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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2002

OR

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

For the transition period from to

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**

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at October 25, 2002
Common Stock, $0.001 par value	590,895,000

YAHOO! INC.

Table of Contents

		page no.
PART I.	**FINANCIAL INFORMATION**	3
Item 1.	Condensed Consolidated Financial Statements (unaudited)	3
	Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2002 and 2001	3
	Condensed Consolidated Balance Sheets at September 30, 2002 and December 31, 2001	4
	Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2002 and 2001	5
	Condensed Consolidated Statements of Stockholders' Equity	6

	for the nine months ended September 30, 2002 and 2001	
	Notes to Condensed Consolidated Financial Statements	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	17
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	43
Item 4.	Controls and Procedures	45
PART II.	**OTHER INFORMATION**	46
Item 1.	Legal Proceedings	46
Item 2.	Changes in Securities	46
Item 3.	Defaults Upon Senior Securities	46
Item 4.	Submission of Matters to a Vote of Security Holders	46
Item 5.	Other Information	46
Item 6.	Exhibits and Reports on Form 8-K	47
Signatures		48

PART I — FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (unaudited)

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

	Three Months Ended		Nine Months Ended	
	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001
Net revenues	$ 248,823	$ 166,131	$ 667,280	$ 528,511
Costs and expenses:				
Cost of revenues	41,033	40,598	120,562	119,700
Sales and marketing	109,086	86,731	315,247	295,950
Product development	37,352	29,929	105,296	95,270
General and administrative	25,961	20,072	78,067	59,469
Amortization of intangibles	5,914	15,163	15,288	45,636
Restructuring costs	—	—	—	40,700
Acquisition-related costs	—	—	—	4,750
Total operating expenses	219,346	192,493	634,460	661,475
Income (loss) from operations	29,477	(26,362)	32,820	(132,964)
Other income, net	19,535	5,827	71,432	55,593
Minority interests in operations of consolidated subsidiaries	(916)	310	(565)	772
Income (loss) before income taxes and cumulative effect of accounting change	48,096	(20,225)	103,687	(76,599)
Provision for income taxes	19,239	3,894	42,961	7,530
Net income (loss) before cumulative effect of accounting change	28,857	(24,119)	60,726	(84,129)
Cumulative effect of accounting change	—	—	(64,120)	—
Net income (loss)	$ 28,857	$ (24,119)	$ (3,394)	$ (84,129)
Net income (loss) per share—basic:				
Net income (loss) before cumulative effect of accounting change	$ 0.05	$ (0.04)	$ 0.10	$ (0.15)

Cumulative effect of accounting change	$ —	$ —	$ (0.11)	$ —
Net income (loss) per share—basic	$ 0.05	$ (0.04)	$ (0.01)	$ (0.15)
Net income (loss) per share—diluted				
Net income (loss) before cumulative effect of accounting change	$ 0.05	$ (0.04)	$ 0.10	$ (0.15)
Cumulative effect of accounting change	$ —	$ —	$ (0.11)	$ —
Net income (loss) per share—diluted	$ 0.05	$ (0.04)	$ (0.01)	$ (0.15)
Shares used in per share calculation—basic	596,743	571,752	594,120	568,989
Shares used in per share calculation—diluted	607,134	571,752	610,899	568,989

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

YAHOO! INC.
Condensed Consolidated Balance Sheets
(unaudited, in thousands)

	September 30, 2002	December 31, 2001
ASSETS		
Current assets:		
Cash and cash equivalents	$ 319,319	$ 372,632
Short-term investments in marketable securities	456,371	553,795
Accounts receivable, net	103,573	68,648
Prepaid expenses and other current assets	57,271	56,458
Total current assets	936,534	1,051,533
Long-term investments in marketable securities	659,903	580,418
Restricted long-term investments	—	258,662
Property and equipment, net	381,816	131,648
Goodwill	453,716	192,987
Intangible assets, net	102,366	19,457
Other assets, net	161,971	144,641
Total assets	$ 2,696,306	$ 2,379,346
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 13,151	$ 13,218
Accrued expenses and other current liabilities	262,884	235,897
Deferred revenue	144,351	109,402
Total current liabilities	420,386	358,517
Other liabilities	89,694	23,806
Minority interests in consolidated subsidiaries	30,571	30,006
Stockholders' equity:		
Common Stock	606	581
Additional paid-in capital	2,367,784	2,067,410
Treasury stock	(159,988)	(59,988)
Accumulated deficit	(53,702)	(50,308)
Accumulated other comprehensive income	955	9,322
Total stockholders' equity	2,155,655	1,967,017
Total liabilities and stockholders' equity	$ 2,696,306	$ 2,379,346

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

YAHOO! INC.
Condensed Consolidated Statements of Cash Flows
(unaudited, in thousands)

	Nine Months Ended	
	September 30, 2002	September 30, 2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (3,394)	$ (84,129)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	80,182	94,534
Tax benefits from stock options	38,443	6,058
Cumulative effect of accounting change	64,120	—
Earnings in equity interests	(15,327)	(2,542)
Minority interests in operations of consolidated subsidiaries	565	(772)
(Gains) losses from investments	(2,930)	30,479
Noncash restructuring costs	—	11,659
Other noncash charges	9,228	8,111
Changes in assets and liabilities, net of effects of acquisitions:		
Accounts receivable, net	(20,759)	43,119
Prepaid expenses and other assets	24,972	(9,009)
Accounts payable	(1,080)	(20,230)
Accrued expenses and other current liabilities	(4,595)	24,616
Current deferred revenue	23,665	(8,027)
Long term deferred revenue	30,000	—
Net cash provided by operating activities	223,090	93,867
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment, net	(34,881)	(71,869)
Purchases of marketable securities	(797,231)	(884,000)
Proceeds from sales and maturities of marketable securities	808,740	1,001,474
Increase in restricted investments	—	(228,662)
Acquisitions, net of cash acquired	(189,168)	(19,188)
Purchases of other investments	(7,649)	(11,275)
Proceeds from the sale of other investments	687	11,510
Net cash used in investing activities	(219,502)	(202,010)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of Capital Stock, net	38,615	62,869
Repurchase of common stock	(100,000)	(59,988)
Other	—	(2,771)
Net cash provided by (used in) financing activities	(61,385)	110
Effect of exchange rate changes on cash and cash equivalents	4,484	(2,781)
Net change in cash and cash equivalents	(53,313)	(110,814)
Cash and cash equivalents at beginning of period	372,632	456,877
Cash and cash equivalents at end of period	$ 319,319	$ 346,063
Supplemental noncash investing activity:		
Acquisition of property and equipment funded through restricted investments	$ 258,662	$ —

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

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

	Nine Months Ended	
	September 30, 2002	September 30, 2001
Common Stock		
Balance, beginning of year	$ 581	$ 562
Common Stock issued	25	12
Balance, September 30	606	574
Additional paid-in capital		
Balance, beginning of year	2,067,410	1,830,526
Common Stock issued	264,118	200,854
Compensation expense on option grants	7,693	8,107
Tax benefit from stock options	32,491	(4,091)
Other	(3,928)	1,444
Balance, September 30	2,367,784	2,036,840
Treasury stock		
Balance, beginning of year	(59,988)	—
Repurchase of Common Stock	(100,000)	(59,988)
Balance, September 30	(159,988)	(59,988)
Accumulated deficit		
Balance, beginning of year	(50,308)	42,480
Net loss	(3,394)	(84,129)
Balance, September 30	(53,702)	(41,649)
Accumulated other comprehensive income		
Balance, beginning of year	9,322	23,346
Net unrealized losses on securities	(8,924)	(15,222)
Foreign currency translation adjustment	557	(3,342)
Balance, September 30	955	4,782
Total Stockholders' Equity	$ 2,155,655	$ 1,940,559
	Number of Shares	
Common Stock		
Balance, beginning of year	575,520	561,651
Common Stock issued	25,549	12,280
Repurchase of Common Stock	(11,074)	(5,384)
Balance, September 30	589,995	568,547

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

YAHOO! INC.

Notes to Condensed Consolidated Financial Statements
(unaudited)

Note 1—The Company and Basis of Presentation

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.

The accompanying unaudited condensed consolidated interim financial statements reflect all adjustments, consisting of only normal and recurring items, which in the opinion of management, are necessary for a fair presentation of the results of operations for the periods shown. The results of operations for such periods are not necessarily indicative of the results expected for the full year or for any future period.

These financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2001. Certain prior period balances have been reclassified to conform to current period presentation.

Note 2—Summary of Significant Accounting Policies

Revenue Recognition. Marketing services revenues are primarily generated from the sale of banner, sponsorship, and text-link advertisements, including sponsored search advertisements. The duration of advertising arrangements is typically less than one year but ranges up to five years and, in certain instances, the arrangements involve multiple elements. Marketing services revenues are recognized as "impressions" are delivered, ratably over the contract period, or based on the number of user "click-throughs" delivered. "Impressions" are defined as the number of times that an advertisement appears in pages viewed by users of the Company's online properties. "Click-throughs" are defined as the number of times a user clicks on a text-link advertisement or sponsored search result on the Yahoo! Network. Revenues from "click-throughs" are recognized as the net amount earned in the period in which the "click-throughs" occured. 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 collection of the resulting receivable is reasonably assured.

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 January 2000, the Company adopted Emerging Issues Task Force Issue 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 less than 2% of total net revenues for the three and nine months ended September 30, 2002 and 7% and 8% of total revenues for the three and nine months ended September 30, 2001. During the nine months ended September 30, 2002, the Company delivered approximately 1.0 billion impressions under barter arrangements where fair value was not determinable under EITF 99-17 and, accordingly, revenue was not recognized.

Fees and listings revenues consist of revenues generated from a variety of consumer and business fee and listings-based services, including the HotJobs database, Small Business Services, Yahoo! Portal Solutions, broadcasting live and on-demand events, Yahoo! Personals, SBC Yahoo! Dial, and certain Search and Directory services. 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

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Solutions consist of software license arrangements and are recognized upon delivery of the software 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." Platform and maintenance revenues for Yahoo! Portal Solutions are recognized on a straight-line basis over the term of the contract. Software license revenues have represented less than 10% of total net revenues for the three and nine months ended September 30, 2002 and 2001.

Transactions revenues include service fees for facilitating transactions through the Yahoo! network, principally from our commerce properties. Transactions revenues are recognized upon notification from the customer that qualifying transactions have occurred 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.

Note 3—Recent Accounting Pronouncements

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142 ("SFAS 142"), "Goodwill and Other Intangible Assets." SFAS 142 requires, among other things, the discontinuance of amortization related to goodwill and indefinite lived intangible assets. These assets will then be subject to an impairment test at least annually. In addition, the statement includes provisions upon adoption for the reclassification of certain existing recognized intangibles to goodwill, the identification of reporting units for the purpose of assessing potential future impairments of goodwill, the reassessment of the useful lives of existing recognized intangibles, and the reclassification of certain intangibles out of previously reported goodwill.

Upon the adoption of SFAS 142, the Company recognized a transitional goodwill impairment loss of $64.1 million as of January 1, 2002, which was recorded as the cumulative effect of an accounting change in the Company's consolidated statements of operations. Any further impairment losses recorded in the future could have a material adverse impact on the Company's results of operations or financial position. See also Note 4—Goodwill.

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 144 ("SFAS 144"), "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement addresses financial accounting and reporting for the impairment of long-lived assets. The adoption of this statement did not have a significant impact on the Company's results of operations or financial position.

In July 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 146 ("SFAS 146"), "Accounting for Costs Associated with Exit or Disposal Activities." SFAS 146 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. SFAS 146 is effective for exit or disposal activities that are initiated after December 31, 2002. Management is evaluating the effect of this statement on the Company's results of operations and financial position.

Note 4—Goodwill

The changes in the carrying amount of goodwill for the nine months ended September 30, 2002 are as follows (in thousands):

	United States	International	Total
Balance as of January 1, 2002	$ 47,590	$ 145,397	$ 192,987
Acquisitions and other (1)	316,774	8,075	324,849
Cumulative effect of accounting change	—	(64,120)	(64,120)
Balance as of September 30, 2002	$ 364,364	$ 89,352	$ 453,716

(1) Other primarily includes the reclassification of certain intangibles to goodwill in connection with the adoption of SFAS 142 and certain purchase price adjustments to existing goodwill. See also Note 10—Acquisition.

The Company performed a transitional impairment test of its goodwill and intangible assets as of January 1, 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 $64.1 million, 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.

Due to the adoption of SFAS 142 on January 1, 2002, the Company ceased amortizing goodwill. Had SFAS 142 been in effect during the three and nine months ended September 30, 2001, the Company would not have recorded goodwill amortization expense of $13.9 million and $40.4 million, respectively. Had SFAS 142 been in effect during the years ended December 31, 2001, 2000 and 1999, the Company would not have recorded goodwill amortization expense of $55.9 million, $21.6 million, and $12.9 million, 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):

	Three Months Ended September 30,		Nine Months Ended September 30,		Years Ended December 31,		
	2002	2001	2002	2001	2001	2000	1999
Reported net income (loss)	$ 28,857	$ (24,119)	$ (3,394)	$ (84,129)	$ (92,788)	$ 70,776	$ 47,811
Goodwill amortization, net of tax	—	13,938	—	40,394	55,850	21,578	12,890
Adjusted net income (loss)	$ 28,857	$ (10,181)	$ (3,394)	$ (43,735)	$ (36,938)	$ 92,354	$ 60,701
Net income (loss) per share:							
Basic—as reported	$ 0.05	$ (0.04)	$ (0.01)	$ (0.15)	$ (0.16)	$ 0.13	$ 0.09
Basic—adjusted	$ 0.05	$ (0.02)	$ (0.01)	$ (0.08)	$ (0.06)	$ 0.17	$ 0.12
Diluted—as reported	$ 0.05	(0.04)	$ (0.01)	$ (0.15)	$ (0.16)	$ 0.12	$ 0.08
Diluted—adjusted	$ 0.05	$ (0.02)	$ (0.01)	$ (0.08)	$ (0.06)	$ 0.15	$ 0.10

Note 5—Intangible Assets, Net
(in thousands)

	September 30, 2002			December 31, 2001
	Gross carrying amount	Accumulated amortization	Net	Net
Trademarks	$ 57,100	$ (6,064)	$ 51,036	$ 2,890
Customer agreements	52,730	(11,257)	41,473	10,275
Developed technology	8,700	(1,078)	7,622	—
Content and other	4,950	(2,715)	2,235	6,292
	$ 123,480	$ (21,114)	$ 102,366	$ 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: 2002: $21.2 million; 2003: $21.7 million; 2004: $19.6 million; 2005: $15.2 million; and 2006: $14.1 million. See also Note 10—Acquisition.

Note 6—Restructuring Costs

In 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 $57.5 million classified as operating expenses in 2001.

The worldwide workforce reductions totaling approximately 660 employees across certain business functions, operating units and geographic regions commenced in the second quarter of 2001 and were substantially completed by December 31, 2001. Amounts related to the net lease expense due to the consolidation of facilities will be paid over the respective lease terms through December 2012. If facilities rental rates continue to decrease in their respective markets or if it takes longer than expected to sublease these facilities, the actual loss could increase the original total restructuring costs of $57.5 million.

A summary of the restructuring costs during the nine months ended September 30, 2002 is as follows (in thousands):

	Restructuring Accrual at December 31, 2001	Cash Payments	Restructuring Accrual at September 30, 2002
Workforce reduction	$ 3,825	$ (3,825)	$ —
Consolidation of excess facilities and other charges	25,675	(12,962)	12,713
Total	$ 29,500	$ (16,787)	$ 12,713

The restructuring accrual is included on the balance sheet within Accrued expenses and other current liabilities.

Note 7—Other Liabilities

Other liabilities includes deferred tax liabilities of $59.7 million and $23.8 million and long-term deferred revenue of $30.0 million and $0 as of September 30, 2002 and December 31, 2001, respectively.

Note 8—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 the three and nine month period ended September 30, 2002, potential common shares of 10.4 million and 16.8 million were included in the computation and were related to shares issuable upon the exercise of stock options. For the three and nine month period ended September 30, 2001, potential common shares related to shares issuable upon the exercise of stock options of 23.3 million and 27.0 million were not included in the computation because they were antidilutive.

Note 9—Comprehensive Income (Loss)

The components of comprehensive income (loss), net of tax, are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Net income (loss)	$ 28,857	$ (24,119)	$ (3,394)	$ (84,129)
Unrealized gains (losses) on available-for-sale securities	3,456	(3,093)	(8,924)	(15,222)
Foreign currency translation gains (losses)	621	1,551	557	(3,342)
Comprehensive income (loss)	$ 32,934	$ (25,661)	$ (11,761)	$ (102,693)

Accumulated other comprehensive income (loss) consists of the unrealized gains or losses on available-for-sale securities, net of tax and the cumulative translation adjustment, as presented on the accompanying unaudited condensed consolidated balance sheets.

Note 10—Acquisition

In February 2002, 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 for the Company primarily through listings and subscription fees for access to HotJobs' database.

The total purchase price of $439.1 million consisted of $191.8 million in Yahoo! Common Stock, representing approximately 12 million shares, $206.6 million in cash consideration, $33.7 million of stock options exchanged and direct transaction costs of $7.0 million. The value of the common stock and stock options was determined based on the average market price of the Company's Common Stock over the 5-day period surrounding the date the terms of the exchange offer were finalized in February 2002.

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	49,328
Amortizable intangible assets	98,600
Goodwill	322,676
Liabilities	(49,284)
Deferred income taxes	(39,440)

Deferred compensation	3,928
Total	$ 439,092

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 $322.7 million 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. In accordance with SFAS 142, goodwill is not amortized and will be tested for impairment at least annually.

The following unaudited pro forma information presents a summary of the results of operations of the Company assuming the acquisition of HotJobs occurred on January 1, 2001 (in thousands, except per share amounts):

	Nine Months Ended September 30,	
	2002	2001
Net Revenues	$ 678,075	$ 621,066
Net Loss	(13,002)	(104,504)
Net loss per share — basic	$ (0.02)	$ (0.18)
Net loss per share — diluted	$ (0.02)	$ (0.18)

Note 11—Stock Repurchase Program

On March 7, 2001, the Company announced that its Board of Directors had authorized the Company to repurchase up to $500 million 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. During the third quarter of 2002, the Company repurchased 11,074,197 shares of Common Stock from SOFTBANK America, Inc. ("SOFTBANK America"), a holder of approximately 7% of the Company's Common Stock at September 30, 2002, at a price of $9.03 per share. As of September 30, 2002 and since the initiation of the Stock Repurchase Program, the Company had repurchased a total of 16,458,620 shares of Common Stock at an average price of $9.72 per share for a total amount of approximately $160 million. Of the total shares repurchased, an aggregate of 16,033,620 shares were purchased from SOFTBANK America at an average price of $9.67 per share. The remaining 425,000 shares were repurchased by the Company in open market transactions.

Note 12—Segment Information

The Company conducts business globally and manages it 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 from operations before certain non-cash 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 only 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 during the three and nine months ended September 30, 2002 and 2001.

Summarized information by segment, as excerpted from the internal management reports, is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Net revenues:				
United States	$ 210,135	$ 139,365	$ 564,212	$ 435,450
International	38,688	26,766	103,068	93,061
Total net revenues	$ 248,823	$ 166,131	$ 667,280	$ 528,511
Segment EBITDA:				
United States	$ 58,574	$ 16,266	$ 130,697	$ (1,411)
International	1,607	(9,497)	(10,002)	(28,912)
Total segment EBITDA	60,181	6,769	120,695	(30,323)
Corporate and unallocated operating costs and expenses:				
Stock compensation expense	(953)	(1,050)	(7,693)	(8,107)

Amortization of intangibles		(5,914)		(15,163)		(15,288)		(45,636)
Depreciation		(23,837)		(16,918)		(64,894)		(48,898)
Income (loss) from operations	$	29,477	$	(26,362)	$	32,820	$	(132,964)
Capital expenditures, net:								
United States	$	10,868	$	10,607	$	30,660	$	60,126
International		2,425		6,206		4,221		11,743
Total consolidated capital expenditures, net	$	13,293	$	16,813	$	34,881	$	71,869

In addition to the above, the Company increased its United States property and equipment by approximately $259 million during the three and nine months ended September 30, 2002 which was funded through restricted investments. See also Operating Leases under Note 13—Commitments and Contingencies.

		September 30, 2002		December 31, 2001
Long-lived assets:				
United States	$	966,416	$	297,977
International		133,453		190,756
Total consolidated long-lived assets	$	1,099,869	$	488,733

The amounts above include property and equipment information, which is based on the physical location of the assets.

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2002		2001		2002		2001	
Marketing services	$	147,418	$	120,724	$	404,109	$	403,603
Fees and listings		83,062		37,000		212,134		105,746
Transactions		18,343		8,407		51,037		19,162
	$	248,823	$	166,131	$	667,280	$	528,511

Revenues from the Company's agreement with Overture Services, Inc. are included in marketing services for the three and nine months ended September 30, 2002 and exceeded 10% of total net revenues in those periods.

Note 13—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 the Company's new headquarters. Upon substantial completion of the construction in 2001, the Company funded approximately $259 million in connection with the lease financing arrangement for the complex, and at December 31, 2001 such amount had been classified as restricted long-term investments. During July 2002, the Company exercised its right pursuant to the master lease agreement and acquired the complex for approximately $259 million, which was funded through the restricted long-term investments. As a result, the Company increased property and equipment by approximately $259 million and eliminated its restricted long-term investments.

The Company has entered into various non-cancelable operating lease agreements for its other offices throughout the U.S. and for its international subsidiaries with original lease periods ranging from 6 months to 13 years and expiring between 2002 and 2012.

In addition, the Company has entered into various sublease arrangements associated with its 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, excluding the lease described below, as of September 30, 2002 can be summarized as follows (in millions):

		Gross lease commitments		Sublease income		Net lease commitments
Three months ending December 31, 2002	$	5.4	$	(1.9)	$	3.5
Year ending December 31,						
2003		20.9		(7.9)		13.0
2004		16.7		(6.1)		10.6
2005		12.5		(4.0)		8.5
2006		10.9		(3.2)		7.7
2007		7.2		—		7.2
Thereafter		12.8		—		12.8

In addition, the Company entered into an agreement committing to lease two additional buildings adjacent to the Company's headquarters in Sunnyvale, California. Construction began in the fourth quarter of 2001 and the buildings are expected to be ready for occupancy in the third quarter of 2003. Upon completion of the building construction, the Company has committed to a 15 year lease obligation, with annual lease payments under the lease of approximately $5.1 million in year one, approximately $6.7 million in year two, and with incremental increases of 3.5% in each of the following

years. After year one of the lease, the Company has the right to (i) purchase the buildings for approximately $68.9 million, plus fees, or (ii) restructure the lease through an alternate financing arrangement, or (iii) continue leasing the buildings under the original agreement for the remaining fourteen years. These amounts are not included in the table above.

Investments in Privately-Held Companies. During the third quarter of 2002, the Company acquired an equity interest of approximately 16% in Sonera zed Ltd., ("zed"), a privately-held mobile device services company. Under the terms of the investment agreement, Yahoo! has call options to acquire the remaining interests not owned by Yahoo! or sell back its shares. In addition, zed has a put option enabling them to require Yahoo! to acquire the remaining interests not owned by Yahoo! if a majority of the zed outstanding shares are acquired by Yahoo!. The amount of the purchase price for the remaining equity interests in zed not held by Yahoo! is not determinable at this time but will be based on an operating performance based valuation of zed. The Company's investment in zed was immaterial to its condensed consolidated balance sheet as of September 30, 2002.

Other Commitments. In the ordinary course of business the Company enters into various arrangements with vendors and other business partners, principally for marketing, technology, bandwidth and content arrangements. There are no material commitments for these arrangements extending beyond 2002.

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 is engaged in four 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 Yahoo!'s 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 the Company's financial position, results of operations or cash flows. However, the Company may incur substantial expenses in defending against third party claims. In the event of a determination adverse to 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 May 24, 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 Entertainment Inc., 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. The acquisition of Launch closed in August 2001 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 Section 114 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 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 Yahoo! 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.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including, without limitation, statements regarding the Company's expectations, beliefs, intentions or future strategies that are signified by the words "expects," "anticipates," "intends," "believes," or similar language. Forward-looking statements so identified include those relating to the Company's beliefs about its operating results for the year ended 2002 compared to 2001 located below under the heading "Results of Operations." These forward-looking statements are based upon current expectations and beliefs of the Company's management and are subject to risks and uncertainties that could cause results to differ materially from those indicated in the forward-looking statements. Some, but not all, of the factors, which could cause actual results to differ materially include those set forth in the risks discussed below under the subheading "Risk Factors" and elsewhere in this report. The Company undertakes no obligation to revise or publicly release the results of any revision to these forward-looking statements, or to explain why actual results differ. Readers should carefully review the risk factors described in this section below and any subsequently filed SEC reports.

Overview

Yahoo! Inc. ("Yahoo!") is a leading provider of comprehensive online products and services to consumers and businesses worldwide. Headquartered in Sunnyvale, California, Yahoo!'s global network includes 25 World properties and is available in 13 languages. We have offices in the United States, Europe, Asia, Latin America, Australia and Canada.

We conduct our business globally and manage it 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.

Results of Operations

Net Revenues

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2002	*	2001	*	2002	*	2001	*
Marketing services	$ 147,418	59%	$ 120,724	73%	$ 404,109	61%	$ 403,603	76%
Fees and listings	83,062	33%	37,000	22%	212,134	32%	105,746	20%
Transactions	18,343	8%	8,407	5%	51,037	7%	19,162	4%
	$ 248,823	100%	$ 166,131	100%	$ 667,280	100%	$ 528,511	100%

* Percent of Net revenues

Marketing Services Revenues. Marketing services revenues are primarily generated from the sale of banner, sponsorship, and text-link advertisements, including sponsored search services provided through our agreement with Overture Services, Inc. Marketing services in the third quarter of 2002 increased by $26.7 million, or 22%, as compared to the third quarter of 2001. For the nine months ended September 30, 2002, marketing services increased $0.5 million, or less than 1%, as compared to the corresponding year ago period. The increases are due primarily to an increase in revenues from small and medium sized companies, realized through our sponsored search services and inside sales organization. The increases were partially offset by a decrease in barter revenues and, for the nine month period, a decrease in renewals of previous advertising arrangements from Internet companies

during the first half of 2002 and a softening of the European advertising market. During the three and nine months ended September 30, 2002, revenues from our agreement with Overture Services, Inc. exceeded 10% of total net revenues.

For 2002, we currently believe that marketing services revenues will increase modestly in absolute dollars compared to our 2001 marketing services revenues.

Fees and Listings Revenues. Fees and listings revenues consist of revenues generated from a variety of fee and listings-based services we provide. These services primarily include access to the HotJobs database, Small Business Services, Yahoo! Portal Solutions, broadcasting live and on-demand events, Yahoo! Personals, SBC Yahoo! Dial, and certain Search and Directory services. Fees and listings revenues in the third quarter of 2002 increased $46.1 million, or 124%, as compared to the third quarter of 2001. For the nine months ended September 30, 2002, fees and listings revenues increased $106.4 million, or 101%, as compared to the corresponding year ago period. The increases are primarily attributable to the acquisition of HotJobs' during the first quarter of 2002, as well as the increase in paying customers for our fee- and listings-based services, including Yahoo! Personals and the SBC Yahoo! Dial product, which was introduced in the third quarter of 2002.

For 2002, we currently expect fees and listings revenues to increase in absolute dollars compared to 2001.

Transactions Revenues. Transactions revenues in the third quarter of 2002 increased by $9.9 million, or 118%, as compared to the third quarter of 2001. For the nine months ended September 30, 2002, transactions revenues increased $31.9 million, or 166%, as compared to the corresponding year ago period. The increase in transactions is primarily driven by increased commerce transactions enabled on the Yahoo! Network and a change in the Company's pricing for the Yahoo! Store platform primarily from a fixed to transaction-based structure.

For 2002, transactions revenues are currently expected to increase compared to 2001.

Overall, we currently expect total combined revenues for marketing services, fees and listings, and transactions to increase approximately 30% to 33% as compared to 2001.

Costs and Expenses:

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2002	*	2001	*	2002	*	2001	*
Cost of revenues	$ 41,033	16%	$ 40,598	24%	$ 120,562	18%	$ 119,700	23%
Sales and marketing	109,086	44%	86,731	52%	315,247	47%	295,950	56%
Product development	37,352	15%	29,929	18%	105,296	16%	95,270	18%
General and administrative	25,961	10%	20,072	12%	78,067	12%	59,469	11%

* 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 in the third quarter of 2002 increased by $0.4 million, or 1%, as compared to the third quarter of 2001. For the nine months ended September 30, 2002, cost of revenues increased $0.9 million, or 1%, as compared to the corresponding year ago period. The increases are primarily

attributable to the acquisition of HotJobs during the first quarter of 2002 and an increase in costs associated with greater network usage, partially offset by achieving more favorable bandwidth pricing during 2002.

We currently anticipate that cost of revenues will increase modestly in absolute dollars in 2002 compared to 2001.

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 in the third quarter of 2002 increased $22.4 million, or 26%, as compared to the third quarter of 2001. For the nine months ended September 30, 2002, sales and marketing expenses increased $19.3 million, or 7%, as compared to the corresponding year ago period. The increases are primarily the result of the acquisition of HotJobs, partially offset by our overall effort to manage discretionary costs and a decrease in barter related expenses.

We currently anticipate that sales and marketing expenses will increase in absolute dollars in 2002 as compared to 2001.

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 in the third quarter of 2002 increased $7.4 million, or 25%, as compared to the third quarter of 2001. For the nine months ended September 30, 2002, product development expenses increased $10.0 million, or 11%, as compared to the corresponding year ago period. The increases are primarily the result of our acquisition of HotJobs as well as overall increases in our total compensation expense related to engineers that develop and enhance properties and services throughout the Yahoo! Network.

We believe that continued investments in product development are required to remain competitive. Consequently, we currently anticipate that product development costs will increase in absolute dollars in 2002 as compared to 2001.

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

General and administrative expenses in the third quarter of 2002 increased $5.9 million, or 29%, as compared to the third quarter of 2001. For the nine months ended September 30, 2002, general and administrative expenses increased $18.6 million, or 31%, as compared to the corresponding year ago period. The increases are primarily attributable to increases in compensation related expenses and incremental general and administrative expenses as a result of the acquisition of HotJobs.

We currently believe that general and administrative expenses will increase in absolute dollars in 2002 as compared to 2001.

Overall, we currently expect total combined primary operating costs and expenses to increase approximately 12% to 14% in absolute dollars as compared to 2001.

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 expense was $5.9 million for the third quarter of 2002, or 2%, of net revenues. For the third quarter of 2001, amortization of intangibles expense was $15.2 million, or 9% of net revenues. For the nine months ended September 30, 2002, amortization of intangible expense was $15.3 million, or 2% of net revenues, compared to $45.6 million, or 9% of net revenues, for the

corresponding year ago period. The decrease in amortization of intangibles is primarily the result of the discontinuance of goodwill amortization in accordance with the adoption of Statement of Financial Accounting Standards No. 142 ("SFAS 142"), "Goodwill and Other Intangible Assets," offset by additional amortizable intangibles acquired in conjunction with acquisitions during the first quarter of 2002.

Effective January 1, 2002, we have adopted the provisions of SFAS 142, and as a result, we performed a transitional impairment test of our goodwill and intangibles as of January 1, 2002. Due to the overall softening of the global economy, and the related decline in international advertising, we recorded a transitional goodwill impairment loss of $64.1 million, which was recorded as a cumulative effect of an accounting change in our 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.

Restructuring Costs. In 2001, we announced restructuring programs to balance our investment in growth areas with the desire to modify our 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, we recorded restructuring costs of $57.5 million classified as operating expenses in 2001.

The worldwide workforce reductions totaling approximately 660 employees across certain business functions, operating units and geographic regions commenced in the second quarter of 2001 and were substantially completed by December 31, 2001. Amounts related to the net lease expense due to the consolidation of facilities will be paid over the respective lease terms through December 2012. If facilities rental rates continue to decrease in their respective markets or if it takes longer than expected to sublease these facilities, the actual loss could increase the original total restructuring costs of $57.5 million.

A summary of the restructuring costs during the nine months ended September 30, 2002 is as follows (in thousands):

	Restructuring Accrual at December 31, 2001	Cash Payments	Restructuring Accrual at September 30, 2002

Workforce reduction	$ 3,825	$ (3,825)	$ —
Consolidation of excess facilities and other charges	25,675	(12,962)	12,713
Total	$ 29,500	$ (16,787)	$ 12,713

The restructuring accrual is included on the balance sheet in Accrued expenses and other current liabilities.

Acquisition-Related Costs. Acquisition-related costs during the nine months ended September 30, 2001 of $4.8 million were for incremental costs associated with the final settlement of a facilities lease termination in connection with our acquisition of eGroups.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Interest income	$ 15,382	$ 22,779	$ 50,180	$ 73,358
Investment gains (losses)	(672)	(17,914)	2,341	(27,502)
Contract termination fees, net	(843)	—	1,661	9,000
Earnings in equity interests	5,527	1,214	15,327	2,542
Other	141	(252)	1,923	(1,805)
	$ 19,535	$ 5,827	$ 71,432	$ 55,593

Other income, net was $19.5 million and $5.8 million for the quarters ended September 30, 2002 and 2001. The increase from the third quarter of 2001 to the third quarter of 2002 of $13.7 million is primarily the result of lower net investment losses and an increase in earnings in our equity interest in Yahoo! Japan, partially offset by a decrease in interest income related to a decline in interest rates and a smaller average investment balance in the third quarter of 2002.

Other income, net was $71.4 million and $55.6 million for the nine months ended September 30, 2002 and 2001. The increase of $15.8 million is primarily the result of greater investment gains, earnings in equity interests, and the cessation of goodwill amortization related to our equity interests in accordance with SFAS 142. These increases were offset by a decrease in interest income related to a decline in interest rates and a smaller average investment balance in the first nine months of 2002, as well as larger contract termination fees in 2001.

Other income, 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 investors' percentage share of income or losses from 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 a loss of $0.9 million and $0.6 million for the three and nine months ended September 30, 2002, compared to income of $0.3 million and $0.8 million for the corresponding year ago periods.

Income Taxes. The provision for income taxes for the three and nine months ended September 30, 2002 differs from the amount computed by applying the statutory federal rate principally due to state taxes, foreign losses for which no tax benefit is provided, and nontaxable equity earnings from certain investments. For the three and nine months ended September 30, 2001, the provision for income taxes differed from the amount computed by applying the statutory federal rate due to nondeductible amortization charges related to acquisitions, nondeductible stock compensation charges, and foreign losses for which no tax benefit is provided.

Business Segment Results

We conduct business globally and manage it 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 from operations before certain non-cash 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 only 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 during the three and nine months ended September 30, 2002 and 2001.

Summarized information by segment, as excerpted from the internal management reports, is as follows (in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2002	(2)	2001	(2)	2002	(2)	2001	(2)
Net revenues:								
United States	$ 210,135	84%	$ 139,365	84%	$ 564,212	85%	$ 435,450	82%
International	38,688	16%	26,766	16%	103,068	15%	93,061	18%
Total net revenues	$ 248,823	100%	$ 166,131	100%	$ 667,280	100%	$ 528,511	100%
Segment EBITDA(1):		(3)		(3)		(3)		(3)
United States	$ 58,574	28%	$ 16,266	12%	$ 130,697	23%	$ (1,411)	0%
International	1,607	4%	(9,497)	(35)%	(10,002)	(10)%	(28,912)	(31)%
Total segment EBITDA	$ 60,181	24%	$ 6,769	4%	$ 120,695	18%	$ (30,323)	(6)%

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

(2) Percent of Total net revenues.

(3) Segment EBITDA Margin.

United States. United States revenues in the third quarter of 2002 increased $70.8 million, or 51%, compared to the third quarter of 2001. United States revenues during the nine months ended September 30, 2002 increased $128.8 million, or 30%, compared to the corresponding year ago period. The increases are primarily a result of the acquisition of HotJobs during the first quarter of 2002, as well as the monetization of Yahoo! Personals and sponsored search services, partially offset by a decrease in other marketing services revenues. United States segment EBITDA in the third quarter of 2002 increased $42.3 million, or 260%, compared to the third quarter of 2001. United States segment EBIDTA during the nine months ended September 30, 2002 increased $132.1 million compared to the corresponding year ago period. The increases are primarily due to the nonrecurrence of the 2001 Restructuring and acquisition related costs, which resulted in a $45.5 million charge during the second quarter of 2001, and cost savings obtained through a reduction in discretionary spending and as well as increased net revenues with associated lower incremental costs during the period.

International. International revenues in the third quarter of 2002 increased $11.9 million, or 45%, compared to the third quarter of 2001, primarily due to strength in the Asian economy, an increase in marketing services sponsorships, Yahoo! Portal Solutions and transactions revenues. International revenues during the nine months ended September 30, 2002 increased $10.0 million, or 11%, compared to the corresponding year ago period, 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 segment EBITDA in the third quarter of 2002 increased $11.1 million, or 117%, compared to the third quarter of 2001, primarily due to a reduction in discretionary spending. International segment EBITDA during the nine months ended September 30, 2002 increased $18.9 million, or 65%, compared to the corresponding year ago period, primarily due to the nonrecurrence of the 2001 Restructuring programs and a reduction in discretionary spending.

Acquisition

In February 2002, we completed the acquisition of HotJobs.com, Ltd. ("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 total purchase price of $439.1 million consisted of $191.8 million in Yahoo! Common Stock, representing approximately 12 million shares, $206.6 million in cash consideration, $33.7 million of stock options exchanged and direct transaction costs of $7.0 million. 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 February 2002.

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	49,328
Amortizable intangible assets	98,600
Goodwill	322,676
Liabilities	(49,284)
Deferred income taxes	(39,440)
Deferred compensation	3,928
Total	$ 439,092

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 $322.7 million 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. In accordance with SFAS 142, goodwill is not amortized and will be tested for impairment at least annually.

Related Party Transactions

SOFTBANK America Inc., including its consolidated affiliates ("SOFTBANK America"), was approximately a 7% stockholder of the Company at September 30, 2002. We are party to certain joint ventures with SOFTBANK Corp, an affiliate of SOFTBANK America, in France, Germany, Japan, Korea and the United Kingdom. Eric Hippeau, a Managing Partner of SOFTBANK Capital Partners, another affiliate of SOFTBANK America, is also a member of our Board of Directors. As a result, SOFTBANK America is able to significantly influence all matters requiring Yahoo! stockholder

approval. Revenues from SOFTBANK Corp and SOFTBANK America accounted for 3% and 2% of net revenues during the three months ended September 30, 2002 and 2001 and 2% and 6% for the nine months ended September 30, 2002 and 2001. We believe contracted prices are comparable to those given to unrelated customers.

During the third quarter of 2002, we repurchased 11,074,197 shares of Common Stock from SOFTBANK America, Inc. at a price of $9.03 per share pursuant to our Stock Repurchase Program. To date, an aggregate of 16,033,620 shares have been repurchased from SOFTBANK America at an average price of $9.67 per share.

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 these 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, as well as from a variety of 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 $5.5 million of impairments on the carrying value of equity securities during the nine months ended September 30, 2002.

Goodwill Impairment. Our long-lived assets include goodwill and other intangible assets of $453.7 million and $102.4 million, respectively, as of September 30, 2002. We performed a transitional impairment test of goodwill and intangible assets as of January 1, 2002. Due to, among other things, the overall softening of the global economy and the related decline in international advertising, we recorded a goodwill transitional impairment loss of $64.1 million, which was recorded during the first quarter as a cumulative effect of an accounting change in our 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 comparable approach. Some of the more significant estimates and assumptions inherent in the two approaches include: projected future cash flows (including timing); discount rate reflecting the risk inherent in the future cash flows; perpetual growth rate; determination of appropriate market comparables; and the determination of whether a premium or a discount should be applied to comparables. Most of the above assumptions were made based on available historical information. Any further impairment losses recorded in the future could have a material adverse impact on our financial condition and results of operations.

Recent Accounting Pronouncements

Effective January 1, 2002 we adopted SFAS 142, "Goodwill and Other Intangible Assets." SFAS 142 requires, among other things, the discontinuance of amortization related to goodwill and indefinite lived intangible assets. These assets will then be subject to an impairment test at least annually. In addition, the

statement includes provisions upon adoption for the reclassification of certain existing recognized intangibles as goodwill, the identification of reporting units for the purpose of assessing potential future impairments of goodwill, the reassessment of the useful lives of existing recognized intangibles and reclassification of certain intangibles out of previously reported goodwill.

Upon the adoption of SFAS 142, we recognized a transitional goodwill impairment loss of $64.1 million as of January 1, 2002, which was recorded as the cumulative effect of a change in accounting principal in our consolidated Statements of Operations. See also Note 4—Goodwill. Any further impairment losses recorded in the future could have a material adverse impact on our results of operations or financial position.

Effective January 1, 2002, we adopted Statement of Financial Accounting Standards No. 144 ("SFAS 144"), "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement addresses financial accounting and reporting for the impairment of long-lived assets. The adoption of this statement did not have a significant impact on our results of operations or financial position.

In July 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 146 ("SFAS 146"), "Accounting for Costs Associated with Exit or Disposal Activities." SFAS 146 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. SFAS 146 is effective for exit or disposal activities that are initiated after December 31, 2002. We are evaluating the effect of this statement on our results of operations and financial position.

Liquidity and Capital Resources

	Nine Months Ended September 30,	
	2002	2001
Cash provided by operating activities	$ 223,090	$ 93,867
Cash used in investing activities	$ (219,502)	$ (202,010)
Cash provided by (used in) financing activities	$ (61,385)	$ 110

Yahoo! invests 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. We had cash and cash equivalents and investments in marketable debt securities totaling approximately $1.4 billion at September 30, 2002.

Cash provided by operating activities primarily consists of net loss adjusted for certain non-cash items including depreciation, amortization, tax benefits from stock options, net investment gains and losses, the cumulative effect of an accounting change, other non-cash items, changes in long term deferred revenue, and the effect of changes in working capital and other activities. For the nine months ended September 30, 2002, cash provided by operating activities of $223.1 million consisted primarily of a net loss of $3.4 million adjusted for non-cash items of $174.3 million and $52.2 million provided by working capital and other activities. For the nine months ended September 30, 2001, cash provided by operating activities of $93.9 million consisted primarily of a net loss of $84.1 million adjusted for non-cash items of $147.5 million and $30.5 million provided by working capital and other activities.

Cash used in investing activities was $219.5 million for the nine months ended September 30, 2002. This was primarily attributable to cash used in acquisitions and purchases of other investments, net of $196.1 million and capital expenditures totaling $34.9 million, offset by proceeds (net of purchases) of investments in marketable securities during the period of $11.5 million. For the nine months ended September 30, 2001, cash used in investing activities of $202.0 million was primarily attributable to an increase in restricted investments of $228.7 million, capital expenditures totaling $71.9 million, and cash used in acquisitions and purchases of other investments, net of $18.9 million offset by proceeds from sales and maturities (net of purchases) of investments in marketable securities during the period of $117.5 million.

For the nine months ended September 30, 2002 cash used in financing activities of $61.4 was primarily attributable to a repurchase of Common Stock of $100 million, offset by the issuance of Common Stock pursuant to the exercise of stock options of $38.6 million. For the nine months ended September 30, 2001 cash provided by financing activities of $0.1 million was attributable to the issuance of Common Stock pursuant to the exercise of stock options of $62.9 million, offset primarily by a repurchase of Common Stock of $60.0 million.

Operating Leases

Operating Leases. During 1999, we entered into agreements for the development of an office complex in Sunnyvale, California to serve as our new headquarters. Upon substantial completion of the construction in 2001, approximately $259 million in connection with the lease financing arrangement was funded for the complex, and at December 31, 2001 such amount had been classified as restricted long-term investments. During July 2002, we exercised our right pursuant to the master lease agreement to acquire the complex for approximately $259 million, which was funded by the restricted long-term investments. As a result, we increased property and equipment by approximately $259 million and eliminated the restricted long-term investments.

We have entered into various non-cancelable operating lease agreements for our other offices throughout the U.S. and for our international subsidiaries with original lease periods ranging from 6 months to 13 years and expiring between 2002 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, excluding the lease described below, as of September 30, 2002 can be summarized as follows (in millions):

	Gross lease commitments	Sublease income	Net lease commitments

Three months ending December 31, 2002	$ 5.4	$ (1.9)	$ 3.5
Year ending December 31,			
2003	20.9	(7.9)	13.0
2004	16.7	(6.1)	10.6
2005	12.5	(4.0)	8.5
2006	10.9	(3.2)	7.7
2007	7.2	—	7.2
Thereafter	12.8	—	12.8

In addition, we have an agreement committing to lease two additional buildings adjacent to our headquarters in Sunnyvale, California. Construction began in the fourth quarter of 2001 and 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 15 year lease obligation, with annual lease payments under the lease of approximately $5.1 million in year one, approximately $6.7 million in year two, and with incremental increases of 3.5% in each of the following years. After year one of the lease, we have the right to (i) purchase the buildings for approximately $68.9 million, plus fees, (ii) restructure the lease through an alternate financing arrangement, or (iii) continue leasing the buildings under the original agreement for the remaining fourteen years. These amounts are not included in the table above.

Investments in Privately-Held Companies.

During the third quarter of 2002, we acquired an equity interest of approximately 16% in Sonera zed Ltd., ("zed"), a privately-held mobile device services company. Under the terms of the investment agreement, we have call options to acquire the remaining interests not owned by Yahoo! or sell back our shares. In addition, zed has a put option enabling them to require us to acquire the remaining interests not owned by Yahoo! if a majority of the zed outstanding shares are acquired by Yahoo!. The amount of the purchase price for the remaining equity interests in zed not held by Yahoo! is not determinable at this time but will be based on an operating performance based valuation of zed. Our investment in zed was immaterial to our condensed consolidated balance sheet as of September 30, 2002.

Other Commitments

In the ordinary course of business we enter into various arrangements with vendors and other business partners principally for marketing, technology, bandwidth and content arrangements. There are no material commitments for these arrangements extending beyond 2002.

During 2001, we announced that the Board of Directors had authorized a repurchase of up to $500 million 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

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contracts to facilitate the repurchase of Common Stock. Pursuant to this repurchase program, we have repurchased to date a total of 16.5 million shares for approximately $160.0 million through September 30, 2002 and may continue to repurchase shares in future periods.

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 further dilution to our stockholders.

RISK FACTORS

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

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

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

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

In particular, we face significant competition from AOL Time Warner and Microsoft ("MSN"). The combination of America Online and Time Warner provides America Online with content from Time Warner's movie and television, music, books and periodicals, news, sports and other media holdings; access to a network of cable and other broadband delivery technologies; and considerable resources for future growth and expansion. The America Online/Time Warner combination also provides America Online with access to a broad potential customer base consisting of Time Warner's current customers and subscribers of its various media properties. To a less significant extent, we also face competition from other companies that have combined a variety of services under one brand in a manner similar to Yahoo!. In certain of these cases, most notably AOL Time Warner and MSN, our competition has a direct billing relationship with the user, which we generally lack, except with respect to users of 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. We also face competition from Websites focused on vertical markets where expertise in a particular segment of the market may provide a competitive advantage. On an international level, we compete directly with local providers; they may have several advantages, including greater knowledge about the particular country or local market and access to significant financial or strategic resources in such local markets. We must continue to obtain more knowledge about our users and their preferences, 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.

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

Our intellectual property rights are costly and difficult to protect.

We regard our copyrights, patents, trademarks, trade dress, trade secrets, and similar intellectual property, including our rights to certain domain names, as critical to Yahoo!'s success. We rely upon trademark, patent and copyright law, trade secret protection and confidentiality or license agreements with our employees, customers, partners and others to protect our proprietary rights. For example, we have obtained the registration for certain of our trademarks, including "Yahoo!," "GeoCities," "HotJobs," "LAUNCH" and "Yahooligans!." Effective trademark, patent, copyright, and trade secret protection may not be available in every country in which our products and media properties are distributed or made available through the Internet, and while we attempt to ensure that the quality of our brand is maintained by our licensees, our licensees may take actions that could materially and adversely affect the value of our proprietary rights or the reputation of our products and media properties. We are aware that third parties have, from time to time, copied significant content available on Yahoo! for use in competitive Internet services. Protection of the distinctive elements of Yahoo! may not be available under copyright law. We cannot guarantee that the steps we have taken to protect our proprietary rights will be adequate.

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

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 four lawsuits regarding patent issues and have been notified of a number of other potential disputes.

In addition to patent claims, third parties have asserted and most likely will continue to assert claims against us alleging infringement of copyrights, trademark rights, trade secret rights or other proprietary rights, or alleging unfair competition or violations of privacy rights. In the event that we determine that licensing patents or other proprietary rights is appropriate, we cannot guarantee that we will be able to license such proprietary rights on reasonable terms or at all. We may incur substantial expenses in defending against third-party infringement claims regardless of the merit of such claims. In addition, we are aware of lawsuits regarding the presentment of advertisements in response to search requests on "keywords" that may be trademarks of third parties. 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.

Because of the uncertain nature of the rapidly changing market we serve, period-to-period comparisons of operating results are not likely to be meaningful. In addition, you should not rely on the results for any period as an indication of future performance. 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. In addition, 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

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product development, develop and commercialize additional media properties, and acquire complementary businesses and technologies. Additionally, 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. We have experienced a decline in our stock price and market capitalization and our industry is experiencing a slower growth rate than historically realized. If such factors continue, we may be required to record a significant charge to earnings in our financial statements in the period any impairment of our goodwill or amortizable intangible assets is determined. At September 30, 2002, our goodwill and other intangible assets were $556.1 million. In the first quarter of 2002, we recorded a transitional impairment charge of $64.1 million 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."

Further, we are subject to employer payroll taxes when our employees exercise their non-qualified stock options. The employer payroll taxes are assessed on each employee's gain, which is the difference between the price of our common stock on the date of exercise and the exercise price. During a particular period, these payroll taxes could be material. Depending on the number of shares of our common stock for which options are exercised and the fair market value of shares of our common stock during such period, these employer payroll taxes would be recorded as a charge to operations in the period such options are exercised based on actual gains realized by employees. In addition to the net proceeds we would receive upon the exercise of stock options, we would receive tax deductions for gains realized by employees on the exercise of non-qualified stock options for which the benefit is recorded as additional paid-in capital. However, because we are unable to predict our future stock price and the number of optionees who may exercise during any particular period, we cannot predict what, if any, expense will be recorded in a future period and the impact on our future financial results.

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

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

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

In addition, 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. If we are unsuccessful in adapting to the needs of our changing mix of advertisers, it could have a material adverse effect on our business, operating results and financial condition. In addition, companies in more traditional lines of business are not spending money on advertising as quickly as we anticipated. These conditions could have a material adverse effect on our business, operating results and financial condition.

Most of our revenues are currently derived from advertising or sponsorship arrangements. Our agreements with advertisers and sponsors generally have terms of three years or less and, in many cases, the terms are much shorter. In cases where the advertiser is providing services, the agreements often have payments contingent on usage levels. Many of our advertisers are Internet companies which,

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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. Accordingly, the cancellation or deferral of advertising or sponsorship contracts could have a material adverse effect on our financial results.

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 April 2005 and options for us to extend until April 2011. In the third quarter and for the first nine months of 2002, our revenues from our agreement with Overture Services, Inc. exceeded 10% of our total net revenues. If we are unable to continue to secure an arrangement with a third party provider 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 which could have a material adverse effect on our financial results.

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.

In addition, the September 11, 2001 terrorist attacks and the United States' military response, may contribute to continued general economic weakness and, accordingly, further reductions in advertising spending. Acts of war and terrorism against the United States, and the United States' response to such acts, may also exacerbate or prolong a general slowdown in the U.S. advertising market and the economy, which could cause our advertising or other revenues to decrease or fail to grow.

In addition, if economic conditions do improve, marketing budgets and advertising spending may not increase from current levels.

Our newly launched access service subjects us to risks.

We recently launched SBC Yahoo! Dial and SBC Yahoo! DSL, new product offerings within our Internet access service, which operates in a highly competitive market and subjects us to new and different risks than other areas of our business.

In June 2002 and September 2002 we announced the launch of SBC Yahoo! Dial and SBC Yahoo! DSL, our Internet access service provided through an alliance with SBC Communications Inc. Our access service combines customized content and services from Yahoo! and DSL transport and Internet access from SBC Internet Services (an affiliate of SBC Communications Inc.). Our 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 our product offerings. Our 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, AT&T Broadband and other cable broadband providers. As a result of these and other competitive factors, we may not be able to attract, grow or retain a customer base for this service, and accordingly, may not be successful. If our service does not generate significant revenue for us, it could harm our business and lower the trading price of our common stock.

Further, providing Internet access services represents a new business for us. Internet access services, including our service, 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 any potential revenue we may earn from our service.

If we cannot overcome the competitive and other difficulties mentioned above which accompany launching this new service, our business, operating results and financial condition could be harmed.

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

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

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

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

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

Currently, a substantial portion of the traffic on our online properties is directed at our communications services, such as email, instant messaging, calendaring and chat rooms, and we expect this trend to continue for the foreseeable future. We provide these and other basic communications services free of charge to users, as is the case with most of our competitors, and have not yet determined an effective means of generating revenues directly from providing such services. Alternative revenue models for our communications and electronic commerce services, such as subscription fees and commissions, are relatively unproven and may not generate sufficient revenues to be meaningful to us. Currently, we are dependent upon the use of other Yahoo! services to generate revenues from our communications services, and there is a risk that this relationship will not be sustained. As communications services become an increasingly important part of our total offering, we must continue to provide new communications applications 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 were unable to develop such applications or use such technologies, the size and rate of growth in our user base would be adversely affected. If we cannot develop a direct or indirect means by which we generate revenues from our communications services

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that are greater than the cost of providing such services, our business, operating results and financial condition would be materially adversely affected.

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

We have focused, and intend to continue to focus, significant resources on the development and enhancement of our electronic commerce properties. These properties, such as Yahoo! Shopping, link users with a network of retailers with whom we have relationships. 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 services 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. The inability of our electronic commerce properties to generate significant revenues could have a material adverse effect on our business.

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

We have invested a significant amount of money and resources in the creation of our Yahoo! Enterprise Solutions offerings, which is composed of our Portals, Broadcast and Small Business Groups. Many of these services are unproven and may fail to gain market acceptance. Because the market for these business and enterprise services is new and evolving, it is difficult to predict the size of this market and its rate of growth, if any. In addition, it is uncertain whether businesses and other organizations will utilize the Internet to any significant degree as a means of broadcasting business conferences and other events. Potential business services customers must accept audio and video broadcast services over the Internet as a viable alternative to face-to-face meetings, television or audio, audio teleconferences and video conferencing. We cannot assure you that the market for business and enterprise services will continue to develop or be sustainable. If the market fails to develop, develops more slowly than expected or becomes more competitive than is currently expected, our operating results could be adversely affected.

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

A key part of our strategy is to develop Yahoo!-branded online properties in international markets. 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 international online properties. 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.

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

- trade barriers and unexpected changes in regulatory requirements;
- difficulties in developing, staffing and simultaneously managing a large number of unique foreign operations as a result of distance, language and cultural differences;
- higher costs of doing business in foreign countries;
- longer payment cycles;
- currency exchange rate fluctuations;
- political 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 have a material adverse effect on our future international operations and, consequently, on our business, operating results, and financial condition.

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

We are substantially dependent on the continued services of our key personnel, including our two founders, our chief executive officer, chief operating officer, chief financial officer, chief technical officer, executive and senior vice presidents, and vice presidents. These individuals have acquired specialized knowledge and skills with respect to Yahoo! and its operations or, in the cases of our newly appointed chief operating officer, Dan Rosensweig, and certain new senior vice presidents, only recently joined us. If any of these individuals were to leave Yahoo! unexpectedly, we could face substantial difficulty in hiring qualified successors and could experience a loss in productivity while any such successor obtains the necessary training and experience. Yahoo!'s chief product officer, chief global marketing officer, and senior vice president Enterprise Solutions recently announced their departures 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, which will usually vest over a period of four years subsequent to their hire date to provide additional incentive to remain at Yahoo!, the initial option grant is typically the largest, and an employee may be more likely to leave Yahoo!'s employ upon completion of the vesting period for the initial option grant.

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

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

Yahoo! is one of the most highly trafficked 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 have changed significantly in the past and are expected to change rapidly in the future. Much of the architecture that we employ was not originally designed to accommodate levels or types of use that we currently experience on our online properties, and it is unclear whether current or future anticipated levels of traffic or use of services will result in delays or interruptions in our service. In particular, the architecture utilized for our email and certain other communication services was not primarily designed for this purpose. The architecture 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. In the future, we may be required to make significant changes to our architecture, including moving to a completely new architecture. If we are required to switch architectures, we may incur substantial costs and experience delays or interruptions in our service. If we experience delays or interruptions in our service due to inadequacies in our current architecture or as a result of a change in architectures, users may become dissatisfied with our service and move to competing providers of online services. Further, to the extent that demand for our broadcast services content 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 adversely affect that portion of our business. Also, as we acquire users who rely upon us for a wide variety of services, it becomes more technologically complex and costly to retrieve, store and integrate data that will enable us to track each user's preferences. An unanticipated loss of traffic, increased costs, inefficiencies or failures to adapt to new technologies and the associated adjustments to our architecture may have a material adverse effect on our business, 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.

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

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

In the coming years, the number of individuals who access the Internet through devices other than a personal computer, such as personal digital assistants, cellular telephones and television set-top devices, is expected to increase dramatically. Our services are designed for rich, graphical environments such as those available on personal and laptop computers. The lower resolution, functionality and memory associated with alternative devices may make the use of our services through such devices difficult, and we may be unsuccessful in our efforts to modify our online properties to provide a compelling service for users of alternative devices. As we have limited experience to date in operating versions of our service developed or optimized for users of alternative devices, it is difficult to predict the problems we may encounter in doing so, and we may need to devote significant resources to the creation, support and maintenance of such versions. If we are unable to attract and retain a substantial number of alternative device users to our online services, we will fail to capture a sufficient share of an increasingly important portion of the market for online services.

As the majority of our revenues are derived through the sale of banner and other advertising optimized for a personal computer screen, we may not be successful at developing a viable strategy for deriving substantial revenues from online properties that are directed at the users of alternative devices. Any failure to develop revenue-generating online properties that are adopted by a significant number of alternative device users could have a material adverse effect on our business, operating results and financial condition.

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

We believe that maintaining and expanding the Yahoo! brand is an important aspect of our efforts to attract and expand our user and advertiser base. We also believe that the importance of brand recognition will increase due to the growing number of Internet sites and the relatively low barriers to entry. We have spent considerable money and resources to date on the establishment and maintenance of the Yahoo! brand. We will spend increasing amounts of money on, and devote greater resources to, advertising, marketing and other brand-building efforts to preserve and enhance consumer awareness of the Yahoo! brand during 2002 and beyond. We may not be able to successfully maintain or enhance consumer awareness of the Yahoo! brand and, even if we are successful in our branding efforts, such efforts may not be cost-effective. If we are unable to maintain or enhance consumer awareness of the Yahoo! brand in a cost-effective manner, our business, operating results and financial condition would be materially and adversely affected.

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

We 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, including Exodus, a Cable & Wireless Service and its affiliates and Level 3 Communications, for our principal Internet connections, co-location of a significant portion of our data servers and network access. We also rely on Network Appliance for key components of our email service. 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 have a material adverse effect on our business, operating results, and financial condition. For example, Exodus was acquired out of bankruptcy proceedings by Cable & Wireless. Any continued financial difficulties for Exodus may have

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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. Furthermore, we depend on hardware suppliers for prompt delivery, installation and service of servers and other equipment to deliver our products and services. Any errors, failures, interruptions, or delays experienced in connection with these third-party technologies and information services could negatively impact our relationship with users and adversely affect our brand and our business and could expose us to liabilities to third parties.

Distribution Relationships. To increase traffic for our online properties and 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. Any failure to obtain distribution or to obtain distribution on terms that are reasonable, could have a material adverse effect on our business, results of operations, and financial condition.

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

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

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 7entertainment 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

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in the prices charged to us by third-party content providers could have a material adverse effect on our business, operating results and financial condition. Further, many of our content licenses with third parties are non-exclusive. Accordingly, other webcasters may be able to offer similar or identical content. Likewise, most sports and entertainment content available on our online properties are also available on other media like radio or television. These media are currently, and for the foreseeable future will be, much more widely adopted for listening or viewing such content than the Web. These factors also increase the importance of our ability to deliver compelling editorial content and personalization of this content for users in order to differentiate 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 advertising revenue.

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

Until recently, the majority of the content that we provided to our users was in print, picture or graphical format and was either created internally or licensed to us by third parties for little or no charge. However, we have been providing recently and 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 inability to cost-effectively provide high-quality audio and/or video content to our users could have a material adverse effect on our business, operating results and financial condition.

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

We have experienced dramatic growth in personnel in recent years and expect to continue to hire additional personnel in selected areas. We also reduced our workforce in 2001 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.

As part of our business strategy, we have completed several acquisitions (including the acquisition of HotJobs.com in February 2002) and expect to enter into additional business combinations and acquisitions. Acquisition transactions are accompanied by a number of risks, including:

- the difficulty of assimilating the operations and personnel of the acquired companies which may be geographically dispersed;
- the potential disruption of our ongoing business and distraction of management;

- the difficulty of incorporating acquired technology or content and rights into our products and media properties and unanticipated expenses related to such integration;
- the 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 acquired technology resulting in the impairment of amounts currently capitalized as intangible assets;
- the impairment of relationships with employees and customers of either an acquired company or our own business as a result of any integration of new management personnel; and
- the potential unknown liabilities associated with acquired businesses.

We may not be successful in addressing these risks or any other problems encountered in connection with such acquisitions and the failure to do so could have a material adverse effect on our business, operating results and financial condition.

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 could have an impact on our business. The Digital Millennium Copyright Act is intended to reduce the liability of online service providers for listing or linking to third-party 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 have a material adverse effect on our business, operating results and financial condition.

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. Currently, our subsidiary Launch Media, Inc. ("Launch") is engaged in a lawsuit regarding copyright issues which commenced prior to our entering

into an agreement to acquire Launch. In addition, Yahoo! was recently the subject of a claim brought by certain entities in a French court regarding, among other things, the availability of certain content within our services which was alleged to violate French law. Due to the unsettled nature of the law in this area, we may be subject to similar actions in domestic or other international jurisdictions in the future. Our defense of any such actions could be costly and involve significant distraction of our management and other resources. In addition, we are aware that governmental agencies are currently investigating the conduct of online auctions.

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

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

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

The trading price of our common stock has been and may continue to be subject to wide fluctuations. During the first nine months of 2002, the closing sale prices of our common stock on the Nasdaq ranged from $20.50 to $9.00 per share and the closing sale price on October 28, 2002 was $14.66 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. In addition, the stock market in general, and the market prices for Internet-related companies in particular, have experienced extreme volatility that often has been unrelated to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the price of our stock, regardless of our operating performance. Additionally, volatility or a lack of positive performance in our stock price may adversely affect our ability to retain key employees, all of whom have been granted stock options.

Management and an affiliated stockholder beneficially own approximately 26.2% of our stock; their interests could conflict with yours; significant sales of stock held by them could have a negative effect on our stock price.

Yahoo!'s directors and executive officers and SOFTBANK America beneficially owned approximately 26.2% of Yahoo!'s outstanding common stock as of September 30, 2002. Eric Hippeau is a member of our board of directors and is also a Managing Partner of SOFTBANK Capital Partners, an affiliate of SOFTBANK America. As a result of their ownership and positions, our directors and executive officers and SOFTBANK America collectively are able to significantly influence all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. Such concentration of ownership may also have the effect of delaying or preventing a change in control of Yahoo!. In addition, sales of significant amounts of shares held by Yahoo!'s directors and executive officers and SOFTBANK America, or the prospect of these sales, could adversely affect the market price of our common stock.

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

Our operations are susceptible to outages due to fire, floods, power loss, telecommunications failures, break-ins and similar events. In addition, the majority of our network infrastructure is located in Northern California, an area susceptible to earthquakes. In the recent 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 either their occurrence, duration or cessation. We do not have multiple site capacity for all of our services in the event of any such occurrence. Despite our implementation of network security measures, our servers are vulnerable to computer viruses, physical and electronic break-ins, and similar disruptions from unauthorized tampering with our computer systems. In addition, we are vulnerable to coordinated attempts to overload our systems with data, resulting in denial or reduction of service to some or all of our users for a period of time. We have experienced a coordinated denial of service attack in the past, and may experience such attempts in the future. We do not carry sufficient business interruption insurance to compensate us for losses that may occur as a result of any of these events. Any such event could have a material adverse effect on our business, operating results, and financial condition.

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

We 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 March 20, 2001. Each right entitles the holder to purchase one unit consisting of one one-thousandth of a share of our Series A Junior Participating Preferred Stock for $250 per unit. Under certain circumstances, if a person or group acquires 15% or more of our outstanding common stock, holders of the rights (other than the person or group triggering their exercise) will be able to purchase, in exchange for the $250 exercise price, shares of our common stock or of any company into which we are merged having a value of $500. The rights expire on March 1, 2011 unless extended by our board of directors. Because the rights may substantially dilute the stock ownership of a person or group attempting to take us over without the approval of our board of directors, our rights plan could make it more difficult for a third party to acquire us (or a significant percentage of our outstanding capital stock) without first negotiating with our board of directors regarding such acquisition.

In addition, our board of directors has the authority to issue up to 10,000,000 shares of preferred stock (of which 2,000,000 shares have been designated as Series A Junior Participating Preferred Stock)

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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 Section 203 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 Section 203 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 or adversely affect our business.

On September 11, 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 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 have a material adverse effect on our business, financial condition and operating results.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to the impact of interest rate changes, foreign currency fluctuations, and change 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. As of September 30, 2002 we had investments in debt securities with maturities less than one year of $456.4 million. Such investments had a weighted-average yield of approximately 3.66%. As of September 30, 2002, we had investments in

debt securities with maturities between one and five years of $655.0 million. Such investments had a weighted-average yield of approximately 4.21%.

Foreign Currency Risk. International revenues from our foreign subsidiaries accounted for approximately 16% and 15% of total revenues during the three and nine months ended September 30, 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, this may adversely impact overall expected profitability. The effect of foreign exchange rate fluctuations for the nine months ended September 30, 2002 was not material.

Investment Risk. From time to time, 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. Such investments could be subject to significant fluctuations in fair market value. For these investments in 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 September 30, 2002, net unrealized gains of $17.2 million on these investments have been recorded net of deferred taxes of $6.9 million 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. From time to time 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 September 30, 2002, we had available-for-sale equity investments with a fair value of $4.7 million and a cost basis of $4.8 million. As of September 30, 2002, net unrealized losses of $0.1 million on these investments have been recorded net of deferred taxes as a separate component of stockholders' equity. 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 4. Controls and Procedures

Evaluation of Controls and Procedures

We maintain disclosure controls and procedures, which we have designed to ensure that material information related to Yahoo!, including our consolidated subsidiaries, is made known to our disclosure committee on a regular basis. In response to recent legislation and proposed regulations, we reviewed our internal control structure and our disclosure controls and procedures. Although we believe our pre-existing disclosure controls and procedures were adequate to enable us to comply with our disclosure obligations, as a result of such review, we implemented minor changes, primarily to formalize and document the procedures already in place. We also established a disclosure committee which consists of certain members of the Company's senior management.

After the formation of our disclosure committee and within 90 days prior to the filing of this report, the 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, Terry S. Semel, and Chief Financial Officer, Susan L. Decker, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. 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 recorded, processed, summarized, and reported by management of the Company on a timely basis and to ensure that the quality and 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.

PART II—OTHER INFORMATION

Item 1. 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 are engaged in four 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 May 24, 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 Entertainment Inc., 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. Our acquisition of Launch closed in August 2001 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 Section 114 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.

Item 2. Changes in Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

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

None.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

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

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of Registrant (Filed as Exhibit 3.1 to the June 30, 2000 10-Q and incorporated herein by reference).
3.2	Amended Bylaws of Registrant (Filed as Exhibit 4.9 to the Registrant's Registration Statement on Form S-8 filed on March 5, 2002 and incorporated herein by reference).
4.1	Form of Senior Indenture (Filed as Exhibit 4.1 to the Registrant's Registration Statement on Form S-3, Registration No. 333-46458, filed September 22, 2000 [the September 22, 2000 Form S-3] and incorporated herein by reference).
4.2	Form of Subordinated Indenture (Filed as Exhibit 4.2 to the September 22, 2000 Form S-3 and incorporated herein by reference).
4.3**	Form of Senior Note.
4.4**	Form of Subordinated Note.
4.5**	Form of Certificate of Designation for preferred stock (together with preferred stock certificate).
4.6	Form of Deposit Agreement (together with Depository Receipt) (Filed as Exhibit 4.6 to the September 22, 2000 Form S-3 and incorporated herein by reference).
4.7**	Form of Warrant Agreement (together with form of Warrant Certificate).
4.8	Rights Agreement, dated as of March 15, 2001, between the Registrant and Equiserve Trust Company, N.A., as Rights Agent, including the form of Rights Certificate as Exhibit B and the summary of Rights to Purchase Preferred Stock as Exhibit C (Filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K, filed March 19, 2001 and incorporated herein by reference).
10.45*	Stock Purchase Agreement, dated as of August 28, 2002 between the registrant and SOFTBANK America, Inc.
10.46*	Registration Rights Agreement, dated as of August 28, 2002 between the registrant and Acqua Wellington Private Placement Fund Ltd. and Acqua Wellington Opportunity I Limited.
99.1*	Certificate of Chief Executive Officer and Chief Financial Officer pursuant to section 18 U.S.C. section 1350 dated November 1, 2002

* Filed herewith.

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

b. Reports on Form 8-K:

On July 12, 2002, the Company filed a report on Form 8-K which announced Yahoo!'s financial results for the quarterly period ended June 30, 2002 and certain other information. A copy of Yahoo!'s press release announcing the results and certain other information was attached and incorporated by reference therein.

On August 14, 2002, the Company filed a report on Form 8-K which announced that each of Terry S. Semel, Chief Executive Officer of the Company (the Company's principal executive officer), and Susan L. Decker, Chief Financial Officer of the Company (the Company's principal financial officer) provided to the Securities and Exchange Commission the certification required pursuant to 18 U.S.C. Section 1350 (Section 906 of the Sarbanes-Oxley Act of 2002). A copy of the certification was attached and incorporated by reference therein.

Signatures

In accordance with the requirements of the Exchange Act, the Registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

YAHOO! INC.

Dated: November 1, 2002 By: /s/ SUSAN L. DECKER

Susan L. Decker
Executive Vice President, Finance and Administration, and Chief Financial Officer (Principal Financial Officer)

Dated: November 1, 2002 By: /s/ WILLIAM E. LOSCH

William E. Losch
Vice President, Finance (Principal Accounting Officer)

Certification of CEO Pursuant to
Securities Exchange Act Rules 13a-14 and 15d-14
as Adopted Pursuant to
Section 302 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 quarterly report on Form 10-Q of Yahoo! Inc.;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we 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 quarterly report is being prepared;

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

   (c) presented in this quarterly 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 officers 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 function):

   (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 officers and I have indicated in this quarterly report whether or not 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: November 1, 2002 By: /s/ TERRY S. SEMEL

Terry S. Semel
Chief Executive Officer

Certification of CFO Pursuant to
Securities Exchange Act Rules 13a-14 and 15d-14
as Adopted Pursuant to
Section 302 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 quarterly report on Form 10-Q of Yahoo! Inc.;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we 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 quarterly report is being prepared;

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

   (c) presented in this quarterly 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 officers 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 function):

   (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 officers and I have indicated in this quarterly report whether or not 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: November 1, 2002

By: /s/ SUSAN L. DECKER

Susan L. Decker
Chief Financial Officer

YAHOO! INC.

Index to Exhibits

Exhibit Number	Description
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4.1	Form of Senior Indenture (Filed as Exhibit 4.1 to the Registrant's Registration Statement on Form S-3, Registration No. 333-46458, filed September 22, 2000 [the September 22, 2000 Form S-3] and incorporated herein by reference).
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99.1*	Certificate of Chief Executive Officer and Chief Financial Officer pursuant to section 18 U.S.C. section 1350 dated November 1, 2002

* Filed herewith.

**

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

QuickLinks

Table of Contents

PART I — FINANCIAL INFORMATION
Item 1. Condensed Consolidated Financial Statements (unaudited)

YAHOO! INC. Condensed Consolidated Statements of Operations (unaudited, in thousands except per share amounts)
YAHOO! INC. Condensed Consolidated Balance Sheets (unaudited, in thousands)
YAHOO! INC. Condensed Consolidated Statements of Cash Flows (unaudited, in thousands)
YAHOO! INC. Condensed Consolidated Statements of Stockholders' Equity (unaudited, in thousands)
YAHOO! INC. Notes to Condensed Consolidated Financial Statements (unaudited)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

RISK FACTORS

Item 3. Quantitative and Qualitative Disclosures about Market Risk
Item 4. Controls and Procedures

PART II—OTHER INFORMATION
Item 1. Legal Proceedings
Item 2. Changes in Securities and Use of Proceeds
Item 3. Defaults Upon Senior Securities
Item 4. Submission of Matters to a Vote of Security Holders
Item 5. Other Information
Item 6. Exhibits and Reports on Form 8-K

Signatures
Certification of CEO Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Certification of CFO Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
YAHOO! INC. Index to Exhibits

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 10.45

STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (this "**Agreement**") is made and entered into as of August 28, 2002, by and between Yahoo! Inc., a Delaware corporation ("**Yahoo!**"), and SOFTBANK America Inc., a Delaware corporation ("**Softbank**").

THE PARTIES AGREE AS FOLLOWS:

ARTICLE I
PURCHASE AND SALE OF STOCK

Section 1.1 *Purchase and Sale of Shares.* Subject to the terms and conditions of this Agreement, Yahoo! agrees to purchase from Softbank at the Closing (as defined in Section 1.2 below) and Softbank agrees to sell and transfer to Yahoo! at the Closing 11,074,197 shares (the "**Shares**") of Yahoo! common stock, par value $0.001 per share ("**Yahoo! Common Stock**"), at a purchase price per share equal to $9.03, representing an aggregate purchase price of $99,999,998.91.

Section 1.2 *Closing Date.* The consummation of the purchase and sale of the Shares (the "**Closing**") shall be held at the offices of Skadden, Arps, Slate, Meagher & Flom LLP, 525 University Avenue, Palo Alto, California, on August 29, 2002 or at such other time and place as Yahoo! and Softbank mutually agree upon in writing (the "**Closing Date**").

Section 1.3 *Delivery and Payment.* On the Closing Date, Softbank shall deliver to Yahoo! the certificate(s) representing the Shares and Yahoo! shall deliver to Softbank the aggregate purchase price for the Shares as contemplated by Section 1.1 above by means of a wire transfer of immediately available funds to a United States bank account designated in advance in writing by Softbank to Yahoo! prior to the Closing.

ARTICLE II
REPRESENTATIONS AND WARRANTIES OF YAHOO!

Yahoo! hereby represents and warrants to Softbank, at and as of the date of this Agreement and at and as of the Closing Date, as follows:

Section 2.1 *Organization.* Yahoo! is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power to own, lease and operate its property and to carry on its business as now being conducted.

Section 2.2 *Authority; No Conflict; Required Filings and Consents.*

(a) Yahoo! has all requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated by this Agreement, including the acquisition of the Shares as contemplated by Section 1.1. The execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement have been duly authorized by all necessary corporate action on the part of Yahoo!. This Agreement has been duly executed and delivered by Yahoo!, and constitutes the valid and binding obligation of Yahoo!, enforceable in accordance with its terms, except to the extent that enforceability may be limited by applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting the enforcement of creditors' rights generally and by general principles of equity.

(b) The execution and delivery by Yahoo! of this Agreement does not, and consummation of the transactions contemplated by this Agreement will not, (i) conflict with, or result in any violation or breach of any provision of the Certificate of Incorporation or Bylaws of Yahoo!, (ii) result in any violation or breach of, or constitute (with or without notice or lapse of time, or both) a default (or give rise to a right of termination, cancellation or acceleration of any obligation or loss of any material benefit) under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, lease, contract or other agreement, instrument or obligation to which Yahoo! is a party or by which any of its properties or assets may be bound, or (iii) conflict with or violate any permit, concession, franchise, license, judgment, order, decree, statute, law, ordinance, rule or regulation applicable to Yahoo! or any of its properties or assets, except in the case of (ii) and (iii) for any such conflicts, violations, defaults, terminations, cancellations or accelerations which would not be reasonably likely to have a material adverse effect on Yahoo! and its subsidiaries, taken as a whole, or on the ability of Yahoo! to consummate the transactions contemplated hereby.

(c) No consent, approval, order or authorization of, or registration, declaration or filing with, any court, administrative agency or commission or other governmental authority or instrumentality ("**Governmental Entity**") is required by or with respect to Yahoo! in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby, except for (i) such consents, approvals, orders, authorizations, registrations, declarations and filings as may be required under applicable federal and state securities laws and the laws of any foreign country, and (ii) such other consents, authorizations, filings, approvals and registrations which, if not obtained or made, would not be reasonably expected to have a material adverse effect on Yahoo! and its subsidiaries, taken as whole.

Section 2.3 *Commission Filings; Financial Statements.*

(a) Yahoo! has filed with the Securities and Exchange Commission (the "**Commission**") and made available to Softbank or its representatives all forms, periodic and current reports and other documents, in each case required to be filed by Yahoo! with the Commission pursuant to the Securities Act of 1933, as amended (the "**Securities Act**") or the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), since June 30, 2001 (collectively, the "**Yahoo! Commission Reports**"). Yahoo! Commission Reports (i) at the time filed, complied in all material respects with the applicable requirements of the Securities Act and the Exchange Act, as the case may be, and (ii) did not at the time they were filed (or if amended or superseded by a filing prior to the date of this Agreement, then on the date of such filing) contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(b) Each of the financial statements (including, in each case, any related notes) contained in Yahoo! Commission Reports, including any Yahoo! Commission Report filed after the date of this Agreement until the Closing, complied as to form in all material respects with the applicable published rules and regulations of the Commission with respect thereto, was prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods involved (except as may be indicated in the notes to such financial statements or, in the case of unaudited statements, as permitted by Form 10-Q of the Commission) and fairly presented the consolidated financial position of Yahoo! and its subsidiaries as at the respective dates and the consolidated results of its operations and cash flows for the periods indicated, except that the unaudited interim financial statements were or are subject to normal year-end adjustments.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF SOFTBANK

Softbank hereby represents and warrants to Yahoo!, at and as of the date of this Agreement and at and as of the Closing Date, as follows:

Section 3.1 *Organization.* Softbank is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power to own, lease and operate its property and to carry on its business as now being conducted.

Section 3.2 *Authority; No Conflict; Required Filings and Consents.*

(a) Softbank has all requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated by this Agreement, including the sale of the Shares as contemplated by Section 1.1. The execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement have been duly authorized by

all necessary corporate action on the part of Softbank. This Agreement has been duly executed and delivered by Softbank, and constitutes the valid and binding obligation of Softbank, enforceable in accordance with its terms, except to the extent that enforceability may be limited by applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting the enforcement of creditors' rights generally and by general principles of equity.

(b) The execution and delivery by Softbank of this Agreement does not, and consummation of the transactions contemplated by this Agreement will not, (i) conflict with, or result in any violation or breach of any provision of the Certificate of Incorporation or Bylaws of Softbank, (ii) result in any violation or breach of, or constitute (with or without notice or lapse of time, or both) a default (or give rise to a right of termination, cancellation or acceleration of any obligation or loss of any material benefit) under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, lease, contract or other agreement, instrument or obligation to which Softbank is a party or by which any of its properties or assets may be bound, or (iii) conflict with or violate any permit, concession, franchise, license, judgment, order, decree, statute, law, ordinance, rule or regulation applicable to Softbank or any of its affiliates (other than Yahoo!) or any of its properties or assets, except in the case of (ii) and (iii) for any such conflicts, violations, defaults, terminations, cancellations or accelerations which would not be reasonably likely to have a material adverse effect on Softbank or on the ability of Softbank to consummate the transactions contemplated hereby.

(c) No consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Entity is required by or with respect to Softbank in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby, except for (i) such consents, approvals, orders, authorizations, registrations, declarations and filings as may be required under applicable federal and state securities laws and the laws of any foreign country, and (ii) such other consents, authorizations, filings, approvals and registrations which, if not obtained or made, would not be reasonably expected to have a material adverse effect on Softbank.

Section 3.3 *Access to Information.* Softbank acknowledges that it is familiar with the contents of the Yahoo! Commission Reports and has had the opportunity to ask questions of management representatives of Yahoo! or otherwise to obtain any additional information which Softbank may reasonably request concerning the business or affairs of Yahoo!.

Section 3.4 *Ownership of Shares.* Softbank (i) is the record and beneficial owner of the Shares, (ii) owns the Shares free and clear of any lien or other encumbrance, and (iii) has the right to transfer the Shares to Yahoo! free and clear of any lien or encumbrance, pursuant to the terms of this Agreement.

Section 3.5 *Schedule 13D and Form 4.* Softbank acknowledges its obligation to report the transactions contemplated hereby on Schedule 13D and Form 4.

ARTICLE IV
MISCELLANEOUS

Section 4.1 *Governing Law.* This Agreement shall be governed in all respects by the laws of the State of Delaware (without reference to its conflicts of laws principles).

Section 4.2 *Survival.* The representations and warranties herein and the agreements set forth in Section 4.3 shall survive the closing of the transactions contemplated hereby.

Section 4.3 *Public Disclosure.* Yahoo! and Softbank shall consult with each other, and to the extent practicable, agree, before issuing any press release or otherwise making any public statement with respect to the transactions contemplated by this Agreement and will not issue any such press release or make any such public statement prior to such consultation, except as may be required by law or any listing agreement with the Nasdaq Stock Market or a national securities exchange. Softbank

agrees to report the transactions contemplated hereby in the manner and by the date or dates prescribed by the Exchange Act (including, without limitation, its obligation to report the sale of the Shares on Form 4 by the end of the second business day following such sale pursuant to Exchange Act Section 16(a), as amended by the Sarbanes-Oxley Act of 2002). Softbank shall advise Yahoo! of the proposed filing date of any Schedule 13D (or any amendments thereto) to be made by Softbank pursuant to the Exchange Act in connection with the transaction contemplated by this Agreement not less than one business day prior to the making of such filing.

Section 4.4 *Successors and Assigns.* Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon the successors of the parties hereto.

Section 4.5 *Entire Agreement; Amendment.* This Agreement and the other documents delivered pursuant hereto constitute the full and entire understanding and agreement among the parties with regard to the subjects hereof and thereof. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of Yahoo! and Softbank.

Section 4.6 *Notices and Other Communications.* Every notice or other communication required or contemplated by this Agreement by either party shall be delivered either by (i) personal delivery, (ii) postage prepaid return receipt requested registered or certified mail or the equivalent of registered or certified mail under the laws of the country where mailed, (iii) nationally recognized overnight courier, such as Federal Express or UPS, or (iv) facsimile with a confirmation copy sent simultaneously by postage prepaid, return receipt requested, registered or certified mail, in each case addressed to Yahoo! or Softbank as the case may be at the following address:

To Yahoo!:

Yahoo! Inc.
701 First Avenue
Sunnyvale, CA 94089
Attn: Chief Financial Officer
Facsimile: (408) 731-3400

With a copy at the same address to the attention of the General Counsel, and a copy to:

Skadden, Arps, Slate, Meagher & Flom LLP
525 University Avenue
Suite 1100
Palo Alto, CA 94301
Attn: Kenton J. King
Thomas J. Ivey
Facsimile: (650) 470-4570

To Softbank:

SOFTBANK America Inc.
1188 Centre Street
Newton Center, Massachusetts 02549
Attn: Steven J. Murray
Facsimile: (617) 928-9304

With a copy to:

Sullivan & Cromwell
1870 Embarcadero Road
Palo Alto, California 94303
Attn: John L. Savva
Facsimile: (650) 461-5700

or at such other address as the intended recipient previously shall have designated by written notice to the other party (with copies to counsel as may be indicated on the signature page). Notice by registered or certified mail shall be effective on the date it is officially recorded as delivered to the intended

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recipient by return receipt or equivalent, and in the absence of such record of delivery, the effective date shall be presumed to have been the fifth (5th) business day after it was deposited in the mail. All notices delivered in person or sent by courier shall be deemed to have been delivered to and received by the addressee and shall be effective on the date of personal delivery; notices delivered by facsimile with simultaneous confirmation copy by registered or certified mail shall be deemed delivered to and received by the addressee and effective on the date sent. Notice not given in writing shall be effective only if acknowledged in writing by a duly authorized representative of the party to whom it was given.

Section 4.7 *Delays or Omissions.* No delay or omission to exercise any right, power or remedy accruing to any party to this Agreement, upon any breach or default of the other party under this Agreement, shall impair any such right, power or remedy of such party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies either under this Agreement, or by law or otherwise afforded to any party, shall be cumulative and not alternative.

Section 4.8 *Severability.* In case any provision of this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 4.9 *Counterparts.* This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument. Execution and delivery of this Agreement by exchange of facsimile copies bearing the facsimile signature of a party hereto shall constitute a valid and binding execution and delivery of this Agreement by such party. Such facsimile copies shall constitute enforceable original documents.

Section 4.10 *Attorneys' Fees.* If any action or proceeding shall be commenced to enforce this Agreement or any right arising in connection with this Agreement, the prevailing party in such action or proceeding shall be entitled to recover from the other party, the reasonable attorneys' fees, costs and expenses incurred by such prevailing party in connection with such action or proceeding or negotiation to avoid such action or proceeding.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year set forth in the first paragraph hereof.

YAHOO! INC.

By: /s/ TERRY S. SEMEL

Name: Terry S. Semel
Title: Chairman and Chief Executive Officer

SOFTBANK AMERICA INC.

By: /s/ FRANCIS B. JACOBS II

Name: Francis B. Jacobs II
Title: Vice President

QuickLinks

Exhibit 10.45

STOCK PURCHASE AGREEMENT

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 10.46

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (the "*Agreement*") is entered into as of August 28, 2002 by and between Yahoo! Inc, a Delaware corporation (the "*Company*"), and Acqua Wellington Private Placement Fund Ltd. and Acqua Wellington Opportunity I Limited (the "*Stockholders*").

RECITALS

1. The Stockholders have entered into an agreement (the "*Stock Purchase Agreement*") with SOFTBANK America, Inc. ("SOFTBANK") pursuant to which SOFTBANK has agreed to sell to the Stockholders shares of the Company's Common Stock (together with the associated preferred share purchase rights) held by SOFTBANK during the period beginning on the effective date of the Stock Purchase Agreement and ending on August 21, 2002 (the "*Shares*").

2. The Company has had no involvement in the sale of the Shares; however, in order to facilitate an orderly trading market for its Common Stock, the Company has agreed to grant certain registration rights to the Stockholders with respect to the Shares.

3. The Company wishes to execute this Agreement and grant the Stockholders the rights contained herein.

AGREEMENT

The parties hereby agree as follows:

1. **Registration Rights.**

1.1 **Definitions**. For purposes of this Section 1:

(a) The terms "*register*," "*registered*," and "*registration*" refer to a registration effected by preparing and filing a registration statement or similar document in compliance with the Securities Act of 1933, as amended (the "*Securities Act*"), and the subsequent declaration or ordering of the effectiveness of such registration statement or document by the Securities and Exchange Commission ("*SEC*").

(b) The term "*Registrable Securities*" means:

(i) the Shares; and

(ii) any other shares of Common Stock of the Company issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in connection with a stock split, or in exchange for or in replacement of, the Shares, excluding in all cases, however, any securities (x) sold by a person in a transaction in which his or her rights under this Agreement are not assigned in accordance with the terms hereof; or (y) sold or otherwise transferred (except in a transaction or series of transactions "not including any public offering" as that phrase is used in Section 4(2) of the Securities Act).

(c) The term "*Holder*" means any holder of outstanding Registrable Securities who, subject to the limitations set forth in Section 1.8 below, acquired such Registrable Securities in a transaction or series of transactions not involving any public offering and excludes, without limitation, any holder who acquired such shares pursuant to an effective registration statement or Rule 144 promulgated under the Securities Act.

(d) The term "*Form S-3*" means such form under the Securities Act as in effect on the date hereof or any registration form under the Securities Act subsequently adopted by the SEC which permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.

1.2 **Form S-3 Registration**. If the Company shall receive from any Holder or Holder(s) owning in the aggregate at least fifty percent (50%) of the then-outstanding Registrable Securities a written request or requests that the Company effect a registration on Form S-3 and any related qualification or compliance with respect to all or a part of the Registrable Securities owned by such Holder or Holder(s), the Company will:

(a) promptly give written notice of the proposed registration, and any related qualification or compliance, to all other Holder(s); and

(b) as soon as practicable, effect such registration and all such qualifications and compliances as may be reasonably so requested and as would permit and facilitate the sale and distribution of all or such portion of such Holder's or Holders' Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holder(s) joining in such request as are specified in a written request given within twenty (20) days after receipt of such written notice from the Company; *provided*, *however*, that the Company shall not be obligated to cause any such registration, qualification or compliance, pursuant to this Section 1.2 to become effective:

(i) if Form S-3 is not available for such offering by the Holder(s);

(ii) if the Holder(s), together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities at an aggregate price to the public (net of any underwriters' discounts or commissions) of less than $20,000,000;

(iii) if the Company shall furnish to the Holder(s) a certificate signed by the Chief Executive Officer or Chief Financial Officer of the Company stating that in the good faith judgment of the such officer, it would be seriously detrimental to the Company and its Stockholders

for such Form S-3 registration to be effected at such time, in which event the Company shall have the right to defer the filing of the Form S-3 registration statement for a period of not more than ninety (90) days after receipt of the request of the Holder or Holder(s) under this Section 1.2;

(iv) if the Company has already effected one (1) registration on Form S-3 for any Holder pursuant to this Section 1.2; or

(vi) in any particular jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance.

(c) Subject to the foregoing, the Company shall file a registration statement on Form S-3 covering the Registrable Securities so requested to be registered as soon as practicable after receipt of the request or requests of the Holder(s) (but no later than thirty (30) days following the Company's receipt of such request). All expenses incurred in connection with a registration requested pursuant to this Section 1.2, including (without limitation) all registration, filing, qualification, printer and accounting fees, shall be borne by the Company; provided, however, that the Company shall not be required to pay for any expenses of any registration begun pursuant to this Section 1.2 if the registration request is subsequently withdrawn at the request of the Holder, unless, at the time of such withdrawal, the Holder has learned of a material adverse change in the condition of the Company from that known to the Holder at the time of its request and has withdrawn the request with reasonable promptness upon obtaining knowledge of such material adverse change. The Company shall not be required to pay any underwriters' or brokers' fees, discounts or commissions relating to the Registrable Securities, or the fees or expenses of separate counsel to the Holder(s).

(d) If a Holder intends to sell Registrable Securities pursuant to this Section 1.2, such Holder shall submit written notice to the Company (a "*Notice of Sale*") by facsimile transmission of such intention which shall include the name of the Holder, the number of

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shares of Registrable Securities that such Holder intends to sell and the Holder's telephone and facsimile numbers. The Company agrees not to disclose or permit disclosure of a Notice of Sale to third parties, other than to directors, officers, employees, consultants and agents of the Company, including the Company's counsel and transfer agent, who have the need to know of the existence of the Notice of Sale. (If the Notice of Sale is actually received in a day other than a business day, it will be deemed received on the next business day; the date on which the Notice of Sale is received is referred to as the "*Notice Date*;" the time on which the Notice of Sale is received is referred to as the "*Notice Time*".) Upon receiving a Notice of Sale from a Holder, the Company will notify the Holder as soon as reasonably practicable (but in no event later than the same time as the Notice Time on the next business day following the Notice Date) whether (i) the Company believes that the prospectus contained in the Registration Statement, as then amended or supplemented, is available for immediate use, whereupon the Company shall so notify the Holder(s) and the Holder(s) will have a period of five (5) days following such notification in which to sell its Registrable Securities or (ii) the Company believes that it is necessary or appropriate to file a supplement or file a post-effective amendment to the registration statement or the prospectus or any document incorporated therein by reference or file any other report or document so that, as thereafter delivered to the purchasers of the Registrable Securities, the prospectus will not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading (a "*Prospectus Update*"). If the Company notifies the Holder(s) that it believes it may be necessary or appropriate to effectuate a Prospectus Update and the Company is not exercising any right it may have under Section 1.2(e) to postpone the Prospectus Update, the Company will thereupon use all reasonable efforts to effectuate such Prospectus Update as soon as reasonably possible, and not later than three (3) business days after the Notice of Sale is received by the Company, except that the Company will have up to an additional two (2) business days to effectuate such Prospectus Update if, because of the particular circumstances involved, the Company could not effectuate the Prospectus Update earlier, despite all reasonable diligence. As soon as the Prospectus Update has been effectuated, the Company will notify each Holder who has submitted a Notice of Sale that the prospectus is available for use, whereupon each such Holder will have a period of five (5) days in which to sell its Registrable Securities.

(e) The Company will be entitled to postpone, for the minimum period provided below, the filing of any Prospectus Update otherwise required to be prepared and filed by it pursuant hereto if, at the time it receives a Notice of Sale, the Company determines in its reasonable judgment, after consultation with counsel, that (i) the Company would be required to prepare and file any financial statements (other than those it customarily prepares or before it customarily files such financial statements), (ii) the Company would be required to file an amendment to the registration statement to describe facts or events which individually or in the aggregate represent a fundamental change in the information contained in the registration statement within the meaning of Item 512 of Regulation S-K promulgated under the Securities Act, or (iii) the filing would require the premature announcement of any financing, acquisition, corporate reorganization, contract or other material corporate transaction or development involving the Company such as the Company reasonably determines would be materially detrimental to the interests of the Company and its Stockholders. The postponement will be for the minimum period reasonably required for the Company to prepare and file the necessary documents, in the case of a postponement pursuant to (i) or (ii) above, or the minimum period reasonably required to avoid such premature disclosure, in the case of (iii) above, and which period will not be in excess of thirty (30) days unless, because of the unusual nature of the particular circumstances, it is necessary that the period extend beyond thirty (30) days.

The Company will promptly give each Holder who has submitted a Notice of Sale notice of any postponement exercised pursuant to this Section 1.2(e). As soon as the Prospectus Update has been effectuated following a postponement effected pursuant to this

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Section 1.2(e), the Company will notify each Holder who has submitted a Notice of Sale that the prospectus is available for use, whereupon each such Holder will have a period of five (5) days in which to sell its Registrable Securities.

(f) The Holder(s) may not sell shares of Registrable Securities under this Section 1.2 without first (i) complying with the Notice of Sale requirements of Section 1.2(d) and (ii) allowing the Company to prepare Prospectus Updates (including any permitted postponements thereof) as set forth in Sections 1.2(d) and (e). A Holder will submit a Notice of Sale only if in good faith it actually intends to sell the Registrable Securities within such five (5) day period and with the understanding that a Notice of Sale is to be made only on the occasion that the sale of Registrable Securities is actually contemplated and not on a continual basis. A Holder will notify the Company by facsimile transmission promptly after it has completed or otherwise ceased sales following submission of a Notice of Sale. The Holder(s) will provide to the Company all information in the Holder(s)' possession or control, and will take all actions, as may be required in order to permit the Company to comply with all applicable requirements of the Securities Act and any applicable state securities laws.

(g) Under no circumstances shall the Company be required to keep a registration statement effective and available pursuant to this Section 1.2 for greater than one (1) year (which period includes any periods of delay permitted under Sections 1.2(d) and (e) above).

1.3 **Third Party S-3 Registration**.

(a) The Company may, in its sole discretion and in lieu of its obligation to effect a registration for the Holder(s) pursuant to Section 1.2 above, permit the Holder(s) to include all of its Registrable Securities in an S-3 registration filed by the Company pursuant to the request of a third party holder of Company securities by submitting written notice thereof to the Holder(s), whereupon the Holder(s) shall have the option to include all of its Registrable Securities in such S-3 registration. The Holder(s) that elect to include Registrable Securities in such an S-3 registration shall forfeit its rights under Section 1.2 of this Agreement.

(b) Subject to the foregoing, the Company shall include in such S-3 registration the Registrable Securities requested to be registered therein by the Holder(s). All expenses incurred in connection with a registration requested pursuant to Section 1.3, including (without limitation) all registration, filing, qualification, printer and accounting fees, shall be borne by the Company. The Company shall not be required to pay any underwriters' or brokers' fees, discounts or commissions relating to the Registrable Securities, or the fees or expenses of separate counsel to the selling Holder(s).

(c) If a Holder intends to sell Registrable Securities pursuant to this Section 1.3, such Holder shall submit a Notice of Sale by facsimile transmission which shall include the name of the Holder, the number of shares of Registrable Securities that such Holder intends to sell and the Holder's telephone and facsimile numbers. Upon receiving a Notice of Sale from a Holder, the Company will notify the Holder as soon as reasonably practicable (but in no event later than the same time as the Notice Time on the next business day following the Notice Date) whether (i) the Company believes that the prospectus contained in the Registration Statement, as then amended or supplemented, is available for immediate use, whereupon the Company shall so notify the Holder(s) and the Holder(s) will have a period of five (5) days in which to sell its Registrable Securities or (ii) the Company believes that it is necessary or appropriate to file a Prospectus Update. If the Company notifies the Holder(s) that it believes it may be necessary or appropriate to effectuate a Prospectus Update and the Company is not exercising any right it may have under Section 1.3(d) to postpone the Prospectus Update, the Company will thereupon use all reasonable efforts to effectuate such Prospectus Update as soon as reasonably possible, and not later than three (3) business days after the Notice of Sale is received by the Company, except that the Company will have up to an additional two (2) business days to effectuate such Prospectus Update if, because of the particular circumstances involved, the Company could not effectuate the Prospectus Update earlier,

despite all reasonable diligence. As soon as the Prospectus Update has been effectuated, the Company will notify each Holder who has submitted a Notice of Sale that the prospectus is available for use, whereupon each such Holder will have a period of five (5) days in which to sell its Registrable Securities.

(d) The Company will be entitled to postpone, for the minimum period provided below, the filing of any Prospectus Update otherwise required to be prepared and filed by it pursuant hereto if, at the time it receives a Notice of Sale, the Company determines in its reasonable judgment, after consultation with counsel, that (i) the Company would be required to prepare and file any financial statements (other than those it customarily prepares or before it customarily files such financial statements), (ii) the Company would be required to file an amendment to the registration statement to describe facts or events which individually or in the aggregate represent a fundamental change in the information contained in the registration statement within the meaning of Item 512 of Regulation S-K promulgated under the Securities Act, or (iii) the filing would require the premature announcement of any financing, acquisition, corporate reorganization, contract or other material corporate transaction or development involving the Company such as the Company reasonably determines would be materially detrimental to the interests of the Company and its Stockholders. The postponement will be for the minimum period reasonably required for the Company to prepare and file the necessary documents, in the case of a postponement pursuant to (i) or (ii) above, or the minimum period reasonably required to avoid such premature disclosure, in the case of (iii) above, and which period will not be in excess of thirty (30) days unless, because of the unusual nature of the particular circumstances, it is necessary that the period extend beyond thirty (30) days. The Company will promptly give each Holder who has submitted a Notice of Sale notice of any postponement exercised pursuant to this Section 1.3(d). As soon as the Prospectus Update has been effectuated following a postponement effected pursuant to this Section 1.3(d), the Company will notify each Holder who has submitted a Notice of Sale that the prospectus is available for use, whereupon each such Holder will have a period of five (5) days in which to sell its Registrable Securities.

(e) The Holder(s) may not sell shares of Registrable Securities under this Section 1.3 without first (i) complying with the Notice of Sale requirements of Section 1.3(c) and (ii) allowing the Company to prepare Prospectus Updates (including any permitted postponements thereof) as set forth in Sections 1.3(c) and (d). A Holder will submit a Notice of Sale only if in good faith it actually intends to sell the Registrable Securities covered thereby within such five (5) day period and with the understanding that a Notice of Sale is to be made only on the occasion that the sale of Registrable Securities is actually contemplated and not on a continual basis. A Holder will notify the Company by facsimile transmission promptly after it has completed or otherwise ceased sales following submission of a Notice of Sale. The Holder(s) will provide to the Company all information in the Holder(s)' possession or control, and will take all actions, as may be required in order to permit the Company to comply with all applicable requirements of the Securities Act and any applicable state securities laws.

(f) Under no circumstances shall the Company be required to keep a registration statement effective and available pursuant to this Section 1.3 for greater than one (1) year (after taking into account any periods of delay permitted under Sections 1.3(c) and (d) above); *provided, however*, that, in the event that the Company keeps the registration statement effective in excess of one (1) year (which period includes any periods of delay permitted under Sections 1.3(c) and (d) above) for the benefit of the third party that requested the S-3 registration, the Holder(s) shall be entitled to submit a Notice of Sale pursuant to Section 1.3(c) until the Company provides notification to the Holder(s) that the Company intends to withdraw the registration statement in five (5) days following the date of such notification, whereupon the Holder(s) shall have a period of five (5) days following the date

of such notice in which to sell its Registrable Securities (subject to postponement in accordance with Sections 1.3(c) and (d) above).

1.4 **Obligations of the Company**. Whenever required under this Section 1 to effect the registration of any Registrable Securities, the Company shall, as soon as reasonably possible:

(a) Prepare and file with the SEC a registration statement on Form S-3 with respect to such Registrable Securities and use its reasonable efforts to cause such registration statement to become effective, and keep such registration statement effective for a period of one (1) year or such shorter period during which the Holder(s) complete the distribution described in the registration statement relating thereto, whichever first occurs.

(b) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of such Registrable Securities pursuant to the terms and subject to the conditions of this Agreement.

(c) Furnish to the Holder(s) such numbers of copies of a prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them and registered hereunder.

(d) Use its best efforts to register and qualify the securities covered by such registration statement under such securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

(e) Provide a transfer agent and registrar for all Registrable Securities registered hereunder not later than the effective date of such registration.

(f) Use best efforts to cause the transfer agent to remove restrictive legends on certificates representing the Registrable Securities covered by a registration statement hereunder, as the Company determines to be appropriate, upon advice of counsel. The stockholders acknowledge that until so removed the Shares will bear the following legend:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS AND MAY NOT BE SOLD OR OTHERWISE DISPOSED OF UNLESS REGISTERED UNDER THE SECURITIES ACT AND UNDER APPLICABLE STATE SECURITIES LAWS OR YAHOO! INC. (THE "COMPANY") SHALL HAVE RECEIVED AN OPINION, IN FORM, SCOPE AND SUBSTANCE REASONABLY ACCEPTABLE TO THE COMPANY, OF COUNSEL WHO IS REASONABLY ACCEPTABLE TO THE COMPANY THAT REGISTRATION OF SUCH SECURITIES UNDER THE SECURITIES ACT AND UNDER THE PROVISIONS OF APPLICABLE FEDERAL AND STATE SECURITIES LAWS IS NOT REQUIRED."

(g) Use its best efforts to furnish, at the request of any Holder requesting registration of Registrable Securities pursuant to this Agreement, on the date that such Registrable Securities are delivered to the underwriters for sale in connection with a registration pursuant to this Agreement, if such securities are being sold through underwriters, or, if such securities are not being sold through underwriters, on the date that the registration statement with respect to such securities becomes effective, (i) an opinion, dated such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities and (ii) a letter dated such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants in an underwritten public offering, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities.

(h) In the event of any underwritten public offering hereunder, enter into and perform its obligations under an underwriting agreement, to be agreed upon with the managing underwriter of such offering. The Holder shall also enter into and perform its obligations under such an agreement.

1.5 **Furnish Information**. It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Section 1 with respect to the Registrable Securities of any selling Holder that such Holder shall furnish to the Company such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such securities as shall be required to effect the registration of such Holder's Registrable Securities.

1.6 **Indemnification**. In the event any Registrable Securities are included in a registration statement under this Section 1:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each selling Holder against any losses, claims, damages, or liabilities (joint or several) to which any of the foregoing persons may become subject, under the Securities Act, the Securities Exchange Act of 1934, as amended (the "*Exchange Act*"), or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "*Violation*"): (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law; and the Company will pay, as incurred, any legal or other expenses reasonably incurred by any person intended to be indemnified pursuant to this subsection 1.6(a), in connection with investigating or defending any such loss, claim, damage, liability, or action; *provided*, *however*, that the indemnity agreement contained in this subsection 1.6(a) shall not apply to amounts paid in settlement of

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any such loss, claim, damage, liability, or action if such settlement is effected without the consent of the Company, which consent shall not be unreasonably withheld, nor shall the Company be liable in any such case for any such loss, claim, damage, liability, or action to the extent that it arises out of or is based upon a Violation which occurs (i) in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by a Holder or (ii) as a result of any use or delivery by a Holder of a prospectus other than the most current prospectus made available to such Holder by the Company.

(b) To the extent permitted by law, each selling Holder will indemnify and hold harmless the Company, each of its directors, each of its officers who has signed the registration statement, each person, if any, who controls the Company within the meaning of the Securities Act or the Exchange Act, and any other Holder selling securities in such registration statement, against any losses, claims, damages, or liabilities (joint or several) to which any of the foregoing persons may become subject, under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs (i) in reliance upon and in conformity with written information furnished by such Holder expressly for use in connection with such registration or (ii) as a result of any use or delivery by such Holder of a prospectus other than the most current prospectus made available to such Holder by the Company; and each such Holder will pay, as incurred, any legal or other expenses reasonably incurred by any person intended to be indemnified pursuant to this subsection 1.6(b), in connection with investigating or defending any such loss, claim, damage, liability, or action; *provided*, *however*, that the indemnity agreement contained in this subsection 1.6(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of such Holder, which consent shall not be unreasonably withheld. The liability of a selling Holder under this paragraph (b) and under paragraph (d) below shall be limited to an amount equal to the net proceeds to such selling Holder from the sale of such Holder's Registrable Shares hereunder, unless such liability arises out of or is based on the willful conduct of the Holder.

(c) Promptly after receipt by an indemnified party under this Section 1.6 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 1.6, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would not be permitted by law or under the ethical rules applicable to such counsel. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 1.6, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 1.6.

(d) If the indemnification provided in this Section 1.6 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any loss, liability, claim, damage or expense referred to therein, then the indemnifying party, in lieu of indemnifying such indemnified party hereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such loss, liability, claim, damage or expense in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the statements or

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omissions that resulted in such loss, liability, claim, damage or expense as well as any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission.

(e) The obligations of the Company and Holder(s) under this Section 1.6 shall survive the completion of any offering of Registrable Securities in a registration statement under this Section 1, and otherwise.

1.7 **Reports Under Securities Exchange Act of 1934**. With a view to making available to the Holder(s) the benefits of Rule 144 promulgated under the Securities Act and any other rule or regulation of the SEC that may at any time permit a Holder to sell securities of the Company to the public without registration, the Company agrees to its best efforts to:

(a) make and keep public information available, as those terms are understood and defined in SEC Rule 144, at all times;

(b) file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act; and

(c) furnish to any Holder, so long as the Holder owns any Registrable Securities, forthwith upon request (i) a written statement by the Company that it has complied with the reporting requirements of SEC Rule 144, the Securities Act and the Exchange Act, (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (iii) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the SEC which permits the selling of any such securities without registration.

1.8 **Assignment of Registration Rights**. The rights to cause the Company to register Registrable Securities pursuant to this Section 1 may be assigned by any Holder to a transferee or assignee of at least 50% of such Holder's Registrable Securities, provided the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned; and provided, further, that such assignment shall be effective only if immediately following such transfer the further disposition of such securities by the transferee or assignee is restricted under the Securities Act.

1.9 **Termination of Registration Rights**. The rights granted under this Section 1, including the rights to utilize any previously filed registration statements, shall terminate upon the earlier of (a) two years following the date of this Agreement or (b) at such time as the Holder(s) may sell all of its Registrable Securities in any single three month period pursuant to Rule 144 (or such successor rule as may be adopted).

2. **Representations and Warranties of the Stockholders and Holders**.

2.1 **Representations and Warranties of the Stockholders and the Holders**. The Shares will be acquired for investment for each Stockholder's own account and not with a view to the distribution of any part thereof, and each Stockholder has no present intention of selling, granting any participation in, or otherwise distributing the same except in each case, in a manner permitted pursuant to the Securities Act of 1933 (the "Securities Act"). Each Stockholder and each other Holder has not and will not enter into any transaction with respect to the Company's common stock or any other derivative transaction designed to eliminate or reduce the economic risk associated with ownership of the Shares, unless such transaction (i) occurs a

sufficient period of time following the purchase of the Shares from SOFTBANK such that such transaction does not cause the purchase of the Shares to violate the Securities Act and (ii) is not in anticipation of the

sale of the Shares pursuant to an effective registration statement under the Securities Act. Each Stockholder understands that (a) the Shares have not been registered under the Securities Act and (b) the Shares will be sold to each Stockholder in reliance on an exemption from registration under the Securities Act and, therefore, cannot be sold or transferred except in a transaction registered under the Securities Act or pursuant to an exemption from such registration. The transaction in which such Stockholder or Holder acquired Shares did not constitute a "distribution" as that term is defined by Rule 100 of Regulation M promulgated under the Exchange Act.

3. **Miscellaneous**.

3.1 **Amendments and Waivers**. Any term of this Agreement may be amended or waived with the written consent of the Company and the holders of a majority of the Shares then held by all Holders. Any amendment or waiver effected in accordance with this Section 3.1 shall be binding upon the parties and their respective successors and assigns.

3.2 **Successors and Assigns**. Subject to the provisions of Section 1.8, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns, any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

3.3 **Governing Law**. All questions concerning the construction, validity, enforcement and interpretation of this Agreement and all acts and transactions pursuant hereto shall be governed by and construed in accordance with the laws of the State of California, without regard to principles of conflicts of law.

3.4 **Counterparts**. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

3.5 **Titles and Subtitles**. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

3.6 **Notices**. Any notice required or permitted by this Agreement shall be in writing and shall be deemed sufficient upon receipt, when delivered personally or by courier, overnight delivery service or confirmed facsimile, or 48 hours after being deposited in the regular mail as certified or registered mail (airmail if sent internationally) with postage prepaid, if such notice is addressed to

the party to be notified at such party's address or facsimile number as set forth below (or as subsequently modified by written notice):

To the Company:

Yahoo! Inc.
701 First Avenue
Sunnyvale, CA 94089
Attn: Senior Vice President, Corporate Development
Facsimile: (408) 349-7721

With a copy at the same address to the attention of the General Counsel, facsimile (408) 349-6208, and a copy to:

Skadden, Arps, Slate, Meagher & Flom LLP
525 University Avenue
Palo Alto, CA 94301
Attn: Kenton J. King
Thomas J. Ivey
Tel. No.: (650) 470-4500
Fax No.: (650) 470-4570

To the Holders:

Acqua Wellington Private Placement Fund Ltd.
c/o Fortis Fund Services (Bahamas) Ltd.
Montague Sterling Centre
East Bay Street, P.O. Box SS-6238
Nassau, Bahamas
Tel. No.: (212) 398-0666
Fax No.: (212) 398-9260

Acqua Wellington Opportunity I Limited.
Shirlaw House
87 Shirley Street
P.O. Box SS-19084
Nassau, Bahamas
Tel. No.: (212) 398-0666
Fax No.: (212) 398-9260

With a copy to:

Jenkens & Gilchrist Parker Chapin LLP
The Chrysler Building
405 Lexington Avenue

New York, New York 10174
Attention: Christopher S. Auguste
Tel. No.: (212) 704-6230
Fax No.: (212) 704-6288

3.7 **Severability.** If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith, in order to maintain the economic position enjoyed by each party as close as possible to that under the provision rendered unenforceable. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of the Agreement shall be interpreted as if such provision were so excluded and (iii) the balance of the Agreement shall be enforceable in accordance with its terms.

3.8 **Entire Agreement.** This Agreement is the product of all of the parties hereto, and constitutes the entire agreement between such parties pertaining to the subject matter hereof, and merges all prior negotiations and drafts of the parties with regard to the transactions contemplated herein. Any and all

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other written or oral agreements existing between the parties hereto regarding such transactions are expressly canceled.

3.9 **Advice of Legal Counsel.** Each party acknowledges and represents that, in executing this Agreement, it has had the opportunity to seek advice as to its legal rights from legal counsel and that the person signing on its behalf has read and understood all of the terms and provisions of this Agreement. This Agreement shall not be construed against any party by reason of the drafting or preparation thereof.

3.10 **Delays or Omissions.** No delay or omission to exercise any right, power or remedy accruing to any party to this Agreement, upon any breach or default of the other party, shall impair any such right, power or remedy of such non-breaching party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be made in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement, or by law or otherwise afforded to any Holder, shall be cumulative and not alternative.

3.11 **Third Parties.** Nothing in this Agreement, express or implied, is intended to confer upon any party, other than the parties hereto, and their respective successors and assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement, except as expressly provided herein.

3.12 **Parity of Rights.** The registration rights granted to the Holder(s) under this Agreement are not intended by the parties to be senior to any of the registration rights granted to holders of the Company's capital stock, but rather to rank on a *pari passu* basis with such rights. The parties agree to interpret the terms of this Agreement in a manner consistent with the foregoing intention.

3.13 **Acknowledgement and Disclaimer.** The Stockholders acknowledge that the Company was not involved, and the Company disclaims any such involvement, in the negotiation of the Stock Purchase Agreement, or in directing or influencing the sale of the Shares by SOFTBANK to the Stockholders.

The parties have executed this Agreement as of the date first above written.

YAHOO! INC.

By: /s/ WILLIAM E. LOSCH

Name: William E. Losch
Title: Vice-President, Finance

STOCKHOLDERS

Acqua Wellington Private Placement Fund Ltd.

By: /s/ R. PERRY PINDER/A. FORBES

Name: R. Perry Pinder/A. Forbes
Title: Vice-Presidents

Acqua Wellington Opportunity I Limited.

By: /s/ MW TAYLOR

Name: MW Taylor
Title: Director

QuickLinks

Exhibit 10.46

REGISTRATION RIGHTS AGREEMENT

QuickLinks -- Click here to rapidly navigate through this document

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 Quarterly Report on Form 10-Q of Yahoo! (the "Company") for the quarterly period ended September 30, 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: November 1, 2002

/s/ SUSAN L. DECKER

Name: Susan L. Decker
Title: Chief Financial Officer
Date: November 1, 2002

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.

QuickLinks

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