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 December31, 2002

Commission File Number 0-28018

YAHOO!INC.

(Exact name of Registrant as specified in its charter)

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

701 First Avenue
Sunnyvale, California 94089
(Address of principal executive offices)

Registrant's telephone number, including area code: **(408)349-3300**

Securities registered pursuant to Section12(b) of the Act:

None

Securities registered pursuant to Section12(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 Section13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12months (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 90days.Yes/x/No//

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of RegulationS-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 PartIII of this Form10-K or any amendment to this Form10-K./x/

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule12b-2 of the Act).Yes/x/No//

As of June28, 2002, 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 $5,375,728,087. 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 February28, 2003 was 597,516,126.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents (or parts thereof) are incorporated by reference into the following parts of this Form10-K:

(1)
Proxy Statement for the 2003 Annual Meeting of Stockholders–PartIII Items10, 11, 12 and 13.

PartI

Item 1. Business

OVERVIEW

Yahoo!Inc. ("Yahoo!", "Our" or "We") is a leading provider of comprehensive Internet products and services to consumers and businesses worldwide. Yahoo! is the No.1 Internet brand globally and the most trafficked Internet destination worldwide, as quoted by Young& Rubicam's Brand Asset Valuator and Nielsen//NetRatings, respectively.

Yahoo! was developed and first made available in 1994 by our founders, David Filo and Jerry Yang, while they were graduate students at Stanford University. Yahoo! is incorporated in Delaware and commenced operations on March5, 1995. In April1996, we completed our initial public offering. Since 1997, we have acquired several companies including those that provided databases, software, technologies, content, and/or tools to develop and expand upon our network of products and services.

Our global network (the "Yahoo! network") includes 25 world properties available in 13 languages. We manage our business geographically. Our principal areas of measurement and decision-making are the United States and International. Headquartered in Sunnyvale, California, we have offices in the United States, Europe, Asia, Latin America, Australia and Canada.

Our properties and services for consumers and businesses reside in five vertical areas: Search and Marketplace; Information and Content; Network and Platform Services; Enterprise Solutions; and Consumer Services. Our basic products and service offerings are available without charge to our consumers. We also offer a variety of fee-based premium services that provide our consumers access to value-added content or services. In addition, we sell marketing and advertising services to businesses across the majority of our vertical areas and internationally.

We generate multiple sources of revenue across these properties and services that are classified as: Marketing Services, Fees, and Listings. The following table presents an overview of our financial reporting structure as well as our vertical properties and services.

PROPERTIES AND SERVICES

Our properties and service offerings are generally available without charge to our users. We generate revenues from advertising, transaction and listing services, and also offer fee-based premium services that provide our users access to additional content or services.

Search and Marketplace

Our Search properties build, manage and monetize our suite of integrated search services to enable people to find the information, products, and services essential to their lives. Our Marketplace properties focus on being the starting point for consumers looking for information and to purchase products and services. The properties include the following:

- **Search and Directory –** including Yahoo! Search, Sponsored Search and Sponsor Listings;
- **Get Local –** including Yahoo! Yellow Pages, Yahoo! Maps and Yahoo! City Guides;
- **Classifieds –** including Yahoo! Autos and Yahoo! Real Estate;
- **Commerce** – including Yahoo! Shopping, Yahoo! Auctions and Yahoo! Travel; and
- **Careers –** HotJobs.

Search and Directory

Our Search and Directory properties are both a comprehensive, intuitive and user-friendly online guide to Web navigation and the gateway to the vertical offerings on the Yahoo! network. Yahoo! Search provides users with free Web-wide search results from the Google search engine, augmented with the contents of the Yahoo! Directory and the Yahoo! network, aimed at providing a relevant, comprehensive, fast and easy search experience. Furthermore, our search results include Yahoo! Sponsor Matches, which are listings with enhanced placement, paid for by businesses or organizations and are currently provided free to users principally through an agreement with Overture Services,Inc. ("Overture"). Our Yahoo! Directory offering includes a hierarchical, subject-based directory of Web sites, which enables Web users to locate and access desired information and services through hypertext links. Our directory 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 access directory listings by browsing through subject matter or using the keyword search function. For browse-driven inquiries, our directory results include Sponsor Listings, a Yahoo! created fee-based program that allows commercial sites to receive enhanced placement in the directory. In March2003, we completed our acquisition of Inktomi Corporation ("Inktomi"), a provider of OEM Web search technology and paid inclusion services.

Get Local

Yahoo! Get Local is comprised of three comprehensive offerings of local information, available free to users – Yahoo! Yellow Pages, Yahoo! Maps, and Yahoo! City Guides. Yahoo! Yellow Pages connects users to over 13million local and national merchants in the U.S. Yahoo! Yellow Page business listings include integrated maps and can be displayed by proximity to the user's location. Businesses can pay to have their listings placed in the Sponsored Business section above regular non-paid listings. Yahoo! Maps provides interactive maps with zooming and other capabilities and integrated driving directions. Yahoo! City Guides offers information on local arts and entertainment news and events.

Classifieds

Yahoo! Classifieds is comprised of comprehensive classified advertisements for a wide variety of goods and services, the most significant of which are contained within Yahoo! Autos and Yahoo! Real Estate properties. Our Yahoo! Autos property offers information about buying, selling, leasing, and owning automobiles. Services available free to our users include new and used car searches, pricing information, specification information, insurance information, general financing information, other research information and new car quote referral services provided through third parties. Services available to users for a fee include individual listings in Yahoo! Classifieds, and subscriptions to Consumer Reports research reports.

Yahoo! Real Estate offers the following free services to our users: information for prospective home buyers and sellers; the ability to list a property and search for listed properties based on geography, price and features; moving-related content and services; information about finding a real estate agent, researching neighborhoods, financing and insurance, and home improvement ideas; and assistance in locating rentals and roommates.

Commerce

Our commerce platform comprises three comprehensive offerings: Yahoo! Shopping, Yahoo! Auctions, and Yahoo! Travel. Our goal is to provide buyers and sellers with the most comprehensive commerce platform available on the Web. Through strategic arrangements with hundreds of premier brands and thousands of specialty merchants/sellers, we offer our consumers the opportunity to purchase a wide variety of new and used goods and services ranging from consumer electronics, apparel, books and flowers to travel services such as airfare, hotel, car rentals, as well as cruises and vacation packages.

The Yahoo! Shopping platform provides, free of charge, powerful search functionality and comparison-shopping tools making it easy for consumers to find, research, compare and conveniently buy almost anything online. Featuring products from hundreds of brand name retailers and thousands of specialty stores, Yahoo! Shopping is the starting point of choice for online shopping.

Yahoo! Auctions creates a marketplace for buyers and sellers seeking unique, hard to find, liquidation and used product offerings. Yahoo! serves as an intermediary linking buyers and sellers and is free of charge to users.

Yahoo! Travel provides a free, comprehensive online travel resource and booking service for the recreational and business traveler, bringing together travel information and service providers in one place. Through relationships with Sabre, Travelocity, National Leisure Group and other travel suppliers, Yahoo! Travel offers one-stop access to approximately 700 airlines, 50 car rental agencies and more than 50,000 hotels.

Careers

Our HotJobs property is a leader in the online recruiting industry, providing comprehensive solutions for employers, staffing firms and job seekers. HotJobs' tools and advice put job seekers in control of their careers and make it easier and more cost-effective for recruiters and employers to find qualified candidates than offline alternatives. We provide services for job seekers, which include the ability to create a resume and to search and apply for jobs, as well as access to newsletters, online forums and salary research, free of charge. We generate revenues from fees from employers and staffing firms that access our database of job seekers and use our tools to post, track and manage job openings. In addition to our popular consumer job board, HotJobs provides employers and staffing agencies with a variety of recruiting solutions, including hiring management software.

Information and Content

Our Information and Content properties deliver information and entertainment to consumers. We offer basic content that is generally available without charge to our users, and also provide selected fee-based services as indicated below. The properties include the following:

- **Media –** including Yahoo! Sports, LAUNCH, Your Yahoo! Music Experience and Yahoo! Games;
- **Entertainment –** including Yahoo! Movies and Yahoo! TV;
- **Information** – including Yahoo! News, Yahoo! Weather, Yahooligans!, Yahoo! Health, and Yahoo! Education; and
- **Finance –** Yahoo! Finance.

Media

Yahoo! Sports provides up-to-the-minute news, real-time statistics and scoring, broadcast programming, localized and global coverage, integrated shopping and auctions opportunities, and an on-line sports community. Yahoo! Sports has content or marketing relationships with the NBA, USOC, CNNSI, The Sporting News, USPS Cycling Team, and Major League Soccer. In 2001, Yahoo! signed a multi-year agreement with Federation Internationale de Football Association ("FIFA"), the world governing body of soccer, to produce, market, host, and with FIFA, commercially operate the official co-branded Web site of the FIFA World Cup™, as well as to be one of 16 official worldwide FIFA Partners. Yahoo! Sports also offers fee-based fantasy games such as Fantasy Football, Baseball, Basketball and Hockey.

LAUNCH, Your Yahoo! Music Experience is an online music destination for consumers. LAUNCH provides music consumers with access to downloadable music, music videos, concert Web casts and artist interviews, access to music news, album reviews, and artist biographies. LAUNCH delivers an integrated online music experience, including PressPlay, the online digital music subscription service created by Universal Music Group and Sony Music Entertainment. In 2003, LAUNCH introduced the following fee-based services: Artist Clubs – a fee-based product that enables fans of a given artist to join a Club that provides exclusive content, and access to prerelease concert tickets and albums; and LAUNCHcast Plus – a fee-based product that offers consumers streaming, high-quality downloadable music and videos.

Yahoo! Games offers over 80 free, Java-based classic board, card, and word games along with downloadable games,

game strategy guides, shopping guides, gaming news and reviews on computer and console videogames. Yahoo Games also offers fee-based products such as Games on Demand and the All-Star Package. Games on Demand allows users to play a variety of games in categories such as strategy, action and arcade classics. The All-Star Package enables consumers to create leagues, compete in tournaments, and meet new players.

Entertainment

Yahoo! Movies provides a daily mix of exclusive content, movie news and special features, including box office results, trailers, and photo galleries, as well as links to the movie-related content across the Yahoo! network. Yahoo! Movies features film promotions for studios such as Disney, Sony, Warner Bros., Universal and Fox.

Yahoo! TV provides television listings, connecting consumers to personalized television listings for more than 40,000 zip codes, 11,000 cable systems, 2,200 channels, and 400,000 programs.

Information

Yahoo! News aggregates feeds from branded news providers, bringing together content from media companies such as Associated Press, Dow Jones Financial News, National Public Radio, New York Times Digital, Reuters, USATODAY.com, and more. Through Yahoo! News, consumers receive breaking news coverage, in text, audio and video, from multiple sources and points of view.

Yahoo! Weather provides personalized weather information, including current conditions and forecast, weather maps and satellite readings, as well as specific forecasts for beach conditions and individual activities, such as golf and skiing. Weather.com, the Web site of The Weather Channel, supplies weather conditions to our global properties.

Yahooligans! is a safe, entertaining and educational Web guide targeted for kids ages 7 to 12. It provides games, instant messaging, reference materials, movies information, the "Teachers' Guide," the "Parents' Guide," "Downloader," where kids can download thousands of images, sounds and video right onto their desktop, as well as daily news, sports, and jokes.

Yahoo! Health, a comprehensive starting point for healthcare information, provides information and directly links to sites on diseases, conditions, and medications, as well as to listings for various health information centers, clinical trial information, and online community tools.

Yahoo! Education is designed to assist students, parents and educators in the education process. The site helps educators extend traditional classrooms and communication with students onto the Internet, offers an extensive reference area through leading education material providers, and enables students to research and prepare to apply for colleges, universities and graduate schools. Yahoo! Education also offers a comprehensive list of Distance Learning programs. These programs allow students to complete all or most of the program from a remote location, while receiving the same credit as students that complete the program onsite.

Finance

Yahoo! Finance provides a comprehensive set of financial resources, from investment research to personalized financial management tools. Yahoo! Finance also offers fee-based products to help consumers manage their financial life, including the Real-Time Package and Research Reports. The Real-Time Package includes a combination of real-time quotes from the New York and American stock exchanges, as well as the Nasdaq, breaking news from leading financial information companies, and market analysis including live stock upgrades and downgrades, which are all streamed directly to the consumers' desktop. Research Reports offer investors timely, in-depth analyst research on thousands of individual companies. Yahoo! Finance also offers Yahoo! Money Manager, a free set of financial tools that provides an integrated view of an individual's financial life, organizing and summarizing information consumers need to know about their money in one online location. In addition, Yahoo! Tax Center allows consumers to file, for a fee, federal and state taxes online with Turbo Tax. Other resources and tools such as federal and state tax forms, tax tips, tax calculator, and tax news are available free of charge to consumers at the Tax Center.

Network and Platform Services

Our Network and Platform Services provide industry leading, free and fee-based services to our users. These services provide core communications services for registered users and a suite of online offerings for small businesses that include:

- **Messaging –** including Yahoo! Mail, Yahoo! Messenger and Yahoo! Mail Plus;
- **Personals –** Yahoo! Personals;
- **Community –** including Yahoo! Groups, Yahoo! Photos, Yahoo! Briefcase, Yahoo! Member Directory and Yahoo! People Search;
- **Small Business** – including Yahoo! Domains, Yahoo! Web Hosting, Yahoo! Business Mail, Yahoo! Store and Yahoo! Ad Manager; and
- **Platform Services** – including Yahoo! Wallet, Yahoo! Companion and My Yahoo!.

Messaging

Yahoo! Mail and Yahoo! Messenger, our email and instant messaging platforms, are among the most popular communications systems on the Internet. Our free Yahoo! Mail service has a brand new interface, and offers industry-leading junk mail control and a full-featured Address Book. In addition to our basic email service, we offer fee-based enhancements including extra email storage, mail forwarding, and the ability to check Yahoo! Mail using other client applications. Our newest service, Yahoo! Mail Plus, offers a combination of these features. Yahoo! Messenger offers exciting features such as IMVironments™, which allows users to change the background messaging window, animated emoticons, video web cams and integrated mobile messaging.

Personals

Our subscription online dating service introduced in 2001, Yahoo! Personals, grew quickly to a leading position in the personals space in 2002. This growth was driven by an overall increasing popularity of online dating, our continuing product improvements and our success in gathering a large population of singles from the Yahoo! network. In 2002, our new production introductions included advanced matching, which finds other singles on the service who are the best match for each other based on both users specified criteria. We also improved the multimedia capabilities of our personals ads with the introduction of 30-second voice and video clips that help customers share more information about themselves, improving the quality of information exchanged about possible matches.

Community

Our Community Services suite helps users build and manage relationships and archive their personal memories. Our Yahoo! Groups platform enables millions of members to easily communicate with other individuals with similar interests. Yahoo! Photos provides users with the ability to store, share and print their pictures. Yahoo! Briefcase provides users with the ability to quickly and easily store and share important documents. Additionally, we offer services such as Yahoo! Member Directory and Yahoo! People Search.

Small Business

Our Small Business Services provides resources, planning tools, research and advice to assist individuals with starting their own online business, as well as to help existing small businesses with expanding their online operations. Our Small Business offering provides customers with a complete set of fee-based services to: develop an online presence (through Yahoo! Domains, Yahoo! Web Hosting, and Yahoo! Business Mail); sell their products online through Yahoo! Store and through integrated points of distribution such as Yahoo! Shopping and Yahoo! Classifieds; and promote and market online through Yahoo! Express directory placement, Yahoo! Sponsored Sites, Yahoo! Yellow Pages, and Ad Manager, a self-service advertising tool that enables Yahoo! Store merchants to create, purchase and manage advertising campaigns on the Yahoo! network.

Platform Services

We also have user services that span across some or all of our vertical properties including Yahoo! Wallet and Yahoo! Companion. Yahoo! Wallet, a free service, 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. Yahoo! Companion is a free browser add-on that enables users to conveniently access our properties and services from anywhere on the Web.

We also offer personalized user services that are designed to enable efficient use of our properties and services worldwide. A cornerstone of these services is the universal registration system that permits users to easily access properties and services on the Yahoo! network under a single username.

My Yahoo! is our free personalized Web information service that 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! properties 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, My Yahoo! members have information of personal interest available at their fingertips in a self-customized format. With the My Yahoo! platform, we are able to deliver targeted product, advertising and transaction-based services for our advertisers and partners.

Enterprise Solutions

Our Enterprise Solutions consist of two primary fee-based service offerings: Yahoo! Portal Solutions and Yahoo! Broadcast Solutions. The main focus is to provide communications solutions to help businesses more easily aggregate and distribute business critical information and interact with their target audiences.

Yahoo! Portal Solutions is a leading provider of enterprise information portal (Website) solutions that integrate personalized Yahoo! content and services with corporate data and applications for intranets and extranets. Specifically, our portal solutions allow system administrators to control the aggregation, personalization and delivery of multi-language content, services and applications that will be accessed by the end-users. These solutions also allow our enterprise customers to present a unified, personalized, and integrated web presence to their end-users. We have reseller relationships with BEA Systems, SAP, Sun Microsystems and TIBCO software to distribute our enterprise content offering. In addition, we released an enterprise version of our popular Yahoo! Messenger application in March 2003.

Yahoo! Broadcast Solutions is a leading provider of Internet broadcasting, communications and collaboration tools to business customers. Yahoo! Broadcast Solutions' tools, infrastructure and partnerships are integrated to provide end-to-end solutions for our business customers to enable live product launches, global corporate meetings or distributed learning. Through the Webcast Studio platform, Yahoo! Broadcast Solutions also offers enhanced data tools and user interfaces that are focused on specific marketing, training, conference and corporate communications needs. The Webcast packages combine interactive applications, consulting and production services, and promotion or distribution options, for marketers to deliver targeted information.

Consumer Services

The Consumer Services group drives subscriber growth by providing various communication and content services to consumers and small businesses distributed through our access relationships, such as our relationship with SBC CommunicationsInc. ("SBC"). These services include tightly integrated Yahoo! Services as well as bundled premium elements developed by Yahoo! and by third party partners, and include a customized Internet browser, enhanced personalized interface, online communications and security tools, premium content and value added services, such as parental controls.

During 2002, we launched a strategic alliance with SBC to offer a co-branded Internet service to DSL (broadband) customers in SBC's 13-state region and to dial-up subscribers nationwide. The service offers consumers integrated access and premium services on a subscription basis, and includes a suite of Yahoo! and SBC customized products and services. During 2003, we announced a distribution relationship with British Telecommunications plc ("BT") to offer Yahoo! branded stand-alone premium service bundles which can be purchased with BT's access products in the United Kingdom.

Through arrangements with wireless carriers and mobile device manufacturers, Yahoo! Mobile makes many of our featured network services available through wireless and/or alternative devices. These services include My Yahoo! Mobile, Mail, Mobile Instant Messaging, Mobile Alerts, Finance, News, Weather, Calendar, Address Book, Movie Listings, Auctions, Yellow Pages, Driving Directions and People Search, among others.

GEOGRAPHIC PROPERTIES

We seek to build upon our global user base by developing Internet properties focused on geographic regions, which include foreign countries as well as domestic metropolitan areas. We have launched numerous geographically targeted Web properties. Additional information required by this item is incorporated herein by reference to Note11 "Segments" of the Notes to the Consolidated Financial Statements, which appears in Item8 of this Annual Report on Form10-K.

We have developed 25 international online properties in 13 local 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. We also provide services through Yahoo! Asia (our portal to southeast Asia), Yahoo! Chinese (U.S. Chinese language site), Yahoo! en Espaol (U.S. Hispanic site), Yahoo! Canada en Franais (French Canadian) and Yahoo! en Catal (part of Yahoo! Spain's Catalan language offerings). Outside the English-speaking markets, we have built independent directories of local language Web sites and other content, developed by native speakers of each language. We own a majority or 100% of these non-U.S. operations (except in Japan), and have established offices internationally to facilitate the local development of these businesses. We have pursued a consistent strategy of content aggregation with leading third parties and currently plan to continue to rollout certain selected properties and services for our international markets.

Our joint ventures with SOFTBANK and its affiliates, a holder of approximately 4% of our Common Stock as of December31, 2002, include Yahoo! Germany, Yahoo! United Kingdom, Yahoo! France (collectively "Yahoo! Europe"), Yahoo! Japan and Yahoo! Korea. These joint ventures were formed to establish and manage local versions of our properties in the respective countries. With the exception of Yahoo! Japan, these joint ventures are operated and managed by us as a part of our global network. Yahoo! Japan is a publicly traded company in Japan that is majority owned by SOFTBANK. As of December31, 2002, we owned approximately 70% of Yahoo! Europe, 34% of Yahoo! Japan and 67% of Yahoo! Korea. Yahoo! Europe and Yahoo! Korea are consolidated subsidiaries of Yahoo!Inc. The Company has no funding commitment to Yahoo! Japan. As of December31, 2002, SOFTBANK and its affiliates owned the remaining interests in Yahoo! Europe and Yahoo! Korea not owned by Yahoo! and its affiliates.

REVENUE CLASSIFICATIONS

Marketing Services revenues are primarily generated from the sale of banner, sponsorship, text-link advertisements, including sponsored search advertisements, and transactions revenues. Banner agreements typically consist of targeted and non-targeted advertising that appears on or around pages within the Yahoo! network. Sponsorship agreements take many forms including: high profile promotions that are typically focused on a particular event, such as a sweepstakes; third party branded content integration into our properties allowing marketers to provide information about their products to consumers; and merchant sponsorship opportunities on targeted Yahoo! properties encouraging users to purchase the goods and services of our advertisers. Hypertext links are embedded in each advertisement, sponsorship 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. Additionally, we offer online research and data services, enabling marketers to better understand their customers profiles and behaviors. Transactions revenues include service fees for facilitating transactions through the Yahoo! network.

Although a significant amount of advertising purchases on our properties are for general rotation on pages within the Yahoo! network, we also offer highly-targeted marketing opportunities that are designed to deliver greater value to advertisers through more focused audiences. By developing an extended family of Yahoo!-branded properties, we seek to offer advertisers a wide range of placement options and promotional opportunities. We offer an integrated set of sales and marketing tools built on the Yahoo! network and delivered in an integrated manner to our global audience. They consist of innovative, interactive marketing programs designed to provide one-stop shopping for companies seeking to secure a measurable Internet presence.

We maintain three primary channels for selling our marketing services: online, telephone and direct. Our Sponsored Matches service, which provides enhanced visibility for Web sites within Yahoo!'s search results, is primarily sold through our online channel by Overture. Under this program, our search results pages feature up to the top-six Pay-for-Performance search listings sold to advertisers. Our telemarketing channel focuses on sales of online marketing services to small and medium-size businesses. Our direct advertising sales team focuses on selling our marketing services and solutions to leading agencies and marketers in the United States. As of December31, 2002, we employed advertising sales professionals in 11locations across the U.S., including: Atlanta, Austin, Boston, Chicago, Dallas, Detroit, LosAngeles, Miami, New York, the San Francisco Bay Area and Washington, D.C. Our advertising 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 addition to its geographic sales structure, we have vertical advertising sales teams for automotive, consumer packaged goods, entertainment, finance, retail, pharmaceuticals, sports, technology, telecommunications, travel and advertising agencies. In international markets, our own internal sales representatives handle our advertising sales. In some countries, where we have not established full operational capacity, sales agency relationships have been established.

Fees revenues consist of revenues generated from a variety of consumer and business fee-based services, including SBC Yahoo! DSL and Dial, Yahoo! Personals, Small Business Services, Yahoo! Mail and Yahoo! Enterprise Solutions. Our Yahoo! Enterprise Solutions sales are handled by a designated sales team.

Listings revenues consist of revenues generated from a variety of consumer and business listings-based services, including access to the HotJobs database and classifieds, such as Yahoo! Autos, Yahoo! Real Estate and other Search and Directory services. HotJobs career offerings are handled by a designated sales team.

COMPETITION

We operate in the market for Internet products and services, which is a highly competitive market characterized by rapid change, converging technologies, and increased competition from companies offering communication, information and entertainment services integrated into other products and media properties.

Globally, our most significant competition is from AOL Time Warner ("AOL" or "America Online") and Microsoft ("Microsoft" or "MSN"). AOL is an integrated media and communications company engaged in online services, cable, filmed entertainment, television network, music and publishing. AOL has access to a large potential customer base through its America Online, cable and publishing business units. Microsoft is the largest software company in the world and through its MSN network provides numerous Internet products and services and has alliances with companies involved with broadband access and various forms of digital interactivity. Microsoft's presence on computer desktops through packaged software products and their strategy to sell software through online subscriptions provides them a competitive advantage over us in providing software and services to online users. Both AOL and MSN have a direct billing relationship with a greater number of their users through access and other services than we have with our users through certain of our premium services. This gives them the potential advantage over us in targeting the sale of enhanced services to their user base.

We also face competition from companies focused on vertical markets where expertise in a particular segment of the market may provide them a competitive advantage over us. Two of these competitors, Amazon and eBay, are expanding their positions as e-commerce merchants to leverage advantages from the scale of their commerce platforms to offer informational and community features that are competitive with the services we provide. Additionally, as a result of our recent acquisition of Inktomi, we compete directly with other providers of Web search and related search services, including, among others, AltaVista, Fast Search and Transfer (both of which are under agreement to be acquired by Overture), Google and Looksmart.

Internationally, we compete with local portals that are predominantly supported by the local telecommunication providers, which gives them a competitive advantage over us because they typically already have a direct billing relationship with their users.

PRODUCT DEVELOPMENT

We continually enhance existing services and develop new services to meet evolving consumer demand for technological innovation. Our domestic engineering and production teams are primarily located in our Sunnyvale, California headquarters and in Dallas, Texas and Bangalore, India. Locally-based teams handle most international production and engineering. We have developed internally, acquired or licensed the properties and services we offer.

INTELLECTUAL PROPERTY

We seek to protect our intellectual property through patent, copyright, trade secret and trademark law and through contractual restrictions, such as confidentiality agreements. We consider the Yahoo! trademark to be one of our most valuable assets and we have registered this trademark in the United States and other countries throughout the world.

EMPLOYEES

As of December31, 2002, we had approximately 3,600 full-time employees. Our future success is substantially dependent on the performance of our senior management and key technical personnel, and our 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.

AVAILABLE INFORMATION

Yahoo!'s Web site is located at http://www.yahoo.com. Yahoo! makes available free of charge, on or through its Web site, its annual, quarterly and current reports, and any amendments to those reports, as soon as reasonably practicable after electronically filing such reports with the Securities and Exchange Commission ("SEC"). Information contained on Yahoo!'s Web site is not part of this report or any other report filed with the SEC.

RISK FACTORS

If our competitors are more successful in attracting and retaining customers and users, then our revenues could decline.

We compete with many other providers of online navigation, Web search, information, entertainment, business, recruitment, community, electronic commerce, Internet access 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, Web search, information, community and entertainment services and Internet access 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;
- online employment recruiting companies;
- online merchant hosting services; and
- online broadcasting of business events.

In order to compete effectively, we may need to expend significant internal engineering resources or acquire other technologies and companies to provide or enhance our capabilities. For example, our recent acquisition of Inktomi brings us leading technology in Web search, which is an important service we provide to our users. If we are unable to maintain or expand our customer and user base in the future, our revenues may decline.

Companies such as AOL Time Warner and Microsoft may have a competitive advantage because they have greater access to content, maintain billing relationships with customers and have access to established distribution networks.

We face significant competition from AOL and Microsoft. 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!. In certain of these cases, most notably AOL Time Warner and MSN, our competition has a direct billing relationship with a greater number of their users through access and other services than we have with our users through certain of our premium services. 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.

Our recent acquisition of Inktomi exposes our business to greater competition in the area of Web search.

In March2003 we completed our acquisition of Inktomi Corporation, a provider of OEM Web search and paid inclusion services. As a result of our acquisition of Inktomi, we compete directly with other providers of Web search and related search services, including, among others, AltaVista, Fast Search& Transfer (both of which are under agreement to be acquired by Overture), Google and Looksmart. Some of these competitors may have longer operating histories focusing on providing Web search services on an OEM basis, larger customer or user bases and greater brand recognition for their Web search businesses. In addition to the general acquisition risks highlighted in these Risk Factors, other companies with greater operational, strategic or financial resources may choose to enter the Web search or paid inclusion spaces by acquisition or internal development, and may create greater competition for customers and users.

Our international segment competes with local Internet service providers that may have 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, deepen our relationships with our users as well as increase our branding and other marketing activities in order to remain competitive and strengthen our market position internationally.

Our intellectual property rights are valuable and any inability to protect them could dilute our brand image.

We regard our copyrights, patents, trademarks, trade dress, trade secrets, and similar intellectual property, including our rights to certain domain names, as important to Yahoo!'s success. 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. Further, the efforts we have taken to protect our proprietary rights may not be sufficient or effective. If we are unable to protect our trademarks from authorized use, our brand image may be harmed. While we attempt to ensure that the quality of our brand is maintained by our licensees, our licensees may take actions that could impair 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 content available on Yahoo! for use in competitive Internet services. Protection of the distinctive elements of Yahoo! may not be available under copyright law. Any impairment of our brand image could cause our stock price to drop. In addition, protecting our intellectual property and other proprietary rights can be expensive. Any increase in the unauthorized use of our intellectual property could make it more expensive to do business and consequently harm our operating results. In turn, this could harm the results of our business and lower our stock price.

We may be subject to intellectual property infringement claims, which are costly to defend and could limit our ability to provide certain content or use certain technologies in the future.

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 several 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. Currently, our subsidiary LAUNCH Media,Inc. ("LAUNCH") is engaged in a lawsuit regarding copyright issues that commenced prior to our entering into an agreement to acquire LAUNCH. 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.

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

There can be no assurance that the purchasing pattern of customers advertising on the Yahoo! network will not continue to fluctuate, that advertisers will not make smaller and shorter-term purchases, or that market prices for online advertising will not decrease due to competitive or other factors. As the percentage of revenues from sources other than advertising increases, it may become more difficult to predict our financial results based on historical performance. Because of the rapidly changing market we serve, period-to-period comparisons of operating results are not likely to be meaningful. You should not rely on the results for any period as an indication of future performance.

We expect our operating expenses to continue to increase as we attempt to expand the Yahoo! brand, fund product development, develop media properties and acquire other businesses.

Yahoo! currently expects that its operating expenses will continue to increase as we expand our sales and marketing operations in areas of expected growth, continue to develop and extend the Yahoo! brand, fund greater levels of product development, develop and commercialize additional media properties and premium services, and acquire complementary businesses and technologies.

We may be required to record a significant charge to earnings if we must reassess our goodwill or amortizable intangible assets.

We are required under generally accepted accounting principles to review our amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. Factors that may be considered a change in circumstances indicating that the carrying value of our intangible assets may not be recoverable include a decline in stock price and market capitalization, and slower growth rates in our industry. If our stock price and market capitalization decline, we may be required to record a significant charge to earnings in our financial statements during the period in which any impairment of our goodwill or amortizable intangible assets is determined. At December31, 2002, our goodwill and other intangible assets were $511.5million. In the first quarter of 2002, we recorded a transitional impairment charge of $64.1million as a cumulative effect of an accounting change, resulting from the adoption of Statement of Financial Accounting Standards No.142 "Goodwill and Other Intangible Assets."

Approximately 61% of our revenues are derived from online advertising. Demand from our current and potential clients for online advertising is difficult to forecast accurately.

For the year ended December31, 2002, approximately 61% of our revenues came from advertisements displayed on our online properties. Our ability to continue to achieve substantial advertising revenue depends upon:

- growth of our user base;
- broadening our relationship with advertisers to small and medium size businesses;
- 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
- our ability to transition and expand into other forms of advertising.

Our agreements with advertisers and sponsors generally have terms of three years or less and, in many cases, the terms are one year or less. The agreements often have payments contingent on usage or "click-through" levels. Some of our advertisers are Internet companies, which in certain cases, may lack financial resources to fulfill their commitments. Accordingly, it is difficult to forecast these revenues accurately. 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.

If we are unable to continue to provide search and directory capabilities on terms which are acceptable to us, our revenue could significantly decline.

We also generate a significant amount of revenue from our search and directory capabilities through an advertiser's purchase of an enhanced placement in our results. Yahoo! Sponsor Matches, offered through keyword search driven inquiries, is currently provided through an agreement with Overture Services,Inc., with an initial term ending in April2005 and options for us to extend until April2011. For the full year of 2002, our revenues from our agreement with Overture Services,Inc. exceeded 10% of our total net revenues. If we are unable to provide search and directory services which generate significant traffic to our Web sites, to continue to secure an arrangement with a third party provider such as Overture on terms which are acceptable to us, or we are unable to develop our own ability to provide this service, our revenue could significantly decline.

The sources of our advertising revenue are changing and we must adapt to the needs of our changing mix of advertisers to maintain or increase our advertising revenues.

We are experiencing a shift in the source of our 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. In addition, companies in more traditional lines of business have only recently begun to increase their aggregate commitments to Internet advertising. If we are unsuccessful in adapting to the needs of our changing mix of advertisers, our revenues could decline.

Decreases or delays in advertising spending due to general economic downturns could harm our ability to generate advertising revenue.

Expenditures by advertisers tend to be cyclical, reflecting overall economic conditions as well as budgeting and buying patterns. The overall market for advertising, including Internet advertising, has been generally characterized in recent quarters by softness of demand and the reduction of marketing and advertising budgets or the delay in spending of budgeted resources. As a result, advertising spending across traditional media, as well as the Internet, has decreased. Since Yahoo! derives a large part of its revenues from advertising fees, the decrease in or delay of advertising spending could reduce our revenues or negatively impact our ability to grow our revenues. Even if economic conditions do improve, marketing budgets and advertising spending may not increase from current levels.

Due to intense competition, we may not be able to generate substantial revenues from the Internet access market.

In 2002 we announced the launch of SBC Yahoo! DSL and SBC Yahoo! Dial, an Internet access service provided through an alliance with SBC CommunicationsInc. This access service combines customized content and services from Yahoo! (including browser and other communications services) and DSL transport and Internet access from SBC Internet Services (an affiliate of SBC CommunicationsInc.). This Internet access service will compete with many large companies, some of which may have substantially greater market presence (including an existing user base), financial, technical, marketing or other resources than those committed to the product offerings with SBC. This service will primarily compete directly or indirectly with established Internet services, such as America Online and the Microsoft Network; national telecommunications companies and regional Bell operating companies (other than SBC); and broadband Internet access providers such as Earthlink, Comcast, and other cable broadband providers. As a result of these and other competitive factors, this service may not be able to attract, grow or retain a customer base, which would negatively impact our ability to sell customized content and services through this channel.

Our success in the Internet access market will depend on technical and customer service issues which we have a limited ability to control.

Internet access services, including SBC Yahoo! DSL and SBC Yahoo! Dial, are susceptible to natural or man-made disasters such as earthquakes, floods, fires, power loss, or sabotage, as well as interruptions from technology malfunctions, computer viruses or hacker attacks. Other potential service interruptions may result from unanticipated demands on network infrastructure, increased traffic or problems in customer service to our access customers. Our ability to control technical and customer service issues is further limited by our dependence on SBC for connectivity, customer service, joint marketing and technical integration of aspects of our access service. Significant disruptions in our access service could harm our goodwill, the Yahoo! brand and ultimately could significantly and negatively impact the amount of revenue we may earn from our service.

Some of our sponsorship arrangements may not generate anticipated revenues.

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 arrangements 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 usage by our existing base) or the failure to generate anticipated levels of shared transaction revenues could result in a significant decrease in our revenues.

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 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 users, as is the case with most of our competitors. We also offer fee-based enhancements to our email service and also depend on the use of other Yahoo! services to generate revenues from our communications service. This revenue model and 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. As communications services become an increasingly important part of our total offering, we must continue to provide new communications applications that 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 requires long development cycles and a more significant investment by us. If we cannot generate revenues from our communications services that are greater than the cost of providing such services, our operating results will be harmed.

We may not be successful in expanding the number of users of our electronic commerce services.

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 whom we have relationships. Through our electronic commerce properties, we do not establish a direct billing relationship with our users as a result of any purchases they may make with the retailers. In addition, a large number of our users currently utilize Yahoo!'s 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 properties is typically in the form of a commission paid by the retailer from whom our user purchased a product. Users who had a favorable buying experience with a particular retailer may contact that retailer directly for future purchases 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 whom we have relationships, may 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 and as a consequence our revenue could decline or we could fail to generate significant revenues from electronic commerce. In addition, a decrease in the number of users of Yahoo! Shopping could adversely affect demand for our Yahoo! Store service as a means to market and distribute products online, which could negatively impact the amount of revenue we generate from this service.

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

We have invested a significant amount of money and resources in the creation of our Yahoo! Enterprise Solutions offerings, which is composed of our Portals and Broadcast Groups. These services may fail to gain increasing market acceptance. Because the market for 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 increasingly 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 grow or be sustainable. In addition, with respect to Portal Solutions, we compete with many large, well capitalized companies offering a broader range of integrated products, which provides them with a competitive advantage. If the market fails to grow, grows more slowly than expected or becomes more competitive than is currently expected, our operating results could be harmed.

We will continue to operate in international markets in which we have limited experience and 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. 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 expand our operations in international markets quickly in order to obtain market share effectively. 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 our international online properties relative to our domestic experience. We have selected international markets that may not develop at a rate that supports our level of investment. In particular, international markets typically have been slower than domestic markets in adopting the Internet as an advertising and commerce medium.

Our international operations are subject to greater risks.

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;
- longer payment cycles;
- currency exchange rate fluctuations;
- political and economic 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 harm our future international operations and consequently, could harm our business, operating results, and financial condition.

If key personnel leave unexpectedly and are not replaced, we may not be able to execute our business plan.

We are substantially dependent on the continued services of our key personnel, including our two founders, our chief executive officer, chief financial officer, chief operating officer, chief technical officer, and our executive and senior vice presidents. These individuals have acquired specialized knowledge and skills with respect to Yahoo! and its operations. 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. Yahoo!'s chief product officer, chief global marketing officer, and senior vice president of Enterprise Solutions departed from Yahoo! during 2002. We 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, have become or will shortly become fully vested in their initial stock option grants. While management personnel are typically granted additional stock options subsequent to their hire date, which will usually vest over a period of four years to provide additional incentive to remain at Yahoo!, the initial option grant is typically the largest for a given position, and an employee may be more likely to leave Yahoo!'s employ upon completion of the vesting period for the initial option grant.

If we are unable to hire qualified personnel in designated growth areas, we may not be able to execute our business plan.

We expect that we will need to hire additional personnel in designated growth areas. The competition for qualified personnel can be 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. If we do not succeed in attracting new personnel, or retaining and motivating existing personnel, we may be unable to meet our business plan and as a result our stock price may drop.

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

Yahoo! is one of the most highly trafficked Websites on the Internet and is regularly serving numbers of users and delivering daily page views which are beyond previous standards for Internet usage. In addition, the services offered by Yahoo! and popular with users and customers have changed significantly in the past, are expected to change rapidly in the future, and are difficult to predict. Rapid increases in the levels or types of use of our online properties and services could result in delays or interruptions in our service. In particular, the architecture utilized for our email and certain other communication services is highly complex and may not provide satisfactory service in the future, especially as email and certain other communications services become an increasingly important service offering and as the rate of unsolicited email continues to increase in volume and complexity. 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. These delays or interruptions in our service may cause users and customers to become dissatisfied with our service and move to competing providers of online services. Further, to the extent that demand for our broadcast services content and other rich media offerings 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 and complex, and require additional technical expertise. If we fail to successfully scale our broadcasts to large audiences of simultaneous users, such failure could harm that portion of our business. 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. An unanticipated loss of traffic, increased costs, inefficiencies or failures to adapt to new technologies or user requirements and the associated adjustments to our architecture could harm our operating results and financial condition.

Our competitors often provide Internet access or computer hardware to our users, and our competitors could make it difficult for our users to access our services, which in turn, could reduce the number of our users.

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 (other than SBC), 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 the access provider gathers information from the user in connection with the establishment of the billing relationship, the access provider may be more effective than us 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 an access provider (other than SBC Yahoo! DSL or SBC Yahoo! Dial) or those offered by computer or computing device manufacturers rather than the services provided by us, our revenues may decline.

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, mobile 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.

We may not be successful in developing marketable advertising services suited for alternative devices.

As the majority of our revenues are derived through the sale of marketing services 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 alternative device users could harm 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 (and other vertical brands, including HotJobs) 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 relatively low barriers to entry. We have spent considerable money and resources to date on the establishment and maintenance of the Yahoo! brands. 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! brands. We may not be able to successfully maintain or enhance consumer awareness of the Yahoo! brands 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 customer awareness of the Yahoo! brands in a cost effective manner, our business, operating results and financial condition would be harmed.

The successful operation of our business depends upon the supply of critical elements from other companies and any interruption in that supply could cause service interruptions or reduce the quality of our product offerings.

We 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 private third-party providers for our principal Internet connections, co-location of a significant portion of our data servers and network access. Any disruption in the Internet or network access or co-location services provided by these third-party providers or any failure of these third-party providers to handle current or higher volumes of use could significantly harm our business, operating results and financial condition. Any financial difficulties for our providers may have negative effects on our business, the nature and extent of which we cannot predict. 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. We also rely on a third-party manufacturer for key components of our email service. Furthermore, we depend on hardware and software 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. In addition to our relationship with SBC, to increase traffic for our online properties and services and make them more available and attractive to advertisers and consumers, we have certain distribution agreements and informal relationships with leading Web browser providers, operators of online networks and leading Websites, software developers and computer manufacturers, and telecommunications companies. 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, including through alternative devices, we may need to enter into additional distribution relationships. If we fail to obtain distribution or to obtain distribution on terms that are reasonable, we may not be able to execute our business plan.

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.

Content and Search Service. Our future success depends upon our ability to aggregate compelling content and deliver that content through our online properties. We license much of the content that attracts users to our online properties, such as news items, stock quotes, weather reports, maps and audio and video content from third parties such as Reuters. We also obtain important elements of our search service from our relationship with Google. In particular, Yahoo! Broadcast and our music and entertainment properties rely 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 our properties. 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, our content providers may increase the prices at which they offer their content to us and potential content providers may not offer their content on terms agreeable to us. An increase in the prices charged to us by third-party content providers could harm our 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 Yahoo! from other businesses. 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 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.

In the past, 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 and 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 and other media and entertainment properties. We believe that users of Internet services such as the Yahoo! online properties will increasingly demand high-quality audio and video content. Such content may require us to make substantial payments to third parties from whom we 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. The revenue we receive as a result of our audio and video broadcasts may not justify the costs of providing such broadcasts.

Our failure to manage growth and consolidation could harm us.

We have experienced dramatic growth in personnel in recent years and expect to continue to hire additional personnel in selected areas. We also consolidated our workforce in certain areas to decrease our costs and create greater operational efficiency. This growth and consolidation requires significant time and resource commitments from us and our senior management. Further, as a result of recent acquisitions and international expansion, more than one-half of our employees are based outside of our Sunnyvale, California headquarters. If we are unable to effectively manage a large and geographically dispersed group of employees, anticipate our future growth or manage our operational consolidations effectively, our business will be adversely affected. In addition, our business relies on our financial reporting and data systems (including our systems for billing users of our fee-based services), which have grown increasingly complex in recent quarters due to acquisitions and the diversification and complexity of our business. Our ability to operate our business efficiently depends on these systems and if we are unable to adapt to these changes, our business will be adversely affected.

Acquisitions could result in operating difficulties.

As part of our business strategy, we acquired Inktomi Corporation and have completed several acquisitions (including the acquisition of HotJobs.com in February2002). We also expect to enter into additional business combinations and acquisitions in the future. The acquisition of HotJobs was accompanied by a number of risks, including:

- the difficulty of assimilating the operations and personnel of HotJobs, which are principally located in New York, with and into Yahoo!'s operations, which are headquartered in California;
- the potential disruption of our ongoing business and distraction of management;
- the difficulty of incorporating HotJobs' technology or content and rights into our products and media properties and unanticipated expenses related to such integration;
- 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 HotJobs' technology resulting in the impairment of amounts currently capitalized as intangible assets;

- the impairment of relationships with employees and customers of HotJobs or our own business as a result of any integration of new management personnel; and

- the potential unknown liabilities associated with HotJobs.

We may experience similar risks in connection with our acquisition of Inktomi or future acquisitions. We may not be successful in addressing these risks or any other problems encountered in connection with the acquisition of HotJobs or that we could encounter in future acquisitions and the failure to do so could harm our business.

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, financial market regulation, consumer protection, 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 federal laws, including the following, could have an impact on our business. The Digital Millennium Copyright Act is intended, in part, to limit the liability of eligible online service providers for listing or linking to third-party Websites 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 Web 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 (or developments stemming from enactment or modification of other laws) could increase the costs of regulatory compliance for us or force us to change our business practices.

We may be subject to legal liability for 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. In addition, Yahoo! was 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 and may continue to be volatile.

The trading price of our Common Stock has been and may continue to be subject to wide fluctuations. During 2002, the closing sale prices of our Common Stock on the Nasdaq ranged from $9.00 to $20.50 per share and the closing sale price on February28, 2003 was $20.85 per share. 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 to us, and news reports relating to trends in our markets or general economic conditions.

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.

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, a significant portion of our network infrastructure is located in Northern California, an area susceptible to earthquakes. In the past, 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 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, physical and electronic break-ins, and similar disruptions from unauthorized tampering with our computer systems.

Technological or other assaults on our service could harm our business.

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 reduce our revenue and harm our operating results and financial condition.

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

We have adopted 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 March20, 2001. Each right entitles the holder to purchase one unit consisting of one one-thousandth of a share of our SeriesA 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 March1, 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 SeriesA 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 our 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, deterring 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 our 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. Further, we are subject to the anti-takeover provisions of Section203 of the Delaware General Corporation Law, which will prohibit us from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, even if such combination is favored by a majority of stockholders, unless the business combination is approved in a prescribed manner. The application of Section203 also could have the effect of delaying or preventing a change of control or management.

Terrorist attacks have contributed to economic instability in the United States; continued terrorist attacks, war or other civil disturbances could lead to further economic instability and depress our stock price.

On September11, 2001, the United States was the target of terrorist attacks of unprecedented scope. These attacks have caused instability in the global financial markets, and have contributed to volatility in the stock prices of United States publicly traded companies, such as Yahoo!. These attacks have and may continue to lead to armed hostilities (including possible military action in Iraq or elsewhere) or may lead to further acts of terrorism and civil disturbances in the United States or elsewhere, which may further contribute to economic instability in the United States and could reduce our revenue.

Item 2. Properties

Our headquarters are located in Sunnyvale, California and aggregate approximately 807,000 square feet. Office space for our international subsidiaries is leased in Amsterdam, Bangalore, Beijing, Buenos Aires, Copenhagen, Dusseldorf, Hamburg, Hong Kong, London, Madrid, Melbourne, Mexico City, Milan, Mumbai, Munich, New Delhi, Paris, Sao Paulo, Seoul, Shanghai, Singapore, Stockholm, Sydney, Taipei and Toronto. We also lease offices in various locations in the United States, including Atlanta, Austin, Boston, Chicago, Columbus, Dallas, Detroit, Los Angeles, Miami, New York, San Francisco, St. Louis, and Washington, D.C. Our principal Web server equipment and operations are maintained in Santa Clara, California.

We also have an agreement committing to lease two additional buildings adjacent to our headquarters in Sunnyvale, California, which are expected to be ready for occupancy in the third quarter of 2003. We believe that our 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, third parties assert patent infringement claims against Yahoo! in the form of letters, lawsuits, and other forms of communication. Currently, we, or our acquired subsidiaries, are engaged in several lawsuits regarding patent issues and have been notified of a number of other potential patent disputes.

In addition, from time to time we are subject to other 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 our email, message boards, auction sites, shopping services, and other communications and community features, such as claims alleging defamation or invasion of privacy.

We do not believe, based on current knowledge, that any of the foregoing legal proceedings or claims are likely to have a material adverse effect on our financial position, results of operations or cash flows. However, we may incur substantial expenses in defending against third party claims. In the event of a determination adverse to Yahoo!, we may incur substantial monetary liability, and be required to change our business practices. Either of these could have a material adverse effect on our financial position, results of operations or cash flows.

On May24, 2001, Arista Records,Inc., Bad Boy Records, BMG Music d/b/a The RCA Records Label, Capitol Records,Inc., Virgin Records America,Inc., Sony Music EntertainmentInc., UMG Recordings,Inc., Interscope Records, Motown Record Company,L.P., and Zomba Recording Corporation filed a lawsuit alleging copyright infringement against LAUNCH Media,Inc. ("LAUNCH") in the United States District Court for the Southern District of New York. After the lawsuit was commenced, we entered into an agreement to acquire LAUNCH. In June2001, LAUNCH announced that it had settled the LAUNCH litigation as to UMG Recordings,Inc. Our acquisition of LAUNCH closed in August2001, and since that time LAUNCH has been a wholly owned subsidiary of Yahoo!. The complaint alleges, among other things, that the consumer-influenced portion of LAUNCH's LAUNCHcast service as operated at the time of the complaint was "interactive" within the meaning of Section114 of the Copyright Act and therefore does not qualify for the compulsory license provided for by the Copyright Act. The Complaint seeks declaratory and injunctive relief and damages for the alleged infringement. Yahoo! and LAUNCH do not believe that LAUNCH has infringed any rights of plaintiffs and intend to vigorously contest the lawsuit. The lawsuit is still in the preliminary, discovery phase and we do not believe it is feasible to predict or determine the outcome or resolution of the LAUNCH litigation. The range of possible resolutions of the LAUNCH litigation could include judgments against us or settlements that could require substantial payments by us, which could have a material adverse impact on our financial position, results of operations or cash flows. In January2003, LAUNCH announced that it had settled the LAUNCH litigation as to Sony Music Entertainment,Inc.

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 2002.

PartII

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 per share sales prices as reported for each period indicated and reflects all stock splits effected:

	2002		2001	
	High	**Low**	**High**	**Low**
First quarter	$ 21.35	$ 13.41	$ 43.38	$ 13.50
Second quarter	19.15	12.82	23.70	11.38
Third quarter	14.86	8.94	20.87	8.02
Fourth quarter	18.97	9.01	19.50	8.45

We had 9,865 stockholders of record as of February28, 2003. We have not declared or paid any cash dividends on our Common Stock. We presently intend to retain our future earnings, if any, to fund the development and growth of our business and, therefore, do not have plans to pay any cash dividends in the near future.

We did not make any unregistered sales of our Common Stock during the fourth quarter of 2002.

Item 6. Selected Financial Data

(in thousands, except per share amounts)

	Years Ended December 31,				
	2002	2001	2000	1999	1998
Net revenues	$ 953,067	$ 717,422	$ 1,110,178	$ 591,786	$ 245,132
Net income (loss) before cumulative effect of accounting change	$ 106,935	$ (92,788)	$ 70,776	$ 47,811	$ (13,641)
Cumulative effect of accounting change	(64,120)	–	–	–	–
Net income (loss)	$ 42,815	$ (92,788)	$ 70,776	$ 47,811	$ (13,641)
Net income (loss) per share before cumulative effect of accounting change – basic	$ 0.18	$ (0.16)	$ 0.13	$ 0.09	$ (0.03)
Cumulative effect of accounting change per share – basic	(0.11)	–	–	–	–
Net income (loss) per share – basic	$ 0.07	$ (0.16)	$ 0.13	$ 0.09	$ (0.03)
Net income (loss) per share before cumulative effect of accounting change – diluted	$ 0.18	$ (0.16)	$ 0.12	$ 0.08	$ (0.03)
Cumulative effect of accounting change per share – diluted	(0.11)	–	–	–	–
Net income (loss) per share – diluted	$ 0.07	$ (0.16)	$ 0.12	$ 0.08	$ (0.03)
Shares used in per share calculation – basic	593,838	569,724	550,657	516,237	440,131
Shares used in per share calculation – diluted	610,060	569,724	610,678	599,558	440,131

	December 31,				
	2002	2001	2000	1999	1998
Cash, cash equivalents and investments in marketable debt securities	$ 1,534,038	$ 1,471,993	$ 1,658,666	$ 1,004,300	$ 636,079
Restricted cash and restricted long-term investments	–	258,662	30,000	–	–
Working capital	558,190	693,016	979,635	796,653	531,032
Total assets	2,790,181	2,379,346	2,269,576	1,520,129	790,471
Long-term liabilities	84,540	23,806	32,115	17,621	6,930
Mandatorily redeemable convertible Preferred Stock	–	–	–	52,173	9,923
Stockholders' equity	$ 2,262,270	$ 1,967,017	$ 1,896,914	$ 1,251,732	$ 676,361

All historical information has been restated to reflect the acquisitions during the years ended 2000, 1999 and 1998 that were accounted for as a pooling of interests.

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, including those with respect to our expected operating results for 2003, 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, the results of any acquisition we may complete, and in the section in this Annual Report on Form10-K entitled "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 and do not reflect the results of any acquisitions that we have completed since December31, 2002. Yahoo!Inc. 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 we file from time to time with the Securities and Exchange Commission, including the Quarterly Reports on Form10-Q and any Current Reports on Form8-K to be filed by us in fiscal year 2003.

OVERVIEW

Yahoo!Inc. ("Yahoo!") is a global Internet company that offers a comprehensive branded network of properties and services to consumers and businesses worldwide. As the first online navigational guide to the Web, *www.yahoo.com* , is a leading guide in terms of traffic, advertising, household and business user reach. Yahoo!'s global brand reaches the largest audience worldwide. Our global Web network includes 25 world properties. Headquartered in Sunnyvale, California, we have offices in the United States, Europe, Asia, Latin America, Australia and Canada.

We manage our business geographically. We rely on an internal management reporting process that provides revenue and certain operating cost information for making financial decisions and allocating resources. Our principal areas of measurement and decision-making are the United States and International.

Revenues. Our revenues are derived principally from services, which include marketing services, fees, and listings. Revenues for the years ended December31, 2001 and 2000 have been reclassified to include transactions revenues in marketing services revenues as the transactions are usually generated as a result of other marketing services provided to the customer and are included as part of the overall contract. Fees and listings revenues have also been reclassified in separate categories to provide a greater understanding of the business.

Marketing services revenues are primarily generated from the sale of banner, sponsorship, text-link advertisements, including sponsored search advertisements, and transaction revenues. Banner advertising agreements typically range from one week to three years. The Company recognizes marketing services revenues related to banner advertisements as "impressions" are delivered by the Company. "Impressions" are defined as the number of times that an advertisement appears in pages viewed by users of the Yahoo! network. Sponsorship advertising agreements have longer terms than banner advertising agreements, typically ranging from three months to three years, and often involve multiple element arrangements that may include placement on specific properties, exclusivity and content integration. Sponsorship advertisement revenues are recognized as "impressions" are delivered or ratably over the contract period, where applicable, and when collection of the resulting receivable is reasonably assured. Text-link advertisements, including sponsored searches, are recognized as the net amount earned in the period in which the "click-throughs" occur. "Click-throughs" are defined as the number of times a user clicks on an advertisement or search result. Transactions revenues include service fees for facilitating transactions through the Yahoo! network, principally from our commerce properties. Transactions revenues are recognized when there is evidence that the qualifying transactions have occurred and collection of the resulting receivable is reasonably assured. We recognize revenue on these arrangements in accordance with Securities and Exchange Commission Staff Accounting Bulletin No.101 ("SAB 101"), "Revenue Recognition in Financial Statements." In all cases, revenue is recognized only when the price is fixed or determinable, persuasive evidence of an arrangement exists, the service is performed, and collectibility of the resulting receivable is reasonably assured. Revenues from sponsored search and media from the Company's agreement with Overture Services,Inc. ("Overture") are included in marketing services for the years ended December31, 2002 and 2001. Revenues from Overture amounted to 14% of net revenues for the year ended December31, 2002. No one customer accounted for 10% or more of net revenues during 2001 and 2000.

Periodically, we engage in barter transactions for marketing services. Barter revenue is recognized over the periods in which we complete our obligations under the arrangement. In January2000, we adopted Emerging Issues Task Force No.99-17 ("EITF 99-17"), "Accounting for Advertising Barter Transactions," which requires advertising barter transactions to be valued based on similar cash transactions that have occurred within six months prior to the barter transaction. Barter revenues represented 2%, 7% and 7% of total revenues for 2002, 2001 and 2000, respectively. During 2002, 2001 and 2000, we delivered approximately 3.5billion, 1.6billion and 1.1billion impressions, respectively, under barter arrangements where fair value was not determinable under EITF 99-17, and accordingly revenue was not recognized.

Fees revenues consist of revenues generated from a variety of consumer and business fee-based services, including SBC Yahoo! DSL and Dial, Yahoo! Personals, Small Business Services, Yahoo! Mail, and Yahoo! Enterprise Solutions. With the exception of Yahoo! Portal Solutions, revenues are recognized in the month in which the services are performed, provided that no significant obligations remain and collection of the resulting receivable is reasonably assured. Revenues from Yahoo! Portal Solutions consist of software license and service revenues, which are principally platform and maintenance services. Yahoo! Portal Solutions revenue is recognized in accordance with Statement of Position No.97-2, "Software Revenue Recognition" and Statement of Position 98-9, "Modification of SOP No.97-2 with Respect to Certain Transactions." License revenues are recognized when persuasive evidence of arrangement exists, delivery of the license has occurred, the fee is fixed or determinable, and collection is probable. License revenues from Portal Solutions were not material to Yahoo!, as they represented less than 1% of total net revenue for all periods presented. Platform services are sold as a subscription and are recognized ratably over the subscription period. Platform services are priced based on the specific content or service purchased by the customer. These services are optional and renewable annually at fixed renewal rates. Maintenance is generally sold under annual contracts with fixed renewal rates. Maintenance revenue is recognized ratably over the contract period. Yahoo! Portal Solutions revenues have represented less than 10% of total net revenues in all periods presented.

Listings revenues consist of revenues generated from a variety of consumer and business listings-based services, including access to the HotJobs database and classifieds, such as Yahoo! Autos, Yahoo! Real Estate and other Search and Directory services. Revenues are recognized in the month in which the services are performed, provided that no significant obligations remain and collection of the resulting receivable is reasonably assured.

Results of Operations

Net Revenues.

Net revenues by groups of similar service were as follows (dollars in thousands):

	Years Ended December 31,					
	2002	**(1)**	**2001**	**(1)**	**2000**	**(1)**
Marketing services(2)	$ 651,568	68 %	$ 570,977	79 %	$ 987,772	89 %
Fees	207,941	22 %	119,090	17 %	115,312	10 %
Listings	93,558	10 %	27,355	4 %	7,094	1 %
Net revenues	$ 953,067		$ 717,422		$ 1,110,178	

(1) Percent of Net revenues.

(2) Marketing services revenues include transaction revenues of $70.0million, $32.2million and $19.5million for the years ended December31, 2002, 2001 and 2000, respectively.

Marketing Services Revenues. Marketing services revenues are primarily generated from the sale of banner, sponsorship, text-link advertisements, including sponsored search services primarily provided through our agreement with Overture, and transactions revenues. Marketing services revenues for the year ended December31, 2002 increased by $80.6million, or 14% as compared to the prior year. The increase is due to increased revenues of $131.0million realized through our worldwide sponsored search services, which focus primarily on small and medium sized businesses. In addition, transactions revenues increased $37.8million or 117% compared to the prior year, and was comprised of $12.4million due to a change in the Company's pricing for the Yahoo! Store platform primarily from a fixed to transaction-based structure, $5.0million due to an increase in volume of commerce transactions enabled on the Yahoo! network, and $10.0million due to increased revenues from other performance-based arrangements. The increases were partially offset by a decrease in barter revenues of $36.4million, and a $51.9million decrease in renewals of previous advertising arrangements. The number of impressions and click-throughs delivered under advertising arrangements in 2002 increased by approximately 95% on a combined basis as compared to 2001, while the average price yield per impression and

click-through delivered, also on a combined basis, declined approximately 40% for the same period. During the period, the Company's focus remained on obtaining overall advertising dollars rather than maximizing price per unit. Marketing services in 2001 decreased by $416.8million, or 42%, as compared to 2000. The decrease was due to a softening of the global economy, which significantly impacted many of our customers' marketing budgets. This resulted in significantly reduced spending on Internet advertising on our site in 2001 by our customers, as compared to 2000. The reduction of revenues was due to reduced spending on advertising, rather than a function of pricing, given the increased availability of advertising inventory, as measured in page views, and the Company's focus on obtaining overall advertising dollars, rather than maximizing price per unit or impression. The average price yield per impression and click-through delivered declined approximately 65%, on a combined basis, in 2001 compared with 2000. Although the arrangements that we entered into with our customers were for reduced dollar commitments when compared to 2000, the number of impressions and click-throughs delivered under advertising arrangements increased by approximately 55%, on a combined basis, as compared to 2000. In addition, Internet companies spent significantly less money on advertising in 2001 due to diminished access to capital markets as compared to 2000. During 2001, our customer base shifted toward more traditional marketers. The decrease was partially offset by an increase in transaction revenues of $12.7million, or 65% as compared to 2000, which resulted from an increase in the number of electronic commerce transactions enabled through the Yahoo! network.

Excluding the merchants brought by Overture and HotJobs, over 8,800 customers advertised directly on the Yahoo! network during 2002 as compared to more than 5,800 and 6,000 in 2001 and 2000, respectively. In addition, in 2002, the Company gained access to advertisers of HotJobs.com,Inc. ("HotJobs") and Overture, bringing our total direct and indirect advertisers to over 85,000 during 2002.

Fees Revenues. Fees revenues consist of revenues generated from a variety of consumer and business fee-based services we provide. These services primarily include SBC Yahoo! DSL and Dial, Yahoo! Personals, Small Business Services, Yahoo! Mail and Yahoo! Enterprise Solutions. For the year ended December31, 2002, fees revenues increased $88.9million, or 75%, as compared to the prior year. The increases are attributable to an increase in paying customers for our fee-based services. Approximately $46.7million of this increase is associated with an increase in our Network and Platform services, of which $41.3million is associated with Yahoo! Personals. In addition, $12.8million is attributable to an increase in HotJobs fees revenues, and the remainder of the increase is due to overall growth across other premium Information and Content services, Search and Marketplace services and Consumer services. Fees revenues in 2001 increased $3.8million, or 3%, as compared to 2000. The significant factors contributing to this increase were $13.1million attributable to expanded services in the small business sector, as well as $15.9million attributable to the expanded deployment of Yahoo! Portal Solutions. The increase was partially offset by a $25.4million decrease in revenues from broadcasted events due to a softening of the global economy, approximately 70% of which was caused by a decrease in the number of events to approximately 2,760 during 2001, as compared to 4,150 events during 2000, and approximately 30% of which was due to a reduction in price per event.

Listings Revenues. Listings revenues consist of revenues generated from a variety of consumer and business listings-based services we provide. These services primarily include access to the HotJobs database and classifieds such as Yahoo! Autos, Yahoo! Real Estate and other Search and Directory services. For the year ended December31, 2002, listings revenues increased $66.2million, or 242%, as compared to the prior year, $64.5million of which was associated with the acquisition of HotJobs. Listings revenues in 2001 increased $20.3million, or 286%, as compared to 2000, of which $17.6million relates to listings within the Commerce and Search and Marketplace properties.

Overall, we currently expect total combined revenues for marketing services, fees, and listings to increase in absolute dollars for 2003 compared to 2002.

Costs and Expenses:

Primary operating costs and expenses were as follows (dollars in thousands):

	Years Ended December 31,					
	2002	*	2001	*	2000	*
Cost of revenues	$ 162,881	17 %	$ 157,001	22 %	$ 149,744	13 %
Sales and marketing	431,392	45 %	386,944	54 %	419,725	38 %
Product development	143,468	15 %	126,090	18 %	117,268	11 %
General and administrative	105,952	11 %	79,351	11 %	74,508	7 %

* Percent of Net revenues.

Cost of Revenues. Cost of revenues consists of the expenses associated with the production and usage of the Yahoo! network. These costs primarily consist of fees paid to third parties for content included on our online media properties, Internet connection charges, equipment depreciation, live event production costs, technology license fees and compensation related expenses.

Cost of revenues for the year ended December31, 2002 increased $5.9million, or 4%, as compared to the prior year. This reflects approximately $6.7million of additional expense due to HotJobs, which was acquired during the year, $11.9million associated with increased royalties and other content-related costs, as well as increased costs for growing network usage and premium services. The increase in 2002 was partially offset by savings of approximately $12.7million from more favorable bandwidth pricing and more efficient bandwidth utilization during 2002. Cost of revenues in 2001 increased by $7.3million, or 5%, as compared to 2000. The increase reflects a $16.2million increase in costs associated with growing network usage and additional content and other costs for new and enhanced services on the Yahoo! network. The increase in 2001 is partially offset by an $8.6million decrease in costs associated with live event production costs and the licensing of patented technology. Network usage is measured in page views (defined as electronic page displays) per day. We delivered an average of approximately 1.6billion page views per day in December2002 compared to approximately 1.1billion page views per day in December2001 and approximately 0.8billion page views per day in December2000. Cost of revenues was 17%, 22% and 13% of revenues in 2002, 2001 and 2000, respectively. Cost of revenues as a percentage of revenues does not directly correlate to revenues as many of our service offerings are free.

We currently anticipate that cost of revenues will continue to increase in absolute dollars in 2003 compared to 2002, as network usage increases and additional content is introduced for new and enhanced services.

Sales and Marketing. Sales and marketing expenses consist primarily of advertising and other marketing related expenses, compensation related expenses, sales commissions and travel costs.

Sales and marketing expenses for the year ended December31, 2002, increased $44.4million, or 11%, as compared to the prior year. Sales and marketing expenses increased by $56.5million due to costs related to HotJobs, which was acquired during the year, and $21.8million due to increases in compensation related expenses, but was partially offset by approximately $33.9million in savings from our overall effort to manage discretionary costs and a decrease in barter related expenses. Sales and marketing expenses in 2001 decreased $32.8million, or 8%, as compared to 2000. This was the result of our overall effort to manage discretionary costs, which resulted in savings of $68.0million from reduced marketing spending and savings of $15.4million from the 2001 Restructuring programs. The cost efficiencies gained in 2001 were partially offset by $51.1million in costs related to the continued investment in people and business process improvement for our sales organizations in the United States and internationally. The year-over-year increase in sales and marketing expenses as a percentage of net revenues is due to a greater decrease in marketing services revenues than sales and marketing expenses.

We currently anticipate that sales and marketing expenses in absolute dollars will increase in 2003 compared to 2002.

Product Development. Product development expenses consist primarily of compensation related expenses incurred for enhancements to and maintenance of the Yahoo! network, classification and organization of listings within Yahoo! properties, research and development expenses, and other operating costs.

Product development expenses for the year ended December31, 2002, increased $17.4million, or 14%, as compared to the prior year. Product development expenses increased by approximately $12.4million due to costs related to HotJobs, which was acquired during the year, as well as overall increases of approximately $6.6million in our total compensation expense related to engineers that develop and enhance properties and services throughout the Yahoo! network. Product development expenses decreased as a percentage of sales to 15% compared to 18% in 2001 as a result of savings in our overall effort to manage discretionary costs. Product development expenses in 2001 increased $8.8million, or 8%, as compared to 2000. The year-over-year increase in absolute dollars and as a percentage of sales is attributable to an increase in the total compensation for engineers and other costs to develop and enhance media properties on the Yahoo! network of $16.9million, partially offset by $8.8million in savings obtained through our 2001 Restructuring programs.

We believe that continued investments in product development are required to remain competitive. Consequently, we currently anticipate that product development costs in absolute dollars will increase in 2003 compared to 2002.

General and Administrative. General and administrative expenses consist primarily of compensation related expenses and fees for professional services.

General and Administrative expenses for the year ended December31, 2002, increased $26.6million, or 34%, as compared to the prior year. The increases are attributable to a $13.7million increase in compensation related expense and incremental general and administrative expenses, and a $13.0million increase in costs related to HotJobs, which was acquired during the year. General and administrative expenses as a percentage of sales remained consistent in 2002 compared with 2001. General and administrative expenses in 2001 increased $4.8million, or 6%, as compared to 2000. The year-over-year increase in absolute dollars and as a percentage of sales was primarily attributable to an increase in compensation related and professional services totaling $6.6million, partially offset by a decrease of $2.2million from cost efficiencies obtained through our 2001 Restructuring programs.

We currently believe that general and administrative expenses in absolute dollars will increase in 2003 compared to 2002.

Amortization of Intangibles. From time to time we have purchased, and expect to continue purchasing, assets or businesses, which may result in the creation of intangible assets.

Amortization of intangibles was $21.2million, or 2% of net revenues for the year ended December31, 2002, a decrease of $42.9million compared to $64.1million or 9% of net revenues for 2001 as a result of the cessation of goodwill amortization in connection with the adoption of Statement of Financial Accounting Standards No.142 ("SFAS142"), "Goodwill and Other Intangible Assets." Amortization of intangibles increased $35.8million in 2001 compared to $28.3million, or 3% of net revenues for 2000. The year-over-year absolute dollar increases in amortization of intangibles are primarily the result of acquisitions accounted for under the purchase method of accounting during those years.

Restructuring Costs. During 2001, we announced restructuring programs to balance our investment in growth areas with the desire to modify our near-term business plan to reflect the current economic and capital market slowdown. These restructuring programs included worldwide workforce reductions, consolidation of excess facilities and other charges. As a result of these restructuring programs, we recorded restructuring costs of $57.5million classified as operating expenses in 2001.

Worldwide Workforce Reduction. The restructuring programs resulted in a workforce reduction of approximately 660 employees across certain business functions, operating units, and geographic regions. The worldwide workforce reductions were substantially completed within 2001. We recorded a workforce reduction charge of $15.1million in 2001 relating primarily to severance and fringe benefits.

Consolidation of Excess Facilities and Other Charges. We recorded a restructuring charge of $42.3million in 2001 relating to the consolidation of excess facilities and other charges. Of this charge, approximately $31.1million was primarily for excess facilities relating to lease terminations and non-cancelable lease costs. This charge included estimated sub-lease income based on current comparable rates for leases in the respective markets. If facilities rental rates continue to decrease in these markets or if it takes longer than expected to sublease these facilities, the maximum amount the actual loss could exceed the original estimate is approximately $5.3million. Property and equipment that was disposed of or removed from operations resulted in a net charge of $9.4million and consisted primarily of furniture and fixtures, servers, leasehold improvements, and computer equipment. We also recorded other restructuring costs of $1.8million relating primarily to payments for professional fees incurred with the restructuring program.

A summary of the restructuring costs is as follows (in thousands):

	Total Charge	2001 Noncash Charges	2001 Cash Payments	Restructuring Accrual at December 31, 2001	2002 Cash Payments	Restructuring Accrual at December 31, 2002
Workforce reduction	$ 15,137	$ (5,411)	$ (5,901)	$ 3,825	$ (3,825)	$ –
Consolidation of excess facilities and other charges	42,334	(9,380)	(7,279)	25,675	(13,930)	11,745
Total	$ 57,471	$ (14,791)	$ (13,180)	$ 29,500	$ (17,755)	$ 11,745

The restructuring accrual is included on the balance sheet in accrued expenses and other current liabilities. Amounts related to the net lease expense due to the consolidation of facilities will be paid over the respective lease terms through December2012.

Acquisition-Related Costs. Acquisition-related costs consist of contract and facility termination expenses, write-offs of certain related fixed assets and leasehold improvements, professional services, severance costs associated with the termination of employees and registration and filing fees incurred in connection with business combinations recorded under the pooling-of-interests method of accounting.

There were no acquisition-related costs for the year ended December31, 2002. Acquisition-related costs were $4.8million and $22.8million for 2001 and 2000, respectively. Acquisition-related costs in 2001 were for incremental costs associated with the final settlement of a facilities lease termination in connection with the eGroups acquisition. During 2000, these costs related primarily to the acquisition of eGroups.

Due to the elimination of the pooling-of-interests method of accounting for business combinations as a result of the issuance of Statement of Accounting Standards No.141 ("SFAS141"), "Business Combinations," future acquisition-related costs are expected to be limited to in-process research and development for technologies acquired in business combinations that have not yet reached technological feasibility and have no alternative future use. Such amounts could have a significant impact on future financial results.

Other Income (Loss), Net. Other income (loss), net was as follows (in thousands):

	Years Ended December 31, 2002	2001	2000
Interest income	$ 63,200	$ 91,931	$ 84,602
Investment gains (losses), net	2,189	(26,623)	(118,943)
Contract termination fees	1,661	9,000	–
Earnings in equity interests (Note8)	22,301	4,356	1,428
Other	2,237	(1,526)	(788)
	$ 91,588	$ 77,138	$ (33,701)

Other income (loss), net was $91.6million, $77.1million and $(33.7)million for 2002, 2001 and 2000, respectively. The increase from 2001 to 2002 of $14.5million was a result of gains of $2.2million on investments in 2002, compared to losses of $26.6million on investments in 2001, as well as higher earnings in equity interests of $22.3million in 2002 as compared to $4.4million in 2001. This was partially offset by lower interest income in 2002 as a result of lower cash balances and reduced interest rates. The increase from 2000 to 2001 was primarily the result of the smaller net investment loss of $26.6million (which includes a gain of $5.2million related to the sale of certain equity instruments) in 2001 compared to $118.9million (which includes a gain of $40.8million related to the exchange of certain equity investments) in 2000. In addition, the Company recorded $9.0million of income in 2001 related to early termination of a long-term advertising contract, whereby the customer terminated the remaining portion of its original agreement and agreed to pay the Company a negotiated termination fee to settle the commitment. The Company did not provide the advertising related to the cancelled commitment, and therefore recorded the termination fee as other income. The Company also generated higher interest income on our larger average investment balance in 2001. The amounts were partially offset by declining interest rates and foreign exchange losses.

Other income (loss), net in future periods may fluctuate as a result of changes in our average investment balances held, changes in market rates or the sale of investments, and investment impairments.

Minority Interests in Operations of Consolidated Subsidiaries. Minority interests in operations of consolidated subsidiaries represents the minority partners' percentage share of income or losses from such subsidiaries in which we hold a majority ownership interest, but less than 100%, and consolidate the subsidiaries' results in our financial statements.

Minority interests in income from operations of consolidated subsidiaries was $1.6million, $0.7million and $5.3million for 2002, 2001 and 2000, respectively. The change from 2001 to 2002 was due to increased income in Korea and reduced losses in Europe. The change from 2000 to 2001 was due to lower profits within the consolidated affiliates, which was attributable to weaker economic climates in Europe and Korea.

Income Taxes. The provision for income taxes for 2002, 2001 and 2000 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 our equity investments, foreign losses not benefited, nondeductible costs related to acquisitions, nondeductible amortization charges related to 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 increase in the provision for income taxes in 2002 from 2001 was primarily a result of increases in Federal and State income taxes, driven by net income for 2002 compared to net loss in 2001. This increase was partially offset by non-deductible acquisition related charges in 2001 that did not occur in 2002, which had a tax effect of $20.2 million, as well as a $7.3million increase in the valuation allowance for 2002 compared to a $23.5million increase for 2001. The change in valuation allowance from 2001 to 2002 was driven by a significant reduction in impairment write-downs and foreign losses not benefited for 2002 as compared to 2001. The decrease in provision for income taxes in 2001 from 2000 was primarily a result of decreases in federal and state income taxes, as a result of net income in 2000 compared to net loss in 2001, as well as a $68.5million increase in the valuation allowance for 2000 compared to a $23.5million increase for 2001. The change in valuation allowance from 2000 to 2001 was driven primarily by nondeductible impairment write-downs incurred in 2000.

Business Segment Results

We manage our business geographically. Our segments for financial reporting purposes are the United States and International. Management relies on an internal management reporting process that provides segment EBITDA information for making financial decisions and allocating resources. Segment EBITDA information includes income (loss) from operations before certain unallocated operating costs and expenses, including stock compensation expense, amortization of intangibles and depreciation. We believe that segment EBITDA is an appropriate measure of evaluating the operating performance of our segments. However, segment EBITDA should be considered in addition to, not as a substitute for or superior to, operating income, cash flows or other measures of financial performance prepared in accordance with generally accepted accounting principles.

Revenue is attributed to individual countries according to the international online property that generated the revenue. No single foreign country accounted for more than 10% of net revenues in 2002, 2001, and 2000.

Summarized information by segment for 2002, 2001, and 2000, as excerpted from the internal management reports, is as follows (dollars in thousands):

	Years Ended December 31,					
	2002	(2)	**2001**	(2)	**2000**	(2)
Net Revenues:						
United States	$ 806,598	85 %	$ 594,332	83 %	$ 941,266	85 %
International	146,469	15 %	123,090	17 %	168,912	15 %
Total Net Revenues	$ 953,067		$ 717,422		$ 1,110,178	
Segment EBITDA(1):		(3)		(3)		(3)
United States	$ 212,721	26 %	$ 16,611	3 %	$ 378,700	40 %
International	(6,742)	(4)%	(35,210)	(29)%	9,120	5 %
Total segment EBITDA	205,979	22 %	(18,599)	(3)%	387,820	35 %
Corporate and unallocated operating costs and expenses:						
Stock compensation expense	(8,402)		(9,096)		(20,898)	
Amortization of intangibles	(21,186)		(64,085)		(28,328)	
Depreciation	(88,203)		(66,490)		(40,774)	
Income (loss) from operations	$ 88,188		$ (158,270)		$ 297,820	

(1) Segment EBITDA includes income (loss) from operations before certain unallocated operating costs and expenses, including stock compensation expense, amortization of intangibles, and depreciation.

(2) Percent of Total Net revenues.

(3) Segment EBITDA Margin.

United States. United States revenues in 2002 increased $212.3million, or 36% in absolute dollars as well as increased as a percentage of net revenues primarily due to increased revenue from our search and directory and personals properties, as well as revenue from HotJobs. United States revenues in 2001 decreased $346.9million, or 37%, in absolute dollars as well as decreased as a percentage of net revenues primarily due to the overall softening of the global economy, which significantly impacted many of our customers' marketing budgets. United States segment EBITDA increased $196.1million, or 1181%, in absolute dollars from 2001 to 2002 as a result of the increase in net revenues. United States segment EBITDA decreased $362.1million, or 96%, in absolute dollars from 2000 to 2001, primarily as a result of decreased net revenues due to the softening of the online advertising market. The United States segment EBITDA decreased in absolute dollars more than revenues in 2001 due to the charges for the 2001 Restructuring programs, but was partially offset by cost savings obtained through a reduction in discretionary spending and the 2001 Restructuring programs.

International. International revenues in 2002 increased $23.4million, or 19%, in absolute dollars primarily due to the strengthening of the Asian markets in which we operate, and increases in Yahoo! Portal Solutions and transactions revenues, partially offset by a soft advertising market in Europe. International revenues in 2001 decreased $45.8million, or 27%, in absolute dollars primarily due to the decline in international advertising which occurred across all international markets during 2001. International segment EBITDA increased $28.5million in absolute dollars from 2001 to 2002, primarily due to the nonrecurrence of the 2001 Restructuring programs and a reduction in discretionary spending. International segment EBITDA decreased $44.3million, or 486%, in absolute dollars from 2000 to 2001, primarily as a result of the decline in advertising revenues, offset partially by reduced discretionary spending.

Acquisitions

In February2002, we completed the acquisition of HotJobs, a recruiting solutions company, which became a part of our listings properties and generates revenue primarily through listings and subscription fees for access to HotJobs' database. The acquisition gained the Company meaningful presence in the online segment of the recruiting marketplace and is consistent with the Company's strategy of building a diversified global business and providing solutions for consumers and business partners. These factors contributed to a purchase price in excess of fair market value of the HotJobs' net tangible and intangible assets acquired, and as a result, the Company has recorded goodwill in connection with the transaction.

The total purchase price of $439.1million consisted of $191.8million in Yahoo! Common Stock, representing approximately 12.0million shares, $206.6million in cash consideration, $33.7million of stock options exchanged and direct transaction costs of $7.0million. The value of the Common Stock and stock options was determined based on the average market price of our Common Stock over the 5-day period surrounding the date the terms of the exchange offer were finalized in February2002.

The preliminary allocation of the purchase price to the assets acquired and liabilities assumed based on the fair value of HotJobs was as follows (in thousands):

Cash acquired	$	53,284
Other tangible assets acquired		50,697
Amortizable intangible assets		98,600
Goodwill		281,867
Liabilities		(49,284)
Deferred compensation		3,928
Total	$	439,092

Although the Company has not finalized the allocation of the purchase price, the Company does not expect the final allocation to differ materially from the preliminary allocation.

Amortizable intangible assets acquired have estimated useful lives as follows: Tradename, trademark and domain name– seven years; Customer contracts– five to seven years; Developed technology – three to five years. Goodwill of $281.9million represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired, and is not deductible for tax purposes.

See Note6– "Acquisitions" in the Financial Statements for further discussion of acquisitions that we have made in 2002, 2001 and 2000.

Related Party Transactions

SOFTBANK, including its consolidated affiliates ("SOFTBANK"), was approximately a 4% stockholder at December31, 2002. We have joint ventures with SOFTBANK in France, Germany, Japan, Korea and the United Kingdom. A Managing Partner of a SOFTBANK affiliate is also a member of our Board of Directors. Revenues from SOFTBANK accounted for approximately 1% of net revenues for each of the three years ended December31, 2002, 2001, and 2000, respectively. We believe contracted prices are comparable to those with our other similarly situated customers.

See Item 13 of this Form10-K "Certain Relationships and Related Transactions," Note7– "Related Party Transactions" and Note8– "Joint Ventures" in the Financial Statements for further information related to transactions with related parties.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to uncollectible receivables, investment values, intangible assets, income taxes, restructuring costs and contingencies. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements: revenue recognition; valuation allowances, specifically the allowance for doubtful accounts and deferred tax assets valuation allowance; accounting for investments in private and publicly-traded securities; and goodwill impairment.

Revenue recognition. Our revenues are primarily generated from the sale of banner, sponsorship, and text-link advertisements, including sponsored search advertisements, transactions revenues, and revenues generated from a variety of consumer and business fee and listings-based services. In accordance with generally accepted accounting principles in the United States, the recognition of these revenues is partly based on our assessment of the probability of collection of the resulting accounts receivable balance. As a result, the timing or amount of revenue recognition may have been different if different assessments of the probability of collection of accounts receivable had been made at the time the transactions were recorded in revenue.

Valuation Allowances. We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. While we have considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, in the event we were to determine that we would be able to realize our deferred tax assets in the future in excess of its net recorded amount, an adjustment to the valuation allowance would likely increase stockholders' equity as substantially all of our net operating losses result from employee stock option deductions.

Accounting for investments in private and publicly-traded securities. We hold equity interests in companies, some of which are publicly traded and have highly volatile share prices. We record an investment impairment charge when we believe an investment has experienced a decline in value that is judged to be other than temporary. We monitor our investments for impairment by considering current factors including economic environment, market conditions and the operational performance and other specific factors relating to the business underlying the investment. Future adverse changes in these factors could result in losses or an inability to recover the carrying value of the investments that may not be reflected in an investment's current carrying value, thereby possibly requiring an impairment charge in the future. We recorded approximately $6.2million of impairments on the carrying value of equity securities during 2002.

Goodwill Impairment. Our long-lived assets include goodwill and other intangible assets. Statement of Financial Accounting Standards No.142 "Goodwill and Other Intangible Assets" ("SFAS142") requires that goodwill be tested for impairment at the reporting unit level (operating segment or one level below an operating segment) on an annual basis and between annual tests in certain circumstances. Application of the goodwill impairment test requires judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value of each reporting unit. Significant judgments required to estimate the fair value of reporting units include estimating future cash flows, determining appropriate discount rates and other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value for each reporting unit.

Effective January1, 2002, we adopted SFAS142 and performed a transitional test of our goodwill and intangible assets. Due to, among other things, the overall softening of the global economy and the related decline in international advertising, the Company recorded a goodwill impairment loss of $64.1million, which was recorded during the first quarter of 2002 as a cumulative effect of an accounting change in the Company's consolidated financial statements. The fair value of the reporting unit giving rise to the transitional impairment loss was estimated using the expected present value of future cash flows. Any further impairment losses recorded in the future could have a material adverse impact on our financial conditions and results of operations.

Recent Accounting Pronouncements

In June2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No.146 ("SFAS146"), "Accounting for Costs Associated with Exit or Disposal Activities." SFAS146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No.94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS146 requires that a liability for costs associated with an exit or disposal activity be recognized and measured initially at fair value only when the liability is incurred, rather than at the date of commitment to an exit or disposal plan. SFAS146 is effective for exit or disposal activities that are initiated after December31, 2002. The Company does not expect that the adoption of SFAS146 will have a material impact on the Company's financial position or results of operations, although SFAS146 may impact the timing of recognition of costs associated with future restructuring, exit or disposal activities.

In December2002, the FASB issued Statement of Financial Accounting Standards No.148 ("SFAS148"), "Accounting for Stock-Based Compensation– Transition and Disclosure– An Amendment of FASB Statement No.123." SFAS148 amends Statement of Financial Accounting Standards No.123 ("SFAS123"), "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. SFAS148 amends the disclosure requirements of SFAS123 to require prominent disclosures both in annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The Company has included the disclosures required by SFAS148 in Note1– "The Company and Summary of Significant Accounting Policies" and Note10– "Stockholders' Equity."

In November2002, the FASB issued Interpretation No.45 ("FIN45") "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN45 elaborates on the existing disclosure requirements for most guarantees, including loan guarantees. It also clarifies that at the time a company issues a guarantee, the company must recognize an initial liability for the fair value, or market value, of the obligations it assumes under that guarantee. However, the provisions related to recognizing a liability at inception of the guarantee for the fair value of the guarantor's obligations does not apply to product warranties or to guarantees accounted for as derivatives. The initial recognition and initial measurement provisions apply on a prospective basis to guarantees issued or modified after December31, 2002. The disclosure requirements of FIN45 are effective for financial statements of interim or annual periods ending after December15, 2002. The Company has not yet determined the effect of adopting FIN45 on its results of operations or financial position.

In January2003, the FASB issued Interpretation No.46 ("FIN46") "Consolidation of Variable Interest Entities." Until this interpretation, a company generally included another entity in its consolidated financial statements only if it controlled the entity through voting interests. FIN46 requires a variable interest entity, as defined, to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns. Management is currently evaluating the effect of adopting FIN46 on its results of operations and financial position.

In November2002, the Emerging Issues Task Force reached a consensus on Issue No.00-21 ("EITF00-21"), "Revenue Arrangements with Multiple Deliverables." EITF00-21 provides guidance on how to account for arrangements that involve the delivery or performance of multiple products, services and/or rights to use assets. The provisions of EITF00-21 will apply to revenue arrangements entered into in fiscal periods beginning after June15, 2003. The Company does not believe the adoption of EITF00-21 will have a material impact on its financial position or results of operations.

Liquidity and Capital Resources

In summary, our cash flows were (in thousands):

	Years Ended December 31,		
	2002	**2001**	**2000**
Net cash provided by operating activities	$ 302,448	$ 106,850	$ 509,707
Net cash used in investing activities	(345,854)	(207,173)	(679,144)
Net cash provided by (used in) financing activities	(21,810)	18,290	355,279

We invest excess cash predominantly in debt instruments that are highly liquid, of high-quality investment grade, and predominantly have maturities of less than two years with the intent to make such funds readily available for operating purposes. As of December31, 2002, we had cash, cash equivalents, and investments in marketable debt securities totaling approximately $1.5billion compared to approximately $1.5billion and $1.7billion as of December31, 2001 and 2000, respectively.

Cash provided by operating activities primarily consists of net income (loss) adjusted for certain non-cash items including depreciation, amortization, tax benefits from stock options, cumulative effect of accounting change, earnings in equity interests, net investment losses, restructuring costs and other non-cash items, and the effect of changes in working capital and other activities. Cash provided by operating activities in 2002 of $302.4million consisted primarily of net income of $42.8million adjusted for non-cash items of $221.4million and $38.2million provided by working capital and other activities. Cash provided by operating activities in 2001 of $106.9million consisted primarily of a net loss of $92.8million adjusted for non-cash items of $185.2million and $14.4million provided by working capital and other activities. Cash provided by operating activities in 2000 of $509.7million consisted primarily of net income of $70.8million adjusted for non-cash items of $386.4million and $52.5million provided by working capital and other activities.

Cash used in investing activities in 2002 of $345.9million was primarily attributable to cash used in acquisitions and purchases of other investments (net of cash acquired) of $196.1million, purchases (net of sales and maturities) of investments in marketable securities during the year of $98.2million, and capital expenditures totaling $51.6million. Capital expenditures have generally comprised purchases of computer hardware, software, server equipment and furniture and fixtures, and are currently expected to modestly increase in 2003. Cash used in investing activities in 2001 of $207.2million was primarily attributable to proceeds from sales and maturities (net of purchases) of investments in marketable securities during the year of $128.5million, the $30.0million release of collateralized amounts, offset by an increase in restricted investments related to our leased facilities of $258.7million, capital expenditures totaling $86.2million and cash used in acquisitions and purchases of other investments (net) of $20.8million. For 2000, cash used in investing activities was $679.1million. Purchases (net of sales and maturities) of investments in marketable securities during the year were $473.0million, purchase of restricted investments was $30.0million, capital expenditures totaled $94.4million and cash used in acquisitions and purchases of other investments (net) was $81.7million.

Cash used by financing activities in 2002 of $21.8million was primarily due to repurchase of Common Stock of $100.0million, partially offset by proceeds from the issuance of Common Stock pursuant to stock option exercises of $78.2million. Cash provided by financing activities in 2001 of $18.3million was primarily due to proceeds from the issuance of Common Stock pursuant to stock option exercises of $83.9million, offset by Common Stock repurchases of $60.0million and other financing activities of $5.6million. For 2000, cash provided by financing activities was $355.3million, primarily due to proceeds from the issuance of Common Stock pursuant to stock option exercises.

Operating Leases

During 1999, we entered into agreements for the development of an office complex in Sunnyvale, California to serve as our headquarters. Upon substantial completion of the construction in 2001, approximately $259million was funded for the complex in connection with the lease financing arrangement, and at December31, 2001 such amount had been classified as restricted long-term investments. During July2002, we exercised our right, pursuant to the master lease agreement, to acquire the complex for approximately $259million, which was funded by the restricted long-term investments.

We have entered into various non-cancelable operating lease agreements for our other offices throughout the United States and for our international subsidiaries for original lease periods ranging from 6months to 13years and expiring between 2003 and 2012.

In addition, we have entered into various sublease arrangements associated with our excess facilities under the 2001 restructuring programs. Such subleases have terms extending through 2006 and amounts estimated to be received have been included in determining the restructuring accrual.

Net lease commitments as of December31, 2002 can be summarized as follows (in millions):

Years ending December31,	Gross lease commitments	Sublease income	Net lease commitments
2003	$ 23.7	$ (7.9)	$ 15.8
2004	$ 23.0	$ (6.1)	$ 16.9
2005	$ 19.7	$ (4.0)	$ 15.7
2006	$ 18.4	$ (3.2)	$ 15.2
2007	$ 14.5	$ –	$ 14.5
Due after 5years	$ 105.9	$ –	$ 105.9

We also have an agreement committing to lease two additional buildings adjacent to our headquarters in Sunnyvale, California. The buildings are expected to be ready for occupancy in the third quarter of 2003. Upon completion of the building construction, we have committed to a 15year lease obligation, with annual lease payments under the lease of approximately $5.1million in year one, approximately $6.7million in year two, and with increases of 3.5% in each of the following years. These amounts are included in the table above. After year one of the lease, we have the right to (i)purchase the buildings for approximately $68.9million, plus fees, (ii)restructure the lease arrangement, or (iii)continue leasing the buildings under the original agreement for the remaining fourteen years.

Other Commitments

In the ordinary course of business, we enter into various arrangements with vendors and other business partners, principally for marketing, bandwidth and content arrangements. There are no material commitments for these arrangements extending beyond 2003.

In March2001, we announced that the Board of Directors had authorized a repurchase of up to $500million of our outstanding shares of Common Stock from time to time over the next two years, depending on market conditions, share price and other factors. Pursuant to this repurchase program, through December31, 2002, we repurchased a total of 16,458,620 shares of Common Stock at an average of $9.72 per share for a total amount of approximately $160.0million. Of the shares repurchased, 16,033,620 shares were purchased from SOFTBANK at an average of $9.67 per share. In March2003, our Board of Directors authorized a two year extension of the stock repurchase program, which authorizes the Company to repurchase up to approximately $340million (representing the balance of the $500million originally authorized in March2001) of our outstanding shares of Common Stock from time to time over the next two years, depending on market conditions, share price and other factors. We may utilize equity instrument contracts to facilitate the repurchase of Common Stock.

In March2003, we completed our acquisition of Inktomi Corporation ("Inktomi"), a provider of OEM web search and paid inclusion services. Under the terms of the acquisition , we paid approximately $270million in cash (offset by cash acquired of approximately $47million). Refer to Note14– "Subsequent Events" for further discussion of the Inktomi acquisition.

We have experienced a substantial increase in capital expenditures and operating lease arrangements since our inception, which is consistent with our increased staffing and operational expansion, and we anticipate that this will continue in the future as business conditions merit. Additionally, we will continue to evaluate possible acquisitions of, or investments in businesses, products, and technologies that are complementary to our business, which may require the use of cash. Management believes existing cash and investments will be sufficient to meet operating requirements for at least the next twelve months; however, we may sell additional equity or debt securities or obtain credit facilities to further enhance our liquidity position. The sale of additional securities could result in additional dilution to our stockholders.

Item 7a. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to the impact of interest rate changes, foreign currency fluctuations, and changes in the market values of our investments.

Interest Rate Risk. Our exposure to market rate risk for changes in interest rates relates primarily to our investment portfolio. We have not used derivative financial instruments to hedge our investment portfolio. We invest excess cash in debt instruments of the U.S. Government and its agencies, and in high-quality corporate issuers and, by policy, limit the amount of credit exposure to any one issuer. We protect and preserve invested funds by limiting default, market and reinvestment risk.

Investments in both fixed rate and floating rate interest earning instruments carry 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, our future investment income may fall short of expectations due to changes in interest rates or we 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 our foreign subsidiaries accounted for approximately 15% of total revenues during 2002. International sales are made mostly from our 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.

Our international business is subject to risks, including, but not limited to differing economic conditions, changes in political climate, differing tax structures, other regulations and restrictions, and foreign exchange rate volatility when compared to the United States. Accordingly, our future results could be materially adversely impacted by changes in these or other factors.

Our exposure to foreign exchange rate fluctuations arises in part from intercompany accounts in which costs incurred in the United States are charged to our foreign sales subsidiaries. These intercompany accounts are typically denominated in the functional currency of the foreign subsidiary. We are 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 for 2002 was not material.

Investment Risk. We invest 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 we do not have the ability to exercise significant influence over operations. Since our 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, our policy is to monitor these investments for impairment by considering current factors including economic environment, market conditions and operational performance and other specific factors relating to the business underlying the investment, and reductions in carrying value when necessary.

The primary objective of our investment activities is to preserve principal while at the same time maximizing yields without significantly increasing risk. To achieve this objective, we maintain our 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 December31, 2002 the net unrealized gains of $18.5million on these investments have been recorded net of deferred taxes of $7.4million as a separate component of stockholders' equity.

We are exposed to market risk as it relates to changes in the market value of our investments. We invest in equity instruments of public companies, certain of which may be classified as derivatives, for business and strategic purposes and have 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 value due to the volatility of the stock market and the industries in which these companies participate. We have realized gains and losses from both the sale of investments, as well as mergers and acquisitions of companies in which we have invested. As of December31, 2002, we had available-for-sale equity investments with a fair value of $3.5million and a cost basis of $4.2million. The net unrealized losses of $0.7million have been recorded net of deferred taxes of $0.4million as a separate component of stockholders' equity and gains on derivatives of $0.2million have been recorded in other income on the statement of operations. Our objective in managing exposure to stock market fluctuations is to minimize the impact of stock market declines to earnings and cash flows. However, continued market volatility, as well as mergers and acquisitions, have the potential to have a material non-cash impact on our operating results in future periods.

Item 8.Financial Statements and Supplementary Data

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 December31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended December31, 2002 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.

As discussed in Note4 to the accompanying consolidated financial statements, effective January1, 2002, the Company changed its method of accounting for goodwill in accordance with Statement of Financial Accounting Standards No.142, "Goodwill and Other Intangible Assets."

/s/ PricewaterhouseCoopers LLP

San Jose, California
January15, 2003, except for Note14,
which is as of March19, 2003

Consolidated Statements of Operations YAHOO!INC.
(in thousands, except per share amounts)

	Years Ended December 31, 2002	2001	2000
Net revenues	$ 953,067	$ 717,422	$ 1,110,178
Costs and expenses:			
Cost of revenues	162,881	157,001	149,744
Sales and marketing	431,392	386,944	419,725
Product development	143,468	126,090	117,268
General and administrative	105,952	79,351	74,508
Amortization of intangibles	21,186	64,085	28,328
Restructuring costs	–	57,471	–
Acquisition-related costs	–	4,750	22,785
Total costs and expenses	864,879	875,692	812,358
Income (loss) from operations	88,188	(158,270)	297,820
Other income (loss), net	91,588	77,138	(33,701)
Minority interests in operations of consolidated subsidiaries	(1,551)	(693)	(5,298)
Income (loss) before income taxes and cumulative effect of accounting change	178,225	(81,825)	258,821
Provision for income taxes	71,290	10,963	188,045
Net income (loss) before cumulative effect of accounting change	106,935	(92,788)	70,776
Cumulative effect of accounting change	(64,120)	–	–
Net income (loss)	$ 42,815	$ (92,788)	$ 70,776
Net income (loss) per share – basic:			
Net income (loss) before cumulative effect of accounting change	$ 0.18	$ (0.16)	$ 0.13
Cumulative effect of accounting change	(0.11)	–	–
Net income (loss) per share – basic	$ 0.07	$ (0.16)	$ 0.13
Net income (loss) per share – diluted:			
Net income (loss) before cumulative effect of accounting change	$ 0.18	$ (0.16)	$ 0.12
Cumulative effect of accounting change	(0.11)	–	–
Net income (loss) per share – diluted	$ 0.07	$ (0.16)	$ 0.12
Shares used in per share calculation – basic	593,838	569,724	550,657
Shares used in per share calculation – diluted	610,060	569,724	610,678

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

Consolidated Balance Sheets YAHOO!INC.

(in thousands, except par value)

	December 31, 2002	December 31, 2001
ASSETS		
Current assets:		
Cash and cash equivalents	$ 310,972	$ 372,632
Short-term investments in marketable securities	463,204	553,795
Accounts receivable, net of allowance of $23,852 and $19,995, respectively	113,612	68,648
Prepaid expenses and other current assets	82,216	56,458
Total current assets	970,004	1,051,533
Long-term investments in marketable securities	763,408	580,418
Restricted long-term investments	–	258,662
Property and equipment, net	371,272	131,648
Goodwill	415,225	192,987
Intangible assets, net	96,252	19,457
Other assets	174,020	144,641
Total assets	$ 2,790,181	$ 2,379,346
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 18,738	$ 13,218
Accrued expenses and other current liabilities	257,575	235,897
Deferred revenue	135,501	109,402
Total current liabilities	411,814	358,517
Other liabilities	84,540	23,806
Commitments and contingencies (Note13)		
Minority interests in consolidated subsidiaries	31,557	30,006
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; 594,860 and 575,520 issued and outstanding, respectively	611	581
Additional paid-in capital	2,430,222	2,067,410
Treasury stock	(159,988)	(59,988)
Accumulated deficit	(7,493)	(50,308)
Accumulated other comprehensive income (loss)	(1,082)	9,322
Total stockholders' equity	2,262,270	1,967,017
Total liabilities and stockholders' equity	$ 2,790,181	$ 2,379,346

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

Consolidated Statements of Cash Flows YAHOO!INC.
(in thousands, except share amounts)

		Years Ended December 31,	
	2002	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 42,815	$ (92,788)	$ 70,776
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	109,389	130,575	69,102
Tax benefits from stock options	60,406	2,003	172,525
Cumulative effect of accounting change	64,120	–	–
Earnings in equity interests	(22,301)	(4,356)	(1,428)
Noncash (gains) losses and impairments from investments	(2,422)	30,430	120,054
Minority interests in operations of consolidated subsidiaries	1,551	693	5,298
Noncash restructuring costs	–	14,791	–
Other non-cash charges	10,715	11,089	20,898
Changes in assets and liabilities, net of effect of acquisitions:			
Accounts receivable, net	(30,798)	27,628	(34,042)
Prepaid expenses and other assets	29,555	(9,003)	(26,132)
Accounts payable	4,507	(27,202)	11,699
Accrued expenses and other liabilities	(9,904)	31,571	74,582
Deferred revenue	14,815	(8,581)	26,375
Long-term deferred revenue	30,000	–	–
Net cash provided by operating activities	302,448	106,850	509,707
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property and equipment	(51,553)	(86,211)	(94,413)
Purchases of marketable securities	(1,165,711)	(1,200,623)	(1,432,455)
Proceeds from sales and maturities of marketable securities	1,067,540	1,329,076	959,418
Increase in restricted cash and investments, net	–	(228,662)	(30,000)
Acquisitions, net of cash acquired	(189,168)	(19,188)	–
Purchases of other investments	(7,649)	(13,075)	(84,420)
Proceeds from the sales of other investments	687	11,510	2,726
Net cash used in investing activities	(345,854)	(207,173)	(679,144)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of Common Stock, net	78,190	83,875	352,279
Repurchase of Common Stock	(100,000)	(59,988)	–
Other	–	(5,597)	3,000
Net cash provided by (used in) financing activities	(21,810)	18,290	355,279
Effect of exchange rate changes on cash and cash equivalents	3,556	(2,212)	(6,101)
Net change in cash and cash equivalents	(61,660)	(84,245)	179,741
Cash and cash equivalents at beginning of year	372,632	456,877	277,136
Cash and cash equivalents at end of year	$ 310,972	$ 372,632	$ 456,877

During the years ended December31, 2002, 2001 and 2000, the Company issued approximately 12.0million, 2.2million and 4.1million shares of Common Stock, respectively, in connection with acquisitions. See Note6– "Acquisitions" for further information. During the year ended December31, 2002, the Company acquired property and equipment for approximately $259million, which was funded through restricted long-term investments. See Note13– "Commitments and Contingencies" for further information.

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

Consolidated Statements of Stockholders' Equity YAHOO!INC.
(in thousands)

	Years Ended December 31, 2002	2001	2000
Common Stock			
Balance, beginning of year	$ 581	$ 562	$ 534
Conversion of Preferred to Common Stock	–	–	2
Common Stock issued	30	19	26
Balance, end of year	611	581	562
Additional paid-in capital			
Balance, beginning of year	2,067,410	1,830,526	1,148,369
Conversion of Preferred to Common Stock	–	–	52,171
Common stock issued	303,689	225,181	501,719
Compensation expense on option grants	8,402	9,096	20,898
Tax benefit from stock options	54,648	1,159	106,375
Other	(3,927)	1,448	994
Balance, end of year	2,430,222	2,067,410	1,830,526
Treasury stock			
Balance, beginning of year	(59,988)	–	–
Repurchase of Common Stock	(100,000)	(59,988)	–
Balance, end of year	(159,988)	(59,988)	–
Retained earnings (accumulated deficit)			
Balance, beginning of year	(50,308)	42,480	(25,842)
Net income (loss)	42,815	(92,788)	70,776
Other	–	–	(2,454)
Balance, end of year	(7,493)	(50,308)	42,480
Accumulated other comprehensive income (loss)			
Balance, beginning of year	9,322	23,346	128,671
Net unrealized losses on securities	(8,636)	(10,622)	(99,224)
Foreign currency translation adjustment	(1,768)	(3,402)	(6,101)
Balance, end of year	(1,082)	9,322	23,346
Total stockholders' equity	$ 2,262,270	$ 1,967,017	$ 1,896,914
Other comprehensive income (loss)			
Net income (loss)	$ 42,815	$ (92,788)	$ 70,776
Other comprehensive income (loss):			
Net unrealized losses on securities	(8,636)	(10,622)	(99,224)
Foreign currency translation adjustment	(1,768)	(3,402)	(6,101)
Comprehensive income (loss)	$ 32,411	$ (106,812)	$ (34,549)
		Number of Shares	
Common Stock			
Balance, beginning of year	575,520	561,651	534,419
Conversion of Preferred to Common Stock		–	1,690
Common stock issued	30,414	19,253	25,542
Repurchase of Common Stock	(11,074)	(5,384)	–
Balance, end of year	594,860	575,520	561,651

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

Note1 THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company. Yahoo!Inc. ("Yahoo!" or the "Company") is a leading provider of comprehensive online products and services to consumers and businesses worldwide. The Company, a Delaware corporation, commenced operations in 1995.

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 services, which include marketing services, fees, and listings.

Marketing services revenues are primarily generated from the sale of banner, sponsorship, text-link advertisements, including sponsored search advertisements, and transaction revenues. Banner advertising agreements typically range from one week to three years. The Company recognizes marketing services revenues related to banner advertisements as "impressions" are delivered by the Company. "Impressions" are defined as the number of times that an advertisement appears in pages viewed by users of the Yahoo! network. Sponsorship advertising agreements have longer terms than banner advertising agreements, typically ranging from three months to three years, and often involve multiple element arrangements that may include placement on specific properties, exclusivity and content integration. Sponsorship advertisement revenues are recognized as "impressions" are delivered or ratably over the contract period, where applicable, and when collection of the resulting receivable is reasonably assured. Text-link advertisements, including sponsored searches, are recognized as the net amount earned in the period in which the "click-throughs" occur. "Click-throughs" are defined as the number of times a user clicks on an advertisement or search result. Transactions revenues include service fees for facilitating transactions through the Yahoo! network, principally from the Company's commerce properties. Transactions revenues are recognized when there is evidence that the qualifying transactions have occurred and collection of the resulting receivable is reasonably assured. The Company recognizes revenue on these arrangements in accordance with Securities and Exchange Commission Staff Accounting Bulletin No.101 ("SAB 101"), "Revenue Recognition in Financial Statements." In all cases, revenue is recognized only when the price is fixed or determinable, persuasive evidence of an arrangement exists, the service is performed, and collectibility of the resulting receivable is reasonably assured. Revenues from sponsored search and media from the Company's agreement with Overture Services,Inc. ("Overture") are included in marketing services for the years ended December31, 2002 and 2001. Revenues from Overture amounted to 14% of net revenues for the year ended December31, 2002. No one customer accounted for 10% or more of net revenues during 2001 and 2000.

Periodically, the Company engages in barter transactions for marketing services. Barter revenue is recognized over the periods in which the Company completes its obligations under the arrangement. In January2000, the Company adopted Emerging Issues Task Force Issue No.99-17 ("EITF99-17"), "Accounting for Advertising Barter Transactions," which requires advertising barter transactions to be valued based on similar cash transactions that have occurred within six months prior to the barter transaction. Barter revenues represented 2%, 7%, and 7% of total revenues for 2002, 2001 and 2000, respectively. During 2002, 2001 and 2000, the Company delivered approximately 3.5billion, 1.6billion and 1.1billion impressions, respectively, under barter arrangements where fair value was not determinable under EITF99-17 and, accordingly, revenue was not recognized.

Fees revenues consist of revenues generated from a variety of consumer and business fee-based services, including

SBC Yahoo! DSL and Dial, Yahoo! Personals, Small Business Services, Yahoo! Mail and Yahoo! Enterprise Solutions. With the exception of Yahoo! Portal Solutions, revenues are recognized in the month in which the services are performed, provided that no significant Company obligations remain and collection of the resulting receivable is reasonably assured. Revenues from Yahoo! Portal Solutions consist of software license and service revenues, which are principally platform and maintenance services. Yahoo! Portal Solutions revenue is recognized in accordance with Statement of Position No.97-2, "Software Revenue Recognition" and Statement of Position98-9, "Modification of SOP No.97-2 with Respect to Certain Transactions." License revenues are recognized when persuasive evidence of an arrangement exists, delivery of the license has occurred, the fee is fixed or determinable, and collection is probable. License revenues from Portal Solutions were not material to the Company as they represented less than 1% of total net revenue for all periods presented. Platform services are sold as a subscription and are recognized ratably over the subscription period. Platform services are priced based on the specific content or service purchased by the customer. These services are optional and renewable annually at fixed renewal rates. Maintenance is generally sold under annual contracts with fixed renewal rates. Maintenance revenue is recognized ratably over the contract period. Yahoo! Portal Solutions revenues have represented less than 10% of total net revenues in all periods presented.

Listings revenues consist of revenues generated from a variety of consumer and business listings-based services, including access to the HotJobs database and classifieds such as Yahoo! Autos, Yahoo! Real Estate and other Search and Directory services. Revenues are recognized in the month in which the services are performed, provided that no significant Company obligations remain and collection of the resulting receivable is reasonably assured.

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

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 other comprehensive income (loss). Realized gains or losses and declines in value judged to be other than temporary, if any, on available-for-sale securities are reported in other income (loss). The Company reviews the securities for impairments considering current factors including the economic environment, market conditions and the operational performance and other specific factors relating to the business underlying the securities. The Company records impairment charges equal to the amount that the cost basis in its available-for-sale securities exceeds the estimated fair market value of the securities as of the evaluation date. The fair value for publicly held securities is determined based on quoted market prices as of the evaluation date. In computing realized gains and losses on available-for-sale securities, the Company determines cost based on amounts paid, including direct costs such as commissions, to acquire the security using the specific identification method. The Company recorded $8.6million, $10.6million and $99.2million of unrealized losses during the years ended December31, 2002, 2001, and 2000, respectively. The Company had unrealized gains on its marketable debt and equity securities of approximately $17.9million, $32.1million and $49.8million net of tax of $7.2million, $12.8million and $19.9million, at December31, 2002, 2001, and 2000, respectively.

The Company has investments in equity instruments of privately-held companies. These investments are included in other long-term assets and are generally 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 by considering current factors including economic environment, market conditions and operational performance and other specific factors relating to the business underlying the investment, and records reductions in carrying values when necessary. The fair value for privately held securities is estimated using the best available information as of the evaluation date, including the quoted market prices of comparable public companies, recent financing rounds of the investee and other investee specific information, in accordance with Accounting Principles Board Opinion

No.18, "The Equity Method of Accounting for Investments in Common Stock."

The Company accounts for derivatives under Statement of Financial Accounting Standards No.133 ("SFAS133"), "Accounting for Derivative Instruments and Hedging Activities." SFAS133 establishes methods of accounting for derivative financial instruments and hedging activities related to those instruments as well as other hedging activities. The derivatives held by the Company comprise warrants to purchase equity instruments in other public and private companies at specified prices over terms varying from 2.5 to 10years. These warrants are held for business and strategic purposes. During 2002, 2001 and 2000, the Company recorded in other income, gains on derivatives of approximately $0.2million, $4.6million and $3.1million, respectively.

Concentration of Risk. Financial instruments that potentially subject the Company to significant concentration of credit risk consist primarily of cash, cash equivalents, investments, and accounts receivable. As of December31, 2002, substantially all of the Company's cash, cash equivalents, and investments were 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 allowances for potential credit losses. Historically, such losses have been within management's expectations. As of December31, 2002 and 2001, no one customer accounted for 10% or more of the accounts receivable balance.

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

Internal Use Software and Website Development Costs. The Company has capitalized certain internal use software and Website development costs totaling $11.2million and $8.6million during 2002 and 2001, respectively. The estimated useful life of costs capitalized is evaluated for each specific project and ranges from one to three years. During 2002, 2001 and 2000, the amortization of capitalized costs totaled $8.9million, $4.7million and $1.7million, 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, including barter advertising, totaled approximately $93.8million, $113.5million, and $174.8million for 2002, 2001, and 2000, 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 2002, 2001, and 2000, the Company's contributions amounted to $3.3million, $2.8million, and $2.4million, respectively.

Depreciation and Amortization. Buildings are stated at cost and depreciated using the straight-line method over the estimated useful lives of 25years. Leasehold improvements, computers and equipment, and furniture and fixtures 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 carried at cost less accumulated amortization. Intangible assets are amortized on a straight-line basis over the economic lives of the respective assets, generally three to ten years. Effective January1, 2002, the Company adopted Statement of Financial Accounting Standards No.142 ("SFAS142"), "Goodwill and Other Intangible Assets." In accordance with SFAS142, the Company ceased amortizing goodwill and performed a transitional test of its goodwill as of January1, 2002. See Note4– "Goodwill." SFAS142 requires that goodwill be tested for impairment at the reporting unit level (operating segment or one level below an operating segment) on an annual basis and between annual tests in certain circumstances. The performance of the test involves a two-step process. The first step of the impairment test involves comparing the fair value of the Company's reporting units with the reporting unit's carrying amount, including goodwill. The Company generally determines the fair value of its reporting units using the expected present value of future cash flows, giving consideration to the market comparable approach. If the carrying amount of the Company's reporting units exceeds the reporting unit's fair value, the Company performs the second step of the goodwill impairment test to determine the amount of impairment loss. The second step of the goodwill impairment test involves comparing the implied fair value of the Company's reporting unit's goodwill with the carrying amount of that goodwill.

Long-Lived Assets. Long-lived assets and certain identifiable intangible assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of any impairment loss for long-lived assets and certain identifiable intangible assets that management expects to hold and use is based on the fair value of the asset.

Other Income (Loss), net. Other income (loss), net was as follows (in thousands):

	Years Ended December 31,		
	2002	2001	2000
Interest income	$ 63,200	$ 91,931	$ 84,602
Investment gains (losses), net	2,189	(26,623)	(118,943)
Contract termination fees	1,661	9,000	–
Earnings in equity interests (Note8)	22,301	4,356	1,428
Other	2,237	(1,526)	(788)
	$ 91,588	$ 77,138	$ (33,701)

Investment gains (losses), net include investment gains, investment losses, gains on derivatives and impairment charges related to declines in values of publicly traded securities and securities of privately held companies judged to be other than temporary.

Investment gains were $8.8million in 2002, partially offset by impairment charges on privately held securities of $6.2million. Investment losses in 2001 were $26.6million, of which approximately $12.8million relates to investment impairments on publicly traded securities and $25.2million relates to investment impairments on privately held securities, offset by a gain of $5.2million related to the sale of certain equity investments and approximately $4.6million of gains on derivatives related to equity instruments of other companies. Investment losses in 2000 were $118.9million, of which approximately $139.8million relates to investment impairments on publicly traded securities and $23.4million relates to investment impairments on privately held securities, partially offset by a gain of approximately $40.8million related to the exchange of certain equity investments.

Income Taxes. Deferred income taxes 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.

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 period-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 (loss) as a component of stockholders' equity. Net gains and losses resulting from foreign exchange transactions are included in other income (loss), net 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, potential common shares outstanding during the period. Potential common 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 2002 and 2000, potential common shares of 16.2million and 60.0million, respectively, were included in the computation and were related to shares issuable upon the exercise of stock options. For 2001, potential common shares of approximately 26.8million shares were not included in the computation because they were antidilutive.

Stock Based Compensation. The Company measures compensation expense for its stock-based employee compensation plans using the intrinsic value method. If the fair value based method had been applied in measuring stock compensation expense, the pro forma effect on net income (loss) and net income (loss) per share would have been as follows (in thousands, except per share amounts):

	Years Ended December 31,		
	2002	**2001**	**2000**
Net income (loss)			
As reported	$ 42,815	$ (92,788)	$ 70,776
Stock compensation expense, net of tax	(482,918)	(890,407)	(1,335,763)
Pro forma	$ (440,103)	$ (983,195)	$ (1,264,987)
Net income (loss) per share:			
As reported – basic	$ 0.07	$ (0.16)	$ 0.13
Pro forma – basic	$ (0.74)	$ (1.73)	$ (2.30)
As reported – diluted	$ 0.07	$ (0.16)	$ 0.12
Pro forma – diluted	$ (0.74)	$ (1.73)	$ (2.30)

Diluted net loss per share for the years ended December31, 2002, 2001 and 2000 is computed excluding common share equivalents of 16.2million, 26.8million and 60.0million shares, respectively, as their effect is anti-dilutive.

See Note10– "Stockholders' Equity" for the assumptions and methodology used to determine the fair value of stock-based compensation.

Use of Estimates. The preparation of consolidated 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. On an on-going basis, the Company evaluates its estimates, including those related to uncollectible receivables, investment values, intangible assets, income taxes, restructuring costs and contingencies. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Comprehensive Income (Loss). Comprehensive income (loss) as defined, includes all changes in equity (net assets) during a period from non-owner sources. Accumulated other comprehensive income (loss), as presented on the accompanying consolidated balance sheets, consists of the net unrealized gains and losses on available-for-sale securities, net of tax, and the cumulative foreign currency translation adjustment.

Recent Accounting Pronouncements

In June2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No.146 ("SFAS146"), "Accounting for Costs Associated with Exit or Disposal Activities." SFAS146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No.94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS146 requires that a liability for costs associated with an exit or disposal activity be recognized and measured initially at fair value only when the liability is incurred, rather than at the date of commitment to an exit or disposal plan. SFAS146 is effective for exit or disposal activities that are initiated after December31, 2002. The Company does not expect that the adoption of SFAS146 will have a material impact on the Company's financial position or results of operations, although SFAS146 may impact the timing of recognition of costs associated with future restructuring, exit or disposal activities.

In December2002, the FASB issued Statement of Financial Accounting Standards No.148 ("SFAS148"), "Accounting for Stock-Based Compensation– Transition and Disclosure– An Amendment of FASB Statement No.123." SFAS148 amends Statement of Financial Accounting Standards No.123 ("SFAS123"), "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. SFAS148 amends the disclosure requirements of SFAS123 to require prominent disclosures both in annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The Company has included the disclosures required by SFAS148 in Note1– "The Company and Summary of Significant Accounting Policies" and Note10– "Stockholders' Equity."

In November2002, the FASB issued Interpretation No.45 ("FIN45") "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN45 elaborates on the existing disclosure requirements for most guarantees, including loan guarantees. It also clarifies that at the time a company issues a guarantee, the company must recognize an initial liability for the fair value, or market value, of the obligations it assumes under that guarantee. However, the provisions related to recognizing a liability at inception of the guarantee for the fair value of the guarantor's obligations does not apply to product warranties or to guarantees accounted for as derivatives. The initial recognition and initial measurement provisions apply on a prospective basis to guarantees issued or modified after December31, 2002. The disclosure requirements of FIN45 are effective for financial statements of interim or annual periods ending after December15, 2002. The Company has not yet determined the effect of adopting FIN45 on its results of operations or financial position.

In January2003, the FASB issued Interpretation No.46 ("FIN46") "Consolidation of Variable Interest Entities." Until this interpretation, a company generally included another entity in its consolidated financial statements only if it controlled the entity through voting interests. FIN46 requires a variable interest entity, as defined, to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns. Management is currently evaluating the effect of adopting FIN 46 on its results of operations and financial position.

In November2002, the Emerging Issues Task Force reached a consensus on Issue No.00-21 ("EITF00-21"), "Revenue Arrangements with Multiple Deliverables." EITF00-21 provides guidance on how to account for arrangements that involve the delivery or performance of multiple products, services and/or rights to use assets. The provisions of EITF00-21 will apply to revenue arrangements entered into in fiscal periods beginning after June15, 2003. The Company does not believe the adoption of EITF00-21 will have a material impact on its financial position or results of operations.

Note2 BALANCE SHEET COMPONENTS

The following table summarizes the balance sheet components (in thousands):

	December 31, 2002	December 31, 2001
Property and equipment, net:		
Land	$ 51,561	$ –
Buildings	191,183	–
Leasehold improvements	42,607	40,287
Computers and equipment	245,742	177,867
Furniture and fixtures	45,645	31,875
	576,738	250,029
Less: accumulated depreciation	(205,466)	(118,381)
	$ 371,272	$ 131,648
Other assets:		
Investment in Yahoo! Japan (Note8)	$ 103,331	$ 79,431
Investments in privately-held companies	47,468	48,855
Other	23,221	16,355
	$ 174,020	$ 144,641
Accrued expenses and other current liabilities:		
Accrued compensation and related expenses	$ 76,379	$ 38,045
Accrued content, connect, and other costs	39,478	48,277
Accrued sales and marketing related expenses	46,424	36,972
Accrued professional service expenses	20,628	17,763
Accrued restructuring costs	11,745	29,500
Accrued acquisition costs	5,909	28,828
Accrued income taxes payable	17,901	12,943
Other	39,111	23,569
	$ 257,575	$ 235,897
Other liabilities:		
Deferred tax liabilities (Note12)	$ 54,540	$ 23,806
Long-term deferred revenue	30,000	–
	$ 84,540	$ 23,806

As of December31, 2002, long-term deferred revenue of $30.0million represented cash payments received in advance of revenue recognized related to the Company's agreement with its sponsored search provider. Under the terms of the agreement, the Company receives guaranteed quarterly payments. The $30.0million cash payment received represents a portion of the final quarters' guaranteed amount, and is expected to be recognized as marketing services revenue in 2005.

Note3 INVESTMENTS

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

December 31, 2002

	Gross Amortized Costs	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government and agencies	$ 329,486	$ 2,025	$ (22)	$ 331,489
Municipal bonds	45,945	–	–	45,945
Corporate debt securities	829,093	17,018	(479)	845,632
Corporate equity securities	4,211	639	(1,304)	3,546
	$ 1,208,735	$ 19,682	$ (1,805)	$ 1,226,612

December 31, 2001

	Gross Amortized Costs	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government and agencies	$ 232,241	$ 1,064	$ (349)	$ 232,956
Municipal bonds	53,355	–	–	53,355
Corporate debt securities	800,063	14,771	(1,784)	813,050
Corporate equity securities	16,504	18,528	(180)	34,852
	$ 1,102,163	$ 34,363	$ (2,313)	$ 1,134,213

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

	December 31,	
	2002	2001
Due within one year	$ 463,204	$ 553,795
Due after one year through five years	759,862	545,566
	$ 1,223,066	$ 1,099,361

Note4 GOODWILL

The changes in the carrying amount of goodwill for the year ended December31, 2002 are as follows (in thousands):

	United States	International	Total
Balance as of January1, 2002	$ 47,590	$ 145,397	$ 192,987
Acquisitions and other(1)	279,492	6,866	286,358
Cumulative effect of accounting change	–	(64,120)	(64,120)
Balance as of December31, 2002	$ 327,082	$ 88,143	$ 415,225

(1) Other primarily includes the reclassification of certain intangibles to goodwill in connection with the adoption of SFAS142 and certain purchase price adjustments to existing goodwill. See also Note6–"Acquisitions."

The Company performed a transitional impairment test of its goodwill and intangible assets as of January1, 2002. Due to, among other things, the overall softening of the global economy and the related decline in international advertising, the Company recorded a transitional goodwill impairment loss of $64.1million, which was recorded during the first quarter of 2002 as a cumulative effect of an accounting change in the Company's Consolidated Statements of Operations. The fair value of the reporting unit giving rise to the transitional impairment loss was estimated using the expected present value of future cash flows and market valuation approach.

Due to the adoption of SFAS142 on January1, 2002, the Company ceased amortizing goodwill. Had SFAS142 been in effect during the years ended December31, 2001, and 2000, the Company would not have recorded goodwill amortization expense of $55.9million and $21.6million, respectively. The following table summarizes net income (loss) adjusted to exclude goodwill amortization expense, and the related tax effect, that is no longer subject to amortization (in thousands, except per share amounts):

	Years Ended December 31,		
	2002	2001	2000
Reported net income (loss)	$ 42,815	$ (92,788)	$ 70,776
Goodwill amortization, net of tax	–	55,850	21,578
Adjusted net income (loss)	$ 42,815	$ (36,938)	$ 92,354
Net income (loss) per share:			
Basic – as reported	$ 0.07	$ (0.16)	$ 0.13
Basic – adjusted	$ 0.07	$ (0.06)	$ 0.17
Diluted – as reported	$ 0.07	$ (0.16)	$ 0.12
Diluted – adjusted	$ 0.07	$ (0.06)	$ 0.15

The Company performed its annual assessment of goodwill and concluded that there was no additional impairment.

Note5 INTANGIBLE ASSETS, NET

The following table summarizes the Company's intangible assets, net (in thousands):

	December 31, 2002		
	Gross carrying amount	Accumulated amortization	Net
Trademarks	$ 57,100	$ (8,206)	$ 48,894
Customer agreements	52,730	(14,125)	38,605
Developed technology	8,700	(1,539)	7,161
Content and other	4,950	(3,358)	1,592
	$ 123,480	$ (27,228)	$ 96,252

	December 31, 2001		
	Gross carrying amount	Accumulated amortization	Net
Trademarks	$ 3,800	$ (910)	$ 2,890
Customer agreements	13,930	(3,655)	10,275
Content and other	7,769	(1,477)	6,292
	$ 25,499	$ (6,042)	$ 19,457

The intangible assets are all amortizable and have original estimated useful lives as follows: Trademarks– four to seven years; Customer agreements– one to seven years; Developed technology– three to five years; Content and other– two to three years. Based on the current amount of intangibles subject to amortization, the estimated amortization expense for each of the succeeding five years is as follows: 2003: $21.7million; 2004: $19.6million; 2005: $15.2million; 2006: $14.1million; and 2007: $12.2million.

Note6 ACQUISITIONS

Purchase Combinations. The following table summarizes the acquisitions completed during 2002, 2001 and 2000 that were accounted for under the purchase method of accounting (in millions):

	Purchase Price	Goodwill	Other Intangibles
2002			
Hotjobs	$ 439.1	$ 281.9	$ 98.6
Other acquisitions	$ 13.3	$ 6.7	$ 1.0
2001			
Kimo.com	$ 157.4	$ 134.8	$ 19.1
Other acquisitions	$ 31.9	$ 29.5	$ 8.6
2000			
VivaSmart, Inc.	$ 8.9	$ 7.7	$ –

In February2002, the Company completed the acquisition of HotJobs.com,Ltd., ("HotJobs"), a recruiting solutions company, which became a part of the Company's listings properties and generates revenue primarily through listings and subscription fees for access to HotJobs' database. The acquisition gained the Company meaningful presence in the online segment of the recruiting marketplace and is consistent with the Company's strategy of building a diversified global business, providing solutions for consumers and business partners. These factors contributed to a purchase price in excess of fair market value of the HotJobs' net tangible and intangible assets acquired, and as a result, the Company has recorded goodwill in connection with the transaction.

The total purchase price of $439.1million consisted of $191.8million in Yahoo! Common Stock, representing approximately 12.0million shares, $206.6million in cash consideration, $33.7million of stock options exchanged and direct transaction costs of $7.0million. The value of the Common Stock and stock options was determined based on the average market price of our Common Stock over the 5-day period surrounding the date the terms of the exchange offer were finalized in February2002.

The preliminary allocation of the purchase price to the assets acquired and liabilities assumed based on the fair value of HotJobs was as follows (in thousands):

Cash acquired	$ 53,284
Other tangible assets acquired	50,697
Amortizable intangible assets	98,600
Goodwill	281,867
Liabilities	(49,284)
Deferred compensation	3,928
Total	$ 439,092

Although the Company has not finalized the allocation of the purchase price, the Company does not expect the final allocation to differ materially from the preliminary allocation.

Amortizable intangible assets acquired have estimated useful lives as follows: Tradename, trademark and domain name– seven years; Customer contracts– five to seven years; Developed technology– three to five years. Goodwill of $281.9million represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired, and is not deductible for tax purposes.

The results of operations of HotJobs' have been included in the Company's consolidated statements of operations since the completion of the acquisition on February12, 2002. The following unaudited pro forma information presents a summary of the results of operations of the Company assuming the acquisition of HotJobs occurred on January1, 2001 (in thousands, except per share amounts):

Years Ended December 31,

	2002	2001
Net revenues	$ 963,862	$ 835,036
Net income (loss)	$ 33,207	$ (129,992)
Net income (loss) per share – basic	$ 0.06	$ (0.22)
Net income (loss) per share – diluted	$ 0.05	$ (0.22)

Results of operations for periods prior to the acquisition of the other entities acquired in 2002 were not material to the Company on either an individual or aggregate basis, and accordingly, pro forma results of operations have not been presented.

In January2001, the Company completed the acquisition of Kimo.com, a Taiwanese Internet communications and media company, through the issuance of approximately 2.2million shares of Yahoo! Common Stock for a total purchase price of $157.4million. The purchase price was allocated to the assets acquired, principally goodwill and other intangibles of $153.9million, which were being amortized on a straight-line basis between two to four years, and liabilities assumed based on their estimated fair values at the date of acquisition. The amortization of goodwill ceased upon the adoption of SFAS142.

Poolings of Interests Combinations. There were no acquisitions during 2002 and 2001 that were accounted for as poolings of interests. The following table summarizes the acquisitions completed during 2000 that were accounted for as poolings of interests (shares issued in thousands):

	Acquisition Date	Shares Issued
eGroups, Inc.	August 31, 2000	3,425
Arthas.com	February 29, 2000	594

For the year ended December31, 2001, acquisition-related charges totaled $4.8million related to incremental costs associated with the final settlement of a facilities lease termination related to the August2000 acquisition of eGroups. For the year ended December31, 2000, acquisition-related charges totaled $22.8million related to the acquisitions of Arthas.com and eGroups, which included 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, and various registration and filing fees. As of December31, 2002, the acquisition costs related to these transactions have been substantially paid.

The consolidated financial statements for the three years ended December31, 2002 and the accompanying notes reflect the Company's financial position and the results of operations as if eGroups,Inc. was a wholly-owned subsidiary of the Company since inception. The historical operations of Arthas.com were not material to the Company's financial position, results of operations or cash flows.

Net revenues and net income of Yahoo! and eGroups, prior to its acquisition by Yahoo!, were as follows (in thousands):

	Years Ended December 31,		
	2002	2001	2000
Net revenues:			
Yahoo!	$ 953,067	$ 717,422	$ 1,104,921
eGroups	–	–	5,257
	$ 953,067	$ 717,422	$ 1,110,178
Net income (loss):			
Yahoo!	$ 42,815	$ (92,788)	$ 93,156
eGroups	–	–	(22,380)
	$ 42,815	$ (92,788)	$ 70,776

Note7 RELATED PARTY TRANSACTIONS

At December31, 2002, SOFTBANK, including its consolidated affiliates ("SOFTBANK"), held approximately 4% of the then outstanding Common Stock of the Company. In addition, the Company has joint ventures with SOFTBANK in France, Germany, Japan, Korea and the United Kingdom. A Managing Partner of a SOFTBANK affiliate is also a member of the Company's Board of Directors.

During 2002, 2001, and 2000, the Company recognized net revenues of approximately $10.4million, $9.3million, and $6.8million, respectively, on advertising and other arrangements with SOFTBANK. Management believes that prices on these contracts were comparable to those with other similarly situated customers of the Company.

The Company and other third parties are limited partners in Softbank Capital Partners LP ("Softbank Capital"), for which a Softbank affiliate is the General Partner. The Company initially committed to a total investment of $30million, and subsequently committed to invest an additional $6million. To date, the total investment by the Company in Softbank Capital is $34.2million. Pursuant to the Partnership Agreement, the Company invested on the same terms and on the same basis as all other limited partners.

See Note8– "Joint Ventures" for further information related to transactions involving SOFTBANK.

Note8 JOINT VENTURES

Yahoo! Japan. During April1996, the Company signed a joint venture agreement with SOFTBANK, which was amended in September 1997, 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 December31, 2002, the carrying value of the investment was $103.3million 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 $2.0billion as of December31, 2002.

During 2001 and 2000, Yahoo! Japan acquired the Company's equity interests in certain entities in Japan for total consideration of $8.9million and $56.3million, respectively. The 2001 acquisition was paid in cash and the 2000 acquisition was paid in shares of Yahoo! Japan Common Stock. As a result of the 2000 acquisition, the Company increased its investment in Yahoo! Japan, which resulted in approximately $40.8million of goodwill to be amortized over seven years. This amortization ceased upon the adoption of SFAS142. During the years ended December31, 2001 and 2000, the Company recorded gains in other income of approximately $5.2million and $40.8million, respectively, from these transactions.

The Company records its share of the results of Yahoo! Japan one quarter in arrears within other income (loss), net. The following table presents Yahoo! Japan's condensed financial information, as derived from the Yahoo! Japan financial statements for the twelve months ended September30, 2002 and 2001 (in thousands):

	Years ended September 30,	
	2002	**2001**
Operating data:		
Net revenues	$ 343,680	$ 165,206
Gross profit	$ 246,944	$ 146,707
Income from operations	$ 124,522	$ 59,731
Net income	$ 67,672	$ 34,258
Balance sheet data:		
Current assets	$ 184,385	$ 83,832
Noncurrent assets	$ 97,552	$ 123,202
Current liabilities	$ 75,949	$ 48,645
Noncurrent liabilities	$ 7,278	$ 18,142

There were no differences between United States and Japanese generally accepted accounting principles that materially impacted the amounts reflected in the Company's financial statements.

Yahoo! Europe. On November1, 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 (collectively "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 $6.0million in proportion to their respective equity interests as of December31, 2002. 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 August1997, the Company signed a joint venture agreement with SOFTBANK and other SOFTBANK affiliated companies whereby Yahoo! Korea was formed to develop and operate a Korean version of the Yahoo! Internet Guide, develop related Korean online navigational services, and conduct other related business. The parties originally invested a total of $1.0million in proportion to their respective equity interests. During March2000, the Company invested an additional $61.0million in Yahoo! Korea. As a result, the Company recorded goodwill of $20.2million, to be amortized over seven years. This amortization ceased upon the adoption of SFAS142. The Company has a majority share of approximately 67% in the joint venture, and therefore, has consolidated its financial results.

Note9 RESTRUCTURING COSTS

During 2001, the Company announced restructuring programs to balance its investment in growth areas with the desire to modify its near-term business plan to reflect an economic and capital market slowdown. These restructuring programs included worldwide workforce reductions, consolidation of excess facilities and other charges. As a result of these restructuring programs, the Company recorded restructuring costs of $57.5million classified as operating expenses in 2001.

Worldwide Workforce Reduction. The restructuring programs resulted in a workforce reduction of approximately 660 employees across certain business functions, operating units, and geographic regions. The worldwide workforce reductions were substantially completed within 2001. The Company recorded a workforce reduction charge of $15.1million in 2001 relating primarily to severance and fringe benefits.

Consolidation of Excess Facilities and Other Charges. The Company recorded a restructuring charge of $42.3million in 2001 relating to the consolidation of excess facilities and other charges. Of this charge, approximately $31.1million was primarily for excess facilities relating to lease terminations and non-cancelable lease costs. This estimate is based on current comparable rates for leases in the respective markets. If facilities rental rates continue to decrease in these markets or if it takes longer than expected to sublease these facilities, the maximum amount the actual loss could exceed the original estimate is approximately $5.3million. Property and equipment that was disposed of or removed from operations resulted in a net charge of $9.4million and consisted primarily of furniture and fixtures, servers, leasehold improvements, and computer equipment. The Company also recorded other restructuring costs of $1.8million relating primarily to payments for professional fees incurred with the restructuring program.

A summary of the restructuring costs is as follows (in thousands):

	Total Charge	2001 Noncash Charges	2001 Cash Payments	Restructuring Accrual at December 31, 2001	2002 Cash Payments	Restructuring Accrual at December 31, 2002
Workforce reduction	$ 15,137	$ (5,411)	$ (5,901)	$ 3,825	$ (3,825)	$ –
Consolidation of excess facilities and other charges	42,334	(9,380)	(7,279)	25,675	(13,930)	11,745
Total	$ 57,471	$ (14,791)	$ (13,180)	$ 29,500	$ (17,755)	$ 11,745

The restructuring accrual is included on the balance sheet in accrued expenses and other current liabilities. Amounts related to the net lease expense due to the consolidation of facilities will be paid over the respective lease terms through December2012.

Note10 STOCKHOLDERS' EQUITY

Stockholder Rights Plan. In March2001, the Company adopted a Stockholder Rights Plan. Under the plan, Rights were 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 March20, 2001. The Rights Plan was not adopted in response to any effort to acquire control of the Company. The Rights will expire on March1, 2011.

Stock Repurchase Program. In March2001, the Company announced that its Board of Directors had authorized the Company to repurchase up to $500million of its outstanding shares of Common Stock from time to time over the next two years, depending on market conditions, share price and other factors. As of December31, 2002, the Company had repurchased 16,458,620 shares of Common Stock at an average of $9.72 per share for a total amount of approximately $160.0million. Of the shares repurchased, 16,033,620 shares were purchased from SOFTBANK at an average of $9.67 per share. Treasury stock is accounted for under the cost method.

See Note14 –"Subsequent Events" for information related to the extension of the Stock Repurchase Program.

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-statutory stock options, and stock purchase rights. Options are generally granted for a term of ten years and generally vest over a four-year period. The 1995 Stock Option Plan was amended in April2002 to increase the number of shares available for issuance under the plan by an aggregate of 35million shares to 287million shares. Shares available for future option grants at December31, 2002 totaled approximately 38.5million.

The 1996 Directors' Stock Option Plan (the "Directors' Plan") provides for the issuance of up to 4.4million 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 vesting in equal monthly installments over the 36-month period thereafter. The Directors' Plan was amended in April2002 to increase the annual grant for outside Directors from 20,000 shares to 50,000 shares and to increase the number of shares available for issuance under the plan by an aggregate of 2million shares to 4.4million shares. Shares available for future option grants at December31, 2002 under the Directors' Plan totaled approximately 3.2million shares.

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

	Options Outstanding		Weighted Average Price per Share
Balance at December 31, 1999	124,790	$	32.40
Options granted	27,176		102.42
Options exercised	(23,795)		14.36
Options canceled	(9,846)		63.93
Balance at December 31, 2000	118,325		49.83
Options granted	60,261		18.60
Options exercised	(15,317)		3.82
Options canceled	(26,312)		60.45
Balance at December 31, 2001	136,957		39.22
Options granted	32,566		15.47
Options exercised	(17,409)		3.87
Options canceled	(19,630)		47.36
Balance at December 31, 2002	132,484	$	36.82

The following table summarizes information concerning outstanding and exercisable options as of December31, 2002 (in thousands, except years and per share amounts):

	Options outstanding				Options exercisable		
Range of Exercise Prices	Number Outstanding	Average Remaining Contractual Life (in years)		Weighted Average Exercise Price	Number Exercisable		Weighted Average Exercise Price
Less than $0.01	410	2.4	$	0.00	410	$	0.00
$0.02 - $0.58	4,310	3.2		0.43	4,310		0.43
$0.63 - $5.39	2,993	4.2		2.47	2,870		2.44
$5.55 - $7.26	2,919	5.2		6.61	2,717		6.68
$7.37 - $14.35	30,520	8.7		10.14	7,383		10.15
$14.42 - $18.13	30,289	9.1		16.50	6,977		17.03
$18.17 - $26.56	15,007	7.6		24.40	11,438		25.13
$26.59 - $49.50	9,886	6.9		39.94	6,510		43.99
$50.26 - $89.00	26,596	7.1		69.51	17,867		70.99
$94.26 - $198.69	9,554	7.2		149.74	6,573		151.20
	132,484	7.7	$	36.82	67,055	$	45.59

Options to purchase approximately 62.7million shares and 50.0million shares were exercisable as of December31, 2001, and 2000, respectively. The weighted average exercise prices per share for options exercisable as of December31, 2001, and 2000 were $38.73 and $23.25, respectively.

The Company recorded compensation expense in the amount of $8.4million, $9.1million, and $20.9million in 2002, 2001, and 2000, respectively. As of December31, 2002, approximately $2.3million 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 7.6million shares of Common Stock. In February2001, the Company amended the Purchase Plan to allow, among other things, a 24-month offering period beginning with the July1, 2001 offering period. 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 for offering periods prior to July1, 2001 was 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. The price of the Common Stock purchased under the Purchase Plan for offering periods on or subsequent to July1, 2001 will be equal to 85% of the lower of the fair market value of the Common Stock on the commencement date of each 24-month offering period or the specified purchase date. During 2002, 1,228,000 shares were purchased at prices from $9.25 to $12.55 per share. During 2001, 645,000 shares were purchased at prices from $9.25 to $16.99 per share. During 2000, 199,000 shares were purchased at prices from $25.61 to $105.30 per share. As of December31, 2002, 4.1million shares were available under the Purchase Plan for future issuance.

Stock Based Compensation. The Company measures compensation expense for its stock-based employee compensation plans using the intrinsic value method. If the fair value based method had been applied in measuring stock compensation expense, the pro forma effect on net income (loss) and net income (loss) per share would have been as follows (in thousands, except per share amounts):

	Years Ended December 31,		
	2002	**2001**	**2000**
Net income (loss)			
As reported	$ 42,815	$ (92,788)	$ 70,776
Stock compensation expense, net of tax	(482,918)	(890,407)	(1,335,763)
Pro forma	$ (440,103)	$ (983,195)	$ (1,264,987)
Net income (loss) per share:			
As reported – basic	$ 0.07	$ (0.16)	$ 0.13
Pro forma – basic	$ (0.74)	$ (1.73)	$ (2.30)
As reported – diluted	$ 0.07	$ (0.16)	$ 0.12
Pro forma – diluted	$ (0.74)	$ (1.73)	$ (2.30)

Diluted net loss per share for the years ended December31, 2002, 2001 and 2000 is computed excluding common share equivalents of 16.2million, 26.8million and 60.0million shares, respectively, as their effect is anti-dilutive.

The weighted average fair value of options where the exercise price equaled the market price on grant date was $9.99, $10.36, and $69.82 for grants in the years ended December31, 2002, 2001 and 2000, respectively. The weighted average fair value of options where the exercise price was greater than the market price on grant date was $10.62, $9.87, and $37.74 for grants in the years ended December31, 2002, 2001 and 2000, respectively. The weighted average exercise price of options where the exercise price was greater than the market price on grant date was $17.12, $46.48, and $95.84 for grants in the years ended December31, 2002, 2001 and 2000, respectively.

Because additional stock options are expected to be granted each year, the pro forma disclosures are not representative of pro forma effects on reported financial results for future years. The fair value of option grants is determined using the Black-Scholes option pricing model with the following weighted average assumptions:

	Years Ended December 31,		
	2002	**2001**	**2000**
Expected dividend	0.0 %	0.0 %	0.0 %
Risk-free interest rate ranges	2.2% - 4.1 %	3.1% - 4.8 %	5.6% - 6.7 %
Expected volatility	77 %	79 %	76 %
Expected life (in years)	3	3	3

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the Company's options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in the opinion of management, the existing models do not necessarily provide a reliable single measure of the fair value of its options.

Note11 SEGMENTS

The Company manages its business geographically. The Company's primary areas of measurement and decision-making are the United States and International. The Company's management relies on an internal management reporting process that provides revenue and segment EBITDA information for making financial decisions and allocating resources. Segment EBITDA information includes income (loss) from operations before certain unallocated operating costs and expenses, including stock compensation expense, amortization of intangibles and depreciation. Management believes that segment EBITDA is an appropriate measure of evaluating the operating performance of the Company's segments. However, segment EBITDA should be considered in addition to, not as a substitute for or superior to, operating income, cash flows or other measures of financial performance prepared in accordance with generally accepted accounting principles.

Revenue is attributed to individual countries according to the international online property that generated the revenue. No single foreign country accounted for more than 10% of net revenues in 2002, 2001, and 2000. Property and equipment information is based on the physical location of the assets.

Summarized information by segment for 2002, 2001, and 2000, as excerpted from the internal management reports, is as follows (in thousands):

	Years Ended December 31,		
	2002	2001	2000
Net revenues:			
United States	$ 806,598	$ 594,332	$ 941,266
International	146,469	123,090	168,912
Total net revenues	$ 953,067	$ 717,422	$ 1,110,178
Segment EBITDA(1):			
United States	$ 212,721	$ 16,611	$ 378,700
International	(6,742)	(35,210)	9,120
Total segment EBITDA	205,979	(18,599)	387,820
Corporate and unallocated operating costs and expenses:			
Stock compensation expense	(8,402)	(9,096)	(20,898)
Amortization of intangibles	(21,186)	(64,085)	(28,328)
Depreciation	(88,203)	(66,490)	(40,774)
Income (loss) from operations	$ 88,188	$ (158,270)	$ 297,820
Capital expenditures, net:			
United States	$ 42,193	$ 72,572	$ 79,657
International	9,360	13,639	14,756
Total consolidated capital expenditures, net	$ 51,553	$ 86,211	$ 94,413
Long-lived assets:			
United States	$ 919,667	$ 297,977	$ 299,882
International	137,102	190,756	52,844
Total consolidated long-lived assets	$ 1,056,769	$ 488,733	$ 352,726

(1) Segment EBITDA includes income (loss) from operations before certain unallocated operating costs and expenses, including stock compensation expense, amortization of intangibles, and depreciation.

The following table presents net revenues for groups of similar services (in thousands):

	Years Ended December 31,		
	2002	2001	2000
Marketing services(1)	$ 651,568	$ 570,977	$ 987,772
Fees	207,941	119,090	115,312
Listings	93,558	27,355	7,094
Net revenues	$ 953,067	$ 717,422	$ 1,110,178

(1) Marketing services revenues include transaction revenues of $70.0million, $32.2million and $19.5million for the years ended December31, 2002, 2001 and 2000, respectively.

Revenues from the Company's agreement with Overture Services,Inc. ("Overture") are included in marketing services for the years ended December31, 2002 and 2001. Revenues from Overture amounted to 14% of net revenues for the year ended December31, 2002. No one customer accounted for 10% or more of net revenues during 2001 and 2000.

Note12 INCOME TAXES

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

	Years Ended December 31,		
	2002	2001	2000
United States	$ 192,068	$ (39,844)	$ 282,458
Foreign	(13,843)	(41,981)	(23,637)
	$ 178,225	$ (81,825)	$ 258,821

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

	Years Ended December 31,		
	2002	2001	2000
Current:			
Federal	$ 75,077	$ 8,093	$ 166,133
State	11,658	177	16,791
Foreign	4,220	5,296	9,636
	90,955	13,566	192,560
Deferred:			
Federal	(17,473)	(1,297)	(3,202)
State	(2,192)	(1,306)	(1,313)
	(19,665)	(2,603)	(4,515)
	$ 71,290	$ 10,963	$ 188,045

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

	Years Ended December 31,		
	2002	2001	2000
Income tax at the federal statutory rate of 35%	$ 62,379	$ (28,639)	$ 90,587
State income tax, net of federal benefit	7,078	(1,034)	9,362
Non-deductible acquisition-related charges	–	20,255	15,162
Research tax credits	(3,500)	(3,900)	(4,000)
Change in valuation allowances	7,368	23,508	68,509

Other	(2,035)	773	8,425
	$ 71,290	$ 10,963	$ 188,045

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):

	Years Ended December 31,		
	2002	2001	2000
Deferred income tax assets:			
Net operating loss and credit carryforwards	$ 1,443,547	$ 1,423,323	$ 1,442,839
Non-deductible reserves and expenses	171,068	131,321	101,775
Gross deferred tax assets	1,614,615	1,554,644	1,544,614
Valuation allowance	(1,560,075)	(1,530,838)	(1,510,628)
	$ 54,540	$ 23,806	$ 33,986
Deferred income tax liabilities:			
Unrealized investment gains	$ (6,955)	$ (12,820)	$ (19,901)
Other	(47,585)	(10,986)	(14,085)
Gross deferred tax liabilities	$ (54,540)	$ (23,806)	$ (33,986)
Net deferred tax assets (liabilities)	$ –	$ –	$ –

As of December31, 2002, the Company's federal and state net operating loss carryforwards for income tax purposes were approximately $3.3billion and $1.9billion, respectively. If not utilized, the federal net operating loss carryforwards will begin to expire in 2010, and approximately $200million of the state net operating loss carryforwards will begin to expire in 2003. The Company's federal and state research tax credit carryforwards for income tax purposes are approximately $88million and $83million, respectively. If not utilized, the federal tax credit carryforwards will begin to expire in 2010. Approximately $322million of net operating loss carryforwards relate to acquired entities and expire beginning in 2010. The Company has a valuation allowance of approximately $1.6billion as of December31, 2002 for deferred tax assets because of uncertainty regarding their realization.

Deferred tax assets of approximately $1.4billion as of December31, 2002 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 $30million related to net operating loss carryforwards in various foreign jurisdictions. These carryforwards will expire if not utilized.

Deferred tax assets of $54.5million and $23.8million, respectively, are included in prepaid and other current assets as of December31, 2002 and 2001. Deferred tax liabilities of $54.5million and $23.8million, respectively, are included in other liabilities as of December31, 2002 and 2001.

Note13 COMMITMENTS AND CONTINGENCIES

Operating Leases. During 1999, the Company entered into agreements for the development of an office complex in Sunnyvale, California to serve as our headquarters. Upon substantial completion of the construction in 2001, approximately $259million was funded for the complex in connection with the lease financing arrangement, and at December31, 2001 such amount had been classified as restricted long-term investments. During July2002, the Company exercised its right, pursuant to the master lease agreement to acquire the complex for approximately $259million, which was funded by the restricted long-term investments.

The Company has entered into various non-cancelable operating lease agreements for other offices throughout the U.S., and for international subsidiaries, for original lease periods ranging from 6months to 13years and expiring between 2003 and 2012.

In addition, the Company has entered into various sublease arrangements associated with excess facilities under the 2001 restructuring programs. Such subleases have terms extending through 2006 and amounts estimated to be received have been included in determining the restructuring accrual.

Net lease commitments as of December31, 2002 can be summarized as follows (in millions):

Years ending December 31,		**Gross lease commitments**		**Sublease income**		**Net lease commitments**
2003	$	23.7	$	(7.9)	$	15.8
2004	$	23.0	$	(6.1)	$	16.9
2005	$	19.7	$	(4.0)	$	15.7
2006	$	18.4	$	(3.2)	$	15.2
2007	$	14.5	$	–	$	14.5
Due after 5 years	$	105.9	$	–	$	105.9

The Company also has an agreement committing to lease two additional buildings adjacent to the headquarters in Sunnyvale, California. The buildings are expected to be ready for occupancy in the third quarter of 2003. Upon completion of the building construction, the Company is committed to a 15year lease obligation, with annual lease payments under the lease of approximately $5.1million in year one, approximately $6.7million in year two, and with increases of 3.5% in each of the following years. These amounts are included in the table above. After year one of the lease, the Company has the right to (i)purchase the buildings for approximately $68.9million, plus fees, (ii)restructure the lease arrangement, or (iii)continue leasing the buildings under the original agreement for the remaining fourteen years.

Rent expense under operating leases totaled $14.7million, $19.3million and $24.6million for the years ended December31, 2002, 2001 and 2000, respectively.

Investments in Privately-Held Companies. During 2002, the Company acquired an equity interest of approximately 16% in Sonera zed OY, ("Zed"), a Finnish company and a previously wholly-owned subsidiary of a privately-held mobile device services company. Under the terms of the investment agreement, the Company has call options to acquire the remaining interests not owned by the Company or sell back its shares. In addition, Zed has a put option enabling Zed to require the Company to acquire the remaining interests not owned by the Company if the Company exercises its option to buy a majority of Zed's outstanding shares. The amount of the purchase price for the remaining equity interests in Zed not held by the Company is not determinable at this time but will be based on an operating performance based valuation of Zed. The Company is not obligated to purchase additional equity in Zed unless it chooses to exercise the option described above. As part of the transaction, the Company has agreed to provide up to 4.8million Euro in additional funding to Zed. Other than this amount, the Company is not obligated to guarantee any obligations of Zed or provide any funding to Zed. The Company's investment in Zed was immaterial to its consolidated balance sheet as of December31, 2002.

Other Commitments. In the ordinary course of business, the Company enters into various arrangements with vendors and other business partners, principally for marketing, bandwidth and content arrangements. There are no material commitments for these arrangements extending beyond 2003.

See also Note14 –"Subsequent Events" regarding the Company's acquisition of Inktomi Corporation.

Contingencies. From time to time, third parties assert patent infringement claims against Yahoo! in the form of letters, lawsuits, and other forms of communication. Currently, the Company or its acquired subsidiaries, are engaged in several lawsuits regarding patent issues and have been notified of a number of other potential patent disputes.

In addition, from time to time the Company is subject to other 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 its email, message boards, auction sites, shopping services, and other communications and community features, such as claims alleging defamation or invasion of privacy.

The Company does not believe, based on current knowledge, that any of the foregoing legal proceedings or claims are likely to have a material adverse effect on its 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 Yahoo!, 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 or cash flows.

On May24, 2001, Arista Records,Inc., Bad Boy Records, BMG Music d/b/a The RCA Records Label, Capitol Records,Inc., Virgin Records America,Inc., Sony Music EntertainmentInc., UMG Recordings,Inc., Interscope Records, Motown Record Company, L.P., and Zomba

Recording Corporation filed a lawsuit alleging copyright infringement against LAUNCH Media,Inc. ("LAUNCH") in the United States District Court for the Southern District of New York. After the lawsuit was commenced, the Company entered into an agreement to acquire LAUNCH. In June2001, LAUNCH announced that it had settled the LAUNCH litigation as to UMG Recordings,Inc. The Company's acquisition of LAUNCH closed in August2001, and since that time LAUNCH has been a wholly owned subsidiary of the Company. The complaint alleges, among other things, that the consumer-influenced portion of LAUNCH's LAUNCHcast service as operated at the time of the complaint was "interactive" within the meaning of Section114 of the Copyright Act and therefore does not qualify for the compulsory license provided for by the Copyright Act. The Complaint seeks declaratory and injunctive relief and damages for the alleged infringement. The Company and LAUNCH do not believe that LAUNCH has infringed any rights of plaintiffs and intend to vigorously contest the lawsuit. The lawsuit is still in the preliminary, discovery phase and the Company does not believe it is feasible to predict or determine the outcome or resolution of the LAUNCH litigation. The range of possible resolutions of the LAUNCH litigation could include judgments against the Company or settlements that could require substantial payments by the Company, which could have a material adverse impact on the Company's financial position, results of operations or cash flows. In January2003, LAUNCH announced that it had settled the LAUNCH litigation as to Sony Music Entertainment,Inc.

Note14 SUBSEQUENT EVENTS

Stock Repurchase Program. In March2003, the Company's Board of Directors authorized a two year extension of the stock repurchase program, which extension authorizes the Company to repurchase up to approximately $340million (representing the balance of the $500million originally authorized in March2001) of our outstanding shares of Common Stock from time to time over the next two years, depending on market conditions, share price and other factors. The Company may utilize equity instrument contracts to facilitate the repurchase of Common Stock.

Acquisition. In March2003, the Company completed the acquisition of Inktomi Corporation ("Inktomi"), a provider of original equipment manufacturer ("OEM") Web search and paid inclusion services. The total estimated purchase price of approximately $279.5million consisted of $269.8million in cash consideration, approximately $6.4million of stock options exchanged and direct transaction costs of approximately $3.3million.

The preliminary allocation of the purchase price to the assets acquired and liabilities assumed based on the fair value of Inktomi is as follows (in thousands):

Tangible assets acquired	$	91,807
Amortizable intangible assets		52,300
Goodwill		199,466
Total assets acquired		343,573
Liabilities assumed		(65,563)
Deferred compensation		1,500
Total	$	279,510

A preliminary estimate of $52.3million has been allocated to amortizable intangible assets consisting of customer contracts and developed technology with useful lives not exceeding five years.

A preliminary estimate of $199.5million has been allocated to goodwill. Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired. In accordance with Statement of Financial Accounting Standards 142, "Goodwill and other Intangible Assets," goodwill will not be amortized and will be tested for impairment, at least annually. The preliminary purchase price allocation for Inktomi is subject to revision as more detailed analysis is completed and additional information on the fair values of the assets and liabilities becomes available. Any change in the fair value of the net assets of Inktomi will change the amount of the purchase price allocable to goodwill.

The following unaudited pro forma information presents a summary of the results of operations of the Company assuming the acquisition of Inktomi occurred on January1, 2002 (in thousands, except per share amounts):

		Year Ended December 31, 2002
Net Revenues	$	1,023,740
Net income (loss)	$	(118,982)
Net income (loss) per share – basic	$	0.20
Net income (loss) per share – diluted	$	0.20

ScheduleII—Valuation and Qualifying Accounts

Years Ended December31, 2002, 2001, and 2000
(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				
2002	$ 19,995	$ 10,229	$ 6,372	$ 23,852
2001	$ 15,437	$ 11,370	$ 6,812	$ 19,995
2000	$ 11,397	$ 14,658	$ 10,618	$ 15,437

Selected Quarterly Financial Data

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

	Quarters Ended							
	March 31, 2002	June 30, 2002	September 30, 2002	December 31, 2002	March 31, 2001	June 30, 2001	September 30, 2001	December 31, 2001
Net revenues	$ 192,665	$ 225,792	$ 248,823	$ 285,787	$ 180,215	$ 182,165	$ 166,131	$ 188,911
Net income (loss) before cumulative effect of accounting change	10,475	21,394	28,857	46,209	(11,486)	(48,524)	(24,119)	(8,659)
Cumulative effect of accounting change	(64,120)	–	–	–	–	–	–	–
Net income (loss)	$ (53,645)	$ 21,394	$ 28,857	$ 46,209	$ (11,486)	$ (48,524)	$ (24,119)	$ (8,659)
Net income (loss) per share before cumulative effect of accounting change – basic	$ 0.02	$ 0.04	$ 0.05	$ 0.08	$ (0.02)	$ (0.09)	$ (0.04)	$ (0.02)
Cumulative effect of accounting change per share – basic	(0.11)	–	–	–	–	–	–	–
Net income (loss) per share – basic	$ (0.09)	$ 0.04	$ 0.05	$ 0.08	$ (0.02)	$ (0.09)	$ (0.04)	$ (0.02)
Net income (loss) per share before cumulative effect of accounting change – diluted	$ 0.02	$ 0.03	$ 0.05	$ 0.08	$ (0.02)	$ (0.09)	$ (0.04)	$ (0.02)
Net income (loss) per share – diluted	(0.11)	–	–	–	–	–	–	–
Net income (loss) per share – diluted	$ (0.09)	$ 0.03	$ 0.05	$ 0.08	$ (0.02)	$ (0.09)	$ (0.04)	$ (0.02)
Shares used in per share calculation – basic	586,878	598,740	596,743	592,992	565,447	569,768	571,752	571,928
Shares used in per share calculation – diluted	610,020	615,542	607,134	607,544	565,447	569,768	571,752	571,928

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

None.

PartIII

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 "Section16 Beneficial Ownership Reporting Compliance" in the Registrant's Proxy Statement for its 2003 Annual Meeting of Stockholders to be filed on or before April30, 2003. The following sets forth certain information with respect to the other executive officers of Yahoo!:

Daniel Rosensweig (age41), has served as Chief Operating Officer since April2002. Prior to joining Yahoo!, Mr.Rosensweig was President of CNET Networks from October2000. Prior to that, Mr.Rosensweig served as Chief Executive Officer of ZDNet,Inc. from January1999 and President of ZDNet,Inc. from 1997 to July2000. Mr.Rosensweig served as President of Ziff-Davis Internet Publishing Group from 1996 to 1997.

Farzad Nazem (age41), has served as Executive Vice President and Chief Technology Officer since January2002. Prior to that, from February2001 to January2002, Mr.Nazem served as Senior Vice President, Communications and Technical Services and Chief Technology Officer. From January1998 to February2001, Mr.Nazem served as Chief Technology Officer. Prior to that, he served as Yahoo!'s Senior Vice President, Product Development and Site Operations from March1996 to January1998. From 1985 to 1996, Mr.Nazem held a number of technical and executive management positions at Oracle Corporation, including Vice President of Oracle's Media and Web Server Division and member of the Product Division Management Committee.

Susan Decker (age40), has served as Yahoo!'s Chief Financial Officer since June2000 and as Executive Vice President, Finance and Administration since January2002. Prior to that, Ms.Decker served as Senior Vice President, Finance and Administration from June2000 to January2002. From August1986 to May2000, 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 12years.

David Filo (age36), Chief Yahoo! and a founder of Yahoo!, has served as an officer of Yahoo! since March1995, and served as a director of Yahoo! from its founding through February1996. Mr.Filo reports to Chairman and Chief Executive Officer, Terry Semel. He is involved in guiding Yahoo!'s vision, is involved in many key aspects of the business at a strategic and operational level, and is a stalwart of the Company's employee culture and morale. Mr.Filo co-developed Yahoo! in 1994 while working towards his Ph.D. in electrical engineering at Stanford University, and co-founded Yahoo! in 1995.

Gregory Coleman (age48), has served as Executive Vice President, Media and Sales since October2002. Prior to that, Mr.Coleman served as Executive Vice President, North American Operations from April2001 to October2002. Prior to joining Yahoo!, Mr.Coleman served as President of U.S. Magazine Publishing from July1998 to March2001 and as Senior Vice President of Reader's Digest Association from June1994 to March2001.

Toby Coppel (age31), has served as Senior Vice President, Corporate Development since May2001. Prior to joining Yahoo!, Mr.Coppel served as Chief Financial Officer and Managing Director of Windsor Digital from September2000 to July2001. From June1997 to September2000, Mr.Coppel was a Vice President at Allen& Company Incorporated.

Jeff Weiner (age33), has served as Senior Vice President, Search and Marketplace since November2002. Prior to that, Mr.Weiner served as Senior Vice President, Corporate Development since May2001. Prior to joining Yahoo!, Mr.Weiner was co-founder and Managing Director of Windsor Digital, a private equity firm. From 1994 to 2000, Mr.Weiner served in several capacities at Warner Bros., including Vice President of Warner Bros. Online.

Geoff Ralston (age42), has served as Senior Vice President, Network Services since September2002. Prior to that, from October1999 to September2002, Mr.Ralston served as Vice President and General Manager, Communications. From October1997 to October1999, he served as Vice President, Engineering.

Jim Brock (age40), has served as Senior Vice President, Consumer Services since October2002. From January2001 to October2002, Mr.Brock served as Senior Vice President, Major Initiatives. From May1998 to January2001, Mr.Brock was a partner at Amicus, a private advisory and investment firm. Prior to that, Mr.Brock was a partner with Venture Law Group where he led the firm's Internet practice.

Steve Boom (age34), has served as Senior Vice President, Enterprise Solutions since November2002. From June2000 to November2002, he served as Managing Director of Enterprise Solutions for Yahoo! UK Limited. Prior to that, he served as Director of Business Development for Yahoo! UK Limited from January1999 to June2000. From August1998 to December1998, Mr.Boom served as International Project Director for Yahoo!. Prior to that, Mr.Boom was an associate at Venture Law Group.

Jon Sobel (age39), has served as Senior Vice President, General Counsel and Secretary since March2001. Prior to that, Mr.Sobel served as Associate General Counsel from May1999. Prior to joining Yahoo! in 1998, Mr.Sobel served as Associate General Counsel and Director of Strategic Relations for Electronics for ImagingInc. from January1998 to April1998 and as Associate General Counsel for Chips and TechnologiesInc. from January1997 to January1998.

Wenda Harris Millard (age48), has served as Chief Sales Officer since she joined Yahoo! in October2001. Prior to that, Ms.Millard was Chief Internet Officer at Ziff Davis Media and president of Ziff Davis Internet from December2000 to October2001. Prior to joining Ziff Davis Media, Ms.Millard was Executive Vice President of DoubleClickInc. from July1996 to December2000.

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 2003 Annual Meeting of Stockholders to be filed on or before April30, 2003.

Item 12.Security Ownership of Certain Beneficial Owners and Management

Incorporated by reference from the information under the captions "Record Date; Voting Securities," "Information Regarding Beneficial Ownership of Principal Stockholders and Management" and "Equity Compensation Plan Information" in the Registrant's Proxy Statement for its 2003 Annual Meeting of Stockholders to be filed on or before April30, 2003.

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 2003 Annual Meeting of Stockholders to be filed on or before April30, 2003.

Item 14.Controls and Procedures

Evaluation of Controls and Procedures

Within 90days before the date of this report, our disclosure committee carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer, TerryS. Semel, and Chief Financial Officer, SusanL. Decker, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules13a-14(c) and 15d-14(c)). Based upon that evaluation, Mr.Semel and Ms.Decker concluded that the Company's disclosure controls and procedures are effective in causing material information to be collected, communicated and analyzed by management of the Company on a timely basis and to ensure that the quality of information contained in, and the timeliness of, the Company's public disclosures complies with its SEC disclosure obligations.

Changes in Controls and Procedures

There were no significant changes in the Company's internal controls or in other factors that could significantly affect these internal controls after the date of our most recent evaluation.

Item 15.Exhibits, Financial Statement Schedules, and Reports on Form8-K

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

(1)
Consolidated Financial Statements: See Index to Consolidated Financial Statements at Item8 on page40 of this report.

(2)
Financial Statement Schedule: See Index to Consolidated Financial Statements at Item8 on page40 of this report.

(3)
Exhibits are incorporated herein by reference or are filed with this report as indicated below (numbered in accordance with Item601 of RegulationS-K):

Exhibit Number	Description
2.1	Agreement and Plan of Merger dated as of June27, 2000 by and among the Registrant, Hermes Acquisition Corporation and eGroups, Inc. (Filed as Exhibit2.8 to the Registrant's Quarterly Report on Form10-Q for the quarter ended June30, 2000 [the June30, 2000 10-Q] and incorporated herein by reference.)
2.2	Agreement and Plan of Merger, dated as of December27, 2001 by and among the Registrant, HJ Acquisition Corp. and HotJobs.com, Ltd. (Filed as Exhibit2.1 to the Registrant's Current Report on Form8-K filed on December27, 2001 and incorporated herein by reference.)
2.3	Agreement and Plan of Merger dated as of December23, 2002 by and among the Registrant, December 2002 Acquisition Corp. and Inktomi Corporation (Filed as Exhibit2.1 to the Registrant's Current Report on Form8-K filed on January8, 2003 and incorporated herein by reference.)
3.1	Amended and Restated Certificate of Incorporation of Registrant (Filed as Exhibit3.1 to the June30, 2000 10-Q and incorporated herein by reference.)
3.2	Amended Bylaws of Registrant (Filed as Exhibit4.9 to the Registrant's Registration Statement on FormS-8 filed on March5, 2002 [the March5, 2002 FormS-8] and incorporated herein by reference.)
4.1	Form of Senior Indenture (Filed as Exhibit4.1 to the Registrant's Registration Statement on FormS-3, Registration No.333-46458, filed September22, 2000 [the September22, 2000 FormS-3] and incorporated herein by reference.)
4.2	Form of Subordinated Indenture (Filed as Exhibit4.2 to the September22, 2000 FormS-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 Exhibit4.6 to the September22, 2000 FormS-3 and incorporated herein by reference.)
4.7**	Form of Warrant Agreement (together with form of Warrant Certificate)
4.8	Rights Agreement, dated as of March15, 2001, between the Registrant and Equiserve Trust Company, N.A., as Rights Agent, including the form of Rights Certificate as ExhibitB and the summary of Rights to Purchase Preferred Stock as ExhibitC (Filed as Exhibit4.1 to the Registrant's Current Report on Form8-K, filed March19, 2001 and incorporated herein by reference.)

10.1	Form of Indemnification Agreement with certain of the Registrant's officers and directors (Filed as Exhibit10.1 to the Registrant's Annual Report on Form10-K for the year ended December31, 1999 and incorporated herein by reference.)
10.2	1995 Stock Plan, as amended (filed as Exhibit4.1 to Registrant's Registration Statement on FormS-8 filed on June6, 2002 [the June6, 2002 FormS-8] and incorporated herein by reference) and form of stock option agreement (Filed as Exhibit10.2 to the Registrant's Annual Report on Form10-K for the year ended December31, 1996 and incorporated herein by reference.)
10.3	Form of Management Continuity Agreement with certain of the Registrant's Executive Officers (Filed as Exhibit10.3 to the Registrant's Registration Statement on FormSB-2, Registration No.333-2142-LA, declared effective on April11, 1996 [the SB-2Registration Statement] and incorporated herein by reference.)
10.4	Second Amended and Restated Investor Rights Agreement dated March12, 1996 between the Registrant and certain shareholders (Filed as Exhibit10.9 to the SB-2 Registration Statement and incorporated herein by reference.)
10.5	Amended and Restated 1996 Employee Stock Purchase Plan and form of subscription agreement (Filed as Exhibit10.8 to the Registrant's Annual Report on Form10-K for the year ended December31, 2000 and incorporated herein by reference.)
10.6	1996 Directors' Stock Option Plan, as amended (filed as Exhibit4.2 to the June6, 2002 S-8 and incorporated herein by reference) and form of option agreement (Filed as Exhibit10.21 to the SB-2 Registration Statement and incorporated herein by reference.)
10.7*	Joint Venture Agreement dated April1, 1996 by and between the Registrant and SOFTBANK Corporation.
10.8	Yahoo! Japan License Agreement dated April1, 1996 by and between the Registrant and Yahoo! Japan Corporation (Filed as Exhibit10.43 to Amendment No.3 to the Registrant's Registration Statement on FormS-3 filed on December23, 2002 [the December23, 2002 FormS-3] and incorporated herein by reference.)
10.9*	Joint Venture Agreement dated November1, 1996 by and between the Registrant and SBHoldings (Europe) Ltd.
10.10	Joint Venture Agreement dated August31, 1997 between the Registrant, SOFTBANK Korea Corporation, SOFTBANK Corporation, and Yahoo! Japan Corporation (Filed as Exhibit10.1 to the Registrant's Quarterly Report on Form10-Q for the quarter ended September 30, 1997 and incorporated herein by reference)
10.11*	Amendment Agreement dated September17, 1997 by and between Registrant and SOFTBANK Corporation.
10.12	Amendment to Yahoo! Japan License Agreement dated September17, 1997 by and between the Registrant and Yahoo! Japan Corporation (Filed as Exhibit10.43 to the December23, 2002 FormS-3 and incorporated herein by reference.)
10.13	Services Agreement dated November30, 1997 by and between Yahoo! Korea Corporation and SOFTBANK Korea Corporation (Filed as Exhibit10.42 to the December23, 2002 FormS-3 and incorporated herein by reference.)
10.14	Yahoo! Korea License Agreement dated November30, 1997 by and between the Registrant, Yahoo! Korea Corporation, and Yahoo! Japan Corporation (Filed as Exhibit10.41 to the December23, 2002 FormS-3 and incorporated herein by reference.)
10.15	Amendment to Second Amended and Restated Investor Rights Agreement dated July7, 1998 among the Registrant, SOFTBANK Holdings Inc., Sequoia CapitalVI and Sequoia Technology PartnersVI (Filed as Exhibit10.2 to the Registrant's Quarterly Report on Form10-Q for the quarter ended September30, 1998 and incorporated herein by reference.)

10.16 Employment Letter, dated as of March19, 2001, between the Registrant and Gregory Coleman (Filed as Exhibit10.36 to the Registrant's Quarterly Report on Form10-Q for the quarter ended March31, 2001 and incorporated herein by reference.)

10.17 Employment Letter, dated as of April16, 2001, between the Registrant and TerryS. Semel (Filed as Exhibit10.39 to the Registrant's Quarterly Report on Form10-Q for the quarter ended June30, 2001 [the June30, 2001 10-Q] and incorporated herein by reference.)

10.18 Stock Purchase Agreement, dated as of April16, 2001, between the Registrant and TerryS. Semel (Filed as Exhibit10.40 to the June30, 2001 10-Q and incorporated herein by reference.)

10.19 Consent and Resale Agreement dated as of March25, 2002, between the Registrant and SOFTBANK Corp. (Filed as Exhibit10.40 to the Registrant's Quarterly Report on Form10-Q for the quarter ended March31, 2002 and incorporated herein by reference.)

10.20 Employment agreement between Registrant and Daniel Rosensweig dated April23, 2002 (Filed as Exhibit10.41 to the Registrant's Quarterly Report on Form10-Q for the quarter ended June30, 2002 [the June30, 2002 10-Q] and incorporated herein by reference.)

10.21 Recourse Promissory Note executed by Daniel Rosensweig for the benefit of Registrant (Filed as Exhibit10.42 to the June30, 2002 10-Q and incorporated herein by reference.)

10.22 Yahoo! Key Executive New Hire Retention Plan (Filed as Exhibit10.43 to the June30, 2002 10-Q and incorporated herein by reference.)

10.23 Key Executive New Hire Retention Agreement between the Registrant and Daniel Rosensweig (Filed as Exhibit10.44 to the June30, 2002 10-Q and incorporated herein by reference.)

10.24 Stock Purchase Agreement, dated as of August28, 2002 between the Registrant and SOFTBANK America, Inc. (Filed as Exhibit10.45 to the Registrant's Quarterly Report on Form10-Q for the quarter ended September30, 2002 [the September30, 2002 10-Q] and incorporated herein by reference.)

10.25 Registration Rights Agreement, dated as of August28, 2002 between Registrant and Acqua Wellington Private Placement Fund Ltd. and Acqua Wellington OpportunityI Limited. (Filed as Exhibit10.46 to the September30, 2002 10-Q and incorporated herein by reference.)

10.26 Hosting Services Agreement, dated September26, 2001, by and between the Registrant and eGroups K.K (Filed as Exhibit10.44 to the December23, 2003 FormS-3 and incorporated herein by reference.)

10.27†* Overture Search Services Agreement, dated May1, 2002 by and between the Registrant and Overture Services, Inc.

10.28†* First Addendum to Overture Search Services Agreement, dated October1, 2002 by and between Registrant and Overture Services, Inc.

10.29†* Second Addendum to Overture Search Services Agreement, dated January13, 2003 by and between the Registrant and Overture Services, Inc.

10.30 HotJobs.com, Ltd. 1999 Stock Option/Stock Issuance Plan (Filed as Exhibit4.1 to the March5, 2002 FormS-8 and incorporated herein by reference.)

10.31 HotJobs.com, Ltd. 1999 Stock Option/Stock Issuance Plan Amendment No.1 (Filed as Exhibit4.2 to the March5, 2002 FormS-8 and incorporated herein by reference.)

10.32 HotJobs.com, Ltd. 2000 Stock Option Plan (Filed as Exhibit4.3 to the March5, 2002 FormS-8 and incorporated herein by reference.)

10.33 HotJobs.com, Ltd. Stock Award Plan (Filed as Exhibit4.4 to the March5, 2002 FormS-8 and incorporated herein by reference.)

10.34	Resumix, Inc. 1998 Equity Incentive Plan (Filed as Exhibit4.5 to the March5, 2002 FormS-8 and incorporated herein by reference.)
10.35	Resumix, Inc. 2000 Stock Option Plan (Filed as Exhibit4.7 to the March5, 2002 FormS-8 and incorporated herein by reference.)
21.1*	List of Subsidiaries
23.1*	Consent of Independent Accountants
24.1	Power of Attorney (see the signature page of this Annual Report on Form10-K)
99.1*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18U.S.C. Section1350 dated March21, 2003

†
Confidentialtreatment requested with respect to certain portions of this Exhibit.

*
Filedherewith.

**
To be filed by a report on Form8-K pursuant to Item601 of RegulationS-K or, where applicable, incorporated hereinby reference froma subsequent filing in accordance with Section305(b)(2) of the Trust Indenture Act of 1939.

(b)
Reports on Form8-K

On October11, 2002 the Company filed a Current Report on Form8-K announcing the Company's financial results for the quarterly period ended September30, 2002.

On December24, 2002, the Company filed a Current Report on Form8-K announcing it had signed a definitive agreement to acquire Inktomi Corporation.

Signatures

Pursuant to the requirements of Section13 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 21st day of March, 2003.

YAHOO! INC.	
By:	/s/ SUSAN L. DECKER Susan L. Decker *Executive 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 TerryS. Semel and SusanL. 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 Form10-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/ TERRY S. SEMEL Terry S. Semel	Chairman and Chief Executive Officer (Principal Executive Officer)	March 21, 2003
/s/ SUSAN L. DECKER Susan L. Decker	Executive Vice President, Finance and Administration, and Chief Financial Officer (Principal Financial Officer)	March 21, 2003
/s/ PATRICIA CUTHBERT Patricia Cuthbert	Vice President and Corporate Controller (Principal Accounting Officer)	March 21, 2003
/s/ RONALD W. BURKLE Ronald W. Burkle	Director	March 21, 2003
/s/ ERIC HIPPEAU Eric Hippeau	Director	March 21, 2003
/s/ ARTHUR H. KERN Arthur H. Kern	Director	March 21, 2003

/s/ TIMOTHY KOOGLE Timothy Koogle	Director	March 21, 2003
/s/ ROBERT KOTICK Robert Kotick	Director	March 21, 2003
/s/ EDWARD KOZEL Edward Kozel	Director	March 21, 2003
/s/ GARY L. WILSON Gary L. Wilson	Director	March 21, 2003
/s/ JERRY YANG Jerry Yang	Director	March 21, 2003

Certification of CEO Pursuant to Securities Exchange Act Rules13a-14 and 15d-14 as Adopted Pursuant to Section302 of the Sarbanes-Oxley Act of 2002

I, Terry S. Semel, the Chief Executive Officer of Yahoo!Inc., certify that:

1. I have reviewed this annual report on Form10-K of Yahoo!Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules13a-14 and 15d-14) for the registrant and have:

   (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90days prior to the filing date of this annual report (the "Evaluation Date"); and

   (c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and to the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation,

including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: March 21, 2003 By: /s/ TERRY S. SEMEL Terry S. Semel
Chief Executive Officer

Certification of CFO Pursuant to Securities Exchange Act Rules13a-14 and 15d-14 as Adopted Pursuant to Section302 of the Sarbanes-Oxley Act of 2002

I, Susan L. Decker, the Chief Financial Officer of Yahoo!Inc., certify that:

1. I have reviewed this annual report on Form10-K of Yahoo!Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules13a-14 and 15d-14) for the registrant and have:

   (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90days prior to the filing date of this annual report (the "Evaluation Date"); and

   (c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and to the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation,

including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: March 21, 2003 By: /s/ SUSAN L. DECKER Susan L. Decker
Chief Financial Officer

Index to Exhibits

Exhibit Number	Description
10.7	Joint Venture Agreement dated April1, 1996 by and between the Registrant and SOFTBANK Corporation.
10.9	Joint Venture Agreement dated November1, 1996 by and between the Registrant and SBHoldings (Europe) Ltd.
10.11	Amendment Agreement dated September17, 1997 by and between Registrant and SOFTBANK Corporation.
10.27†	Overture Search Services Agreement, dated May1, 2002 by and between the Registrant and Overture Services, Inc.
10.28†	First Addendum to Overture Search Services Agreement, dated October1, 2002 by and between Registrant and Overture Services, Inc.
10.29†	Second Addendum to Overture Search Services Agreement, dated January13, 2003 by and between the Registrant and Overture Services, Inc.
21.1	List of Subsidiaries
23.1	Consent of Independent Accountants
99.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18U.S.C Section1350 dated March21, 2003

† Confidentialtreatment requested with respect to certain portions of this Exhibit.

QuickLinks

Exhibit10.7

JOINT VENTURE AGREEMENT

JOINT VENTURE AGREEMENT, dated as of April 1, 1996, by and between SOFTBANK Corporation, a Japanese corporation ("SOFTBANK"), and Yahoo! Inc., a California corporation ("Yahoo").

WHEREAS, Yahoo offers in the United States and certain other geographic areas certain on-line navigational services on the World Wide Web, including, without limitation, the Yahoo! Internet Guide.

WHEREAS, SOFTBANK is a leading computer publisher and software distributor in Japan;

WHEREAS, SOFTBANK indirectly owns a minority interest in Yahoo; and

WHEREAS, SOFTBANK and Yahoo wish to form a joint venture company in Japan called Yahoo Japan Corporation (the "Company"), to establish and manage in Japan a Japanese version of the Yahoo Internet Guide, develop related Japanese on-line navigational services, and conduct other related businesses;

NOW, THEREFORE, the parties hereby agree as follows:

1. OBJECTIVES OF THE COMPANY

The objectives of the Company shall be to engage in the businesses set forth below:

(i) establishment and management in Japan of a Japanese version of the Yahoo Internet Guide;

(ii) development of related Japanese on-line navigational services;

(iii) related sale of on-line advertisement space;

(iv) addition of Japanese specific informational content to the mirror site database in Japan;

(v) business cooperation with a Japanese version of "Yahoo! Internet Life" (or one or more similar publications) published by Ziff-Davis Publishing company;

(vi) production of a Japanese version of the online publication "ZD/Yahoo! computing" (or one or more similar publications) to be published on the Internet by Ziff-Davis Publishing Company; and

(vii) other businesses relating to the foregoing as agreed upon by the parties from time to time.

2. SALE AND PURCHASE OF SHARES; OWNERSHIP OF THE COMPANY.

(a) Subject to the terms and conditions hereof, SOFTBANK agrees to sell, and Yahoo agrees to purchase, 1600 shares of Common Stock of the Company (the "Shares") at a price of 50,000 per share so that after such sale SOFTBANK shall own 2,400 shares of Common Stock and Yahoo shall own 1,600 shares of Common Stock of the Company.

(b) Concurrently with the execution of this Agreement, SOFTBANK shall deliver to Yahoo stock certificates representing the Shares and registered in the name of Yahoo, against payment by Yahoo of 80,000,000 therefor in immediately available funds to a bank account designated by SOFTBANK.

3. REPRESENTATIONS AND WARRANTIES OF SOFTBANK

SOFTBANK hereby represents and warrants to Yahoo as follows:

(a) SOFTBANK has been duly incorporated, and is a validly existing corporation under the laws of Japan and has full power and authority to enter into and perform this Agreement.

(b) This Agreement has been duly authorized, executed and delivered by SOFTBANK and constitutes a valid and binding agreement of SOFTBANK, enforceable against SOFTBANK in accordance with its terms.

(c) The Company has been incorporated on January 31, 1996 as a Kabushiki Kaisha (a stock limited company). The registered office of the Company is at 3-42-3, Nihonbashi-Hamacho, Chuo-ku, Tokyo 103, Japan. The Company has been duly incorporated and is a validly existing corporation under the laws of Japan and has full power and authority to carry on its business as contemplated in this Agreement. Attached hereto as Exhibit A is a true and correct copy of the Articles of Incorporation of the Company ("teikan") and a true and complete English translation thereof.

(d) The Company's authorized capital is 16,000 shares of Common Stock, par value 50,000 per share, of which 4,000 shares are issued and outstanding. Prior to the Closing, SOFTBANK purchased such 4,000 shares for a purchase price of 50,000 per share in cash, and SOFTBANK owns all of such issued and outstanding shares of the Company. There are no options, warrants or commitments of any kind relating to the capital stock of the Company, including any preemptive or other rights to purchase its capital stock.

(e) The Shares have been duly authorized (including any required approval by the Board of Directors of the Company) and validly issued and are fully paid and non-assessable. Title to the Shares will be transferred from SOFTBANK to Yahoo upon physical delivery of the stock certificates to Yahoo at the Closing, free and clear of all liens, encumbrances, equities or claims.

(f) Prior to the Closing, the Company has not been engaged in any business or activities and has not entered into to any contracts, except as contemplated by this Agreement and the Company has net assets of 200,000 in the form of cash and cash equivalents.

(g) The Company has no liabilities, contingent or otherwise, and the Company has complied in all material respects with all laws and regulations. There is no litigation pending or threatened, and no basis therefor known to the Company, to which the Company is or would be a party, to which any of the Company's assets are or would be subject, or which question or challenge this Agreement or the transactions contemplated hereby.

(h) No consent, approval or authorization of or declaration or filing with any governmental authority or other person or entity on the part of SOFTBANK is required in connection with the execution or delivery of this Agreement or the consummation of the transactions contemplated hereby other than as described in Section 15 hereof.

(i) A certified copy of the commercial register of the Company (and a true and complete English translation thereof) is attached to this Agreement as Exhibit B, and all information contained therein is complete and accurate.

4. REPRESENTATIONS AND WARRANTIES OF YAHOO

Yahoo represents and warrants to SOFTBANK as follows:

(a) Yahoo has been duly incorporated and is a validly existing corporation in good standing under the laws of the State of California, and has full power and authority to enter into and perform this Agreement.

(b) This Agreement has been duly authorized, executed and delivered by Yahoo and constitutes a valid and binding agreement of Yahoo, enforceable against Yahoo in accordance with its terms.

(c) No consent, approval or authorization of or declaration or filing with any governmental authority or other person or entity on the part of Yahoo is required in connection with the execution or delivery of this Agreement or the consummation of the transactions contemplated hereby other than as described in Section 15 hereof.

5. LICENSE AGREEMENT

Concurrently with the execution of this Agreement, Yahoo shall enter into a license agreement, in the form of Exhibit C attached hereto (the "License Agreement"), with the Company.

6. BOARD OF DIRECTORS; STATUTORY AUDITORS

(a) The total number of Directors comprising the Board shall be five. SOFTBANK shall designate three Directors, one of which shall be an individual reasonably approved by Yahoo, and Yahoo shall designate two Directors.

(b) The Company shall have one Statutory Auditor, which shall be designated by SOFTBANK.

(c) The Company shall have one Representative Director, who shall be the President. The President and Representative Director shall be a nominee of SOFTBANK.

(d) In case of a vacancy in the office of Director, Statutory Auditor or Representative Director during the term of office for whatever reason, the vacancy shall be filled by the party that nominated the Director, Statutory Auditor or Representative Director whose office became vacant.

(e) At any annual or special meeting of shareholders or any meeting of the Board of Directors called for such purpose, each party shall vote or cause to be voted all shares owned by it for the election of nominees designated as Directors, Statutory Auditor or Representative Director in accordance with this Section 6 and otherwise as may be necessary to implement the provisions of this Agreement.

(f) No change shall be made in the number and/or allocation of Directors, Statutory Auditor or Representative Director as stated in this Section 6 or in the Articles of Incorporation of the Company; provided that if the parties' respective shareholdings change, the parties shall adjust the number and allocation of Directors and the designation or nomination of the Statutory Auditor or Representative Director if and to the extent appropriate so that their respective representation on the Board and in the Company is generally proportionate to their respective shareholdings.

7. MANAGEMENT OF THE COMPANY

(a) The Board of Directors of the Company shall be responsible for establishing the overall policy and operating procedures with respect to the business affairs of the Company.

(b) Except as otherwise required by mandatory provisions of law and as otherwise provided herein, resolutions of the Board of Directors shall be adopted only by the affirmative vote of a majority of the Directors present at a meeting duly called at which a quorum is present. A majority of the Board of Directors shall constitute a quorum for the transaction of business provided at least one Director designated by Yahoo is present. Board meetings shall be held in Japan in accordance with applicable law provided that the Board of Directors shall meet no less frequently than once in each calendar month. Any Director may attend a Board meeting by conference telephone.

(c) Notwithstanding the general provisions set forth above, in addition to any special approval requirements under the Articles of Incorporation or under law, each of the following corporate actions may be taken by the Company only (i) in the case of any action that is permitted by law or under the Articles of Incorporation to be taken by the Board of Directors alone, upon authorization by affirmative vote of at least one SOFTBANK director and at least one Yahoo director and (ii) in the case of actions required by law or the Articles of Incorporation to be approved by the Company's shareholders, upon authorization by affirmative vote of both Yahoo and SOFTBANK as shareholders:

(i) any merger or consolidation, whether or not the Company is the surviving corporation; any sale, lease, exchange or other disposition of all or substantially all of the assets of the Company; any acquisition of all or substantially all of the capital stock or assets of any other entity; or the liquidation or voluntary dissolution of the Company;

(ii) any sale, lease, exchange or other disposition of substantial assets (except in the ordinary course of business) of the Company;

(iii) any capital expenditure of 10 million or more;

(iv) the raising of additional equity capital or the issuance or sale of any debt or equity securities (including any shareholder loan or guaranty) and the terms thereof, whether or not in connection with a call for additional capital pursuant to Section 8 hereof;

(v) any declaration or payment of any dividend or other distribution, directly or indirectly, on account of any shares of capital stock of the Company, or any redemption, retirement, purchase or other acquisition, directly or indirectly, by the Company of any such shares (or of any warrants, rights or options to acquire any such shares);

(vi) the incurrence or guarantee (directly or indirectly) by the Company with respect to any indebtedness for borrowed money in excess of 10 million;

(vii) any amendment, alteration or repeal of any provision of the Articles of Incorporation of the Company; or

(viii) engagement in any business other than as set forth in Section 1 hereof and activities incidental thereto, either directly or through any corporation or other entity in which the Company has, directly or indirectly, an equity interest;

(ix) approval of an annual business plan and operating budget for the Company (which shall be made no later than thirty (30) days prior to the commencement of each fiscal year of the Company), and any deviation in any material respect from such business plan or budget as so approved;

(x) the authorization of execution of any contract or agreement (i) having a period of performance greater than one year, (ii) involving aggregate payments or consideration in excess of 10 million, (iii) involving any license of trademarks, patents, copyrights or other intellectual property rights of the Company, and (iv) between the Company and any officer, shareholder or Director of the Company (or their respective affiliates), and any waiver or variance of any contract described in (i)-(iv) above; or

(xi) compensation for all officers, Directors and Statutory Auditors of the Company.

To the extent permitted by Japanese law, the foregoing approval requirements shall at all times also be set forth in the Articles of Incorporation of the Company, unless amended as set forth.

8. ADDITIONAL CAPITAL

Subject to Section 7(c) hereof, the Board may, by written notice to the parties, call for the parties to subscribe for additional shares of capital stock of the Company or to make loan guarantees or loans to the Company in proportion to their respective holdings of Common Stock at any time. Each party agrees to provide such additional capital or support in accordance with the Board's action.

9. DISPOSITION OF COMMON STOCK

Neither party shall directly or indirectly sell, assign, transfer or otherwise dispose of, or pledge or otherwise encumber, any shares of Common Stock of the Company without the prior consent of the other party; provided that, at such time as the shares of the Company are publicly traded, either party shall be entitled to make sales of its shares in the open market to the extent permitted by applicable law.

10. ACCOUNTING; ACCESS TO INFORMATION

(a) The fiscal year of the Company shall be from the first day of April of each year to the 31st day of March of the following year.

(b) The Company shall maintain its accounts and prepare its financial statements (including, without limitation, a balance sheet, profit and loss statement and statement of cash flows) in accordance with generally accepted accounting principles in Japan, and shall cause its annual financial statements to be audited by an internationally recognized independent auditing firm reasonably acceptable to each party, and such financial statements and the auditors' opinion to be delivered to each party no later than sixty (60) days following the end of each fiscal year. The Company also shall deliver to each party unaudited monthly and quarterly financial statements within thirty days following the end of each month or fiscal quarter, as the case may be, certified (in the case of quarterly financial statements) by the chief accounting officer of the Company. All financial statements shall be accurately and completely translated into English prior to delivery to Yahoo, and shall be accompanied by a reasonably detailed schedule that sets forth the differences between Japanese generally accepted accounting principles and U.S. generally accepted accounting principles as applied to such financial statements.

(c) Each party shall, during all business hours and at all other times as reasonable, have access to the books and records of the Company and to the legal, tax and auditing personnel of the Company, internal and external; provided, however, that the cost and expense necessary for such inspection shall be borne by the party making the inspection.

11. DIVIDENDS

To the extent permitted by law, the Company will pay dividends to its shareholders from the Company's net earnings in accordance with and subject to the conditions set forth in ExhibitD; provided that no dividends shall be required to be paid prior to April 30, 1998, or following the time at which the Company's shares of Common Stock are publicly traded.

12. TERM OF THE AGREEMENT

Subject to Section 13, this Agreement shall remain in effect perpetually, provided that, if as of April 1, 2001, or any April 1 thererafter, (i) the company has sustained net losses (determined in accordance with generally accepted Japanese accounting principles and certified by the Company's independent auditors) for the four (4) consecutive fiscal quarters preceding such April 1, and (ii) Yahoo and SOFTBANK, in good faith, differ with respect to the future business plans and prospects of the Company, then Yahoo shall have the right to terminate this Agreement, which termination shall be effective ninety (90) days following notice thereof to SOFTBANK.

13. TERMINATION OF THE AGREEMENT

(a) If either party fails in any material respect to perform or fulfill in the time and manner herein provided any obligation or condition herein required to be performed or fulfilled by such party, and if such default shall continue for sixty (60) days after written notice thereof from the other party, then the other party shall have the right to terminate this Agreement by written notice of termination to the defaulting party at any time after such sixty (60) days. Either party may also terminate this Agreement immediately by giving a written notice to the other party in the event such other party shall be dissolved or liquidated or declared insolvent or bankrupt.

(b) Upon termination of this Agreement, the parties shall negotiate in good faith the possible purchase by one party of all the shares in the Company held by the other party or the sale of the Company to a third party. If such negotiation fails to result in a mutually acceptable agreement, the Company shall be dissolved in accordance with Japanese law.

(c) Termination of this Agreement for any reason shall not release either party from any liability which at the time of termination has already accrued to the other party or which thereafter may accrue in respect of any act or omission prior to such termination.

14. CONFIDENTIALITY

Each party shall hold and shall cause its respective representatives to hold in confidence all confidential information made available to it or its representatives by the other party, directly or through the Company, and shall not pass such information on, wholly or partly, to third parties without the written consent of the other party, unless such information (i) becomes generally available to the public other than as a result of a disclosure by such party or its representatives, (ii) becomes available to such party from other sources not known by such party to be bound by a confidentiality obligation, or (iii) is independently acquired by such party as a result of work carried out by any employee or representative of such party to whom no disclosure of such information has been made.

15. GOVERNMENT FILINGS

(a) Promptly after execution of this Agreement, notification of such execution shall be submitted by SOFTBANK to the Fair Trade Commission of Japan. In the event the Fair Trade Commission advises the parties hereto to amend this Agreement and/or the License Agreement, the parties shall promptly comply with such request; provided, however, that if either party considers such amendment to be material and adverse to it, then such party may terminate this Agreement by giving written notice to such effect to the other party hereto.

(b) Within fifteen (15) days following the date of this Agreement, Yahoo will submit the required notification to the Bank of Japan under the Foreign Exchange and Foreign Trade Control Law.

(c) If any Japanese withholding taxes are imposed on dividends payable to Yahoo by the Company under Section 11, the Company shall (or SOFTBANK shall cause the Company to) withhold such amounts, pay the same to the Japanese tax authority, and promptly furnish Yahoo with appropriate documentation of the amounts so withheld as soon as practicable. The Company shall (or SOFTBANK shall cause the Company to) cooperate with Yahoo to make any necessary filings to utilize the lowest withholding rate available under any treaty between Japan and the United States.

16. OTHER VENTURES

(a) Neither party will engage directly or indirectly in any business activities in Japan that would reasonably be deemed to be competitive with the Company in Japan; provided, that Yahoo may continue to make available the Yahoo Internet Guide and any other properties or products in languages other than Japanese.

(b) Yahoo hereby agrees to discuss in good faith with SOFTBANK joint efforts to establish similar ventures in Europe and other international markets where SOFTBANK or its affiliates have operations and are the appropriate partners; provided that the foregoing shall not obligate either party to enter into any such arrangement.

17. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of Japan.

18. DISPUTE RESOLUTION

All disputes between the parties arising directly or indirectly out of this Agreement shall be settled by the parties amicably through their good faith discussions. In the event that any such dispute cannot be resolved thereby, such dispute shall be finally settled by arbitration in accordance with the rules then in effect of the Japan Commercial Arbitration Association by three arbitrators appointed in accordance with such rules. Any such arbitration shall be held in Tokyo, Japan and shall be conducted in Japanese (with English translation to the extent requested by Yahoo). The arbitration award shall be final and binding upon the parties, and judgment on such award may be entered in any court having jurisdiction thereof.

19. MISCELLANEOUS

(a) This Agreement may be amended only by a written instrument signed by both parties.

(b) This Agreement may not be assigned by either party hereto except with the written consent of the other party; provided, however, that this Agreement may be assigned to a corporation which shall succeed to the business of a party by merger, consolidation, or the transfer of all or substantially all of the assets of such party and which shall expressly assume the obligations of such party hereunder.

(c) Any and all notices, requests, demands and other communications required or otherwise contemplated to be made under this Agreement shall be in writing and in English and shall be deemed to have been duly given (a) if delivered personally, when received, (b) if transmitted by facsimile, upon receipt of a transmittal confirmation, (c) if sent by registered airmail, return receipt requested, postage prepaid, on the sixth business day following the date of deposit in the mail or (d) if by international courier service, on the second business day following the date of deposit with such courier service, or such earlier delivery date as may be confirmed to the sender by such courier service. All such notices, requests, demands and other communications shall be addressed as follows:

(i) If to SOFTBANK:
SOFTBANK Corporation
24-1, Nihonbashi-Hakozakicho
Chuo-ku, Tokyo 103, Japan
Attention: Mr. Masayoshi Son
President and Chief Executive Officer
Telephone: (813) 5642-8020
Facsimile: (813) 5641-3400

with a copy to:
Sullivan & Cromwell
125 Broad Street
New York, New York 10004
Attention: Stephen A. Grant, Esq.
Telephone: (212) 558-3504
Facsimile: (212) 558-3588

(ii) If to the Company:
Yahoo! Inc.
635 Vaqueros Ave.
Sunnyvale, California 94086
Attention: Mr. Timothy Koogle
President
Telephone: (408) 328-3300
Facsimile: (408) 328-3301

with a copy to:

Venture Law Group
A Professional Corporation
2800 Sand Hill Road
Menlo Park, California 94025
Attention: James L. Brock, Esq.
Telephone: (415) 854-4488
Facsimile: (415) 854-1121

or in each case to such other address or facsimile number as the party may have furnished to the other party in writing.

(d) In the event of the invalidity of any part or provision of this Agreement, such invalidity shall not affect the enforceability of any other part or provision of this Agreement.

(e) No waiver by any party of any default in the performance of or compliance with any provision herein shall be deemed to be a waiver of the performance and compliance as to any other provision, or as to such provision in the future; nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right accruing to it thereafter. No remedy expressly granted herein to any party shall be deemed to exclude any other remedy which would otherwise be available.

(f) This Agreement constitutes the entire agreement among the parties with respect to the subject matter hereof and shall supersede all prior understandings and agreements between the parties with respect to such subject matter. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(g) Nothing herein express or implied, is intended to or shall be construed to confer upon or give to any person, firm, corporation or legal entity, other than the parties hereto and their affiliates, any interests, rights, remedies or other benefits with respect to or in connection with any agreement or provision contained herein or contemplated hereby.

IN WITNESS WHEREOF, the parties hereto have duly signed this Agreement as of the day and year first above written.

SOFTBANK CORPORATION	
By:	/s/ MASAYOSHI SON
	Name: Masayoshi Son
	Title: President
YAHOO! INC.	
By:	/S/ TIMOTHY KOOGLE
	Name: Timothy Koogle
	Title: President

Attachments:

Exhibit A Articles of Incorporation of the Company

Exhibit B Commercial Register of the Company

Exhibit C License Agreement

Exhibit D Milestones for Required Dividend Payments

Exhibit10.9

JOINT VENTURE AGREEMENT

JOINT VENTURE AGREEMENT, dated as of November 1, 1996, by and between SB Holdings (Europe) Ltd. (“SOFTBANK”), a company organized under the laws of the United Kingdom, and Yahoo! Inc., a California corporation (“Yahoo”).

WHEREAS, Yahoo offers in the United States and certain other geographic areas certain on-line navigational services on the World Wide Web, including, without limitation, the Yahoo! Internet Guide.

WHEREAS, SOFTBANK through its affiliates Ziff-Davis UK, Ltd., Ziff-Davis France, SA and Ziff-Davis Verlag, GmbH (the “ZD Affiliates”) is a leading computer publisher in the United Kingdom, France and Germany;

WHEREAS, an affiliate of SOFTBANK indirectly owns a minority interest in Yahoo; and

WHEREAS, SOFTBANK and Yahoo, directly or through wholly owned affiliates, wish to jointly form joint venture companies in Germany, the United Kingdom, and France (each a Company, collectively, the “Companies”), to establish and manage versions of the Yahoo Internet Guide for the United Kingdom, France and Germany (the “Territories”), develop related on-line navigational services, and conduct other related businesses;

NOW, THEREFORE, the parties hereby agree as follows:

1. OBJECTIVES OF THE COMPANIES

The objectives of the Companies shall be to engage in the businesses set forth below:

(i) establishment and management in the Territories of localized versions of the Yahoo Internet Guide to be branded with the Yahoo! name such as Yahoo! UK, Yahoo! France, and Yahoo! Germany (the “Localized Guides”), all as set forth in the Business Plan attached as Exhibit A (the “Business Plan”);

(ii) development and commercialization of related on-line navigational services and other Yahoo branded products within the Territories including off line products and publications (other than as specified in 1(v) below) as described in the Business Plan;

(iii) related sale of on-line advertisement space through its own efforts or through one or more third party sales representatives;

(iv) addition of specific informational content to the Localized Guide in each of the Territories;

(v) business cooperation with any localized versions of “Yahoo! Internet Life” (or one or more similar publications) published by ZD Affiliates;

(vi) business cooperation in the production of localized versions of the online publication “ZD/Yahoo! computing” (or one or more similar publications) to be published on the Internet by ZD Affiliates; and

(vii) other businesses relating to the foregoing as agreed upon by the parties from time to time.

2. SALE AND PURCHASE OF SHARES; OWNERSHIP OF THE COMPANY.

(a) Prior to this date, Yahoo has organized the Companies in the Territories and has invested, or shall invest (including amounts counted as surplus capital), the aggregate amount of $1,400,000 in the Companies. Subject to the terms and conditions hereof and pursuant to such subscription agreements as local law may require, the Companies shall issue, and Yahoo (to the extent it has not already fully subscribed) and SOFTBANK shall subscribe to shares (or other ownership interests as local law may dictate) of each of the Companies so that after such subscriptions SOFTBANK shall own a 30% interest in each such Company and Yahoo shall own a 70% interest. The total to be contributed by SOFTBANK for its shares in all the Companies shall total $600,000 (including surplus capital). The Companies are also reimbursing each of the parties for activities taken prior to this date on behalf of the Companies and assuming any obligations incurred on behalf of the Companies.

(b) Each party shall make such additional contributions to the capital of the Companies (above the amounts in (a)) as the Board of Directors shall determine in good faith are required to carry out the Business Plan, up to an aggregate additional contribution by Yahoo of $1,400,000 (for a total aggregate contribution of $2,800,000), and by SOFTBANK, of an additional $600,000 (for a total aggregate contribution by SOFTBANK of $1,200,000.

(c) Yahoo may transfer up to 10% of its shares in the Companies to a third party subject to SOFTBANK’s consent to that party, which should not be unreasonably withheld. If the parties shall mutually determine that such third party shall hold more than 10% of the Companies, that third party’s shares above 10% shall be transferred pro rata from Yahoo and SOFTBANK or additional shares may be issued by such third party so that Yahoo’s and SOFTBANK’s interests are diluted pro rata.

3. REPRESENTATIONS AND WARRANTIES OF SOFTBANK

SOFTBANK hereby represents and warrants to Yahoo as follows:

(a) SOFTBANK has been duly incorporated, and is a validly existing corporation under the laws of the UK and has full power and authority to enter into and perform this Agreement.

(b) This Agreement has been duly authorized, executed and delivered by SOFTBANK and constitutes a valid and binding agreement of SOFTBANK, enforceable against SOFTBANK in accordance with its terms.

(c) No consent, approval or authorization of or declaration or filing with any governmental authority or other person or entity on the part of SOFTBANK is required in connection with the execution or delivery of this Agreement or the consummation of the transactions contemplated hereby.

4. REPRESENTATIONS AND WARRANTIES OF YAHOO

Yahoo represents and warrants to SOFTBANK as follows:

(a) Yahoo has been duly incorporated and is a validly existing corporation in good standing under the laws of the State of California, and has full power and authority to enter into and perform this Agreement.

(b) This Agreement has been duly authorized, executed and delivered by Yahoo and constitutes a valid and binding agreement of Yahoo, enforceable against Yahoo in accordance with its terms.

(c) No consent, approval or authorization of or declaration or filing with any governmental authority or other person or entity on the part of Yahoo is required in connection with the execution or delivery of this Agreement or the consummation of the transactions contemplated hereby.

5. LICENSE/SERVICES AGREEMENTS

(a) Concurrently with the execution of this Agreement, Yahoo shall enter into license agreements, in the forms attached hereto in Exhibit B (the "License Agreements"), with each of the Companies.

(b) Concurrently with the execution of this Agreement, the ZD Affiliates are entering into Services Agreements in the forms attached in Exhibit C with each of the Companies (the "Services Agreements").

6. BOARD OF DIRECTORS; STATUTORY AUDITORS

(a) Subject to permissible corporate law in each of the Territories, the Companies shall be managed by a single Board of Directors with five members. SOFTBANK shall designate two Directors and Yahoo shall designate three Directors. To the extent local law does not permit the Companies to have a single Board of Directors, Yahoo and SOFTBANK shall create a Management Committee of five members which shall act in the same way as the single Board of Directors would act and each party shall cause the members of each Board of Directors or other similar management group in each of the Territories to act in accordance with the determination of that Management Committee. If such a Management Committee is set up, any reference to the Board of Directors or to Directors shall be deemed a reference to the Management Committee and to the members of that Committee.

(b) To the extent required by local law, each Company shall have one Statutory Auditor, which shall be designated by Yahoo.

(c) The Companies shall have a Managing Director, who shall also be the President (or similar officer) of each Company. The President and Managing Director shall be a nominee of Yahoo, subject to Softbank's approval, not unreasonably withheld.

(d) In case of a vacancy in the office of Director, Statutory Auditor or Managing Director during the term of office for whatever reason, the vacancy shall be filled by the party that nominated the Director, Statutory Auditor or Managing Director whose office became vacant, but still subject in the case of Managing Director to SOFTBANK's approval, not unreasonably withheld.

(e) At any annual or special meeting of shareholders or any meeting of the Board of Directors of any Company called for such purpose, each party shall vote or cause to be voted all shares owned by it for the election of nominees designated as Directors, Statutory Auditor or Managing Director in accordance with this Section 6 and otherwise as may be necessary to implement the provisions of this Agreement.

(f) No change shall be made in the number and/or allocation of Directors, Statutory Auditor or Managing Director as stated in this Section 6 or in the Articles of Incorporation (or similar corporate document) of any Company; provided that if the parties' respective shareholdings change in a material way, the parties shall adjust the number and allocation of Directors if and to the extent appropriate so that their respective representation on the Board and in that Company is generally proportionate to their respective shareholdings.

7. MANAGEMENT OF THE COMPANIES

(a) The Board of Directors shall be responsible for establishing the overall policy and overall operating policies with respect to the business affairs of the Companies.

(b) Except as otherwise required by mandatory provisions of law and as otherwise provided herein, resolutions of the Board of Directors shall be adopted only by the affirmative vote of a majority of the Directors present at a meeting duly called at which a quorum is present. A majority of the Board of Directors shall constitute a quorum for the transaction of business provided at least one Director designated by SOFTBANK is present. Board meetings shall be held in accordance with applicable local law provided that the Board of Directors shall meet no less frequently than once in each calendar month. Any Director may attend a Board meeting by conference telephone.

(c) Notwithstanding the general provisions set forth above, in addition to any special approval requirements under the Articles of Incorporation (or similar corporate document) or under local law, each of the following corporate actions may be taken by a Company only (x) in the case of any action that is permitted by law or under the Articles of Incorporation to be taken by the Board of Directors alone, only upon authorization by affirmative vote of at least one SOFTBANK director and at least one Yahoo director and (y) in the case of actions required by law or the Articles of Incorporation to be approved by the Company's shareholders, only upon authorization by affirmative vote of both Yahoo and SOFTBANK as shareholders:

(i) any merger or consolidation, whether or not the Company is the surviving corporation; any sale, lease, exchange or other disposition of all or substantially all of the assets of the Company; any acquisition of all or substantially all of the capital stock or assets of any other entity; or the liquidation or voluntary dissolution of the Company;

(ii) any sale, lease, exchange or other disposition of substantial assets (except in the ordinary course of business) of the Company;

(iii) any capital expenditure of $100,000 or more, except as may be specified in the Business Plan;

(iv) the raising of additional equity capital or the issuance or sale of any debt or equity securities (including any shareholder loan or guaranty) above the amounts specified in Section 2(b) above, and the terms thereof, whether or not in connection with a call for additional capital pursuant to Section 8 hereof;

(v) any declaration or payment of any dividend or other distribution, directly or indirectly, on account of any shares of capital stock of the Company, or any redemption, retirement, purchase or other acquisition, directly or indirectly, by the Company of any such shares (or of any warrants, rights or options to acquire any such shares);

(vi) the incurrence or guarantee (directly or indirectly) by the Company with respect to any indebtedness for borrowed money in excess of $50,000;

(vii) any amendment, alteration or repeal of any provision of the Articles of Incorporation (or similar corporate document) of the Company; or

(viii) engagement in any business other than as set forth in Section 1 hereof and activities incidental thereto, either directly or through any corporation or other entity in which the Company has, directly or indirectly, an equity interest;

(ix) approval of an annual business plan and operating budget for the Company (which shall be made no later than thirty (30) days prior to the commencement of each fiscal year of the Company), and any determination to deviate in any material respect from such business plan or budget as so approved;

(x) except as may be set forth in the Business Plan, the authorization of execution of any contract or agreement (i) having a period of performance greater than one year, (ii) involving aggregate payments or consideration in excess of $100,000, (iii) involving any license of trademarks, patents, copyrights or other intellectual property rights of the Company, and (iv) between the Company and any officer, shareholder or Director of the Company (or their respective affiliates), and any waiver or variance of any contract described in (i)-(iv) above; or

(xi) except as may be set forth in the Business Plan, compensation for all officers, Directors and Statutory Auditors of the Company.

To the extent permitted by applicable law, the foregoing approval requirements shall at all times also be set forth in the Articles of Incorporation of the Company, unless amended as set forth.

8. ADDITIONAL CAPITAL

Subject to Section 7(c) hereof, the Board of each Company may, by written notice to the parties, call for the parties to subscribe for additional shares of capital stock of the Company or to make loan guarantees or loans to the Company in proportion to their respective holdings of common stock above the amounts specified in Section 2(b). If one party shall decline to subscribe to additional shares above the amounts specified in Section 2(b), and the other party shall subscribe to additional shares, the subscribing party’s total percentage of shares shall increase and the non-subscribing party’s ownership interest may thereby be diluted.

9. DISPOSITION OF COMMON STOCK

Neither party shall directly or indirectly sell, assign, transfer or otherwise dispose of, or pledge or otherwise encumber, any shares of common stock of any Company without the prior consent of the other party except to an affiliate of that party provided, however, the selling party shall continue to be liable for all of its obligations.

10. ACCOUNTING; ACCESS TO INFORMATION

(a) The fiscal year of each Company shall be the calendar year.

(b) Each Company shall maintain its accounts and prepare its financial statements (including, without limitation, a balance sheet, profit and loss statement and statement of cash flows) in accordance with generally accepted accounting principles applicable in the country of incorporation, and shall cause its annual financial statements to be audited by an internationally recognized independent auditing firm reasonably acceptable to each party, and such financial statements and the auditors’ opinion to be delivered to each party no later than sixty (60) days following the end of each fiscal year. Each Company also shall deliver to each party unaudited monthly and quarterly financial statements within thirty days following the end of each month or fiscal quarter, as the case may be, certified (in the case of quarterly financial statements) by the chief accounting officer of the Company. All financial statements shall be accurately and completely translated into English prior to delivery to SOFTBANK or Yahoo, and shall be accompanied by a reasonably detailed schedule that sets forth the differences between the generally accepted accounting principles applied in that Company’s country of incorporation and U.S. generally accepted accounting principles as applied to such financial statements.

(c) Each party shall, during all business hours and at all other times as reasonable, have access to the books and records of each Company and to the legal, tax and auditing personnel of that Company, internal and external; provided, however, that the cost and expense necessary for such inspection shall be borne by the party making the inspection.

11. TERM OF THE AGREEMENT

(a) Subject to Section 12, this Agreement shall remain in effect perpetually, provided that, if for the calendar year ending December 31, 2001, or for any calendar year thereafter, (x) the “primary business” of the Companies, taking all three companies taken together, shall have been unprofitable for more than two quarters in succession within that year and also shall have been unprofitable for tha entire year and (y) Yahoo and SOFTBANK, in good faith, differ with respect to the future business plans and prospects of the Companies, then Yahoo! shall have the right to terminate the Agreement, which termination shall be effective ninety (90) days following notice thereof to SOFTBANK. For purposes of this paragraph the “primary business” of the Companies shall mean the business of providing the Localized Guides and selling ad space in connection with or obtaining other revenues from those Guides; all other products and services of the Companies shall be excluded.

(b) Upon termination of this Agreement pursuant to Section 11(a) above, Yahoo shall purchase all of the interests in the Companies then owned by SOFTBANK for a price equal to SOFTBANK’s percentage share (based on its stock ownership) of the fair market value of the Companies determined (x) as if they were going concerns, i.e., continuing in the business with all of their rights and obligations including continued rights under the License Agreement from Yahoo and (y) in light of rights under the customary appraisal methods and standards (including, without limitation, such factors as recent historical cash flow and earnings, book value of tangible and intangible assets, available valuations of comparable companies and the parties’ total investment in the Companies). In the event that the parties cannot agree on the fair market value of the Companies within thirty (30) days following Yahoo’s notice of termination, the fair market value will be determined by an independent investment banking or appraisal firm selected by Yahoo from three such firms nominated in good faith by SOFTBANK. Such determination (i) shall be limited solely to selecting between two alternative amounts of fair market value provided to such firm by Yahoo and SOFTBANK respectively (which shall be provided within thirty (30) days following selection of the appraiser), (ii) shall be finally made by the appraiser within thirty (30) days following the receipt of the proposed amounts from the parties, and (iii) shall be conclusive and binding on all parties concerned. The fees and expenses associated with any such investment banking or appraisal firm shall be borne by the non-prevailing party in such proceeding.

12. TERMINATION OF THE AGREEMENT

(a) If either party fails in any material respect to perform or fulfill in the time and manner herein provided any obligation or condition herein required to be performed or fulfilled by such party, and if such default shall continue for sixty (60) days after written notice thereof from the other party, then the other party shall have the right to terminate this Agreement by written notice of termination to the defaulting party at any time after such sixty (60) days. Either party may also terminate this Agreement immediately by giving a written notice to the other party in the event such other party shall be dissolved or liquidated or declared insolvent or bankrupt.

(b) Upon termination of this Agreement by SOFTBANK pursuant to the foregoing Section 12(a), SOFTBANK shall have the right to put its shares to Yahoo pursuant to the valuation described in Section 11(b) above. Upon termination by Yahoo pursuant to Section

12(a), then Yahoo shall have the right to commence dissolution of the Companies in accordance with applicable law.

(c) Termination of this Agreement for any reason shall not release either party from any liability which at the time of termination has already accrued to the other party or which thereafter may accrue in respect of any act or omission prior to such termination.

13. CONFIDENTIALITY

Each party shall hold and shall cause its respective representatives to hold in confidence all confidential information made available to it or its representatives by the other party, directly or through any Company, and shall not pass such information on, wholly or partly, to third parties without the written consent of the other party, unless such information (i) becomes generally available to the public other than as a result of a disclosure by such party or its representatives, (ii) becomes available to such party from other sources not known by such party to be bound by a confidentiality obligation, or (iii) is independently acquired by such party as a result of work carried out by any employee or representative of such party to whom no disclosure of such information has been made.

14. OTHER VENTURES

(a) Neither party will engage directly or indirectly in any business activities in the Territory that would reasonably be deemed to be competitive with the business activities of the Companies in the Territory, i.e., the distribution of a comprehensive Internet directory or search tool localized for the Territory; provided that Yahoo may continue to make available the Yahoo! Internet Guide, and similar properties or products prepared for distribution in other countries, but none of which may be localized for any of the Territories, and provided further than nothing herein shall prevent SOFTBANK and its affiliates from distributing localizaed versions of ZDNet or maintaining web sites or listings or urls or which provide for indexing and searching all of the url listings, reviews, ratings and other material from current and back issues of those sites and publications.

(b) Yahoo hereby agrees to discuss in good faith with SOFTBANK and allow SOFTBANK to make a first offer on any plans to establish similar ventures in other countries in Europe; provided that the foregoing shall not obligate either party to enter into any such arrangement.

15. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of California applicable to agreements made and to be performed therein.

16. DISPUTE RESOLUTION

All disputes between the parties arising directly or indirectly out of this Agreement shall be settled by the parties amicably through their good faith discussions. In the event that any such dispute cannot be resolved thereby, such dispute shall be finally settled by arbitration in accordance with the rules then in effect of the American Arbitration Association by three arbitrators appointed in accordance with such rules. Any such arbitration shall be held in New York, New York. The arbitration award shall be final and binding upon the parties, and judgment on such award may be entered in any court having jurisdiction thereof.

17. MISCELLANEOUS

(a) This Agreement may be amended only by a written instrument signed by both parties.

(b) This Agreement may not be assigned by either party hereto except with the written consent of the other party; provided, however, that this Agreement may be assigned to (x) an affiliate corporation or (y) any corporation which shall succeed to the business of a party by merger, consolidation, or the transfer of all or substantially all of the assets of such party and which shall expressly assume the obligations of such party hereunder.

(c) Any and all notices, requests, demands and other communications required or otherwise contemplated to be made under this Agreement shall be in writing and in English and shall be deemed to have been duly given (a) if delivered personally, when received, (b) if transmitted by facsimile, upon receipt of a transmittal confirmation, (c) if sent by registered airmail, return receipt requested, postage prepaid, on the sixth business day following the date of deposit in the mail or (d) if by international courier service, on the second business day following the date of deposit with such courier service, or such earlier delivery date as may be confirmed to the sender by such courier service. All such notices, requests, demands and other communications shall be addressed as follows:

(i) If to SOFTBANK::
SB Holdings (Europe) Ltd.
c/o Ziff-Davis Verlag Gmbh
Riesstrasse 25,
80992 Munich 50
Germany
Attention: J.B. Holston
Telephone: (4989) 1431-2401
Facsimile: (4989) 1431-2400

with a copy to
Ziff-Davis Publishing Company
One Park Avenue
New York, New York 10016
Attention: Legal Department
Telephone: (212) 503-3575
Facsimile: (212) 503-3581

(ii) If to the Company:

Yahoo! Inc.
635 Vaqueros Avenue
Sunnyvale, California 94086
Attention: Mr. Timothy Koogle
President
Telephone: (408) 328-3300
Facsimile: (408) 328-3301

with a copy to

Venture Law Group
A Professional Corporation
2800 Sand Hill Road
Menlo Park, California 94025
Attention: James L. Brock, Esq.
Telephone: (415) 854-4488
Facsimile: (415) 854-1121

or in each case to such other address or facsimile number as the party may have furnished to the other party in writing.

(d) In the event of the invalidity of any part or provision of this Agreement, such invalidity shall not affect the enforceability of any other part or provision of this Agreement.

(e) No waiver by any party of any default in the performance of or compliance with any provision herein shall be deemed to be a waiver of the performance and compliance as to any other provision, or as to such provision in the future; nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right accruing to it thereafter. No remedy expressly granted herein to any party shall be deemed to exclude any other remedy which would otherwise be available.

(f) This Agreement constitutes the entire agreement among the parties with respect to the subject matter hereof and shall supersede all prior understandings and agreements between the parties with respect to such subject matter. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(g) Nothing herein express or implied, is intended to or shall be construed to confer upon or give to any person, firm, corporation or legal entity, other than the parties hereto and their affiliates, any interests, rights, remedies or other benefits with respect to or in connection with any agreement or provision contained herein or contemplated hereby.

IN WITNESS WHEREOF, the parties hereto have duly signed this Agreement as of the day and year first above written.

SB HOLDINGS (EUROPE) LTD.

By:	/s/ DAVID CRAVER
	Name: David Craver
	Title: VP, IMG

YAHOO! INC.

By:	/S/ TIMOTHY KOOGLE
	Name: Timothy Koogle
	Title: President

Exhibit 10.11

AMENDMENT AGREEMENT

This Agreement is made and entered into this 17th day of September, 1997, by and between Softbank Corporation, a Japanese corporation ("Softbank"), and Yahoo! Inc., a California corporation ("Yahoo!"), for the purpose of proposing the following amendments to the Joint Venture Agreement, dated April 1, 1996, and entered into between Softbank and Yahoo!.

The parties hereby agree as follows:

1. Amendment of Joint Venture Agreement

(a) Board of Directors and Statutory Auditors:

All of Section 6 of the Joint Venture Agreement shall be deleted and the parties shall agree that the Directors, Statutory Auditor, Representative Director and President of Yahoo! Japan Corporation, a Japanese corporation ("Yahoo! Japan"), shall be elected pursuant to the Articles of Incorporation of Yahoo! Japan and applicable laws of Japan. The parties shall agree to vote their shares so as to elect one Softbank representative and one Yahoo! representative to the Board, so long as the party so represented continues to hold at least 5% of Yahoo! Japan's issued and outstanding shares. The parties shall further agree that the number of directors shall initially be set at 5, and that they will not vote to increase or decrease the authorized number of directors without each other's consent.

(b) Management of Yahoo! Japan:

All of Section 7 of the Joint Venture Agreement shall be deleted and the parties shall agree that Yahoo! Japan shall be managed pursuant to the Articles of Incorporation of Yahoo! Japan and applicable laws of Japan. The parties shall agree to only vote with Yahoo!'s consent with respect to a merger or consolidation of Yahoo! Japan in which its shareholders do not retain a majority of the voting power in the surviving corporation, or a sale of all or substantially all of Yahoo! Japan's assets. Each such event is referred to as an "Acquisition."

(c) Additional Capital:

All of Section 8 of the Joint Venture Agreement shall be deleted and the parties shall agree that the issuance of any additional shares of capital stock of Yahoo! Japan and loan guarantees and loans to Yahoo! Japan by any of its shareholders shall be made pursuant to the Articles of Incorporation of Yahoo! Japan and applicable laws of Japan. The parties shall agree to not vote in favor of any future issuances of Yahoo! Japan's stock without Yahoo!'s consent, excepting issuances to employees pursuant to an employee stock option plan and other similar issuances. Yahoo! and Softbank will agree on the size of the employee pool prior to the effectiveness of this Agreement pursuant to Section 3 below.

(d) Accounting and Access to Information:

All of Section 10 of the Joint Venture Agreement shall be deleted and the parties shall agree that the accounting of and the shareholders' access to information of Yahoo! Japan shall be made pursuant to the Articles of Incorporation of Yahoo! Japan and applicable laws of Japan.

(e) Provisions to be added:

The parties shall agree that the following provisions shall be added to the Joint Venture Agreement;

i) The parties shall agree to not vote on any amendments to the Articles of Incorporation of Yahoo! Japan that adversely affects either party without each other's consent,

ii) Each party shall give the other party a 20 day prior written notice of its intention to sell Yahoo! Japan's shares,

iii) Before either party can purchase additional shares of Yahoo! Japan's stock on the open market from any third party, such purchasing party must obtain prior written consent of the other party,

iv) Before either party can sell its shares to a third party (including open-market sales), it must provide the non-selling party with a right of first refusal to purchase such shares on the same terms and conditions being offered to the third party (including any underwritten or other offering into the public market), and

v) If the non-selling party declines to purchase the selling party's shares in Yahoo! Japan, the non-selling party shall have the right to participate in the sale of such shares by the selling party to the third party on a pro rata basis.

3. Effectiveness of Amendments

All of the amendments described herein shall become effective only upon and after the effectiveness of the firmly underwritten initial offering of Yahoo! Japan's Common Stock on a principal securities exchange in Japan (a "Qualified IPO") that results in Yahoo! owning no less than one-third of the voting power of Yahoo! Japan (assuming issuances of all of the shares reserved for the employee pool).

4. Remains of the Joint Venture

Except as expressly amended hereunder, any and all terms of the Joint Venture Agreement shall remain in full force and effect.

5. Governing Law

This Agreement shall be governed and construed in accordance with the laws of Japan.

In witness whereof, the parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

YAHOO! INC.		SOFTBANK CORPORATION	
By:	/s/ JERRY CHIH-YUAN YANG	By:	/s/ MASAYOSHI SON
Name:	Jerry Chih-Yuan Yang	Name:	Masayoshi Son
Title:	President/CEO	Title:	President

EXECUTION CONFIDENTIAL

OVERTURE SEARCH SERVICES AGREEMENT

This Overture Search Services Agreement (the "Agreement") is effective as of May 1, 2002 ("the "Effective Date") and entered into by and between Overture Services, Inc. ("Overture"), a Delaware corporation with offices at 74 North Pasadena Avenue, 3d Floor, Pasadena, CA 91103, and Yahoo! Inc. ("Yahoo"), a Delaware corporation with offices at 701 First Avenue, Sunnyvale, CA 94089, and hereby supercedes in its entirety the Overture Search Services Agreement entered into as of November 13, 2001 by and between Overture and Yahoo, as amended by the letter agreement regarding the treatment of [*]-related search queries entered into as of December 14, 2001, the letter agreement regarding the treatment of search queries submitted by AU/NZ Users entered into as of April 2, 2002 and the letter agreement regarding the treatment of "Search in other Search Engines" links entered into as of April 2, 2002, and as clarified by the clarifying letter regarding the parties' intent with respect to Impressions dated February 14, 2002 (collectively, the "Prior Agreement").

RECITALS

WHEREAS, Overture has developed certain technology and functionality for matching particular keyword requests with a set of search results, for providing the results of that match via the Internet and then enabling users to follow a link to a designated page for advertisers which comprise the results of such match; and

WHEREAS, Yahoo is a global Internet media company that offers a branded network of media, communications and commerce services to more than 220 million users worldwide; and

WHEREAS, Overture and Yahoo desire to enter into a strategic relationship whereby Overture will provide Yahoo with search results in response to search queries conducted through Yahoo's principal directory to the World Wide Web, and the parties will share revenue generated from these search results, as further described in this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and conditions contained herein, and for good and valuable consideration, the parties agree as follows:

AGREEMENT

1. Definitions. The following capitalized terms have the meanings set forth below.

1.1 Actual Click means any click on an Overture Result by a U.S. User derived from an Impression, including but not limited to all Fraudulent Clicks, as measured by Overture.

1.2 Above the Fold means placement within the visible portion of a page, when viewed via Microsoft's principal "Internet Explorer" browser product (U.S. versions 4.0 and higher) under the default Internet Explorer browser settings in a maximized browser window on a computer screen at a resolution of 800 pixels wide by 600 pixels high, such that the user need not scroll down or to the right or to the left in order to see an item so placed.

1.3 Advertiser means any third party or an agent thereof (e.g., an advertising agency), excluding [*] and any agents thereof, who has entered into a contractual relationship with Overture that obligates the third party to pay Overture (whether cost per click, cost per action, cost per impression, paid inclusion, pay-for-placement or other means of cash compensation) every time a user clicks on a link to that third party's web site.

1.4 Affiliate means any entity worldwide, including but not limited to corporations, partnerships, joint ventures and limited liability companies, in which another party directly or indirectly

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holds at least a majority ownership, equity, or financial interest.

1.5 Bidded Click means an Actual Click other than a Fraudulent Click, as measured by Overture.

1.6 Click-Through Rate or CTR means (i) when calculating Overture's CTR, the percentage of all Impressions on which Overture Results are displayed that receive a Bidded Click and (ii) when calculating Yahoo's CTR, the percentage of all impressions of Yahoo Search Results Pages on which Yahoo Results are displayed that receive a click, excluding all clicks that are determined by Yahoo to be Fraudulent (e.g., a user repeatedly clicking on a particular Yahoo Result within a finite period of time, or an activity by a bot, macro program, Internet agent or any other automatic means), which Yahoo shall calculate in a substantially consistent manner across the Yahoo Network.

1.7 Confidential Information has the meaning set forth in Section 12.1 below.

1.8 Effective Date has the meaning set forth in the preamble above.

1.9 Estimated Clicks means the following amounts during the Quarters shown below (Q1 means the Quarter beginning on May 1, 2002):

Q1 [*] Bidded Clicks

Q2 [*] Bidded Clicks

Q3 [*] Bidded Clicks

Q4 [*] Bidded Clicks

Q5 [*] Bidded Clicks

Q6 [*] Bidded Clicks

Q7 [*] Bidded Clicks

Q8 [*] Bidded Clicks

Q9 [*] Bidded Clicks

Q10 [*] Bidded Clicks

Q11 [*] Bidded Clicks

Q12 [*] Bidded Clicks

Each Quarter of any Extension

Term [*] Bidded Clicks

1.10 Estimated Yahoo Payments means the following amounts during the

Quarters shown below (Q1 means the Quarter beginning on May 1,

2002):

QUARTER ESTIMATED YAHOO PAYMENT

Q1 $[*]

Q2 $[*]

Q3 $[*]

Q4 $[*]

Q5 $[*]

Q6 $[*]

Q7 $[*]

Q8 $[*]

Q9 $[*]

Q10 $[*]

Q11 $[*]

Q12 $[*]

Each Quarter of any Extension

Term $[*]

1.11 Equivalent Search Product means a search listings product or

service, including but not

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the Commission. Confidential treatment has been requested with respect to the

omitted portions.

limited to any updates, upgrades and enhancements made by Yahoo or a Yahoo Affiliate thereto, that (a) [*] equivalent to a search listings product or service operated by Overture at any time during the Term to supply Overture Results or other Overture-supplied search results under this Agreement; (b) is developed [*] Yahoo or a Yahoo Affiliate by [*]; and (c) is operated and used by Yahoo or a Yahoo Affiliate.

1.12 Excluded Terms means those terms set forth in Exhibit G, as updated from time to time [*] in writing pursuant to Section 4.5 below, for which Overture is precluded from delivering Overture Results to Yahoo.

1.13 Extension Term means either of the two extension periods set forth in Section 10 below.

1.14 Featured Sections means the rectangular graphical areas on the Yahoo Search Results Pages in which Overture Results are displayed (and, according to Section 4.4, in which the Yahoo Result might be displayed), which comprises the Featured Top Section and the Featured Bottom Section, as further described in Section 5.2 below.

1.15 Fraudulent Clicks means any Actual Click that is determined by Overture's "click protection system" to be Fraudulent (e.g., a user repeatedly clicking on a particular Overture Result within a finite period of time, or an activity by a bot, macro program, Internet agent or any other automatic means), which "click protection system" shall calculate Fraudulent Clicks in a substantially consistent manner across all implementations of Overture's search results and, subject to reasonable modifications made by Overture, throughout the Term.

1.16 Gross Revenue means amounts earned by Overture from Bidded Clicks, less (i) [*]% to account for bad debt and credit card processing fees; and (ii) any refunds Overture pays to its Advertisers derived from Fraudulent Clicks. For purposes of clarity, Overture does not

recognize amounts for Fraudulent Clicks.

1.17 Guaranteed Fixed Payment means those payments set forth in Section

8.1 below.

1.18 Guaranteed Impressions means the following amounts during the

Quarters set forth below:

Q1	[*] Impressions
Q2	[*] Impressions
Q3	[*] Impressions
Q4	[*] Impressions
Q5	[*] Impressions
Q6	[*] Impressions
Q7	[*] Impressions
Q8	[*] Impressions
Q9	[*] Impressions
Q10	[*] Impressions
Q11	[*] Impressions
Q12	[*] Impressions

Each Quarter of any Extension

Term [*] Impressions

1.19 Impression means the display by Yahoo of each and every Yahoo Search Results Page in response to a Yahoo Search Query, as measured by Yahoo, except for those Yahoo Results Pages (a) for which Overture does not deliver Overture Results as a result of (i) a Yahoo Technical Lapse (as defined in the Service Level Agreement); (ii) noncompliance by Yahoo with the Service Level Agreement attached as Exhibit A (e.g., where Yahoo delivers too many Yahoo Search Queries per second); or (iii) the suppression or removal of Overture

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Results according to Sections 4.2 or 4.5 below; (b) displayed in response to Yahoo Search Queries submitted from “next” pages in excess of [*]% of the total Yahoo Search Queries for the applicable Quarter; (c) displayed in response to test queries submitted by Yahoo in accordance with the Service Level Agreement (e.g., Yahoo pinging Overture servers to ascertain performance), which queries Yahoo will identify as such in accordance with Section 8.4(f) below; or (d) failure by Overture to deliver Overture Results due to a force majeure event as described in Section 16.7 below. For clarity, the exclusions set forth in subsections (a)-(d) above set forth the [*] which the display by Yahoo of a Yahoo Search Results Page in response to a Yahoo Search Query will not constitute an Impression under this Agreement (e.g., all Search Results Pages on which Yahoo displays no Overture Results in accordance with a “no results delivered” response from Overture will constitute Impressions under this Agreement).

1.20 Initial Term means the period commencing on the Effective Date and continuing until April 30, 2005.

1.21 [*]

1.22 Licensed Materials means the Overture API, the Overture Results and, if any, the Overture Marks provided by Overture to Yahoo in accordance with this Agreement.

1.23 Main Body Search Results means all search results displayed in the Non-Featured Sections of the Yahoo Search Results Pages.

1.24 Measurement Period means the period from the first day of the first Quarter in which the [*] is less than the [*] until the last day of the first Quarter in which the [*] is less than the [*].

1.25 Modeled Metrics means the following amounts during the Quarters shown below (Q1 means the Quarter beginning on May 1, 2002):

QUARTER [*]

Q1 [*]

Q2 [*]

Q3 [*]

Q4 [*]

Q5 [*]

Q6 [*]

Q7 [*]

Q8 [*]

Q9 [*]

Q10 [*]

Q11 [*]

Q12 [*]

Each Quarter of any Extension

Term [*]

1.26 Non-Featured Section means the entire portion of each Yahoo Search

Results Page, excluding the Featured Sections.

1.27 Overture Affiliate means any entity worldwide, including but not limited to corporations,

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partnerships, joint ventures and limited liability companies, in which Overture directly or indirectly holds at least a majority ownership, equity, or financial interest.

1.28 Overture Affiliate IP means any patents that are owned or controlled by an Overture Affiliate at any time during the applicable term of any of the licenses granted in Section 2.5 below. Overture Affiliate IP shall not mean patent claims found not to be valid in a final determination by a court of competent jurisdiction.

1.29 Overture API means any proprietary XML application programming interfaces of Overture, and any successors thereto or replacements thereof, that enable the exchange of Yahoo Search Queries and Overture Results between the parties in accordance with this Agreement.

1.30 Overture Disqualified Entity means those entities listed in Exhibit J, which list will [*] and may be updated by Overture according to Section 2.5(d) below, with which Overture [*].

1.31 Overture Licensed IP means any patents that are owned or controlled by Overture at any time during the applicable term of any of the licenses granted in Section 2.5 below. Overture Licensed IP shall not mean patent claims found not to be valid in a final determination by a court of competent jurisdiction.

1.32 Overture Marks means any or all of the following, as provided by Overture and in which Overture has prior rights: (a) the mark “Overture” in typed form and stylized formats; (b) a circular center, surrounded by three concentric circular rings (the “Overture Logo,” as modified from time to time by Overture); (c) any words or phrases in which Overture has intellectual property rights; (d) any word, symbol or device, or any combination thereof, used or intended to be used by Overture to identify, to indicate the source of origin or to distinguish Overture's products or services from the products or services of others; and (e) any updates to the foregoing.

1.33 Overture Reports means all information and data that falls within the categories set forth in Exhibit F, which information and data Overture will provide to Yahoo according to Section 8.4(b).

1.34 Overture Results means the search results provided by Overture in response to a Yahoo Search Query under this Agreement, which search results (a) include only those search results provided by Advertisers; (b) do not include search results that are not capable of generating Gross Revenue (e.g., search results included as a bonus or a charitable donation); and (c) contain a title and description for display by Yahoo according to Section 4.3(a) below.

1.35 Overture Site means the web site operated by or on behalf of Overture, which is dedicated to the display by Overture of paid search results and currently located at http://www.overture.com.

1.36 Paid Advertising means any form of on-line advertising or promotion for which Yahoo receives compensation in the form of cash or barter from either the party being promoted or a third party acting on behalf of the promoted party.

1.37 Paid Inclusion means that, in exchange for a cash payment from a third party, a search engine will guarantee to index (but not necessarily to display) pages from that third party's web site.

1.38 Price Per Click or PPC means the average price per click that Overture earned from its Advertisers on the Yahoo Search Results Pages during the Quarter.

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1.39 Quarter means the three calendar month periods beginning May, August, November and February of each year of the Term.

1.40 Redesign means any change to any element of a Yahoo Search Results Page implemented by Yahoo.

1.41 Required Number of Overture Results means, with respect to the Featured Top Section, three Overture Results (where such number is subject to reduction under Sections 4.4 and 4.5) and, with respect to the Featured Bottom Section, two Overture Results. The numbers for both the Featured Top Sections and the Featured Bottom Sections are subject to increase under Section 4.3(b).

1.42 Restricted Search Results means any [*] search results that are (a) [*] the Overture Results or to the Main Body Search Results (e.g., [*]); (b) displayed by Yahoo on [*] in response to a user's [*] search query [*] comprised of a keyword or phrase, which search query is submitted [*] for the provision of search results; and (c) assembled on the basis of a [*] administered process in which advertisers pay to [*] their search results for a particular keyword or phrase, where payment can take the form of cost per click, cost per action, cost per impression, Paid Inclusion, pay-for-placement or any other means of cash compensation paid by the advertiser [*].

1.43 Revenue Share Payment has the meaning set forth in Section 8.2 below.

1.44 Search Results Characteristics means all aspects of the Yahoo Results, Overture Results and Main Body Search Results, including but not limited to, left and right margins, pictures or images associated with the search results, text size, color, font, heading, shading/background, spacing, blank areas, length, existence of URL, and all other aspects of "look and feel."

1.45 Term means the Initial Term and, if applicable, each Extension Term until the expiration thereof, unless terminated as set forth herein.

1.46 Top Link Position means the first search result position in the Featured Top Section, wherein Yahoo displays either a Yahoo Result or an Overture Result in accordance herewith.

1.47 U.S. User means a human user (i.e., not a `bot, metaspider, macro program, Internet agent or any other automated means) who, at the time of conducting a Yahoo Search Query, is accessing the Internet from an Internet Protocol address within the United States or Canada, as measured by Yahoo.

1.48 Yahoo Affiliate means any entity worldwide, including but not limited to corporations, partnerships, joint ventures and limited liability companies, in which Yahoo directly or indirectly holds at least a majority ownership, equity, or financial interest.

1.49 Yahoo Directory means the browse tree (i.e., the taxonomy of categories through which users navigate by clicking on category links) within Yahoo's principal, U.S.-targeted directory to the World Wide Web, currently located at http://www.yahoo.com, which browse tree currently resolves to dir.yahoo.com.

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1.50 Yahoo Foreign Properties means Yahoo's or a Yahoo Affiliate's foreign-targeted network of media, communications and commerce properties, including but not limited to those properties that are branded in whole or in part by or on behalf of Yahoo or a Yahoo Affiliate and presented in the local languages (e.g., Yahoo! Germany, currently located at http://www.yahoo.de) and any other foreign-targeted products or services that are developed and branded in whole or in part by or on behalf of Yahoo or a Yahoo Affiliate.

1.51 Yahoo Foreign Vertical means any foreign-targeted, category-specific property within the Yahoo Foreign Properties that is owned or operated by or on behalf of Yahoo or a Yahoo Affiliate, including but not limited to those presented in the local language (e.g., Yahoo! UK Shopping, currently located at http://shopping.yahoo.co.uk, and Yahoo! Italia Finance, currently located at http://finance.yahoo.it).

1.52 Yahoo Marks means trademarks, service marks or graphical brand features of Yahoo in which Yahoo has prior rights.

1.53 Yahoo Network means Yahoo's U.S. targeted network of media, communications and commerce properties, including but not limited to Yahoo Search, the Yahoo Verticals and any other U.S. targeted products or services that are developed and branded in whole or in part by or on behalf of Yahoo or a U.S. based Yahoo Affiliate; provided that any entity or property acquired, developed, controlled by or branded in whole or in part by or on behalf of Yahoo or a U.S. based Yahoo Affiliate after the Effective Date with whom Overture has a then-existing contractual relationship will continue to perform under the existing contract with Overture (to the extent that such performance is within the reasonable control of Yahoo) and, upon request by Overture, Yahoo shall not send any Yahoo Search

Queries from any such entity in the event that no contractual relationship exists between the entity and Overture at the time of the date of acquisition, development or branding in whole or in party by or on behalf of Yahoo.

1.54 [*].

1.55 Yahoo Results means search results sold, bartered or bonused by Yahoo that are displayed in the Top Link Position solely on the first Yahoo Search Results Pages displayed in response to a Yahoo Search Query (i.e., no “next” Search Results Pages), unless Overture delivers the same Overture Results for any Yahoo Search Query according to Section 3.2 (in which case Yahoo will be entitled to display the same Yahoo Result on subsequent Yahoo Search Results Pages).

1.56 Yahoo Search means the search functionality within Yahoo’s principal, U.S.-targeted directory to the World Wide Web, currently located at http://www.yahoo.com, which search functionality currently resolves either to search.yahoo.com or to google.yahoo.com.

1.57 Yahoo Search Box means a graphical area substantially similar in form to the example set forth in Exhibit B that appears on web pages across the Yahoo Network, including but not limited to the front page of Yahoo Search and all Yahoo Search Results Pages, through which a user can only submit a search query that is [*] a keyword or phrase that resolves to Yahoo Search. Additionally, searches initiated by a user clicking on the “next” button on a Yahoo Search Results Page and searches conducted after Yahoo provides the user with the correction to a misspelled word (in which case the user may click on the corrected spelling to connect to a Yahoo Search Results Page) and “Related Searches” (or similar functionality) that appear below the Featured Bottom Section as shown in Exhibit C will be deemed as submitted through a Yahoo Search Box. For clarity, search boxes that resolve to searchable directories other than [*] or successor directories thereto (e.g., searches submitted through any Yahoo Vertical, including but not limited to the search box that resolves to the specialty directory within Yahoo's

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shopping-related property) are not Yahoo Search Boxes.

1.58 Yahoo Search Query means any search query comprised of a keyword or phrase and initiated through the Yahoo Search Box by a U.S. User. For clarity, search queries initiated through means other than the Yahoo Search Box (e.g., searches initiated through any Yahoo Vertical, including but not limited to the search box that resolves to the specialty directory within Yahoo's shopping-related property) will not be deemed a Yahoo Search Query.

1.59 Yahoo Search Query Reports means information and data regarding (a) the performance of the Overture Results, to the extent provided by Yahoo and not collected by Overture directly, including but not limited to Impressions, the association with Yahoo of [*] and the total number of test queries performed by Yahoo; (b) the performance of [*], which information and data falls within the same categories as those listed in Exhibit F for which Overture must provide information and data about the Overture Results (e.g., [*] average cost per click and [*]); and, if applicable, (c) any statistics provided by Yahoo regarding the number and type of Yahoo Search Queries and U.S. Users.

1.60 Yahoo Search Results Pages means those web pages within Yahoo Search, excluding the Jump Page, displayed in response to Yahoo Search Queries.

1.61 Yahoo Top Link Coverage means the total number of Yahoo Search Queries that resulted in Yahoo's display of a Yahoo Result, divided by the total number of Yahoo Search Queries, as calculated by Yahoo on a Quarterly basis.

1.62 Yahoo Vertical means any U.S. targeted, category-specific property within the Yahoo Network that is owned or operated by or on behalf of Yahoo or a U.S. based Yahoo Affiliate, including but not limited to Yahoo's travel-related property (currently located at http://travel.yahoo.com), finance-related property (currently located at http://finance.yahoo.com), shopping-related property (currently located at http://shopping.yahoo.com) and its music-related property (currently located at http://launch.yahoo.com).

2. Licenses and Ownership.

2.1 Licenses by Overture; Overture API and Licensed Materials. Subject to the terms and conditions of this Agreement, Overture grants to Yahoo a limited, non-exclusive, non-assignable, non-transferable, non-sublicensable license during the Term to use the Overture API solely for the purpose of enabling the exchange of Yahoo Search Queries and Overture Results between the parties in accordance with this Agreement and to reproduce, reformat and publicly display the other Licensed Materials provided by Overture on Yahoo Search Results Pages in accordance with this Agreement. Yahoo shall not cache or store any Overture Results or any other Licensed Material.

2.2 Use of Reports.

(a) Use of Overture Reports. Yahoo may use the Overture Reports and information disclosed under Section 8.4 only to verify performance and payment under this Agreement, and may reproduce the Overture Reports only as necessary to do so. [*]. Within 10 days (unless such data is needed for a potential dispute between the parties) after expiration or termination of this Agreement, Yahoo shall delete and destroy (and certify such destruction to Overture) or return to Overture any and all copies of Overture Reports in Yahoo's possession and all copies disclosed to Yahoo Affiliates. Other than the obligation to delete, destroy or return information, this Section 2.2(a) terminates when the Agreement terminates or expires.

(b) Use of Yahoo Search Query Reports. Overture may use the Yahoo Search Query Reports and

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information disclosed under Section 8.4 only to verify performance under this Agreement or, as long as the Yahoo Search Query Reports are not associated with Yahoo or otherwise identifiable as being derived from Yahoo, for its internal purposes (e.g., [*]) and may reproduce Yahoo Search Query Reports as necessary to do so. [*]. Within 10 days (unless such data is needed for a potential dispute between the parties) after expiration or termination of this Agreement, Overture shall delete and destroy (and certify such destruction to Yahoo) or return to Yahoo any and all copies of reports provided by Yahoo pursuant to Section 8.4(c). Other than the obligation to delete, destroy or return information, this Section 2.2(b) terminates when the Agreement terminates or expires.

2.3 Use of Information and Data.

(a) Information and Data Collected by Yahoo. All information and data provided to Yahoo by users on the Yahoo Network or the Yahoo Foreign Properties or otherwise collected from users on the Yahoo Network or the Yahoo Foreign Properties by Yahoo will be retained and owned exclusively by Yahoo. Overture acknowledges that certain of that information and data may be related to the performance of the Overture Results (the "Overture Performance Data"). [*]. This Section survives expiration or termination of the Agreement.

(b) Information and Data Collected by Overture. All information and data provided to Overture by users off the Yahoo Network and the Yahoo Foreign Properties or otherwise collected from users off the Yahoo Network and the Yahoo Foreign Properties by Overture will be retained and owned exclusively by

Overture. Yahoo acknowledges that certain of that information and data may be related to Yahoo Search Queries (the "Yahoo Performance Data"). [*]. This Section survives expiration or termination of the Agreement.

2.4 Ownership of Marks.

(a) Overture Marks. Yahoo will not contest the validity of, or Overture's ownership of, any of the Overture Marks. During the Term, Yahoo will not, in any jurisdiction, adopt, use or register, or apply for registration of, whether as a corporate name, trademark, service mark or other indication of origin, or as a domain name, any Overture Marks, or any word, symbol or device, or any combination confusingly similar to any of the Overture Marks.

(b) Yahoo Marks. Overture will not contest the validity of, or Yahoo's ownership of, any of the Yahoo Marks. During the Term, Overture will not, in any jurisdiction, adopt, use or register, or apply for registration of, whether as a corporate name, trademark, service mark or other indication of origin, or as a domain name, any Yahoo Marks, or any word, symbol or device, or any combination confusingly similar to any of the Yahoo Marks.

2.5 Overture Licensed IP.

(a) License Grant; Yahoo Results and Exclusive Results. In consideration of the rights and benefits provided hereunder (including but not limited [*]),

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and subject to the terms and conditions of this Agreement, Overture hereby grants to Yahoo during the Term of this Agreement a non-exclusive, non-assignable (except as set forth in Section 2.5(i) below), non-sublicensable, non-transferable (other than an assignment under Section 2.5(i) below), world-wide [*] license, on an as is basis, under the Overture Licensed IP to [*] and use an Equivalent Search Product for the exclusive purpose of generating Yahoo Results for display in the Top Link Position and Exclusive Results as described in Sections 4.4 and 5.1(b).

(b) License Grant; Yahoo Verticals. Subject to the terms and conditions of this Agreement, Overture hereby grants to Yahoo and the Yahoo Affiliates a non-exclusive, non-assignable (except as set forth in Section 2.5(i) below), non-sublicensable, non-transferable (other than an assignment under Section 2.5(i) below), world-wide, [*] license exercisable during the Term, on an as is basis, under the Overture Licensed IP to [*] and use an Equivalent Search Product on any Yahoo Vertical and, to the extent that Overture-supplied search results are displayed within [*] during the Term, any Yahoo Foreign Vertical; provided that Yahoo and Yahoo Affiliates will not [*] or use the Equivalent Search Product under the foregoing license until the date that is at least [*] after Yahoo gives written notice to Overture that Yahoo or a Yahoo Affiliate intends to exercise the foregoing license, and Yahoo will continue to give Overture written notice for each subsequent Yahoo Vertical or Yahoo Foreign Vertical in which it or a Yahoo Affiliate intends to exercise the foregoing license. The parties agree to [*] to discuss ways in which Overture can offer and provide [*] on Yahoo Verticals and Yahoo Foreign Verticals. [*]. The term of each license exercised by Yahoo under this Section 2.5(b) shall continue until, but in no event extend beyond, [*], unless earlier terminated by Yahoo according to Section 2.5(k).

(c) License Grant; Equivalent Search Products. Subject to the terms and conditions of this Agreement, Overture hereby grants to Yahoo and the Yahoo Affiliates a non-exclusive, non-assignable (except as set forth in Section 2.5(i) below), non-sublicensable, non-transferable (other than an assignment under Section 2.5(i) below), world-wide, [*] license, on an as is basis, under Overture Licensed IP to [*] and use an Equivalent Search Product solely within (1) Yahoo Search; (2) those Yahoo Verticals and Yahoo Foreign Verticals in which Overture-supplied search results are displayed as of the day before the date on which this Agreement either expires or terminates other than by reason of Yahoo's breach; and (3) those Yahoo Verticals and Yahoo Foreign Verticals in which Overture-supplied search results have been displayed at any time during the Term, but only in the case that Overture has ceased to supply such search results to that Yahoo Vertical or Yahoo Foreign Vertical due to either Overture's election to discontinue the applicable search service or Yahoo's election to discontinue the applicable search service by reason of Overture's breach; provided that Yahoo and Yahoo Affiliates will not [*] or use an Equivalent Search Product under the foregoing license until expiration of this Agreement or termination of this Agreement for any reason other than Yahoo's breach. The term of the license set forth in this Section 2.5(c) shall continue until, but in no event extend beyond, [*], unless earlier terminated by Yahoo according

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to Section 2.5(k).

(d) License Restrictions.

(1) [*]. With respect to the licenses set forth in this Section 2.5, the rights to [*] extend only to the following circumstances:

(A) Yahoo and the Yahoo Affiliates will be entitled to [*] the Equivalent Search Products;

(B) Yahoo and the Yahoo Affiliates will be entitled to enlist Overture (subject to Overture's agreement) either (A) [*] of the Equivalent Search Products for Yahoo or the Yahoo Affiliate; or (B) to provide [*] of the Equivalent Search Products to Yahoo or the Yahoo Affiliate (e.g., in the case that Yahoo elects to use [*] as an Equivalent Search Product, or as a component thereof); and

(C) Yahoo and the Yahoo Affiliates will be entitled to [*] to build all or part of the Equivalent Search Products [*]; provided that (i) the Equivalent Search Products either are owned by Yahoo or a Yahoo Affiliate or are [*] Yahoo or a Yahoo Affiliate [*]; (ii) Yahoo operates and uses the Equivalent Search Products [*]

Overture will be entitled to update the list of Overture Disqualified Entities from time to time in writing, [*].

(2) [*] Yahoo Search Boxes. Yahoo will not be entitled to use any licenses hereunder in connection with [*] according to Section 3.1 below.

(e) Overture Affiliate IP. With respect to the licenses granted under this Section 2.5, Overture will undertake all reasonable efforts to cause Overture Affiliates to grant to Yahoo identical licenses under the Overture Affiliate IP in the applicable regional markets. Notwithstanding the foregoing sentence, to the extent that Overture elects to transfer any Overture Licensed IP to any Overture Affiliate during the term of any license granted under this Section 2.5, such that the affected Overture Licensed IP becomes Overture Affiliate IP, Overture will undertake all steps necessary to ensure that Yahoo maintains the licenses hereunder to that Overture Affiliate IP.

(f) Royalty. [*], the parties agree that the royalty payable under the license set forth in [*] should be [*]. For purposes of [*], a FMV royalty shall

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mean a royalty that would be agreed upon by a willing licensee and willing licensor in an arms length negotiation for a license of a substantially similar scope to the license granted under the applicable Section. Taking those factors into account, the parties agree that the royalty payable by Yahoo for exercise of the license under [*] (the "Applicable Royalty") shall be as follows:

(1) Upon Expiration. In the event of expiration of this Agreement, the Applicable Royalty shall be as follows:

[*]

(2) Upon Termination. In the event of termination of this Agreement under Section 15.4 (Termination for Change of Control) or other termination of this Agreement other than by reason of Yahoo's breach, the Applicable Royalty shall be as follows:

[*]

Under no circumstances shall the FMV royalty under [*] or the Applicable Royalty under [*] be payable until Yahoo commences to exercise the applicable license thereunder, nor shall it extend beyond the term of the applicable license (and, in no event, beyond [*]).

(g) Procedure for Determination of Royalty. Upon written notice by Yahoo (1) no less than [*] days for purposes of Section 2.5[*], and (2) no sooner than [*] under Section 2.5(f)(2) for purposes of Section 2.5[*], Yahoo and Overture will negotiate in good faith and undertake commercially reasonable efforts to establish a FMV royalty. Upon such notice, each party will provide the other party with such information as the requesting party may reasonably request for purposes of establishing FMV, including but not limited to information concerning royalty-rates or other consideration under any other licenses granted by Overture under any Overture Licensed IP. Failure to mutually agree upon a specific royalty within [*] days after that notice will constitute an Escalation Event under Section 16.5(a) below. If the procedures outlined under Section 16.5(a) fail to resolve the royalty, then, unless the parties mutually agree upon a third party appraiser to determine FMV, the parties agree to submit the determination of the royalty to arbitration. The arbitration will be conducted in accordance with Section 16.5(b) below, except that the Panel shall hold a hearing and render its decision within 90 days after appointment of the third arbitrator of the Panel. Either party shall be entitled from time to time to request that FMV be re-determined in accordance with the provisions of this Section 2.5(g), provided that such request shall not be made within [*] months after the previous determination of FMV; such re-determined FMV shall be used to compute the Applicable Royalty prospectively, effective as of the date such re-determination is requested in accordance with the provisions of this Section 2.5(g).

(h) Other License Provisions. At the same time and under the same procedure as for the determination of a royalty under Subsection 2.5(g) above, the parties shall in good faith negotiate to determine the remaining provisions of the licenses under Sections 2.5[*], including but not limited to provisions relating to payment procedure, reporting procedure, record keeping requirements, audit procedure, default and cure, termination and dispute resolution.

(i) Assignment. Notwithstanding the provisions of Section 16.2, Yahoo may, [*] the prior

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written consent of Overture, assign the licenses and other rights granted under this Section 2.5 to any entity that succeeds to all or substantially all of the assets and liabilities of Yahoo. Upon such assignment, the license set forth in this Section 2.5 will be binding upon and inure to the benefit of the parties hereto and their successors and assigns.

(j) Covenant not to Sue. Overture, on behalf of itself and the Overture Affiliates, covenants that neither Overture nor the Overture Affiliates will sue either (1) any advertiser for its use of or participation in an Equivalent Search Product operated by Yahoo or a Yahoo Affiliate in accordance with the licenses granted hereunder; or (2) any third party other than an [*] solely for its [*] in accordance with the licenses granted hereunder. For clarity, nothing herein shall be deemed to limit any claims of Overture against any third party with respect to any act or omission other than [*] in accordance with the licenses granted hereunder.

(k) Termination. Yahoo will be entitled to terminate the foregoing licenses, in whole or as to any Overture Licensed IP, at any time on written notice to Overture. Should Overture terminate this Agreement under Section 15.2 below by reason of Yahoo's breach of this Agreement, all licenses under this Section 2.5 terminate. In addition, should Yahoo divest itself of all or part of a Yahoo Affiliate, such that the affected Yahoo Affiliate no longer is a Yahoo Affiliate as defined hereunder, all licenses under this Section 2.5 terminate with respect to that affected Yahoo Affiliate.

(l) Nothing in this Agreement shall be construed as imposing any obligation upon Overture to provide any data, know-how or other information to Yahoo or the Yahoo Affiliates under the licenses identified in this Section 2.5.

2.6 Ownership; Reservation of Rights. This Agreement is not intended to and shall not affect ownership by either party of any of its intellectual property rights, content, products and services, and nothing set forth in this Agreement shall be construed as the assignment or transfer of any ownership rights in any of the foregoing from one party to the other. Other than the express licenses set forth in this Section 2, nothing in this Agreement, and nothing in any press release or other statement made in connection with this Agreement (including but not limited to the press release planned under Section 12.3 below), will be deemed a license (by implication, estoppel or otherwise) under either party's patent rights or other intellectual property rights. Nothing in this Agreement, and nothing in any press release or in any other statement made in connection with this Agreement, will be deemed an admission by either party that any existing, planned or contemplated products, services or technology of the other party infringes or does not infringe its (or a third party's) patent or other intellectual property rights or that the other party's (or a third party's) patent or other intellectual property is valid. Likewise, neither party's performance according to the terms and conditions of this Agreement will in any way broaden the intellectual property rights of the other party. Both parties reserve all rights not expressly granted.

2.7 Non-Waiver of Claims. Nothing herein constitutes a waiver of any pre-existing claims of one party against entities, or with respect to businesses, services or product lines, acquired by the other party during the Term of this Agreement or the term of a license under Section 2.5 above.

3. Maintenance of Yahoo Search Box; Delivery of Yahoo Search Queries.

3.1 Yahoo Search Box. Yahoo will enable all U.S. Users to initiate Yahoo Search Queries through the Yahoo Search Box. Yahoo will display the Yahoo Search Box on the front page of Yahoo Search and all Yahoo Search Results Pages. Yahoo will be entitled to display commerce-related "universal" search boxes (i.e., shopping and/or auctions) on the front page of Yahoo Search no

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more than 5 days in a month. The Yahoo Search Box shall be the only [*] search functionality for general searches (e.g., [*]) of the World Wide Web displayed within the Yahoo Network during the Term (e.g., [*]). Yahoo will be entitled to [*] and to derive search traffic [*] (or similar search functionality) on [*] provided that such search traffic is directed to the Yahoo Search Results Pages. If Yahoo exercises its rights under the preceding sentence, then the parties will negotiate in good faith for the purpose of executing an amendment to this Agreement, which amendment will, at Overture's option, either (a) address the manner in which [*] and the method by which Yahoo will be compensated for such traffic; or (b) provide for the suppression of [*] for those Yahoo Search Results Pages displayed in response to a Yahoo Search Query from this [*], in which case the resulting Impression would not be counted hereunder and the provisions of Section 7 would not apply.

3.2 Yahoo Search Queries; Delivery by Yahoo. Except as set forth in Section 5.4, Yahoo will send the Yahoo Search Query to Overture each and every time that a U.S. User initiates a search through a Yahoo Search Box. When a U.S. User submits a Yahoo Search Query by clicking on the "next" button on a Yahoo Search Results Page, Yahoo will differentiate the Yahoo Search Query in a manner acceptable to Overture so that Overture can deliver Overture Results that differ from those Overture Results appearing on the prior Yahoo Search Results Pages. Notwithstanding the foregoing, Yahoo acknowledges and agrees that Overture will be entitled to deliver the same Overture Results for any Yahoo Search Query initiated by a "next" button to the extent that Overture does not have additional Overture Results for the keyword or phrase. As of the Effective Date, the parties do not intend this Agreement to apply to Yahoo Search or to any search functionality within a Yahoo Vertical to the extent that the search functionality is accessed or enabled through wireless or voice services (however, the parties may include such wireless and voice services during the Term by mutual consent).

4. Delivery and Maintenance of Overture Results.

4.1 Delivery by Overture. After receiving a Yahoo Search Query from Yahoo, Overture will deliver to Yahoo, according to the Service Level Agreement attached hereto as Exhibit A, either Overture Results or a response that no results are being delivered for that Yahoo Search Query. Overture will be entitled to redirect URLs embedded within the Overture Results in the process of transferring a user to the Advertiser site promoted within the applicable Overture Result, so that Overture is able to record Actual Clicks.

(a) Remedies. The parties acknowledge that it is in the financial best interest of both parties to avert Unresolved Catastrophic Problems and Recurrent Problems, as such terms are defined in the Service Level Agreement attached as Exhibit A hereto and this Agreement, respectively, and that the damages attributable to such Unresolved Catastrophic Problems and Recurrent Problems would be difficult to ascertain. Therefore, the parties have specified the liquidated damages below as a reasonable estimate of such damages and as each party’s sole and exclusive remedy other than termination (in the event of an uncured, material breach pursuant to Section 15.2 below) for such Unresolved Catastrophic Problems that prevent Overture from fulfilling its delivery obligations pursuant to Section 4.1 above and for Recurrent Problems. For purposes of this Section 4.1, a “Recurrent Problem” means any Problem, Severe Problem, or Catastrophic Problem (each, individually, a “Recurrent Problem Element”), or any combination of Recurrent Problem Elements, which renders the Overture Results unavailable or unusable for more than [*] in any [*], and is attributable to a single party.

(1) Yahoo Remedy for Unresolved Catastrophic Problems. For any Unresolved Catastrophic Problem within the reasonable control of Overture, Overture will pay to Yahoo an amount calculated as [*] of Gross Revenue that Yahoo would have earned pursuant to this Agreement during the period beginning [*] after the earlier of Overture's

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learning of, or Yahoo's providing notice to Overture that a Problem, Severe Problem or Catastrophic Problem attributable to Overture has been detected but not resolved. Overture's liability for such payment will not extend beyond the point in time when (i) Overture has resolved the Catastrophic Problem, even if Yahoo has elected to manually override pursuant to Section IV(F) of the Service Level Agreement; or (ii) a Yahoo Technical Lapse is in effect. For clarity, Overture's liability would continue to accrue incrementally if Yahoo resolves such Technical Lapse but Overture has not resolved the Catastrophic Problem.

(2) Overture Remedy for Unresolved Catastrophic Problems. In the event of any Unresolved Catastrophic Problem within the reasonable control of Yahoo, Yahoo will pay to Overture an amount calculated as [*] of Gross Revenue that Overture would have earned pursuant to this Agreement during the period beginning [*] after the earlier of Yahoo's learning of, or Overture's providing notice to Yahoo that a Problem, Severe Problem or Catastrophic Problem attributable to Yahoo has been detected but not resolved. Yahoo's liability for such payment will not extend beyond the point in time when (i) Yahoo has resolved the Catastrophic Problem to meet the acceptable performance standards set forth in the Service Level Agreement, or (ii) a technical lapse by Overture (such as a Problem, Severe Problem or Catastrophic Problem attributable to Overture) is in effect. For clarity, Yahoo's liability would continue to

accrue if Overture resolves such technical lapse but Yahoo has not resolved the Catastrophic Problem.

(3) The Parties' Remedies for Recurrent Problems. The party responsible for any Recurrent Problem will pay the non-breaching party (the "NBP") an amount calculated as the [*] of Gross Revenue that the NBP would have earned during the total period in which the Recurrent Problem Elements occurred. The beginning of this period commences [*] after the party that is responsible for the Recurrent Problem initially learns of, or receives notice of, the occurrence of the first Recurrent Problem Element in the Recurrent Problem. The liability of the party responsible for the Recurrent Problem will not extend beyond the point in time when the responsible party has resolved the final Recurrent Problem Element in the Recurrent Problem and will not include periods when the NBP experiences a technical lapse during a Recurrent Problem Element. For clarity, the responsible party's liability would continue to accrue incrementally if the NBP resolves such technical lapse but the responsible party has not resolved the Recurrent Problem Element.

4.2 Suppression by Overture. Overture will suppress delivery of certain Overture Results to Yahoo in accordance with the following:

(a) [*]-Related Overture Results. Overture will suppress [*]-related Overture Results, at a minimum, to the same degree as the [*] that appear on the Overture Site as of the Effective Date. Upon receipt by Overture of [*] Yahoo Search Query for which Overture has [*] Overture Results, Overture will send to Yahoo such [*] Overture Results. For all other [*] Yahoo Search Queries, Overture shall not return any

Overture Results, and if Overture does send an Overture Result, then Yahoo shall be entitled to block such Overture Result from being displayed pursuant to Section 4.5(a) below. The parties acknowledge and agree that the delivery of [*]-related Overture Results to Yahoo is not contemplated by this Agreement and, thus, [*].

(b) Overture Results related to [*]. Overture will suppress Overture Results that link directly to a page owned or operated by [*].

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(c) Overture Results in response to Excluded Terms. Overture will not deliver Overture Results to Yahoo in response to a U.S. User's search of the Yahoo Search for an Excluded Term.

(d) Overture Results identified by Yahoo. Upon a reasonable request by Yahoo according to Section 4.5 below, Overture agrees to cease delivery of the affected Overture Result.

(e) Suppression of all Overture Results. Overture will be entitled to cease delivery of all Overture Results for any Yahoo Search Query in Overture's keyword marketplace that triggers Overture's compliance obligations under this Section 4.2.

4.3 Display by Yahoo. After receiving Overture Results from Overture in response to a Yahoo Search Query, Yahoo will display the Required Number of Overture Results in the Featured Sections as provided for in this Agreement, unless Overture provides less than the Required Number of Overture Results to Yahoo in response to the particular Yahoo Search Query, in which case Yahoo will display all Overture Results provided by Overture in the Featured Sections.

(a) Order and Appearance. On the Effective Date and during any population test pursuant to the Estimated Yahoo Payment and Guaranteed Fixed Payment Adjustment Process set forth in Exhibit K, the Yahoo Search Results Page shall be displayed as provided for in Exhibit C. Yahoo will display the Overture Results in the order provided by Overture. Yahoo will display Overture Results in the Featured Sections with Overture's full title and a truncated description, both of which together will consist of no less than 88 characters (as shown in the mock-up attached as Exhibit C hereto), as well as with the full URL of the web page associated with each Overture Result. When viewed via Microsoft's principal "Internet Explorer" browser product

(U.S. versions 4.0 and higher) on the Microsoft Windows platform or any other browser that easily supports a mouse over implementation, the title will give rise to the full description to the extent that the user passes his or her cursor over the title (a “Mouse Over”), which Mouse Over will be substantially similar in form to the example set forth in Exhibit C. Yahoo will not modify [*] of the Overture Results, except that Yahoo will truncate the description as described in the foregoing sentence. The only content in the Featured Sections shall be the Overture Results and the Yahoo Results, as provided for in this Agreement. All of the Search Result Characteristics of the Overture Results and the Yahoo Results in the Featured Sections, as well as the Exclusive Result, shall be identical. To the extent that the [*] of the Overture Results and the [*] are not identical to the Main Body Search Results, Yahoo will provide Overture with written notice, and any dispute regarding the difference between [*] will be deemed an Escalation Event that is not subject to arbitration under

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Section 16.5(b) below (i.e., [*]). The entire first search result in the Featured Top Section shall appear Above the Fold. The heading of the Featured Sections shall be "Sponsor Matches" or such other heading as is mutually agreed upon by the parties. Yahoo agrees that it will not [*].

(b) Increases in the Required Number of Overture Results. Yahoo will be entitled to increase the number of Overture Results that appear within the Featured Sections as long as Yahoo (a) provides Overture with no less than [*] prior written notice of the increase setting forth the keywords and terms for which the number of Overture Results shall be increased and the duration of time that the increase will last (which in no event shall be less than [*]); (b) enlarges the applicable Featured Section, as determined by Yahoo, proportionally to account for the increased number of Overture Results; and (c) confers with Overture regarding possible revisions to the Service Level Agreement in order to account for the additional Overture Results and, to the extent that the parties cannot agree on the appropriate revision or whether a revision to the Service Level Agreement is warranted at all, the parties will resolve the issue via the escalation provisions set forth in Section 16.5(a). If Yahoo elects to [*] within the Featured Sections after the date that is [*] from the Effective Date, then Yahoo will provide Overture with [*] days prior written notice, and Yahoo agrees to add one additional Overture Result to the Featured Top Section with respect to [*] keywords or phrases upon which the parties mutually agree, which agreement will not unreasonably withheld, for the period during which [*].

(c) No Incentives to Click. Yahoo will not provide users with any incentives (e.g., points or special offers) to click on Overture Results.

4.4 Preemption by Yahoo. In response to Yahoo Search Queries, Yahoo will be entitled to display either (a) one Yahoo Result on the first Yahoo Search Results Pages, unless Overture delivers the same Overture Results for any Yahoo Search Query according to Section 3.2 (in which case Yahoo will be entitled to display the same Yahoo Result on subsequent Yahoo Search Results Pages), in the Top Link Position; or (b) one Exclusive Result (as defined below) in the "Yahoo! Exclusives" (or similarly named) section of the Yahoo Search Results Pages according to Section 5.1(b) below. If Yahoo elects to display a Yahoo Result in the Top Link Section in response to a particular Yahoo Search Query, then the Required Number of Overture Results in the Featured Top Section for the particular Yahoo Search Query will be reduced to two.

4.5 Removal by Yahoo; Potential Liability; Excluded Terms; Contextual Relevance. Yahoo will be entitled to block the display of any Overture Result for which Overture has an obligation to suppress delivery pursuant to Section 4.2 and this Section 4.5.

(a) Overture Results that Yahoo deems Objectionable. As it consistently administers its company-wide advertising policies-(e.g., [*]), Yahoo will be entitled to block Overture Results that do not comply with such policies from the Yahoo Search Results Pages or to amend the list of Excluded Terms to include any keywords or phrases to which those Overture Results relate, as reasonably determined by Yahoo. Yahoo also will be entitled to block or to request removal of any Overture Results that [*]. Yahoo also will be entitled to block or to request removal of any Overture Results that, in Yahoo's reasonable belief, might [*] or might [*]. In any event, Yahoo agrees to notify Overture and to provide Overture with an electronic copy of the Overture Results that give rise to Yahoo's request.

(b) Overture Results that Yahoo deems Contextually Irrelevant. As it consistently administers its Yahoo Search-wide editorial policies, Yahoo will be entitled to block or to request removal of any Overture Results that are not contextually relevant to the Yahoo Search Query. The

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parties will discuss relevancy issues in good faith, including but not limited to the means for resolving relevancy issues (e.g., revision of title and description, filter or removal). Any disagreement between Overture and Yahoo concerning whether an Overture Result is contextually relevant under this Section 4.5(b) shall give rise to an Escalation Event.

4.6 Yahoo Suppression. Yahoo will suppress delivery of certain Yahoo Results in accordance with the following:

(a) Results that Overture deems Potentially Damaging. Overture will be entitled to request that Yahoo not display any Yahoo Results that, in Overture's reasonable belief, might subject Overture to criminal or civil liability.

(b) Contextual Relevance. As it consistently administers its editorial policies, Overture will be entitled to request that Yahoo not display any Yahoo Results that are not contextually relevant to the Yahoo Search Query. The parties will discuss relevancy issues in good faith, including but not limited to the means for resolving relevancy issues (e.g., revision of title and description, filter or removal). Any disagreement concerning this Section 4.6(b) shall give rise to an Escalation Event.

5. Yahoo Search Results Pages; Featured Sections.

5.1 Creation and Maintenance of Yahoo Search Results Pages. Yahoo will create and maintain the Yahoo Search Results Pages during the Term and, except as set forth in Section 5.4, display a Yahoo Search Results Page in response to the submission of every Yahoo Search Query.

(a) Editorial Control. Yahoo will be solely responsible for the design, layout, "look and feel," posting and maintenance of the Yahoo Network, including but not limited to the Yahoo Search Results Pages and any sections thereof. Notwithstanding any provision herein to the contrary, except Section 4.3(a) and the introductory paragraph thereto which contain the minimum display requirements, Yahoo will be entitled to redesign or modify [*], of the Yahoo Network, including but not limited to the Yahoo Search Results Pages and any sections thereof. Yahoo will undertake commercially reasonable efforts to provide Overture with a reasonable amount of notice prior to implementing any Redesign of the Yahoo Search Results Pages.

(b) Pre-Approved Change to Yahoo Search Results Pages. With respect to Yahoo Search Results Pages on which Yahoo does not display a Yahoo Result, Overture hereby approves Yahoo's creation and display of a "Yahoo! Exclusives" (or similarly named) section on the Yahoo Search Results Pages, which section will include no more than one search result (an "Exclusive Result") and might appear above the Featured Top Section.

(c) Acknowledgement of Redesign. The parties acknowledge and agree that Yahoo might implement more than one "look and feel" for the Yahoo Search Results Pages, which "look and feel" could vary based on the nature of the Yahoo Search Query, as determined by Yahoo.

(d) "Sponsor Matches" Link. Both parties acknowledge and agree that, with respect to the page to which users navigate directly from the "What are Sponsor Matches?" link (as shown on the mock-up) or other similar link on the Yahoo Search Results Page (the "Help Page"), the Help Page that has been used prior to the Effective Date shall be the Help Page that is used after the Effective Date, unless otherwise mutually agreed upon by the parties.

5.2 Creation and Maintenance of Featured Sections. Yahoo will create and maintain the Featured Sections on the Yahoo Search Results Pages throughout the Term in accordance with the terms of

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this Agreement, including but not limited to Section 4.3(a) above. On the Effective Date and during any population test pursuant to the Estimated Yahoo Payment and Guaranteed Fixed Payment Adjustment Process set forth in Exhibit K, the Featured Sections shall be displayed as provided for in Exhibit C.

5.3 Blocked Content. Yahoo will undertake commercially reasonable efforts not to sell advertising units (including but not limited to pop-up windows) that block any portion of a user's view of the Overture Results [*].

5.4 Jump Page displayed in response to Hybrid Search Queries. With respect to [*] Yahoo Search Queries for which "filtered" Overture Results are available (the "Hybrid Search Queries"), Yahoo will be entitled to present a jump page (the "Jump Page") to each and every U.S. User in response to that U.S. User submitting a Hybrid Search Query, which Jump Page will (a) inform the U.S. User that the Hybrid Search Query is likely to return [*] search results; (b) enable the U.S. User to navigate directly to a contextually relevant Yahoo Search Results Page and, to the extent that the U.S. User selects this option, Yahoo will send the Hybrid Search Query to Overture in accordance with Section 3.2 above; (c) enable the U.S. User to submit a new Yahoo Search Query; and, in some cases, (d) enable the U.S. User to navigate directly to a page within a third party web site on which contextually relevant [*] search results are displayed, thereby terminating the Hybrid Search Query. Any other treatment of Hybrid Queries will be subject to mutual agreement of the parties. The parties acknowledge and agree that the Jump Page does not constitute a Yahoo Search Results Page, and that Yahoo's treatment of Hybrid Search Queries in this manner does not constitute a breach of this Agreement. The parties further acknowledge and agree that the delivery of [*] Overture Results to Yahoo is not contemplated by this Agreement and, thus, Yahoo [*].

6. Technical Implementation; Interaction between the Parties.

6.1 Compliance with Service Level Agreement. Each party will comply with the terms and conditions of the Service Level Agreement attached hereto as Exhibit A.

6.2 Technical Resources; Quarterly Meetings. During the Term, each party will contribute those technical resources reasonably necessary to facilitate the exchange of Yahoo Search Queries and Overture Results and the improvement of the tracking and reporting outlined in Section 8.4 below. The search product development teams of the parties will meet no less than once per Quarter to exchange information regarding relevance of Overture Results and Yahoo Results and developing trends in the search product market.

6.3 No Disparaging Comments. Yahoo will not post any disparaging comments attributable to Yahoo about Overture or the Overture Results on Yahoo Search and the accompanying directory property during the Term (e.g., "The Overture Results are bad... purchase Yahoo!'s paid listings by clicking on the Sponsor Matches links to Advertiser Services!"), and Overture will not post any disparaging comments attributable to Overture about Yahoo or Yahoo Search on the Overture Site during the Term. In addition, during the Term, Yahoo agrees (a) not to use Overture’s Confidential Information, the Overture Results or the Overture Reports for the purpose of selling Overture advertisers placement in any Yahoo search sponsor matches program; (b) not to target Overture advertisers by parsing the Overture XML feed for Overture advertiser contact information or by obtaining such information from another source provided by Overture. Notwithstanding the foregoing, under no circumstances shall this Agreement be deemed to restrict Yahoo in any manner from: (1) marketing any Yahoo product or service (including but not limited to any Yahoo sponsor matches program) to any existing Yahoo advertiser, content provider, or Yahoo registered user; (2) marketing any Yahoo product or service to any potential Yahoo

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advertiser through “one-to-one” contacts (e.g., telephone calls, letter, e-mails, sales calls); or (3) marketing any Yahoo product or service through any mass media (e.g., television, radio, print, online) that does not specifically target Overture advertisers by name. For clarity, individual Yahoo! salespeople may distinguish Yahoo! sponsor matches programs from Overture’s by comparing aspects of the two programs (e.g., click-through rates, advertiser satisfaction).

6.4 Co-Marketing Opportunities. The parties agree to deliver marketing messages on behalf of each other via email or other means, the recipients, content and timing of which will be mutually agreed upon by the parties, which approval shall not be unreasonably withheld.

7. Exclusivity; Additional Domestic Opportunities; International.

7.1 Exclusivity.

(a) General. Except as set forth herein, the Overture Results will be the only Restricted Search Results displayed by Yahoo within [*] during the Term. In addition, other than Yahoo Results and Exclusive Results displayed by Yahoo in accordance herewith and any search results for which Yahoo is compensated through its [*], Yahoo will not display within Yahoo Search any [*]. Finally, Yahoo will not display Paid Advertising that promotes the Restricted Search Results of any [*] in the area between the [*] and the [*] or [*] or [*] of the Featured Top Section.

(b) [*]. During the Term, Yahoo will not enter into any agreement with any third party under which Yahoo is supplied with (1) [*] products for use within [*]; or (2) [*] products for use on the Yahoo Network, which [*] products (i) are [*] to Overture’s [*] search service as of the Effective Date; and (ii) assemble Restricted Search Results for display in response to general searches [*]. During the Term, if [*] offers a service outside the scope of the [*], then Yahoo is free to utilize that service on the Yahoo Network, subject to Section 7.3 below.

7.2 Exclusions; Clarifications; Acknowledgements.

(a) Exclusions; Yahoo Listings and [*]. Notwithstanding anything to the contrary in this Agreement, Yahoo will be entitled to continue to offer and grow its listings businesses (e.g., [*]), as long as Yahoo does not place its directory “Sponsor Listings” (or similarly named listings) within Yahoo Search in a manner that [*] (for clarity, [*]). In addition, notwithstanding anything to the contrary in this Agreement, Yahoo will be entitled to monetize all or part of the Main Body Search Results by

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implementing [*], provided that Yahoo will notify Overture, and discussions arising therefrom will be deemed an Escalation Event (with the criteria being whether [*]), before Yahoo itself [*] (or instructs the [*]) to the fact that a Main Body Search Result is paid. Any [*] results will be displayed with the same Search Result Characteristics as the other Main Body Search Results, and the [*] results may not be displayed in a separate section, but rather must be displayed among the other Main Body Search Results. Overture acknowledges and agrees that (1) Yahoo may not have control over [*]; and (2) Yahoo uses and will continue to use the fact that a web site within its directory is [*] for display in the Main Body Search Results.

(b) Clarifications; U.S. Users. For clarity, the exclusivity set forth in this Section 7 extends to U.S. Users on Yahoo Search only, unless the parties mutually agree in an executed amendment to this Agreement to broaden the exclusivity to include New Domestic Opportunities or International Opportunities as set forth in Section 7.3 and 7.4 below.

(c) Acknowledgements; European Users on Yahoo Search. Overture acknowledges and agrees that Yahoo has entered into agreements with (a) LookSmart International Pty Limited ("LookSmart Australia") under which, among other things, LookSmart Australia provides and Yahoo displays Restricted Search Results in response to search queries submitted to Yahoo Search from Internet Protocol addresses within Australia or New Zealand, as measured by Yahoo; and (b) eSpotting Media (UK) Limited ("eSpotting UK") under which, among other things, eSpotting UK might provide and Yahoo might display Restricted

Search Results in response to search queries submitted to Yahoo Search from Internet Protocol addresses within Europe, as measured by Yahoo. Overture agrees that nothing in this Agreement will be construed to prohibit, restrict, or otherwise prevent Yahoo from continuing to participate in and pursue the foregoing relationships, as long as these pursuits do not violate this Agreement. Nothing in this provision or Agreement shall be construed to constitute an admission by Overture that any third party system does not infringe any Overture intellectual property right. Further, nothing in this provision or Agreement shall preclude Overture from asserting a claim for infringement against any third party for infringement of Overture's intellectual property or seeking an injunction against providing infringing search results to others, including Yahoo.

7.3 Additional Domestic Opportunities. If, during the Term, Yahoo elects to create a new opportunity for a [*] for display on the Yahoo Network but outside Yahoo Search and Yahoo Directory (the "New Domestic Opportunity"), then Yahoo will provide Overture with written notice that sets forth Yahoo's business requirements for the New Domestic Opportunity. The parties will negotiate in good faith for the purpose of executing an amendment to this Agreement under which Overture will provide the New Domestic Opportunity under reasonable terms and conditions. [*].

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7.4 International Opportunities. The parties will negotiate in good faith for the purpose of executing an amendment to this Agreement under which Overture or an Overture Affiliate will provide Restricted Search Results within certain mutually agreed upon areas of those Yahoo Foreign Properties located within the [*], which provision by Overture cannot occur until Yahoo's or the Yahoo Affiliate's pre-existing contractual obligations with respect to the display of Restricted Search Results on the [*] expire or terminate. If, during the Term, Yahoo or a Yahoo Affiliate elects to create a new opportunity for a third party to provide Yahoo with Restricted Search Results for display on any Yahoo Foreign Property (the "International Opportunity"), then Yahoo will provide Overture with written notice that sets forth Yahoo's business requirements for the International Opportunity. The parties will negotiate in good faith for the purpose of executing an amendment to this Agreement under which Overture will provide the International Opportunity under reasonable terms and conditions. [*]. Upon Overture providing services in a new market under this Agreement, whenever a user of such market conducts a search on Yahoo Search, Yahoo shall display Overture's search results for that market and not the Overture Results.

8. Overture's Payment Obligations. Overture will make payments to Yahoo in accordance with the following:

8.1 Guaranteed Fixed Payments. Overture will make the applicable Guaranteed Fixed Payment to Yahoo within [*] days after the start of the applicable Quarter according to the schedule set forth below, unless the applicable Guaranteed Fixed Payment is reduced according to Section 8.7 below. If the parties reasonably believe that a Revenue Share Payment will be less than the Guaranteed Fixed Payment in a particular Quarter, then Overture shall pay to Yahoo a [*] reasonable estimate of the next Guaranteed Fixed Payment due (which reasonable estimate shall not bind either party to such number) and, once the parties determine the correct Guaranteed Fixed Payment for that Quarter according to Section 8.7 below, the party that owes money to the other shall pay the same. If Yahoo owes money to Overture, then Overture shall be entitled to reduce its next payment(s) by the amount that is owed until the entire amount has been repaid.

Quarter	Guaranteed Fixed Payment
Q1	$[*]
Q2	$[*]
Q3	$[*]
Q4	$[*]
Q5	$[*]
Q6	$[*]
Q7	$[*]
Q8	$[*]
Q9	$[*]
Q10	$[*]

Q11 $[*]

Q12 $[*]

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—---

Each Quarter of any Extension Term $[*]

—---

8.2 Revenue Share Payments. Overture will make Quarterly revenue share payments (the "Revenue Share Payments") to Yahoo based on Gross Revenue in the applicable Quarter according to the schedule set forth below, but only to the extent that the applicable Revenue Share Payment exceeds the applicable Guaranteed Fixed Payment made by Overture (e.g., if the Revenue Share Payment for the applicable Quarter were to exceed the Guaranteed Fixed Payment made by Overture for the applicable Quarter, then Overture would make a payment to Yahoo in the amount of the difference between the applicable Revenue Share Payment and the applicable Guaranteed Fixed Payment). [*]. Percentages of Gross Revenue apply solely to Gross Revenue within each of the ranges listed below (i.e., [*]). Revenue Share Payments are due and payable to Yahoo within [*] days after the end of the applicable Quarter.

[*]

Overture will retain all revenue that it derives from the Overture Results, except as specifically set forth in this Agreement.

8.3 Advance Payment; Renewal Fee; Prior Agreement True-Up.

(a) Advance Payment. On or before the date that is [*] days after the Effective Date, Overture shall pay to Yahoo, as an advance payment, [*] of the Guaranteed Fixed Payment due for [*] as specified in Section 8.1 above (the "Advance Payment"). If this Agreement is terminated prior to the end of the [*], then Yahoo will apply the Advance Payment to any amount owed by Overture to Yahoo hereunder. If the Advance Payment is greater than the amount owed by Overture to Yahoo hereunder, then the difference between the amount of the Advance Payment and the amount owed by Overture to Yahoo hereunder shall be refunded to Overture within [*] days after the effective date of termination.

(b) Renewal Fee. If Yahoo irrevocably exercises its First Option (as defined below) according to Section 10 below and so notifies Overture in writing no later than April 30, 2004, then Overture shall pay to Yahoo a renewal fee in the amount of $2,000,000 within 60 days after Yahoo's notice.

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(c) Prior Agreement True-Up. The parties acknowledge and agree that, under the Prior Agreement and in consideration of Yahoo's performance under the Prior Agreement, Overture owes additional fees in the amount of $[*] (the "True-Up Payment"). Overture shall pay the True-Up Payment to Yahoo within [*] days after the Effective Date.

8.4 Tracking; Reporting.

(a) Tracking. Yahoo will include [*] search URLs or other source feed indicators provided by Overture (the "Tags") for (i) [*]; (ii) Yahoo Search Results Pages within the Yahoo Network within which Overture Results are displayed and (iii) any search service testing performed by Yahoo related to the Overture Results. Overture will use the Tags solely for [*].

(b) Overture Reporting. Overture will be responsible for tracking and calculating Gross Revenue and Revenue Share Payments. Overture will provide Yahoo a monthly report that sets forth in reasonable detail the information listed in Exhibit F (the "Overture Reports") in a format to be mutually agreed upon by the parties. All reports provided hereunder will be accompanied by a certificate of accuracy, signed by Overture's Chief Financial Officer or similar officer with responsibility for the reporting function.

(c) Yahoo Reporting. Yahoo will provide Overture with access to either offline reports or an online database (and each of which will be deemed Yahoo Search Query Reports to the extent reduced to tangible form by or for Overture) that sets forth Yahoo's calculation of the Yahoo Search Queries, Impressions and "next" button Yahoo Search Queries delivered hereunder in the aggregate, as well as the number and percentage of

Timeouts (as that term is defined in the Service Level Agreement attached hereto as Exhibit A) and the number of times that Yahoo displayed an impression that was not in compliance with the terms of this Agreement. The Impression information shall be reflected in the on-line reporting database within 48 hours. In addition, with respect to the Yahoo Results and Exclusive Results, Yahoo will provide Overture with a Yahoo Search Query Report that sets forth in reasonable detail monthly Impressions for the Yahoo Results and Exclusive Results in the aggregate and the aggregate information and data that falls within the same categories as those listed in Exhibit F for which Overture must provide information and data about the Overture Results (e.g., total clicks, average cost per click and average click-through rate). All reports provided hereunder will be accompanied by a certificate of accuracy, signed by Yahoo's Chief Technology Officer or similar officer with responsibility for the reporting function.

(d) `Bot Traffic. Yahoo will implement a tracking solution that tracks the number of Impressions (i.e., a tracking solution that determines which Yahoo Search Queries were performed by U.S. Users, thereby qualifying as Yahoo Search Queries, and which search queries were performed by `bots, metaspiders, macro programs, Internet agents, any other automated means, or by Yahoo as part of any testing in accordance with the subsection (e) below and the Service Level Agreement).

(e) Mutual Exchange of Information. The parties hereby agree to negotiate in good faith for [*] days following the Effective Date to provide an exchange of information during the Term that (i) enables either Overture to develop its own reasonable estimates of `bot traffic in addition to the numbers reported in the Yahoo Search Query Reports or Yahoo to develop its own marketplace for the Yahoo Results and Exclusive Results, (ii) does not violate any law or regulation affecting user privacy, (iii) provides contractual assurances to each party that such information will not be used for any purpose other than those set forth in subsection (i) above, and (iv) provides standards for storing and destroying such information. The parties acknowledge and agree that the goal of this Section 8.4(e) is to exchange that information

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reasonably necessary for each party to administer this Agreement on a timely basis and to mutually determine relative fault for adjustments to the Estimated Yahoo Payment and the Guaranteed Fixed Payments under Section 8.7 below. Any failure to complete such negotiations will trigger an Escalation Event pursuant to Section 16.5(a) below.

(f) Testing. Yahoo agrees to (i) identify search queries submitted by Yahoo in connection with any test conducted by Yahoo in accordance with the Service Level Agreement as “test” queries by marking them as such in a data field at the time of submission; and (ii) include a total of these “test” queries in the Yahoo Search Query Reports.

8.5 Mutual Audit Rights. Each party (the “Auditing Party”), at its own expense, will be entitled to retain a reputable, independent certified public accounting firm reasonably acceptable to the other party (the “Audited Party”) solely for the purpose of auditing, at a mutually agreed upon time during normal business hours, those records of the Audited Party that relate to the calculation of `bot traffic, Click-Through Rate, Price Per Click, Impressions, Yahoo Results, U.S. Users, Gross Revenue or the Revenue Share Payments. Prior to an audit, the Auditing Party will require the certified public accounting firm (the “Auditor”) to sign a confidentiality agreement reasonably acceptable to the Audited Party, and the results of the audit will be deemed “Confidential Information”. Such audit shall be conducted in accordance with generally accepted auditing standards and the Auditor will be entitled to disclose to the Auditing Party only whether or not the Audited Party is in compliance and the amount of any non-compliance, if any, and will be precluded from disclosing any other Confidential Information to the

Auditing Party without written consent of the Audited Party. If an audit reveals an underpayment, then the Audited Party will immediately make payment to the Auditing Party in the amount of the underpayment [*]. If an audit reveals an underpayment or miscalculation of more than 10%, then the Audited Party will pay the reasonable cost of that audit. Either party shall only be entitled to [*] during the Term, which will apply to the prior [*] under the Agreement. Upon request by the Auditor, Yahoo shall provide the Auditor access to its query logs to confirm compliance with the Guaranteed Impressions of this Agreement.

8.6 Payment Mechanics. Overture will make payments to Yahoo in U.S. dollars via wire transfer into Yahoo's main account according to the instructions set forth below:

[*]

8.7 Estimated Yahoo Payment and Guaranteed Fixed Payment Reductions.

(a) Principles. The principles below convey the shared understanding of the parties of how economic value is generated and how actions by the parties can change the rate of economic value creation:

(1) [*] is responsible for Impressions as modeled in this Agreement.

(2) [*] is responsible for Coverage as modeled in this Agreement.

(3) [*] is responsible for PPC as modeled in this Agreement.

[*] based its PPC model on [*]. [*] may impact PPC in a number of different ways (but the parties recognize that such ways may or may not adversely affect PPC) which will be considered by the parties in

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determining relative fault in their discussions and in third party arbitration. These ways include (but are not limited to) by [*].

The PPC on [*] is one indicator of the degree to which [*] is achieving the PPC for which it is responsible.

[*].

(4) [*] is responsible for CTR as modeled in this Agreement. [*] based its CTR model on the [*]. [*] may impact CTR in a number of different ways (but the parties recognize that such ways may or may not adversely affect CTR) which will be considered by the parties in determining relative fault in their discussions and in third party arbitration. These ways include (but are not limited to) [*] and [*] may impact CTR through [*].

(b) Estimated Yahoo Payment. Once a Measurement Period is triggered, the Estimated Yahoo Payment and Guaranteed Fixed Payment Adjustment Process set forth in Exhibit K will be followed. If an adjustment in the Estimated Yahoo Payment is required, then the following formula will be used to determine that adjustment:

[*]

(c) Credit for Guaranteed Fixed Payment. If the Revenue Share Payment is less than the Guaranteed Fixed Payment in Quarter X, then Overture will be credited toward the Guaranteed Fixed Payment in Quarter Y an amount (the “Credit”) = [*]:

(1) [*], or

(2) [*].

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omitted portions.

If the above calculation occurs during the final Quarter of the Agreement (inclusive of any Extension Terms), then the Term of the Agreement will be extended until the actual Revenue Share Payment is equal to the Credit. For clarity, [*]. If the parties mutually agree not to extend the Term as set forth herein, then Yahoo will pay the amount of the Credit to Overture within [*] days after the expiration of the Agreement.

(d) Measurement Period. A Measurement Period is triggered when the [*]. At the time a Measure Period is triggered, the Parties shall determine a fair reserve from the Guaranteed Fixed Payment as described in Section 8.1 above.

By way of example, [*].

(e) Adjustment. If, in a Quarter subsequent to a Measurement Period, the Yahoo Revenue Share exceeds the Estimated Yahoo payment for that Quarter (as adjusted, if applicable), then Overture will reset the Estimated Yahoo Payment and the Guaranteed Fixed Payment for the subsequent Quarter to the level calculated using the formula in Section 8.7(b) above, subject to the following exceptions:

(1) To the extent that the Guaranteed Fixed Payment is adjusted upwards [*].

(2) The Guaranteed Fixed Payment will not be adjusted upwards unless the actual revenue share to Yahoo is greater than or equal to [*]% of Estimated Yahoo Payment for a given Quarter.

8.8 Late Payments. Any Guaranteed Fixed Payment or undisputed Revenue Share Payment that is paid more than [*] days late will bear interest at the rate of [*]% per month.

8.9 [*]

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9. Impressions.

9.1 Deliveries. Yahoo will deliver the Guaranteed Impressions for each Quarter, except that Yahoo will be deemed to have delivered the Guaranteed Impressions for any Quarter in which [*] for that Quarter. Additionally, if [*], then Yahoo will be deemed to have delivered the Guaranteed Impressions for that Quarter, regardless of the number of Impressions actually delivered. For clarity, Yahoo will continue to deliver Impressions hereunder, by virtue of delivering each and every Yahoo Search Query to Overture according to Section 3.2 above, even if Yahoo has delivered the Guaranteed Impressions for a particular Quarter. For additional clarity, the fact that the Guaranteed Impressions are deemed delivered hereunder will not preclude the parties from considering Impressions in connection with an adjustment under Section 8.7 above.

9.2 Remedy, Make-Good. If Yahoo does not deliver the Guaranteed Impressions within the applicable Quarter, then it will “make good” the shortfall by extending its obligations hereunder at the end of the Initial Term or the end of the applicable Extension Term, if any, until it delivers the Guaranteed Impressions.

10. Yahoo’s Option to Extend. Yahoo shall have two options to extend the Term, each of which shall extend the Term by an additional two or three years, as determined by Yahoo. The first option to extend (“First Option”), if exercised by Yahoo, shall extend the Term for a period commencing on May 1, 2005 and continuing until either April 30, 2007 or April 30, 2008 (an “Extension Term”), depending on whether Yahoo chooses the two year option or three year option. In order for Yahoo to exercise the First Option, Yahoo must notify Overture in writing prior to [*] of its desire to exercise such option. The second option to extend (“Second Option”), if exercised by Yahoo, shall extend the Term for a period commencing on the

date on which the first Extension Term expires (i.e., either April 30, 2007 or April 30, 2008) and continuing for a period of either two or three years from

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the date on which the first Extension Term expires, depending on whether Yahoo chooses the two year option or three year option. In order for Yahoo to exercise the Second Option, Yahoo must have exercised the First Option and Yahoo must notify Overture in writing prior to the date that is [*] prior to the end of the First Option of its desire to exercise the Second Option. All notices of exercise hereunder must disclose whether Yahoo is extending the Term for two years or three years.

11. Representations and Warranties.

11.1 Overture Warranties. Overture represents and warrants that it has full power and authority to enter into this Agreement. Overture further represents and warrants to Yahoo that Overture's total costs for credit card charges and bad debt for the first 9 months of 2001 was [*]% of amounts earned by Overture for Bidded Clicks. Bad debt for the purpose of this Agreement consists of matters which Overture categorizes in its normal course of business as uncollectable revenues and invoiced revenues that are not collected. Overture uncollectable revenues consists of the following: credit card fraud; adjustments for system and other errors in billing on a client account; adjustments made to advertiser's accounts for disputed billings; and adjustments [*] after processing through our normal click-through protection filters. Overture finally represents and warrants that, as of the Effective Date and at all times throughout the Term, it has all consents, approvals, licenses and permissions, necessary for Overture to perform all of its obligations hereunder and for Yahoo to exercise all of its rights hereunder.

11.2 Yahoo Warranties. Yahoo represents and warrants that it has full power and authority to enter into this Agreement.

11.3 Disclaimer. EXCEPT AS SET FORTH IN SECTION 13, NEITHER PARTY WILL BE RESPONSIBLE FOR ANY CONTENT PROVIDED BY THIRD PARTIES, INCLUDING BUT

NOT LIMITED TO ADVERTISERS, OR FOR ANY THIRD PARTY WEB SITES THAT CAN BE LINKED TO OR FROM THAT PARTY'S WEB SITE. NEITHER PARTY NOR SUCH PARTY'S LICENSORS MAKE ANY OTHER WARRANTY OF ANY KIND, WHETHER EXPRESS, IMPLIED, STATUTORY OR OTHERWISE, INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR USE AND NONINFRINGEMENT.

12. Confidentiality.

12.1 Definition. "Confidential Information" means any information disclosed by either party to the other party during the Term (and any renewals terms), either directly or indirectly, in writing, orally or by inspection of tangible objects, which is designated as "Confidential," "Proprietary" or some similar designation. All of the terms of this Agreement, including but not limited to all Overture Reports and all Yahoo Search Query Reports, will be deemed "Confidential." Information communicated orally will be considered Confidential Information if such information is designated as being Confidential Information at the time of disclosure and confirmed in writing as being Confidential Information within 20 days after the initial disclosure. Confidential Information will not, however, include any information that (a) was publicly known and made generally available in the public domain prior to the time of disclosure by the disclosing party; (b) becomes publicly known and made generally available after disclosure by the disclosing party to the receiving party through no action or inaction of the receiving party; (c) is already in the possession of the receiving party at the time of disclosure by the disclosing party; (d) is obtained by the receiving party from a third party without a breach of such third party's obligations of confidentiality; or (e) is independently developed by the receiving party without use of or reference to the disclosing party's Confidential Information.

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omitted portions.

12.2 Restrictions. Other than the rights expressly granted under Section 2, the receiving party agrees (a) not to disclose any Confidential Information to any third parties; (b) not to use any Confidential Information for any purposes other than to exercise its rights or perform its obligations under this Agreement; and (c) to keep the Confidential Information confidential using the same degree of care the receiving party uses to protect its own confidential information, as long as it uses at least reasonable care. If either party receives a subpoena or other validly issued judicial process requesting, or is required by a government agency (e.g., the Securities and Exchange Commission) to disclose, Confidential Information of the other party, then the receiving party will notify the disclosing party of such request and will reasonably cooperate to seek confidential treatment or to obtain an appropriate protective order to preserve the confidentiality of the Confidential Information. Notwithstanding the foregoing, either party may disclose following notice to the other party, pursuant to a confidentiality agreement no less restrictive than the confidentiality terms hereof, the terms of this Agreement and performance hereunder to third parties for the purpose of due diligence examinations in the context of financings or a potential Change of Control (as defined in Section 15.4). All obligations under this Section 12.2 will survive for a period of [*] after termination or expiration of the Agreement.

12.3 Press Release. Immediately upon execution of the Agreement, the parties will jointly issue the press release attached hereto as Exhibit D, the content of which has been mutually agreed upon by both parties. Further, the parties agree that Overture and Yahoo or the applicable Yahoo Affiliate and Overture Affiliate will jointly issue a press release, the timing of which will be mutually agreed upon, relating to any amendment of this Agreement to incorporate an International Opportunity in accordance with Section 7.4 above. Neither party shall issue any additional press releases in connection with this Agreement without the other party's prior written consent, which will not be unreasonably withheld. Excluding disclosures that are required by law, neither party will disclose any other terms of this Agreement to any third party via any medium without the prior approval of the other party. When determining whether a disclosure is "required by law," each party may rely on its legal counsels' advice on such matters. Notwithstanding the foregoing, (a) Overture shall have the right to notify its advertisers and potential advertisers of the general nature of this transaction (including Overture's estimate of the increase in traffic) pursuant to the general provisions of Exhibit I in order to encourage Overture's advertisers to increase their spending with Overture and to encourage potential advertisers to advertise with Overture; and (b) both parties shall be entitled to (i) provide additional disclosures containing any and all information contained in any previously agreed upon press release; and (ii) list the other party's name in advertising and other materials (provided that such language shall not disparage the other party) according to the other party's then-current brand usage guidelines, which the other party will make available upon request.

13. Indemnification.

13.1 Overture Indemnification. Overture, at its own expense, will indemnify, defend and hold harmless Yahoo and Yahoo Affiliates, employees, representatives and agents from and against any claim, demand, action, investigation or other proceeding, including but not limited to all damages, losses, liabilities, judgments, costs and expenses arising therefrom, brought by any third party against Yahoo (collectively, a “Yahoo Claim”) to the extent that the Yahoo Claim is based on, or arises out of an allegation that Overture’s performance hereunder (including but not limited to Overture’s practice of any method under the Overture Licensed IP by which Overture assembles and orders Overture Results for delivery to Yahoo hereunder) or the Licensed Materials violates any applicable law, rule or regulation or infringe the rights of any third party, including but not limited to intellectual property rights, privacy and publicity rights, claims of defamation, false or deceptive advertising claims and consumer fraud.

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13.2 Yahoo Indemnification. Yahoo, at its own expense, will indemnify, defend and hold harmless Overture and Overture Affiliates, employees, representatives and agents from and against any claim, demand, action, investigation or other proceeding, including but not limited to all damages, losses, liabilities, judgments, costs and expenses arising therefrom, brought by any third party against Overture (collectively, an "Overture Claim") to the extent that the Overture Claim is based on, or arises out of an allegation that Yahoo's performance hereunder or the Yahoo Marks violate any applicable law, rule or regulation or infringe the rights of any third party, including but not limited to intellectual property rights, privacy and publicity rights, claims of defamation, false or deceptive advertising claims and consumer fraud.

13.3 Indemnification Procedure. All indemnity obligations arising under this Section 13 will be subject to the following requirements: (a) the indemnified party will provide the indemnifying party with prompt written notice of any Yahoo Claim, in the case that Yahoo is the indemnified party, or any Overture Claim, in the case that Overture is the indemnified party, (as applicable, a "Claim"), except that failure to give prompt notice will not waive any rights of the indemnified party to the extent that the rights of indemnifying party are not materially prejudiced thereby; (b) the indemnified party will permit the indemnifying party to assume and control the defense of the Claim upon the indemnifying party's written acknowledgment of its obligation to indemnify; (c) upon the indemnifying party's written request, and at no expense to the indemnified party, the indemnified party will provide the indemnifying party with all available information and assistance reasonably necessary for the indemnifying party to defend the Claim.

The indemnifying party will not enter into any settlement or compromise of the Claim (except a settlement or compromise that (i) is full and final with respect to the Claim; (ii) does not obligate the indemnified party to act or to refrain from acting in any way; (iii) does not contain an admission of liability on the part of the indemnified party; (iv) dismisses the Claim with prejudice; and (v) is subject to confidentiality, such that no party may disclose the terms of the settlement or compromise without the indemnified party's prior written consent) without the indemnified party's prior written approval, which shall not be unreasonably withheld.

14. Limitation of Liability. EXCEPT FOR INDEMNITY OBLIGATIONS ARISING UNDER SECTION 13 ABOVE, ANY BREACH OF SECTION 12.2 (CONFIDENTIALITY — RESTRICTIONS) OR ANY WILLFUL, UNCURED AND MATERIAL BREACH OF THIS AGREEMENT, UNDER NO CIRCUMSTANCES WILL EITHER PARTY OR ITS AFFILIATES BE LIABLE TO THE OTHER PARTY OR ITS AFFILIATES FOR ANY INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL OR EXEMPLARY DAMAGES ARISING FROM THE SUBJECT MATTER OF THIS AGREEMENT, INCLUDING BUT NOT LIMITED TO LOSS OF DATA, BUSINESS, PROFITS OR GOODWILL AND COSTS OF PROCUREMENT OF SUBSTITUTE GOODS OR SERVICES, REGARDLESS OF THE LEGAL THEORIES AND EVEN IF THAT PARTY HAS BEEN AWARE OR ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. IN NO EVENT WILL YAHOO'S AGGREGATE, CUMMULATIVE LIABILITY TO OVERTURE UNDER THIS AGREEMENT EXCEED THE SUM OF $[*] AND ANY AMOUNTS CREDITABLE OR REFUNDABLE TO OVERTURE UNDER THIS AGREEMENT PURSUANT TO SECTION 8, EXCEPT THAT YAHOO'S AGGREGATE, CUMMULATIVE LIABILITY TO OVERTURE UNDER THIS AGREEMENT WILL NOT EXCEED THE SUM OF $[*] AND ANY AMOUNTS CREDITABLE OR REFUNDABLE TO OVERTURE UNDER THIS AGREEMENT PURSUANT TO SECTION 8 IN THE EVENT OF YAHOO'S WILLFUL, EFFICIENT BREACH OF THIS AGREEMENT. IN NO EVENT WILL OVERTURE'S AGGREGATE, CUMMULATIVE LIABILITY TO YAHOO UNDER THIS AGREEMENT EXCEED THE SUM OF $[*] AND ANY AMOUNTS PAST DUE UNDER THIS AGREEMENT PURSUANT TO SECTION 8, EXCEPT THAT OVERTURE'S AGGREGATE, CUMMULATIVE LIABILITY TO YAHOO UNDER THIS AGREEMENT WILL NOT EXCEED THE SUM OF $[*]

AND ANY AMOUNTS PAST DUE UNDER THIS AGREEMENT PURSUANT TO SECTION 8 IN THE EVENT OF OVERTURE'S WILLFUL, EFFICIENT BREACH OF THIS AGREEMENT.

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15. Term.

15.1 Term. This Agreement will become effective as of the Effective Date and, unless terminated or renewed as set forth herein, will remain effective for the Term.

15.2 Termination. If either party breaches this Agreement in any material respect, and that party does not cure its breach within 30 days after written notice by the non-breaching party of its breach, then the non-breaching party will be entitled to terminate this Agreement immediately upon written notice to the breaching party after failure to cure within those 30 days.

15.3 Termination for Cause. Following the first year of this Agreement, Yahoo will be entitled to terminate this Agreement upon [*] prior written notice (the "Termination Notice") to Overture if the [*] is less than [*] for [*] consecutive Quarters; provided that the reason the [*] is less than [*] must be determined to be Overture's responsibility by applying the principles and provisions described in Section 8.7 above. Upon receipt of the Termination Notice, Overture shall have the right to increase the Guaranteed Fixed Payment from its current level of approximately [*] to [*] in which case the Agreement shall continue as if no Termination Notice had been delivered.

15.4 Termination for Change of Control. For purposes of this provision, "Change of Control" means (a) the direct or indirect acquisition (except for transactions described in clause (b) of this paragraph below), whether in one or a series of transactions by any person (as such term is used in Section 13(d) and Section 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), or related persons (such person or persons, an "Acquirer") constituting a group (as such term is used in Rule 13d-5 under the

Exchange Act), other than in all cases Yahoo and/or controlled affiliates of, or an entity that controls 50% or more of, Yahoo, of (i) beneficial ownership (as defined in the Exchange Act) of issued and outstanding shares of stock of Overture, the result of which acquisition is that such person or such group possesses in excess of 50% of the combined voting power of all then-issued and outstanding stock of Overture, or (ii) the power to elect, appoint, or cause the election or appointment of at least a majority of the members of the board of directors of Overture (or such other governing body in the event Overture or any successor entity is not a corporation); (b) a merger or consolidation of Overture with a person or a direct or indirect subsidiary of such person, other than in all cases Yahoo and/or controlled affiliates of, or an entity that controls 50% or more of, Yahoo, provided that the result of such merger or consolidation, whether in one or a series of related transactions, is that the holders of the outstanding voting stock of Overture immediately prior to such consummation do not possess, whether directly or indirectly, immediately after the consummation of such merger or consolidation, in excess of 50% of the combined voting power of all then-issued and outstanding stock of the merged or consolidated person, its direct or indirect parent, or the surviving person of such merger or consolidation; (c) the stockholders of Overture approve a plan of complete liquidation of Overture; or (d) a sale or disposition, whether in one or a series of transactions, of all or substantially all of Overture's assets. Overture will provide Yahoo with prompt written notice following (or at Overture's election, up to [*] days prior to) (i) the approval by the Overture board of directors of a transaction that is or is intended to be a Change in Control or (ii) the public announcement (including without limitation by means of a filing pursuant to Section 13D of the Exchange Act) by any third party of its intention to effect a

Change in Control of Overture, including without limitation the initiation of a tender offer, proxy fight, consent solicitation or other means designed or intended to effect a Change in Control of Overture. Upon receipt of such notice from Overture, Yahoo will be entitled to the right (the “Change of Control Right”) to elect in writing (the “Change of Control Election”) to Overture, within [*] days of receipt of such notice, either the “Continue on Revised Financial Terms” option set forth in subpart (a) immediately below or the “Termination; Termination Fee” option set forth in subpart (b)

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immediately below. Notwithstanding anything to the contrary herein, once a Change of Control has been consummated, Yahoo shall have no further rights under this Section 15.4 in respect of a subsequent Change of Control , if any, that may be consummated. The following subparts (a) and (b) are the two choices, one of which Yahoo may elect pursuant to a Change of Control Election (it being understood that if Yahoo does not make an election prior to the end of such [*] day period, then it shall be deemed to have elected the option set forth in subpart (a) below):

(a) Continue on Revised Financial Terms. Yahoo elects to maintain the Agreement under its terms and conditions, subject to the following adjustment, to become effective immediately prior to the consummation of the Change of Control: Overture will increase the percentage at which it makes Revenue Share Payments hereunder by (1) [*]% (e.g., in year 3 of the Initial Term, the revenue share percentage would increase from [*]% to [*]%) to the extent that the Acquirer is [*] or controlled by one of such entities or any successor to substantially all of the current business of any of such entities (each, a "Designated Company"); or (2) [*]% to the extent that the Acquirer is any entity other than a Designated Company. The term of the increased Revenue Share Payment percentages pursuant to this subpart (a) shall continue from immediately prior to the consummation of the Change of Control until the later of (x) one year following consummation of the Change of Control, and (y) the expiration of the Initial Term (if the Change of Control is consummated during the Initial Term) or the applicable Extension Term (if the Change of Control is consummated during an Extension Term). Notwithstanding the foregoing sentence, to the extent that either (i) the Change of Control occurs after January 1, 2005 and Yahoo has not provided Overture with written notice of Yahoo's intent to exercise the First Option according to Section 10 above; or (ii) the Change of Control occurs after the date that is six months prior to the end of the First Option and Yahoo has not provided Overture with written notice of Yahoo's intent to exercise the Second Option according to Section 10 above, the term of the increased Revenue Share Payment percentages pursuant to this subpart (a) shall continue from immediately prior to the consummation of the Change of Control until the expiration of the then-current Term (i.e., the Initial Term in the case of clause (i) above and the first Extension Term in the case of clause (ii) above).

(b) Termination; Termination Fee. Yahoo elects to terminate the Agreement, in which case the following will become effective immediately prior to the consummation of the Change of Control: the Agreement will terminate and Overture will pay to Yahoo a termination fee of (i) if Acquirer is a Designated Company, then (A) $10,000,000 in cash, payable promptly upon consummation of a Change of Control; and (B) 3% of the outstanding shares of Overture Common Stock, on a fully diluted basis immediately prior to consummation of the Change of Control (calculated on the treasury stock method (utilizing the average closing trading price of shares of Overture for the 10 trading days ending on the day that is two trading days prior to but not including the date of consummation of the Change of Control (the "Ten-Day Average Price"))) which, subject to applicable governmental regulatory approvals and the expiration of applicable waiting periods, shall be issued immediately prior to consummation of a Change of Control; or

(ii) if Acquirer is not a Designated Company, then (A) $5,000,000 in cash, payable promptly upon consummation of a Change of Control; and (B) 2% of the outstanding shares of Overture Common Stock, on a fully diluted basis, immediately prior to consummation of the Change of Control (calculated on the treasury stock method as aforesaid) which, subject to applicable governmental regulatory approvals and the expiration of applicable waiting periods, shall be issued immediately prior to consummation of a Change of Control (the shares referred to in clauses (i)(B) and (ii)(B), the "Overture Shares"). Notwithstanding the foregoing, if the Change of Control is the type described in clause (a) of the first paragraph of this Section 15.4, then the obligation of Overture to issue Overture Shares and make payments to Yahoo pursuant to this paragraph shall take effect as promptly as practicable following the Change of Control, rather than immediately prior to or upon the Change of Control. In connection with the issuance of the Overture Shares, the parties will cooperate in the filing of any

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applicable regulatory filing pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the “HSR Act”). Overture and Yahoo will share equally any applicable filing fee required in connection with any such HSR Filing. The parties will retain and pay their own legal counsel and other expenses, if any, in connection with such filing. The parties also will use all reasonable efforts to file any applicable regulatory filing promptly, so as to permit the timely issuance of the Overture Shares. In addition, if the Change of Control is the type described in clause (a), (c) or (d) of the first paragraph of this Section 15.4 (a “Non-Merger Change of Control”), unless Yahoo can trade the Overture Shares in the public market without an effective registration statement, Overture will use all reasonable efforts to file and have the SEC promptly declare effective a registration statement pursuant to which the Overture Shares will be fully registered for resale by Yahoo under the Securities Act of 1933, as amended, and any applicable state securities law; following effectiveness of the registration statement, subject to applicable law. Overture will take all reasonable actions to ensure Yahoo’s ability to dispose of the Overture Shares as promptly as desired by Yahoo. If the terms of the issuance of Overture Shares are publicly disclosed by Overture, upon Yahoo’s request, Overture shall take reasonable steps to apply for and obtain a permit for the issuance of the Overture Shares to Yahoo from the California Department of Corporations in the event of a Non-Merger Change of Control. Notwithstanding anything to the contrary herein, in lieu of issuing Overture Shares to Yahoo pursuant to this subpart (b), Overture may elect, in its sole discretion, instead to pay Yahoo cash equal to the market value of such Overture Shares based on the Ten-Day Average Price.

15.5 Effect of Termination or Expiration. Upon termination or expiration of this Agreement for any reason, (a) except as set forth in Section 2.5 above, all licensed rights granted herein will terminate immediately; (b) Yahoo will immediately cease use of the Licensed Materials; (c) Overture will immediately cease use of the Yahoo Search Query Reports other than as contemplated herein; (d) Yahoo will cease all use of all Overture Reports other than as contemplated herein; and (e) Sections 1, 2.2 (with respect to the covenants to destroy/certify destruction of information only), 2.3 2.5, 8.1 and 8.2 (with respect to payments accrued during the Term), 8.3, 8.7 (with respect to credits accrued during the Term), 8.8, 9.2, 12-14, 15.5 and 16 of this Agreement will survive. The parties further agree that, in the event of an early termination under this Agreement, each party will be entitled to any fees due or owed to it by the other party (e.g., Overture will be entitled to a pro rata refund of the applicable Guaranteed Fixed Payment in the event of a proper termination of the Agreement by Overture). The remedies stated herein are cumulative and in addition to any remedies available at law or equity, and nothing contained herein shall be deemed to limit either party's right to pursue any and all such remedies.

16. Miscellaneous.

16.1 Notice. Any notice required for or permitted by this Agreement must be in writing and delivered by (a) personal delivery; (b) nationally-recognized overnight courier; (c) certified or registered mail, return receipt requested; or (d) email, telecopy or facsimile transmission, confirmed by concurrent notice delivered by one of the means set forth in subsections (a) — (c) above. All notices will be deemed delivered upon receipt by the receiving party. All notices must be sent (1) to Yahoo at 701 First Avenue, Sunnyvale, California 94089, Attn: Vice President, North American Operations, with a copy to its General Counsel; or (2) to Overture at 74 North Pasadena Avenue, third floor, Pasadena, California 91103, Attn: Vice President Business Affairs. Each party will be entitled to change its address for purposes of this Section 16.1 by providing written notice to the other party in accordance herewith.

16.2 Assignment; Binding Effect. This Agreement will be binding upon and inure to the benefit of the parties hereto and their permitted successors and assigns, as set forth herein and Section 15.4

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above. Neither Overture nor Yahoo may assign this Agreement, or any of its rights hereunder, or delegate any of its duties hereunder without the prior written consent of the other party. Notwithstanding the foregoing, either party may, without the prior written consent of the other party, assign this Agreement to any entity that succeeds to all or substantially all of the assets and liabilities of that assigning party. If an assignment or delegation is made by Overture according to Section 15.4 above, then the terms and conditions set forth in that Section 15.4, including but not limited to all applicable notice periods and remedies, will apply to that assignment or delegation. If an assignment or delegation is made by Yahoo in connection with the sale of all or substantially all of its assets and liabilities, and either (a) the assignee is an Overture Restricted Company; or (b) Overture reasonably determines that the assignee does not have sufficient capital or assets to perform its obligations under this Agreement, then Overture will be entitled to approve the assignment or to terminate this Agreement within 30 days after the date on which the assignee succeeds to all or substantially all of Yahoo's assets and liabilities. If Overture approves the assignment, then this Agreement will be binding upon and inure to the benefit of Yahoo's successor or assign.

16.3 No Third Party Beneficiaries. All rights and obligations of each party hereunder are personal to that party. This Agreement is not intended to benefit, nor shall it be deemed to give rise to, any rights in any third party.

16.4 Governing Law; Attorneys' Fees. This Agreement will be governed and construed, to the extent applicable, in accordance with United States law, and otherwise, in accordance with California law, without regard to conflict of law principles. In the event of any material breach by either party of any provision of this Agreement, the non-breaching party will be entitled to suspend its performance hereunder until the breach is cured. The prevailing party in any action arising hereunder will be entitled to recover reasonable expenses, including but not limited to attorneys' fees.

16.5 Dispute Resolution.

(a) Escalation Events. If the parties cannot agree on disputes arising from the determination of a reasonable royalty, the calculation of Impressions, revisions to the Service Level Agreement according to Section 4.3(b), or any other subsequent dialogue provided for under this Agreement, then the dispute will be subject to escalation (an "Escalation Event"). An Escalation Event first will be discussed in good faith by the parties at a mutually convenient location in an attempt to resolve the Escalation Event amicably, in whole or in part. A senior director or vice president of business development with decision-making authority ("Senior Business People") will participate in these discussions. If the Senior Business People cannot resolve the Escalation Event within [*] days, then each party will designate a senior executive with decision-making authority ("Senior Executive") to meet and confer in an effort to resolve the Escalation Event. If the Senior Executives cannot resolve the Escalation Event within [*] days, then the chief executive officers of the respective parties ("CEO") will meet and confer in an effort to resolve the Escalation Event. Any decisions and resolutions of the Senior Business People, Senior Executives or CEOs will be final and binding on the parties once reduced to writing and signed by the parties. If the procedures outlined under this Section 16.5(a) fail to resolve an Escalation Event, then the parties hereby agree to submit the issue to binding arbitration pursuant to Section 16.5(b), except as set forth in Section 2.5(g) [?].

(b) Arbitration, Equitable Relief. All controversies, disputes, differences or claims between the parties arising out of or relating to this Agreement (each, a "Dispute"), including but not limited to any unresolved Escalation Events and any question concerning the existence, validity, termination, interpretation, performance or enforcement of this Agreement, will be finally and exclusively settled by binding arbitration in accordance with the following:

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(1) Submission; Rules. Either party will be entitled to submit a Dispute to JAMS for binding arbitration in San Francisco, California or Los Angeles, California by providing written notice to the other party and to JAMS. Discovery will be conducted in accordance with Rules 26 through 36 and Rule 45 of the Federal Rules of Civil Procedure.

(2) Appointment of Panel. The parties will assemble a panel of 3 arbitrators (the "Panel") as follows: Each party will nominate one arbitrator, and those 2 arbitrators will select a chairperson of the Panel. Each arbitrator on the Panel must have at least 5 years senior management or consulting experience in the on-line services industry and must not have been employed by or a supplier to either party during the preceding 2 years.

(3) Timing. The parties will undertake commercially reasonable efforts to conclude any arbitral proceedings within 180 calendar days from the date on which the last arbitrator accepts his or her appointment; provided, however, that if the arbitral award is not issued within such 180 calendar days, then the arbitration proceedings will continue until an award is made.

(4) Legal and Equitable Remedies. Neither party will be entitled to file a legal action against the other party until the arbitration is concluded, but nothing herein prohibits a party from requesting temporary injunctive relief from any court of competent jurisdiction. Either party may at any time apply to a court of competent jurisdiction for equitable relief.

(5) Decision. Any decision or award of the Panel will be based solely on the terms of this Agreement and the facts and legal arguments presented at the hearing and any documents presented in accordance with the discovery rules. The Panel will issue a written decision that sets forth its rationale in reasonable detail. Any award rendered by the Panel may be enforced by any court of competent jurisdiction. The Panel will have the authority to award specific performance or an injunction to the prevailing party, or to make an award of direct damages, but will have no right to grant special, punitive or exemplary damages, or indirect or consequential damages unless such amounts are allowed under this Agreement.

16.6 Independent Contractors. The parties are independent contractors with respect to the subject matter of this Agreement. This Agreement will not be construed to create a joint venture or partnership between the parties. Neither party will be deemed to be an employee, agent, partner or legal representative of the other party for any purpose, and neither party will have any right, power or authority to create any obligation or responsibility on behalf of the other party.

16.7 Force Majeure. Neither party will be liable hereunder (and their performance shall be excused under this Agreement) by reason of any failure or delay in the performance of its obligations (except for the payment of money) on account of strikes, shortages, riots, insurrection, terrorism, fires, flood, storm, explosions, earthquakes, Internet outages beyond the reasonable control of such party, acts of God, war, governmental action, or any other cause that is beyond the reasonable control of such party.

16.8 Compliance with Law. Each party will be responsible for compliance with all applicable laws, rules and regulations, if any, related to the performance of its obligations under this Agreement.

16.9 Entire Agreement. This Agreement, including all exhibits attached hereto, constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes any prior or contemporaneous proposals, whether written or oral, with respect to the subject matter hereof. Any amendments to this Agreement must be in writing and executed by an officer of each party.

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16.10 Counterparts. This Agreement may be entered into by each party in separate counterparts, which will constitute one fully executed Agreement upon execution by both Yahoo and Overture.

16.11 Severability. If any provision of this Agreement is held or made invalid or unenforceable for any reason, this Agreement will be construed as if that provision had never been contained herein, but considering the original intentions of the parties.

16.12 Waiver. The terms or covenants of this Agreement may be waived only by a written instrument executed by a duly authorized representative of the party waiving compliance. The failure of either party at any time or times to require performance of any provision hereof will in no manner affect the right at a later time to enforce the same. No waiver by either party of the breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, in any one or more instances, will be deemed to be, or construed as, a further or continuing waiver of any such breach or a waiver of the breach of any other term or covenant contained in this Agreement.

16.13 Section Headings. The section headings contained herein are for reference purposes only and do not in any way affect the meaning or interpretation of this Agreement.

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IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date.

"Yahoo"		"OVERTURE"	
YAHOO! INC., A DELAWARE CORPORATION		OVERTURE SERVICES, INC., A DELAWARE CORPORATION	
By:	/s/ GREG COLEMAN	By:	/s/ TODD TAPPIN
Name:		Name:	Todd Tappin
Title:		Title:	CFO

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EXECUTION

EXHIBIT A

SERVICE LEVEL AGREEMENT

The purpose of this Service Level Agreement (the "SLA") is to describe the service level commitments that the parties are obligated to deliver under this Agreement. The sections are as follows:

I. Definitions

II. Contacts

III. Support Procedures

IV. Operational Metrics

I. DEFINITIONS

A. Definitions.

(i) Aggregate Response Time. This value is the sum of the Internal Overture Response Time and the Network Response Time.

(ii) Availability. The percentage of the total properly formatted Yahoo Search Queries (as defined in the Agreement) for which Overture responds (either with a "no results delivered" response or a response in the form of properly formatted Overture Results, regardless of whether delivered within the Critical Threshold or not (i.e., Timeouts are irrelevant to the calculation of Availability to the extent that a response in the form set forth herein is ultimately delivered by Overture)). Load balancing must be in effect for the Availability terms to be applicable. Catastrophic Problem. A Problem that persists for a period of [*] or more during Peak Hours and [*] or more during Non-Peak Hours.

(iii) Implementation Change. A request by Yahoo to incorporate a new feature or enhance an existing feature of the Overture Services provided to Yahoo under the Agreement to which this SLA is attached as an Exhibit.

(iv) ICMP. An Internet Control Message Protocol used for, among other things, determining whether a particular computer is attached to the Internet and working properly.

(v) Internal Overture Response Time. The period of time beginning at the time of Overture's receipt of a Yahoo Search Query from Yahoo to completion of send by Overture, as measured by Overture's NOC.

(vi) Minor Problem. A cosmetic display issue which allows the major elements of Overture results to display, but causes textual irregularities (e.g., an umlaut not displaying properly). For clarity, [*].

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(vii) Network Response Time. The period of time required for an ICMP ping packet to complete a round trip cycle between Yahoo and Overture. Network Response Time will be measured from each party's data center to the other party's data center.

(viii) NOC. Network Operations Center.

(ix) Non-Peak Hours. Non-Peak Hours shall mean all hours outside of Peak Hours.

(x) Normal Maintenance. Ongoing scheduled maintenance.

(xi) Peak Hours. Peak Hours shall mean [*].

(xii) Problem. An error, bug, incompatibility or malfunction, which renders the Overture Results unavailable to or unuseable by Yahoo for [*] consecutive [*] or more. A "Problem" can include, but is not limited to, instances of [*], but does not include circumstances where Yahoo or Overture is not available to the Internet at large due to a force majeure event (as described in Section 16.7 of the Agreement to which this document is attached).

(xiii) Problem Resolution. A correction, patch, fix, alteration or Temporary Workaround that minimizes the effect of a Problem, Severe Problem, or Catastrophic Problem restoring the system to the levels set forth in this SLA within the response times set forth in this SLA.

(xiv) Results Set. A Results Set will consist of the number of Overture Results required to be displayed pursuant to the Agreement, or a "No Results Delivered" notification, if applicable, which Results Set is properly formatted in a mutually agreed XML format.

(xv) Severe Problem. A Problem that persists for a period of [*] or more during Peak Hours and [*] or more during Non-Peak Hours.

(xvi) Temporary Workaround. A temporary technical solution that restores the system to the levels set forth in this SLA, although there may be ongoing or additional measures until a permanent solution can be implemented.

(xvii) Timeouts. A timeout refers to an action taken by Yahoo production servers when Overture Results are not received within the maximum Aggregate Response Time referred to as the "Critical Threshold" in Article IV, Section E below. This action will result in Overture Results not being displayed, but may or may not constitute an "Impression" under the Agreement.

(xviii) TTL. Time-to-live settings that determine the time that the Overture entries remain in the Yahoo DNS cache.

(xix) Unresolved Catastrophic Problem. A Catastrophic Problem that does not have a Problem Resolution within a total period of [*] or more during Peak Hours ([*]) and [*] or more during Non-Peak Hours.

(xx) Yahoo Technical Lapse. A Yahoo Technical Lapse means a set of technical circumstances within Yahoo's reasonable control whereby (i) a properly formatted set of Overture Results are delivered to Yahoo in response to a properly formatted Yahoo Search Query within the Critical Threshold established in Article IV, Section E below, but are not displayed as a Yahoo Search Results Page or (ii) Yahoo is unable to receive a properly formatted set of Overture Results and does not transmit properly formatted Yahoo Search Queries to Overture.

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II. CONTACT INFORMATION

A. Contact Information.

(i) Overture Support Personnel.

[*]

(ii) Yahoo Support Personnel.

[*]

B. Updates. Either party may change its designated support personnel at its discretion with reasonable written notice to the other party. Each party's preliminary contact personnel are as shown in Article II, Section A.

III. SUPPORT PROCEDURES

A. Support Procedures.

(i) All Problems, Severe Problems, and Catastrophic Problems reported by either party must be submitted to the other party, as appropriate, via the technical support telephone number, via email or pager to the contact information set forth in the Support Table, and each such Problem, Severe Problem, and Catastrophic Problem will be given a unique reference number by the receiving party.

(ii) The responsible party shall inform the other party's technical support personnel of ongoing efforts to provide a Problem Resolution concerning Problems, Severe Problems, and Catastrophic Problems at least once per day, or more frequently if such is provided for in the Support Table until such Problem Resolution is complete.

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(iii) In the event that there is a Minor Problem, Problem, Severe Problem or Catastrophic Problem during Non-Peak Hours, the reporting party shall contact the other party's NOC via customer support pager at the email pager address provided herein for such purpose.

B. Overture Response. Upon receiving notification from Yahoo, Overture shall promptly determine whether the request is a Minor Problem, a Problem, a Severe Problem, or a Catastrophic Problem or none of the above according to the definitions set forth above. If it is determined by the parties that the issue is Overture's responsibility, then Overture will respond to the request within the response times set forth in this SLA and shall use all commercially reasonable efforts to resolve the Minor Problem, Problem, Severe Problem or Catastrophic Problem in accordance with this SLA. If the parties agree that a Minor Problem, Problem, Severe Problem, or Catastrophic Problem is not Overture's responsibility, then Overture shall reasonably cooperate with Yahoo to provide a Problem Resolution.

C. Yahoo Response. Upon receiving notification from Overture, Yahoo shall promptly determine whether the request is a Minor Problem, Problem, a Severe Problem, or a Catastrophic Problem or none of the above, according to the definitions set forth above. If it is determined by the parties that the issue is Yahoo's responsibility, then Yahoo will respond to the request within the response times set forth in this SLA and shall use all commercially reasonable efforts to resolve the Minor Problem, Problem, Severe Problem, or Catastrophic Problem in accordance with this SLA. If the parties agree that a Minor Problem, Problem, Severe Problem, or a Catastrophic Problem is not Yahoo's responsibility, then Yahoo shall reasonably cooperate with Overture to provide a Problem Resolution.

D. Indeterminate Responsibility. If the parties disagree which party bears responsibility for a Problem, Severe Problem, or Catastrophic Problem then both parties will form a resolution team comprised of at least a technical contact representing each party. Any continuing disagreement regarding responsibility, or any failure by either party to effect a Problem Resolution within the times indicated will result in escalation to the Primary business contact as identified in Article II above and as set forth in Section E below.

SUPPORT TABLE

RECEIPT OF NOTICE	TYPE OF PROBLEM REPORTED	RESPONSE TIME	TIME FOR IMPLEMENTATION CHANGE AND REPORTING OBLIGATIONS
During business hours or other times.	Minor Problem	Initial response to request within [*] during business hours and [*] after business hours begins if reported outside of business hours. Problem Resolution or plan for Problem Resolution by next business day.	Responsible party will provide notifications [*] per business day until Problem Resolution. All such notifications will be to the other party's NOC.
During normal business hours (8:00 a.m. — 6:00 p.m.	Problem	Initial response to request within [*]	Responsible party will provide a proposed Problem Resolution. If the Problem

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PST Monday-Friday)		[*]. Problem Resolution or plan for Problem Resolution within [*].	Resolution is not immediate, the responsible party will provide [*] on the first day of occurrence and then daily updates. All such notifications and updates will be sent to the other party's NOC.
During normal business hours (8:00 a.m. — 6:00 p.m. PST Monday-Friday)	Severe Problem	Initial response to request within [*]. Problem Resolution or plan for Problem Resolution within [*].	Responsible party will provide a proposed Problem Resolution to address the Severe Problem. If the Problem Resolution is not immediate, the responsible party will provide notifications every [*] hours on the first day of occurrence and then daily updates thereafter. All such notifications and updates will be to the other party's NOC.
During normal business hours (8:00 a.m. — 6:00 p.m. PST Monday-Friday)	Catastrophic Problem	Initial response to request within [*]. Problem Resolution or plan for Problem Resolution within [*].	Responsible party will provide a proposed Problem Resolution to address the Catastrophic Problem. A Catastrophic Problem will result in escalation to the Primary business contact as identified in Article II above and as set forth in Section E below. If the Problem Resolution is not immediate, the responsible party will provide notifications every [*] until resolved. All such notifications and updates will be to the other party's NOC.
During all other times.	Problem	Initial response to request within [*]. Problem Resolution or plan for Problem Resolution within [*] of next business day.	Responsible party will provide a proposed Problem Resolution in response to the Problem or Severe Problem. If the Problem Resolution is not immediate, responsible party will provide [*] on the first business day after the occurrence and then daily updates thereafter. All such notifications and updates will be to the other party's NOC.
During all other times	Severe Problem	Initial response to request within [*]. Problem Resolution or plan for Problem Resolution within [*].	Responsible party will provide a proposed Problem Resolution in response to the Problem or Severe Problem. If the Problem Resolution is not immediate, responsible party will provide notifications every [*] on the first business day after the occurrence and then daily updates thereafter All such notifications and updates will be to the other party's NOC.

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During normal business hours (8:00 a.m. — 6:00 p.m. PST Monday-Friday)	Catastrophic Problem	Initial response to request within [*]. Problem Resolution or plan for Problem Resolution within [*].	Responsible party will provide a proposed Problem Resolution to address the Catastrophic Problem. A Catastrophic Problem will result in escalation to the Primary business contact as identified in Article II above and as set forth in Section E below. If the Problem Resolution is not immediate, the responsible party will provide notifications every [*] until resolved. All such notifications and updates will be to the other party's NOC.
During business hours or other times.	Implementation Changes	Within [*].	Notification of or request for Implementation Changes should be sent to the Business Contacts outlined in Article II, section (i) and (ii)

E. Escalation Process.

(i) Each party hereby agrees to notify the other party's NOC within [*] of detecting any Problem, Severe Problem, or Catastrophic Problem and to notify the other party of a Minor Problem.

(ii) In the event that either party does not respond to the other party within the response time from receipt of communication or detection of a Minor Problem, Problem, Severe Problem, or Catastrophic Problem, then each party may contact any of the personnel outlined in the Contacts section, Article II.

IV. OPERATIONAL METRICS.

A. Availability. Overture will maintain [*]% Availability as measured by [*] production query logs, verified by [*] with at least [*] intervals, reported [*]. In the event of discrepancies between these two sources, Yahoo and Overture will work together to determine root cause of such discrepancy. If Availability falls below [*]%, Problem Resolution would occur, and the Cure Period (i.e., the process under Article IV, Section G) would be in effect. Overture will provide to Yahoo reasonable technical specifications for redirecting traffic in case of temporary unavailability of an Overture search data center.

B. Capacity. Overture will provide capacity based on Yahoo's current forecast of [*] Yahoo Search Queries per [*], supporting a peak rate of [*] (the "Peak Rate"), which is [*] that of the average per day Yahoo Search Query rate. The parties acknowledge that Yahoo's volume forecast and "Peak Rate" will increase during the Term. Overture will use commercially reasonable efforts provide increasing capacity to accommodate such growth in a timely fashion. [*]. Additionally, Overture will provide up to [*]% capacity beyond these levels if so requested by Yahoo, provided that Yahoo gives a minimum of [*] days prior written notice. Yahoo will notify Overture if Yahoo anticipates an increase of Yahoo Search Queries by more than [*]% in any calendar quarter. During the period of time that Overture is working to accommodate the additional capacity, the Availability, Response Times, and Timeouts will be

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renegotiated for the additional traffic. [*]. Finally, [*].

Notwithstanding the previous sentence, if Yahoo delivers Yahoo Search Queries [*].

C. Site monitoring. Overture will monitor the performance of its obligations under this Agreement using automated tools/utilities developed and/or configured by Overture, or contracted with external third parties, to validate the Availability of [*]% and response times. Additionally, Yahoo will perform a [*] test for compliance with operational metrics and will share such results with Overture on a [*] basis. If either party detects fault, the discovering party will respond as defined in Article III, "Support Procedures."

D. Response Times. Overture will comply with the following operational metrics:

[ ] INTERNAL OVERTURE RESPONSE TIME shall [*].

[ ] AGGREGATE RESPONSE TIME shall [*]. In the event of discrepancies between these two sources, Yahoo and Overture will work together to determine root cause of such discrepancy.

[ ] RESPONSE TIME ENHANCEMENT. The parties mutually agree that they will employ reasonable efforts to provide an Average Aggregate Response Time that is lower than the stated number in this SLA. Specifically, the parties will engage in good faith efforts to develop co-location infrastructure to support enhanced operational metrics. Upon the mutually acceptable completion of such co-location efforts, the parties agree to amend this SLA to improve the operation metrics set forth in this Section IV.

E. Critical Thresholds. Aggregate Response Time that is greater than [*] will result in Timeouts (the "Critical Threshold").

F. Problems and Critical Threshold. If there is a Severe Problem or Catastrophic Problem, Yahoo may, at its discretion, lower the Critical Threshold until a Problem Resolution is completed. Additionally, if

Severe Problem or Catastrophic Problem results in no results being returned to Yahoo within any threshold, Yahoo may, at its discretion, disable the Overture results until a Problem Resolution is completed.

G. Cure Period. Once the responsible party is identified for a Minor Problem, Problem or Severe Problem, according to Article III, Section B or C, the responsible party shall identify and communicate a Problem Resolution or plan and shall comply with the support table set forth in Article IV. The responsible party shall use commercially reasonable efforts to implement a Problem Resolution as soon as possible and in any event, within 8 business days, and to implement Problem Resolution for Minor Problems as soon as possible and, in any event, within 21 days. If the responsible party cannot implement a Problem Resolution for the Problem or Severe Problem within 8 business days, the other party may deem such failure an Escalation Event pursuant to Section 16.5(a) of the Agreement. Overture’s failure to comply with the operational metrics set forth in Article IV, Sections A or D will be deemed a Problem and will be subject to this Section G of Article IV.

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H. DNS. Overture uses DNS-based global load balancing to direct search traffic to one of the several facilities that serve Overture's search traffic. Yahoo servers shall adhere to the TTL in the Overture name server resolution response (no more than [*]), periodically querying the Overture DNS servers to determine the IP address of the Overture site where the Yahoo servers must direct their query traffic. Overture will not be responsible for satisfying requirements for Availability Response Times if TTLs exceed [*].

I. Maintenance Requirements. Normal Maintenance occurs on [*], and will not exceed [*], and will not be counted in the determination of Availability (Section A) and Response Times (Section D) of this Section IV.

J. Monitoring Servers. In addition to the Yahoo's servers monitoring Aggregate Response Times, Overture may at its option place a monitoring server (or servers, one for each site) proximal to the Yahoo production network to aid in the resolution of connectivity and Network Response problems. Yahoo may place a monitoring server (or servers, one for each site) proximal to the Overture production network, also to aid in the resolution of connectivity and Network Response problems.

K. Reporting. Both parties will make available upon request, in a format mutually agreed by both parties, a report showing Availability, Internal Response Time and Aggregate Response Time as measured under this SLA.

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EXHIBIT B

YAHOO SEARCH BOXES

[Graphic of Yahoo Search Box]

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EXHIBIT C

YAHOO SEARCH RESULTS PAGES

[Graphic depicts example of "mouse over" Overture search result and corresponding text box with result description]

[Graphic depicts search results page on Yahoo network, including implementation and presentation of Overture search results]

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EXHIBIT D

YAHOO! AND OVERTURE EXTEND PAY-FOR-PERFORMANCE SEARCH AGREEMENT

OVERTURE CONTINUES TO POWER SUCCESSFUL YAHOO! SPONSOR MATCHES PROGRAM

SUNNYVALE & PASADENA, Calif. — (BUSINESS WIRE) — April 25, 2002 — Yahoo! Inc. (Nasdaq:YHOO - news), a leading global Internet company, and Overture Services, Inc. (Nasdaq:OVER - news), the world's leading provider of Pay-For-Performance search to Web sites across the Internet, today announced that they have extended their relationship to a three-year agreement to distribute Overture's search listings through Yahoo! Sponsor Matches.

Under the agreement, Overture will continue to provide Yahoo! with its editorially reviewed Pay-For Performance search results from its growing base of 60,000 advertisers. This agreement is a renewal of a relationship that began in November 2001. The terms of the agreement were not disclosed.

"We will continue to leverage our strength as the leading search platform and are extremely pleased to be working with an industry leader like Overture," said Terry Semel, chairman and chief executive officer, Yahoo! Inc. "Search and paid listings are key growth areas for Yahoo! and with the strong success of Sponsor Matches since its launch in November, we are looking forward to providing even more comprehensive and enhanced search opportunities for advertisers and consumers."

Yahoo! Sponsor Matches is an enhanced placement program that gives Web sites increased visibility in Yahoo!'s search results, distinguished in clearly demarcated sections. Since its inception, the Yahoo! Sponsor Matches program has shown strong performance and experienced click-through rates considerably higher than the industry average. Businesses are able to reach their targeted consumers more effectively through enhanced placement in search results on keywords that are relevant to their business and consumers are able to find services that are relevant to their needs.

"We are excited to announce this long-term partnership with one of the most popular destination sites on the Internet," said Ted Meisel, president and chief executive officer, Overture Services, Inc. "It is clear that Yahoo! views search as a strategic priority and we look forward to developing new search products with them in the future."

Overture's search results are generated by Overture's 60,000 advertisers who bid for placement on keywords that are relevant to their businesses. These listings are carefully screened by Overture's 100-person editorial team before being distributed to the company's affiliate partner network, which includes many of the Internet's most popular destination sites.

About Yahoo!

Yahoo! Inc. is a leading provider of comprehensive online products and services to consumers and businesses worldwide. Yahoo! reaches more than 237 million individuals worldwide each month, and is the No. 1 Internet brand globally. Headquartered in Sunnyvale, Calif., Yahoo!'s global network includes 25 World properties and is available in 13 languages.

About Overture (formerly GoTo)

Overture, (Nasdaq: OVER - news), formerly known as GoTo, is the leader in Pay-For-Performance search on the Internet. The company created the market for Pay-For-Performance search by redefining how businesses market online. In the first quarter of 2002, Overture facilitated more than 587 million paid introductions on a worldwide basis between consumers and its approximately 60,000 advertisers, who bid for placement on relevant search results and pay Overture only when a consumer clicks on their listing. Following a rigorous screening for user relevance by Overture's 100-person editorial team, the company distributes its search results to tens of thousands of sites across the Internet, including America Online, Microsoft and Yahoo! - making it the largest Pay-For-Performance search and advertising network on the Internet. Overture is based in Pasadena, California, with offices in New York, San Francisco and the UK, Germany and Ireland. For more information, visit www.overture.com.

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Yahoo! and the Yahoo! logo are registered trademarks of Yahoo! Inc. Overture and Pay-For-Performance are service marks of Overture Services Inc. All other names are trademarks, registered trademarks or service marks of their respective owners.

This press release contains forward-looking statements within the meaning of the federal securities laws. These forward-looking statements include without limitation statements regarding Yahoo!'s users will continue to use Overture search results, that advertisers and businesses will want to participate in Sponsored Matches by seeking enhanced placement in the search results, that businesses will be able to reach customers more effectively through enhanced placement in search results, that the companies will develop new search products. These forward-looking statements are subject to risks and uncertainties that could cause actual results and events to differ materially. These risks and uncertainties include, among others that the implementation may not be successful or generate revenue for Overture or yield economic benefits to Overture, that the development of new search products may not happen and if it does happen that it will be successful or generate revenue for Overture or yield economic benefits to Overture, the risk that Overture's advertisers and businesses may not want traffic from Yahoo! and the risk that Yahoo!'s users may not want to use the Sponsor Matches product. For a discussion of other risks that could cause actual results or events to differ materially from such forward-looking statements, see the discussion of "Risks That Could Affect Our Financial Condition and Results of Operations" in Overture's 10-K filing with the SEC for the period ended December 31, 2001. Overture undertakes no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of this press release.

Contact:

Overture Services, Inc.

Al Duncan, 626/685-5714 (Media)

al@overture.com

Jim Olson, 626/229-5242

jim.olson@overture.com

Laurie Berman, 626/229-5368 (Investors)

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or

Yahoo!

Diana Lee, 408/349-6501

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or

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waddelln@fleishman.com

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EXHIBIT E

[*]

[*]

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EXHIBIT F

OVERTURE REPORTS

MAIN MONTHLY REPORTS:

— Yahoo average CPC

— Published site wide CPC (delivered in the report following Overture's quarterly announcement of this number)

— Yahoo Search Queries asked of Overture (number)

— Total Actual Clicks delivered from Yahoo (number)

[*]

SOURCE OF QUERY REPORTS:

For each unique source of Yahoo Search Queries (e.g., "next" Yahoo Search Results Pages) that Yahoo "tags" pursuant to Section 8.4(a), Overture will provide the following reports:

— Average CPC for that source

— Yahoo Search Queries asked of Overture from each source (number)

— Total Actual Clicks delivered from Yahoo from each source (number)

[*]

— Total Gross revenue earned by Yahoo from each source

— All of the above in a cumulative manner annually and over the Term (totals/averages across the term, as distinct from the applicable Quarter)

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EXHIBIT G

EXCLUDED TERMS

[*]

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EXHIBIT H

OVERTURE RESTRICTED COMPANIES

[*]

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EXHIBIT I

Subject: Overture Signs Long-Term Yahoo! Agreement

Dear Overture Advertiser:

Overture is excited to announce the renewal of our Pay-for-Performance(TM) search agreement with Yahoo! for the next three years. We are pleased to have secured long-term agreements with two of the most popular destinations on the Internet — Yahoo! and MSN. These agreements give Overture advertisers an opportunity to reach a majority of all active Internet users.

Overture search results will continue to appear on Yahoo at www.yahoo.com. As the leading provider of comprehensive online products and services, Yahoo! reaches millions of users and is the number one Internet brand globally.

Earlier today we announced that our U.S. search distribution relationship with America Online has ended, including AOL, AOL.com, Compuserve and Netscape (scheduled to end in August). Overture will continue to provide its search results to AOL Europe's Internet properties in the UK, Germany and France.

The strength of our affiliate network, which includes, Yahoo!, MSN, AltaVista, Lycos, Infospace, AskJeeves, and CNET, allows Overture to deliver the quality and quantity of leads you've come to expect from us.

We are committed to your success and look forward to continuing to deliver the highest return on your advertising investment.

Sincerely,

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EXHIBIT J

OVERTURE DISQUALIFIED ENTITIES

[*]

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EXHIBIT K

ESTIMATED YAHOO PAYMENT AND GUARANTEED FIXED PAYMENT ADJUSTMENT PROCESS

[*]

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EXHIBIT 8.4

YAHOO REPORTING:

Yahoo will provide monthly Yahoo Search Query reports that include the following categories of information:

[*]

YAHOO SEARCH QUERY, IMPRESSION AND `BOT TRAFFIC VERIFICATION INFORMATION:

Yahoo will provide Overture with the following information in a data field at the time-of-search to enable Overture to develop its own reasonable estimates of searches performed by `bots as a percentage of Yahoo Search Queries and Impressions:

[*]

Yahoo will be entitled to encrypt such information so long as the encryption algorithm is consistent (allowing Overture to verify valid searches performed by human users in a consistent manner that is time-independent). Accordingly, Yahoo will provide Overture with six weeks notice prior to a change in the encryption data, which preserves the utility of the data for the purpose of verifying valid Impressions and Search Queries.

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FIRST ADDENDUM TO OVERTURE SEARCH SERVICES AGREEMENT

This First Addendum (the "First Addendum") is effective as of October 1, 2002 (the "First Addendum Effective Date") and entered into by and between Overture Services, Inc. ("Overture"), a Delaware corporation with offices at 74 North Pasadena Avenue, 3d Floor, Pasadena, CA 91103, and Yahoo! Inc. ("Yahoo"), a Delaware corporation with offices at 701 First Avenue, Sunnyvale, CA 94089, in connection with the Overture Search Services Agreement effective as of May 1, 2002 and entered into by and between Overture and Yahoo (the "Agreement").

RECITALS

WHEREAS, the Agreement provides for, among other things, the delivery by Overture and the display by Yahoo of sponsored search results in response to search queries conducted through Yahoo's principal, U.S. targeted directory to the World Wide Web.

WHEREAS, the parties anticipate expanding their strategic relationship, such that Overture will provide Yahoo with sponsored search results in response to search queries conducted through other directories implemented by Yahoo across its domestic or foreign networks, and the parties will share revenue generated from these sponsored search results, and the parties will administer certain of these incremental sponsored search result implementations in accordance with this First Addendum, as further described herein.

NOW, THEREFORE, in consideration of the mutual promises and conditions contained herein, and for good and valuable consideration, the parties agree as follows:

AGREEMENT

1. <u>Definitions</u>. Capitalized terms not defined herein have the meanings set forth in the Agreement.

1.1 <u>Launch Date</u> means the first date on which Overture Results are publicly displayed within the applicable Yahoo Search Functionality, as reported by Yahoo.

1.2 <u>Minimum Display Requirements</u> means the introductory paragraph to Section 4.3 of the Agreement (beginning "After receiving Overture Results . . ." and ending ". . . in the Featured Sections.") and, except for the first sentence and the last sentence thereof, Section 4.3(a) of the Agreement.

1.3 [*]

1.4 <u>U.S. Implementation</u> means the current implementation of the Overture Results on Yahoo Search, as described in the Agreement.

1.5 <u>Yahoo Canada Network</u> means the Yahoo Foreign Property that is targeted to Canada and currently located at http://www.yahoo.ca, including but not limited to Yahoo Canada Search, the Yahoo Foreign Verticals that target Canada and any other Canadian targeted products or services that are developed and branded in whole or in part by or on behalf of Yahoo or a Canadian based Yahoo Affiliate; provided that any entity or property acquired, developed, controlled by or branded in whole or in part by or on behalf of Yahoo or a Canadian based Yahoo Affiliate after the First Addendum Effective Date with whom Overture has a then-existing contractual relationship will continue to perform under the existing contract with Overture (to the extent that such performance is within the reasonable control of Yahoo) and, upon request by Overture, Yahoo shall not send any Yahoo Canada Search Queries from any such entity in the event that no contractual relationship exists between the entity and Overture at the time of the date of acquisition, development or branding in whole or in party by or on behalf of Yahoo.

1.6 <u>Yahoo Canada Search</u> means the Yahoo Foreign Vertical that is the search functionality within the Yahoo Canada Network's principal directory to the World Wide Web, currently located at http://www.yahoo.ca, which search functionality currently resolves either to ca.search.yahoo.com or to ca.google.yahoo.com.

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omitted portions.

1.7 Yahoo Canada Search Box means a graphical area substantially similar in form to the example set forth in Exhibit B to the Agreement that appears on web pages across the Yahoo Canada Network, including but not limited to the front page of Yahoo Canada Search and all Yahoo Canada Search Results Pages, through which a user can only submit a search query that is [*] a keyword or phrase that resolves to Yahoo Canada Search. Additionally, searches initiated by a user clicking on the "next" button on a Yahoo Canada Search Results Page and searches conducted after Yahoo provides the user with the correction to a misspelled word (in which case the user may click on the corrected spelling to connect to a Yahoo Canada Search Results Page) and "Related Searches" (or similar functionality) that appear below the Featured Bottom Section as shown in Exhibit C to the Agreement will be deemed as submitted through a Yahoo Canada Search Box. For clarity, search boxes that resolve to searchable directories other than [*] or successor directories thereto (e.g., searches submitted through any Yahoo Foreign Vertical within the Yahoo Canada Network, including but not limited to the search box that resolves to the specialty directory within the Yahoo Canada Network's shopping-related property) are not Yahoo Canada Search Boxes.

1.8 Yahoo Canada Search Query means any search query comprised of a keyword or phrase and initiated through the Yahoo Canada Search Box by a U.S. User. For clarity, search queries initiated through means other than the Yahoo Canada Search Box (e.g., searches initiated through any Yahoo Foreign Vertical within the Yahoo Canada Network, including but not limited to the search box that resolves to the specialty directory within the Yahoo Canada Network's shopping-related property) will not be deemed a Yahoo Canada Search Query.

1.9 Yahoo Canada Search Results Pages means those web pages within Yahoo Canada Search, excluding the Jump Page, displayed in response to Yahoo Canada Search Queries.

1.10 [*]

1.11 Yahoo Search Functionality means any search functionality within either a Yahoo Vertical or a Yahoo Foreign Vertical and within which the parties agree in writing to integrate the Overture Results according to this First Addendum.

2. Integration of Overture Results within Yahoo Search Functionality . The parties agree to work together and to undertake commercially reasonable efforts to implement the Overture Results within those Yahoo Search Functionalities upon which the parties mutually agree in writing (each, an "Additional Implementation"). The parties will undertake commercially reasonable efforts to schedule the Launch Date for an Additional Implementation to occur [*]. Yahoo also will provide Overture with email notice of the Launch Date of each Additional Implementation within [*]. With respect to each Additional Implementation, both parties agree to comply with the Service Level Agreement.

2.1 Mock-Ups; Minimum Search Results Characteristics; Changes . Before the parties can agree on the launch of a particular Additional Implementation, the parties must agree on [*] For clarity, the parties acknowledge and agree that email is an appropriate medium through which to agree on an Additional Implementation, as long as (i) the individuals who agree via email are then employed as directors or higher by the party on behalf of which the individual agrees (and, for individuals employed by Overture, the individuals must be part of Overture's Business Affairs Group); and (ii) the email specifically states that it is an Additional Implementation pursuant to this First Addendum and [*]

2.2 Suppression and Removal of Overture Results . The parties acknowledge and agree that (a) each Additional Implementation might implicate different regulatory regimes, editorial policies and user considerations than those implicated by the U.S. Implementation; and (b) the parties will work together and adjust the circumstances under which Overture Results are suppressed or removed accordingly. Overture also will suppress Overture Results that link directly to a page owned or controlled by [*]

2.3 Separate Feed and Reporting of each Additional Implementation . Overture will deliver and Yahoo will utilize a separate and distinct feed of Overture Results for each Additional Implementation, and Overture will account for each Additional Implementation as a separate line item in any reports required hereunder

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or under the Agreement. Yahoo will provide Overture with the same information at the time-of-search for an Additional Implementation as it does for the U.S. Implementation, and Overture will be entitled to use and disclose that information subject to the use and disclosure restrictions set forth in the Agreement.

2.4 Wind Down of any Additional Implementation . Each party will be entitled to discontinue a particular Additional Implementation upon [*] prior written notice to the other party, except that (a) Yahoo will be entitled to discontinue a particular Additional Implementation upon [*] prior written notice to Overture to the extent that Yahoo elects to [*] and (b) Overture will be entitled to discontinue a particular Additional Implementation upon [*] prior written notice to Yahoo to the extent that Yahoo (i) has made a [*] and (ii) does not reverse that [*] within the [*] notice period. Yahoo agrees that it will not present an active Additional Implementation to Overture as part of a New Domestic Opportunity or an International Opportunity, as applicable, for a period of no less than [*] after the Launch Date of the active Additional Implementation. [*]

2.5 Minimum Display Requirements and [*] for Yahoo Canada Search . Except as set forth in Section 5.4 of the Agreement, Yahoo will send the English language Yahoo Canada Search Query to Overture each and every time that a U.S. User initiates a search through a Yahoo Canada Search Box. The Minimum Display Requirements will apply to this Additional Implementation. [*] The parties acknowledge and agree that (i) each Yahoo Canada Search Query (which, by definition, includes queries typed into the Yahoo Canada Search Box and queries submitted from either the "next" button or the "Related Searches" link on Yahoo Canada Search Results Pages) will generate a [*] for purposes of subsection (b) above; and (ii) any other opportunity for a third party to provide Yahoo with Restricted Search Results for display on pages within Yahoo Canada Search constitutes an International Opportunity under Section 7.4 of the Agreement. [*]

3. Payment . Overture will make payments to Yahoo in accordance with the following:

3.1 Revenue Share Payments . With respect to each Additional Implementation, Overture will make Quarterly revenue share payments (the "Additional Implementation Revenue Share Payments") to Yahoo based on Gross Revenue earned from Bidded Clicks on the particular Additional Implementation (the "Additional Implementation Gross Revenue") in the applicable Quarter according to the schedule set forth below. [*] Additional Implementation Revenue Share Payments are due and payable to Yahoo within [*] days after the end of the applicable Quarter.

[*]

Overture will retain all revenue that it derives from the Overture Results within the Additional Implementations, except as specifically set forth in this First Addendum.

3.2 Payment Mechanics . Overture will make payments to Yahoo in U.S. dollars via wire transfer into Yahoo's main account according to the instructions set forth below:

[*]

3.3 Late Payments; Interim Additional Implementation Payment . Any undisputed Additional Implementation Revenue Share Payment that is paid more than [*] late will bear interest at the rate of [*]. With respect to Additional Implementations launched between the Effective Date and the First Addendum Effective Date (the "Interim Additional Implementations"), Overture shall make a payment to Yahoo in the amount of [*] (which was derived by deducting the [*] that Overture has already paid to Yahoo for the Interim Additional Implementations from [*] which is the total amount due to Yahoo for the Interim Additional Implementations during the period between the Effective Date and the First Addendum Effective Date) prior to [*] (the "True-Up Payment"), without applying interest hereunder. For clarity, provided that Overture makes the True-Up Payment in the time and in the amount set forth in the prior sentence, Overture shall not be in breach of this First Addendum for failure to make the True-Up Payment and no interest shall be applied to the True-Up Payment.

* Certain information on this page has been omitted and filed separately with

the Commission. Confidential treatment has been requested with respect to the

omitted portions.

3.4 Audit Rights and Data Rights . Except as expressly set forth herein or as otherwise agreed by the parties in writing, the audit rights and data rights and obligations for the Additional Implementations will mirror the U.S. Implementation as set forth in Sections 8.4 (including Exhibit F) and 8.5 of the Agreement.

3.5 No Payment Adjustments . The parties acknowledge and agree that the performance of each Additional Implementation will be tracked separately from the U.S. Implementation, and that the Additional Implementations will not be included in the calculation of Impressions, Coverage, PPC, CTR or of adjustments to the Estimated Yahoo Payment or the Guaranteed Fixed Payment under the Agreement.

4. Term and Termination .

4.1 Term . This First Addendum will become effective as of the First Addendum Effective Date and, unless terminated as set forth herein, will remain effective for the same period as the Agreement remains effective.

4.2 Termination with Cause . If, with respect to any or all Additional Implementations, either party breaches this First Addendum in any material respect, and that party does not cure its breach within [*] after written notice by the non-breaching party of its breach, then the non-breaching party will be entitled to terminate the affected Additional Implementation(s) immediately upon written notice to the breaching party after failure to cure within those [*] The parties acknowledge and agree that a breach under this First Addendum will not affect the Agreement, regardless of whether the breach gives rise to termination of this First Addendum.

4.3 Termination in connection with Agreement . This First Addendum and all Additional Implementations comprised hereunder will terminate to the extent that the Agreement is terminated in accordance with its terms, effective as of the effective date of termination of the Agreement.

4.4 Effect of Termination . Sections 1, 3 (with respect to payments accrued during the Term) and 5 above will survive termination or expiration of this First Addendum.

5. Incorporation of Certain Provisions of the Agreement by Reference . Each party's performance hereunder will be subject to the provisions of Sections 12 – 14 and 16 of the Agreement, and those provisions are incorporated herein by reference. For clarity, one party's liability to the other party under this First Addendum will be subject to the same liability caps set forth in Section 14 of the Agreement (i.e., this First Addendum does not give rise to separate and distinct liability caps in the amounts set forth in Section 14 of the Agreement).

[signature page follows]

EXECUTIO N CONFIDENTIAL

* Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

IN WITNESS WHEREOF, the parties have caused this First Addendum to be executed by their duly authorized representatives as of the First Addendum Effective Date.

YAHOO! INC.		**OVERTURE SERVICES, INC.**	
By:	/s/ Jeff Weiner	By:	/s/ W illiam Demas
Name:	Jeff Weiner	Name:	Bill Demas
Title:	Senior Vice President, Search and Marketplace	Title:	Senior Vice President & General Manager, Affiliate Business Group

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EXHIBIT A

Overture Canadian Restricted Companies

[*]

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EXHIBIT B

[*]

[*]

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SECOND ADDENDUM TO OVERTURE SEARCH SERVICES AGREEMENT

This Second Addendum (the "Second Addendum") is effective as of January 13, 2003 (the "Second Addendum Effective Date") and entered into by and between Overture Services, Inc. ("Overture"), a Delaware corporation with offices at 74 North Pasadena Avenue, 3d Floor, Pasadena, CA 91103, and Yahoo! Inc. ("Yahoo"), a Delaware corporation with offices at 701 Second Avenue, Sunnyvale, CA 94089, in connection with the Overture Search Services Agreement effective as of May 1, 2002 and entered into by and between Overture and Yahoo, as amended by the First Addendum to Overture Search Services Agreement effective as of October 1, 2002 (collectively referred to as the "Agreement").

RECITALS

WHEREAS, the Agreement provides for, among other things, the delivery by Overture and the display by Yahoo of sponsored search results in response to search queries conducted through Yahoo's principal, U.S. targeted directory to the World Wide Web.

WHEREAS, the parties agree to delete and modify certain exhibits, as further described herein.

NOW, THEREFORE, in consideration of the mutual promises and conditions contained herein, and for good and valuable consideration, the parties agree as follows:

AGREEMENT

1. Capitalized terms not defined herein have the meanings set forth in the Agreement.

2. The parties acknowledge and agree that Schedule 8.4 as filed with the Securities and Exchange Commission is hereby deleted in its entirety.

3. Exhibit F is deleted and replaced with the attached Amended Exhibit F, and all references in the Agreement to Exhibit F shall be to the Amended Exhibit F.

4. Incorporation of Certain Provisions of the Agreement by Reference. Each party's performance hereunder will be subject to the provisions of Sections 12–14 and 16 of the Agreement, and those provisions are incorporated herein by reference. For clarity, one party's liability to the other party under this Second Addendum will be subject to the same liability caps set forth in Section 14 of the Agreement (i.e., this Second Addendum does not give rise to separate and distinct liability caps in the amounts set forth in Section 14 of the Agreement).

IN WITNESS WHEREOF, the parties have caused this Second Addendum to be executed by their duly authorized representatives as of the Second Addendum Effective Date.

YAHOO! INC.		**OVERTURE SERVICES, INC.**	
By:	/s/ Jeff Weiner	By:	/s/ William Demas
Name:	Jeff Weiner	Name:	Bill Demas
Title:	Senior Vice President, Search and Marketplace	Title:	Senior Vice President & General Manager, Affiliate Business Group

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AMENDED EXHIBIT F
OVERTURE REPORTS

1. Main Monthly Reports:

- Yahoo average CPC

- Published site wide CPC (delivered in the report following Overture's quarterly announcement of this number)

- Yahoo Search Queries asked of Overture (number)

- Total Actual Clicks delivered from Yahoo (number)

[*]

2. Source of Query Reports :
For each unique source of Yahoo Search Queries (e.g., "next" Yahoo Search Results Pages) that Yahoo "tags" pursuant to Section 8.4(a), Overture will provide the following reports:

- Average CPC for that source

- Yahoo Search Queries asked of Overture from each source (number)

- Total Actual Clicks delivered from Yahoo from each source (number)

- [*]

- Total Gross revenue earned by Yahoo from each source

- All of the above in a cumulative manner annually and over the Term (totals/averages across the term, as distinct from the applicable Quarter)

If Overture detects [*] Yahoo Search Queries and Impressions as a result of the [*] information provided by Yahoo pursuant to Section 3(a) below, then Overture will provide, upon Yahoo's request, the following information by source for the period specified in the request:

- [*]

3. Yahoo Search Query, Impression and [*] Verification Information:

(a) Yahoo will provide Overture with [*] information [*] in a data field at the time-of-search to enable Overture to develop its own reasonable estimates ("Estimates") of searches performed by [*] as a percentage of Yahoo Search Queries and Impressions pursuant to Section 8.4(e).

(b) Overture is permitted to use the information provided by Yahoo pursuant to this Exhibit (the "Yahoo Information") and the Estimates solely to evaluate [*] being sent pursuant to this Agreement. As part of such evaluation, Overture may perform testing that utilizes the Yahoo Information to improve its Estimates [*] Any other use of the information or Estimates by Overture is explicitly prohibited.

(c) All information disclosed under this Exhibit F will be deemed "Confidential Information" and will be subject to the restrictions set forth in Section 12 of the Agreement.

(d) The parties agree to discuss additional opportunities to exchange information that will mutually benefit the parties with regard to the administration of this Agreement.

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the Commission. Confidential treatment has been requested with respect to the omitted portions.

EXHIBIT 21.1

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! TY Ltd	Singapore	
Yahoo! Switzerland GmbH	Switzerland	
Yahoo! Danmark ApS	Denmark	
Yahoo! Norway AS	Norway	
Yahoo! Sverige AB	Sweden	
Yahoo! Korea Corporation	Korea	67%
Yahoo! Iberia SL	Spain	
Yahoo! Holdings Ltd. (Hong Kong)	Hong Kong	
Yahoo! Do Brasil Internet Ltda	Brazil	
Yahoo! de Mexico, S.A. de C.V.	Mexico	
Yahoo! Australia and NZ PTY Ltd.	Australia	
Yahoo Japan Corporation	Japan	34%
Yahoo! Canada Co.	Canada Co.	
Yahoo! de Argentina S.R.L.	Argentina	
Yahoo! Europe International LLC	Cayman Islands	
Yahoo! International Holdings L.L.C	Cayman Islands	
Yahoo! Europe Limited	United Kingdom	
Yahoo! Italia S.R.L.	Italy	
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	
Sold,com.au Pty Limited	Australia	
eGroups International Ltda.	Brazil	
eGroups International (Canada) Inc.	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	
Futuretouch Corporation	California	
Broadcast.com	Delaware	
Simple Network Communications, Inc.	California	
NetRoadshow, Inc.	Georgia	
Yalge Network	Korea	25%
Innovative Systems Services Group, Inc.	California	
Arthas.com, Inc.	Delaware	
Vivasmart, Inc.	Delaware	
eGroups, Inc.	Delaware	
EGroups International, Inc	Delaware	

Name	Jurisdiction of Incorporation	Percent Ownership if Less Than 100%
Kimo.com (Cayman Corporation)	Cayman Islands	
Kimo.com.hk.Limited	Hong Kong	
Yahoo! Taiwan, Inc.	Taiwan	
eGroups International (Thailand) Company Limited	Thailand	
LAUNCH Media, Limited	United Kingdom	
LAUNCH Media, Inc.	Delaware	
Ivy Acquisition Corp.	Georgia	
LAUNCH Networks, Inc.	Delaware	
LAUNCH Radio Networks, Inc.	Delaware	
ONElist, Inc.	California	
HotJobs.com,Ltd.	Delaware	
Yahoo! Realty, Inc.	California	
Resumix, Inc.	Delaware	
Inktomi Corporation	Delaware	

BRANCHES OF YAHOO!INC.

Name	Jurisdiction of Registration
Yahoo! International Branch Holdings, Inc.	Taiwan
Yahoo! International Branch Holdings, Inc.	Hong Kong
eGroups, International Inc.	Malaysia
eGroups, International Inc.	Netherlands
eGroups, International Inc.	UK
eGroups, International Inc.	Sweden

EXHIBIT 23.1

Consent of Independent Accountants

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No.333-34364, No. 333-46458, No.333-81644, No. 333-100298), the Registration Statements on FormS-8 (No.333-3694, No.333-39105, No.333-46492, No.333-54426, No.333-56781, No.333-60828, No.333-66067, No. 333-76995, No.333-79675, No. 333-80227, No.333-81635, No.333-83770, No. 333-89948, No.333-93497) and the Registration Statement on FormS-4 (No.333-62694) of Yahoo!Inc. of our report dated January15, 2003, except for Note14, which is as of March19, 2003, relating to the financial statements and financial statement schedule, which appears in this Form10-K.

/s/ PricewaterhouseCoopers LLP

San Jose, California

March 20, 2003

EXHIBIT 99.1

Certification of CEO and CFO Pursuant to

18 U.S.C. Section 1350,

as Adopted Pursuant to

Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report on Form 10-K of Yahoo! (the "Company") for the year ended December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Terry S. Semel, as Chief Executive Officer of the Company, and Susan L. Decker, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. 1350, as adopted pursuant to 906 of the Sarbanes-Oxley Act of 2002, to the best of his and her knowledge, respectively, that:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

	/s/ TERRY S. SEMEL
Name:	Terry S. Semel
Title:	Chief Executive Officer
Date:	March 21, 2003
	/s/ SUSAN L. DECKER
Name:	Susan L. Decker
Title:	Chief Financial Officer
Date:	March 21, 2003

This certification accompanies the Report pursuant to 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of 18 of the Securities Exchange Act of 1934, as amended.

End of Filing