



Ask Jeeves, Inc.

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Emeryville, CA 94608

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www.ask.com

www.teoma.com

www.ajkids.com

www.ask.co.uk

www.jeevesolutions.com

www.ask.co.jp

Ask.com

Teoma

Ask Jeeves for Kids

Ask.co.uk

Jeeves Solutions

2002 Annual Report



COMPANY AT A GLANCE

(as of December 2002)

Revenue: \$74.1 million

Cash: \$33.4 million unrestricted cash

Clients: 700+ clients worldwide

Employees: 347

Ask Jeeves, Inc. provides question answering and natural language advanced search technologies for consumers and companies, by enabling users to locate information quickly and intuitively. We offer these technologies through two divisions: Web Properties – a set of online media properties and search services, and Jeeves Solutions – a provider of enterprise software solutions.

Through our search technologies, Ask Jeeves' Web Properties division provides consumers with fast, intuitive ways to find relevant and authoritative answers to their everyday searches. We deliver our search technologies and services through our own Web sites at Ask Jeeves (Ask.com), Teoma (Teoma.com), Ask Jeeves UK (Ask.co.uk) and Ask Jeeves for Kids (AJKids.com). Ask Jeeves also provides advertisers with a suite of targeted products to effectively reach consumers while they are actively searching for information, products and services. In addition, Ask Jeeves' Web Properties division syndicates its search technologies and advertising products to portals, infomediaries, and content and destination Web sites to help companies increase e-commerce and advertising revenue.

Jeeves Solutions, the enterprise software division of Ask Jeeves, provides advanced self-service and analytics technology for corporate Web sites. Through an intuitive interface, the JeevesOne™ platform connects customers with the information, products and services they seek. Its automated, natural language software enables self-service through sophisticated connectivity to companies' Web content and back-end systems. JeevesOne also provides analytics that help companies learn from every question customers ask, providing them with critical, customer-driven information they can use to guide product, sales and marketing strategies.

Founded in 1996, Ask Jeeves has been a publicly traded company on the Nasdaq National Market since July 1999. Our headquarters are located in Emeryville, California. For more information, visit our Web site at www.Ask.com.

Annual Meeting

The annual meeting will be held at 10:00am on Friday May 9, 2003, at The Woodfin Hotel, 5800 Shellmound Street, Emeryville, California.

Independent Auditors

Ernst & Young LLP

Transfer Agent

EquiServe Trust Company, N.A.

c/o EquiServe

P.O. Box 43010

Providence, Rhode Island 02940-3010

Investor Relations Phone: (877) 282-1168

www.equiserve.com

Stock Price History

Year 2002	High	Low
First Quarter	\$3.91	\$1.06
Second Quarter	\$2.52	\$0.95
Third Quarter	\$1.37	\$0.86
Fourth Quarter	\$2.80	\$0.92

Year 2003

First Quarter*	\$7.48	\$2.40
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*Covers trading through March 20, 2003

Ask Jeeves, Inc. common stock has been traded on the Nasdaq National Market under the symbol ASKJ since our initial public offering on July 1, 1999. The preceding table sets forth the high and low sales prices as reported on the NASDAQ National Market during the last year. As of March 4, 2003, we had approximately 998 stockholders of record. We have not paid and do not anticipate we will pay cash dividends on our common stock in the foreseeable future.

Investor Relations

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<http://www.ask.com/investor>

This document should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2002 filed with the Securities and Exchange Commission on March 12, 2003.

Management Team

A. George ("Skip") Battle

Chief Executive Officer

Steven J. Sordello

Chief Financial Officer

Steven Berkowitz

President, Web Properties

Claudio Pinkus

Chief Strategy Officer

Brett M. Robertson

General Counsel

Heather J. Staples

Chief Marketing Officer

Board of Directors

Garrett Gruener Founder and Chairman of the Board;

General Partner, Alta Partners

A. George ("Skip") Battle¹

Chief Executive Officer and Director

David S. Carlick^{1,2}

Venture Partner, Vantage Point Venture Partners

Joshua C. Goldman

Chief Executive Office, Blue Falcon Networks²

James D. Kirsner²

Former Vice President and Chief Financial Officer of Barra Ventures, Barra, Inc.

Roger A. Strauch

Chairman, The Roda Group

Geoffrey Y. Yang¹

Managing Director, Redpoint Ventures

¹Member of Compensation Committee

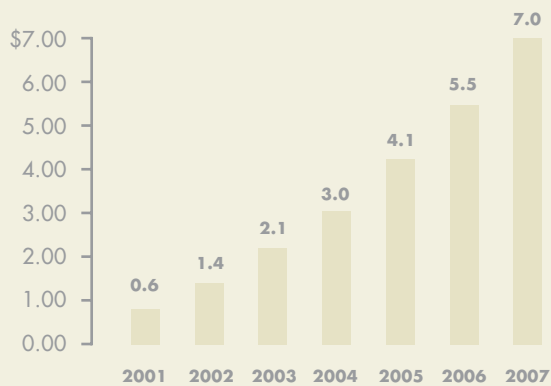
²Member of Audit Committee

This report contains certain forward-looking statements within the meaning of the Securities Exchange Act of 1934, as amended. These statements are subject to risk and uncertainty, as described in the introductory cautionary note to our attached Annual Report on Form 10-K for the year ended December 31, 2002.

Copyright © 2001-2002. Ask Jeeves, Inc. All rights reserved. Ask Jeeves, ask.com, the "Ask" button design, and the Jeeves logo design are registered trademarks of Ask Jeeves, Inc. Ask Jeeves for Kids, Teoma, Subject-Specific Popularity, Jeeves Solutions, JeevesOne, Jeeves Analytics and Jeeves Advisor are trademarks and service marks of Ask Jeeves, Inc. Any other trademarks or service marks are the property of their respective owners.

Search is Growing

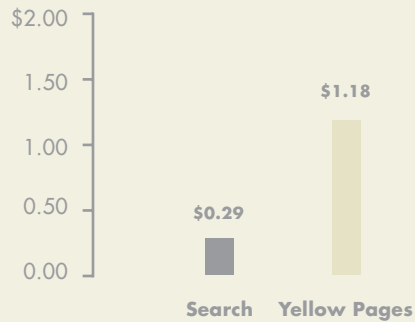
Size of search market
(in billions)



Source: US Bancorp Piper Jaffray

Search Arbitrage

Price per Contact



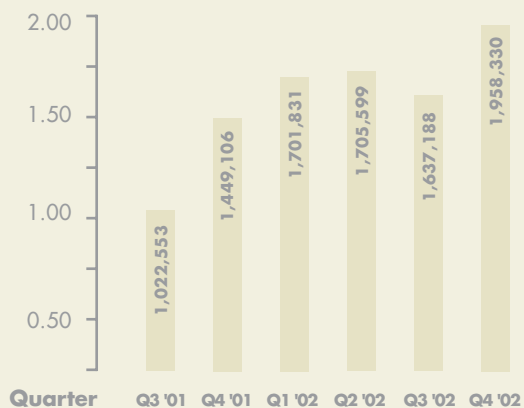
Source: US Bancorp Piper Jaffray

“We’re in the **search** business.”

A. George “Skip” Battle
Chief Executive Officer

Traffic

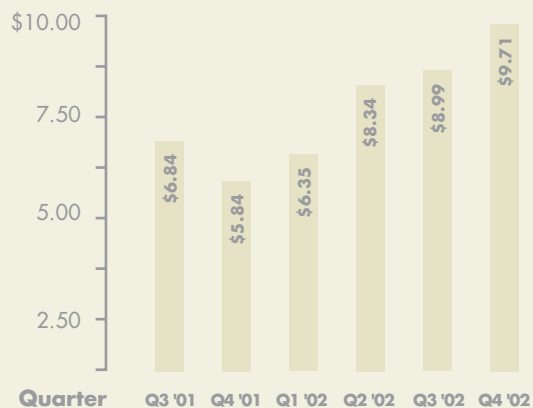
Page Views
(in millions)



Source: Ask Jeeves Internal Data

Monetization

RPM (Revenue per thousand page views)



Source: Ask Jeeves Internal Data



LETTER TO SHAREHOLDERS



I grew up in New England. As winter approached, I would look forward to the ponds freezing so we could play hockey. As the weeks would go by and the ponds didn't freeze, I'd get more and more impatient. Suddenly one day there would be a skin of ice on the water. What I didn't realize was that the ponds had been freezing all along, I just couldn't see the progress.

This analogy probably fits for our company. For a couple of years we've been building capability, improving operations and getting some traction in the search market. But outside the company it was very tough to see our progress. To torture the analogy, in Q4 of 2002, the ice froze for us. We were profitable on both a pro forma and GAAP basis and we were cash flow positive for the first time in the company's history. And we expect to be profitable and cash flow positive going forward.

In Web Properties we've been helped by a confluence of three factors. First, the use of the Web has changed from browsing where people sort of wander the Internet to a "search, find and do something" approach. As a result search has become the front door to the Internet, and is second in use only to e-mail. Second, advertising has been developed for search – paid listings and paid inclusion – that is highly targeted and is actually helpful to users. And, finally, over the past 18 months the importance of Internet traffic as opposed to technology or advertisers in the overall business model has grown dramatically. Companies like our own that can control traffic are getting a greater and greater share of the advertising dollar, which is growing dramatically.

We've also done a lot to improve our position in this market. We acquired Teoma search technology in 2001, integrated it with our natural language technology at the end of 2001, and have dramatically improved our relevance and user experience on our sites. As a result, traffic this past year on our Web sites, as measured by page views, grew 28%. In addition to the traffic growth, we've improved the monetization of all forms of our advertising – paid listings, paid inclusion, graphic ads and our UK site. As a result we've had excellent revenue growth with the promise of more to come. We're actually, experiencing growth in volume and increases in unit pricing at the same time, which is pretty unusual in today's business environment.

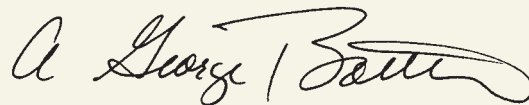
Where the environment for Web Properties has been excellent, the environment for enterprise software, where Jeeves Solutions operates, is very, very tough. The aggregate demand for enterprise software has been badly impacted by weak economic conditions, poor corporate earnings and huge uncertainty about global economic and political trends. The visibility companies have about their near- and mid-term prospects is terrible and when that happens companies tighten purse strings.

As a result, our revenue isn't growing in Jeeves Solutions. Deals are tough to come by. We've continued to invest in our products, we've improved our marketing and sales focus, and we've reduced our overall expenditures consistent with the demand we see in the marketplace. We're fortunate to have a strong customer base that we continue to satisfy. Our revenues cover our direct costs, so earnings are not adversely affected as we continue to enhance our offering and explore ways of getting better results from the business.

Finally, across the entire company we've worked strenuously to reduce costs. Counting the people in the businesses we've acquired, we've reduced our headcount from 850 in December 2000 to 346 at the end of February 2003. Other costs also have been dramatically reduced. We'll average about \$22.5 million in expenses per quarter in 2003, as compared to \$44 million in Q4 2000. The cost cutting is over. We're now focused on the enormous opportunities in front of us.

I am particularly grateful to our employees, who have been diligent, patient and persistent for the past two years. They've worked hard and built a good base for going forward despite the economic uncertainty, our own company's uncertainty, and in the midst of layoffs of their friends.

As we look to 2003 and beyond, we are excited about our prospects. We're committed to growing the company and improving both what we offer to our customers and what we return to our stockholders.



A. George "Skip" Battle
Chief Executive Officer

**Companies like
our own that
control traffic are
getting a greater
and greater
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advertising dollar,
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WEB PROPERTIES



A Great Business

The Web search business has never been better. In fact, search is the second most popular activity on the Internet, after e-mail. According to US Bancorp Piper Jaffray, worldwide revenues based on keyword search grew from \$600 million in 2001 to \$1.4 billion in 2002, and these revenues are expected to reach \$7.0 billion by 2007.

Benefiting from this industry trend and an improved Web site with increased relevance, all the metrics for Ask Jeeves' Web Properties were up in 2002. That includes page views, percent of monetized clicks and advertising rates. We expect this upward momentum to continue in 2003.



**Ask Jeeves is among
the world's top 25
Web properties,
currently reaching
15% of global
Internet users.**

Ads That Pay Off

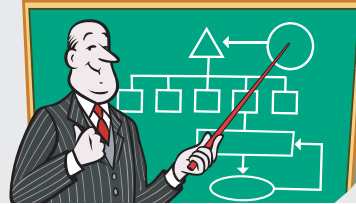
The search business is growing because advertisers enjoy an excellent return on investment (ROI). It costs only about \$0.29 per response to reach customers through a search link. Compare that to the approximately \$1.18 per customer it costs to advertise in the Yellow Pages.

Even better for ROI, keyword search advertising is both highly targeted and performance based. Advertisers know the user is interested in the subject. And they pay only after a connection is made, rather than paying up front for an ad that may or may not reach the right audience.

Owning the Traffic

Advertisers follow traffic. Due to increased competition, economic power has shifted from pure technology providers and advertising aggregators to those Web properties that "own" the traffic. Web sites that can pull in a large and growing clientele of users, and deliver valuable qualified clicks to sponsors, will succeed in the market.

Ask Jeeves is among the world's top 25 Web properties, currently reaching 15% of global Internet users. And traffic is rising. The number of pages viewed on our proprietary Web sites jumped 28% between the fourth quarters of 2001 and 2002. This means we can attract more advertisers, and get higher rates for the listings we provide.



Unique Search Experience

An Ask Jeeves search is unique and differentiated. It starts with our Teoma search technology, which goes beyond traditional page rankings methods by organizing and analyzing naturally occurring Web communities to deliver the most relevant and authoritative results. We also go one step further by offering a set of user-friendly features designed to help the user quickly find what they are looking for and drill deeper into any given topic. The unique nature of the Ask Jeeves search experience coupled with the improved results we now deliver with Teoma, has resulted in a 30% increase in user satisfaction on Ask.com, our flagship site

In addition to improvements in our search capabilities, we streamlined our Ask.com Web site by removing all banner, tower, and pop-up advertising. This initiative resulted in a cleaner, friendlier search experience for our users, while still providing a powerful branding medium for advertisers.

Profitable Queries

We estimate that 30% to 40% of users' queries are commercial in nature. These are queries about things like travel, appliances, autos and financial services that might lead to a purchase. Access to these users is valuable to advertisers.

The percentage of traffic that we monetize on Ask.com has risen steadily, from about 4% in 2001 to more than 10% today. Revenue per 1,000 pages viewed (RPM) on Ask.com climbed to \$11.46, from \$6.36 just a year ago.


Positive Environment


In the coming year we plan to capitalize further on the search market by fine-tuning our Teoma search technology, adding additional advanced search features and continuing to improve the user experience. We'll also begin marketing to attract new users to our Web sites.

We are in a great position for growth. The search market is expanding as advertisers capitalize on the strong ROI from keyword search and as search increasingly helps users find what they are looking for. Our assets, including our Teoma search technology, our strong brand and unique search experience, will allow us to continue to capitalize on search.

TEOMA TECHNOLOGY

 **Results**
Relevant web pages

 **Refine**
Suggestions to narrow your search

 **Resources**
Link collections from experts and enthusiasts

Brightest New Search Star

In less than two years, Ask Jeeves' Teoma™ search technology has become the third most widely used in North America, reaching an unduplicated 25% of the continent's Web users. Teoma powers our own Ask.com, Teoma.com and Ask.co.uk Web sites, and our syndication network extends it to an array of other Web sites.

Highest Relevance

To date, Teoma has crawled more than a billion Web pages and indexed more than 500 million URLs. Recently, in independent tests by Search Engine Watch, Teoma's relevance was graded "A" (highest). This is reinforced by the metrics we're experiencing on our sites. Since we integrated Teoma on our search Web sites, the number of times users pick a search result has increased by 42%, while site abandonment has decreased 48%. And this year we're working to make it even more powerful and relevant.



**Teoma's
approach to
searching the
Web is unlike
any other
technology.**

Subject-Specific Popularity

Teoma adds a new dimension and level of authority to search results through its breakthrough approach, known as Subject-Specific PopularitySM. Teoma's approach to searching the Web is unlike any other technology. Teoma analyzes the Web as it is organically organized—in naturally-occurring communities that are about or related to the same subject—to determine which sites are most relevant. Teoma is the only search technology that can locate communities on the Web within their specific subject areas, as they actually exist.

Authority

Because Teoma organizes the universe of Web sites into natural communities of interest, it can identify which sites contain the most expertise and knowledge, thus adding authority to search results. This unique approach makes it possible to explore and reveal a whole new dimension of Web resources, generating smarter, more refined results. It's almost as if Teoma users gain access to a network of world-class authorities every time they request information.

Advanced Features

Teoma delivers other benefits as well. For instance, the proprietary spell-check function leverages the real-time content of the Web to determine correct spellings, lifting that burden from users. Teoma also refines searches with advanced tools such as exact phrase, geographic region, domain, date and type of language.

JEEVES U.K. AND JEEVES SYNDICATION



Ask Jeeves U.K.

In February 2002, we purchased our partners' interest in Ask Jeeves U.K. and have successfully integrated this venture into our Web Properties division. The Web site attracted 4.8 million unique users in the fourth quarter of 2002, yielding \$16.5 million in revenue for the year. With a strong brand and national presence, Ask Jeeves U.K. is the 12th most visited site in the United Kingdom, according to Nielson/NetRatings.

To increase the success of Ask Jeeves U.K., we integrated our Teoma search technology into the Web site and introduced a popular innovation: we partitioned the Web site so users could choose between a U.K.-only or a worldwide search index for their answers. We believe the addition of the partition feature has increased both the number of user visits and the queries asked.

Syndication Network

Our syndication network lets us leverage the full efforts of our sales force. We license our Teoma technology for organizing and ranking search results to third parties for use on their own Web sites. Our Syndicated search customers include Excite, HotBot and InfoSpace, among other Web publishers, portals and infomediaries. Syndicated Search customers pay us a licensing fee or share advertising revenue from their search result pages with us.

**To drive the success
of Ask Jeeves U.K.,
we integrated
our Teoma search
technology into the
Web site**

JEEVES SOLUTIONS



Pulling Its Weight

This has been a difficult year for the enterprise software segment, as companies took a wait-and-see attitude toward the economy and IT budgets stagnated. We responded by re-sizing Jeeves Solutions to align expenditures and resource allocation with the business climate. This division now covers all its direct costs, contributing 15% of our total revenues. We believe Jeeves Solutions is now positioned to weather the current market, and grow when the economy improves.

Market Traction

Despite the industry slowdown, our JeevesOne™ products have gained increased traction in the marketplace this year. We closed 23 deals for the year – a combination of acquiring new customers such as ADP, Aventis and Ethan Allen, and migrating our current customers such as Ford, HP/Compaq and Nestle-Purina to the JeevesOne platform. Our customer base remains strong based on a high-return on investment (ROI) solution and an increased focus on search as a means to increase sales and decrease support costs. Our customers tell us they're delighted with the way JeevesOne has enhanced online interactions with their users and provided critical information to help guide their marketing strategies and spur sales growth.

Targeted Intelligence

The JeevesOne platform we believe continues to deliver the best analytics in the business. In a crowded market, this continues to differentiate Jeeves Solutions from its competitors. Customers such as Cincinnati Bell, Nike, Novartis and Roche use the sophisticated Jeeves Analytics package to learn from every interaction their customers have with their Web site, gleaning data that helps them build stronger customer relationships.



**The JeevesOne
platform continues
to deliver the
best analytics
in the business.**