

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2000

Commission File Number 0-28018

YAHOO! INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

77-0398689
(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, \$.001 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, 2001, 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 \$13,037,967,102. 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, 2001 was 564,211,435.

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 2001 Annual Meeting of Stockholders--Part III Items 10, 11, 12 and 13.
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Part I

Item 1. Business

In addition to historical information, the following discussion of the Company's business (as well as the letter to stockholders from the Company's chairman and chief executive officer sent to stockholders with this Annual Report on Form 10-K) contains forward-looking statements. These forward-looking statements involve risks, uncertainties and assumptions. The actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to, those discussed in the sections in this Annual Report on Form 10-K entitled "Competition", "Proprietary Rights", "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's opinions only as of the date hereof. Yahoo! Inc. (the "Company" or "Yahoo!") undertakes no obligation to revise or publicly release the results of any revision to these forward-looking statements. Readers should carefully review the risk factors described in this document as well as in other documents the Company files from time to time with the Securities and Exchange Commission, including the Quarterly Reports on Form 10-Q to be filed by the Company in fiscal year 2001.

OVERVIEW

Yahoo! Inc. ("Yahoo!" or the "Company") is a global Internet communications, commerce and media company that offers a comprehensive branded network of services. As the first online navigational guide to the World Wide Web (the "Web"), www.yahoo.com is the leading guide in terms of traffic, advertising, and household and business user reach. The Company also provides online business and enterprise services designed to enhance the productivity and Web presence of Yahoo!'s clients. These services include Corporate Yahoo!™, a popular customized enterprise portal solution; audio and video streaming; store hosting and management; and Web site tools and services. The Company's global Web network includes 24 World properties. Yahoo! has offices in Europe, Asia Pacific, Latin America, Canada and the United States. The Company commenced operations in 1995, and is headquartered in Santa Clara, California.

Under the Yahoo! brand, the Company provides broadcast media, communications, business, enterprise and commerce services. In December 2000, Yahoo!'s global audience grew to 180 million unique users who viewed an average of approximately 900 million Web pages per day on Yahoo!-branded online properties.

In general, the Company makes its properties available without charge to users, and generates revenue primarily through the sale of advertisements, promotions, sponsorships, merchandising and direct marketing. The majority of advertising on Yahoo! properties is sold through the Company's internal advertising sales force. Approximately 3,700 customers advertised on the Yahoo! Network during the fourth quarter of 2000, including 55 of the Fortune 100.

MEDIA PROPERTIES AND SERVICES

Yahoo! Main Site

The Company's principal offering, www.yahoo.com, provides the flagship product for its global Internet media network. Yahoo! offers a comprehensive, intuitive and user-friendly online guide to Web navigation, aggregated informative content, communication services, a strong user community, and a commerce platform. Yahoo! includes a hierarchical, subject-based directory of Web sites, which enables Web users to locate and access desired information and services through hypertext links included in the directory. Yahoo! organizes Web site listings under the following 14 principal categories: Arts and Humanities, Business and Economy, Computers and Internet, Education, Entertainment, Government, Health, News and Media, Recreation and Sports, Reference, Regional, Science, Social Science, and Society and Culture. Web sites are further organized under these major headings by hierarchical subcategories. Users can either browse the directory listings by subject matter, or use a rapid keyword search facility that scans the contents of the entire directory or any subcategory within Yahoo!. The basic Web site listings are in many cases supplemented with brief descriptive commentary, and a special symbol is used to indicate listings that, in the view of the Company's editorial staff, provide unique presentation or content within their topic area. Yahoo! also provides Web-wide

text search results from the Google search engine. These results are integrated into the directory search function so that Web-wide search results are presented in the absence of relevant listings from the Yahoo! directory.

Targeted Online Properties and Services

The comprehensive subject-based, demographic and geographic listings in Yahoo! have provided a platform for the Company to develop and offer independent navigational tools and information services that are targeted to particular interests and Web users, and are presented within the familiar Yahoo! framework and style. Its Web-based media properties allow users to personalize and tailor the presentation of information and navigational resources. The Company has also developed a suite of communication and commerce services that facilitate interaction with the Yahoo! community and the greater Web community, and transactions among users and with merchants. The Company has strategic partners who develop localized or targeted content and/or provide a service under a Yahoo! brand or co-brand. The Company believes that tight integration of these services, if implemented successfully, will further strengthen customer loyalty to the Yahoo! brand and create additional revenue opportunities through a broader end user and advertiser base and increasingly targeted advertising and commerce opportunities.

Media Properties

Yahoo!'s Media properties focus on delivering information and entertainment conveniently to users from leading branded content providers, combined with other Yahoo! resources and related Web sites from the Yahoo! directory. Use of most properties is free, and many require registration.

Subject-Based Properties

The Company has developed properties organized around subjects such as Sports, News, Weather, Music, and Finance. Yahoo! Entertainment aggregates information about recreation and leisure activities as well as interactive experiences through properties such as Yahoo! Movies, Music, TV, Games, and Chat Events. Yahoo!'s Full Coverage organizes hypertext links to Web sites featuring current events and issues of interest, such as elections, holidays, political issues and major weather conditions, organized in a topical format and updated regularly. Yahoo!igans!, a version of Yahoo! designed for children aged 7 to 12, includes content and a directory of Web sites selected by experienced educators who evaluate the sites for appropriate content and links, applicability to school curricula, and interest.

Content integrated into subject-based properties include real-time news (provided by numerous sources including Reuters New Media, Associated Press, Deutsche Presse Agentur, & Agence France Presse), stock quotes (Reuters), corporate earnings reports (Zacks), audio and video news (AVC News & National Public Radio), mutual fund holdings (Morningstar), stock investing commentary (Motley Fool, CBS MarketWatch, & The Street.com), sports scores (ESPN SportsTicker & STATS, Inc.), sports commentary (The Sporting News), weather information (Weathernews, Inc. & AccuWeather, Inc.), and entertainment industry news (E! Online & RollingStone).

Rich Media Integration and Services

Yahoo! is focused on developing dynamic and robust properties, including rich media in the form of audio and video content. Yahoo! Music gives users the ability to watch and listen to Internet broadcasts from top music talent across virtually every musical genre, download and purchase both secure and open audio files, remix selected music tracks online, and view on-demand video channels. Yahoo! Sports offers live audio broadcasts of professional sporting events, such as the NBA, NFL and MLB games, and live audio or video broadcasts of certain leading collegiate events, including football and men's and women's basketball from such institutions as Michigan, Alabama and Syracuse. Yahoo! Sports also provides a host of daily audio and video highlight clips, press conferences and live and archived coaches shows. Yahoo! News offers live newscasts along with an expanded catalog of local and nationwide stories. In addition to rich media integrated throughout Yahoo!'s traditional media properties, the Company maintains a central hub for access to licensed audio and video content, which includes concerts, audio books, radio shows, company conference calls, and all of its sports, news and music content. Yahoo! FinanceVision, launched during 2000, is a live, web-based financial network that provides viewers in-depth market coverage, investing insight from third-party sources, morning brokerage calls, and news and commentary from a broad array of premier editorial sources. Yahoo! FinanceVision creates an integrated consumer experience of personalized data and streaming audio and video.

Communications Properties

Yahoo! has established itself as a leading communications hub on the Internet with properties that have become essential services to many of its users. Through its integrated Mail, Groups, Chat, Messenger, Message Boards and Greetings products and services, registered Yahoo! members are given powerful ways to communicate one-to-one, one-to-many and many-to-many. Yahoo! Mail, the Company's free email service, is one of the most popular on the Web, and the Yahoo! Groups platform enables over 17 million members to communicate with other individuals of similar interests. Yahoo! has also developed a suite of services which help users manage their personal information, such as Address Book, Calendar, and Briefcase. Users can access their personal information from the Web through their personal computers or other devices such as personal digital assistants (PDA's), pagers and cell phones, using Yahoo! Mobile and Intellisync for Yahoo!.

During 2000, Yahoo! launched a powerful suite of voice services aimed at increasing the convenience for members to access information and communicate with anyone worldwide. These services, including Yahoo! by Phone, Voicemail, Voice-Enabled Email and PC to Phone Calling, offer consumers a convenient way to gain easy access to their online information from familiar devices and remain connected. With Yahoo! by Phone, people use a touch-tone keypad on any phone to gain easy access to Yahoo!'s essential services, including Yahoo! Mail, which is read to the user using advanced text-to-speech technology. Consistent with the Company's focus of enabling its members to communicate with anyone, anywhere, Yahoo! Messenger was enabled with a PC to Phone calling feature providing free long distance services (through our partner, Net2Phone) anywhere in the United States.

Community services epitomize the fundamental essence of Yahoo!'s communication products. Whether it is Yahoo! Clubs, Yahoo! Groups, Yahoo! Experts, Yahoo! Personals, Yahoo! Photos, Yahoo! Member Directory, Yahoo! Message Boards or Yahoo! GeoCities, Yahoo!'s member community has the tools necessary to create and build relationships through worldwide publishing and communication. Members can create GeoCities Home Pages, taking advantage of Yahoo! PageBuilder or Yahoo! PageWizard, join a Club or Group with other members of similar interests or share pictures with family and friends around the world.

Personalized Information Services

My Yahoo!, the Company's personalized Web information service, allows registered members to create a personal profile which organizes and delivers information of personal interest to the user via a user-customized interface. Users are able to capture their favorite Yahoo! products and services in one convenient location. From essential information and services, such as news, stock quotes, stock portfolio management, national headlines, local and national weather and sports scores, to more specific applications such as movie show times, ski reports, best travel fares, health tips and traffic reports, Yahoo!'s members have information of personal interest available at their fingertips in a customized format. Members are also able to conveniently monitor and transact business through use of the Auctions module or the Yahoo! PayDirect person-to-person payment mechanism. With the My Yahoo! platform, Yahoo! is able to deliver targeted product, advertising and transaction-based services.

Yahoo!'s Member Services are designed to enable efficient use of Yahoo!'s products and services worldwide. A cornerstone of these services is the universal registration system that permits users to easily access products and services, including My Yahoo!, Yahoo! Chat, Yahoo! Mail, Yahoo! Portfolios, Yahoo! Message Boards, Yahoo! Shopping, Yahoo! Auctions, Yahoo! Clubs, Yahoo! Address Book, and Yahoo! Calendar, under a single username. Other Member Services include Yahoo! Wallet, which enables users to enter their financial, billing and shipping information into a secure location once and reuse the information for purchases throughout the Yahoo! Network without re-entering the information, and Yahoo! Companion, a browser add-on that enables users to conveniently access Yahoo!'s product and services from anywhere on the Web. Finally, the Yahoo! Points program encourages loyalty by allowing users to earn points for using services such as Yahoo! Travel and Yahoo! Shopping, and redeem them for prizes.

Commerce Properties

One of the Company's primary strategies is to provide a marketplace for commerce on the Web. Through sponsorship arrangements with premier merchants, Yahoo! offers its members the opportunity to purchase a wide variety of goods and services such as automotive services (Ford), books (Barnes & Noble.com), brokerage services (E*Trade, Datek, Ameritrade & National Discount Brokerage), flowers (FTD & 1-800-Flowers.com), health care

(Healtheon/WebMD), mortgages (E-Loan), music (ARTISTdirect), and traditional communications services (AT&T Wireless). In addition to providing sponsorship opportunities, Yahoo! provides retail merchants the ability to build or seamlessly integrate their existing Web sites into the Yahoo! network, allowing merchants to more effectively utilize Yahoo!'s tools and commerce technologies. The addition in 2000 of a number of new, brand name merchants joining Yahoo! Shopping, including saksfifthavenue.com, Target, Circuit City, JCPenney.com, Handspring and Crutchfield, reinforces Yahoo! Shopping's position as a leading portal shopping destination on the Web.

Yahoo!'s popular array of e-commerce services allows users to find, connect, sell or buy in one central Web location. The spectrum of commerce offerings within the Yahoo! network, including Yahoo! Shopping, Yahoo! Store, Yahoo! Auctions, Yahoo! Classifieds, Yahoo! Travel, and Yahoo! Site, enables Yahoo! users to interact with a secure, convenient and powerful platform to conduct transactions and build community. Yahoo! directly enables transactions through Yahoo! Shopping, Yahoo! Store and Yahoo! Auctions. Yahoo! Store provides merchants looking to sell products and services on the Web with a convenient, cost-effective and easy-to-use interface for building a web-site, processing orders, managing inventory and promoting their offerings. Taking advantage of Yahoo! Store's

technology, Yahoo! Shopping allows merchants large and small to integrate their already developed commercial web sites into the Yahoo! Shopping network where consumers can compare and select items to purchase with a credit card, using Yahoo!'s universal Shopping Cart and Wallet technologies. Yahoo! Shopping is a consumer-focused site, aggregating prominent merchants and their wares in categories ranging from music, books and jewelry to apparel, electronics and collectibles. As of December 2000, Yahoo! Shopping and Store included over 13,000 merchants, including Brooks Brothers, Coach, Eddie Bauer, The Gap, Nordstrom, Patagonia, Macys, OfficeMax, Victoria's Secret and Zales. Yahoo! Auctions enables consumers and businesses to auction items online in 12 different categories including Antiques, Art & Collectibles, Business & Office, Computers, Home & Garden, Toys, Games & Hobbies, and Sports Cards & Memorabilia. Yahoo! also facilitates transactions on a referral basis in Classifieds properties such as Autos, Real Estate and Employment.

The year ended December 31, 2000 was marked by a number of enhancements to Yahoo!'s commerce properties including the launch of My Shopping which enables consumers to easily aggregate relevant purchasing information, personalized content, and their favorite stores in one centralized Web location. ShoppingVision, a rich media extension of Yahoo! Shopping, provides consumers with a dynamic way to buy products conveniently on the Web, enabling shoppers to view streaming video content and simultaneously purchase relevant merchandise through a single interface.

For businesses looking to simplify their purchasing process, the Yahoo! B2B Marketplace serves as a one-stop, business-to-business directory offering a comprehensive collection of equipment, inventory and product listings from many of the Web's leading B2B commerce sites. This B2B Marketplace complements Yahoo!'s successful commerce and communications solutions, providing business users with everything they need to research, price and purchase products for their businesses.

Yahoo! PayDirect, an online person-to-person payment solution, is a service that enables U.S.-based Yahoo! consumers to request, receive, send and make payments over the Internet, eliminating the need for mailing paper checks and money orders. It is supported by CIBC National Bank, which provides the necessary banking and fund transfer capabilities. Yahoo! also expanded its relationship with Visa U.S.A., the largest consumer payments system in the United States, to provide Visa's payer authentication services and create a more convenient and secure shopping experience for consumers. The launch of the Yahoo! Buyer Protection Program, backed by insurance obtained from Lloyd's of London, serves to protect purchases on Yahoo! Auctions and was developed in an on-going effort to give consumers increased trust and confidence when making online purchases.

Yahoo! also enhanced its mobile commerce services with the launch of Yahoo! PayDirect and Yahoo! Local Sales on Internet-enabled mobile phones in the United States. Yahoo! Local Sales provides mobile consumers with a one-stop source to find advertised sales and specials offered on products in local stores. Yahoo! PayDirect enables Yahoo! consumers to send or receive money online from any Internet-enabled phone. Yahoo! Shopping is also wireless enabled, providing wireless consumers with the ability to research, browse specific product offerings or comparison shop through one convenient device.

Geographic Properties

The Company seeks to build upon its global user base by developing Internet properties focused on geographic regions, which include foreign countries as well as domestic metropolitan areas. The Company has launched numerous geographically targeted Web properties. Additional information required by this item is incorporated herein by reference to Note 8 "Segment and Geographic Information" of the Notes to the Consolidated Financial Statements which appears in Item 8 of this Annual Report on Form 10-K.

International Online Properties. The Company has developed 24 international online properties in 13 languages, including localized versions of Yahoo! in Argentina, Asia, Australia & New Zealand, Brazil, Canada, China, Denmark, France, Germany, Hong Kong, India, Italy, Japan, Korea, Mexico, Norway, Singapore, Spain, Sweden, Taiwan and the United Kingdom & Ireland, in addition to Yahoo! guides in Spanish, Mandarin Chinese and Canadian French languages. Outside the English-speaking markets, the Company has built independent directories of local language Web sites and other content, developed by native speakers of each language. The Company owns a majority or 100% of its non-US operations (except in Japan), and has established Yahoo! offices in 26 different locations internationally to ensure the local development of these businesses. The Company has pursued a consistent strategy of content aggregation with best of breed third parties and intends to rollout the full range of its products and services for all these markets. During 2000, the Company launched Yahoo! Argentina, Yahoo! India and Yahoo! Canada en francais, featuring an extensive Web directory of Web sites and comprehensive local programming (news, finance, sports, weather and movies) and communication services (mail, chat, messenger and clubs).

The Company's joint ventures with SOFTBANK Corp. and its affiliates, a holder of 21% of the Company's Common Stock as of December 31, 2000, include Yahoo! Japan, Yahoo! Europe (separate companies formed in Germany, the United Kingdom and France) and Yahoo! Korea. The joint ventures were formed to establish and manage local versions of Yahoo! in the respective countries. As of December 31, 2000, Yahoo! owns approximately 34%, 70% and 67% of Yahoo! Japan, Yahoo! Europe and Yahoo! Korea, respectively.

Local Online Properties. Yahoo! Get Local offers extensive information for all 50 states, 219 metropolitan areas and more than 30,000 counties and cities in the United States. The property provides users with comprehensive local Web programming, including sports, weather, classifieds, events, maps, restaurants, shopping, news, yellow pages, white pages, entertainment, and community information. Yahoo! Get Local is also integrated into the main directory of Yahoo!, which enhances the subcategories under the Regional category of the main Yahoo! hierarchy, giving individuals easy access to a wealth of local information.

Print and Other Offline Properties

The Company seeks to extend the Yahoo! brand into print and other offline media, primarily for the purpose of promoting the brand and creating greater demand for the Company's online properties. The Company continued its agreement with Ziff-Davis Publishing Company, formerly affiliated with SOFTBANK, for the publication of Yahoo! Internet Life, a monthly print magazine companion to the online magazine. The publication was recently sold to Willis Stein & Partners. In addition, the Company has entered into a multi-book arrangement with Byron Preiss to publish Yahoo! branded Internet reference guides. The Company also has licensing relationships for merchandise in various categories such as digital cameras, digital music players, and computer hardware accessories. Royalty revenues under these arrangements have been and are expected to continue to be nominal.

ADVERTISING, ELECTRONIC COMMERCE, AND BUSINESS SERVICES

The Company derives a significant portion of its revenues from the sale of advertising elements, including placement fees, promotions, banner advertisements, sponsorships, direct marketing, and transaction fees generated from the sale of merchandise on Yahoo! properties. The Company's advertising products currently consist of banner advertisements that appear on pages within Yahoo! properties, higher profile promotional sponsorships that are typically focused on a particular event, such as a sweepstakes, and merchant sponsorship buttons on targeted advertising inventory encouraging users to complete a transaction. Direct marketing

revenues result from email campaigns targeted to certain members of the Yahoo! registered community who have indicated a willingness to receive such promotions. Hypertext links are embedded in each banner advertisement, button or directed email to provide

the user with instant access to the advertiser's Web site, to obtain additional information or to purchase products and services.

Although a significant amount of advertising purchases on Yahoo! properties are for general rotation on pages within the Yahoo! network, the Company also offers increasingly targeted properties that are designed to deliver greater value to advertisers through more focused audiences. By developing an extended family of Yahoo!-branded properties, the Company seeks to offer advertisers a wide range of placement options and promotional opportunities. Yahoo!'s Fusion Marketing is an integrated set of sales and marketing tools built on Yahoo!'s network and global audience. It consists of innovative, interactive marketing programs designed to provide one-stop shopping for companies seeking to secure a measurable Internet presence. Extending the depth of its advertising services in 2000, Yahoo! launched the Yahoo! Buzz Index, an interactive market research system developed by Yahoo! to measure public engagement with brands, products, people and technologies on the Internet. By aggregating and ranking the search queries of Yahoo!'s monthly users, the Yahoo! Buzz Index provides insight into the interests of the world's largest connected audience. Yahoo! also introduced Yahoo! Full Service, an interactive suite of data-driven tools and services, which enhances a media program and enables marketers to more easily achieve their objectives.

Advertising Services

As of December 2000, sales professionals were employed in fourteen locations across the U.S.: Atlanta, Baltimore, Boston, Chicago, Dallas, Detroit, Houston, Los Angeles, Miami, New York, San Diego, the San Francisco Bay Area, Seattle, and Washington, D.C. The Company's sales organization consults regularly with agencies and customers on design and placement of Web-based advertising, and provides clients with measurements and analyses of advertising effectiveness.

In international markets, Yahoo!'s advertising sales are also principally handled by the Company's internal sales representatives. In some countries, including several where the Company has not established full operational capacity and localized properties, sales agency relationships have been put in place.

The Company offers many forms of advertising which have varying price ranges. In addition to targeted and general rotations of banner advertising, the Company offers premium positions on Yahoo! properties that typically are used in connection with promotions and special events. The Company's strategy is to use these sponsorship positions for high-profile promotions that can also result in additional visibility and awareness for Yahoo!. Yahoo! has also created special holiday- and event-oriented promotional spaces for occasions such as Back to School, Halloween and Christmas.

E-Commerce Services

Yahoo! offers a technology platform directed toward the complete deployment of a commerce enabled Web site with email, reporting, payment processing, and search functionality. This technology is currently available in the Yahoo! Shopping and Store properties enabling large and small merchants to transact business online. The Company generates revenue from monthly hosting fees and through receiving a percentage of online sales from its merchant partners. Additionally, Yahoo! enables businesses and individuals to sell products and services online through Yahoo! Auctions. The Yahoo! Auctions service is currently free to buyers; sellers are required to pay a nominal listing fee. The Company generates auction revenues from advertising, featured auction listings and item listings based on dollar value.

Business Services

Yahoo! Broadcast is a leading provider of streaming media, communications and collaboration tools to business customers. Whether it be live product launches, global corporate meetings or distributed learning, Yahoo! Broadcast's tools, infrastructure and partnerships are integrated to provide the solutions businesses seek for their complex business problems. During 2000, Yahoo! Broadcast launched the Webcast Studio Player and Corporate Broadcast Center applications, which offer enhanced data tools, new dynamic interfaces and advanced self-service capabilities, enabling customers to individually design solutions that fit their needs. Revenues are generated directly from business customers utilizing these turnkey-streaming services. To create visibility and promote access to their online events, businesses may also purchase online advertising throughout the Yahoo! network to drive increased traffic and awareness. Additional information required by this item is incorporated herein by reference to Note 8 "Segment and Geographic Information" of the

Notes of the Consolidated Financial Statements which appears in Item 8 of this Annual Report on Form 10-K.

During 2000, the Company announced Corporate Yahoo!, a customized enterprise information portal based on the My Yahoo! platform. Corporate Yahoo! enables companies to integrate proprietary corporate content and applications with Yahoo!'s personalized Internet content and services behind existing firewalls. Yahoo! and TIBCO, a provider of real-time infrastructure software for e-business, co-developed the Yahoo! Portal Builder software which is used in customizing Corporate Yahoo! to fit the needs of the client's organization. Specifically, this software allows portal administrators to control the aggregation, personalization and delivery of content, services and applications that will be accessed by end-users. Corporate Yahoo! will leverage existing Yahoo! platforms, including mail, personal information management, content aggregation, wireless delivery and broadcast streaming, in addition to offerings from strategic partners such as Inktomi (search technology), Netegrity (security), SmartForce (online training), and WebEx (web-conferencing). The Company has relationships with Hewlett-Packard and Accenture (formerly Andersen Consulting) to deliver customized portal solutions leveraging Corporate Yahoo!.

STRATEGIC RELATIONSHIPS

In order to serve users more effectively and to extend the Yahoo! brand to new media properties, the Company has entered into relationships with business partners who offer content, technology, and distribution capabilities.

Content and Commerce Relationships

Yahoo! has entered into strategic alliances with selected leading original content providers including ABC News, AccuWeather, Billboard, CNET, CNN, Forbes, Fox News, infoUSA.com, Muze, National Basketball Association, the National Football League, New York Post, Primedia, Reuters, RollingStone, The Sporting

News, SportsTicker, The Wall Street Journal, Weathernews and Ziff-Davis, which permit the Company to bring Yahoo!-branded, targeted media products to market more quickly, while avoiding the cost of producing original editorial content.

Distribution Relationships

In order to broaden Yahoo!'s user base, the Company has established relationships with commercial online services, Internet access providers, OEMs and operators of leading Web sites. The Company believes these arrangements are important to the promotion of Yahoo!, particularly among new Web users who may first access the Web through these services or Web sites. These arrangements typically are terminable upon short or no notice.

Leading Web Sites. The Company has relationships with content, co-marketing and distribution partners to provide Yahoo! branding and links from partners' sites. In addition, millions of Web pages on the Internet voluntarily link to Yahoo!.

OEMs. During 2000, Yahoo! had distribution agreements with personal computer manufacturers including Hewlett-Packard, IBM, Gateway, and Toshiba whereby links to Yahoo! services are offered on the desktop of new computers.

Alternative Devices. In 1999, the Company significantly increased its efforts to distribute Yahoo! information and services to non-PC devices, beginning with the acquisition of Online Anywhere. As part of its Yahoo! Everywhere service strategy, the Company has entered into certain global relationships with various wireless vendors to distribute a range of Yahoo! services including My Yahoo!, Yahoo! Mail, Yahoo! Sports, Yahoo! Finance, Yahoo! News, Yahoo! Weather, Yahoo! Calendar, Yahoo! Address Book, Yahoo! Movies and Yahoo! Auctions. During 2000, Yahoo! announced the following additional services to the Yahoo! Everywhere service: Yahoo! Yellow Pages, Yahoo! Driving Directions and Yahoo! People Search. These global relationships include AT&T Wireless Services (PocketNet); Bell Mobility (Canada); British Telecom (UK); D2 Mannesman (Germany); France Telecom (France); Telefonica (Spain); Motient (eLink); Motorola (Internet connected wireless devices); Siemens (Germany); Sprint (Sprint PCS phones); Telecom Italia Mobile (Italy) and 3Com (Palm).

COMPETITION

We are in a highly competitive industry and some of our competitors may be more successful in attracting and retaining customers.

The market for Internet products and services is highly competitive and we expect that competition will continue to intensify. Negative competitive developments could have a material adverse effect on our business and the trading price of our stock.

We compete with many other providers of online navigation, information, entertainment, business, community, electronic commerce and broadcast services. As we expand the scope of our Internet offerings, we will compete directly with a greater number of Internet sites, media companies, and companies providing business services across a wide range of different online services, including:

- companies offering communications services either on a stand alone basis or integrated into other products and media properties;
- vertical markets where competitors may have advantages in expertise, brand recognition, and other factors;
- manufacturers of personal computers who may develop their own Internet portals to which they would direct their customers;
- online merchant hosting services; and
- online broadcasting of business events.

In particular, we face significant competition from the newly combined AOL Time Warner and Microsoft (MSN). The combination of America Online and Time Warner provides America Online with content from Time Warner's movie and television, music, books and periodicals, news, sports and other media holdings; access to a network of cable and other broadband delivery technologies; and considerable resources for future growth and expansion. The America Online/Time Warner combination also provides America Online with access to a broad potential customer base consisting of Time Warner's current customers and subscribers of its various media properties. To a less significant extent, we also face competition from other companies that have combined a variety of services under one brand in a manner similar to Yahoo! including CMGI (Alta Vista), Excite@Home, and Lycos. In certain of these cases, most notably AOL Time Warner and MSN, our competition has a direct billing relationship with the user, which we generally lack. This relationship permits our competitors to have several potential advantages including the potential to be more effective than us in targeting services and advertisements to the specific taste of their users. We also face competition from Web sites focused on vertical markets where expertise in a particular segment of the market may provide a competitive advantage. On an international level, we compete directly with local providers; they may have several advantages, including greater knowledge about the particular country or local market and access to significant financial or strategic resources in such local markets. We must continue to obtain more knowledge about our users and their preferences as well as increase our branding and other marketing activities in order to remain competitive and strengthen our market position.

A large number of these Web sites and online services as well as high-traffic e-commerce merchants such as Amazon.com, Inc. also offer or are expected to offer informational and community features that may be competitive with the services that we offer. In order to effectively compete, we may need to expend significant internal engineering resources or acquire other technologies and companies to provide or enhance such capabilities. Any of these efforts could have a material adverse effect on our business, operating results and financial condition and be dilutive to our stockholders.

PROPRIETARY RIGHTS

Our intellectual property rights are costly and difficult to protect. We may be subject to intellectual property infringement claims, which are costly to defend and could limit our ability to use certain technologies in the future.

We regard our copyrights, patents, trademarks, trade dress, trade secrets, and similar intellectual property, including our rights to certain domain names, as critical to our success. We rely upon trademark, patent and copyright law, trade secret protection and confidentiality or license agreements with our employees, customers, partners and others to protect our proprietary rights. For example, we have obtained the registration for certain of our trademarks, including "Yahoo!" and "Yahooligans!" Effective trademark, patent, copyright, and trade secret protection may not be available in every country in which our products and media properties are distributed or made available through the Internet, and while we attempt to ensure that the quality of our brand is maintained by our licensees, our

licensees may take actions that could materially and adversely affect the value of our proprietary rights or the reputation of our products and media properties. We are aware that third parties have, from time to time, copied significant portions of Yahoo! directory listings for use in competitive Internet navigational tools and services. Protection of the distinctive elements of Yahoo! may not be available under copyright law. We cannot guarantee that the steps we have taken to protect our proprietary rights will be adequate.

Many parties are actively developing search, indexing, e-commerce and other Web-related technologies, as well as a variety of online business models and methods. We believe that these parties will continue to take steps to protect these technologies, including, but not limited to, seeking patent protection. As a result, disputes regarding the ownership of these technologies and rights associated with online business are likely to arise in the future. In addition to existing patents and intellectual property rights, we anticipate that additional third-party patents related to our services will be issued in the future. From time to time, parties assert patent infringement claims against us in the form of letters, lawsuits and other forms of communications. Currently, we are engaged in two lawsuits regarding patent issues and have been notified of a number of other potential disputes.

In addition to patent claims, third parties have asserted and most likely will continue to assert claims against us alleging infringement of copyrights, trademark rights, trade secret rights or other proprietary rights, or alleging unfair competition or violations of privacy rights. In the event that we determine that licensing patents or other proprietary rights is appropriate, we cannot guarantee that we will be able to license such proprietary rights on reasonable terms or at all. We may incur substantial expenses in defending against third-party infringement claims regardless of the merit of such claims. In the event that there is a determination that we have infringed third-party proprietary rights such as patents, copyrights, trademark rights, trade secret rights or other third party rights such as publicity and privacy rights, we could incur substantial monetary liability or be prevented from using the rights, which could require us to change our business practices in the future.

We are aware of lawsuits filed against two of our competitors regarding the presentment of advertisements in response to search requests on "keywords" that may be trademarks of third parties. Initial rulings in these lawsuits were in favor of our competitors, but the plaintiffs in these lawsuits have appealed these initial rulings.

EMPLOYEES

As of December 31, 2000, the Company had 3,259 full-time employees. Yahoo!'s future success is substantially dependent on the performance of its senior management and key technical personnel, and its continuing ability to attract and retain highly qualified technical and managerial personnel. See the "Risk Factors" section below for a further discussion of certain risks related to our employees.

RISK FACTORS

Financial results for any particular period will not predict results for future periods.

Because of the uncertain nature of the rapidly changing market we serve, period-to-period comparisons of operating results are not likely to be meaningful. In addition, you should not rely on the results for any period as an indication of future performance. In particular, although we experienced strong revenue growth through the year 2000, we do not believe that this level of revenue growth will be sustained in 2001 and in future periods, particularly on a long-term basis, and we recently announced that at the current time, we expect our first quarter 2001 revenues to be substantially less than our fourth quarter 2000 reported revenues. In addition, we currently expect that our operating expenses will continue to increase as we expand our sales and marketing operations, continue to develop and extend the Yahoo! brand, fund greater levels of product development, develop and commercialize additional media properties, and acquire complementary businesses and technologies. We also hold investments in securities of technology companies. Due to the recent volatility in the stock market in general, and the market prices of securities of technology companies in particular, we have realized decreases in the market value of such investments of \$163.2 million in the fourth fiscal quarter of 2000 which has been recorded on our financial statements. We may realize further decreases in the market value of certain investments in future periods. Further, we are subject to employer payroll taxes when our employees exercise their non-qualified stock options. The employer payroll taxes are assessed on each employee's gain, which is the difference between the price of our common stock on the date of exercise and the exercise price. During a particular period, these payroll taxes could be material. Depending on the number of shares of our Common Stock for which options are exercised and the fair market value of shares of our Common Stock during such period, these employer payroll taxes would be recorded as a charge to operations in the period such options are exercised based on actual gains realized by employees. In addition to the net proceeds we would receive upon the exercise of stock options, we would receive tax deductions for gains realized

by employees on the exercise of non-qualified stock options for which the benefit is recorded as additional paid-in capital. However, because we are unable to predict our future stock price and the number of optionees who may exercise during any particular period, we cannot predict what, if any, expense will be recorded in a future period and the impact on our future financial results. In addition, if revenue growth levels do not meet our expectations, our financial results will be adversely affected.

We rely heavily on revenues derived from Internet advertising, which are subject to uncertain demand from our current and potential clients and are difficult to forecast accurately.

Currently, the majority of our revenues come from advertisements displayed on our online properties. Our ability to continue to achieve substantial advertising revenue depends upon:

- growth of our user base;
- our user base being attractive to advertisers;
- our ability to derive better demographic and other information from our users;
- acceptance by advertisers of the Web as an advertising medium; and
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our ability to transition and expand into other forms of advertising.

In addition, we are experiencing a shift in the source of advertising revenues from Internet companies to companies in more traditional lines of business. These advertisers often have substantially different requirements and expectations than Internet companies with respect to advertising programs. If we are unsuccessful in adapting to the needs of our changing mix of advertisers, it could have a material adverse effect on our business, operating results and financial condition. In addition, Internet companies are ceasing to spend money on advertising at a faster pace than we anticipated and companies in more traditional lines of business are not spending money on advertising as quickly as we anticipated. These conditions could have a material adverse effect on our business, operating results and financial condition. We derive the majority of our revenues from the sale of advertisements under short-term contracts, which are difficult to forecast accurately.

Most of our revenues are currently derived from agreements with advertisers or sponsorship arrangements. These agreements generally have terms no longer than three (3) years and, in many cases, the terms are much shorter. In cases where the advertiser is providing services, the agreements often have payments contingent on usage levels. Many of our advertisers are Internet companies which, in certain cases, may lack financial resources to fulfill their commitments. Accordingly, it is difficult to accurately forecast these revenues. However, our expense levels are based in part on expectations of future revenues and are fixed over the short term with respect to certain categories. We may be unable to adjust spending quickly enough to compensate for any unexpected revenue shortfall. Accordingly, the cancellation or deferral of advertising or sponsorship contracts could have a material adverse effect on our financial results. Because our operating expenses are likely to increase significantly over the near term, to the extent that our expenses increase but our revenues do not, our business, operating results, and financial condition may be materially and adversely affected.

The rate structure of some of our sponsorship arrangements subjects us to financial risk.

A key element of our strategy is to generate advertising revenues through sponsored services and placements by third parties in our online media properties in addition to banner advertising. We typically receive sponsorship fees or a portion of transaction revenues in return for minimum levels of user impressions to be provided by us. These arrangements expose us to potentially significant financial risks in the event our usage levels decrease, including the following:

- the fees we are entitled to receive may be adjusted downwards;
- we may be required to "make good" on our obligations by providing alternative services;
- the sponsors may not renew the agreements or may renew at lower rates; and
- the arrangements may not generate anticipated levels of shared transaction revenues, or sponsors may default on the payment commitments in such agreements as has occurred in the past.

Accordingly, any leveling off or decrease of our user base or the failure to generate anticipated levels of shared transaction revenues could result in a significant decrease in our revenue levels.

We have spent considerable amounts of money and resources to provide a variety of communications services, but such services may not prove to be successful in generating significant revenue for us.

Currently, a substantial portion of the traffic on our online properties is directed at our communications services, such as email, instant messaging, calendaring and chat rooms, and we expect this trend to continue for the foreseeable future. We provide these and other basic communications services free of charge to our users, as is the case with most of our competitors, and have not yet determined an effective means of generating revenues directly from the provision of such services. Alternative revenue models for our communications and electronic commerce services, such as subscription fees and commissions, are relatively unproven and may not generate sufficient revenues to be meaningful to us. Currently, we are dependent upon the use of other Yahoo! services to generate revenues from our communication services, and there is a risk that this relationship will not be sustained. As communications services become an increasingly important part of our total offering, we must continue to provide new communications applications which are compelling to users and utilize more sophisticated communications technologies to provide such applications to many types of access devices in addition to the personal computer, while continuing to develop an effective method for generating revenues for such services. In addition, the development of these technologies require long development cycles and a more significant investment by us. If we were unable to develop such applications or use such technologies, the size and rate of growth in our user base would be adversely affected. If we cannot develop a direct or indirect means by which we generate revenues from our communications services that are more than sufficient to offset the costs of providing such services, our business, operating results and financial condition would be materially adversely affected.

We may not be successful in expanding the number of users of our electronic commerce services and our ability to effectively provide these services is limited because we do not have a direct billing relationship with our users.

We have focused, and intend to continue to focus, significant resources on the development and enhancement of our electronic commerce properties. These properties, such as Yahoo! Shopping, link users with a network of retailers with which we have relationships. However, we merely provide a means through which our users can access the sellers of the products such users may wish to purchase and do not establish a direct billing relationship with our users as a result of any such purchase. In addition, a large number of our users currently utilize our online shopping services simply to gather information for future offline purchases. We will need to effectively induce information gatherers to make purchases in order for our electronic commerce properties to be successful. Finally, the success of our electronic commerce properties will also depend on, among other things, our ability to attract and retain well-known brands among our network of retailers. The revenue that we derive from our electronic commerce services is typically in the form of a bounty or a commission paid by the retailer from whom our user purchased a product. If the user had a favorable buying experience with a particular retailer, the user may subsequently contact that retailer directly rather than through our service. If our users bypass our electronic commerce properties, such as Yahoo! Shopping, and contact retailers directly, we will not receive any revenue for purchases made through such direct contact. Competing providers of online shopping, including merchants with which we have relationships, may be able to provide a more convenient and comprehensive online shopping experience due to their singular focus on electronic commerce. As a result, we may have difficulty competing with those merchants for users of electronic commerce services. The inability of our electronic commerce properties to generate significant revenues could have a material adverse effect on our business.

Our business and enterprise services, while costly to develop, may fail to gain market acceptance.

We have invested a significant amount of money and resources in the creation of our business and enterprise services, such as Yahoo! Webcast Studio, which allows business customers to create and stream their own corporate events, Corporate Yahoo!., a customized enterprise portal solution; and Yahoo! Website Services, a turnkey service enabling companies to manage their Web presence. Many of these services are unproven and may fail to gain market acceptance. Because the market for these business and enterprise services is new and evolving, it is difficult to predict the size of this market and its rate of growth, if any. In addition, it is uncertain whether businesses and other organizations will utilize the Internet to any significant degree as a means of broadcasting business conferences and other events. Potential business services customers must accept audio and video broadcast

services over the Internet as a viable alternative to face-to-face meetings, television or audio, audio teleconferences and video conferencing. We cannot assure you that the market for business and enterprise services will continue to develop or be sustainable. If the market fails to develop, develops more slowly than expected or becomes more competitive than is currently expected, our operating results could be adversely affected.

We will continue to expand into international markets in which we have limited experience, are faced with relatively higher costs and are exposed to greater risks.

A key part of our strategy is to develop Yahoo!-branded online properties in international markets and we have developed, through joint ventures, subsidiaries and branch offices, Yahoo! properties localized for over 20 other countries. To date, we have only limited experience in developing localized versions of our products and marketing and operating our products and services internationally and we rely on the efforts and abilities of our foreign business partners in such activities.

We believe that in light of substantial anticipated competition, we need to move quickly into international markets in order to effectively obtain market share. However, in a number of international markets, especially those in Europe, we face substantial competition from Internet Service Providers (ISPs) that offer or may offer their own navigational services. Many of these ISPs have a dominant market share in their territories. Further, foreign providers of competing online services may have a substantial advantage over us in attracting users in their country due to more established branding in that country, greater knowledge with respect to the tastes and preferences of users residing in that country and/or their focus on a single market. We have experienced and expect to continue to experience higher costs as a percentage of revenues in connection with the development and maintenance of international online properties. International markets we have selected may not develop at a rate that supports our level of investment. In particular, international markets typically are slower than domestic markets in adopting the Internet as an advertising and commerce medium.

In addition to uncertainty about our ability to continue to generate revenues from our foreign operations and expand our international presence, there are certain risks inherent in doing business on an international level, including:

- trade barriers and unexpected changes in regulatory requirements;
- difficulties in developing, staffing and simultaneously managing a large number of unique foreign operations as a result of distance, language and cultural differences;
- higher costs of doing business in foreign countries;
- longer payment cycles;
- currency exchange rate fluctuations;
- political instability and export restrictions;
- seasonal reductions in business activity;
- risks related to government regulation including those more fully described below; and
- potentially adverse tax consequences.

One or more of these factors could have a material adverse effect on our future international operations and, consequently, on our business, operating results, and financial condition.

We depend on key personnel who may not continue to work for us.

We are substantially dependent on the continued services of our key personnel, including our two founders, our chief executive officer, president, chief financial officer, chief technical officer and vice presidents. These individuals have acquired specialized knowledge and skills with respect to Yahoo! and its operations or, in the case of our chief financial officer, only recently joined us. If any of these individuals were to leave Yahoo! unexpectedly, we could face substantial difficulty in hiring qualified successors and could experience a loss in productivity while any such successor obtains the necessary training and experience. We announced in March 2001 that our Board of Directors has initiated a search for a new chief executive officer. Upon completion of this search, our current chairman and chief executive officer, Tim Koogler, will resign as chief executive officer and continue as our chairman. In addition, we have recently experienced announcements of departures by certain management personnel of our international properties and may experience similar departures from our domestic or international business units in the future. Many of our management personnel have reached or will soon reach the four-year anniversary of their Yahoo! hiring date and, as a result, will have become or will shortly become fully vested in

their initial stock option grants. While management personnel are typically granted additional stock options, which will usually vest over a period of four years, subsequent to their hire date to provide additional incentive to remain at Yahoo!., the initial option grant is typically the largest and an employee may be more likely to leave our employ upon completion of the vesting period for the initial option grant.

We expect that we will need to hire additional personnel in all areas. The competition for qualified personnel is intense, particularly in the San Francisco Bay Area, where our corporate headquarters are located. At times, we have experienced difficulties in hiring personnel with the right training or experience, particularly in technical areas. We do not maintain key person life insurance for any of our personnel. If we do not succeed in attracting new personnel, or retaining and motivating existing personnel, our business will be adversely affected.

We may have difficulty scaling and adapting our existing architecture to accommodate increased traffic and technology advances.

Yahoo! is one of the most highly trafficked Web sites on the Internet and is regularly exceeding previous standards for numbers of simultaneous users, unique users and daily page views delivered. In addition, the services offered by Yahoo! and popular with users have changed significantly in the past and are expected to change rapidly in the future. Much of the architecture that we employ was not originally designed to accommodate levels or types of use that we currently experience on our online properties and it is unclear whether current or future anticipated levels of traffic will result in delays or interruptions in our service. In particular, the architecture utilized for our email and certain other communication services was not primarily designed for this purpose, is highly complex and may not provide satisfactory service in the future, especially as it becomes an increasingly important service offering. In the future, we may be required to make significant changes to our architecture, including moving to a completely new architecture. If we are required to switch architectures, we may incur substantial costs and experience delays or interruptions in our service. If we experience delays or interruptions in our service due to inadequacies in our current architecture or as a result of a change in architectures, users may become dissatisfied with our service and move to competing providers of online services. Further, to the extent that demand for our broadcast services content increases, we will need to expand our infrastructure, including the capacity of our hardware servers and the sophistication of our software. This expansion is likely to be expensive, complex, and require additional technical expertise. Also, as we acquire users who rely upon us for a wide variety of services, it becomes more technologically complex and costly to retrieve, store and integrate data that will enable us to track each user's preferences. Any loss of traffic, increased costs, inefficiencies or failures to adapt to new technologies and the associated adjustments to our architecture would have a material adverse effect on our business.

Our competitors often provide Internet access or computer hardware to our customers and they could make it difficult for our customers to access our services.

Our users must access our services through an Internet service provider, or ISP, with which the user establishes a direct billing relationship using a personal computer or other access device. To the extent that an access provider, such as AOL Time Warner or MSN, or a computer or computing device manufacturer offers online services or properties that are competitive with those of Yahoo!, the user may find it more convenient to use the services or properties of that access provider or manufacturer. In addition, the access provider or manufacturer may make it difficult to access our services by not listing them in the access provider's or manufacturer's own directory. Also, because an access provider gathers information from the user in connection with the establishment of the billing relationship, an access provider may be more effective than Yahoo! in tailoring services and advertisements to the specific tastes of the user. To the extent that a user opts to use the services offered by his or her access provider or those offered by computer or computing device manufacturers rather than the services provided by Yahoo!, our business, operating results and financial condition will be materially adversely affected.

More individuals are utilizing non-PC devices to access the Internet and we may not be successful in developing a version of our service that will gain widespread adoption by users of such devices.

In the coming years, the number of individuals who access the Internet through devices other than a personal computer such as personal digital assistants, cellular telephones and television set-top devices is expected to increase dramatically. Our services are designed for rich, graphical environments such as those available on personal

and laptop computers. The lower resolution, functionality and memory associated with alternative devices may make the use of our services through such devices difficult and we may be unsuccessful in our efforts to modify our online properties to provide a compelling service for users of alternative devices. As we have limited experience to date in operating versions of our service developed or optimized for users of alternative devices, it is difficult to predict the problems we may encounter in doing so and we may need to devote significant resources to the creation, support and maintenance of such versions. If we are unable to attract and retain a substantial number of alternative device users to our online services, we will fail to capture a sufficient share of an increasingly important portion of the market for online services. Further, as the majority of our revenues are derived through the sale of banner and other advertising optimized for a personal computer screen, we may not be successful at developing a viable strategy for deriving substantial revenues from online properties that are directed at the users of alternative devices. Any failure to develop revenue-generating online properties that are adopted by a significant number of handheld device users could have a material adverse effect on our business, operating results and financial condition.

We rely on the value of the Yahoo! brand and the costs of maintaining and enhancing our brand awareness are increasing.

We believe that maintaining and expanding the Yahoo! brand is an important aspect of our efforts to attract and expand our user and advertiser base. We also believe that the importance of brand recognition will increase due to the growing number of Internet sites and the relatively low barriers to entry. We have spent considerable money and resources to date on the establishment and maintenance of the Yahoo! brand. However, because the number of Internet navigation, commerce, community and service companies continues to grow dramatically, it has become increasingly difficult and, due to increased competition, expensive, to obtain quality television, radio, magazine, Internet and other advertising space. Further, the proliferation of Internet-based companies has resulted and will continue to result in increased consumer confusion. Consequently, we will spend increasing amounts of money on, and devote greater resources to, advertising, marketing and other brand-building efforts to preserve and enhance consumer awareness of the Yahoo! brand during 2001. We may not be able to successfully maintain or enhance consumer awareness of our brand and, even if we are successful in our branding efforts, such efforts may not be cost-effective. If we are unable to maintain or enhance consumer awareness of the Yahoo! brand in a cost-effective manner, our business, operating results and financial condition would be materially and adversely affected.

The successful operation of our business depends upon the supply of critical elements from other companies.

We will depend upon third parties, to a substantial extent, for several critical elements of our business including various technology, infrastructure, content development, software and distribution components.

Technology and Infrastructure. We rely on a private third-party provider, Frontier GlobalCenter, Inc., for our principal Internet connections. Email and other service Internet connections are provided to us by GTE. We rely on Network Appliances for key components of our email service. We also rely on Exodus Communications for the hosting of our users' homepages and Level 3 Communications for hosting and access to our broadcast services. Any disruption in the Internet access provided by these third-party providers or any failure of these third-party providers to handle current or higher volumes of use could have a

material adverse effect on our business, operating results, and financial condition. We license technology and related databases from third parties for certain elements of our properties, including, among others, technology underlying the delivery of news, stock quotes and current financial information, chat services, street mapping and telephone listings, streaming capabilities and similar services. We have experienced and expect to continue to experience interruptions and delays in service and availability for such elements. Furthermore, we are dependent on hardware suppliers for prompt delivery, installation, and service of servers and other equipment to deliver our products and services. Any errors, failures, interruptions, or delays experienced in connection with these third-party technologies and information services could negatively impact our relationship with users and adversely affect our brand and our business, and could expose us to liabilities to third parties.

Distribution Relationships. To increase traffic for our online properties and make them more available and attractive to advertisers and consumers, we have certain distribution agreements and informal relationships with leading Web browser providers such as Microsoft, operators of online

networks and leading Web sites, software developers and computer manufacturers, such as Toshiba, Hewlett-Packard and Gateway, and telecommunications companies, such as Sprint PCS. These distribution arrangements typically are not exclusive and do not extend over a significant amount of time. Further, some of our distributors are competitors or potential competitors who may not renew their distribution contracts with us. Potential distributors may not offer distribution of our properties and services on reasonable terms, or at all. In addition, as new methods for accessing the Web become available, we may be required to enter into additional distribution relationships. Any failure to obtain distribution or to obtain distribution on terms that are reasonable, could have a material adverse effect on our business, results of operations, and financial condition.

Streaming Media Software. We rely on the two leading providers of streaming media products, RealNetworks and Microsoft, to license the software necessary to broadcast streaming audio and video content to our users. There can be no assurance that these providers will continue to license these products to us on reasonable terms, or at all. Our users are currently able to electronically download copies of the software to play streaming media free of charge, but providers of streaming media products may begin charging users for copies of their player software or otherwise change their business model in a manner that slows the widespread acceptance of these products. In order for our broadcast services to be successful, there must be a large base of users of these streaming media products. We have limited or no control over the availability or acceptance of streaming media software, and to the extent that any of these circumstances occur, the broadcast services portion of our business will be materially adversely affected.

Our dependence on third party content providers subjects us to risks.

Our future success depends upon our ability to aggregate compelling content and deliver that content through our online properties. Much of the content that attracts users to the Yahoo! online properties, such as news items, stock quotes, weather reports, maps and audio and video content, is licensed from third parties such as Reuters and TIBCO. In particular, Yahoo! Broadcast relies on major sports organizations, radio and television stations, record labels, cable networks, businesses, colleges and universities, film producers and distributors, and other organizations for a large portion of the content available on the site. Our ability to maintain and build relationships with third-party content providers will be critical to our success. We may be unable to enter into or preserve relationships with the third parties whose content we seek to obtain. Many of our current licenses for third-party content extend for a period of less than two years and there can be no guarantee that they will be renewed upon their expiration. In addition, as competition for compelling content increases both locally and abroad, Yahoo!'s content providers may increase the prices at which they offer their content to Yahoo! and potential content providers may not offer their content on terms agreeable to Yahoo!. An increase in the prices charged to us by third-party content providers could have a material adverse effect on our business, operating results and financial condition. Further, many of our content licenses with third parties are non-exclusive. Accordingly, other Webcasters may be able to offer similar or identical content. Likewise, most sports and entertainment content available on our online properties are also available on other media like radio or television. These media are currently, and for the foreseeable future will be, much more widely adopted for listening or viewing such content than the Web. These factors also increase the importance of our ability to deliver compelling editorial content and personalization of this content for users in order to differentiate ourselves. If we are unable to license or acquire compelling content, if other companies broadcast content that is similar to or the same as that provided by Yahoo!, or if we do not develop compelling editorial content or personalization services, the number of users on our online properties may not grow at all or at a slower rate than anticipated, which would decrease our advertising revenue.

As we provide more audio and video content, particularly music, we may be required to spend significant amounts of money on content acquisition and content broadcasts.

Until recently, the majority of the content that we provided to our users was in print, picture or graphical format and was either created internally or licensed to us by third parties for little or no charge. However, we have been providing recently and we intend to continue to provide increasing amounts of audio and video content to our users, such as the broadcast of music, film content, speeches, news footage, concerts and other special events, through our broadcast services division and our other media properties, and such content may require us to make substantial payments to third parties from whom we

will license or acquire such content. For example, in order to broadcast music through our online properties, we are currently required to pay royalties both on the copyright in the musical compositions and the copyright in the actual sound recordings of the music to be broadcast. Through our broadcast services division, we currently have obtained rights from ASCAP, BMI and SESAC that permit us to engage in the public performance of musical compositions for which they control the rights. With respect to the copyrights in the specific sound recordings that we desire to broadcast, we have entered into an agreement with the recording industry that permits us to engage in the public performance of all copyrighted sound recordings. All of the above rights have been obtained pursuant to short-term agreements or are under negotiation. If the royalty rates under negotiation are above our expectations, if the royalty rates charged by the various performance rights societies increase or if any of these or other parties with music licensing rights impose terms that make it difficult or impossible to broadcast music, we may be unable to provide music content to our users in a cost-effective manner. We believe that users of Internet services such as the Yahoo! online properties will increasingly demand high-quality audio and video content. The revenue that we receive as a result of our audio and video broadcasts may not justify the costs of providing such broadcasts. Our inability to cost-effectively provide high-quality audio and/or video content to our users could have a material adverse effect on our business, operating results and financial condition.

To successfully improve our rich media offerings, we must rely on the deployment of a true multicasting network.

The streaming services that we acquired upon our acquisition of broadcast.com originally deployed unicasting (one user per company originated stream) technology to broadcast audio and video programming to users over the Internet. Recently, it began to deploy another broadcast technology, multicasting

(multiple users per company originated stream). We believe that demand for multicasting will continue to expand and, as a result, we must continue to enhance this capability in the future.

We will be required to test, deploy and successfully scale a multicast network infrastructure to serve mass audiences. There can be no assurance that we will be successful in doing so, that multicasting will be able to support a substantial audience or that an alternative technology will not emerge that offers superior broadcasting technology as compared to multicasting. In the event that multicasting technology is not successfully deployed in a timely manner or such an alternative technology emerges, we may be required to expend significant resources to deploy a technology other than multicasting, which could adversely affect our results of operations. If Yahoo! Broadcast Services fails to scale its broadcasts to large audiences of simultaneous users, such failure could adversely affect that portion of our business.

We must manage our growth successfully, including the integration of recently-acquired companies, in order to achieve our desired results.

We have experienced dramatic growth in personnel in recent years and expect to continue to hire additional personnel. As the number of Yahoo! employees grows, it will become increasingly difficult and more costly to manage our personnel. Further, as a result of recent acquisitions and international expansion, almost one-half of our employees are based outside of our Santa Clara headquarters. If we are unable to effectively manage a large and geographically dispersed group of employees, our business will be adversely affected.

As part of our business strategy, we have completed several acquisitions and expect to enter into additional business combinations and acquisitions. Acquisition transactions are accompanied by a number of risks, including:

- the difficulty of assimilating the operations and personnel of the acquired companies;
- the potential disruption of our ongoing business and distraction of management;
- the difficulty of incorporating acquired technology or content and rights into our products and media properties and unanticipated expenses related to such integration;
- the negative impact on reported earnings if any of our planned transactions that are expected to qualify for pooling of interest accounting treatment for financial reporting purposes fail to so qualify;
- the correct assessment of the relative percentages of in-process research and development expense that can be immediately written off as compared to the amount which must be amortized over the appropriate life of the asset;
- the failure to successfully develop an acquired in-process technology resulting in the impairment

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of amounts currently capitalized as intangible assets;

- the impairment of relationships with employees and customers as a result of any integration of new management personnel; and
- the potential unknown liabilities associated with acquired businesses.

We may not be successful in addressing these risks or any other problems encountered in connection with such acquisitions.

We are subject to U.S. and foreign government regulation of the Internet, the impact of which is difficult to predict.

There are currently few laws or regulations directly applicable to the Internet. The application of existing laws and regulations to Yahoo! relating to issues such as user privacy, defamation, pricing, advertising, taxation, gambling, sweepstakes, promotions, content regulation, quality of products and services, and intellectual property ownership and infringement can be unclear. In addition, we will also be subject to new laws and regulations directly applicable to our activities. Any existing or new legislation applicable to us could expose us to substantial liability, including significant expenses necessary to comply with such laws and regulations, and dampen the growth in use of the Web.

Several recently passed federal laws could have an impact on our business. The Digital Millennium Copyright Act is intended to reduce the liability of online service providers for listing or linking to third-party Web sites that include materials that infringe copyrights or other rights of others. The Children's Online Protection Act and the Children's Online Privacy Protection Act are intended to restrict the distribution of certain materials deemed harmful to children and impose additional restrictions on the ability of online services to collect user information from minors. In addition, the Protection of Children From Sexual Predators Act of 1998 requires online service providers to report evidence of violations of federal child pornography laws under certain circumstances. Such legislation may impose significant additional costs on our business or subject us to additional liabilities.

We post our privacy policy and practices concerning the use and disclosure of user data. In addition, GeoCities, a company we acquired in 1999, is required to comply with a consent order between it and the Federal Trade Commission (the "FTC"), which imposes certain obligations and restrictions with respect to information collected from users. Any failure by us to comply with our posted privacy policy, the consent order, FTC requirements or other privacy-related laws and regulations could result in proceedings by the FTC or others which could potentially have an adverse effect on our business, results of operations and financial condition. In this regard, there are a large number of legislative proposals before the United States Congress and various state legislative bodies regarding privacy issues related to our business. It is not possible to predict whether or when such legislation may be adopted, and certain proposals, if adopted, could materially and adversely affect our business through a decrease in user registrations and revenues. This could be caused by, among other possible provisions, the required use of disclaimers or other requirements before users can utilize our services.

Due to the global nature of the Web, it is possible that the governments of other states and foreign countries might attempt to regulate its transmissions or prosecute us for violations of their laws. We might unintentionally violate such laws, such laws may be modified and new laws may be enacted in the future. Any such developments could have a material adverse effect on our business, operating results and financial condition.

We may be subject to legal liability for our online services.

We host a wide variety of services that enable individuals to exchange information, generate content, conduct business and engage in various online activities on an international basis, including public message posting and services relating to online auctions and homesteading. The law relating to the liability of providers of these online services for activities of their users is currently unsettled both within the United States and abroad. Claims have been threatened and have been brought against us for defamation, negligence, copyright or trademark infringement, unlawful activity, tort, including personal injury, fraud, or other theories based on the nature and content of information that we provide links to or that may be posted online or generated by our users or with respect to auctioned materials. For example, Yahoo! was recently the subject of a claim brought by certain entities in a French court regarding, among other things, the availability of certain content within our services which was alleged to violate French law. Due to the unsettled nature of the law in this area, we may be subject to similar actions in

domestic or other international jurisdictions in the future. Our defense of any such actions could be costly and involve significant distraction of our management and other resources. In addition, we are aware that governmental agencies are currently investigating the conduct of online auctions.

We also periodically enter into arrangements to offer third-party products, services, or content under the Yahoo! brand or via distribution on various Yahoo! properties, including stock quotes and trading information. We may be subject to claims concerning these products, services or content by virtue of our involvement in marketing, branding, broadcasting or providing access to them, even if we do not ourselves host, operate, provide, or provide access to these products, services or content. While our agreements with these parties often provide that we will be indemnified against such liabilities, such indemnification may not be adequate.

It is also possible that, if any information provided directly by us contains errors or is otherwise negligently provided to users, third parties could make claims against us. For example, we offer Web-based email services, which expose us to potential risks, such as liabilities or claims resulting from unsolicited email, lost or misdirected messages, illegal or fraudulent use of email, or interruptions or delays in email service. Investigating and defending any of these types of claims is expensive, even to the extent that the claims do not ultimately result in liability.

Our stock price has been volatile historically, which may make it more difficult for you to resell shares when you want at prices you find attractive.

The trading price of our Common Stock has been and may continue to be subject to wide fluctuations. During 2000, the closing sale prices of our Common Stock on the Nasdaq Stock Market ranged from \$237.50 to \$25.625 per share and the sale price of our Common Stock closed at \$15.00 per share on March 15, 2001. Our stock price may fluctuate in response to a number of events and factors, such as quarterly variations in operating results, announcements of technological innovations or new products and media properties by us or our competitors, changes in financial estimates and recommendations by securities analysts, the operating and stock price performance of other companies that investors may deem comparable, and news reports relating to trends in our markets. In addition, the stock market in general, and the market prices for Internet-related companies in particular, have experienced extreme volatility that often has been unrelated to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the price of our stock, regardless of our operating performance. Additionally, volatility or a lack of positive performance in our stock price may adversely affect our ability to retain key employees, all of whom have been granted stock options.

Management and one large stockholder beneficially own approximately 38% of our stock; their interests could conflict with yours; significant sales of stock held by them could have a negative effect on Yahoo!'s stock price.

Yahoo!'s directors and executive officers and SOFTBANK beneficially owned approximately 38% of our outstanding Common Stock as of December 31, 2000. Eric Hippeau is a member of our Board of Directors and is also the President and Executive Managing Director of SOFTBANK International Ventures, an affiliate of SOFTBANK. As a result of their ownership and positions, our directors and executive officers and SOFTBANK collectively are able to significantly influence all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. Such concentration of ownership may also have the effect of delaying or preventing a change in control of Yahoo!. In addition, sales of significant amounts of shares held by Yahoo!'s directors and executive officers and SOFTBANK, or the prospect of these sales, could adversely affect the market price of Yahoo! Common Stock.

Our operations could be significantly hindered by the occurrence of a natural disaster or other catastrophic event.

Our operations are susceptible to outages due to fire, floods, power loss, telecommunications failures, break-ins and similar events. In addition, the majority of our network infrastructure is located in Northern California, an area susceptible to earthquakes. In recent months, the western United States (and California in particular) has experienced repeated episodes of diminished electrical power supply. As a result of these episodes, certain of our operations or facilities may be subject to "rolling blackouts" or other unscheduled interruptions of electrical power. The prospect of such unscheduled interruptions may continue for the foreseeable future and we are unable to predict either their occurrence, duration or cessation. We do not have multiple site capacity for all of our

services in the event of any such occurrence. Despite our implementation of network security measures, our servers are vulnerable to computer viruses, break-ins, and similar disruptions from unauthorized tampering with our computer systems. In addition, we are vulnerable to coordinated attempts to overload our systems with data, resulting in denial or reduction of service to some or all of our users for a period of time. We have experienced a coordinated denial of service attack in the past, and may experience such attempts in the future. We do not carry sufficient business interruption insurance to compensate us for losses that may occur as a result of any of these events. Any such event could have a material adverse effect on our business, operating results, and financial condition.

Anti-takeover provisions could make it more difficult for a third party to acquire us.

We recently announced our adoption of a stockholder rights plan and declared a dividend distribution of one right for each outstanding share of Common Stock to stockholders of record as of March 20, 2001. Each right entitles the holder to purchase one unit consisting of one one-thousandth of a share of our Series A Junior Participating Preferred Stock for \$250 per unit. Under certain circumstances, if a person or group acquires 15% or more of our outstanding common stock, holders of the rights (other than the person or group triggering their exercise) will be able to purchase, in exchange for the \$250 exercise price, shares of our Common Stock or of any company into which we are merged having a value of \$500. The rights expire on March 1, 2011 unless extended by our Board of Directors. Because the rights may substantially dilute the stock ownership of a person or group attempting to take us over without the approval of our Board of

Directors, our rights plan could make it more difficult for a third party to acquire us (or a significant percentage of our outstanding capital stock) without first negotiating with our Board of Directors regarding such acquisition.

In addition, our Board of Directors has the authority to issue up to 10,000,000 shares of preferred stock (of which 2,000,000 shares have been designated as Series A Junior Participating Preferred Stock) and to determine the price, rights, preferences, privileges and restrictions, including voting rights, of those shares without any further vote or action by the stockholders. The rights of the holders of common stock may be subject to, and may be adversely affected by, the rights of the holders of any preferred stock that may be issued in the future. The issuance of preferred stock may have the effect of delaying, deferring or preventing a change of control of Yahoo! without further action by the stockholders and may adversely affect the voting and other rights of the holders of common stock. Further, certain provisions of our charter documents, including provisions eliminating the ability of stockholders to take action by written consent and limiting the ability of stockholders to raise matters at a meeting of stockholders without giving advance notice, may have the effect of delaying or preventing changes in control or management of Yahoo!, which could have an adverse effect on the market price of our stock. In addition, our charter documents do not permit cumulative voting, which may make it more difficult for a third party to gain control of our Board of Directors.

Item 2. Properties

Yahoo!'s headquarters facility is located in six offices in Santa Clara and Sunnyvale, California. The Company occupies these leased facilities, which aggregate approximately 353,000 square feet. Office space for the Company's international subsidiaries is leased in Amsterdam, Buenos Aires, Copenhagen, Hamburg, Hong Kong, London, Madrid, Melbourne, Mexico City, Milan, Munich, Paris, Sao Paulo, Seoul, Shanghai, Singapore, Stockholm, Sydney, Taipei, Toronto, and Zurich. The Company also leases sales offices in Atlanta, Baltimore, Boston, Chicago, Dallas, Detroit, Houston, Los Angeles, Miami, New York, San Diego, San Francisco, Seattle, and Washington, D.C. The Company's principal Web server equipment and operations are maintained by GlobalCenter in Mountain View, California, by Exodus Communications in Santa Clara, California, and by GTE BBN in San Jose, California.

The Company has entered into agreements for the development of an office complex in Sunnyvale, California, to be constructed between 2000 and 2003, and to serve as the Company's new headquarters. Construction began in 2000 and buildings in the first two phases of the project are expected to be ready for occupancy in the second quarter of 2001. The Company believes that its existing facilities are adequate to meet current requirements, and that suitable additional or substitute space will be available as needed to accommodate any further physical expansion of corporate operations and for any additional sales offices.

Item 3. Legal Proceedings

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, auction sites, shopping services, and other communications and community features, such as claims alleging defamation or invasion of privacy. In addition, from time to time, third parties assert patent infringement claims against the Company in the form of letters, lawsuits and other forms of communication. Currently, the Company is engaged in two lawsuits regarding patent issues and has been notified of a number of other potential patent disputes.

In addition to intellectual property claims, on or about March 1, 2000, the Company was advised that the FTC was conducting an inquiry into certain of the Company's consumer information practices to determine whether the Company was complying with applicable FTC consumer protection regulations. The FTC has subsequently notified the Company that, pursuant to its inquiry, no compliance action by the FTC is warranted with respect to the Company or its practices.

The Company is not currently aware of any legal proceedings or claims that the Company believes are likely to have a material adverse effect on the Company's financial position, results of operations or cash flows. However, the Company may incur substantial expenses in defending against third party claims. In the event of a determination adverse to the Company, the Company may incur substantial monetary liability, and be required to change its business practices. Either of these could have a material adverse effect on the Company's financial position, results of operations and cash flows.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the fourth quarter of fiscal 2000.

Part II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters

Yahoo! Inc. Common Stock is quoted on the NASDAQ National Market System under the symbol YHOO. The following table sets forth the range of high and low closing per share sales prices for each period indicated and reflects all stock splits affected by the Company:

	2000		1999	
	High	Low	High	Low
First quarter	\$ 237.50	\$ 153.81	\$ 103.85	\$ 62.00
Second quarter	167.38	112.06	109.57	59.63
Third quarter	139.81	90.38	92.35	60.50
Fourth quarter	87.94	25.63	216.35	83.78

The Company had approximately 8,290 stockholders of record as of December 31, 2000. The Company has not declared or paid any cash dividends on its Common Stock and presently intends to retain its future earnings, if any, to fund the development and growth of its business and, therefore, does not anticipate

paying any cash dividends in the foreseeable future.

Yahoo! Inc. did not make any unregistered sales of the Company's Common Stock during the fourth quarter of fiscal 2000.

Item 6. Selected Financial Data

(in thousands, except per share amounts)	Year Ended December 31,				
	2000	1999	1998	1997	1996
Net revenues	\$ 1,110,178	\$ 591,786	\$ 245,132	\$ 84,108	\$ 23,793
Gross profit	951,759	489,140	192,932	64,226	16,506
Net income (loss)	70,776 (a)	47,811 (b)	(13,641)(c)	(43,376)(d)	(12,430)
Net income (loss) per share – basic	\$ 0.13 (a)	\$ 0.09 (b)	\$ (0.03)(c)	\$ (0.11)(d)	\$ (0.04)
Net income (loss) per share – diluted	\$ 0.12 (a)	\$ 0.08 (b)	\$ (0.03)(c)	\$ (0.11)(d)	\$ (0.04)
Shares used in per share calculation – basic	550,657	516,237	440,131	391,542	348,650
Shares used in per share calculation – diluted	610,678	599,558	440,131	391,542	348,650
December 31,					
	2000	1999	1998	1997	1996
Cash, cash equivalents, restricted cash, and short and long-term investments in marketable debt securities	\$ 1,688,666	\$ 1,004,300	\$ 636,079	\$ 136,581	\$ 111,311
Working capital	979,635	796,653	531,032	136,714	95,537
Total assets	2,269,576	1,520,129	790,471	203,351	125,939
Mandatory redeemable convertible preferred stock	–	52,173	9,923	–	–
Stockholders' equity	\$ 1,896,914	\$ 1,251,732	\$ 676,361	\$ 137,241	\$ 110,367

Note: The selected financial data for the five years ended December 31, 2000 has been restated to reflect the acquisition of eGroups, which was accounted for as a pooling of interests.

- (a) Net income and net income per share include \$163.2 million in write-downs of certain equity investments, \$46.4 million in gains from exchanges of certain equity investments, \$28.3 million in amortization of purchased technology and intangible assets, acquisition-related charges of \$22.8 million incurred in connection with the acquisitions of Arthas.com and eGroups, \$20.9 million in stock compensation expense, \$14.9 million in employer payroll taxes on non-qualified stock option exercises, \$4.7 million in goodwill amortization related to the Company's Yahoo! Japan equity investment, and \$2.1 million in losses from the sale of certain equity investments.
- (b) Net income and net income per share include acquisition-related charges of \$77.1 million incurred in connection with the May 1999 acquisitions of Encompass, GeoCities, and Online Anywhere, the July 1999 acquisition of broadcast.com, and the November 1999 acquisition of ONelist, \$11.0 million of in-process research and development related to the January 1999 acquisition of Log-Me-On and the November 1999 acquisition of ISSG, stock compensation expense of \$10.4 million, employer payroll taxes on non-qualified stock option exercises of \$10.3 million, and amortization of \$23.3 million on intangible assets and purchased technology.
- (c) Net loss and net loss per share include acquisition-related charges of \$3.6 million incurred in connection with the October 1998 acquisition of Yoyodyne Entertainment, Inc. and the November 1998 acquisition of SimpleNet, \$17.6 million of in-process research and development primarily related to the June 1998 acquisition of Viaweb Inc. and the December 1998 acquisition of HyperParallel Inc., amortization of \$6.2 million on intangible assets and purchased technology, and stock compensation expense of \$2.5 million.
- (d) Net loss and net loss per share include one-time 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

In addition to historical information, the following discussion and analysis of management contains forward-looking statements. These forward-looking statements involve risks, uncertainties and assumptions. The actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to, those discussed below and in the sections in this Annual Report on Form 10-K entitled "Competition", "Proprietary Rights" and "Risk Factors". Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's opinions only as of the date hereof. Yahoo! undertakes no obligation to revise or publicly release the results of any revision to these forward-looking statements. Readers should carefully review the risk factors described in this document as well as in other documents the Company files from time to time with the Securities and Exchange Commission, including the Quarterly Reports on Form 10-Q to be filed by the Company in fiscal year 2001.

OVERVIEW

Yahoo! Inc. ("Yahoo!" or the "Company") is a global Internet communications, commerce, and media company that offers a comprehensive branded network of services to more than 180 million individuals each month worldwide. As the first online navigational guide to the World Wide Web (the "Web"), www.yahoo.com is the leading guide in terms of traffic, advertising, household and business user reach. The Company also provides online business and enterprise services designed to enhance the productivity and Web presence of Yahoo!'s clients. These services include Corporate Yahoo!, a popular customized enterprise portal solution; audio and video streaming; store hosting and management; and Web site tools and services. The Company's global Web network includes 24 World properties. Yahoo! has offices in Europe, Asia Pacific, Latin America, Canada and the United States, and is headquartered in Santa Clara, California. The Company commenced operations on March 5, 1995. In August 1995, the Company commenced selling advertisements on its Web pages and recognized its initial revenues.

The following table summarizes the acquisitions completed during 2000, 1999 and 1998 that were accounted for as poolings of interests (shares issued in thousands).

	Acquisition Date	Shares Issued
WebCal Corporation	July 17, 1998	1,084
Yoyodyne Entertainment, Inc.	October 20, 1998	1,019
Encompass, Inc.	May 26, 1999	1,390
GeoCities	May 28, 1999	43,281
Online Anywhere	May 28, 1999	906
broadcast.com inc.	July 20, 1999	57,294
Arthas.com	February 29, 2000	594
eGroups, Inc.	August 31, 2000	3,425

For the year ended December 31, 2000, acquisition-related charges totaled \$22.8 million related to the acquisitions of Arthas.com and eGroups, which includes contracts and facilities termination expenses, write-offs of certain related fixed assets and leasehold improvements, professional services, severance costs associated with the termination of certain employees with redundant job functions in certain functional areas, and various registration and filing fees. For the year ended December 31, 1999, acquisition-related charges for acquisitions accounted for as poolings of interests totaled \$77.1 million and included investment banking, financial and legal advisory services, severance and contract termination costs related to the mergers. These costs were primarily attributable to the GeoCities and broadcast.com acquisition costs of \$55.0 million and \$20.0 million, respectively. For 1998, acquisition-related charges related to acquisition costs totaled \$3.6 million. As of December 31, 2000, \$15.5 million of accrued acquisition costs were included in accrued expenses and other current liabilities. These accrued amounts consist of contract and facility termination costs and will be paid during the year ending December 31, 2001.

The Company consummated the acquisition of eGroups, Inc. ("eGroups") in August 2000 as well as various other acquisitions during 2000, 1999, and 1998, that were accounted for as poolings of interests. The consolidated financial statements for the three years ended December 31, 2000 and the accompanying notes reflect the Company's financial position and the results of operations as if the acquired entities were wholly-owned subsidiaries of the Company since inception, with the exception of WebCal and Arthas.com whose historical operations were not material to the Company's financial position, results of operations or cash flows.

The following table summarizes the acquisitions completed during 2000, 1999 and 1998 that were accounted for under the purchase method of accounting (in millions):

	Purchase Price	In-Process Research and Development	Goodwill and Other Intangibles
2000			
VivaSmart, Inc.	\$ 8.9	\$ —	\$ 7.7
1999			
Log-Me-On.com LLC	\$ 9.9	\$ 9.8	\$ 0.1
Yahoo! Canada	\$ 18.0	\$ —	\$ 18.0
Innovative Systems Services Group, Inc.	\$ 14.1	\$ 1.2	\$ 12.1
1998			
Viaweb, Inc.	\$ 48.6	\$ 15.0	\$ 24.3
HyperParallel, Inc.	\$ 8.1	\$ 2.3	\$ 5.8

In connection with the Viaweb acquisition, approximately \$15 million of the purchase price was assigned to in-process research and development and expensed upon the consummation of the acquisition. Various factors were considered, including discussions with the Staff of the Securities and Exchange Commission, in determining the amount of the purchase price to be allocated to in-process research and development 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, are being amortized on a straight-line basis over three and seven years, respectively.

Log-Me-On, founded in 1998, was a development stage entity with limited operations, no revenues, and four developers. As of the acquisition date, the Company's efforts had been focused solely on developing a browser technology that was approximately 30% complete and there was no other technology developed or in process at such date. Approximately \$9.8 million of the purchase price was allocated to in-process research and development. This in-process research and development had not reached technological feasibility and had no alternative future use.

Results of operations for the entity acquired in 2000 and accounted for under the purchase method of accounting for periods prior to the acquisition were not material to the Company, and accordingly, pro forma results of operations have not been presented.

The Company's revenues are derived principally from the sale of banner and sponsorship advertisements. To date, the duration of the Company's banner advertising commitments ranges from one week to two years. Sponsorship advertising contracts have longer terms (ranging from three months to three 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 as "impressions", or times that an advertisement appears in pages viewed by users of the Company's online properties, are delivered. Furthermore, advertising revenue is recognized 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; 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 from business services and electronic commerce transactions. Business services revenues include fees for broadcasting live and on-demand events, enterprise services (Corporate Yahoo!) as well as subscription-based hosting services and membership programs. With the exception of enterprise services, revenues are recognized in the month in which the service is performed, provided that no significant Company obligations remain and collection of the resulting receivable is probable. License revenues for enterprise services are recognized under Statement of Position No. 97-2, "Software Revenue Recognition" ("SOP 97-2") when persuasive evidence of an arrangement exists and delivery has occurred, provided the fee is fixed and determinable, collectibility is probable and the arrangement does not require significant customization of the software. For contracts with multiple elements, and for which vendor-specific objective evidence of fair value for the undelivered elements exists, revenue is recognized for the delivered elements based upon the residual contract value as

prescribed by Statement of Position No. 98-4, "Modification of SOP No. 97-2 with Respect to Certain Transactions." Revenues from enterprise services were not significant for all periods presented. Maintenance revenues for enterprise services are recognized ratably over the term of the contract. Revenues from electronic commerce transactions are recognized by the Company upon notification from the advertiser of revenues earned by Yahoo!.

Revenues from business services were 10% of net revenues in 2000, 10% in 1999 and 8% in 1998. No one customer accounted for 10% or more of net revenues during 2000, 1999 and 1998.

Revenues from barter transactions are recognized during the period in which the advertisements are displayed in Yahoo! properties. Prior to January 2000, barter transactions were recorded at the fair value of the goods or services provided or received, whichever was more readily determinable in the circumstances. In January 2000, the Company adopted Emerging Issues Task Force ("EITF") 99-17, "Accounting for Advertising Barter Transactions". In accordance with EITF 99-17, barter transactions have been valued based on similar cash transactions which have occurred within six months prior to the date of the barter transaction. Barter revenues represented 7%, 8% and 8% of total revenues for the years ended December 31, 2000, 1999 and 1998, respectively. The number of impressions delivered by Yahoo! under barter arrangements where fair value was not determinable under EITF 99-17 approximated 1.1 billion impressions for the year ended December 31, 2000.

Results of Operations

Net Revenues

Net revenues were \$1.1 billion, \$591.8 million, and \$245.1 million for the years ended December 31, 2000, 1999, and 1998, respectively.

Advertising Revenue. Of the total net revenues for the years ended December 31, 2000, 1999, and 1998, advertising revenue was \$1.0 billion, \$535.4 million, and \$226.3 million, 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 6,025 customers advertised on the Company's online media properties during 2000 as compared to approximately 5,200 and 4,300 in 1999 and 1998, respectively. No one customer accounted for 10% or more of net revenues during the years ended December 31, 2000, 1999 and 1998. Advertising purchases by SOFTBANK and its consolidated affiliates, a 21% stockholder of the Company as of December 31, 2000, accounted for approximately 1% of net revenues during each of the years ended December 31, 2000, 1999 and 1998. Contracted prices on these orders are comparable to those given to other similarly situated customers of the Company. International revenues accounted for 15%, 10% and 7% of net revenues during the years ended December 31, 2000, 1999, and 1998, respectively. Barter revenues represented less than 10% of net revenues during those same 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 five years, management does not believe that this level of revenue growth will be sustained in future periods. Due to the Company's ongoing transition in its customer base from Internet companies toward companies in more traditional lines of business and the growing weakness in world-wide economic conditions, the Company believes that its first quarter 2001 advertising revenues will be significantly lower than its fourth quarter 2000 advertising revenues.

Business Services Revenue. Business services revenue consists of revenues generated from broadcasting live and on-demand audio and video events, enterprise services (Corporate Yahoo!), and subscription-based hosting services. Business services revenue comprised \$105.7 million, \$56.4 million, and \$18.8 million of total net revenue for the years ended December 31, 2000, 1999, and 1998, respectively. The year-to-year increases are primarily attributable to the increasing number of events broadcasted by the Company and the increasing number of users of the various hosting services. The Company broadcasted approximately 4,150 events during 2000, as compared to 3,600 and 1,800 during 1999 and 1998, respectively. Yahoo! Store, which was launched during the first quarter of 1998, comprised the most significant portion of revenue from hosting services. Yahoo! Store members totaled 13,000 and 9,000 as of December 31, 2000 and 1999, respectively. In June 2000, Corporate Yahoo! was launched to enable companies to integrate proprietary

corporate content and applications with Yahoo!'s personalized Internet content and services behind existing firewalls. Revenue from this enterprise service was not significant in 2000 but is expected to become an increasing portion of the Company's business services revenue beginning in 2001.

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, live event production costs, amortization of purchased technology, license fees, equipment depreciation, and compensation related expenses. The Company does not allocate any cost of revenues or operating costs to its business services segment as management does not use this information to measure the performance of the operating segment. Management does not believe that allocating these expenses is material in evaluating the segment's performance. Cost of revenues were \$158.4 million for the year ended December 31, 2000, or 14% of net revenues, as compared to \$102.6 million, or 17% of net revenues, and \$52.2 million, or 21% of net revenues, for the years ended December 31, 1999 and 1998, 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 purchased technology. Unamortized purchase technology totaled \$3.2 million as of December 31, 2000 and will be amortized through the fourth quarter of 2001. 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 900 million page views per day in December 2000 compared with an average of approximately 470 million page views per day in December 1999

and an average of approximately 207 million page views per day in December 1998. Yahoo! Japan, an unconsolidated joint venture of the Company, is included in these page views figures and accounted for an average of approximately 116 million per day in December 2000, an average of approximately 39 million per day in December 1999, and an average of approximately 13 million per day in December 1998. The Company anticipates that its content, Internet connection, license and maintenance expenses for enterprise services will continue to increase in absolute dollars for the foreseeable future.

Sales and Marketing

Sales and marketing expenses were \$419.7 million for the year ended December 31, 2000, or 38% of net revenues. For the years ended December 31, 1999 and 1998, sales and marketing expenses were \$224.0 million and \$125.0 million, or 38% and 51% 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 (which include employer payroll taxes assessed on non-qualified stock option exercises), 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 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 on an annual basis as it continues to pursue a brand-building strategy through advertising and distribution, continues to expand its international operations, and continues to build its global direct sales organization.

Product Development

Product development expenses were \$117.3 million, or 11% of net revenues for the year ended December 31, 2000 compared to \$72.4 million and \$34.1 million, or 12% and 14% of net revenues for the years ended December 31, 1999 and 1998, respectively. Product development expenses consist primarily of payroll and related expenses (which include employer payroll taxes assessed on non-qualified stock option exercises) incurred for enhancements to and maintenance of the Company's Web site, classification and organization of listings within Yahoo! properties, research and development expenses, and other operating costs. The year-to-year increases in absolute dollars is primarily attributable to increases in the number of engineers that develop and enhance Yahoo! online media properties. 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.

General and Administrative

General and administrative expenses were \$74.5 million, or 7% of net revenues for the year ended December 31, 2000 compared to \$42.4 million and \$24.7 million, or 7% and 10% of net revenues for the years ended December 31, 1999 and 1998, respectively. General and administrative expenses consist primarily of compensation (which includes employer payroll taxes assessed on non-qualified stock option exercises) 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 continue to increase, as a result of an increase in personnel and increased fees for professional services.

Amortization of Intangibles

Amortization expense was \$19.7 million for the year ended December 31, 2000 as compared to \$13.8 million and \$2.6 million for the years ended December 31, 1999 and 1998, respectively. The increase in 2000 is principally attributable to goodwill amortization resulting from the March 2000 investment in Yahoo! Korea and the June 2000 VivaSmart acquisition, which resulted in additional goodwill of \$20.2 million and \$7.7 million, respectively. The increase in 1999 is primarily attributable to goodwill amortization resulting from the March 1999 Yahoo! Canada acquisition and the November 1999 ISSG acquisition, which resulted in additional goodwill and other intangible assets of \$18.0 million and \$12.1 million, respectively. Unamortized goodwill and other intangible assets totaled \$78.0 million as of December 31, 2000 and will be amortized through the first quarter of 2009.

Acquisition-Related Costs

For the year ended December 31, 2000, the Company recorded acquisition-related costs of \$22.8 million. These costs were primarily attributable to eGroups' acquisition-related expenses of \$22.4 million, which includes contracts and facilities termination expenses, write-offs of certain related fixed assets and leasehold improvements, professional services, severance costs associated with the termination of certain employees with redundant job functions in certain functional areas, and various registration and filing fees.

For the year ended December 31, 1999, the Company recorded acquisition-related costs of \$88.0 million. These costs were primarily attributable to acquisition-related expenses of \$77.1 million in connection with the acquisitions of Encompass, GeoCities, Online Anywhere, broadcast.com, and ONelist, Inc. The Company also recorded acquisition-related charges of \$9.8 million and \$1.2 million in connection with the Log-Me-On and ISSG acquisitions, respectively, for in-process research and development that had not yet reached technological feasibility and had no alternative future use.

For the year ended December 31, 1998, the Company recorded acquisition-related costs of \$21.2 million. These costs were primarily attributable to \$17.6 million of in-process research and development that had not yet reached technological feasibility and had no alternative future use and were recorded in connection with the acquisitions of Viaweb and HyperParallel. The Company also recorded non-recurring costs of \$3.6 million for acquisition-related expenses in connection with the acquisitions of Yoyodyne and SimpleNet.

Investment Income (Loss), Net

Investment loss, net of investment income, was \$33.7 million for the year ended December 31, 2000 compared to investment income of \$37.7 million and \$18.8 million for the years ended December 31, 1999 and 1998, respectively. The decrease in investment income for 2000 was primarily due to an impairment write-down of investments of \$163.2 million and a loss on the sale of certain equity investments of \$2.1 million, offset by investment income related to gains from the exchanges of certain equity investments of \$46.4 million and interest income from a higher average investment balance. Investment income in future periods may fluctuate as a result of fluctuations in average cash balances maintained by the Company, changes in the market rates or the sale of its investments, and impairment write-downs.

Minority Interests in Operations of Consolidated Subsidiaries

Minority interests in income from operations of consolidated subsidiaries was \$5.3 million for the year ended December 31, 2000 as compared to minority interests in income from operations of consolidated subsidiaries of \$2.5 million for the year ended December 31, 1999 and

minority interests in loss from operations of consolidated subsidiaries of \$68,000 for the year ended December 31, 1998. The change in 2000 was attributable to the continuing profitable results recorded in the Company's joint ventures. 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. If the consolidated subsidiaries remain profitable, the minority interests adjustment on the statement of operations will continue to reduce the Company's net income by the minority partners' share of the subsidiaries' net income.

Income Taxes

The provision for income taxes for the years ended December 31, 2000 and 1999 differs from the amount computed by applying the statutory federal rate principally due to a change in valuation allowance related to nondeductible impairment write-downs of certain of the Company's equity investments, nondeductible costs related to the Company's acquisitions (primarily eGroups, broadcast.com and GeoCities), nondeductible amortization charges related to other acquisitions, nondeductible stock-based compensation charges, nontaxable re-organizational gains resulting from exchanges of certain equity investments, and a change in income tax regulations resulting in the recognition of certain acquired loss carryforward benefits.

The provision for income taxes for the year ended December 31, 1998 differs from the amount computed by applying the statutory federal rate principally due to changes in the valuation allowance related to limitations on net operating losses of acquired companies and nondeductible acquisition-related charges.

Net Income (Loss)

The Company recorded net income of \$70.8 million or \$0.12 per share diluted for the year ended December 31, 2000. The results for 2000 include \$163.2 million in write-downs of certain equity investments, \$46.4 million in gains from exchanges of certain equity investments, \$28.3 million in amortization of purchased technology and intangible assets, acquisition-related charges of \$22.8 million incurred in connection with the acquisitions of Arthas.com and eGroups, \$20.9 million in stock compensation expense, \$14.9 million in employer payroll taxes on non-qualified stock option exercises, \$4.7 million in goodwill amortization related to the Company's Yahoo! Japan equity investment, and \$2.1 million in losses from the sale of certain equity investments. For 1999, the Company recorded net income of \$47.8 million or \$0.08 per share diluted. The results for 1999 include acquisition-related charges of \$88 million incurred in connection with various 1999 acquisitions, stock compensation expense of \$10.4 million, employer payroll taxes on non-qualified stock option exercises of \$10.3 million and amortization of purchased technology and intangible assets acquired in certain acquisitions of \$9.5 million and \$13.8 million, respectively. For 1998, the Company recorded net loss of \$13.6 million or \$0.03 per share diluted. The results for 1998 include acquisition-related charges of \$21.2 million incurred in connection with various 1998 acquisitions, amortization of \$3.5 million and \$2.6 million from the purchased technology and intangible assets acquired in certain of those acquisitions, and stock compensation expense of \$2.5 million.

The Company is subject to employer payroll taxes on employee exercises of non-qualified stock options. Depending on the number of shares of our Common Stock for which stock options are exercised and the fair market value of our Common Stock during a particular period, these employer payroll taxes would be recorded as a charge to operations in the period such options are exercised based on actual gains realized by employees. In addition to the net proceeds we would receive upon the exercise of stock options, we would receive tax deductions for gains realized by employees on the exercise of non-qualified stock options for which the benefit is recorded as additional paid-in capital. However, because we are unable to predict our future stock price and the number of optionees who may exercise during any particular period, we cannot predict what, if any, expense will be recorded in a future period and the impact on our future financial results. The Company's quarterly results of operations and cash flows could vary significantly depending on the actual period that the stock options are exercised by employees and, consequently, the amount of employer payroll taxes assessed.

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. As of December 31, 2000, the Company had cash and cash equivalents and investments

in marketable debt securities totaling \$1.7 billion compared to \$1.0 billion and \$636.1 million as of December 31, 1999 and 1998, respectively.

For the year ended December 31, 2000, cash provided by operating activities of \$509.7 million was primarily attributable to earnings of \$70.8 million, tax benefits from stock options of \$172.5 million, non-cash loss from write-down of investments, net of gain from exchange of investments of \$118.6 million, depreciation and amortization of \$69.1 million, and changes in working capital of \$52.5 million. For the year ended December 31, 1999, cash provided by operating activities of \$204.5 million was primarily attributable to earnings of \$47.8 million, depreciation and amortization of \$42.7 million, purchased in-process research and development of \$11.0 million, tax benefits from stock options of \$32.2 million, and changes in working capital of \$57.9 million. For the year ended December 31, 1998, cash provided by operating activities of \$81.4 million was primarily due to a net loss of \$13.6 million offset by purchased in-process research and development of \$17.6 million, depreciation and amortization of \$16.5 million, tax benefits from stock option plans of \$17.8 million, and changes in working capital of \$40.6 million.

Cash used in investing activities was \$679.1 million for the year ended December 31, 2000. Purchases (net of sales and maturities) of investments in marketable securities, acquisitions, and other investments during the year were \$554.7 million, purchase of restricted investments was \$30 million and capital expenditures totaled \$94.4 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 significantly in future periods as the Company moves into its new complex. Cash used in investing activities was \$451.5 million for the year ended December 31, 1999. Purchases (net of sales and maturities) of investments in marketable securities, acquisitions, and other investments during the period were \$399.1 million and capital expenditures totaled \$52.4 million. Cash used in investing activities was \$383.7 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 \$360.7 million and capital expenditures totaled \$23.0 million.

Cash provided by financing activities was \$355.3 million for the year ended December 31, 2000 primarily due to proceeds from the issuance of Common Stock pursuant to stock option exercises. Cash provided by financing activities was \$284.1 million for the year ended December 31, 1999 primarily due to proceeds from the issuance of Common Stock pursuant to stock option exercises. For the year ended December 31, 1998, cash provided by financing activities of \$450.2 million was due primarily to the issuance of Common Stock to SOFTBANK in the net amount of \$250 million during July 1998, the issuance of common stock as part of the broadcast.com July 1998 initial public offering in the net amount of \$43.2 million, the issuance of Common Stock as part of the GeoCities August 1998 initial public offering in the amount of \$84.3 million, the receipt of \$25.0 million in connection with the sale of Mandatory Redeemable Convertible Preferred Stock, and the issuance of Common Stock pursuant to the exercise of stock options.

During 1999, the Company entered into agreements for the development of an office complex in Sunnyvale, California, to serve as the Company's new headquarters. Construction began in 2000 and buildings in the first two phases of the project are expected be ready for occupancy in the second quarter of 2001. Upon substantial completion of these phases, the Company will collateralize a lease facility with deposited funds drawn on the facility by the lessors. Rent obligations for these phases will bear a direct relationship to the lessor's carrying costs, estimated at \$270 million. Additionally, the Company will participate as one of the lenders in the lease transaction. As of December 31, 2000, the Company collateralized \$30 million of excess costs per the terms of the development agreement. This \$30 million is classified as restricted cash in current assets.

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,

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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 stockholders.

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 to hedge 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 accounted for approximately 15% of total revenues for the year ended December 31, 2000. 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 statements 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 for the year ended December 31, 2000 was not material.

Investment Risk. The Company invests in equity instruments of privately-held 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% and the Company does not have the ability to exercise significant influence over operations. Since the Company's initial investment, certain of these investments in privately-held companies have become marketable equity securities upon the investees completing initial public offerings. Such investments, most of 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. For these investments in public and privately-held companies, the Company's policy is to regularly review the assumptions underlying the operating performance and cash flow forecasts in assessing the carrying values.

The primary objective of the Company's investment activities is to preserve principal while at the same time maximizing yields without significantly increasing risk. To achieve this objective, the Company maintains its portfolio of cash equivalents, short-term and long-term investments in a variety of securities, including both government and corporate obligations and money market funds. As of December 31, 2000, the net unrealized gains of \$6.0 million on these investments have been recorded

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net of deferred taxes of \$2.4 million as a separate component of stockholders' equity.

The Company is exposed to market risk as it relates to changes in the market value of its investments. The Company invests in equity instruments of public companies, certain of which will be classified as derivatives, for business and strategic purposes and has classified these securities as available-for-sale. These available-for-sale equity investments, primarily in Internet and technology companies, are subject to significant fluctuations in fair market value due to the volatility of the stock market and the industries in which these companies participate. The Company has realized gains and losses from both the sale of investments, as well as mergers and acquisitions of companies in which the Company has invested. As of December 31, 2000, the Company had available-for-sale equity investments with a fair market value of \$87.5 million and a cost basis of \$43.8 million. The net unrealized gains of \$43.8 million have been recorded net of deferred taxes of \$17.5 million as a separate component of stockholders' equity. The Company's objective in managing its exposure to stock market fluctuations is to minimize the impact of stock market declines to the Company's earnings and cash flows. Beyond the control of the Company, however, continued market volatility, as well as mergers and acquisitions, have the potential to have a material non-cash impact on the operating results of the Company in future periods.

Item 8. Financial Statements and Supplementary Data

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Report of Independent Accountants

To the Board of Directors and Stockholders 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, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, 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 our opinion.

/s/ PricewaterhouseCoopers LLP

San Jose, California
January 9, 2001, except for Note 11,
which is as of March 7, 2001

	December 31,	
	2000	1999
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 456,877	\$ 277,136
Restricted cash	30,000	—
Short-term investments in marketable securities	663,353	638,508
Accounts receivable, net of allowance of \$15,437 and \$11,397, respectively	90,561	56,454
Prepaid expenses and other current assets	50,078	19,368
Total current assets	1,290,869	991,466
Long-term investments in marketable securities	625,981	339,623
Property and equipment, net	109,781	60,798
Other assets	242,945	128,242
Total assets	\$ 2,269,576	\$ 1,520,129
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 26,040	\$ 14,341
Accrued expenses and other current liabilities	168,029	89,682
Deferred revenue	117,165	90,790
Total current liabilities	311,234	194,813
Other liabilities	32,115	17,621
Minority interests in consolidated subsidiaries	29,313	3,790
Commitments and contingencies (Note 10)		
Mandatory redeemable convertible preferred stock	—	52,173
Stockholders' equity:		
Preferred Stock, \$0.001 par value; 10,000 shares authorized; none issued or outstanding	—	—
Common Stock, \$0.001 par value; 5,000,000 shares authorized; 561,651 and 534,419 issued and outstanding, respectively	562	534
Additional paid-in capital	1,830,526	1,148,369
Retained earnings (accumulated deficit)	42,480	(25,842)
Accumulated other comprehensive income	23,346	128,671
Total stockholders' equity	1,896,914	1,251,732
Total liabilities and stockholders' equity	\$ 2,269,576	\$ 1,520,129

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

Consolidated Statements of Operations YAHOO! INC.

(in thousands, except per share amounts)

	Years Ended December 31,		
	2000	1999	1998
Net revenues	\$ 1,110,178	\$ 591,786	\$ 245,132
Cost of revenues	158,419	102,646	52,200
Gross profit	951,759	489,140	192,932
Operating expenses:			
Sales and marketing	419,725	223,980	125,017
Product development	117,268	72,368	34,104
General and administrative	74,508	42,441	24,662
Amortization of intangibles	19,653	13,815	2,628
Acquisition-related costs	22,785	88,043	21,234

Total operating expenses	653,939	440,647	207,645
Income (loss) from operations	297,820	48,493	(14,713)
Investment income (loss), net	(33,701)	37,672	18,831
Minority interests in operations of consolidated subsidiaries	(5,298)	(2,542)	68
Income before income taxes	258,821	83,623	4,186
Provision for income taxes	188,045	35,812	17,827
Net income (loss)	\$ 70,776	\$ 47,811	\$ (13,641)
Net income (loss) per share – basic	\$ 0.13	\$ 0.09	\$ (0.03)
Net income (loss) per share – diluted	\$ 0.12	\$ 0.08	\$ (0.03)
Shares used in per share calculation – basic	550,657	516,237	440,131
Shares used in per share calculation – diluted	610,678	599,558	440,131

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

Consolidated Statements of Stockholders' Equity YAHOO! INC.

(in thousands)

	Capital Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total	Comprehensive Income (Loss)
	Shares	Amount					
Balance at December 31, 1997	410,458	\$ 410	\$ 194,856	\$ (57,582)	\$ (443)	\$ 137,241	
Comprehensive income (loss):							
Net loss	–	–	–	(13,641)	–	(13,641)	\$ (13,641)
Other comprehensive income, net of tax:							
Net unrealized gains on securities							1,013
Foreign currency translation adjustment							285
Other comprehensive income	–	–	–	–	1,298	1,298	1,298
Comprehensive income (loss)							\$ (12,343)
Accretion of Mandatory Redeemable Convertible Preferred Stock	–	–	(1,396)	–	–	(1,396)	
Conversion of Convertible Preferred Stock to Common Stock	29,180	29	34,400	–	–	34,429	
Sale of Common Stock, net of issuance costs	29,570	30	385,283	–	–	385,313	
Issuance of Common Stock pursuant to employee stock plans, exercise of warrants and other	24,511	24	31,757	–	–	31,781	
Issuance of Common Stock for acquisitions and investments	5,504	6	77,136	–	–	77,142	
Compensation and other expense on option grants and warrant issuances	–	–	2,544	–	–	2,544	
Tax benefits from stock options	–	–	23,255	–	–	23,255	
Other	–	–	–	(1,605)	–	(1,605)	
Balance at December 31, 1998	499,223	499	747,835	(72,828)	855	676,361	
Comprehensive income:							
Net income	–	–	–	47,811	–	47,811	\$ 47,811
Other comprehensive income, net of tax:							
Net unrealized gains on securities							128,064
Foreign currency translation adjustment							(248)
Other comprehensive income	–	–	–	–	127,816	127,816	127,816
Comprehensive income							\$ 175,627
Accretion of Mandatory Redeemable Convertible Preferred Stock	–	–	(341)	–	–	(341)	
Issuance of Common Stock pursuant to employee stock plans, exercise of warrants and other	34,816	34	239,508	–	–	239,542	
Issuance of Common Stock for acquisitions and investments	380	1	31,901	–	–	31,902	
Compensation expense on option grants	–	–	10,389	–	–	10,389	
Tax benefits from stock options	–	–	118,252	–	–	118,252	

Other	—	—	825	(825)	—	—
Balance at December 31, 1999	534,419	534	1,148,369	(25,842)	128,671	1,251,732
Comprehensive income (loss):						
Net income	—	—	—	70,776	—	70,776
Other comprehensive income (loss), net of tax:						
Net unrealized loss on securities						(99,224)
Foreign currency translation adjustment						(6,101)
Other comprehensive income (loss)	—	—	—	—	(105,325)	(105,325)
Comprehensive income (loss)						\$ (34,549)
Conversion of Mandatory Redeemable Convertible Preferred Stock to Common Stock	1,690	2	52,171	—	—	52,173
Issuance of Common Stock pursuant to employee stock plans and exercise of warrants	24,070	25	352,254	—	—	352,279
Issuance of Common Stock for acquisitions and investments	1,472	1	149,465	—	—	149,466
Compensation expense on option grants	—	—	20,898	—	—	20,898
Tax benefits from stock options	—	—	106,375	—	—	106,375
Other	—	—	994	(2,454)	—	(1,460)
Balance at December 31, 2000	561,651	\$ 562	\$ 1,830,526	\$ 42,480	\$ 23,346	\$ 1,896,914

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

Consolidated Statements of Cash Flows

YAHOO! INC.
(in thousands)

	Years Ended December 31,		
	2000	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	\$ 70,776	\$ 47,811	\$ (13,641)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	69,102	42,661	16,484
Tax benefits from stock options	172,525	32,202	17,827
Write-down of investments, net of gain from exchange of investments	118,626	—	—
Minority interests in operations of consolidated subsidiaries	5,298	2,542	(68)
Purchased in-process research and development	—	10,975	17,600
Other non-cash charges	20,898	10,389	2,544
Changes in assets and liabilities:			
Accounts receivable, net	(34,042)	(22,274)	(19,623)
Prepaid expenses and other assets	(26,132)	(22,627)	2,298
Accounts payable	11,699	2,576	1,149
Accrued expenses and other liabilities	74,582	51,096	22,686
Deferred revenue	26,375	49,145	34,126
Net cash provided by operating activities	509,707	204,496	81,382
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property and equipment	(94,413)	(52,426)	(23,015)
Purchases of marketable securities	(1,432,455)	(998,309)	(511,526)
Proceeds from sales and maturities of marketable securities	959,418	644,057	159,850
Restricted cash	(30,000)	—	—
Acquisitions and other investments	(81,694)	(44,817)	(9,008)
Net cash used in investing activities	(679,144)	(451,495)	(383,699)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of Capital Stock, net	352,279	281,055	452,337
Other	3,000	3,092	(2,176)
Net cash provided by financing activities	355,279	284,147	450,161
Effect of exchange rate changes on cash and cash equivalents	(6,101)	(248)	285

Net change in cash and cash equivalents	179,741	36,900	148,129
Cash and cash equivalents at beginning of year	277,136	240,236	92,107
Cash and cash equivalents at end of year	\$ 456,877	\$ 277,136	\$ 240,236

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

Notes to Consolidated Financial Statements YAHOO! INC.

Note 1 THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company. Yahoo! Inc. ("Yahoo!" or the "Company") is a global Internet communications, commerce, and media company that offers a comprehensive branded network of services to millions of worldwide users daily. The Company, a Delaware corporation, commenced operations in 1995.

Stock Split. The consolidated financial statements for all periods have been restated to give retroactive recognition to a February 2000 stock split.

Principles of Consolidation. The consolidated financial statements include the accounts of Yahoo! and its majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. Investments in entities in which the Company can exercise significant influence, but are less than 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 to the current year's presentation.

Revenue Recognition. The Company's revenues are derived principally from the sale of banner and sponsorship advertisements. To date, the duration of the Company's banner advertising commitments ranges from one week to two years. Sponsorship advertising contracts have longer terms (ranging from three months to three 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 as "impressions", or times that an advertisement appears in pages viewed by users of the Company's online properties, are delivered. Furthermore, advertising revenue is recognized 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; 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 from business services and electronic commerce transactions. Business services revenues include fees for broadcasting live and on-demand events, enterprise services (Corporate Yahoo!) as well as subscription-based hosting services and membership programs. With the exception of enterprise services, revenues are recognized in the month in which the service is performed, provided that no significant Company obligations remain and collection of the resulting receivable is probable. License revenues for enterprise services are recognized under Statement of Position No. 97-2, "Software Revenue Recognition" ("SOP 97-2") when persuasive evidence of an arrangement exists and delivery has occurred, provided the fee is fixed and determinable, collectibility is probable and the arrangement does not require significant customization of the software. For contracts with multiple elements, and for which vendor-specific objective evidence of fair value for the undelivered elements exists, revenue is recognized for the delivered elements based upon the residual contract value as prescribed by Statement of Position No. 98-4, "Modification of SOP No. 97-2 with Respect to Certain Transactions." Revenues from enterprise services were not significant for all periods presented. Maintenance revenues for enterprise services are recognized ratably over the term of the contract. Revenues from electronic commerce transactions are recognized by the Company upon notification from the advertiser of revenues earned by Yahoo!.

Revenues from business services were 10%, 10% and 8% of net revenues in 2000, 1999 and 1998, respectively. No one customer accounted for 10% or more of net revenues during 2000, 1999 and 1998.

Revenues from barter transactions are recognized during the period in which the advertisements are displayed in Yahoo! properties. Prior to January 2000, barter transactions were recorded at the fair value of the goods or services provided or received, whichever was more readily determinable in the circumstances. In January 2000, the Company adopted Emerging Issues Task Force ("EITF") 99-17, "Accounting for Advertising Barter Transactions".

In accordance with EITF 99-17, barter transactions have been valued based on similar cash transactions which have occurred within six months prior to the date of the barter transaction. Barter revenues represented 7%, 8% and 8% of total revenues for the years ended December 31, 2000, 1999 and 1998, respectively. The number of impressions delivered by Yahoo! under barter arrangements where fair value was not determinable under EITF 99-17 approximated 1.1 billion impressions for the year ended December 31, 2000.

Deferred revenue primarily comprises billings in excess of recognized revenue and payments received in advance of revenue recognition.

Product Development. Product development costs consist primarily of payroll and related expenses incurred for enhancements to and maintenance of the Company's Web site, classification and organization of listings within Yahoo! properties, research and development expenses, amortization of capitalized Web site development costs, and other operating costs.

Internal Use Software Costs. The Company has capitalized certain internal use software and Web site development costs totaling \$3.5 million and \$3.2 million during the years ended December 31, 2000 and 1999, respectively. The estimated useful life of costs capitalized is evaluated for each specific project and ranges from one to three years. During the years ended December 31, 2000 and 1999, the amortization of capitalized costs totaled \$1.7 million and \$0.7 million, respectively.

Advertising Costs. Advertising production costs are recorded as expense the first time an advertisement appears. All other advertising costs are expensed as incurred. Advertising expense totaled approximately \$150.3 million, \$79.7 million, and \$39.3 million for 2000, 1999, and 1998, 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 2000, 1999, and 1998, the Company's contributions amounted to \$2.4 million, \$1.5 million, and \$0.6 million, 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 investments with an original maturity of three months or less are considered cash equivalents. Investments with maturities of less than twelve months from the balance sheet date are considered short-term investments. Investments 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 and are reported at fair value, with unrealized gains and losses, net of tax, recorded in stockholders' equity. Realized gains or losses and other than temporary declines in value, if any, on available-for-sale securities are reported in investment income or loss. As of December 31, 2000 and 1999, the Company recorded net unrealized gains on its marketable debt and equity securities, net of tax, of approximately \$29.9 million and \$129.1 million, respectively.

The Company also invests in equity instruments of privately-held companies for business and strategic purposes. These investments are included in other long-term assets and are accounted for under the cost method as the Company does not have the ability to exercise significant influence over operations. The Company monitors its investments for impairment and records reductions in carrying values when necessary.

Concentration of Credit Risk. Financial instruments that potentially subject the Company to significant concentration of credit risk consist primarily of cash, cash equivalents, investments, and accounts receivable. Substantially all of the Company's cash, cash equivalents, and investments are managed by five 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 reserves for potential credit losses. Historically, such losses have been within management's expectations. As of December 31, 2000 and 1999, no one customer accounted for 10% or more of the accounts receivable balance.

Depreciation and Amortization. Property and equipment 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 ten years. The Company periodically evaluates the recoverability of its long-lived assets based on expected undiscounted cash flows.

Income Taxes. Deferred income tax assets 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."

Foreign Currency. 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 and expenses. Translation gains (losses) are recorded in accumulated other comprehensive income as a component of stockholders' equity. 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.

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, if dilutive, 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 the years ended December 31, 2000 and 1999, common equivalent shares related to shares issuable upon the exercise of stock options and warrants approximated 60.0 million and 83.3 million shares, respectively. For the year ended December 31, 1998, options to purchase shares were not included in the computation because they were antidilutive. Net income (loss) for the years ended December 31, 1999 and 1998 was adjusted to reflect accretion related to mandatory redeemable convertible preferred stock in the amount of \$0.3 million and \$1.4 million, respectively, in computing basic and diluted net loss per share.

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. Comprehensive income as defined includes all changes in equity (net assets) during a period from non-owner sources. 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 Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS 133, as amended, establishes methods of accounting for derivative financial instruments and hedging activities related to those instruments as well as other hedging activities, and is effective in the first quarter of 2001. The Company adopted SFAS No. 133 on January 1, 2001, and the adoption of this pronouncement did not have a material impact on the Company's financial position and results of operations.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements." SAB 101 summarizes certain of the SEC's views in applying generally accepted accounting principles to revenue recognition in financial statements. The adoption of SAB 101 did not have a material effect on the Company's financial position or results of operations.

Note 2 BALANCE SHEET COMPONENTS
(IN THOUSANDS)

	December 31,	
	2000	1999
Property and equipment:		
Computers and equipment	\$ 128,869	\$ 63,857
Furniture and fixtures	25,089	16,062
Leasehold improvements	27,517	13,423
	181,475	93,342
Less: accumulated depreciation	(71,694)	(32,544)
	\$ 109,781	\$ 60,798
Other assets:		
Intangible assets	\$ 77,977	\$ 78,032
Investment in Yahoo! Japan	77,703	10,641
Investments in privately-held companies	69,500	20,750
Other	17,765	18,819
	\$ 242,945	\$ 128,242

Accrued expenses and other current liabilities:

Accrued compensation and related expenses	\$ 23,841	\$ 28,802
Accrued content, connect, and other costs	43,625	15,869
Accrued sales and marketing related expenses	28,487	17,645
Accrued professional service expenses	7,692	6,869
Accrued acquisition costs	15,452	5,212
Accrued income taxes payable	15,631	4,757
Other	33,301	10,528
	\$ 168,029	\$ 89,682

Note 3 INVESTMENTS

The following tables summarize the Company's investments in available-for-sale securities (in thousands):

	December 31, 2000			
	Gross Amortized Costs	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government and agencies	\$ 269,502	\$ 1,319	\$ –	\$ 270,821
Municipal bonds	58,852	289	–	59,141
Corporate debt securities	867,469	4,358	–	871,827
Corporate equity securities	43,758	44,661	(874)	87,545
	\$ 1,239,581	\$ 50,627	\$ (874)	\$ 1,289,334
	December 31, 1999			
	Gross Amortized Costs	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government and agencies	\$ 691,490	\$ –	\$ (1,972)	\$ 689,518
Municipal bonds	26,714	–	(76)	26,638
Corporate debt securities	9,284	–	(26)	9,258
Corporate equity securities	33,760	218,924	(1,717)	250,967
Other	1,756	–	(6)	1,750
	\$ 763,004	\$ 218,924	\$ (3,797)	\$ 978,131

The contractual maturities of available-for-sale debt securities are as follows (in thousands):

	December 31,			
	2000		1999	
Due within one year	\$	663,353	\$	638,508
Due after one year through two years		538,436		88,656
	\$	1,201,789	\$	727,164

During 2000, the Company recorded an impairment charge of \$163.2 million related to declines in values of equity securities deemed to be other than temporary.

Note 4 RELATED PARTY TRANSACTIONS

During 2000, 1999, and 1998, the Company recognized net revenues of approximately \$6.8 million, \$6.8 million, and \$2.9 million, respectively, on advertising and other arrangements with SOFTBANK, a holder of approximately 21% of the Company's Common Stock as of December 31, 2000, and its consolidated affiliates. Management believes that prices on these contracts were comparable to those given to other similarly situated customers of the Company.

Note 5 ACQUISITIONS

The following table summarizes the acquisitions completed during 2000, 1999 and 1998 that were accounted for as poolings of interests (shares issued in thousands).

	Acquisition Date	Shares Issued
WebCal Corporation	July 17, 1998	1,084
Yoyodyne Entertainment, Inc.	October 20, 1998	1,019
Encompass, Inc.	May 26, 1999	1,390
GeoCities	May 28, 1999	43,281
Online Anywhere	May 28, 1999	906
broadcast.com inc.	July 20, 1999	57,294
Arthas.com	February 29, 2000	594
eGroups, Inc.	August 31, 2000	3,425

For the year ended December 31, 2000, acquisition-related charges totaled \$22.8 million related to the acquisitions of Arthas.com and eGroups, which includes contracts and facilities termination expenses, write-offs of certain related fixed assets and leasehold improvements, professional services, severance costs associated with the termination of certain employees with redundant job functions in certain functional areas, and various registration and filing fees. For the year ended December 31, 1999, acquisition-related charges for acquisitions accounted for as poolings of interests totaled \$77.1 million and included investment banking, financial and legal advisory services, severance and contract termination costs related to the mergers. These costs were primarily attributable to the GeoCities and broadcast.com acquisition-related charges of \$55.0 million and \$20.0 million, respectively. For 1998, acquisition-related charges related to acquisition costs totaled \$3.6 million. As of December 31, 2000, \$15.5 million of accrued acquisition costs were included in accrued expenses and other current liabilities. These accrued amounts consist of contract and facility termination costs and will be paid during the year ending December 31, 2001.

The Company consummated the acquisition of eGroups, Inc. ("eGroups") in August 2000 as well as various other acquisitions during 2000, 1999, and 1998, that were accounted for as poolings of interests. The consolidated financial statements for the three years ended December 31, 2000 and the accompanying notes reflect the Company's financial position and the results of operations as if the acquired entities were wholly-owned subsidiaries of the Company since inception, with the exception of WebCal and Arthas.com whose historical operations were not material to the Company's financial position, results of operations or cash flows.

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

	Years Ended December 31,					
	2000		1999		1998	
Net revenues:						
Yahoo!	\$	1,104,921	\$	543,732	\$	198,981
broadcast.com		—		28,748		17,392
GeoCities		—		12,984		18,227
eGroups		5,257		3,178		32
Others		—		3,144		10,500
	\$	1,110,178	\$	591,786	\$	245,132
Net income (loss):						
Yahoo!	\$	93,156	\$	86,766	\$	30,216

broadcast.com	—	(7,617)	(14,290)
GeoCities	—	(17,249)	(19,759)
eGroups	(22,380)	(13,322)	(967)
Others	—	(767)	(8,841)
	<u>\$</u>	<u>70,776</u>	<u>\$ 47,811 \$ (13,641)</u>

The following table summarizes the acquisitions completed during 2000, 1999 and 1998 that were accounted

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for under the purchase method of accounting (in millions):

	<u>Purchase Price</u>	<u>In-Process Research and Development</u>	<u>Goodwill and Other Intangibles</u>
2000			
VivaSmart, Inc.	\$ 8.9	\$ —	\$ 7.7
1999			
Log-Me-On.com LLC	\$ 9.9	\$ 9.8	\$ 0.1
Yahoo! Canada	\$ 18.0	\$ —	\$ 18.0
Innovative Systems Services Group, Inc.	\$ 14.1	\$ 1.2	\$ 12.1
1998			
Viaweb, Inc.	\$ 48.6	\$ 15.0	\$ 24.3
HyperParallel, Inc.	\$ 8.1	\$ 2.3	\$ 5.8

In connection with the Viaweb acquisition, approximately \$15 million of the purchase price was assigned to in-process research and development and expensed upon the consummation of the acquisition. Various factors were considered, including discussions with the Staff of the Securities and Exchange Commission, in determining the amount of the purchase price to be allocated to in-process research and development 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, are being amortized on a straight-line basis over three and seven years, respectively.

Log-Me-On, founded in 1998, was a development stage entity with limited operations, no revenues, and four developers. As of the acquisition date, the Company's efforts had been focused solely on developing a browser technology that was approximately 30% complete and there was no other technology developed or in process at such date. Approximately \$9.8 million of the purchase price was allocated to in-process research and development. This in-process research and development had not reached technological feasibility and had no alternative future use.

Results of operations for the entity acquired in 2000 and accounted for under the purchase method of accounting for periods prior to the acquisition were not material to the Company, and accordingly, pro forma results of operations have not been presented.

Note 6 JOINT VENTURES

Yahoo! Japan. During April 1996, the Company signed a joint venture agreement with SOFTBANK whereby Yahoo! Japan Corporation ("Yahoo! Japan") 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 investment in Yahoo! Japan is being accounted for using the equity method. As of December 31, 2000, the carrying value of the investment was \$77.7 million and is recorded in other assets. The fair value of the Company's 34% ownership in Yahoo! Japan, based on the quoted trading price, was approximately \$2.3 billion as of December 31, 2000.

During March 2000, Yahoo! Japan acquired GeoCities Japan and broadcast.com japan for 1,100 shares of Yahoo! Japan common stock for which the Company received 431 shares. The Company owned 40% of GeoCities Japan and 44% of broadcast.com japan prior to the acquisition. As a result of the acquisition, the Company increased its investment in Yahoo! Japan, which resulted in approximately \$41 million of goodwill to be amortized over seven years. The Company also recorded a gain from investments of approximately \$41 million.

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, 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, 2000. The Company has a majority share of approximately 70% in each of the Yahoo! Europe entities, and therefore, has consolidated their financial results.

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.

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The parties have invested a total of \$1.0 million in proportion to their respective equity interests. During March 2000, the Company invested an additional \$61 million in Yahoo! Korea. As a result, the Company recorded goodwill of \$20.2 million, which is being amortized over seven years. The Company has a majority share of approximately 67% in the joint venture, and therefore, has consolidated its financial results.

Note 7 STOCKHOLDERS' EQUITY

Common Stock. On July 14, 1998, the Company received proceeds of \$250 million in exchange for 10,907,520 newly issued shares of 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).

Prior to their acquisitions by Yahoo!, GeoCities and broadcast.com completed initial public offerings and private placements selling an aggregate of 24,474,000 shares of equivalent Yahoo! Common Stock for total net proceeds of \$153.2 million.

Mandatory Redeemable Convertible Preferred Stock. Prior to the merger with Yahoo!, eGroups and GeoCities had mandatory redeemable convertible preferred stock outstanding. The Company has recorded accretion on the preferred stock through the date of the GeoCities initial public offering, at which time the GeoCities preferred stock converted to common stock, and through December 1999, at which time the redemption feature on the eGroups preferred stock was waived.

Stock Option Plans. The Company's 1995 Stock Option Plan and stock option plans assumed through acquisitions are collectively referred to as "the Plans."

The Plans allow for the issuance of incentive stock options, non-qualified stock options, and stock purchase rights to purchase a maximum of 275 million shares of the Company's Common Stock. Options are generally granted for a term of ten years. Options granted under the Plans generally vest 25% after the first year of service and ratably each month over the remaining thirty-six month period. In October 2000, the Company issued options to employees to purchase 11.9 million shares of stock which vest monthly over a four-year period.

The 1996 Directors' Stock Option Plan (the "Directors' Plan") provides for the issuance of up to 2.4 million non-statutory stock options to non-employee directors of the Company. Options under the Directors' Plan vest in equal monthly installments over four years for initial grants to new directors, and over four years for annual grants, with 25% of such options vesting on the one-year anniversary of the date of grant, with the remaining options to vest in equal monthly installments over the 36-month period thereafter.

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, 1997	56,174	104,956	\$ 2.05
Additional shares reserved	17,042	—	—
Options granted	(53,473)	53,473	22.86
Options exercised	—	(22,744)	1.37
Options canceled	6,411	(6,411)	5.40
Balance at December 31, 1998	26,154	129,274	10.60
Additional shares reserved	80,255	—	—
Options granted	(38,040)	38,040	80.76
Options exercised	—	(33,732)	6.91
Options canceled	8,724	(8,792)	11.09
Options forfeited	(7,340)	—	—
Balance at December 31, 1999	69,753	124,790	32.40
Options granted	(27,176)	27,176	102.42
Options exercised	—	(23,795)	14.36
Options canceled	9,846	(9,846)	63.93
Options forfeited	(1,723)	—	—
Balance at December 31, 2000	50,700	118,325	\$ 49.83

The following table summarizes information concerning outstanding and exercisable options as of December 31, 2000 (in thousands, except per share amounts):

Range of Exercise Prices	Options outstanding			Options exercisable	
	Number Outstanding	Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
Less than \$0.01	11,235	4.6	\$ 0.00	11,235	\$ 0.00
\$0.02 - \$0.58	7,137	5.1	0.39	6,946	0.40
\$0.63 - \$1.42	3,853	5.6	1.28	3,500	1.29
\$1.48 - \$6.73	14,062	6.7	4.80	7,714	4.85
\$6.73 - \$14.57	6,600	7.1	10.17	3,132	9.84
\$15.19 - \$49.50	19,503	7.9	35.54	7,246	36.78
\$50.26 - \$60.00	13,460	9.6	59.37	719	57.31
\$60.31 - \$71.91	15,260	8.6	70.93	4,856	71.04
\$73.14 - \$198.69	27,215	8.9	116.83	4,679	92.92
	118,325	7.7	\$ 49.83	50,027	\$ 23.25

Options to purchase approximately 40.0 million shares and 30.3 million shares were exercisable as of December 31, 1999 and 1998, respectively. The weighted average exercise prices per share for options exercisable as of December 31, 1999 and 1998 were \$6.49 and \$1.40, respectively.

Through December 31, 2000, 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 \$20.9 million, \$10.4 million, and \$2.5 million in 2000, 1999, and 1998, respectively. As of December 31, 2000, approximately \$9.4 million remains to be amortized over the remaining vesting periods of the options.

Employee Stock Purchase Plan. The Company has an Employee Stock Purchase Plan (the "Purchase Plan"), which provides for the issuance of a maximum of 3.6 million 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 at certain plan-defined dates. 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 2000, 199,000 shares were purchased at prices from \$25.61 to \$105.30 per share. During 1999, 96,000 shares were purchased at prices from \$52.70 to \$75.33 per share. During 1998, 252,000 shares were purchased at prices from \$7.36 to \$18.05 per share. As of December 31, 2000, 2.0 million 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 grant dates, as prescribed in SFAS 123, the Company's results would have been as follows (in thousands, except per share amounts):

	Years Ended December 31,		
	2000	1999	1998
Net income (loss)			
As reported	\$ 70,776	\$ 47,811	\$ (13,641)
Pro forma	\$ (1,264,987)	\$ (269,563)	\$ (64,500)
Net income (loss) per share:			
As reported – basic	\$ 0.13	\$ 0.09	\$ (0.03)
Pro forma – basic	(2.30)	(0.52)	(0.15)
As reported – diluted	0.12	0.08	(0.03)
Pro forma – diluted	\$ (2.30)	\$ (0.52)	\$ (0.15)

The fair value of option grants is determined using the Black-Scholes model. The weighted average fair market value of an option granted during 2000, 1999, and 1998 was \$55.04, \$39.15, and \$11.94, respectively. The following range of assumptions was used to perform the calculations: expected life of 36 months in 2000, 1999, and 1998; risk-free interest rate ranges of 5.6% to 6.7%

during 2000, 4.6% to 6.1% during 1999, and 4.2% to 5.6% during 1998; expected volatility of 76% in 2000, 71% in 1999, and 67% in 1998; and no expected dividend yield for the three years ended December 31, 2000. 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 SEGMENT AND GEOGRAPHIC INFORMATION

The Company operates in two principal business segments globally which is consistent with the data made available to the Company's management to assess performance and make decisions. The Company does not allocate any operating costs to its business services segment as management does not use this information to measure the performance of the operating segment. Management does not believe that allocating these expenses is material in evaluating the segment's performance.

Summarized information by segment for 2000, 1999, and 1998, as excerpted from the internal management reports, is as follows (in thousands):

	Years Ended December 31,		
	2000	1999	1998
Net revenues:			
Advertising	\$ 1,004,438	\$ 535,397	\$ 226,333
Business services	105,740	56,389	18,799
	\$ 1,110,178	\$ 591,786	\$ 245,132

Revenue is attributed to individual countries according to the international online property that generated the revenue. No single foreign country or geographic area accounted for more than 10% of net revenues in 2000, 1999, and 1998. Property and equipment information is based on the physical location of the assets.

The following table sets forth net revenues and gross property and equipment information for geographic areas (in thousands):

	U.S.	International	Total
2000			
Net revenues	\$ 941,266	\$ 168,912	\$ 1,110,178
Long-lived assets	119,100	62,375	181,475
1999			
Net revenues	\$ 532,731	\$ 59,055	\$ 591,786
Long-lived assets	88,500	4,842	93,342
1998			

Net revenues	\$	228,929	\$	16,203	\$	245,132
Long-lived assets		45,372		1,938		47,310

Note 9 INCOME TAXES

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

	Year Ended December 31,					
	2000		1999		1998	
United States	\$	282,458	\$	82,913	\$	5,489
Foreign		(23,637)		710		(1,303)
	\$	258,821	\$	83,623	\$	4,186

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

	Year Ended December 31,					
	2000		1999		1998	
Current:						
Federal	\$	166,133	\$	36,265	\$	20,333
State		16,791		4,404		1,937
Foreign		9,636		2,383		—
		192,560		43,052		22,270
Deferred:						
Federal		(3,202)		(6,335)		(3,616)
State		(1,313)		(905)		(827)
		(4,515)		(7,240)		(4,443)
	\$	188,045	\$	35,812	\$	17,827

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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,					
	2000		1999		1998	
Income tax at the federal statutory rate of 35%	\$	90,587	\$	29,268	\$	1,465
State income tax, net of federal benefit		9,362		4,535		1,473
Non-deductible acquisition-related charges		15,162		26,433		8,521
Research tax credits		(4,000)		(3,000)		(1,155)
Change in valuation allowances		68,509		(23,292)		7,085
Other		8,425		1,868		438
	\$	188,045	\$	35,812	\$	17,827

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,					
	2000		1999		1998	
Deferred income tax assets:						
Net operating loss and credit carryforwards	\$	1,442,839	\$	891,569	\$	171,203
Non-deductible reserves and expenses		101,775		9,880		5,147
		1,544,614		901,449		176,350
Gross deferred tax assets		1,544,614		901,449		176,350
Valuation allowance		(1,510,628)		(812,176)		(170,026)
		33,986		89,273		6,324
Deferred income tax liabilities:						
Unrealized investment gains		(19,901)		(86,051)		(595)

Intangible assets	–	(3,222)	(4,833)
Other	(14,085)	–	(896)
Gross deferred tax liabilities	(33,986)	(89,273)	(6,324)
Net deferred tax assets (liabilities)	\$ –	\$ –	\$ –

As of December 31, 2000, the Company's federal and state net operating loss carryforwards for income tax purposes were approximately \$3.4 billion and \$1.7 billion, 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 2002. The Company's federal and state research tax credit carryforwards for income tax purposes are approximately \$88 million and \$56 million, respectively. If not utilized, the federal tax credit carryforwards will begin to expire in 2010. Approximately \$76 million of net operating loss carryforwards relate to acquired entities and expire beginning in 2010. The Company has a valuation allowance of \$1.5 billion as of December 31, 2000 for deferred tax assets because of uncertainty regarding their realization.

Deferred tax assets of approximately \$1.4 billion as of December 31, 2000 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 \$9.8 million related to net operating loss carryforwards in various foreign jurisdictions. These carryforwards will expire if not utilized.

Note 10 COMMITMENTS AND CONTINGENCIES

Operating Leases. The Company has entered into various non-cancelable operating lease agreements for its headquarters, 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 \$26.9 million in 2001, \$25.8 million in 2002, \$24.7 million in 2003, \$21.7 million in 2004, \$18.2 million in 2005 and \$59.9 million thereafter. Total minimum rental payments aggregate \$177.2 million. Certain of the Company's lease agreements have a five-year renewal option from the date of expiration. Rent expense under operating leases totaled \$24.6 million, \$9.9 million, and \$5.5 million during 2000, 1999, and 1998, respectively.

During 1999, the Company entered into agreements for the development of an office complex in Sunnyvale, California, to serve as the Company's new headquarters. Construction began in 2000 and buildings in the first two phases of the project will be ready for occupancy in the second quarter of 2001. Upon substantial completion of these phases, the Company will collateralize a lease facility with deposited funds drawn on the facility by the lessors. Rent obligations for these phases will bear a direct relationship to the lessor's carrying costs, estimated at

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\$270 million. The amount of the rent obligation is contingent upon future events and is not included in the above future minimum lease commitments under non-cancelable operating leases. Additionally, the Company will participate as one of the lenders in the lease transaction. As of December 31, 2000, the Company collateralized \$30 million of excess costs per the terms of the development agreement. This \$30 million is classified as restricted cash in current assets.

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, auction sites, shopping services, and other communications and community features, such as claims alleging defamation or invasion of privacy. In addition, from time to time, third parties assert patent infringement claims against the Company in the form of letters, lawsuits and other forms of communication. Currently, the Company is engaged in two lawsuits regarding patent issues and has been notified of a number of other potential patent disputes.

In addition to intellectual property claims, on or about March 1, 2000, the Company was advised that the FTC was conducting an inquiry into certain of the Company's consumer information practices to determine whether the Company was complying with applicable FTC consumer protection regulations. The FTC has subsequently notified the Company that, pursuant to its inquiry, no compliance action by the FTC is warranted with respect to the Company or its practices.

The Company is not currently aware of any legal proceedings or claims that the Company believes are likely to have a material adverse effect on the Company's financial position, results of operations or cash flows. However, the Company may incur substantial expenses in defending against third party claims. In the event of a determination adverse to the Company, the Company may incur substantial monetary liability, and be required to change its business practices. Either of these could have a material adverse effect on the Company's financial position, results of operations and cash flows.

Note 11 SUBSEQUENT EVENTS

Kimo.com. In January 2001, the Company completed the acquisition of Kimo.com through the issuance of approximately 2.2 million shares of Yahoo! Common Stock for a total purchase price of \$135.7 million. The purchase price was allocated to the assets acquired, principally goodwill of \$109.2 million, and liabilities assumed based on their estimated fair values at the date of acquisition. The Company is also obligated to make up to \$50 million in future payments contingent on the achievement of certain milestones by the acquired company. Such payments will be capitalized as part of the purchase price if and when the milestones are attained. Results of operations for Kimo.com for periods prior to the acquisition were not material to the Company and accordingly, pro forma results of operations have not been presented. Results of operations for Kimo.com will be included with those of the Company subsequent to the acquisition date.

Stockholder Rights Plan. In March 2001, the Company adopted a Stockholder Rights Plan. Under the plan, Rights will be distributed as a dividend at the rate of one Right for each share of Common Stock held by stockholders of record as of the close of business on March 20, 2001. The Rights Plan was not adopted in response to any effort to acquire control of the Company. The Rights will expire on March 1, 2011.

Stock Repurchase Program. In March 2001, the Company announced that it had authorized a stock repurchase program. Pursuant to the program, the Company may acquire up to \$500 million of its outstanding Common Stock in the open market from time to time over the next two years.

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Schedule II – Valuation and Qualifying Accounts

Years Ended December 31, 2000, 1999, and 1998
(in thousands)

	Balance at Beginning of Year	Charged to Costs and Expenses	Write-Offs Net of Recoveries	Balance at End of Year
Allowance for Doubtful Accounts				
2000	\$ 11,397	\$ 14,658	\$ 10,618	\$ 15,437
1999	\$ 5,947	\$ 10,339	\$ 4,889	\$ 11,397
1998	\$ 2,772	\$ 6,953	\$ 3,778	\$ 5,947

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Quarterly Financial Data

(unaudited) (in thousands, except per share amounts)

	Quarter Ended			
	March 31	June 30	September 30	December 31
2000				
Net revenues	\$ 230,807	\$ 272,950	\$ 295,548	\$ 310,873
Gross profit	195,662	232,850	254,688	268,559
Net income (loss)	67,599 (a)	53,331 (b)	47,665 (c)	(97,819)(d)
Net income (loss) per share – basic	0.13 (a)	0.10 (b)	0.09 (c)	(0.17)(d)
Net income (loss) per share – diluted	\$ 0.11 (a)	\$ 0.09 (b)	\$ 0.08 (c)	\$ (0.17)(d)
Shares used in per share calculation – basic	539,020	547,929	555,807	559,872
Shares used in per share calculation – diluted	616,607	613,615	612,971	559,872
1999				
Net revenues	\$ 103,960	\$ 128,815	\$ 155,863	\$ 203,148
Gross profit	83,025	103,357	129,613	173,145
Net income (loss)	435 (e)	(1,461)(f)	11,073 (g)	37,764 (h)
Net income (loss) per share – basic	0.00 (e)	(0.00)(f)	0.02 (g)	0.07 (h)
Net income (loss) per share – diluted	\$ 0.00 (e)	\$ (0.00)(f)	\$ 0.02 (g)	\$ 0.06 (h)
Shares used in per share calculation – basic	504,272	512,078	519,371	529,226
Shares used in per share calculation – diluted	597,481	512,078	595,442	609,136

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

- (a) Net income and net income per share include acquisition-related charges of \$0.4 million attributable to the merger with Arthas.com, stock compensation expense of \$6.5 million, employer payroll taxes on non-qualified stock option exercises of \$6.4 million, amortization of intangible assets and purchased technology of \$6.2 million, and investment income of \$40.7 million from a gain from the exchange of certain equity investments.
- (b) Net income and net income per share include amortization of intangible assets and purchased technology of \$6.8 million, stock compensation expense of \$5.7 million, employer payroll taxes on non-qualified stock option exercises of \$1.9 million, and goodwill amortization of \$1.5 million related to the Yahoo! Japan equity investment.
- (c) Net income and net income per share include acquisition-related charges of \$22.4 million related to the acquisition of eGroups, amortization of intangible assets and purchased technology of \$7.7 million, stock compensation expense of \$5.0 million, employer payroll taxes on non-qualified stock option exercises of \$4.0 million, goodwill amortization of \$1.5 million related to the Yahoo! Japan equity investment, and gains from the exchanges of certain equity investments of \$5.0 million.
- (d) Net loss and net loss per share include amortization of intangible assets and purchased technology of \$7.7 million, stock compensation expense of \$3.7 million, employer payroll taxes on non-qualified stock option exercises of \$2.6 million, goodwill amortization of \$1.8 million related to the Yahoo! Japan equity investment, losses of \$163.2 million related to the write-down and \$2.1 million related to the sale of certain equity investments, and a gain from the exchange of certain equity investments of \$0.7 million.
- (e) Net income and net income per share include in-process research and development of \$9.8 million incurred in connection with the January 1999 acquisition of Log-Me-On, amortization of intangible assets and purchased technology of \$5.2 million, and stock compensation expense of \$0.5 million.
- (f) Net loss and net loss per share include acquisition-related costs of \$56.1 million which are primarily attributable to the May 1999 acquisition of GeoCities, amortization of intangible assets and purchased technology of \$6.2 million, and stock compensation expense of \$2.3 million.
- (g) Net income and net income per share include acquisition-related costs of \$22.1 million incurred in connection with the July 1999 acquisition of broadcast.com, amortization of intangible assets and purchased technology of \$6.0 million, and stock compensation expense of \$2.1 million.
- (h) Net income and net income per share include in-process research and development of \$1.2 million incurred in connection with the acquisition of ISSG, \$10.3 million of employer payroll taxes on non-qualified stock option exercises, stock compensation expense of \$5.5 million, and amortization of intangible assets and purchased technology of \$6.0 million, offset by a \$2.1 million reversal of previously recorded acquisition-related charges.

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Part III

Item 10. Directors and Executive Officers of the Registrant

Incorporated by reference from the information under the captions "Proposal No. 1 – Election of Directors" and "Section 16 Beneficial Ownership Reporting Compliance" in the Registrant's Proxy Statement for its 2001 Annual Meeting of Stockholders. The following sets forth certain information with respect to the other executive officers of Yahoo!:

Tim Brady (age 32) has served as Senior Vice President, Commerce and Network Services of the Company since February 2001. From November 1999 to February 2001, Mr. Brady served as Senior Vice President, Network Services. Prior to that, Mr. Brady served as the Company's Vice President of Production from October 1997 to November 1999, the Company's Director of Production from January 1996 to October 1997, and the Company's Director of Marketing from April 1995 to December 1995. Mr. Brady also serves on the Board of Directors of The Boyd's Collection Ltd. Mr. Brady holds a B.S. degree in electrical engineering from Stanford University and an M.B.A. from the Harvard Business School.

Susan Decker (age 38) has served as the Company's Chief Financial Officer and Senior Vice President, Finance and Administration since June 2000. From August 1986 to May 2000, Ms. Decker held several positions for Donaldson, Lufkin & Jenrette, including Director of Global Research from 1998 to 2000. Prior to 1998, she was a Publishing & Advertising Equity Securities Analyst for 12 years. In January 2000, Ms. Decker was appointed to the Financial Accounting Standards Advisory Council (FASAC) by the Trustees of the Financial Accounting Federation (FAF). Ms. Decker holds a B.S. degree, with a double major in computer science and economics, from Tufts University and an M.B.A. from the Harvard Business School.

David Filo (age 34), Chief Yahoo! and a founder of the Company, has served as an officer of the Company since March 1995, and served as a director of the Company from its founding through February 1996. Mr. Filo co-developed Yahoo! in 1994 while working towards his Ph.D. in electrical engineering at Stanford University, and co-founded the Company in 1995. Mr. Filo holds a B.S. degree in computer engineering from Tulane University and a M.S. degree in electrical engineering from Stanford University.

David Graves (age 53) has served as Senior Vice President, Media since January 2001. From December 1994 to January 2001, Mr. Graves held various executive positions, most recently as President, with Reuters Media Americas, which provides multimedia news and data to newspapers, TV, cable and Internet sites from its parent company Reuters PLC, a leading global information company. Prior to that, from July 1990 to December 1994, Mr. Graves served as the founding president of AdValue Media Technologies, a company serving major advertising agencies and television stations which was acquired by Reuters. Prior to 1990, Mr. Graves held senior positions at Westinghouse Broadcasting (now CBS), including Vice President, Strategic Planning and Vice President and General Manager of all news KFWB Radio in Los Angeles. Mr. Graves holds a B.A. degree from Dartmouth College.

Heather Killen (age 42) has served as Senior Vice President, International Operations of the Company since November 1999. Prior to that, Ms. Killen served as the Company's Vice President, International from January 1998 to November 1999 and as the Company's Managing Director, European Operations from September 1996 to December 1997. Prior to joining the Company, Ms. Killen was Director, European Online Services for Ziff-Davis, a technology publishing company, from 1994 to 1996, and Director of Business Development for Ziff-Davis from 1992 to 1994. From 1989 to 1991, Ms. Killen was an associate in the Corporate Finance department of Salomon Brothers Inc. Ms. Killen holds degrees from the University of Queensland, the Universite de Paris III, and Columbia Business School.

Farzad Nazem (age 39) has served as Senior Vice President, Communications and Technical Services and Chief Technology Officer since February 2001. From January 1998 to February 2001, Mr. Nazem served as Chief Technology Officer. Prior to that, he served as the Company's Senior Vice President, Product Development and Site Operations from March 1996 to January 1998. From 1985 to 1996, Mr. Nazem held a number of technical and executive management positions at Oracle Corporation, including, most recently, Vice President of Oracle's Media and Web Server Division and member of the Product Division Management Committee. Prior to that, Mr. Nazem was a member of the technical staff at SYDIS, Inc. and Rolm Corporation. Mr. Nazem holds a B.S. in computer science from California Polytechnic State University.

Ellen Siminoff (age 33) has served as Senior Vice President, Entertainment and Small Business since February 2001. From November 1999 to February 2001, Ms. Siminoff served as Senior Vice President, Corporate Development of the Company. Prior to that, Ms. Siminoff served as the Company's Vice President, Business Development and Planning from June 1997 to November 1999, and the Company's Director, Communities from February 1996 to June 1997. Prior to joining the Company, Ms. Siminoff was the Online Classifieds Manager for the Los Angeles Times from February 1994 to February 1996. Ms. Siminoff holds an A.B. degree in economics from Princeton University and an M.B.A. from Stanford University.

Anil Singh (age 42) has served as Senior Vice President, Business Operations, and Chief Sales and Marketing Officer of the Company since October 1999. Prior to that, Mr. Singh served as the Company's Senior Vice President, Sales from July 1998 to October 1999, Vice President, Sales from December 1996 to July 1998 and Director of Sales from November 1995 to December 1996. Mr. Singh recently announced his intention to retire from the Company during the second quarter of 2001. Mr. Singh holds a B.S. degree in computer science from Imperial College at the University of London, England.

Item 11. Executive Compensation

Incorporated by reference from the information under the captions "Proposal No. 1 – Election of Directors – Director Compensation," "Executive Officer Compensation and Other Matters," "Report of the Compensation Committee of the Board of Directors on Executive Compensation," "Compensation Committee Interlocks and Insider Participation," and "Performance Graph" in the Registrant's Proxy Statement for its 2001 Annual Meeting of Stockholders.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Incorporated by reference from the information under the captions "Record Date; Voting Securities" and "Information Regarding Beneficial Ownership of Principal Stockholders and Management" in the Registrant's Proxy Statement for its 2001 Annual Meeting of Stockholders.

Item 13. Certain Relationships and Related Transactions

Incorporated by reference from the information under the captions "Certain Transactions" and "Compensation Committee Interlocks and Insider Participation" in the Registrant's Proxy Statement for its 2001 Annual Meeting of Stockholders.

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 33 of this report.
- (2) Financial Statement Schedule: See Index to Consolidated Financial Statements at Item 8 on page 33 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 June 27, 2000 by and among the Registrant, Hermes Acquisition Corporation and eGroups, Inc. (Filed as Exhibit 2.8 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000 [the June 30, 2000 10-Q] and incorporated herein by reference.)
3.1	Amended and Restated Certificate of Incorporation of Registrant (Filed as Exhibit 3.1 to the June 30, 2000 10-Q and incorporated herein by reference.)
3.2*	Amended Bylaws of Registrant
4.1	Form of Senior Indenture (Filed as Exhibit 4.1 to the Registrant's Registration Statement on Form S-3, Registration No. 333-46458, filed September 22, 2000 [the September 22, 2000 Form S-3] and incorporated herein by reference.)
4.2	Form of Subordinated Indenture (Filed as Exhibit 4.2 to the September 22, 2000 Form S-3 and incorporated herein by reference.)
4.3**	Form of Senior Note**
4.4**	Form of Subordinated Note**
4.5**	Form of Certificate of Designation for preferred stock (together with preferred stock certificate)**
4.6	Form of Deposit Agreement (together with Depository Receipt) (Filed as Exhibit 4.6 to the September 22, 2000 Form S-3 and incorporated herein by reference.)
4.7**	Form of Warrant Agreement (together with form of Warrant Certificate)**
10.1	Form of Indemnification Agreement with certain of the Registrant's officers and directors (Filed as Exhibit 10.1 to the 1999 10-K and incorporated herein by reference.)
10.2	1995 Stock Plan, as amended (filed as Exhibit 10.2 to the 1999 10-K and incorporated herein by reference) and form of stock option agreement (Filed as Exhibit 10.2 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1996 [the 1996 10-K] and incorporated herein by reference.)
10.3	Form of Management Continuity Agreement with certain of the Registrant's Executive Officers (Filed as Exhibit 10.3 to the Registrant'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.)
10.4	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.)
10.5†	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.)
10.6	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 1996 10-K and incorporated herein by reference.)
10.7†	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.)
10.8*	Amended and Restated 1996 Employee Stock Purchase Plan and form of subscription agreement.
10.9	1996 Directors' Stock Option Plan, as amended (filed as Exhibit 10.16 to the 1999 10-K and incorporated herein by reference) and form of option agreement (Filed as Exhibit 10.21 to the SB-2 Registration Statement and incorporated herein by reference.)
10.10†	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.)
10.11	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.)
10.12†	Joint Venture Agreement dated April 1, 1996 by and between the Registrant and SOFTBANK Corporation (Filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q/A for the quarter ended September 30, 1996 [the September 30, 1996 10-Q] and incorporated herein by reference.)
10.13†	Yahoo! Japan License Agreement dated April 1, 1996 by and between the Registrant and Yahoo! Japan Corporation (Filed as Exhibit 10.3 to the September 30, 1996 10-Q and incorporated herein by reference.)
10.14†	SOFTBANK Letter Agreement dated April 1, 1996 by and between the Registrant and SOFTBANK Group (Filed as Exhibit 10.4 to the September 30, 1996 10-Q and incorporated herein by reference.)
10.15†	Joint Venture Agreement dated November 1, 1996 by and between the Registrant and SB Holdings (Europe) Ltd. (Filed as Exhibit 10.30 to the 1996 10-K and incorporated herein by reference.)
10.16†	Yahoo! UK License Agreement dated November 1, 1996 by and between the Registrant and Yahoo! UK (Filed as Exhibit 10.31 to the 1996 10-K and incorporated herein by reference.)

- 10.17† Yahoo! Deutschland License Agreement dated November 1, 1996 by and between the Registrant and Yahoo! Deutschland (Filed as Exhibit 10.32 to the 1996 10-K and incorporated herein by reference.)
- 10.18† Yahoo! France License Agreement dated November 1, 1996 by and between the Registrant and Yahoo! France (Filed as Exhibit 10.33 to the 1996 10-K and incorporated herein by reference.)
- 10.19 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 Registrant's Current Report on Form 8-K, dated July 29, 1997 and incorporated herein by reference.)

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- 10.20 Joint Venture Agreement, dated August 31, 1997 between the Registrant, SOFTBANK Korea Corporation, SOFTBANK Corporation, and Yahoo! Japan Corporation (Filed as Exhibit 10.1 to the Registrant'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.)
- 10.21 Sublease Agreement, dated September 11, 1997 between the Registrant and Amdahl Corporation (Filed as Exhibit 10.2 to the September 30, 1997 10-Q and incorporated herein by reference.)
- 10.22 Four11 Corporation 1995 Stock Option Plan (Filed as Exhibit 4.2 to the Registrant's Registration Statement on Form S-8, Registration No. 333-39105, dated October 30, 1997, and incorporated herein by reference.)
- 10.23† Amendment Agreement dated September 17, 1997 by and between the Registrant and SOFTBANK Corporation (Filed as Exhibit 10.39 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1997 [the 1997 10-K] and incorporated herein by reference.)
- 10.24† Amendment to Yahoo! Japan License Agreement dated September 17, 1997 by and between the Registrant and Yahoo! Japan Corporation (Filed as Exhibit 10.40 to the 1997 10-K and incorporated herein by reference.)
- 10.25† Services Agreement dated November 30, 1997 by and between Yahoo! Korea Corporation and SOFTBANK Korea Corporation (Filed as Exhibit 10.41 to the 1997 10-K and incorporated herein by reference.)
- 10.26† Yahoo! Korea License Agreement dated November 30, 1997 by and between the Registrant, Yahoo! Korea Corporation, and Yahoo! Japan Corporation (Filed as Exhibit 10.42 to the 1997 10-K and incorporated herein by reference.)
- 10.27 Viaweb Inc. 1997 Stock Option Plan and form of Option Agreement thereunder (Filed as Exhibit 4.2 to the Registrant'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.)
- 10.28 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.)
- 10.29 Amendment to Second Amended and Restated Investor Rights Agreement dated July 7, 1998 among the Registrant, SOFTBANK Holdings Inc., Sequoia Capital VI and Sequoia Technology Partners VI (Filed as Exhibit 10.2 to the September 30, 1998 10-Q and incorporated herein by reference.)
- 10.30 Content License Agreement dated January 8, 1998 between the Registrant and ZDNet (Filed as Exhibit 10.3 to the September 30, 1998 10-Q and incorporated herein by reference.)
- 10.31 Yoyodyne Entertainment, Inc. 1996 Stock Option Plan and form of Option Agreement thereunder (Filed as Exhibit 4.1 to the Registrant's Registration Statement on Form S-8, Registration No. 333-66067, dated October 23, 1998 and incorporated herein by reference.)
- 10.32† Termination Agreement between the Registrant and Rogers Media Inc. dated January 6, 1999 (Filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999 and incorporated herein by reference.)
- 10.33 Online Anywhere 1997 Stock Plan (Filed as Exhibit 4.1 to the Registrant's Registration Statement on Form S-8, Registration No. 333-81635, dated June 25, 1999 [the S-8 Registration Statement dated June 25, 1999] and incorporated herein by reference.)
- 10.34 Encompass, Inc. Stock Option Plan (Filed as Exhibit 4.2 to the S-8 Registration Statement dated June 25, 1999 and incorporated herein by reference.)

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- 10.35 ISSG Stock Option Plan (Filed as Exhibit 4.1 to the Registrant's Registration Statement on Form S-8, Registration No. 333-93497, dated December 23, 1999 and incorporated herein by reference.)
- 21.1* List of Subsidiaries
- 23.1* Consent of Independent Accountants
- 24.1 Power of Attorney (appears on the signature page of this report)

† Confidential treatment granted with respect to certain portions of this Exhibit.

* Filed herewith.

** To be filed by a report on Form 8-K pursuant to Item 601 of Regulation S-K or, where applicable, incorporated herein by reference from a subsequent filing in accordance with Section 305(b)(2) of the Trust Indenture Act of 1939.

(b) Reports on Form 8-K

On October 11, 2000, the Company filed a report on Form 8-K announcing the Company's financial results for the quarterly period ended September 30, 2000.

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Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused the report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 16th day of March, 2001.

YAHOO! INC.

By: /s/ SUSAN DECKER

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

Power of Attorney

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Timothy Koogle and Susan Decker, his/her attorneys-in-fact, each with the power of substitution, for him/her in any and all capacities, to sign any amendments to this Report on Form 10-K, and to file the same, with Exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or substitute or substitutes may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report 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
/s/ TIMOTHY KOOGLER	Chairman and Chief Executive Officer (Principal Executive Officer)	March 16, 2001
Timothy Koogle		
/s/ JEFF MALLETT	President, Chief Operating Officer, and Director	March 16, 2001
Jeff Mallett		
/s/ SUSAN DECKER	Senior Vice President, Finance and Administration, and Chief Financial Officer (Principal Financial Officer)	March 16, 2001
Susan Decker		
/s/ JAMES J. NELSON	Vice President, Finance (Principal Accounting Officer)	March 16, 2001
James J. Nelson		
/s/ ERIC HIPPEAU	Director	March 16, 2001
Eric Hippeau		
/s/ ARTHUR H. KERN	Director	March 16, 2001
Arthur H. Kern		
/s/ EDWARD KOZEL	Director	March 16, 2001
Edward Kozel		
/s/ MICHAEL MORITZ	Director	March 16, 2001
Michael Moritz		
/s/ JERRY YANG	Director	March 16, 2001
Jerry Yang		

Index to Exhibits

Exhibit Number	Description
3.2	Amended Bylaws of Registrant
10.8	Amended and Restated 1996 Employee Stock Purchase Plan and form of subscription agreement
21.1	List of Subsidiaries
23.1	Consent of Independent Accountants

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Exhibit 3.2

AMENDED BYLAWS

OF

YAHOO! INC.

(as of February 27, 2001)

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BYLAWS

OF

YAHOO! INC.

ARTICLE I CORPORATE OFFICES

1.1 *Registered Office.*

The address of the Corporation's registered office in the State of Delaware is 1013 Centre Road, Wilmington, County of New Castle. The name of its registered agent at such address is Corporation Service Company.

1.2 *Other Offices.*

The Board of Directors may at any time establish other offices at any place or places where the Corporation is qualified to do business.

ARTICLE II

MEETINGS OF STOCKHOLDERS

2.1 *Place of Meetings.*

Meetings of stockholders shall be held at any place, within or outside the State of Delaware, designated by the Board of Directors. In the absence of any such designation, stockholders' meetings shall be held at the registered office of the Corporation.

2.2 *Annual Meeting.*

(a) The annual meeting of stockholders shall be held each year on a date and at a time designated by the Board of Directors. In the absence of such designation, the annual meeting of stockholders shall be held on the third Tuesday of May in each year at 10:00 a.m. However, if such day falls on a legal holiday, then the meeting shall be held at the same time and place on the next succeeding full business day. At the meeting, directors shall be elected and any other proper business may be transacted.

(b) Nominations of persons for election to the Board of Directors of the Corporation and the proposal of business to be transacted by the stockholders may be made at an annual meeting of stockholders (i) pursuant to the Corporation's notice with respect to such meeting, (ii) by or at the direction of the Board of Directors or (iii) by any stockholder of the Corporation who was a stockholder of record at the time of giving of the notice provided for in this Section 2.2, who is entitled to vote at the meeting and who has complied with the notice procedures set forth in this Section 2.2.

(c) In addition to the requirements of Section 2.5, for nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (iii) of paragraph (b) of this Section 2.2, the stockholder must have given timely notice thereof in writing to the secretary of the Corporation and such business must be a proper matter for stockholder action under the General Corporation Law of Delaware. To be timely, a stockholder's notice shall be delivered to the secretary at the principal executive offices of the Corporation not less than 60 days nor more than 90 days prior to the first anniversary of the preceding year's annual meeting of stockholders; provided, however, that in the event that the date of the annual meeting is more than 30 days prior to or more than 60 days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the 90th day prior to such annual meeting and not later than the close of business on the later of the 60th day prior to such annual meeting or the 10th day following the day on which public announcement of

the date of such meeting is first made. Such stockholder's notice shall set forth (i) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (ii) as to any other business that the stockholder proposes to bring before the meeting, a brief description of such business, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (iii) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (A) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner and (B) the class and number of shares of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner.

(d) Only such business shall be conducted at an annual meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 2.2. The chairman of the meeting shall determine whether a nomination or any business proposed to be transacted by the stockholders has been properly brought before the meeting and, if any proposed nomination or business has not been properly brought before the meeting, the chairman shall declare that such proposed business or nomination shall not be presented for stockholder action at the meeting.

(e) For purposes of this Section 2.2, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or a comparable national news service.

(f) Nothing in this Section 2.2 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

2.3 Special Meeting.

A special meeting of the stockholders may be called at any time by the Board of Directors, or by the chairman of the board, or by the president.

2.4 Notice of Stockholder's Meetings; Affidavit of Notice.

All notices of meetings of stockholders shall be in writing and shall be sent or otherwise given in accordance with this Section 2.4 of these Bylaws not less than 10 nor more than 60 days before the date of the meeting to each stockholder entitled to vote at such meeting (or such longer or shorter time as is required by Section 2.5 of these Bylaws, if applicable). The notice shall specify the place, date, and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called.

Written notice of any meeting of stockholders, if mailed, is given when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the Corporation. An affidavit of the secretary or an assistant secretary or of the transfer agent of the Corporation that the notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

2.5 Advance Notice of Stockholder Nominees.

Only persons who are nominated in accordance with the procedures set forth in this Section 2.5 shall be eligible for election as directors. Nominations of persons for election to the Board of Directors of the Corporation may be made at a meeting of stockholders by or at the direction of the Board of

Directors or by any stockholder of the Corporation entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this Section 2.5. Such nominations, other than those made by or at the direction of the Board of Directors, shall be made pursuant to timely notice in writing to the secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation not less than 60 days nor more than 90 days prior to the meeting; provided, however, that in the event that less than 60 days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the 10th day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or re-election as a director, (i) the name, age, business address and residence address of such person, (ii) the principal occupation or employment of such person, (iii) the class and number of shares of the Corporation which are beneficially owned by such person and (iv) any other information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act (including, without limitation, such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); and (b) as to the stockholder giving the notice (i) the name and address, as they appear on the Corporation's books, of such stockholder and (ii) the class and number of shares of the Corporation which are beneficially owned by such stockholder. At the request of the Board of Directors any person nominated by the Board of Directors for election as a director shall furnish to the secretary of the Corporation that information required to be set forth in a stockholder's notice of nomination which pertains to the nominee. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 2.5. The chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by the Bylaws, and if he or she should so determine, he or she shall so declare to the meeting and the defective nomination shall be disregarded.

2.6 Quorum.

The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the Certificate of Incorporation. If, however, such quorum is not present or represented at any meeting of the stockholders, then either (a) the chairman of the meeting or (b) the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present or represented. At such adjourned meeting at which a quorum is present or represented, any business may be transacted that might have been transacted at the meeting as originally noticed.

2.7 Adjourned Meeting; Notice.

When a meeting is adjourned to another time or place, unless these Bylaws otherwise require, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the Corporation may transact any business that might have been transacted at the original meeting. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

2.8 Conduct of Business.

The chairman of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including the manner of voting and the conduct of business.

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2.9 Voting.

(a) The stockholders entitled to vote at any meeting of stockholders shall be determined in accordance with the provisions of Section 2.11 of these Bylaws, subject to the provisions of Sections 217 and 218 of the General Corporation Law of Delaware (relating to voting rights of fiduciaries, pledgors and joint owners of stock and to voting trusts and other voting agreements).

(b) Except as may be otherwise provided in the Certificate of Incorporation, each stockholder shall be entitled to one vote for each share of capital stock held by such stockholder.

2.10 Waiver of Notice.

Whenever notice is required to be given under any provision of the General Corporation Law of Delaware or of the Certificate of Incorporation or these Bylaws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in any written waiver of notice unless so required by the Certificate of Incorporation or these Bylaws.

2.11 Record Date for Stockholder Notice; Voting.

In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than 60 nor less than 10 days before the date of such meeting, nor more than 60 days prior to any other action. If the Board of Directors does not so fix a record date:

(a) The record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

(b) The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

2.12 Proxies.

Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for such stockholder by a written proxy, signed by the stockholder and filed with the secretary of the Corporation, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A proxy shall be deemed signed if the stockholder's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission or otherwise) by the stockholder or the stockholder's attorney-in-fact. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Section 212(e) of the General Corporation Law of Delaware.

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ARTICLE III

DIRECTORS

3.1 Powers.

Subject to the provisions of the General Corporation Law of Delaware and any limitations in the Certificate of Incorporation or these Bylaws relating to action required to be approved by the stockholders or by the outstanding shares, the business and affairs of the Corporation shall be managed and all corporate powers

shall be exercised by or under the direction of the Board of Directors.

3.2 Number of Directors.

Upon the adoption of these Bylaws, the number of directors constituting the entire Board of Directors shall be seven. Thereafter, this number may be changed by a resolution of the Board of Directors or of the stockholders, subject to Section 3.4 of these Bylaws. No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

3.3 Election, Qualification and Term of Office of Directors.

Except as provided in Section 3.4 of these Bylaws, directors shall be elected at each annual meeting of stockholders to hold office until the next annual meeting. Directors need not be stockholders unless so required by the Certificate of Incorporation or these Bylaws, wherein other qualifications for directors may be prescribed. Each director, including a director elected to fill a vacancy, shall hold office until his or her successor is elected and qualified or until his or her earlier resignation or removal.

Elections of directors need not be by written ballot.

3.4 Resignation and Vacancies.

Any director may resign at any time upon written notice to the attention of the secretary of the Corporation. When one or more directors so resigns and the resignation is effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each director so chosen shall hold office as provided in this section in the filling of other vacancies. A vacancy created by the removal of a director by the vote of the stockholders or by court order may be filled only by the affirmative vote of a majority of the shares represented and voting at a duly held meeting at which a quorum is present (which shares voting affirmatively also constitute a majority of the quorum. Each director so elected shall hold office until the next annual meeting of the stockholders and until a successor has been elected and qualified.

Unless otherwise provided in the Certificate of Incorporation or these Bylaws:

(a) Vacancies and newly created directorships resulting from any increase in the authorized number of directors elected by all of the stockholders having the right to vote as a single class may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director.

(b) Whenever the holders of any class or classes of stock or series thereof are entitled to elect one or more directors by the provisions of the Certificate of Incorporation, vacancies and newly created directorships of such class or classes or series may be filled by a majority of the directors elected by such class or classes or series thereof then in office, or by a sole remaining director so elected.

If at any time, by reason of death or resignation or other cause, the Corporation should have no directors in office, then any officer or any stockholder or an executor, administrator, trustee or guardian of a stockholder, or other fiduciary entrusted with like responsibility for the person or estate of a stockholder, may call a special meeting of stockholders in accordance with the provisions of the Certificate of Incorporation or these Bylaws, or may apply to the Court of Chancery for a decree summarily ordering an election as provided in Section 211 of the General Corporation Law of Delaware.

If, at the time of filling any vacancy or any newly created directorship, the directors then in office constitute less than a majority of the whole Board of Directors (as constituted immediately prior to any such increase), then the Court of Chancery may, upon application of any stockholder or stockholders holding at least 10% of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office as aforesaid, which election shall be governed by the provisions of Section 211 of the General Corporation Law of Delaware as far as applicable.

3.5 Place of Meetings; Meetings by Telephone.

The Board of Directors of the Corporation may hold meetings, both regular and special, either within or outside the State of Delaware.

Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors, or any committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

3.6 Regular Meetings.

Regular meetings of the Board of Directors may be held without notice at such time and at such place as shall from time to time be determined by the Board of Directors.

3.7 Special Meetings; Notice.

Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the chairman of the board, the president, any vice president, the secretary or any two directors.

Notice of the time and place of special meetings shall be delivered personally or by telephone to each director or sent by first-class mail or telegram, charges prepaid, addressed to each director at that director's address as it is shown on the records of the Corporation. If the notice is mailed, it shall be deposited in the United States mail at least four days before the time of the holding of the meeting. If the notice is delivered personally or by telephone or by telegram, it shall be delivered personally or by telephone or to the telegraph company at least 24 hours before the time of the holding of the meeting, or on such shorter notice as the person or persons calling such meeting may deem necessary or appropriate under the circumstances. Any oral notice given personally or by telephone may be communicated either to the director or to a person at the office of the director who the person giving the notice has reason to believe will promptly communicate

it to the director. The notice need not specify the purpose or the place of the meeting, if the meeting is to be held at the principal executive office of the Corporation.

3.8 *Quorum.*

At all meetings of the Board of Directors, a majority of the authorized number of directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute or by the Certificate of Incorporation. If a quorum is not present at any meeting of the Board of Directors, then the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

3.9 *Waiver of Notice.*

Whenever notice is required to be given under any provision of the General Corporation Law of Delaware or of the Certificate of Incorporation or these Bylaws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the directors, or members of a committee of directors, need be specified in any written waiver of notice unless so required by the Certificate of Incorporation or these Bylaws.

3.10 *Board Action by Written Consent without a Meeting.*

Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the Board of Directors or committee, as the case may be, consent thereto in writing and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee. Written consents representing actions taken by the board or committee may be executed by telex, telecopy or other facsimile transmission, and such facsimile shall be valid and binding to the same extent as if it were an original.

3.11 *Fees and Compensation of Directors.*

Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, the Board of Directors shall have the authority to fix the compensation of directors. No such compensation shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

3.12 *Approval of Loans to Officers.*

The Corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the Corporation or of its subsidiary, including any officer or employee who is a director of the Corporation or its subsidiary, whenever, in the judgment of the directors, such loan, guaranty or assistance may reasonably be expected to benefit the Corporation. The loan, guaranty or other assistance may be with or without interest and may be unsecured, or secured in such manner as the Board of Directors shall approve, including, without limitation, a pledge of shares of stock of the Corporation. Nothing in this Section 3.2 contained shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the Corporation at common law or under any statute.

3.13 *Removal of Directors.*

Unless otherwise restricted by statute, by the Certificate of Incorporation or by these Bylaws, any director or the entire Board of Directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors; provided, however, that if the stockholders of the Corporation are entitled to cumulative voting, if less than the entire Board of Directors is to be removed, no director may be removed without cause if the votes cast against his removal would be sufficient to elect him if then cumulatively voted at an election of the entire Board of Directors.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of such director's term of office.

3.14 *Chairman of the Board of Directors.*

The Corporation may also have, at the discretion of the Board of Directors, a chairman of the Board of Directors who shall not be considered an officer of the Corporation.

ARTICLE IV

COMMITTEES

4.1 *Committees of Directors.*

The Board of Directors may, by resolution passed by a majority of the whole Board of Directors, designate one or more committees, with each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors or in the Bylaws of the Corporation, shall have and may exercise all the powers and authority of the Board of

Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers that may require it; but no such committee shall have the power or authority to (a) amend the Certificate of Incorporation (except that a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the Board of Directors as provided in Section 151(a) of the General Corporation Law of Delaware, fix the designations and any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the Corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the Corporation or fix the number of shares of any series of stock or authorize the increase or decrease of the shares of any series), (b) adopt an agreement of merger or consolidation under Sections 251 or 252 of the General Corporation Law of Delaware, (c) recommend to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, (d) recommend to the stockholders a dissolution of the Corporation or a revocation of a dissolution, or (e) amend the Bylaws of the Corporation; and, unless the board resolution establishing the committee, the Bylaws or the Certificate of Incorporation expressly so provide, no such committee shall have the power or authority to declare a dividend, to authorize the issuance of stock, or to adopt a certificate of ownership and merger pursuant to Section 253 of the General Corporation Law of Delaware.

4.2 Committee Minutes.

Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

4.3 Meetings and Action of Committees.

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of Section 3.5 (place of meetings and meetings by telephone), Section 3.6 (regular meetings), Section 3.7 (special meetings and notice), Section 3.8 (quorum), Section 3.9 (waiver of notice), and Section 3.10 (action without a meeting) of these Bylaws, with such changes in the context of such provisions as are necessary to substitute the committee and its members for the Board of Directors and its members; provided, however, that the time of regular meetings of committees may be determined either by resolution of the Board of Directors or by resolution of the committee, that special meetings of committees may also be called by resolution of the Board of Directors and that notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The Board of Directors may adopt rules for the government of any committee not inconsistent with the provisions of these Bylaws.

ARTICLE V

OFFICERS

5.1 Officers.

The officers of the Corporation shall be a chief executive officer, a president, a secretary, and a chief financial officer. The Corporation may also have, at the discretion of the Board of Directors, one or more vice presidents, one or more assistant secretaries, one or more assistant treasurers, and any such other officers as may be appointed in accordance with the provisions of Section 5.3 of these Bylaws. Any number of offices may be held by the same person.

5.2 Appointment of Officers.

The officers of the Corporation, except such officers as may be appointed in accordance with the provisions of Sections 5.3 or 5.5 of these Bylaws, shall be appointed by the Board of Directors, subject to the rights, if any, of an officer under any contract of employment.

5.3 Subordinate Officers.

The Board of Directors may appoint, or empower the chief executive officer or the president to appoint, such other officers and agents as the business of the Corporation may require, each of whom shall hold office for such period, have such authority, and perform such duties as are provided in these Bylaws or as the Board of Directors may from time to time determine.

5.4 Removal and Resignation of Officers.

Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by an affirmative vote of the majority of the Board of Directors at any regular or special meeting of the Board of Directors or, except in the case of an officer chosen by the Board of Directors, by any officer upon whom such power of removal may be conferred by the Board of Directors.

Any officer may resign at any time by giving written notice to the attention of the secretary of the Corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the

resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Corporation under any contract to which the officer is a party.

5.5 Vacancies in Offices.

Any vacancy occurring in any office of the Corporation shall be filled by the Board of Directors.

5.6 Chief Executive Officer.

Subject to such supervisory powers, if any, as may be given by the Board of Directors to the chairman of the board, if any, the chief executive officer of the Corporation shall, subject to the control of the Board of Directors, have general supervision, direction, and control of the business and the officers of the Corporation. He or she shall preside at all meetings of the stockholders and, in the absence or nonexistence of a chairman of the board, at all meetings of the

Board of Directors and shall have the general powers and duties of management usually vested in the office of chief executive officer of a corporation and shall have such other powers and duties as may be prescribed by the Board of Directors or these Bylaws.

5.7 President.

Subject to such supervisory powers, if any, as may be given by the Board of Directors to the chairman of the board, if any, or the chief executive officer, the president shall have general supervision, direction, and control of the business and other officers of the Corporation. He or she shall have the general powers and duties of management usually vested in the office of president of a corporation and such other powers and duties as may be prescribed by the Board of Directors or these Bylaws.

5.8 Vice Presidents.

In the absence or disability of the chief executive officer and president, the vice presidents, if any, in order of their rank as fixed by the Board of Directors or, if not ranked, a vice president designated by the Board of Directors, shall perform all the duties of the president and when so acting shall have all the powers of, and be subject to all the restrictions upon, the president. The vice presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Board of Directors, these Bylaws, the president or the chairman of the board.

5.9 Secretary.

The secretary shall keep or cause to be kept, at the principal executive office of the Corporation or such other place as the Board of Directors may direct, a book of minutes of all meetings and actions of directors, committees of directors, and stockholders. The minutes shall show the time and place of each meeting, the names of those present at directors' meetings or committee meetings, the number of shares present or represented at stockholders' meetings, and the proceedings thereof.

The secretary shall keep, or cause to be kept, at the principal executive office of the Corporation or at the office of the Corporation's transfer agent or registrar, as determined by resolution of the Board of Directors, a share register, or a duplicate share register, showing the names of all stockholders and their addresses, the number and classes of shares held by each, the number and date of certificates evidencing such shares, and the number and date of cancellation of every certificate surrendered for cancellation.

The secretary shall give, or cause to be given, notice of all meetings of the stockholders and of the Board of Directors required to be given by law or by these Bylaws. He or she shall keep the seal of the Corporation, if one be adopted, in safe custody and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or by these Bylaws.

5.10 Chief Financial Officer.

The chief financial officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital retained earnings, and shares. The books of account shall at all reasonable times be open to inspection by any director.

The chief financial officer shall deposit all moneys and other valuables in the name and to the credit of the Corporation with such depositories as may be designated by the Board of Directors. He or she shall disburse the funds of the Corporation as may be ordered by the Board of Directors, shall render to the president, the chief executive officer, or the directors, upon request, an account of all his or her transactions as chief financial officer and of the financial condition of the Corporation, and shall have other powers and perform such other duties as may be prescribed by the Board of Directors or the Bylaws.

5.11 Representation of Shares of Other Corporations.

The chairman of the board, the chief executive officer, the president, any vice president, the chief financial officer, the secretary or assistant secretary of this Corporation, or any other person authorized by the Board of Directors or the chief executive officer or the president or a vice president, is authorized to vote, represent, and exercise on behalf of this Corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of this Corporation. The authority granted herein may be exercised either by such person directly or by any other person authorized to do so by proxy or power of attorney duly executed by the person having such authority.

5.12 Authority and Duties of Officers.

In addition to the foregoing authority and duties, all officers of the Corporation shall respectively have such authority and perform such duties in the management of the business of the Corporation as may be designated from time to time by the Board of Directors or the stockholders.

ARTICLE VI

INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES, AND OTHER AGENTS

6.1 Indemnification of Directors and Officers.

The Corporation shall, to the maximum extent and in the manner permitted by the General Corporation Law of Delaware, indemnify each of its directors and officers against expenses (including attorneys' fees), judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding, arising by reason of the fact that such person is or was an agent of the Corporation. For purposes of this Section 6.1, a "director" or "officer" of the Corporation includes any person (a) who is or was a director or officer of the Corporation, (b) who is or was serving at the request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, or (c) who was a director or officer of a Corporation which was a predecessor corporation of the Corporation or of another enterprise at the request of such predecessor corporation.

6.2 Indemnification of Others.

The Corporation shall have the power, to the maximum extent and in the manner permitted by the General Corporation Law of Delaware, to indemnify each of its employees and agents (other than directors and officers) against expenses (including attorneys' fees), judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding, arising by reason of the fact that such person is or was an agent of the Corporation. For purposes of this Section 6.2, an

"employee" or "agent" of the Corporation (other than a director or officer) includes any person (a) who is or was an employee or agent of the Corporation, (b) who is or was serving at the request of the Corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or (c) who was an employee or agent of a corporation which was a predecessor corporation of the Corporation or of another enterprise at the request of such predecessor corporation.

6.3 Payment of Expenses in Advance.

Expenses incurred in defending any action or proceeding for which indemnification is required pursuant to Section 6.1 or for which indemnification is permitted pursuant to Section 6.2 following authorization thereof by the Board of Directors shall be paid by the Corporation in advance of the final disposition of such action or proceeding upon receipt of an undertaking by or on behalf of the indemnified party to repay such amount if it shall ultimately be determined that the indemnified party is not entitled to be indemnified as authorized in this Article VI.

6.4 Indemnity Not Exclusive.

The indemnification provided by this Article VI shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any Bylaw, agreement, vote of shareholders or disinterested directors or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office, to the extent that such additional rights to indemnification are authorized in the Certificate of Incorporation.

6.5 Insurance.

The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of the General Corporation Law of Delaware.

6.6 Conflicts.

No indemnification or advance shall be made under this Article VI, except where such indemnification or advance is mandated by law or the order, judgment or decree of any court of competent jurisdiction, in any circumstance where it appears:

(a) That it would be inconsistent with a provision of the Certificate of Incorporation, these Bylaws, a resolution of the stockholders or an agreement in effect at the time of the accrual of the alleged cause of the action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification; or

(b) That it would be inconsistent with any condition expressly imposed by a court in approving a settlement.

ARTICLE VII

RECORDS AND REPORTS

7.1 Maintenance and Inspection of Records.

The Corporation shall, either at its principal executive offices or at such place or places as designated by the Board of Directors, keep a record of its stockholders listing their names and

addresses and the number and class of shares held by each stockholder, a copy of these Bylaws as amended to date, accounting books, and other records.

Any stockholder of record, in person or by attorney or other agent, shall, upon written demand under oath stating the purpose thereof, have the right during the usual hours for business to inspect for any proper purpose the Corporation's stock ledger, a list of its stockholders, and its other books and records and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to such person's interest as a stockholder. In every instance where an attorney or other agent is the person who seeks the right to inspection, the demand under oath shall be accompanied by a power of attorney or such other writing that authorizes the attorney or other agent to so act on behalf of the stockholder. The demand under oath shall be directed to the Corporation at its registered office in Delaware or at its principal place of business.

7.2 Inspection by Directors.

Any director shall have the right to examine the Corporation's stock ledger, a list of its stockholders, and its other books and records for a purpose reasonably related to his or her position as a director. The Court of Chancery is hereby vested with the exclusive jurisdiction to determine whether a director is entitled to the inspection sought. The Court may summarily order the Corporation to permit the director to inspect any and all books and records, the stock ledger, and the stock list and to make copies or extracts therefrom. The Court may, in its discretion, prescribe any limitations or conditions with reference to the inspection, or award such other and further relief as the Court may deem just and proper.

7.3 Annual Statement to Stockholders.

The Board of Directors shall present at each annual meeting, and at any special meeting of the stockholders when called for by vote of the stockholders, a full and clear statement of the business and condition of the Corporation.

ARTICLE VIII

GENERAL MATTERS

8.1 *Checks.*

From time to time, the Board of Directors shall determine by resolution which person or persons may sign or endorse all checks, drafts, other orders for payment of money, notes or other evidences of indebtedness that are issued in the name of or payable to the Corporation, and only the persons so authorized shall sign or endorse those instruments.

8.2 *Execution of Corporate Contracts and Instruments.*

The Board of Directors, except as otherwise provided in these Bylaws, may authorize any officer or officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the Corporation; such authority may be general or confined to specific instances. Unless so authorized or ratified by the Board of Directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

8.3 *Stock Certificates; Partly Paid Shares.*

The shares of the Corporation shall be represented by certificates, provided that the Board of Directors of the Corporation may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares

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represented by a certificate until such certificate is surrendered to the Corporation. Notwithstanding the adoption of such a resolution by the Board of Directors, every holder of stock represented by certificates and upon request every holder of uncertificated shares shall be entitled to have a certificate signed by, or in the name of the Corporation by the chairman or vice-chairman of the Board of Directors, or the chief executive officer or the president or vice-president, and by the chief financial officer or an assistant treasurer, or the secretary or an assistant secretary of the Corporation representing the number of shares registered in certificate form. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

The Corporation may issue the whole or any part of its shares as partly paid and subject to call for the remainder of the consideration to be paid therefor. Upon the face or back of each stock certificate issued to represent any such partly paid shares, upon the books and records of the Corporation in the case of uncertificated partly paid shares, the total amount of the consideration to be paid therefor and the amount paid thereon shall be stated. Upon the declaration of any dividend on fully paid shares, the Corporation shall declare a dividend upon partly paid shares of the same class, but only upon the basis of the percentage of the consideration actually paid thereon.

8.4 *Special Designation on Certificates.*

If the Corporation is authorized to issue more than one class of stock or more than one series of any class, then the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate that the Corporation shall issue to represent such class or series of stock; provided, however, that, except as otherwise provided in Section 202 of the General Corporation Law of Delaware, in lieu of the foregoing requirements there may be set forth on the face or back of the certificate that the Corporation shall issue to represent such class or series of stock a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

8.5 *Lost Certificates.*

Except as provided in this Section 8.5, no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the Corporation and canceled at the same time. The Corporation may issue a new certificate of stock or uncertificated shares in the place of any certificate previously issued by it, alleged to have been lost, stolen or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate, or the owner's legal representative, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

8.6 *Construction; Definitions.*

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the Delaware General Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both a corporation and a natural person.

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8.7 *Dividends.*

The directors of the Corporation, subject to any restrictions contained in (a) the General Corporation Law of Delaware or (b) the Certificate of Incorporation, may declare and pay dividends upon the shares of its capital stock. Dividends may be paid in cash, in property, or in shares of the Corporation's capital stock.

The directors of the Corporation may set apart out of any of the funds of the Corporation available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve. Such purposes shall include but not be limited to equalizing dividends, repairing or maintaining any property of the Corporation, and meeting contingencies.

8.8 *Fiscal Year.*

The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors and may be changed by the Board of Directors.

8.9 *Seal.*

The Corporation may adopt a corporate seal, which may be altered at pleasure, and may use the same by causing it or a facsimile thereof, to be impressed or affixed or in any other manner reproduced.

8.10 *Transfer of Stock.*

Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate, and record the transaction in its books.

8.11 *Stock Transfer Agreements.*

The Corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the Corporation to restrict the transfer of shares of stock of the Corporation of any one or more classes owned by such stockholders in any manner not prohibited by the General Corporation Law of Delaware.

8.12 *Registered Stockholders.*

The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as such owner, shall be entitled to hold liable for calls and assessments the person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of another person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE IX

AMENDMENTS

The Bylaws of the Corporation may be adopted, amended or repealed by the stockholders entitled to vote; provided, however, that the Corporation may, in its Certificate of Incorporation, confer the power to adopt, amend or repeal Bylaws upon the directors. The fact that such power has been so conferred upon the directors shall not divest the stockholders of the power, nor limit their power to adopt, amend or repeal Bylaws.

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YAHOO! INC.
AMENDED AND RESTATED
1996 EMPLOYEE STOCK PURCHASE PLAN
(as amended and restated February 27, 2001)

The following constitute the provisions of the Amended and Restated 1996 Employee Stock Purchase Plan of Yahoo! Inc.

1. *Purpose.* The purpose of the Plan is to provide employees of the Company and its Designated Subsidiaries with an opportunity to purchase Common Stock of the Company. It is the intention of the Company to have the Plan qualify as an "Employee Stock Purchase Plan" under Section 423 of the Internal Revenue Code of 1986, as amended. The provisions of the Plan shall, accordingly, be construed so as to extend and limit participation in a manner consistent with the requirements of that section of the Code.

2. *Definitions.*

- (a) "*Board*" shall mean the Board of Directors of the Company.
- (b) "*Code*" shall mean the Internal Revenue Code of 1986, as amended.
- (c) "*Common Stock*" shall mean the Common Stock of the Company.
- (d) "*Company*" shall mean Yahoo! Inc., a Delaware corporation.
- (e) "*Compensation*" shall mean all regular straight time gross earnings and commissions, and shall not include payments for overtime, shift premium, incentive compensation, incentive payments, bonuses and other compensation.
- (f) "*Continuous Status as an Employee*" shall mean the absence of any interruption or termination of service as an Employee. Continuous Status as an Employee shall not be considered interrupted in the case of a leave of absence agreed to in writing by the Company, provided that such leave is for a period of not more than 90 days or reemployment upon the expiration of such leave is guaranteed by contract or statute.
- (g) "*Contributions*" shall mean all amounts credited to the account of a participant pursuant to the Plan.
- (h) "*Designated Subsidiaries*" shall mean the Subsidiaries which have been designated by the Board from time to time in its sole discretion as eligible to participate in the Plan; provided however that the Board shall only have the discretion to designate Subsidiaries if the issuance to such Subsidiary's Employees pursuant to the Plan would not cause the Company to incur adverse accounting charges.
- (i) "*Employee*" shall mean any person, including an Officer, who is customarily employed for at least twenty (20) hours per week and more than five (5) months in a calendar year by the Company or one of its Designated Subsidiaries.
- (j) "*Exchange Act*" shall mean the Securities Exchange Act of 1934, as amended.
- (k) "*Offering Date*" shall mean the first business day of each Offering Period of the Plan, except that in the case of an individual who becomes an eligible Employee or who begins to participate in an Offering Period after the first business day of an Offering Period, the term "Offering Date" with respect to such individual means the first business day of the first Purchase Period in which such individual participates within the Offering Period. Options granted after the

first business day of an Offering Period will be subject to the same terms and conditions as the options granted on the first business day of such Offering Period except that they will have a different grant date (and thus, potentially, a different Purchase Price) and, because they expire at the same time as the options granted on the first business day of such Offering Period, a shorter term.

(l) "*Offering Period*" shall mean, with respect to Offering Periods beginning prior to July 1, 2001, a period of six (6) months commencing on January 1 and July 1 of each year, except for the first Offering Period as set forth in Section 4(a). The Offering Period commencing on July 1, 2001 shall end on April 30, 2003 and thereafter Offering Periods shall commence on May 1 and end on the April 30 twenty-four (24) months thereafter; provided, however, that if the Fair Market Value of the Common Stock on a Purchase Date is lower than the Fair Market Value of the Common Stock on the first business day of the Offering Period, the Offering Period then in progress will terminate and a new Offering Period shall commence on the next May 1 or November 1, as applicable, and shall extend for a twenty-four (24) month period ending on April 30 or October 31, as applicable.

(m) "*Officer*" shall mean a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(n) "*Plan*" shall mean this Employee Stock Purchase Plan.

(o) "*Purchase Date*" shall mean, with respect to Offering Periods beginning prior to July 1, 2001, the last business day of each Offering Period of the Plan and shall mean, with respect to Offering Periods beginning after such date, the last business day of each Purchase Period occurring within the Offering Period.

(p) "*Purchase Period*" shall mean, with respect to Offering Periods beginning prior to July 1, 2001, a period of six (6) months coincident with the Offering Period, except for the first Purchase Period of the first Offering Period as set forth in Section 4(b) which Purchase Period shall be coincident with such first Offering Period, and with respect to Offering Periods commencing on and after July 1, 2001, a period of six (6) months within an Offering

Period commencing on each May 1 and November 1 and ending on October 31 and April 30 respectively, except for the first Purchase Period within the Offering Period commencing on July 1, 2001, which Purchase Period shall commence on July 1, 2001 and end on October 31, 2001.

(q) "*Purchase Price*" shall mean, (i) with respect to Offering Periods beginning prior to July 1, 2001, an amount equal to 85% of the Fair Market Value (as defined in Section 7(b) below) of a Share of Common Stock on the Offering Date or on the Purchase Date, whichever is lower; and (ii) with respect to a Purchase Period occurring in an Offering Period beginning on and after July 1, 2001, an amount equal to 85% of the Fair Market Value (as defined in Section 7(b) below) of a Share of Common Stock on the Offering Date or on the Purchase Date, whichever is lower, provided however that in the event (A) of any increase in the number of Shares available for issuance under the Plan as a result of a stockholder-approved amendment to the Plan, and (B) all or a portion of such additional Shares are to be issued with respect to an Offering Period that is underway at the time of such increase ("*Additional Shares*"), and (C) the Fair Market Value of a Share of Common Stock on the date of such stockholder approval (the "*Approval Date Fair Market Value*") is higher than the Fair Market Value on the Offering Date for any such Offering Period, then in such instance the Purchase Price with respect to Additional Shares shall be 85% of the Approval Date Fair Market Value or the Fair Market Value of a Share of Common Stock on the Purchase Date, whichever is lower.

(r) "*Share*" shall mean a share of Common Stock, as adjusted in accordance with Section 19 of the Plan.

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(s) "*Subsidiary*" shall mean a corporation, domestic or foreign, of which not less than 50% of the voting shares are held by the Company or a Subsidiary, whether or not such corporation now exists or is hereafter organized or acquired by the Company or a Subsidiary.

3. Eligibility.

(a) Any person who is an Employee as of the beginning of any Purchase Period of a given Offering Period shall be eligible to participate in such Offering Period under the Plan, subject to the requirements of Section 5(a) and the limitations imposed by Section 423(b) of the Code.

(b) Any provisions of the Plan to the contrary notwithstanding, no Employee shall be granted an option under the Plan (i) if, immediately after the grant, such Employee (or any other person whose stock would be attributed to such Employee pursuant to Section 424(d) of the Code) would own stock and/or hold outstanding options to purchase stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or of any subsidiary of the Company, or (ii) if such option would permit his or her rights to purchase stock under all employee stock purchase plans (described in Section 423 of the Code) of the Company and its Subsidiaries to accrue at a rate which exceeds Twenty-Five Thousand Dollars (\$25,000) of fair market value of such stock (determined at the time such option is granted) for each calendar year in which such option is outstanding at any time.

4. Offering Periods and Purchase Periods.

(a) Offering Periods.

(i) With respect to Offering Periods beginning prior to July 1, 2001, the Plan shall be implemented by a series of Offering Periods of six (6) months duration, other than the first Offering Period, with new Offering Periods commencing on or about January 1 and July 1 of each year (or at such other time or times as may be determined by the Board of Directors). The first Offering Period during this period shall commence on the beginning of the effective date of the Registration Statement on Form S-1 for the initial public offering of the Company's Common Stock (the "IPO Date") and continue until December 31, 1996.

(ii) With respect to Offering Periods beginning on and after July 1, 2001, the Plan shall be implemented by a series of Offering Periods of approximately twenty-four (24) months duration, other than the Offering Period commencing on July 1, 2001. The Offering Period commencing July 1, 2001 shall have a duration of approximately twenty-two (22) months and shall continue until April 30, 2003.

(iii) The Plan shall continue until terminated in accordance with Section 19 hereof. The Board of Directors of the Company shall have the power to change the duration and/or the frequency of Offering Periods with respect to future offerings without shareholder approval if such change is announced at least fifteen (15) days prior to the scheduled beginning of the first Offering Period to be affected.

(b) *Purchase Periods.* Each Offering Period beginning prior to July 1, 2001 shall have a six (6) month Purchase Period coincident with such Offering Period. Each Offering Period commencing on and after July 1, 2001 shall consist of four (4) consecutive Purchase Periods of approximately six (6) months' duration commencing on May 1 and November 1 of each year, except the first Purchase Period of the Offering Period commencing on July 1, 2001, which shall be of approximately four (4) months duration commencing on July 1, 2001 and ending on October 31, 2001. The last business day of each Purchase Period shall be the Purchase Date for such Purchase Period. A Purchase Period commencing on May 1 shall end on the next October 31 and a Purchase Period commencing on November 1 shall end on the next April 30. The Board of Directors of the Company shall have the power to change the duration and/or frequency of

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Purchase Periods with respect to future purchases without stockholder approval if such change is announced at least five (5) days prior to the scheduled beginning of the first Purchase Period to be affected.

5. Participation.

(a) An eligible Employee may become a participant in the Plan by completing a subscription agreement on the form provided by the Company and filing it with the Company's payroll office prior to the applicable Offering Date, unless a later time for filing the subscription agreement is set by the Board for all eligible Employees with respect to a given offering. The subscription agreement shall set forth the percentage of the participant's Compensation (subject to Section 6(a) below) to be paid as Contributions pursuant to the Plan.

(b) Payroll deductions shall commence on the first payroll following the Offering Date and shall end on the last payroll paid on or prior to the Purchase Date of the Offering Period to which the subscription agreement is applicable, unless the Employee's participation is sooner terminated as provided in

6. Method of Payment of Contributions.

(a) The participant shall elect to have payroll deductions made on each payday during the Offering Period in an amount not less than one percent (1%) and not more than fifteen percent (15%) of such participant's Compensation on each such payday (or such other maximum percentage as the Board may establish from time to time before an Offering Date). All payroll deductions made by a participant shall be credited to his or her account under the Plan. A participant may not make any additional payments into such account.

(b) A participant may discontinue his or her participation in the Plan as provided in Section 10, or, on one occasion only during the Offering Period (in the case of Offering Periods beginning prior to July 1, 2001) or during the Purchase Period (in the case of Offering Periods beginning on and after July 1, 2001), may decrease the rate of his or her Contributions during the applicable Period by completing and filing with the Company a new subscription agreement. The change in rate shall be effective as of the beginning of the next calendar month following the date of filing of the new subscription agreement, if the agreement is filed at least ten (10) business days prior to such date and, if not, as of the beginning of the next succeeding calendar month. For Offering Periods beginning on and after July 1, 2001, a participant may change the rate of his or her Contributions effective as of the beginning of any Purchase Period within such Offering Period by filing a new subscription agreement at least ten (10) business days prior to the beginning of such Purchase Period.

(c) Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b)(8) of the Code and Section 3(b) herein, a participant's payroll deductions may be decreased to 0% at any time during an Offering or Purchase Period, as applicable. Payroll deductions shall re-commence at the rate provided in such participant's subscription Agreement at the beginning of the first Offering or Purchase Period, as applicable, which is scheduled to end in the following calendar year, unless the participant's participation is terminated as provided in Section 10. In addition, a participant's payroll deductions may be decreased by the Company to 0% at any time during a Purchase Period in order to avoid unnecessary payroll contributions as a result of application of the maximum Share limit set forth in Section 7(a), or as a result of the limitations set forth in Section 3(b), in which case payroll deductions shall re-commence at the rate provided in such participant's subscription agreement at the beginning of the next Purchase Period, unless terminated by the participant as provided in Section 10.

(d) At the time the option is exercised, in whole or in part, or at the time some or all of the Company's Common Stock issued under the Plan is disposed of, the participant must make

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adequate provision for the Company's federal, state, or other tax withholding obligations, if any, which arise upon the exercise of the option or the disposition of the Common Stock. At any time, the Company may, but shall not be obligated to, withhold from the participant's compensation the amount necessary for the Company to meet applicable withholding obligations, including any withholding required to make available to the Company any tax deductions or benefits attributable to sale or early disposition of Common Stock by the participant.

7. Grant of Option.

(a) On the Offering Date of each Offering Period, each eligible Employee participating in such Offering Period shall be granted an option to purchase on any Purchase Date occurring within the Offering Period a number of Shares determined by dividing such Employee's Contributions accumulated prior to such Purchase Date and retained in the participant's account as of the Purchase Date by the applicable Purchase Price; provided however, that the maximum number of Shares an Employee may purchase during each Offering Period (with respect to Offering Periods beginning prior to July 1, 2001) and each Purchase Period (with respect to Offering Periods beginning on and after July 1, 2001) shall be in each case 5,000 Shares, and provided further that such purchase shall be subject to the limitations set forth in Sections 3(b) and 12.

(b) The fair market value of the Company's Common Stock on a given date (the "*Fair Market Value*") means, as of any date, the value of Common Stock determined by the Board in its discretion provided that, to the extent the Common Stock is trading on the Nasdaq National Market (or a stock exchange), (A) the Fair Market Value as of an Offering Date shall be the closing sales price of the Common Stock as reported by the Nasdaq National Market (or the closing sales price on such stock exchange) for the last business day immediately preceding the Offering Date, and (B) the Fair Market Value of the Common Stock as of a Purchase Date shall be the closing sales price of the Common Stock as reported on the Nasdaq National Market (or the closing sales price on such stock exchange) for the Purchase Date, in each case as reported in *The Wall Street Journal*. For purposes of the Offering Date under the first Offering Period under the Plan, the Fair Market Value of a Share shall be the Price to Public as set forth in the final prospectus filed with the Securities and Exchange Commission pursuant to Rule 424 under the Securities Act of 1933, as amended.

8. Exercise of Option.

(a) Unless a participant's participation is terminated as provided in Section 10, his or her option for the purchase of Shares will be exercised automatically on each applicable Purchase Date of an Offering Period, and the maximum number of full Shares subject to the option will be purchased at the applicable Purchase Price with the accumulated Contributions in his or her account (subject to such limitations as are specified in the Plan). The Shares purchased upon exercise of an option hereunder shall be deemed to be transferred to the participant on the Purchase Date. During his or her lifetime, a participant's option to purchase Shares hereunder is exercisable only by him or her.

(b) No fractional Shares shall be purchased. Any payroll deductions accumulated in a participant's account which are not sufficient to purchase a full Share shall be retained in the participant's account for the subsequent Purchase Period or Offering Period, subject to earlier withdrawal by the participant or termination of such participant's participation as provided in Section 10 below. Any other amounts left over in a participant's account after a Purchase Date shall be returned to the participant.

9. *Delivery.* As promptly as practicable after each Purchase Date of each Offering Period, the Company shall arrange the delivery to each participant, as appropriate, of a certificate representing the

Shares purchased upon exercise of his or her option. Notwithstanding the foregoing, the Board may require that all Shares purchased under the Plan be held in an account (the participant's "ESPP Stock Account") established in the name of the participant (or in the name of the participant and his or her spouse, as designated by the participant on his or her subscription agreement), subject to such rules as determined by the Board and uniformly applied to all participants, including designation of a brokerage or other financial services firm (an "ESPP Broker") to hold such Shares for the participant's ESPP Stock Account with registration of such Shares in the name of such ESPP Broker for the benefit of the participant (or for the benefit of the participant and his or her spouse, as designated by the participant on his or her subscription agreement).

10. *Voluntary Withdrawal; Termination of Employment.*

(a) A participant may withdraw all but not less than all the Contributions credited to his or her account under the Plan at any time prior to the Purchase Date of the Offering Period by giving written notice to the Company. All of the participant's Contributions credited to his or her account will be paid to him or her promptly after receipt of his or her notice of withdrawal and his or her option for the current period will be automatically terminated, and no further Contributions for the purchase of Shares will be made during the Offering Period.

(b) Upon termination of the participant's Continuous Status as an Employee prior to the Purchase Date of an Offering Period for any reason, including retirement or death, the Contributions credited to his or her account will be returned to him or her or, in the case of his or her death, to the person or persons entitled thereto under Section 14, and his or her option will be automatically terminated.

(c) In the event an Employee fails to remain in Continuous Status as an Employee of the Company for at least twenty (20) hours per week during the Offering Period in which the Employee is a participant, unless such Employee is on an approved leave of absence or a temporary reduction of hours, he or she will be deemed to have elected to withdraw from the Plan and the Contributions credited to his or her account will be returned to him or her and his or her option terminated.

(d) A participant's withdrawal from an offering will not have any effect upon his or her eligibility to participate in a succeeding offering or in any similar plan which may hereafter be adopted by the Company.

(e) *Automatic Withdrawal.* With respect to Offering Periods commencing on and after July 1, 2001, and to the extent permitted by any applicable laws, regulations or stock exchange rules, if the Fair Market Value of the Shares on a Purchase Date within an Offering Period then in progress is lower than was the Fair Market Value of the Shares on the first business day of such Offering Period, then every participant in such Offering Period shall automatically be deemed (i) to have withdrawn from such Offering Period at the close of the Purchase Period ending on such Purchase Date, and (ii) to have enrolled in a new Offering Period commencing on the next November 1 or May 1, as applicable, in accordance with Section 2(l). In addition, if the Fair Market Value of the Shares on a Purchase Date within an Offering Period then in progress is lower than the Fair Market Value of the Shares on the Offering Date with respect to an individual who began participation in an Offering Period after the first business day of an Offering Period, such individual shall be automatically deemed (x) to have withdrawn from such Offering Period at the close of the Purchase Period ending on such Purchase Date, and (ii) to have enrolled in the Plan as of the beginning of the next Purchase Period to commence within such Offering Period, with such individual having a new Offering Date in accordance with Section 2(k).

11. *Interest.* No interest shall accrue on the Contributions of a participant in the Plan.

12. *Stock.*

(a) Subject to adjustment as provided in Section 18, the maximum number of Shares of the Company's Common Stock which shall be made available for sale under the Plan shall be 7,600,000 Shares.

(b) If the Board determines that, on a given Purchase Date, the number of Shares with respect to which options are to be exercised may exceed (i) the number of Shares that were available for sale under the Plan on the Offering Date of the applicable Offering Period, or (ii) the number of Shares available for sale under the Plan on such Purchase Date, the Board may in its sole discretion provide (x) that the Company shall make a pro rata allocation of the Shares of Common Stock available for purchase on such Offering Date or Purchase Date, as applicable, in as uniform a manner as shall be practicable and as it shall determine in its sole discretion to be equitable among all participants exercising options to purchase Common Stock on such Purchase Date, and continue all Offering Periods then in effect, or (y) that the Company shall make a pro rata allocation of the Shares available for purchase on such Offering Date or Purchase Date, as applicable, in as uniform a manner as shall be practicable and as it shall determine in its sole discretion to be equitable among all participants exercising options to purchase Common Stock on such Purchase Date, and terminate any or all Offering Periods then in effect pursuant to Section 19 below. The Company may make pro rata allocation of the Shares available on the Offering Date of any applicable Offering Period pursuant to the preceding sentence, notwithstanding any authorization of additional Shares for issuance under the Plan by the Company's stockholders subsequent to such Offering Date.

(c) The participant will have no interest or voting right in Shares covered by his or her option until such option has been exercised.

(d) Shares to be delivered to a participant under the Plan will be registered in the name of the participant or in the name of the participant and his or her spouse, as designated by the participant in his or her subscription agreement; provided that if the Board has determined that Shares shall be held in an ESPP Stock Account held by an ESPP Broker in accordance with Section 9, Shares shall be registered in the name of such ESPP Broker for the benefit of the participant or the participant and his or her spouse, as designated by the participant in his or her subscription agreement.

13. *Administration.* The Board, or a committee named by the Board, shall supervise and administer the Plan and shall have full power to adopt, amend and rescind any rules deemed desirable and appropriate for the administration of the Plan and not inconsistent with the Plan, to construe and interpret the Plan, and to make all other determinations necessary or advisable for the administration of the Plan.

14. *Designation of Beneficiary.*

(a) A participant may file a written designation of a beneficiary who is to receive any Shares and cash, if any, from the participant's account under the Plan in the event of such participant's death subsequent to the end of an Offering or Purchase Period, as applicable, but prior to delivery to him or her of such Shares and/or cash. In addition, a participant may file a written designation of a beneficiary who is to receive any cash from the participant's account

under the Plan in the event of such participant's death prior to the Purchase Date of an Offering Period. If a participant is married and the designated beneficiary is not the spouse, spousal consent shall be required for such designation to be effective.

(b) Such designation of beneficiary may be changed by the participant (and his or her spouse, if any) at any time by written notice. In the event of the death of a participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such participant's

death, the Company shall deliver such Shares and/or cash to the executor or administrator of the estate of the participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such Shares and/or cash to the spouse or to any one or more dependents or relatives of the participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

15. *Transferability.* Neither Contributions credited to a participant's account nor any rights with regard to the exercise of an option or to receive Shares under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution, or as provided in Section 13) by the participant. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw funds in accordance with Section 10.

16. *Use of Funds.* All Contributions received or held by the Company under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such Contributions.

17. *Reports.* Individual accounts will be maintained for each participant in the Plan. Statements of account will be given to participating Employees promptly following the Purchase Date, which statements will set forth the amounts of Contributions, the per Share Purchase Price, the number of Shares purchased and the remaining cash balance, if any.

18. *Adjustments Upon Changes in Capitalization; Corporate Transactions.*

(a) *Adjustment.* Subject to any required action by the stockholders of the Company, the number of Shares covered by each option under the Plan which has not yet been exercised and the number of Shares which have been authorized for issuance under the Plan but have not yet been placed under option (collectively, the "Reserves"), as well as the price per Share covered by each option under the Plan which has not yet been exercised, shall be proportionately adjusted for any increase or decrease in the number of issued Shares resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of Shares effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares subject to an option.

(b) *Corporate Transactions.* In the event of the proposed dissolution or liquidation of the Company, any Offering Period and Purchase Period then in progress will terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Board. In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, each option under the Plan shall be assumed or an equivalent option shall be substituted by such successor corporation or a parent or subsidiary of such successor corporation, or, if not so assumed or substituted, the Offering Period then in progress shall be shortened and the Board shall set a new Purchase Date (the "New Purchase Date"). The New Purchase Date shall be on or before the date of consummation of the transaction and the Board shall notify each participant in writing, at least ten (10) days prior to the New Purchase Date, that the Purchase Date for his or her option has been changed to the New Purchase Date and that his or her option will be exercised automatically on the New Purchase Date, unless prior to such date he or she has withdrawn from the Offering Period as provided in Section 10. For purposes of this paragraph, an option granted under the Plan shall be deemed to

be assumed if, following the sale of assets or merger, the option confers the right to purchase, for each Share subject to the option immediately prior to the sale of assets or merger, the consideration (whether stock, cash or other securities or property) received in the sale of assets or merger by holders of Common Stock for each Share held on the effective date of the transaction (and if such holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares of Common Stock); provided, however, that if such consideration received in the sale of assets or merger was not solely common stock of the successor corporation or its parent (as defined in Section 424(e) of the Code), the Board may, with the consent of the successor corporation and the participant, provide for the consideration to be received upon exercise of the option to be solely common stock of the successor corporation or its parent equal in fair market value to the per Share consideration received by holders of Common Stock and the sale of assets or merger.

The Board may, if it so determines in the exercise of its sole discretion, also make provision for adjusting the Reserves, as well as the price per Share covered by each outstanding option, in the event that the Company effects one or more reorganizations, recapitalizations, rights offerings or other increases or reductions of shares of its outstanding Common Stock, and in the event of the Company being consolidated with or merged into any other corporation.

19. *Amendment or Termination.*

(a) The Board may at any time and for any reason terminate or amend the Plan. Except as provided in Section 18, no such termination of the Plan may affect options previously granted, provided that the Plan or an Offering Period may be terminated by the Board on a Purchase Date or by the Board's setting a new Purchase Date with respect to an Offering Period and Purchase Period then in progress if the Board determines that termination of the Plan and/or the Offering Period is in the best interests of the Company and the stockholders or if continuation of the Plan and/or the Offering Period would cause the Company to incur adverse accounting charges as a result of a change after the effective date of the Plan in the generally accepted accounting rules applicable to the Plan. Except as provided in Section 18 and in this Section 19, no amendment to the Plan shall make any change in any option previously granted which adversely affects the rights of any participant. In addition, to the extent necessary to comply with Rule 16b-3 under the Exchange Act, or under Section 423 of the Code (or any successor rule or provision or any applicable law or regulation), the Company shall obtain stockholder approval in such a manner and to such a degree as so required.

(b) Without stockholder consent and without regard to whether any participant rights may be considered to have been adversely affected, the Board shall be entitled to change the Offering Periods and Purchase Periods, limit the frequency and/or number of changes in the amount withheld during an Offering Period, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, permit payroll withholding in excess of the amount designated by a participant in order to adjust for delays or mistakes in the Company's processing of properly completed withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Shares for each participant properly correspond with amounts withheld from the participant's Compensation, and establish such other limitations or procedures as the Board determines in its sole discretion advisable which are consistent with the Plan.

20. *Notices.* All notices or other communications by a participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

21. *Conditions Upon Issuance of Shares.* The Company shall have no obligation to issue Shares with respect to an option unless the exercise of such option and the issuance and delivery of such

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Shares pursuant thereto shall comply with all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the Shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

As a condition to the exercise of an option, the Company may require the person exercising such option to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned applicable provisions of law.

22. *Term of Plan; Effective Date.* The Plan shall become effective upon the earlier to occur of its adoption by the Board of Directors or its approval by the stockholders of the Company. It shall continue in effect for a term of twenty (20) years unless sooner terminated under Section 19.

23. *Additional Restrictions of Rule 16b-3.* The terms and conditions of options granted hereunder to, and the purchase of Shares by, persons subject to Section 16 of the Exchange Act shall comply with the applicable provisions of Rule 16b-3. This Plan shall be deemed to contain, and such options shall contain, and the Shares issued upon exercise thereof shall be subject to, such additional conditions and restrictions as may be required by Rule 16b-3 to qualify for the maximum exemption from Section 16 of the Exchange Act with respect to Plan transactions.

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YAHOO! INC.
AMENDED AND RESTATED
1996 EMPLOYEE STOCK PURCHASE PLAN
SUBSCRIPTION AGREEMENT

New Election _____

Change of Election _____

1. I, _____, hereby elect to participate in the YAHOO! INC. Amended and Restated 1996 Employee Stock Purchase Plan (the "Plan") commencing with the Offering Period _____, 20 _____ to _____, 20 _____, and subscribe to purchase Shares of the Company's Common Stock in accordance with this Subscription Agreement and the Plan.

2. I elect to have Contributions in the amount of _____ % of my Compensation, as those terms are defined in the Plan, applied to this purchase. I understand that this amount must not be less than 1% and not more than 15% of my Compensation during an Offering Period. (Please note that no fractional percentages are permitted).

3. I hereby authorize payroll deductions from each paycheck during the Offering Periods at the rate stated in Item 2 of this Subscription Agreement. I understand that all payroll deductions made by me shall be credited to my account under the Plan and that I may not make any additional payments into such account. I understand that all payments made by me shall be accumulated for the purchase of Shares at the applicable purchase price determined in accordance with the Plan. I further understand that, except as otherwise set forth in the Plan, Shares will be purchased for me automatically on the Purchase Date of each Offering Period unless I otherwise withdraw from the Plan by giving written notice to the Company for such purpose.

4. I understand that I may discontinue at any time prior to the Purchase Date my participation in the Plan as provided in Section 10 of the Plan. I also understand that I can decrease the rate of my Contributions on one occasion only during any Purchase Period by completing and filing a new Subscription Agreement with such decrease taking effect as of the beginning of the calendar month following the date of filing of the new Subscription Agreement, if filed at least ten (10) business days prior to the beginning of such month. Further, I may change the rate of deductions for future Purchase Periods by filing a new Subscription Agreement, and any such change will be effective as of the beginning of the next Purchase Period. In addition, I acknowledge that, unless I discontinue my participation in the Plan as provided in Section 10 of the Plan, my election will continue to be effective for each successive Offering Period.

5. I have received a copy of the Company's most recent description of the Plan and a copy of the complete "YAHOO! INC. Amended and Restated 1996 Employee Stock Purchase Plan." I understand that my participation in the Plan is in all respects subject to the terms of the Plan.

6. Shares purchased for me under the Plan should be issued in the name(s) of (name of employee or employee and spouse only):

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7. In the event of my death, I hereby designate the following as my beneficiary(ies) to receive all payments and Shares due to me under the Plan:

NAME: (Please print)

(First) (Middle) (Last)

(Relationship)

(Address)

8. I understand that if I dispose of any Shares received by me pursuant to the Plan within 2 years after the Offering Date (the first day of the Offering Period during which I purchased such Shares or, if I joined the Plan after such date, the first business day of the Purchase Period with respect to which I joined the Plan during such Offering Period) or within 1 year after the Purchase Date, I will be treated for federal income tax purposes as having received ordinary compensation income at the time of such disposition in an amount equal to the excess of the fair market value of the Shares on the Purchase Date over the price which I paid for the Shares, regardless of whether I disposed of the Shares at a price less than their fair market value at the Purchase Date. The remainder of the gain or loss, if any, recognized on such disposition will be treated as capital gain or loss.

I hereby agree to notify the Company in writing within 30 days after the date of any such disposition, and I will make adequate provision for federal, state or other tax withholding obligations, if any, which arise upon the such disposition of the Shares. The Company may, but will not be obligated to, withhold from my compensation the amount necessary to meet any applicable withholding obligation including any withholding necessary to make available to the Company any tax deductions or benefits attributable to the sale or early disposition of Shares by me.

9. If I dispose of such Shares at any time after expiration of the 2-year and 1-year holding periods, I understand that I will be treated for federal income tax purposes as having received compensation income only to the extent of an amount equal to the lesser of (1) the excess of the fair market value of the Shares at the time of such disposition over the purchase price which I paid for the Shares under the option, or (2) 15% of the fair market value of the Shares on the Offering Date. The remainder of the gain or loss, if any, recognized on such disposition will be treated as capital gain or loss.

I understand that this tax summary is only a summary and is subject to change. I further understand that I should consult a tax advisor concerning the tax implications of the purchase and sale of stock under the Plan.

10. I hereby agree to be bound by the terms of the Plan. The effectiveness of this Subscription Agreement is dependent upon my eligibility to participate in the Plan.

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SIGNATURE:

SOCIAL SECURITY #:

DATE:

SPOUSE'S SIGNATURE (necessary
if beneficiary is not spouse):

(Signature)

(Print name)

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**YAHOO! INC.
AMENDED AND RESTATED
1996 EMPLOYEE STOCK PURCHASE PLAN
NOTICE OF WITHDRAWAL**

I, _____, hereby elect to withdraw my participation in the YAHOO! INC. Amended and Restated 1996 Employee Stock Purchase Plan (the "Plan") for the Offering Period commencing _____, 20 ____ . This withdrawal covers all Contributions credited to my account and is effective on the date designated below.

I understand that all Contributions credited to my account will be paid to me within ten (10) business days of receipt by the Company of this Notice of Withdrawal and that my option for the current period will automatically terminate, and that no further Contributions for the purchase of Shares can be made by me during the Offering Period.

The undersigned further understands and agrees that he or she shall be eligible to participate in succeeding offering periods only by delivering to the Company a new Subscription Agreement.

Dated: _____

Signature of Employee

SUBSIDIARIES OF YAHOO! INC.

Name	Jurisdiction of Incorporation	Percent Ownership if Less Than 100%
Yahoo! UK Limited	United Kingdom	70%
Yahoo! Holdings Limited	United Kingdom	
Yahoo! France SAS	France	70%
Yahoo! (Deutschland) GmbH	Germany	70%
Yahoo! Pte Ltd	Singapore	
Yahoo! Danmark ApS	Denmark	
Yahoo! Norway AS	Norway	
Yahoo! Sweden AB	Sweden	
Yahoo! Korea	Korea	67%
Yahoo! Media SL	Spain	
Yahoo! Holdings Ltd. (Hong Kong)	Hong Kong	
Yahoo! Brasil Internet Ltda	Brazil	
Yahoo! Mexico	Mexico	
Yahoo! Australia	Australia	
Yahoo! Japan	Japan	34%
Yahoo! Canada	Canada	
Yahoo! de Argentina S.R.L.	Argentina	
Yahoo! Europe International LLC	Cayman Islands	70%
Yahoo! Europe Subsidiary Holdings Limited	United Kingdom	
Yahoo! Italia S.R.L.	Italy	99%
Yahoo! Web Services India Private Limited	India	
Yahoo! Cayman Islands (Asia) Holdings Limited	Cayman Islands	
Yahoo! Asia (China) Holdings Limited	British Virgin Islands	
Yahoo! China Holding Company Limited	British Virgin Islands	
Yahoo! Netherlands BV	Netherlands	
Yahoo! (Shanghai) International Technology Co. Ltd	Hong Kong	
E-Com Management N.V.	Netherlands, Antilles	
eGroups GmbH	Germany	
eGroups KK	Japan	
eGroups International Ltda.	Brazil	
eGroups International (Canada) Inc.	Canada	
GeoCities Canada	Canada	
Yahoo! International Branch Holdings, Inc.	California	
Yahoo! International Subsidiary Holdings, Inc.	California	
Yahoo! Europe International LLC	Delaware	70%
Yahoo! International Acquisition Holdings, Inc.	Delaware	
Indigo Acquisition Corporation	California	
GeoCities	Delaware	
Futuretouch Corporation	California	
Broadcast.com	Delaware	
Simple Network Communications, Inc.	California	
NetRoadshow, Inc.	Georgia	
Innovative Systems Services Group, Inc.	California	
Arthas.com, Inc.	California	
Vivasmart, Inc.	Delaware	
eGroups, Inc.	Delaware	
ONElist, Inc.	California	
Jewel Acquisition Corporation	Delaware	

BRANCHES OF YAHOO! INC.

Name	Jurisdiction of Registration
Yahoo! Taiwan	Taiwan
eGroups, International Inc.	France
eGroups, International Inc.	Malaysia
eGroups, International Inc.	Netherlands
eGroups, International Inc.	UK
eGroups, International Inc.	Australia
eGroups, International Inc.	Sweden

Consent of Independent Accountants

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-56779, No. 333-81629, No. 333-93493, No. 333-34364, No. 333-40662), the Registration Statements on Form S-8 (No. 333-3694, No. 333-39105, No. 333-56781, No. 333-66067, No. 333-79675, No. 333-81635, No. 333-93497) and the Registration Statements on Form S-4 (No. 333-94537, No. 333-43634) of Yahoo! Inc. of our report dated January 9, 2001, except for Note 11, which is as of March 7, 2001, relating to the financial statements and financial statement schedule, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

San Jose, California
March 16, 2001
