOUNTS	BALANCE AT BEGINNING OF YEAR	CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS	WRITE-OFFS NET OF RECOVERIES	BALANCE AT END OF YEAR
1998.........	$ 2,598	$ 5,668	$ --	$ 3,299	$ 4,967
1997.........	$ 665	$ 2,812	$ --	$ 879	$ 2,598
1996.........	$ 84	$ 611	$ --	$ 30	$ 665

QUARTERLY FINANCIAL DATA

(UNAUDITED) (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	QUARTER ENDED			
	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31
1998				
Net revenues	$ 30,596	$ 41,688	$ 54,576	$ 76,410
Gross profit	26,302	35,904	47,051	67,271
Income (loss) from operations	2,658	(7,860)	13,146	20,824
Income (loss) before income taxes	4,341	(5,917)	18,322	26,669
Net income (loss)	3,270	(8,977)(a)	12,771(b)	18,524(c)
Net income (loss) per share--basic *	0.02	(0.05)	0.07	0.09
Net income (loss) per share--diluted *	$ 0.02	$ (0.05)(a)	$ 0.06(b)	$ 0.08(c)
1997				
Net revenues	$ 10,731	$ 14,432	$ 18,703	$ 26,584
Gross profit	8,835	11,908	16,028	22,794
Loss from operations	(3,029)	(23,641)	(1,320)	(2,792)
Income (loss) before income taxes	(1,435)	(22,209)	65	(1,941)
Net income (loss)	(1,435)	(22,209)(d)	65	(1,941)(e)
Net income (loss) per share--basic *	(0.01)	(0.13)	0.00	(0.01)
Net income (loss) per share--diluted *	$ (0.01)	$ (0.13)(d)	$ 0.00	$ (0.01)(e)

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Note: The quarterly financial data for the quarters presented above has been restated to reflect the acquisition of Yoyodyne Entertainment, Inc. which was accounted for as a pooling of interests.

* Reflects the two-for-one stock splits effective August 1998 and February 1999.

(a) Net loss and net loss per share include a non-recurring charge of $15.0 million incurred in connection with the June 1998 acquisition of Viaweb Inc. and amortization of $0.7 million on related intangible assets.

(b) Net income and net income per share include amortization of $2.1 million on intangible assets.

(c) Net income and net income per share include non-recurring charges of $4.4 million incurred in connection with the October 1998 acquisition of Yoyodyne Entertainment, Inc. and the December 1998 acquisition of HyperParallel, Inc., and amortization of $2.1 million on intangible assets.

(d) Net loss and net loss per share include a non-recurring charge of $21.2 million related to the Yahoo! Marketplace restructuring.

(e) Net loss and net loss per share include a non-recurring charge of $3.9 million incurred in connection with the October 1997 acquisition of Four11 Corporation.

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this report:

(1) Consolidated Financial Statements: See Index to Consolidated Financial Statements at Item 8 on page 38 of this report.

(2) Financial Statement Schedule: See Index to Consolidated Financial Statements at Item 8 on page 38 of this report.

(3) Exhibits are incorporated herein by reference or are filed with this report as indicated below (numbered in accordance with Item 601 of Regulation S-K):

EXHIBIT NUMBER	DESCRIPTION
2.1	Agreement and Plan of Merger, dated as of January 27, 1999 by and among Yahoo! Inc., Home Page Acquisition Corp. and GeoCities (without exhibits). (Filed as Exhibit 1 to the GeoCities SC 13D, dated February 8, 1999 and incorporated herein by reference.)
3.1*	Amended and Restated Articles of Incorporation of Registrant
3.2	Amended and Restated Bylaws of Registrant (Filed as Exhibit 3.3 to the Company's Registration Statement on Form SB-2, Registration No. 333-2142-LA, declared effective on April 11, 1996 [the "SB-2 Registration Statement"], and incorporated herein by reference.)
3.3*	Certificate of Amendment to Bylaws dated January 11, 1999
10.1	Form of Indemnification Agreement with the Registrant's officers and directors (Filed as Exhibit 10.1 to the SB-2 Registration Statement and incorporated herein by reference.)
10.2	1995 Stock Plan, as amended, and form of stock option agreement (Filed as Exhibit 10.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 1996 [the "December 31, 1996 10-K"] and incorporated herein by reference.)
10.3	Form of Management Continuity Agreement with the Registrant's Executive Officers (Filed as Exhibit 10.3 to the SB-2 Registration Statement and incorporated herein by reference.)
10.4	Stock Purchase Agreement dated March 3, 1995 with each of David Filo and Jerry Yang (Filed as Exhibit 10.4 to the SB-2 Registration Statement and incorporated herein by reference.)
10.5	Series A Preferred Stock Agreement dated April 7, 1995 between the Registrant and Purchasers of Series A Preferred Stock (Filed as Exhibit 10.5 to the SB-2 Registration Statement and incorporated herein by reference.)
10.6	Form of Stock Restriction Agreements dated April 7, 1995 between the Registrant and Jerry Yang and David Filo (Filed as Exhibit 10.6 to the SB-2 Registration Statement and incorporated herein by reference.)
10.7	Series B Preferred Stock Agreement dated November 22, 1995 between the Registrant and Purchasers of Series B Preferred Stock (Filed as Exhibit 10.7 to the SB-2 Registration Statement and incorporated herein by reference.)
10.8	Series C Preferred Stock Agreement dated March 12, 1996 between the Registrant and SOFTBANK Holdings Inc. (Filed as Exhibit 10.8 to the SB-2 Registration Statement and incorporated herein by reference.)
10.9	Second Amended and Restated Investor Rights Agreement dated March 12, 1996 between the Registrant and certain shareholders (Filed as Exhibit 10.9 to the SB-2 Registration Statement and incorporated herein by reference.)

EXHIBIT NUMBER	DESCRIPTION
10.10	Second Amended and Restated Co-Sale Agreement dated March 12, 1996 between the Registrant and certain shareholders (Filed as Exhibit 10.10 to the SB-2 Registration Statement and incorporated herein by reference.)
10.11	Second Amended and Restated Voting Agreement dated March 12, 1996 between the Registrant and certain shareholders (Filed as Exhibit 10.11 to the SB-2 Registration Statement and incorporated herein by reference.)
10.12+	Publishing Agreement dated June 2, 1995 between the Registrant and IDG Books Worldwide, Inc. (Filed as Exhibit 10.12 to the SB-2 Registration Statement and incorporated herein by reference.)
10.13	Sublease Agreement dated June 6, 1996 relating to the Registrant's office at 3400 Central Expressway, Suite 201, Santa Clara, California (Filed as Exhibit 10.15 to the December 31, 1996 10-K and incorporated herein by reference.)
10.14+	Agreement dated January 15, 1996 between the Registrant and Ziff-Davis Publishing Company (Filed as Exhibit 10.19 to the SB-2 Registration Statement and incorporated herein by reference.)
10.15	1996 Employee Stock Purchase Plan and form of subscription agreement (Filed as Exhibit 10.20 to the SB-2 Registration Statement and incorporated herein by reference.)
10.16	1996 Directors' Stock Option Plan and form of option agreement (Filed as Exhibit 10.21 to the SB-2 Registration Statement and incorporated herein by reference.)
10.17+	Yahoo! Canada Affiliation Agreement dated February 29, 1996 between the Registrant and Rogers Multi-Media Inc. (Filed as Exhibit 10.23 to the SB-2 Registration Statement and incorporated herein by reference.)
10.18	Standstill and Voting Agreement dated March 12, 1996 between the Registrant and SOFTBANK Holdings Inc. (Filed as Exhibit 10.26 to the SB-2 Registration Statement and incorporated herein by reference.)
10.19+	Joint Venture Agreement dated April 1, 1996 by and between Yahoo! Inc. and SOFTBANK Corporation (Filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q/A for the quarter ended June 30, 1996 [the "June 30, 1996 10-Q"] and incorporated herein by reference.)
10.20+	Yahoo! Japan License Agreement dated April 1, 1996 by and between Yahoo! Inc. and Yahoo! Japan Corporation (Filed as Exhibit 10.3 to the June 30, 1996 10-Q and incorporated herein by reference.)
10.21+	SOFTBANK Letter Agreement dated April 1, 1996 by and between Yahoo! Inc. and SOFTBANK Group (Filed as Exhibit 10.4 to the June 30, 1996 10-Q and incorporated herein by reference.)
10.22+	Joint Venture Agreement dated November 1, 1996 by and between Yahoo! Inc. and SB Holdings (Europe) Ltd. (Filed as Exhibit 10.30 to the December 31, 1996 10-K and incorporated herein by reference.)
10.23+	Yahoo! UK License Agreement dated November 1, 1996 by and between Yahoo! Inc. and Yahoo! UK (Filed as Exhibit 10.31 to the December 31, 1996 10-K and incorporated herein by reference.)
10.24+	Yahoo! Deutschland License Agreement dated November 1, 1996 by and between Yahoo! Inc. and Yahoo! Deutschland (Filed as Exhibit 10.32 to the December 31, 1996 10-K and incorporated herein by reference.)
10.25+	Yahoo! France License Agreement dated November 1, 1996 by and between Yahoo! Inc. and Yahoo! France (Filed as Exhibit 10.33 to the December 31, 1996 10-K and incorporated herein by reference.)

EXHIBIT NUMBER	DESCRIPTION
10.26	Restructuring Agreement dated as of July 29, 1997 among the Registrant, Visa International Service Association, Visa Marketplace, Inc., Sterling Payot Company, and Sterling Payot Capital, L.P. (Filed as Exhibit 4.1 to the Company's Current Report on Form 8-K, dated July 29, 1997 and incorporated herein by reference.)
10.27	Joint Venture Agreement, dated August 31, 1997 between Yahoo! Inc., SOFTBANK Korea Corporation, SOFTBANK Corporation, and Yahoo! Japan Corporation (Filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997 [the "September 30, 1997 10-Q"] and incorporated herein by reference.)
10.28	Sublease Agreement, dated September 11, 1997 between Yahoo! Inc. and Amdahl Corporation (Filed as Exhibit 10.2 to the September 30, 1997 10-Q and incorporated herein by reference.)
10.29	Four11 Corporation 1995 Stock Option Plan Registrant (Filed as Exhibit 4.2 to the Company's Registration Statement on Form S-8, Registration No. 333-39105, dated October 30, 1997, and incorporated herein by reference.)
10.30+	Amendment Agreement dated September 17, 1997 by and between Yahoo! Inc. and SOFTBANK Corporation (Filed as Exhibit 10.39 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 [the "December 31, 1997 10-K"] and incorporated herein by reference.)
10.31+	Amendment to Yahoo! Japan License Agreement dated September 17, 1997 by and between Yahoo! Inc. and Yahoo! Japan Corporation (Filed as Exhibit 10.40 to the December 31, 1997 10-K and incorporated herein by reference.)
10.32+	Services Agreement dated November 30, 1997 by and between Yahoo! Korea Corporation and SOFTBANK Korea Corporation (Filed as Exhibit 10.41 to the December 31, 1997 10-K and incorporated herein by reference.)
10.33+	Yahoo! Korea License Agreement dated November 30, 1997 by and between Yahoo! Inc., Yahoo! Korea Corporation, and Yahoo! Japan Corporation (Filed as Exhibit 10.42 to the December 31, 1997 10-K and incorporated herein by reference.)
10.34	Agreement and Plan of Merger dated June 4, 1998 by and among Yahoo! Inc., XY Acquisition Corporation, and Viaweb Inc. (Filed as Exhibit 2.1 to the Company's Current Report on Form 8-K, dated June 12, and incorporated herein by reference.)
10.35	Viaweb Inc. 1997 Stock Option Plan and form of Option Agreement thereunder (Filed as Exhibit 4.2 to the Company's Registration Statement on Form S-8, Registration No. 333-56781, dated June 12, 1998 [the "S-8 Registration Statement dated June 12, 1998"], and incorporated herein by reference.)
10.36	Forms of Viaweb Inc. 1996 Option Agreements (Filed as Exhibit 4.3 to the S-8 Registration Statement, dated June 12, 1998, and incorporated herein by reference.)
10.37	Stock Purchase Agreement dated as of July 7, 1998, between Yahoo! and SOFTBANK Holdings Inc. (Filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998 [the "June 30, 1998 10-Q"] and incorporated herein by reference.)
10.38	Amendment to Second Amended and Restated Investor Rights Agreement dated July 7, 1998 among Yahoo!, SOFTBANK Holdings Inc., Sequoia Capital VI and Sequioia Technology Partners VI (Filed as Exhibit 10.2 to the June 30, 1998 10-Q and incorporated herein by reference.)
10.39	Content License Agreement dated January 8, 1998 between Yahoo! and ZDNet (Filed as Exhibit 10.3 to the June 30, 1998 10-Q and incorporated herein by reference.)

EXHIBIT NUMBER	DESCRIPTION
10.40	Agreement and Plan of Merger dated as of October 9, 1998, by and among Yahoo! Inc., YO Acquisition Corporation, and Yoyodyne Entertainment, Inc. (Filed as Exhibit 2.1 to the Company's Current Report on Form 8-K, dated October 23, 1998 [the "8-K dated June 12, 1998"] and incorporated herein by reference.)
10.41	Amendment to the Agreement and Plan of Merger dated as of October 19, 1998, by and among Yahoo! Inc., YO Acquisition Corporation, and Yoyodyne Entertainment, Inc. (Filed as Exhibit 2.2 to 8-K dated June 12, 1998 and incorporated herein by reference.)
10.42	Yoyodyne Entertainment, Inc. 1996 Stock Option Plan and form of Option Agreement thereunder. (Filed as Exhibit 4.1 to the Company's Registration Statement on Form S-8, Registration No. 333-66067, dated October 23, 1998 and incorporated herein by reference.)
16.1	Letter dated March 6, 1996 from Coopers & Lybrand L.L.P., prior accountant of the Registrant (Filed as Exhibit 10.25 to the SB-2 Registration Statement and incorporated herein by reference.)
21.1*	List of Subsidiaries
23.1	Consent of Independent Accountants
27.1*	Financial Data Schedule

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+ Confidential treatment granted.

* Previously filed.

(b) Reports on Form 8-K

On October 23, 1998, the Company filed a report on Form 8-K, pursuant to Items 2 and 7 of such Form, regarding its acquisition of Yoyodyne Entertainment, Inc.

On November 19, 1998, the Company filed an amended report on Form 8-K, pursuant to Items 2 and 7 of such Form, which included the supplementary consolidated financial statements of Yahoo! Inc.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this amendment to be signed on its behalf by the undersigned, thereunto duly authorized, on the 29th day of April, 1999.

YAHOO! INC.

By: *

Timothy Koogle
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the requirements of the Securities Exchange Act of 1934, this amendment has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

SIGNATURE	TITLE	DATE
* Timothy Koogle	Chairman and Chief Executive Officer (Principal Executive Officer)	April 29, 1999
* Jeff Mallett	President, Chief Operating Officer, and Director	April 29, 1999
/s/ GARY VALENZUELA Gary Valenzuela	Senior Vice President, Finance and Administration, and Chief Financial Officer (Principal Financial Officer)	April 29, 1999
* James J. Nelson	Vice President, Finance (Principal Accounting Officer)	April 29, 1999
* Eric Hippeau	Director	April 29, 1999
* Arthur H. Kern	Director	April 29, 1999
* Michael Moritz	Director	April 29, 1999
* Jerry Yang	Director	April 29, 1999

* /s/ GARY VALENZUELA

Gary Valenzuela
ATTORNEY-IN-FACT

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectus constituting part of the Registration Statements on Form S-3 (No. 333-56779, No. 333-62943, No. 333-67587, No. 333-71645), in the Registration Statements on Form S-8 (No. 333-3694, No. 333-39105, No. 333-56781, No. 333-66067) and in the Registration Statement on Form S-4 (No. 333-76995) of Yahoo! Inc. of our report dated January 8, 1999, except as to the stock split described in Note 1 and Note 10, which are as of February 8, 1999, appearing in this Form 10-K/A.

/s/ PricewaterhouseCoopers LLP
San Jose, California
April 28, 1999