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ACCESSION NUMBER: 0001012870-01-001485

CONFORMED SUBMISSION TYPE: 10-K

PUBLIC DOCUMENT COUNT: 3

CONFORMED PERIOD OF REPORT: 20001231

FILED AS OF DATE: 20010402

FILER:

COMPANY DATA:

COMPANY CONFORMED NAME:

WEBVAN GROUP INC

CENTRAL INDEX KEY:

0001092657

STANDARD INDUSTRIAL CLASSIFICATION:

SERVICES-BUSINESS SERVICES,

NEC [7389]

IRS NUMBER:

770446411

STATE OF INCORPORATION:

DE

FISCAL YEAR END:

1231

FILING VALUES:

FORM TYPE: 10-K

SEC ACT:

SEC FILE NUMBER: 000-27541

FILM NUMBER: 1591669

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STATE: CA

ZIP: 94404

BUSINESS PHONE: 6506273000

MAIL ADDRESS:

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STATE: CA

ZIP: 94404

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<DOCUMENT>

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

FOR THE TRANSITION PERIOD FROM _____ TO _____ .

COMMISSION FILE NUMBER 0-27541

WEBVAN GROUP, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE
(STATE OR OTHER JURISDICTION
OF INCORPORATION OR ORGANIZATION)

77-0446411
(I.R.S. EMPLOYER
IDENTIFICATION NUMBER)

310 LAKESIDE DRIVE
FOSTER CITY, CA
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

94404
(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (650) 627-3000

SECURITIES REGISTERED UNDER SECTION 12(g) OF THE EXCHANGE ACT:
COMMON STOCK, \$0.0001 PAR VALUE

Check whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-K contained in this form, and no disclosure will be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the voting stock held by persons other than those who may be deemed affiliates of Webvan as of March 15, 2001, was approximately \$44.8 million. Shares of Common Stock held by each executive officer and director and by each person who owns 5% or more of the outstanding Common Stock have been excluded in that such persons may under certain circumstances be deemed to be affiliates. This determination of executive officer or affiliate status is not necessarily a conclusive determination for

other purposes.

The number of shares of the Registrant's Common Stock outstanding as of March 15, 2001 was 481,397,320.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Registrant's 2000 Annual Meeting of Stockholders to be held on June 4, 2001 are incorporated by reference in Part III of this Form 10-K.

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PART I

This report contains certain forward-looking statements (as such term is

defined in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934) and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management, including statements related to the timing and amount of our financing needs, the expected changes in Webvan's future operating expenses and the timing and amount of our capital expenditures. In addition, when used in this report, the words "likely," "will," "suggests," "may," "would," "could," "anticipate," "believe," "estimate," "expect," "intend," "plan," "predict" and similar expressions and their variants, as they relate to us or our management, may identify forward-looking statements. Such statements reflect the judgement of Webvan as of the date of this annual report on Form 10-K with respect to future events, the outcome of which is subject to certain risks, including the risk factors set forth below, which may have a significant impact on our business, operating results or financial condition. Stockholders are cautioned that these forward-looking statements are inherently uncertain. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results or outcomes may vary materially from those described herein. Webvan Group, Inc. (Webvan) undertakes no obligation to update forward looking statements, whether as a result of new information, future events or otherwise.

On September 5, 2000, Webvan completed its merger with HomeGrocer, Inc., an Internet retailer of groceries and other general merchandise, with home delivery. Unless otherwise specified herein, all references to Webvan relate to the combined entity.

ITEM 1. BUSINESS

Webvan is an Internet retailer offering delivery of consumer products through an innovative proprietary business design that integrates its Webstore, distribution facility and delivery system. Webvan's current product offerings are principally focused on food, non-prescription drug products and general merchandise including housewares, pet supplies, consumer electronics and entertainment products and books.

THE WEBVAN WEBSTORE

The Webvan Webstore is a user-friendly, informative and personalized web site which enables users to quickly and easily navigate and purchase from a wide selection of items. The Webstore makes the shopping experience easy for the customer by offering them multiple methods for shopping the site. The store directory is divided into intuitively organized categories and allows the customer to quickly and efficiently find items. The Webstore is customized for each facility to present only the products available in that facility. Webvan offers a broad selection of traditional grocery store products and an increasing number of non-grocery store products. Once customers find the item they want, they may add it to the shopping cart or may save it to a shopping list. Customers can also access, for ease of shopping, a special category called "My Personal Market" containing only those products that a customer has already ordered in prior visits to Webvan's Webstore. The shopping cart is always visible on the screen and instantly updates and calculates the order total while the customer shops. Webvan's Webstore promotes brand loyalty and repeat purchases by providing a convenient, easy-to-use experience that encourages customers to return frequently.

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HOME PAGE. Webvan's home page serves as the entry point and gives visitors a glimpse of the products and services available on the site. On Webvan's home page, customers find special offers regarding products and links that showcase specific offers areas of the site.

BROWSING. Webvan's Webstore displays a store directory which allows visitors to browse through all the categories of products Webvan offers. The categories are intuitively organized into discrete units and enable the user to drill down from general to more specific categories. The browsing tool also enables customers to see all products in a particular category before making a selection, similar to scanning the shelves of a neighborhood store. In addition, each item on the site has an image and many grocery products have nutritional information attached, which further enhances the user experience.

SEARCHING. Webvan's Webstore contains an interactive, searchable database of products that are or have been available for purchase from the applicable facility. The customer can search based on product type, brand name or category. The search results page displays each relevant item, along with the product category and subcategories.

PERSONALIZATION AND LISTS. Webvan's Webstore enables a customer to personalize their shopping experience. The site's shopping list feature allows customers to create and retain a personal shopping list in their profiles. Once a list has been created and saved, it can be retrieved and modified at any time, enabling customers to shop and check out in a few minutes. Webvan believes that the personalization of a customer's shopping experience is an important element of Webvan's value proposition and Webvan intends to continue to enhance its personalization services.

DELIVERY. Customers schedule their delivery by selecting a time-specific delivery window from a grid showing the available delivery windows. Customers are able to schedule a delivery to occur within an available timeframe at least six days after the order is placed. Deliveries are generally made from 6:00 a.m. to 10:00 p.m. from Webvan's facilities though delivery hours are limited on specific days and in markets being served from facilities located in other markets. In addition, Webvan evaluates the appropriate delivery times for particular delivery zones and tailors the delivery windows available for some zones to reflect demand, optimize Webvan's delivery resources, and maximize its service area. Webvan's customers must be at home to accept delivery of high value, perishable or frozen items or regulated products such as alcohol and tobacco. Non-perishable items may be delivered when the customer is not home. While Webvan strives to maintain high on-time delivery rates and order fulfillment accuracy rates, Webvan has, on occasion, experienced operational "bugs" or systems difficulties that have resulted in a high proportion of late deliveries or order fulfillment inaccuracies on particular days. Any material decrease in Webvan's on-time delivery rate or in order fulfillment accuracy would likely have an adverse impact on Webvan's consumer acceptance of its service and on its ability to increase average daily order volume. A prolonged decline in Webvan's on-time delivery rate or in order fulfillment accuracy would have an adverse impact on Webvan's financial results.

TECHNOLOGY AND SYSTEMS

Webvan has developed a technologically advanced systems platform, which integrates its entire business process. Webvan has built an array of proprietary

advanced inventory management, warehouse management, route management and materials handling systems and software to manage the entire customer ordering and delivery flow process. By customizing software systems in the manner required by Webvan's platform and developing proprietary programs and algorithms to integrate these systems into a seamless platform, Webvan's systems are able to manage and track transactions from the Webstore to a customer's front door. Webvan's proprietary order management system and order

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fulfillment systems communicate between the Webstore and the warehouse allowing instructions to be issued to the various mechanized and manual-pick areas of the facility to ensure the proper fulfillment of orders. Webvan designed the system to utilize a combination of automated conveyors and carousels and manual-pick flow racks in an effort to process orders in the most cost-efficient manner possible. Once a delivery is scheduled, a route planning feature of the system determines the most efficient route to deliver goods to the customer's home. Each aspect of this process is tightly integrated and enables Webvan to provide high quality service to its customers.

Webvan's software development and engineering expenses were approximately \$25.5 million in the twelve months ending December 31, 2000 and \$15.2 million and \$3.0 million in 1999 and 1998, respectively. Webvan is continuously refining and modifying its systems based on its experience and in an attempt to incorporate additional features that make order processing more efficient and customer experience more rewarding. Webvan outsources most of its physical data center requirements, as Webvan's web and database servers are hosted at AboveNet Communications, Inc. in Santa Clara County, California and at Internap, Inc. in Seattle, Washington. The continued uninterrupted operation of Webvan's Webstore and transaction-processing systems is essential to Webvan's business, and it is the job of Webvan's site operations staff to ensure, to the greatest extent possible, the reliability of Webvan's Webstore and transaction-processing systems.

FACILITIES

Webvan's facilities are comprised of distribution centers of approximately 350,000 square feet as well as customer fulfillment centers (or CFCs) of approximately 100,000-125,000 square feet acquired pursuant to the HomeGrocer transaction. Each facility is a clean, climate-controlled building segmented into separate ambient, refrigerated and frozen areas that store grocery items at optimal temperatures. Webvan's facilities are located generally in industrially zoned areas, which typically have lower real estate costs than traditional supermarkets located in commercial areas.

The larger distribution centers are located in Oakland, California (serving the greater San Francisco Bay area and Sacramento markets), Suwanee, Georgia (serving the greater Atlanta market) and Carol Stream, Illinois (serving the greater Chicago market). The smaller CFC's are located in Renton, Washington (serving, in conjunction with a facility located in Wilsonville, Oregon, the greater Seattle and Portland markets), Fullerton and Carson, California (serving, in conjunction with facilities in Azusa and Irvine, California, the greater Los Angeles/Orange County market) and San Diego, California (serving the greater San Diego market).

Webvan's facilities were designed for the efficient receipt and distribution of products. The facilities provide for a highly flexible inventory selection. This design, using Webvan's integrated software systems and combination of automated materials handling equipment such as carousels and conveyors, and manual-pick flow racks, is intended to provide economies of scale in the process of fulfilling customer orders compared to traditional retail and distribution facilities.

DELIVERY OPERATIONS

Webvan's facilities serve as the focal point for delivery operations. Orders are collected from the Webstore, routed and managed by each facility, transferred to stations or otherwise delivered directly from the facility to customers' homes. This model enables Webvan to efficiently and cost effectively deliver consumer goods to the home by combining centralized order fulfillment with decentralized delivery. In instances where transfer stations are utilized, Webvan uses temperature-controlled trucks to deliver from the facility to the station and smaller vans to deliver from the station to the home. The stations

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are strategically positioned throughout a delivery region within approximately 50 miles of a facility, with each serving a geographic zone that typically includes target customer residences within an approximately 25 mile radius from the station. Webvan will vary the number of stations served by a facility to take into account operating expenses as well as the differing densities and order volumes of its customers within the geographic area served by that facility. In addition, Webvan adjusts the particular geographic areas served from any particular station based on the presence and absence of the requisite amount of demand for Webvan's services in a particular area. In doing so, Webvan can consolidate stations in those instances where more than one zone can be efficiently serviced from one station. For, example, Webvan has reduced the number of stations in the San Francisco Bay Area from an original of 12 stations to 7 stations, yet Webvan continues to service the same geographical area. Likewise, in Atlanta, Webvan has reduced the number of stations from 9 stations to 5 stations. Webvan delivers to the customer's door in a smaller van complete with refrigeration equipment to keep chilled and frozen items at temperatures that maintain their quality and freshness. Each customer's order is delivered in environmentally-friendly reusable containers, called totes.

All of Webvan's couriers are Webvan employees. Webvan utilizes strict hiring standards in choosing couriers and requires each new employee to complete an intensive training program. The courier training lasts two weeks and includes 36 hours of classroom training, 12 hours of driving training and 28 hours of on the job training. Couriers are trained in responsible driving practices, verification procedures related to the sale of alcohol and tobacco products, courtesy and the proper handling of totes and products. Webvan's couriers receive a competitive compensation package, including cash and stock options, and are encouraged to reinforce Webvan's brand and help to create a lasting one-to-one relationship with Webvan's customers. In addition, couriers have been trained to answer questions about the service and handle service issues directly and promptly at the customer's residence. If the customer is not satisfied with the products received, the courier is able to initiate a transaction to credit the customer's bill.

CUSTOMER SERVICE

Webvan believes that its ability to establish and maintain long-term relationships with its customers and to encourage repeat visits and purchases depends on the strength of Webvan's customer support and service operations and staff. Webvan seeks to achieve frequent communication with and feedback from its customers to continually improve the Webvan service. Webvan offers a number of automated help options as well as an on-line "chat" system that connects customers and customer service representatives on the website and an easy-to-use direct e-mail service to enable customers to ask questions and to encourage feedback and suggestions. Webvan plans to respond to customer e-mail inquiries within 12 hours of the submission and allow for a maximum response time of 24 hours. Webvan's team of customer support and service personnel are responsible for handling general customer inquiries, answering customer questions about the ordering process, and investigating the status of orders, deliveries and payments. Webvan recently opened a national customer service center in Las Vegas, Nevada to service all of Webvan's facilities. Users can contact customer service representatives via Webvan's toll free telephone number to ask questions. Webvan's automated customer service function distributes e-mails to customers after registration and after each order is placed.

MARKETING AND PROMOTION

Webvan's marketing and promotion program is designed to strengthen the Webvan brand name, build strong customer loyalty, maximize repeat usage and purchases, and drive trials of Webvan's service in its markets. Webvan intends to build its brand name and customer loyalty through Webvan's public relations programs, advertising campaigns and promotional activities. Webvan's efforts focus on building credibility with customers and achieving market acceptance

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for Webvan's services. While Webvan currently advertises primarily with respect to the grocery offerings which stimulates the greatest frequency of contact with Webvan's customers, Webvan also augments such advertising with targeted promotions of its non-grocery offerings consistent with its intent to identify Webvan in its customers' minds as a website where non-grocery products can be purchased. In this regard, Webvan believes that customer reliance on the convenience and reliability of Webvan grocery deliveries to their homes will enable Webvan to sell products in other consumer product categories and ultimately to position Webvan as the preferred choice of customers for purchasing products over the Internet that are delivered to the home. Currently, Webvan offers an array of non-grocery products, or what are often referred to as "Last mile" products, including books, consumer electronics, toys, clothing, DVDs, CDs and pet supplies.

Webvan is able to provide increasingly targeted and customized services and offerings by using the customer purchasing, preference and behavioral data obtained through the traffic and purchases generated at the Webstore. Webvan also builds brand loyalty through personalized interaction with customers through prompt, professional delivery persons and through use of Webvan delivery vehicles. By offering customers a compelling and personalized value proposition, Webvan's goal is to increase the number of visitors that make a purchase, to encourage repeat visits and purchases and to extend customer retention.

MERCHANTS AND VENDORS

Webvan sources grocery products from a network of food and drug manufacturers, wholesalers and distributors. Webvan sources other products from a network of manufacturers, distributors and wholesalers. Webvan currently relies on rapid fulfillment from national and regional distributors for a substantial portion of its grocery items. Webvan purchases a number of top grocery brands and high volume grocery items directly from manufacturers. Webvan also utilizes premium specialty suppliers or local sources for gourmet foods, farm fresh produce, fresh fish and meats. Because Webvan covers a broad area and service high volumes from a single point of distribution, Webvan believes that it offers Webvan's suppliers a very efficient product supply model which is reflected in the discounts and pricing Webvan receives. When Webvan selects a new product for purchase, it is entered into the inventory management system and its Webstore. Webvan employs technological replenishment and expiration date controls to manage its grocery inventory and maintain product freshness. As of December 31, 2000, Webvan was purchasing products from approximately 75 distributors and directly from approximately 500 vendors.

COMPETITION

Local, regional, and national food chains, independent food stores and markets, as well as online grocery retailers comprise Webvan's principal competition as an on-line grocery retailer, although Webvan also faces substantial competition from convenience stores, liquor retailers, membership warehouse clubs, specialty retailers, supercenters, and drugstore chains. To the extent that Webvan adds non-grocery store product categories to its offering, local, regional and national retailers in those product categories, as well as online retailers in those product categories, will provide Webvan's principal competition in those areas. Many of Webvan's existing and potential competitors, particularly traditional grocers and retailers and certain online retailers, are larger and have substantially greater resources than Webvan does. Webvan expects this competition in the online grocery and non-grocery areas will intensify as more traditional and online grocery retailers offer competitive services either directly or, in the case of certain traditional grocery retailers, through their affiliates, such as Peapod in the case of Royal Ahold and GrocerWorks.com in the case of Safeway.

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Webvan's facilities operate in the San Francisco Bay Area, Sacramento, Atlanta, Chicago, Los Angeles/Orange County, Seattle, Portland and San Diego markets. In these markets, Webvan competes primarily with traditional grocery retailers and with several online grocery companies, including Peapod, PDQuick and Albertsons.com. The number and nature of competitors and the amount of competition Webvan will experience will vary over time and by market area. Many of the online grocery retailers charge membership, delivery or service fees, and often offer their goods at a premium to traditional supermarkets.

The principal competitive factors that affect Webvan's business are location, breadth of product selection, quality, service, convenience, price and consumer loyalty to traditional and online grocery and non-grocery retailers. In the grocery business, Webvan believes that they compete favorably with respect to each of these factors as compared to other online grocery retailers. However, many traditional grocery retailers may have substantially greater levels of consumer loyalty and serve many more locations than Webvan currently does. In addition, while Webvan's experience to date shows that in each market there are

an initial number of customers who are attracted to an online service for the regular purchase of their groceries and that many other individuals will try an online service once or twice, Webvan's primary challenge is to change customer shopping habits so that customers order regularly from Webvan, and not shop at the traditional supermarket. As Webvan expands into additional product categories, Webvan's ability to attract and retain customers for these products will be a function of the same competitive factors. If Webvan fails to compete effectively in any one or more of these areas, Webvan may lose existing and potential customers, which could materially harm Webvan's business.

GOVERNMENT REGULATION

In addition to regulations applicable to businesses generally or directly applicable to electronic commerce, Webvan is subject to a variety of federal state and local regulations concerning the handling, sale and delivery of food, alcohol and tobacco products. Compliance with applicable federal, state or local regulations may cause Webvan to incur substantial costs, including costs resulting from required changes to Webvan's software systems or operational processes, or delay the availability of a number of items at one or more of its distribution centers. In addition, any inquiry or investigation from a food regulatory authority could have a negative impact on Webvan's reputation. Any of these events could have a material adverse effect on Webvan's business and expansion plans and could cause Webvan to lose customers.

Webvan will be required to obtain state, and in some cases county or municipal licenses and permits for the sale of alcohol and tobacco products in each location in which Webvan seeks to open a facility. Given the complexity of these regulations governing the issuance of these permits and licenses and the fact that most were enacted prior to the existence of an Internet-based sales model, Webvan cannot assure you that it will be able to obtain any required permits or licenses in a timely manner, or at all. Webvan may be forced to incur substantial costs and experience significant delays or inability in obtaining these permits or licenses. For instance, Webvan does not have an alcohol license in Atlanta for its facility, and recent attempts by Webvan and others to have legislation enacted to permit such a license have failed. Changes to existing laws or Webvan's inability to obtain required permits or licenses could prevent Webvan from selling alcohol or tobacco products in one or more of its geographic markets or a portion of those markets where a market extends over two or more licensing jurisdictions. Any of these events could substantially harm Webvan's net sales, gross profit and ability to attract and retain customers.

From time to time, state and local governments may consider legislation that impacts large-scale retailers in a manner designed to limit the ability of such large scale retailers from impacting smaller, often locally owned and

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operated, retailers. For instance, in 1999, the Governor of California vetoed legislation which would have prohibited a public agency from authorizing retail store developments exceeding 100,000 square feet if more than a small portion of the store were devoted to the sale of non-taxable items, such as groceries. While it is not clear whether Webvan's operations would be considered a retail store for purposes of this kind of legislation, Webvan cannot assure you that other state or local governments will not seek to enact similar laws or that Webvan would be successful if forced to challenge the applicability of this kind of legislation to Webvan's distribution facilities. The expenses associated with

any challenge to this kind of legislation could be material. If Webvan is required to comply with new regulations or legislation or new interpretations of existing regulations or legislation, this compliance could cause Webvan to incur additional expenses or alter its business model. In addition, because of the increasing popularity of the Internet, it is possible that a number of laws and regulations may be adopted with respect to the Internet and e-commerce that could adversely affect the manner in which Webvan conducts its business. These laws may cover issues such as user privacy, freedom of expression, pricing, content and quality of products and services, taxation, advertising, intellectual property rights and information security. Furthermore, the growth of electronic commerce may prompt calls for more stringent consumer protection laws. Congress and several states have proposed legislation to limit the uses of personal user information gathered online or require online services to establish privacy policies. The Federal Trade Commission has also initiated action against at least one online service regarding the manner in which personal information is collected from users and provided to third parties. The adoption of consumer protection laws, regulations or guidelines could create uncertainty in web usage, reduce the demand for Webvan's products and services and, possibly, limit Webvan's ability to share data with its business partners, which could adversely affect the price at which those entities are willing to engage in business with Webvan.

Webvan is not certain how its business may be affected by the application of existing laws governing issues such as property ownership, copyrights, encryption and other intellectual property issues, taxation, libel, obscenity and export or import matters. The vast majority of these laws were adopted prior to the wide use of the Internet. As a result, they do not contemplate or address the unique issues of the Internet and related technologies. Changes in laws intended to address these issues could create uncertainty in the Internet market place. This uncertainty could reduce demand for Webvan's services or increase the cost of doing business as a result of litigation costs or increased service delivery costs.

INTELLECTUAL PROPERTY

Webvan regards patent rights, copyrights, service marks, trademarks, trade secrets and similar intellectual property as important to its success. Webvan relies on patent, trademark and copyright law, trade secret protection and confidentiality or license agreements with its employees, customers, partners and others to protect Webvan's proprietary rights; however, the steps Webvan takes to protect its proprietary rights may be inadequate. Webvan has filed trademark registration applications, including for the marks "WEBVAN," "WEBVAN.COM and 'grocery bag' logo," the Webvan "WV" logo, "WEBVANEXPRESS," "WEBVANXPRESS," "HOMEGROCER," "HOMEGROCER.COM and 'peach' logo" and the HomeGrocer "peach" logo. Webvan currently has no patents protecting its technology. From time to time, Webvan has filed and expects to file patent applications directed to aspects of its proprietary technology. Webvan cannot assure you that any of these applications will be approved, that any issued patents will protect its intellectual property or that any issued patents or trademark registrations will not be challenged by third parties. In addition, other parties may independently develop similar or competing technology or design around any patents that may be issued to Webvan.

EMPLOYEES

As of December 31, 2000, Webvan had approximately 4,476 full-time employees consisting of approximately 129 in software development, approximately 509 in operations, administration and customer service, approximately 133 in merchandising and marketing and approximately 3,705 at Webvan's facilities. None of Webvan's employees are represented by a labor union.

EXECUTIVE OFFICERS

Our executive officers and certain information about them as of March 15, 2000 are as follows:

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Name	AGE	POSITION(S)
<S> George T. Shaheen	<C> 56	<C> President, Chief Executive Officer and Chairman of the Board
Robert H. Swan	40	Chief Financial Officer and Chief Operating Officer
F. Terry Bean	53	Senior Vice President, Human Resources

</TABLE>

George T. Shaheen has served as President and Chief Executive Officer and as a member of the Board of Webvan since September 1999. In September 2000, he was elected Chairman of the Board of Directors. Prior to joining Webvan, he had been the managing partner and chief executive officer of Andersen Consulting, a global consulting firm, since the firm became an independent unit in 1989. He joined Andersen Consulting in 1967 and became a partner in 1977. From 1980 to 1985, he oversaw the consulting practice for North and South Carolina before heading the Northern California Consulting practice based in San Francisco. Prior to becoming managing partner and chief executive officer of Andersen Consulting, Mr. Shaheen was managing partner of the Southeast U.S. Region and North American practices. In addition, he was the practice director for Japan and the Pacific Northwest. Mr. Shaheen is also a director of Siebel Systems, Inc., a software company. He is on the Board of Trustees at Bradley University and is a member of the Board of Advisors for the Northwestern University J.L. Kellogg Graduate School of Business. Mr. Shaheen received a bachelor's degree in marketing and a master's degree in finance from Bradley University.

Robert H. Swan has served as Chief Financial Officer since February 2000; from October 1999 until February 2000 he served as Vice President, Finance of Webvan. In September 2000 he was named Chief Operating Officer for Webvan. From September 1985 to October 1999, Mr. Swan held a variety of positions at General Electric Company, most recently as Vice President, Finance and Chief Financial Officer of GE Lighting. From January 1997 to June 1998, Mr. Swan served as Vice President, Finance of GE Medical Systems in Europe. From October 1994 to January 1997, Mr. Swan served as Chief Financial Officer of GE Transportation Systems. From May 1988 to October 1994, Mr. Swan held several assignments with GE's Corporate Audit Staff. Mr. Swan holds a B.S. in Management from the State University of New York at Buffalo and an M.B.A. from the State University of New York at Binghamton.

F. Terry Bean has served as Senior Vice President, Human Resources since

March 2000. From August 1998 to May 1999 Mr. Bean served as vice president of human resources and corporate services for Equiva Services, a joint venture between Shell Oil Company, Texaco and Saudi Aramco. From 1994 to July 1998, he was with Office Depot, Inc., serving first as the executive vice president, human resources, and from 1997 to 1998, as senior vice president of the company's commercial business unit. From 1989 to 1994, he was the senior vice president, human resources for Roses Stores, Inc. in Henderson, North Carolina and from 1978 to 1989, he held a series of senior positions within the

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personnel services group at Federal Express Corporation. Mr. Bean received his bachelor's degree in business from Memphis State University.

Officers serve at the discretion of the Board and are appointed annually. The employment of each of our officers is at will and may be terminated at any time, with or without cause. There are no family relationships between any of the directors or executive officers of Webvan.

ITEM 2. PROPERTIES

Webvan has corporate offices located in Foster City, California and Kirkland, Washington. In Foster City, Webvan occupies a total of approximately 113,000 square feet under leases that expire between August 2001 and January 2012. In Kirkland, Webvan occupies a total of approximately 82,000 square feet under leases that expire September 2004 and February 2008. Webvan anticipates that the Foster City and Kirkland locations will satisfy its corporate office space needs for the foreseeable future.

Webvan occupies the following properties as its operating facilities:

<TABLE>
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Location	Square Footage	Market	Lease ----- Expiration
-----	-----	-----	-----
<S>	<C>	<C>	<C>
Oakland, CA	340,000	San Francisco Bay Area /Sacramento Area	July 2008
Suwanee, GA	350,000	Atlanta Metro Area	June 2009
Carol Stream, IL	355,000	Chicago Metro Area	December 2009
Renton, WA	110,000	Seattle/Portland Area	February 2010
Fullerton, CA	100,000	Orange County Area	October 2009
Carson, CA	100,000	Los Angeles Metro Area	January 2010
San Diego	102,000	San Diego Metro Area	January 2010

In conjunction with the foregoing facilities, Webvan occupies a number of other properties that operate as stations to the larger distribution facilities.

Webvan occupies a total of 33,500 square feet of space in Las Vegas, Nevada for its National Customer Service Center under a lease that expires in August 2010.

Webvan has leases on a number of other properties that it either anticipates occupying in connection with its long-term expansion plans or disposing of in connection with its restructuring following the acquisition of HomeGrocer or pursuant to its revised expansion plans.

Webvan does not own any real estate.

ITEM 3. LEGAL PROCEEDINGS:

Webvan is a party to the following litigation:

. SRG Foothill Ranch, LLC v. Webvan: Filed August 17, 2000 in the Superior Court of the State of California for the County of Orange. In this case, SRG alleges that Webvan breached its Lease with SRG for property located in Orange County due to Webvan's exercising its right to terminate. SRG seeks unspecified monetary damages and alleges that it has suffered damages that will exceed \$6.0 million. Webvan has filed an answer and counterclaim against SRG and intends to vigorously pursue its case against SRG.

. Amazon.com, LLC v. HomeGrocer: Filed February 7, 2001 in the Superior Court of the State of Washington for King County. In this case, Amazon alleges that HomeGrocer breached its advertising agreement with Amazon. Amazon seeks a judgment against HomeGrocer of \$6.25 million plus attorneys'

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fees and expenses. Webvan has filed a notice of appearance and intends to vigorously pursue its case against Amazon.

. Reliance Hamilton Associates, LLC v. HomeGrocer and Webvan: Filed December 18, 2000 in the United States District for the District of Connecticut. In this case, Reliance alleges that HomeGrocer and Webvan breached HomeGrocer's Lease agreement with Reliance due to HomeGrocer's exercising its right to terminate. Reliance seeks payment of monthly rent in the amount of approximately \$163,000 commencing November 2000 and continuing as such rent becomes due. HomeGrocer and Webvan have filed an answer, defense and counterclaim, and intend to vigorously pursue its case against Reliance.

. United Food & Commercial Workers International Union Unfair Labor Practice Complaint: Filed January 31, 2001 with the National Labor Relations Board. UFCW alleges that Webvan maintains illegal rules that restrict the employees' right to organize and support and join a union. UFCW seeks equitable relief against Webvan in the form of a discontinuation of the alleged wrongful activity. Webvan has responded to the charges and intends to vigorously defend its case against the UFCW.

Webvan is also involved in other litigation relating to claims arising out of its ordinary course of business.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not Applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

As of March 15, 2001, there were approximately 1,270 registered holders of our Common Stock. Our Common Stock is listed for quotation in the Nasdaq National Market under the Symbol "WBVN." The following table sets forth for the periods indicated, the high and low prices of our Common Stock as quoted in the Nasdaq National Market.

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Period	High	Low
Fourth Quarter 1999 (from November 4, 1999)	\$34.0000	\$15.0625
First Quarter 2000	\$18.2500	\$ 7.6875
Second Quarter 2000	\$ 7.5000	\$ 4.5312
Third Quarter 2000	\$ 9.3125	\$ 2.3125
Fourth Quarter 2000	\$ 2.2812	\$ 0.2812

</TABLE>

Webvan has not paid any dividends since our inception and does not intend to pay any dividends on our capital stock in the foreseeable future.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA.

You should read the following selected consolidated financial data in conjunction with our consolidated financial statements and the notes to those statements and "Management's Discussion and Analysis of Financial Condition and are not necessarily indicative of future results.

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Ended December 31,	Years

	2000
1999 1998	-----

(In thousands,

except share and per share data)

		<C>
<S>	<C>	
Consolidated Statements of Operations Data:		
Net Sales		\$ 178,456
\$ 13,305	\$ -	
Cost of Goods Sold		131,239
11,289	-	-----

Gross Profit		47,217
2,016	-	

Operating Expenses:		
Sales and Marketing Expenses		49,120
11,746	-	
Development and Engineering Expenses		25,516
15,237	3,010	
General and Administrative Expenses		292,335
92,406	8,825	
Amortization of Goodwill and Intangibles		63,394
-	-	
Amortization of Deferred Compensation		55,233
36,520	1,060	
Restructuring Charges		40,810
-	-	

Total Operating Expenses		526,408
155,909	12,895	

Loss from Operations		(479,191)
(153,893)	(12,895)	

Interest Income		27,550
11,480	923	
Interest Expense		1,648
2,156	32	

Net Interest Income		25,902
9,324	891	

Net Loss		\$ (453,289)
\$ (144,569)	\$ (12,004)	
=====		
Basic and diluted net loss per share		\$ (1.21)
\$ (1.43)	\$ (0.31)	
=====		
Weighted average shares outstanding - basic and diluted		374,124,383
101,043,634	39,343,747	
=====		
Other Operating Data:		
Capital expenditures		\$ 259,755
\$ 64,253	\$ 32,669	
Depreciation and amortization		149,545
44,232	1,323	

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December 31,

		2000
1999	1998	
(In thousands)		
<S>		<C>
<C>		<C>
Consolidated Balance Sheet Data:		
Cash and equivalents		\$ 40,293
\$ 60,220	\$ 13,839	
Working capital		114,610
605,618	10,923	
Total assets		1,521,536
757,793	60,009	
Long-term liabilities		42,210
12,147	14,337	
Total shareholders' equity		1,359,017
705,252	33,612	

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

OVERVIEW

Webvan is an Internet retailer offering delivery of consumer products through an innovative proprietary business design that integrates its Webstore, distribution facility and delivery system. Webvan's current product offerings are principally focused on food, non-prescription drug products and general merchandise including housewares, pet supplies, consumer electronics and entertainment products and books.

Webvan was incorporated in December 1996 and launched commercial operations of its Webstore on June 2, 1999. On September 5, 2000, Webvan completed its merger with HomeGrocer, Inc., an Internet retailer of groceries and other general merchandise, with home delivery.

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Webvan's prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development, particularly companies in new and rapidly evolving markets. The risks for Webvan include an unproven business system and its ability to successfully manage a complex business operation located in a number of different markets. To address these risks, Webvan must:

- . develop and increase its customer base;
- . implement and successfully execute its business and marketing strategy;

- . continue to improve the operating efficiency and productivity of its facility operations and delivery operations; and
- . attract, retain and motivate quality personnel.

Since its inception, Webvan has incurred significant losses, and as of December 31, 2000, Webvan had an accumulated deficit of \$612.7 million. Webvan incurred net losses of \$453.3 million in the twelve months ended December 31, 2000, including a restructuring charge of \$40.8 million related to the HomeGrocer acquisition, and \$144.6 million and \$12.0 million in the years ended December 31, 1999 and 1998, respectively.

Webvan's facilities do not currently operate at or near their originally designed capacity. Webvan does not expect any of its facilities to operate at designed capacity in the foreseeable future. Webvan cannot assure you that any facility will ever operate at or near its designed capacity.

In connection with Webvan's efforts to reduce operating expenses, Webvan adjusts the production capacity at each facility to align with demand in the market served by such facility. As such, Webvan has effectively reduced the production capacity of such facility in the short-term. In the event demand in a particular market increases significantly from current levels, Webvan would have to increase its production capacity to support higher levels. Any such increase would result in a higher level of operating expenditures.

Webvan believes that its success and its ability to achieve profitability will depend on its ability to:

- . realize repeat orders from a significant number of customers;
- . substantially increase the number of customers and the average order size;
- . ensure consistent and stable operation of its technologies and systems; and
- . achieve favorable gross and operating margins and, to this end, improve the operating efficiency and productivity of its facility operations and delivery operations.

To meet these challenges, Webvan intends to continue to invest in marketing and promotions, to maintain distribution facilities and equipment, and to efficiently utilize technology and personnel. While Webvan expects to reduce its rate of operating expenses on a facility by facility basis, Webvan will continue to incur substantial operating losses on a company-wide basis and there can be no assurance that such reduction in operating expenses will not adversely impact Webvan's operations and service levels.

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Webvan's limited operating history makes the prediction of future results of operations difficult, and accordingly, Webvan cannot assure you that it will achieve or sustain revenue growth or profitability.

FISCAL YEARS ENDED DECEMBER 31, 2000, 1999, AND 1998

NET SALES

Net sales are comprised of the price of groceries and other products we sell, net of returns and sales incentives. We commenced commercial operations in June 1999. Net sales were \$178.5 million for 2000 compared to \$13.3 million for 1999. We did not have any net sales in 1998. This increase in net sales can be attributed to the impact of a full year of operations for our initial Bay Area location compared to a partial year in 1999, the addition of new locations in Atlanta and Chicago during 2000, the merger with HomeGrocer on September 5, 2000, and the growth of our orders per day and average order size for the Bay Area market for 2000 compared with 1999. Our average order size was \$104 for the year 2000 and \$112 for the fourth quarter of 2000, compared with \$78 and \$81, respectively for the prior year. The impact to net sales during 2000 resulting from the HomeGrocer merger was \$55.6 million. During 2000, Webvan adopted EITF 00-14, Accounting for Certain Sales Incentives. As such, net sales for 2000 and 1999 include a charge for sales incentives of \$8.5 million and \$0.2 million, respectively. Prior to the adoption of EITF 00-14, charges for sales incentives had been classified as sales and marketing expenses.

COST OF GOODS SOLD

Cost of goods sold includes the cost of the groceries and other products Webvan sells, adjustments to inventory and payroll and related expenses for the preparation of our Home Replacement Meals, offset by certain vendor promotions. Cost of goods sold was \$131.2 million for 2000 compared to \$11.3 million for 1999. We did not have any cost of goods sold in fiscal 1998. Webvan's gross profit as a percentage of net sales was 26.5% for 2000 versus 15.2% for 1999. This improvement in gross profit percentage can be attributed to the growth of our sales volume, which results in less inventory waste relative to sales, the overall maturing of our operations resulting in tighter inventory management, and the inclusion in fiscal year 2000 of certain vendor promotions. Gross profit is expected to fluctuate as a result of a variety of factors, including the pricing of our products, the level of inventory spoilage related to perishables, and vendor promotional dollars received.

OPERATING EXPENSES

SALES AND MARKETING. Sales and Marketing expenses include the costs of the creative development and placement of our advertisements, promotions, public relations, and the payroll and related expenses of our headquarters marketing staff. Marketing expenses were \$49.1 million during 2000 compared to \$11.7 million in 1999 and none in 1998. The external costs of our advertisements and promotions for 2000 were \$45.4 million compared to \$7.2 million in 1999 and none in 1998. These costs increased in 2000 due to the launch of marketing activities in the Atlanta and Chicago markets as well as continuing brand awareness activities in the San Francisco Bay Area. Additionally, following the HomeGrocer merger, Webvan unveiled a new logo and continued to market the HomeGrocer brand in the existing HomeGrocer markets. Payroll and related marketing expenses were \$3.3 million for 2000, compared to \$3.2 million in 1999 and none in 1998.

DEVELOPMENT AND ENGINEERING EXPENSES. Development and Engineering expenses include the payroll and consulting costs for software developers directly involved in programming our computer systems. These expenses were \$25.5 million for 2000 compared to \$15.2 million for 1999 and \$3.0 million for

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1998. These increases were primarily attributable to increases in the number of employees and consultants required for developing, enhancing and increasing the capacity of our Web site, order processing, accounting, DC and delivery systems. Payroll and related expenses for 2000 increased to \$16.7 million from \$7.9 million in 1999 and \$2.4 million in 1998. Consulting expenses for 2000 decreased to \$5.8 million from \$6.2 million in 1999 and \$0.9 million for 1998. Since Webvan's computerized infrastructure is installed and future development is expected to be limited, Webvan does not believe software development expenses will increase in 2001.

GENERAL AND ADMINISTRATIVE. General and administrative expenses include costs related to fulfillment and delivery of products, real estate, technology operations, equipment leases, merchandising, finance, customer service and professional services, as well as non-cash compensation and related expenses. General and administrative expenses increased to \$292.3 million in 2000 from \$92.4 million in 1999 and \$8.8 million in 1998. Of this \$199.9 million increase in 2000 over 1999, \$141.3 million pertained to aggregate distribution center operating expenses for our Bay Area, Atlanta and Chicago locations, and \$35.7 for HomeGrocer locations following the merger, compared to only a partial year of the Bay Area operation in the prior year. Such DC operating expenses increased by \$30.7 million in 1999 from 1998 due to the opening of the Bay Area DC. At our corporate headquarters, payroll and related costs increased to \$58.4 million in 2000 from \$14.5 million in 1999 and \$4.1 million in 1998. Additionally, consulting and professional fees and rent and facility charges increased by \$15.0 million in 2000 from the prior year, and by \$3.1 million in 1999 over 1998.

AMORTIZATION OF GOODWILL AND INTANGIBLES. As a result of its merger with HomeGrocer which was recorded under the Purchase Method accounting treatment, Webvan recorded goodwill of approximately \$901.6 million that is being amortized on a straight line basis over five years in addition to \$34.1 million of other identifiable intangible assets which are being amortized over two years. Webvan recognized \$63.4 million of amortization of goodwill and other identifiable intangible assets in 2000. There were no such charges in the prior two fiscal years.

AMORTIZATION OF DEFERRED COMPENSATION. Deferred stock-based compensation primarily represents the difference between the exercise price and the deemed fair value of our common stock for accounting purposes on the date certain stock options were granted. During 2000, amortization of stock-based compensation was \$55.2 million compared to \$36.5 million for 1999, and \$1.1 for 1998.

RESTRUCTURING CHARGE. During the fiscal year ended December 31, 2000, Webvan recorded a restructuring charge of \$40.8 million to account for the estimated costs of Webvan's modified rollout schedule. Webvan wrote down certain construction costs and accrued for certain lease facilities costs to exit leased facilities in markets for which Webvan and HomeGrocer both had operations.

INTEREST INCOME (EXPENSE) NET

Interest income (expense), net consists of earnings on our cash and cash equivalents offset by interest payments on our loan and lease agreements. Net

interest income was \$25.9 million in 2000, \$9.3 million in 1999 and \$0.9 million in 1998. These increases were primarily due to earnings on higher average cash and cash equivalent balances during the relevant years.

LIQUIDITY AND CAPITAL RESOURCES

Since inception, we have financed our operations primarily through private sales of preferred stock, which through September 30, 1999 totaled

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\$393.6 million (net of issuance costs), and the initial public offering of our common stock in November 1999, which totaled \$402.6 million (net of underwriter's discount and other issuance costs). Net cash used in operating activities was \$263.1 million for 2000. Operating activities in 1999 used net cash of \$58.8 million and for 1998 used \$2.2 million. Net cash used in operating activities for 2000 consisted of net losses in addition to decreases in accounts payable and accrued liabilities, partially offset by increases in amortization of deferred compensation, non-cash compensation expenses, depreciation and amortization.

Net cash provided from investing activities was \$247.5 million in 2000. Of this amount, \$615.7 million was provided by sales of marketable securities and \$101.1 million was provided from the merger with HomeGrocer. These amounts were offset primarily by capital expenditures of \$259.8 million and purchases of marketable securities of \$196.3 million. In 1999, net cash used in investing activities was \$641.1 million. Of this amount, \$279.0 million was provided by the sales of marketable securities, offset primarily by \$850.5 million used to purchase marketable securities and \$64.3 million used for capital expenditures. In 1998, net cash used for investing activities was \$39.0 million, of which \$32.7 was used for capital expenditures and \$2.7 million was used to purchase marketable securities.

Net cash used by financing activities was \$4.3 million in 2000 compared with cash provided by financing activities of \$746.3 million in 1999 and \$52.1 million in 1998. In November 1999, we sold an aggregate of 28,750,000 shares of common stock in the initial public offering at a price of \$15.00 per share. Net cash provided by financing activities during 1999 primarily consisted of proceeds from the issuance of preferred stock of \$348.0 million as well as the proceeds from the issuance of common stock in our initial public offering of \$431.3 million, (approximately \$402.6 million net of underwriter's discount and other issuance costs). Net cash from financing activities during 1998 included proceeds from the issuance of preferred shares of \$34.8 million. As of December 31, 2000, our principal sources of liquidity consisted of \$40.3 million of cash and cash equivalents and \$171.6 million of marketable securities.

As of December 31, 2000, our principal commitments consisted of obligations of approximately \$45.3 million outstanding under capital leases and loans. As of December 31, 2000, we had capital commitments of approximately \$8.0 million principally related to the final billing phases of certain future distribution centers and a call center in Las Vegas. We anticipate capital expenditures of from \$10.0 to \$15.0 million for the 12 months ending December 31, 2001, based on the recently revised roll-out schedule of our operating sites, although this amount may fluctuate based on changing this roll out schedule.

Webvan currently anticipates that its available funds will be sufficient to

meet its projected needs to fund operations into the fourth quarter of 2001. Webvan expects that it will need to raise additional capital to fund operations during the fourth quarter of 2001. We cannot be certain that additional financing will be available to us on favorable terms when required, or at all. If we issue additional securities to raise funds, those securities may have rights, preferences or privileges senior to those of the rights of our common stock and our stockholders may experience additional dilution. Our future capital needs will be highly dependent on Webvan's ability to control expenses as well as the market's demand for Webvan's services. Thus, any projections of future cash needs and cash flows are subject to substantial uncertainty. If our available funds and cash generated from operations are insufficient to satisfy our liquidity requirements, we may seek to sell additional equity or debt securities, obtain a line of credit or curtail our existing operations. In addition, from time to time we may evaluate other

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methods of financing to meet our capital needs on terms that are attractive to us.

FACTORS THAT MAY AFFECT FUTURE RESULTS

This report contains certain forward-looking statements (as such term is defined in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934) with respect to future events, the outcome of which is subject to certain risks, including the risk related factors set forth below.

WEBVAN WILL NEED SUBSTANTIAL ADDITIONAL CAPITAL TO FUND CONTINUED BUSINESS OPERATIONS IN 2001 and 2002 AND WEBVAN CANNOT BE SURE THAT ADDITIONAL FINANCING WILL BE AVAILABLE.

Webvan requires substantial amounts of capital to fund its business operations. In addition, the continued development of Webvan's order fulfillment and delivery systems requires significant amounts of capital. The rate at which Webvan's capital is utilized is affected by the operational and developmental costs incurred and the extent to which individual existing facilities become profitable on a cash-flow basis. To date no Webvan facility has become profitable on a cash-flow basis and substantial capital has been used to fund the operating losses. Webvan cannot assure you that any facility will operate at or near levels that are necessary for a facility to become profitable on a cash-flow basis. Since inception, Webvan has experienced negative cash flow from operations and expects to experience significant negative cash flow from operations for the near future.

Webvan continues to evaluate alternative means of financing to meet its needs on terms that are attractive to Webvan. Webvan currently anticipates that its available funds will be sufficient to meet its projected needs to fund operations into the fourth quarter of 2001. Webvan expects that it will need to raise additional capital to fund operations during the fourth quarter of 2001. From time to time Webvan has considered and discussed various financing alternatives and expects to continue such efforts to raise additional funds to support its operational plan for 2001 and beyond. Webvan cannot be certain that additional financing will be available to it on favorable terms when required, or at all. The report of Webvan's independent auditors contains a statement

expressing substantial doubt regarding Webvan's ability to continue as a going concern.

If Webvan is not able to obtain such capital, it will take actions to conserve its cash balances, including, significantly reducing its operating expenses, downsizing its corporate headquarters staff and closing existing facilities, all of which could have a material adverse effect on its business, financial condition and Webvan's ability to reduce losses or generate profits. For example, in February 2001, Webvan ceased operations at the facility serving the Dallas, Texas area.

In the past, Webvan has funded its operating losses and capital expenditures through proceeds from equity offerings and, to a lesser extent, proceeds from debt financing and equipment leases. Changes in equity markets in the past year have adversely affected Webvan's ability to raise equity financing and have adversely affected the markets for debt financing and equipment leasing for companies with a history of losses such as Webvan. If Webvan raises additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences or privileges senior to those of the rights of its common stock and, in light of Webvan's current market capitalization, Webvan's stockholders may experience substantial dilution.

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WEBVAN ANTICIPATES FUTURE LOSSES AND NEGATIVE CASH FLOW.

Webvan has experienced significant net losses and negative cash flow since its inception. As of December 31, 2000, Webvan had an accumulated deficit of \$612.7 million. Webvan incurred net losses of \$453.3 million in the twelve months ended December 31, 2000, including a restructuring charge of \$40.8 million related to the HomeGrocer acquisition, and \$144.6 million and \$12.0 million in the years ended December 31, 1999 and 1998, respectively. Webvan expects to continue to incur significant operating expenses, including:

- . operating losses anticipated to be incurred at each facility until such time as it achieves break even economics;
- . the continued development of operations at Webvan's currently operational facilities;
- . brand development, customer service, marketing and other promotional activities;
- . the continued development of Webvan's computer network, Webstore, warehouse management and order fulfillment systems and delivery infrastructure and;
- . the development of strategic business relationships.

At current numbers of customers and orders, the geographic density of customers and the productivity of employees, we are not profitable. Webvan cannot assure you that its facilities will be able to successfully operate at expected volume or cost levels, which are dependent upon a number of factors including the productivity of delivery operations and the productivity of Webvan's employees and operational processes. In addition, Webvan cannot assure

you that its assumptions regarding revenue growth and operating cost reductions can be achieved. To date no Webvan facility has become profitable on a cash-flow basis and Webvan cannot assure you that any facility will operate at or near levels that are necessary for a facility to become profitable on a cash-flow basis.

To achieve profitability, Webvan must accomplish the following objectives:

- . substantially increase Webvan's number of customers and the number of orders placed by its customers;
- . successfully integrate the HomeGrocer facilities and operations;
- . ensure that its systems and technologies function properly at increased volumes;
- . generate a sufficient average order size;
- . achieve favorable gross margins; and
- . achieve favorable operating margins by improving the productivity of facility and delivery operations.

Webvan cannot assure you that it will be able to achieve these objectives.

If Webvan does achieve profitability, Webvan cannot be certain that it would be able to sustain or increase such profitability on a quarterly or annual basis in the future. If Webvan cannot achieve or sustain profitability, Webvan may not be able to meet its working capital requirements, which would have a material adverse effect on its business.

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IF WEBVAN FAILS TO GENERATE SUFFICIENT FREQUENCY OF ORDERS FROM ITS REPEAT CUSTOMERS AND MARKET PENETRATION, WEBVAN'S BUSINESS AND NET SALES WILL BE ADVERSELY AFFECTED.

In the online retail industry, customer attrition rates, or the rates at which subscribers cancel a service, are generally high. Webvan depends upon customers to continue to order from Webvan after their initial order is placed, and Webvan competes to retain customers once they have used Webvan's service. Accordingly, Webvan's ability to increase the number of orders placed by its customers is dependent upon Webvan's success not only in getting people to try its service and generating customer accounts, but in converting users into repeat customers who order with sufficient frequency. Even occasional failures of Webvan's systems can cause variations in the levels of its operational execution which are sufficient to materially affect Webvan's ability to retain customers. Webvan cannot assure you that its efforts to convert sufficient numbers of customers into repeat users of Webvan's service will be successful.

In addition, the success of Webvan's business depends on its ability to establish sufficient levels of market penetration in each market in which Webvan operates. This in turn will depend upon Webvan's ability to achieve customer loyalty by means of a high quality of customer service and operational execution. Webvan cannot assure you as to the levels of penetration it will achieve in any market, and even if Webvan does achieve these levels of

penetration, it cannot assure you that it will achieve positive earnings. If Webvan is unable to establish sufficient customer loyalty to achieve market penetration levels or if Webvan experiences significant decreases in repeat customer orders as a percentage of orders delivered, Webvan's business and net sales could be materially adversely affected.

WEBVAN IS AN EARLY-STAGE COMPANY OPERATING IN A NEW AND RAPIDLY EVOLVING MARKET.

Webvan began commercial operations in the San Francisco Bay Area in June 1999, in Atlanta in May 2000 and in Chicago in August 2000. On September 5, 2000, Webvan acquired HomeGrocer by merger. HomeGrocer began commercial operations in the Seattle area in June 1998, in the Portland, Oregon area in May 1999, in the Southern California area in September 1999 and in San Diego, California in May 2000. In February 2001, Webvan ceased operations at the facility acquired from HomeGrocer serving the Dallas, Texas area, which had been operating since May 2000. At present, Webvan is in the process of converting all former HomeGrocer facilities to a common Webvan technology platform. The first of these conversions occurred at the San Diego facility in January 2001. Webvan's facilities are comprised of distribution centers of approximately 350,000 square feet as well as customer fulfillment centers (or CFCs) of approximately 100,000-125,000 square feet. Webvan's limited operating history makes an evaluation of its business and prospects very difficult. You must consider Webvan's business and prospects in light of the risks and difficulties Webvan encounters as an early stage company in the new and rapidly evolving market of e-commerce. These risks and difficulties include, but are not limited to:

- . a complex business system that is unproven at or near the order volumes for which it is designed;
- . lack of sufficient customers, orders, net sales or cash flow;
- . difficulties in managing a complex business involving multiple locations and a diverse workforce;
- . high capital expenditures and operating costs associated with Webvan's distribution centers, systems and technologies; and

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lack of widespread acceptance of the Internet as a means of purchasing groceries and other consumer products.

Webvan cannot be certain that its business strategy will be successful or that Webvan will successfully address these risks. Webvan's failure to address any of the risks described above could have a material adverse effect on its business.

WEBVAN'S BUSINESS SYSTEM IS NEW AND UNPROVEN AT HIGH VOLUMES, AND THE ACTUAL CAPACITY OF WEBVAN'S FACILITIES MAY BE LESS THAN THEIR DESIGNED CAPACITY.

Webvan has designed a new business system which integrates its Webstore, CFC and distribution center facilities and complex order fulfillment and delivery operations. Further, Webvan is in the process of modifying its systems in order to transition the facilities acquired in the HomeGrocer transaction to

the Webvan technology platform. The average daily volume of orders that Webvan has had to fulfill to date in any facility has been significantly below the originally designed capacity of 8,000 orders per day for a distribution center and 2,500 orders per day for a CFC. These average daily volume of orders are below, as well, the levels that are necessary for a distribution center or a CFC to achieve profitability. Webvan does not expect any distribution center to operate at designed capacity for several years following its commercial launch, and Webvan cannot assure you that any facility will ever operate at or near its designed capacity.

It is not practicable to test Webvan's system except by processing commercial orders and based on the historical daily order volumes, Webvan's system has not been proven at or near designed capacity. Webvan's CFC facilities currently operate at less than 70% of their originally designed capacity and Webvan's distribution center facilities operate at less than 40% of their originally designed capacity.

In connection with Webvan's efforts to reduce operating expenses, Webvan adjusts the production capacity at each facility to align with demand in the markets served by such facility. As such, Webvan has effectively reduced the production capacity of such facility in the short-term. In the event demand in a particular market increases significantly from current levels, Webvan would have to increase production capacity to support such higher levels. Any such increase would result in a higher level of operating expenditures. Webvan cannot assure you that its can timely increase operating capacity to accommodate a significant increase in the number of orders. In addition, based on Webvan's operational experiences and needs, Webvan refines and modifies its Web Store features, business systems and technologies, and operational processes. Costs associated with such refinements and modifications may be material. If Webvan is unable to effectively accommodate increases in customer orders or successfully implement refinements and modifications, Webvan may lose existing customers or fail to add new customers, which would adversely affect its business, net sales and operating margins.

WEBVAN'S BUSINESS SYSTEM IS COMPLEX, AND WEBVAN IS PERIODICALLY AFFECTED BY OPERATIONAL DIFFICULTIES.

Webvan's business system relies on the complex integration of numerous software and hardware subsystems that utilize advanced algorithms to manage the entire process from the receipt and processing of goods at Webvan's facility to the picking, packing and delivery of these goods to customers in delivery windows selected by customers which vary in duration among Webvan's facilities.

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Webvan has, from time to time, experienced operational "bugs" in its systems and technologies which create system instabilities and which have resulted in order errors such as missing items and delays in deliveries. Operational bugs may arise from one or more factors including electro-mechanical equipment failures, system refinements or modifications, computer server or system failures, network outages, software performance problems, power failures or failures to properly maintain software or hardware systems. Webvan expects bugs to continue to occur from time to time, and Webvan cannot assure you that its operations will not be adversely affected. To date, these bugs have been corrected in a short period of time by Webvan employees or contractors or by systems vendors and have not resulted in any long term impact on its operations. In addition, difficulties

in implementing refinements or modifications to Webvan's systems have, from time to time, caused Webvan to suffer unanticipated system disruptions, which impair the quality of its service during the period of disruption. The efficient and stable operation of Webvan's business system is critical to consumer acceptance of its service. If Webvan is unable to meet customer demand or service expectations as a result of operational issues, Webvan may be unable to develop customer relationships that result in repeat orders, which would adversely affect its business and net sales.

WEBVAN FACES SIGNIFICANT CHALLENGES IN INTEGRATING ITS FACILITIES WITH THOSE ACQUIRED IN WEBVAN'S MERGER WITH HOMEGROCER, WHICH MAY RESULT IN UNEXPECTED COSTS, TECHNOLOGICAL AND OPERATIONAL DIFFICULTIES AND MARKETING CHALLENGES.

Webvan completed its acquisition of HomeGrocer on September 5, 2000, acquiring facilities in six markets. These facilities operate on a technology platform and use operational processes which differ materially from the platform and processes used at Webvan's other facilities. Webvan has developed a process for integrating the operations and technologies of the two businesses and is currently executing a conversion program designed to convert all CFC facilities to the Webvan technology platform. The first of these facilities, San Diego, was converted in January 2001 and the remaining facilities are anticipated to be converted sometime in the first half of 2001.

We cannot assure you that the acquired business will be successfully integrated with our operations and technologies. Webvan cannot assure you that the proposed technology platform integration will improve the operation or financial performance of these recently acquired facilities. Further, the inability to successfully integrate these operations and technologies may result in disruptions in our customers' shopping experience and increased operational costs, each of which could have a material adverse effect on our sales and results of operations. In addition, costs associated with successfully integrating operations may prove to be greater than expected, which could have an adverse effect on Webvan's financial condition and available capital resources.

In addition, the integration of the finance, human resources, sales, marketing and technology groups of Webvan and HomeGrocer is complicated by the existence of geographically distant locations and the difficulty in retaining employees located in Seattle, Washington. Any difficulties encountered in the process of converting the CFC's to the Webvan technology platform or in completing the combining of the companies could cause the disruption of, or a loss of momentum in, the activities of Webvan's business and divert the attention of Webvan management from other business concerns. Further, the process of combining these operations has affected and may continue to affect the ability of Webvan to retain some key employees.

Webvan's operations depend upon a high degree of technology integration among its Webstore, merchandising, fulfillment and delivery subsystems while the newly acquired HomeGrocer facilities are less automated and use direct delivery rather than a hub and spoke delivery system. Transition to a

technology platform that is common to the Webvan business model may prove more costly or take more time than anticipated and will strain Webvan's limited

technology resources, which could have a material adverse effect on Webvan's business and results of operations. Webvan also cannot assure you that the proposed technology platform and operational integration will not introduce operational complexities or difficulties that could negatively impact operations and, consequently, adversely affect Webvan's business.

In addition, in order to be able to provide its customers a relatively common service offering in all markets, Webvan will be required to maintain or eliminate differences in the particular features of the service offerings of the Webvan and HomeGrocer business models, such as the duration of a delivery window, delivery fees and the selection of grocery and other items offered. The elimination of one or more of these differences in connection with the integration process may adversely impact customer experiences or the productivity of facilities or delivery operations, which could have a material adverse effect on Webvan's business and results of operations. The successful integration of the acquired business will also depend upon Webvan's ability to transition customers whose orders are fulfilled at the newly acquired facilities and who are accustomed to the traditional HomeGrocer brand to a new Webvan website and brand. Webvan cannot assure you that it will successfully be able to transition customers to a new brand, which may have a material adverse effect on Webvan's business and net sales.

THE INTERNET MAY FAIL TO BECOME A WIDELY ACCEPTED MEDIUM FOR GROCERY SHOPPING.

Webvan relies solely on product orders received through its Webstore for sales. The market for e-commerce is new and rapidly evolving, and it is uncertain whether e-commerce will achieve and sustain high levels of demand and market acceptance, particularly with respect to the grocery industry and in light of recent negative market sentiments regarding e-commerce in general. Webvan's success will depend to a substantial extent on the willingness of consumers to increase their use of online services as a method to buy groceries and other products and services. Webvan's success will also depend upon its vendors' acceptance of Webvan's online service as a significant means to market and sell their products. Moreover, Webvan's growth will depend on the extent to which an increasing number of consumers own or have access to personal computers or other systems that can access the Internet. If e-commerce in the grocery industry does not achieve high levels of demand and market acceptance, Webvan's business will be materially adversely affected.

WEBVAN FACES INTENSE COMPETITION FROM TRADITIONAL AND ONLINE RETAILERS OF GROCERY PRODUCTS AND OTHER PRODUCTS.

The grocery retailing business is extremely competitive. Local, regional, and national food chains, independent food stores and markets, as well as online grocery retailers comprise Webvan's principal competition as an on-line grocery retailer, although Webvan also faces substantial competition from convenience stores, liquor retailers, membership warehouse clubs, specialty retailers, supercenters, and drugstore chains. To the extent that Webvan continues to add non-grocery store product categories, local, regional and national retailers in those product categories, as well as online retailers in those product categories, will provide Webvan's competition in those areas. A number of traditional retailers of grocery products, including Safeway and Royal Ahold, have acquired interests in on-line grocery concerns or have launched their own Internet-based services. Many of Webvan's existing and potential competitors, particularly traditional grocers and retailers and

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certain online retailers, are larger and have substantially greater resources than Webvan does. Webvan expects this competition in the online grocery and other product categories will intensify in the coming years.

The number and nature of competitors and the amount of competition Webvan will experience will vary by market area. The principal competitive factors that affect Webvan's business are location, breadth of product selection, quality, service, price and consumer loyalty to traditional and online retailers. Financial Printing Group that affect Webvan's business are location, breadth of product selection, quality, service, price and consumer loyalty to traditional and online retailers. If Webvan fails to effectively compete in any one of these areas, Webvan may lose existing and potential customers which would have a material adverse effect on its business, net sales and operating margins.

WEBVAN MAY FAIL TO ADEQUATELY PREDICT TECHNOLOGY TRENDS.

New technologies, such as kitchen appliances, hand-held devices and software applications for telephones, are being developed to allow consumers to access the Internet less expensively or more conveniently than with personal computers. Any failure to adequately cost-effectively create systems or enter into strategic relationships that will allow Webvan's website to be accessed by technologies used by consumers to access the Internet would have a material adverse effect on its business and net sales.

WEBVAN'S EFFORTS TO BUILD STRONG BRAND IDENTITY AND CUSTOMER LOYALTY MAY NOT BE SUCCESSFUL.

Webvan believes that establishing and maintaining brand identity and brand loyalty is critical to attracting consumers and vendors. Furthermore, Webvan believes that the importance of brand loyalty will increase with the proliferation of Internet retailers. In order to attract and retain consumers and vendors, and respond to competitive pressures, Webvan intends to continue to spend substantial sums to create and maintain brand loyalty among these groups. Webvan plans to accomplish this goal through a variety of programs which may include radio, newspaper, online and television advertising campaigns. Webvan believes that advertising rates, and the cost of its advertising campaigns in particular, could increase substantially in the future. In addition, Webvan must continue to invest in the creation of a world class customer service function as a failure of its customer service representatives to promptly respond to customer inquiries and concerns in a helpful manner may negatively impact customer loyalty. If Webvan's branding efforts are not successful or Webvan is unable to provide high quality customer care, Webvan's net sales and ability to attract customers will be materially and adversely affected.

Promotion and enhancement of the Webvan brand will also depend on Webvan's success in consistently providing a high-quality consumer experience for purchasing groceries and other products. If consumers, other Internet users and vendors do not perceive Webvan's service offerings to be of high quality, or if Webvan introduces new services that are not favorably received by these groups, the value of the Webvan brand could be harmed. Any brand impairment or dilution could decrease the attractiveness of Webvan to one or more of these groups, which could harm Webvan's reputation, reduce its net sales and cause Webvan to lose customers. Promotion and enhancement of the Webvan brand will also depend upon Webvan's success in identifying its website in customers' minds as a

website for non-grocery products. Failure of consumers to perceive Webvan as other than an on-line grocery e-tailer may limit Webvan's ability to capitalize on the potential of its facilities infrastructure.

Webvan has recently redesigned its webstore in an attempt to make its customers' shopping experience easier and more rewarding, with a view to increasing existing customer loyalty and average order size. In addition, Webvan recently converted all of the former HomeGrocer Webstores to the Webvan brand. Webvan cannot assure you that its redesigned website will enhance its

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customer shopping experience and result in increases in average order size, purchases of general merchandise products, customer retention or frequency with which customers order from us. Further, Webvan cannot assure you that it will successfully transition former HomeGrocer customers to the new Webvan webstore and the new brand and logo. Webvan's inability to transition customers to the new brand and logo would adversely impact Webvan's business.

IF WEBVAN IS UNABLE TO OBTAIN SUFFICIENT QUANTITIES OF PRODUCTS FROM APPROPRIATE VENDORS, OR WEBVAN'S RELATIONSHIPS WITH KEY CONSUMER PRODUCTS COMPANIES ARE NOT SUCCESSFUL, WEBVAN'S GROSS MARGINS, AVERAGE ORDER SIZE AND NET SALES WOULD BE ADVERSELY AFFECTED.

Webvan derives a significant percentage of its net sales of grocery products from high-volume items, well-known brand name products and fresh foods. Webvan sources these products from a network of vendors comprised of manufacturers, wholesalers and distributors. Webvan currently relies on national and regional distributors for a substantial portion of its items. Such vendors may require credit enhancements or alter payment terms in response to Webvan's changing financial condition, which would impact Webvan's liquidity and ability to fund operations. Webvan's gross margins depend not only upon the price at which Webvan is able to purchase products from its vendors, but also upon service-level commitments from such vendors. Any increase in the cost of products or any disruption in the service level commitments may have a material adverse impact on Webvan's gross margin. Webvan cannot assure you that its vendors will do business with Webvan on the basis of terms which are not demanded by the traditional retailers with different systems who comprise almost all of its vendors' business. Webvan also utilizes premium specialty vendors or local sources for gourmet foods, farm fresh produce, fresh fish and meats. From time to time, Webvan may experience difficulty in obtaining sufficient product allocations from a key vendor. In addition, Webvan has entered into strategic relationships with a number of the largest consumer products companies in the U.S. in an attempt to optimize its product marketing, product assortment and supply chain management practices. Webvan cannot assure you that these relationships will prove successful and any failure in this regard would adversely affect the goal of these relationships: to increase average order sizes, improve gross margins and improve customer acquisition and retention. In addition, Webvan's key vendors may establish their own online retailing efforts, which may impact Webvan's ability to get sufficient product allocations from these vendors. Many of Webvan's key vendors also supply products to its online and traditional grocery competitors.

IF WEBVAN IS UNABLE TO OBTAIN SUFFICIENT QUANTITIES OF NON-GROCERY PRODUCTS FROM ITS KEY VENDORS TO MEET CUSTOMER DEMAND, WEBVAN'S NET SALES, RESULTS OF OPERATIONS AND ABILITY TO FULFILL THE "LAST MILE" OF E-COMMERCE WOULD BE

MATERIALLY ADVERSELY AFFECTED.

Webvan must establish and maintain strategic relationships with a number of manufacturers, wholesalers and distributors of non-grocery products in connection with the expansion of the categories of product Webvan expects to offer to its customers. Webvan's ability to secure the rights to sell these products or to secure favorable pricing for these products will depend in part upon vendor perceptions of Webvan as a distribution channel for these products. Webvan cannot assure you that these vendors will view Webvan as a suitable distribution channel for their products or that Webvan will be successful as a distribution channel for a sufficient number of these products. Webvan's inability to offer key product categories at appropriate prices to Webvan's customers would adversely affect Webvan's ability to become, for its customers, the preferred choice for on-line home-delivered purchases.

WEBVAN'S LIMITED OPERATING HISTORY MAKES FINANCIAL FORECASTING DIFFICULT FOR WEBVAN AND FOR FINANCIAL ANALYSTS THAT MAY PUBLISH ESTIMATES OF WEBVAN'S FINANCIAL RESULTS.

As a result of Webvan's limited operating history, it is difficult to

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accurately forecast Webvan's total revenue, revenue per facility, gross and operating margins, real estate and labor costs, average order size, number of orders per day and other financial and operating data. Webvan's very limited experience in operating the recently acquired HomeGrocer facilities further complicates Webvan's ability to accurately forecast these financial and operating metrics insofar as they incorporate forecasts relating to these newly acquired operations. Webvan has a limited amount of meaningful historical financial data upon which to base planned operating expenses. Webvan's expenses are dependent in large part upon Webvan's product costs and its fulfillment and delivery costs, which depend in part upon employee productivity and delivery densities. Sales and operating results are difficult to forecast because they generally depend on the growth of Webvan's customer base and the volume of the orders Webvan receives, the mix of products sold, and Webvan's ability to match demand, which fluctuates through each day and among the days of the week, with the resources employed to fulfill that demand. As a result, Webvan may be unable to make accurate financial forecasts and adjust its spending in a timely manner to compensate for any unexpected revenue shortfall. Webvan believes that the difficulties outlined above also apply to financial analysts that may publish estimates of Webvan's financial results. This inability to accurately forecast Webvan's results could cause its net losses in a given quarter to be greater than expected and could cause a decline in the trading price of Webvan common stock.

WEBVAN'S QUARTERLY OPERATING RESULTS ARE EXPECTED TO BE VOLATILE AND DIFFICULT TO PREDICT BASED ON A NUMBER OF FACTORS THAT WILL ALSO AFFECT ITS LONG-TERM PERFORMANCE.

Webvan expects its quarterly operating results to fluctuate significantly in the future based on a variety of factors. These factors are also expected to affect Webvan's long-term performance. Some of these factors include the following:

- . the effect of the availability of capital for Webvan's continued operations;
- . changes in pricing policies;
- . changes in Webvan's product and service offerings and customer acceptance of Webvan as an on-line retailer of non-grocery products;
- . Webvan's ability to reduce overall operating costs;
- . Webvan's ability to obtain new customers or retain existing customers at reasonable cost; Webvan's ability to manage its distribution and delivery operations to handle significant increases in the number of customers and orders or to overcome system or technology difficulties associated with these increases;
- . Webvan's ability to adequately maintain, upgrade and develop its Webstore, its computer network or the systems that Webvan uses to process customer orders and payments; competitive factors; and
- . technical difficulties, system or web site downtime, including attacks from outside hackers, or Internet brownouts.

In addition to these factors, Webvan's quarterly operating results are expected to fluctuate based upon seasonal purchasing patterns of its customers and the mix of groceries and other products sold by Webvan. Because of Webvan's short operating history and limited geographical coverage, Webvan may not accurately predict the seasonal purchasing patterns of its customers and may experience unexpected difficulties in matching inventory to demand by customers.

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Due to all of these factors, Webvan expects its operating results to be volatile and difficult to predict. As a result, quarter-to-quarter comparisons of its operating results may not be good indicators of its future performance. In addition, it is possible that in any future quarter, Webvan's operating results could be below the expectations of investors and any published reports or analyses of Webvan. In that event, the price of Webvan's common stock could decline.

IF WEBVAN EXPERIENCES PROBLEMS IN ITS DELIVERY OPERATIONS, WEBVAN'S BUSINESS COULD BE SERIOUSLY HARMED.

Webvan uses its own couriers to deliver products from Webvan's facilities to its customers. Therefore, Webvan is subject to the risks associated with its ability to provide delivery services to meet Webvan's shipping needs, including potential labor activism or employee strikes, inclement weather, disruptions in the transportation infrastructure, including bridges, roads and traffic congestion. While Webvan strives to maintain high on-time delivery rates and order fulfillment accuracy rates, Webvan has, on occasion, experienced operational "bugs" that have resulted in a high proportion of late deliveries or order fulfillment inaccuracies on particular days. Operational bugs may arise from one or more factors including electro-mechanical equipment failures, system refinements or modifications, computer server or system failures, network outages, software performance problems, power failures or failures to properly maintain software or hardware systems. To date, these bugs have been corrected

in a short period of time by Webvan employees or contractors and have not resulted in any long term impact on Webvan's operations. Any material decrease in Webvan's on-time delivery rate or in order fulfillment accuracy would likely have an adverse impact on Webvan's consumer acceptance of its service and may harm its reputation and brand, which could have an adverse impact on Webvan's financial results.

UNION ACTIVITIES AT WEBVAN FACILITIES COULD ADVERSELY AFFECT EMPLOYEE MORALE, PRODUCTIVITY, OPERATING COSTS AND THE ABILITY OF WEBVAN TO FULFILL AND DELIVER ORDERS.

Webvan has experienced union solicitation activities at several of its facilities and has been the subject of unfair labor practice complaints filed with the National Labor Relations Board. Webvan expects to continue to experience unionizing activities at one or more of its facilities. These unionizing activities may have an adverse impact on employee morale and productivity and could potentially lead to work stoppages which would adversely impact our ability to fulfill or deliver customer orders. In addition, the success of any of these unionizing activities at one or more facilities could result in higher operating costs, reduced operational flexibility, and reduced employee morale and productivity, which could have a material adverse effect on Webvan's net sales and results of operations.

WEBVAN'S NET SALES WOULD BE HARMED IF ITS ONLINE SECURITY MEASURES FAIL.

Webvan's relationships with its customers may be adversely affected if the security measures that Webvan uses to protect their personal information, such as credit card numbers, are ineffective. If, as a result, Webvan loses many customers, Webvan's net sales and results of operations would be harmed. Webvan relies on security and authentication technology to perform real-time credit card authorization and verification with the bank used by Webvan. Webvan cannot predict whether events or developments will result in a compromise or breach of the technology Webvan uses to protect a customer's personal information.

Furthermore, Webvan's computer servers may be vulnerable to computer viruses, physical or electronic break-ins and similar disruptions. Webvan may need to expend significant additional capital and other resources to protect against a security breach or to alleviate problems caused by any breaches.

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Webvan cannot assure you that it can prevent all security breaches, and any failure to do so could have a material adverse effect on Webvan's reputation and results of operations.

THE LOSS OF THE SERVICES OF ONE OR MORE OF WEBVAN'S KEY PERSONNEL, OR WEBVAN'S FAILURE TO ATTRACT, INTEGRATE NEW HIRES AND RETAIN OTHER HIGHLY QUALIFIED PERSONNEL IN THE FUTURE WOULD SERIOUSLY HARM ITS BUSINESS.

The loss of the services of one or more of Webvan's key personnel could seriously harm its business. Webvan depends on the continued services and performance of its senior management and other key personnel, particularly George T. Shaheen, Webvan's President, Chief Executive Officer, and Chairman of the Board and Robert H. Swan Webvan's Chief Financial Officer and Chief Operating Officer. Webvan's future success also depends upon the continued service of its other officers and other key software development, merchandising,

marketing and support personnel. The competition for talented employees in the San Francisco Bay Area remains intense and Webvan's ability to retain key employees at its headquarters is a function of a number of factors, some of which are beyond Webvan's control, such as the value of other opportunities perceived to be available in the Bay Area. None of Webvan's officers or key employees (other than one executive officer) is bound by an employment agreement and Webvan's relationships with these officers and key employees are at will. If Webvan management does not work together as a management team to enable Webvan to implement its business strategy, or if Webvan is unable to retain them for any reason, Webvan's business will suffer. Additionally, there are low levels of unemployment in the San Francisco Bay Area and in many of the regions in which Webvan plans to operate. These low levels of unemployment have led to pressure on wage rates, which can make it more difficult and costly for Webvan to attract and retain qualified employees. The loss of key personnel, or the failure to attract additional personnel, could have a material adverse effect on Webvan's business and results of operations.

In addition, Webvan's inability to hire and train qualified employees in accordance with Webvan's schedule for meeting demand at any facility as Webvan scales order volumes could have a negative impact on its ability to attract and retain customers, its revenues and profitability. For instance, Webvan, from time to time, experiences difficulties in hiring qualified couriers for its facilities. Webvan cannot assure you that it will be able to accurately align courier capacity with demand. The failure to do so would adversely affect the profitability of a facility.

WEBVAN MAY NEED TO CHANGE THE MANNER IN WHICH WEBVAN CONDUCTS ITS BUSINESS IF GOVERNMENT REGULATION OF OR CONSUMER ATTITUDES TOWARD THE INTERNET CHANGE OR INCREASE.

The adoption or modification of laws or regulations relating to the Internet and large-scale retail store operations could adversely affect the manner in which Webvan currently conducts its business. In addition, the growth and development of the market for online commerce may lead to more stringent consumer protection laws which may impose additional burdens on Webvan. Laws and regulations directly applicable to communications or commerce over the Internet are becoming more prevalent. The United States government recently enacted and continues to deliberate over Internet laws regarding privacy, copyrights, taxation and the transmission of sexually explicit material. The Federal Trade Commission has indicated that it will investigate the practices of Internet companies relating to the handling of user-specific data. The law of the Internet, however, remains largely unsettled, even in areas where there has been some legislative action. It may take years to determine whether and how existing laws such as those governing intellectual property, privacy, libel and taxation apply to the Internet.

Recent developments in the area of online privacy suggest that Webvan will need to continue to carefully evaluate its privacy policy and practices in terms of multiple interests, including (a) Webvan's need to generate customer

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trust and alleviate customer concerns with respect to the use of customers' personally identifiable information, (b) Webvan's ability to provide customers with more personalized and responsive products and services, and (c) Webvan's formation of relationships with strategic business partners. Webvan cannot

assure you that its current or future privacy policy will adequately balance these interests, and any failure to do so could adversely affect Webvan's relationships with its customers or limit its ability to improve and expand its relationships with its business partners.

WEBVAN MAY NEED TO CHANGE THE MANNER IN WHICH WEBVAN CONDUCTS ITS BUSINESS IF REGULATION DIRECTED AT LARGE-SCALE RETAIL OPERATIONS IS DEEMED APPLICABLE TO WEBVAN.

From time to time, state and local governments may consider legislation that impacts large-scale retailers in a manner designed to limit the ability of such large scale retailers to impact smaller, often locally owned and operated, retailers. For instance, in 1999, the Governor of California vetoed legislation which would have prohibited a public agency from authorizing retail store developments exceeding 100,000 square feet if more than a small portion of the store were devoted to the sale of non-taxable items, such as groceries. While it is not clear whether Webvan's operations would be considered a retail store for purposes of this kind of legislation, Webvan cannot assure you that other state or local governments will not seek to enact similar laws or that Webvan would be successful if forced to challenge the applicability of this kind of legislation to its distribution facilities. The expenses associated with any challenge to this kind of legislation could be material. If Webvan is required to comply with new regulations or legislation or new interpretations of existing regulations or legislation, this compliance could cause Webvan to incur additional expenses or alter its business model.

WEBVAN MAY INCUR SIGNIFICANT COSTS OR EXPERIENCE PRODUCT AVAILABILITY DELAYS IN COMPLYING WITH REGULATIONS APPLICABLE TO THE SALE OF FOOD PRODUCTS.

Webvan is required to comply with federal, state and local regulations regarding the sale of food products, including weights and measures, and health regulations concerning the presentation, preparation and packaging of its prepared meals and other food items. Any applicable federal, state or local regulations may cause Webvan to incur substantial compliance costs, including changes to Webvan's software systems or operational processes, or delay the availability of a number of items at one or more of Webvan's facilities. In addition, any inquiry or investigation from a regulatory authority could have a negative impact on Webvan's reputation. Any of these events could have a material adverse effect on Webvan's business and expansion plans and could cause Webvan to lose customers.

In addition, Webvan is currently transporting products across state lines in instances where it is utilizing the capacity of certain facilities to serve additional markets. Webvan may expand the number of markets that it serves that cross state lines from the states in which Webvan's facilities are located. The identification of all of the regulations possibly applicable to such interstate commerce is difficult and the applicability of some of these regulations to Webvan's business model is unclear. Webvan cannot assure you that regulatory issues associated with the interstate transportation of certain products will not cause Webvan to incur substantial compliance costs, including changes to Webvan's software systems or operational processes, or delay the availability of a number of items in these markets.

WEBVAN MAY NOT BE ABLE TO OBTAIN REQUIRED LICENSES OR PERMITS FOR THE SALE OF ALCOHOL AND TOBACCO PRODUCTS IN A COST-EFFECTIVE MANNER OR AT ALL.

Webvan will be required to obtain state licenses and permits for the sale

of alcohol and tobacco products in each location in which Webvan seeks to open a facility or markets Webvan seeks to serve. Webvan cannot assure you that it

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will be able to obtain any required permits or licenses in a timely manner, or at all. Webvan does not currently have a license for alcohol in its Atlanta facility. Webvan may be forced to incur substantial costs and experience significant delays in obtaining these permits or licenses and faces significant regulatory hurdles in this regard. In addition, the United States Congress has enacted legislation that further restricts the interstate sale of alcoholic beverages. Changes to existing laws or Webvan's inability to obtain required permits or licenses could prevent Webvan from selling alcohol or tobacco products in one or more of its geographic markets. Any of these events could substantially harm Webvan's net sales, gross profit and ability to attract and retain customers.

IN THE FUTURE WEBVAN MAY FACE POTENTIAL PRODUCT LIABILITY CLAIMS OR ADVERSE PUBLICITY.

Webvan cannot assure you that the products that it delivers will be free from contaminants. Grocery and other related products occasionally contain contaminants due to inherent defects in the products or improper storage or handling. If any of the products that Webvan sells cause harm or has the potential to cause harm to any of its customers, Webvan could be subject to product liability lawsuits or adverse publicity. If Webvan is found liable under a product liability claim, or even if Webvan is required to defend itself against such a claim, Webvan's reputation could suffer and customers may substantially reduce their orders or stop ordering from Webvan.

WEBVAN'S NET SALES WOULD BE HARMED IF WEBVAN EXPERIENCES SIGNIFICANT CREDIT CARD FRAUD.

A failure to adequately control fraudulent credit card transactions would harm Webvan's net sales and results of operations because Webvan does not carry insurance against this risk. Webvan may suffer losses as a result of orders placed with fraudulent credit card data even though the associated financial institution approved payment of the orders. Under current credit card practices, Webvan is liable for fraudulent credit card transactions in part because Webvan does not obtain the cardholder's signature. Because Webvan has had a short operating history, Webvan cannot predict its future levels of bad debt expense.

IF THE PROTECTION OF WEBVAN'S TRADEMARKS AND PROPRIETARY RIGHTS IS INADEQUATE, ITS BUSINESS MAY BE SERIOUSLY HARMED.

Webvan regards patent rights, copyrights, service marks, trademarks, trade secrets and similar intellectual property as important to its success. Webvan relies on patent, trademark and copyright law, trade secret protection and confidentiality or license agreements with its employees, customers, partners and others to protect its proprietary rights; however, the steps Webvan takes to protect its proprietary rights may be inadequate. Webvan currently has no patents. Webvan has filed, and from time to time expects to file, patent applications directed to aspects of its proprietary technology. Webvan cannot assure you that any of these applications will be approved, that any issued patents will protect Webvan's intellectual property or that any issued patents

will not be challenged by third parties. In addition, other parties may independently develop similar or competing technology or design around any patents that may be issued to Webvan. Webvan evaluates which inventions it should file patent applications for and in what jurisdictions such applications should be filed on the basis of a number of factors such as the relative benefits of trade secret and patent protection, the likelihood of a patent's issuing, the cost of prosecuting patent applications and its current assessment of the long-term value of the invention from a competitive point of view. However, Webvan cannot assure you that its patent strategy will prove to be successful in best securing the competitive advantages of Webvan's technologies. Webvan's failure to protect its proprietary rights could materially adversely affect Webvan's business and competitive position.

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INTELLECTUAL PROPERTY CLAIMS AGAINST WEBVAN CAN BE COSTLY AND COULD RESULT IN THE LOSS OF SIGNIFICANT RIGHTS.

Patent, trademark and other intellectual property rights are becoming increasingly important to Webvan and other e-commerce vendors. Many companies are devoting significant resources to developing patents that could affect many aspects of Webvan's business. Other parties may assert infringement or unfair competition claims against Webvan that could relate to any aspect of Webvan's technologies, business processes or other intellectual property. Webvan cannot predict whether third parties will assert claims of infringement against us, the subject matter of any of these claims, or whether these assertions or prosecutions will harm its business. If Webvan is forced to defend itself against any of these claims, whether they are with or without merit or are determined in Webvan's favor, then Webvan may face costly litigation, diversion of technical and management personnel, inability to use Webvan's current web site technology, or product shipment delays. As a result of a dispute, Webvan may have to develop non-infringing technology or enter into royalty or licensing agreements. These royalty or licensing agreements, if required, may be unavailable on terms acceptable to Webvan, or at all. If there is a successful claim of patent infringement against Webvan and Webvan is unable to develop non-infringing technology or license the infringed or similar technology on a timely basis, Webvan's business and competitive position may be materially adversely affected.

ANY DEFICIENCIES IN WEBVAN'S SYSTEMS OR THE SYSTEMS OF THIRD PARTIES ON WHICH IT RELIES COULD ADVERSELY AFFECT WEBVAN'S BUSINESS AND RESULT IN A LOSS OF CUSTOMERS.

Webvan's Webstore has experienced in the past and may experience in the future slower response times or disruptions in service for a variety of reasons including failures or interruptions in Webvan's systems. In addition, Webvan's users depend on Internet service providers, online service providers and other web site operators for access to Webvan's Webstores. Many of them have experienced significant outages in the past and could experience outages, delays and other difficulties due to system failures unrelated to Webvan's systems. Moreover, the Internet infrastructure may not be able to support continued growth in its use. Any of these problems could have a material adverse effect on Webvan's business and could result in a loss of customers

Webvan's communications hardware and certain of Webvan's other computer

hardware operations are located at the facilities of AboveNet Communications, Inc. in Santa Clara county, California and at InterNap, Inc. in Seattle, Washington. The hardware for the warehouse management and materials handling systems of each distribution center is maintained at that distribution center. Fires, floods, earthquakes, power losses, telecommunications failures, break-ins and similar events could damage these systems or cause them to fail completely. For instance, Webvan's webstore has been inaccessible as a result of power failures and other unexpected reasons. Computer viruses, electronic break-ins or other similar disruptive problems could also adversely affect Webvan's webstore. Webvan's business could be adversely affected if its systems were affected by any of these occurrences. Problems faced by AboveNet or InterNap, with the telecommunications network providers with whom they contract or with the systems by which they allocate capacity among their customers, including Webvan, could adversely impact the customer shopping experience and consequently, Webvan's business. Similarly, power outages on any day at a facility could adversely impact Webvan's ability to fulfill orders from that facility on that day, which would in turn impact customer satisfaction with Webvan's service. Webvan's insurance policies may not adequately compensate it for any losses that may occur due to any failures or interruptions in Webvan's systems.

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INTERRUPTIONS IN POWER SUPPLY ARISING FROM ENERGY SHORTAGES IN CALIFORNIA COULD ADVERSELY AFFECT WEBVAN'S CALIFORNIA OPERATIONS AS WELL AS THE OVERALL COMPANY BUSINESS.

Webvan's distribution operations rely heavily on electricity to power, among other things, the computers, carousels and conveyors used in processing customer orders. In addition, a major portion of Webvan's communications hardware and certain of Webvan's other computer hardware operations are located at the facilities of AboveNet Communications, Inc. in Santa Clara county, California, all of which hardware requires electricity to operate. Given the heavy reliance on electricity and the coordination required between the software and hardware used during the production process at Webvan's facilities, interruptions in power supply, even for a short period of time, may result in disruption of the production process, potentially causing customer orders and deliveries to be adversely impacted. In this regard, a number of Webvan's distribution operations as well as a major portion of the computer hardware used in all of Webvan's distribution operations are located in the State of California and California in recent months has experienced a significant shortfall in electricity that is needed by the State's power users. At periods during the past several months, the state's power suppliers have instituted or have come close to instituting rolling blackouts. The state government is taking actions to attempt to ameliorate the problems; however, there can be no assurance that the energy problems will be resolved and that further disruptions will be avoided. Notwithstanding these effort, many experts anticipate that a viable solution to the energy crisis may take several years. Continued problems with power supply in California could have a material adverse impact upon Webvan's California operations as well as the overall company business.

WEBVAN'S STOCK PRICE IS LIKELY TO BE VOLATILE.

The stock market has experienced significant price and volume fluctuations, and the market prices of technology companies, particularly consumer-oriented

Internet-related companies, have been highly volatile. For instance, prices of many "Business-to-Consumer" Internet retailer companies have declined substantially since Webvan's initial public offering. The price at which Webvan's common stock trades has been and is likely to continue to be volatile and may fluctuate substantially due to factors such as:

- . Webvan's historical and anticipated quarterly and annual operating results;
- . variations between Webvan's actual results and the expectations of investors or published reports or analyses of Webvan;
- . changes in analysts' estimates of Webvan's performance or industry performance;
- . announcements by Webvan or others and developments affecting its business, systems or expansion plans;
- . sales of large blocks of Webvan common stock; and
- . conditions and trends in e-commerce industries, particularly the online grocery industry.

In the past, securities class action litigation has often been instituted against companies following periods of volatility in the market price of their securities. This type of litigation could result in substantial costs and a diversion of management's attention and resources.

WEBVAN'S STOCK MAY BE DELISTED FROM THE NASDAQ NATIONAL MARKET.

<PAGE>

On January 12, 2001, Webvan received a notice from Nasdaq that Webvan's common stock had failed to maintain a minimum bid price of one dollar over the preceding 30 consecutive trading days as required for continued listing on the Nasdaq National Market. The notice stated that if at any time prior to April 12, 2001, the closing bid price of Webvan's common stock does not sustain at one dollar or more for at least 10 consecutive trading days, Webvan's common stock could be delisted from the exchange. If Webvan's common stock fails to sustain the minimum closing bid price for the requisite number of days, the Nasdaq staff will issue a determination that the common stock will be delisted. Thereafter, and prior to any actual delisting, Webvan will have an opportunity to request a hearing. At such hearing, Webvan will have the ability to present a plan demonstrating that it can come into compliance with the continued listing requirements. A common course of action for companies attempting to maintain their listing by ensuring a bid price in excess of one dollar is the institution of a reverse stock split. At present, Webvan has made no decision with respect to this course of action but will continue to evaluate this alternative in light of all other options, including accepting a delisting determination. A reverse stock split could negatively impact the value of the Webvan's stock by allowing additional downward pressure on the stock price as its relative value becomes greater following the reverse split. That is to say, the stock, at its new, higher price, has farther to fall and therefore more room for investors to short or otherwise trade the value of the stock downward. Similarly, a delisting may negatively impact the value of the stock as stocks trading on the over-the-counter market are typically less liquid and trade with larger variations between the bid and ask price. From the date of the letter through March 30,

2001 the Company's stock has not traded above one dollar for 10 consecutive trading days.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Webvan maintains a short-term investment portfolio primarily consisting of corporate debt securities. These available-for-sale securities are subject to interest rate risk and will rise and fall in value if market interest rates change. The extent of this risk is not quantifiable or predictable due to the variability of future interest rates. Webvan does not expect any material loss with respect to its investment portfolio.

Webvan's restricted cash balance is invested in certificates of deposit. Accordingly, changes in market interest rates have no material effect on Webvan's operating results, financial condition and cash flows. There is inherent roll over risk on these certificates of deposit as they mature and are renewed at current market rates. The extent of this risk is not quantifiable or predictable due to the variability of future interest rates.

The following table provides information about Webvan's investment portfolio, restricted cash, capital lease obligations and long-term debt as of December 31, 2000, and presents principal cash flows and related weighted average interest rates by expected maturity dates.

<TABLE>
<CAPTION>

		YEAR OF MATURITY				
		2001	2002	2003	2004	
---	TOTAL					
CARRYING						
2005	VALUE					
and						
there-						
after						
---	-----	-----	-----	-----	-----	---
		(DOLLARS IN THOUSANDS)				
<S>		<C>	<C>	<C>	<C>	
<C>	<C>					
Cash and Equivalents.....	\$40,293	--	--	--	--	-
- \$ 40,293						
Average interest rate.....	6.63%	--	--	--	--	-
- 6.63%						
Corporate and Government Debt						
Securities.....	\$88,429	\$47,779	\$34,869	\$ 479		-
- \$171,556						
Average interest rate.....	6.50%	6.20%	5.95%	8.10%		-
- 6.31%						

</TABLE>

<PAGE>

<TABLE>

<S>	<C>	<C>	<C>	<C>	<C>
<C>	<C>				
Restricted Cash -- Certificates of Deposit.....	\$22,809	--	--	--	-
- \$ 22,809					
Average interest rate.....	6.30%	--	--	--	-
- 6.30%					
Capital Lease Obligations.....	\$ 5,479	\$ 5,611	\$ 4,064	\$2,534	\$
9,348 \$ 27,036					
Average fixed interest rate.....	11.19%	10.98%	9.87%	7.60%	
7.60% 9.94%					
Long-term Debt.....	\$ 8,392	\$ 9,022	\$ 744	\$ 54	\$
6 \$ 18,218					
Average fixed interest rate.....	13.75%	13.94%	10.75%	8.50%	
8.25% 13.70%					

ITEM 8 FINANCIAL STATEMENTS

The following consolidated financial statements, and the related notes thereto, of Webvan and the Independent Auditors' Report are filed as a part of this Form 10-K.

Independent Auditors' Report.....	35
Consolidated Balance Sheets.....	36
Consolidated Statements of Operations and Comprehensive Income(Loss).....	37
Consolidated Statements of Shareholders' Equity.....	38
Consolidated Statements of Cash Flows.....	39
Notes to Consolidated Financial Statements.....	40

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
 Webvan Group, Inc.:
 Foster City, California

We have audited the accompanying consolidated balance sheets of Webvan Group, Inc. and subsidiaries (the "Company") as of December 31, 2000 and 1999, and the related consolidated statements of operations and comprehensive income (loss), shareholders' equity and of cash flows for each of three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered recurring losses and negative cash flows from operations that raise substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Deloitte & Touche LLP

San Jose, California
 January 24, 2001
 (March 28, 2001 as to Notes 2 and 17)

<PAGE>

WEBVAN GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
 (In thousands, except per share amounts)

<TABLE>
 <CAPTION>

2000	December 31, 1999	December 31,

-	-----	
<S>		<C>
<C>		
Assets		
Current Assets:		
Cash and Equivalents		\$ 40,293
\$ 60,220		
Marketable Securities		171,556
578,561		
Inventories		13,804
1,508		
Related Party Receivable		48

320		
	Prepaid Expenses and Other Current Assets	9,218
3,678		

	Total Current Assets	234,919
644,287		
	Property, Equipment and Leasehold Improvements, Net	370,915
99,978		
	Deposits and Other Long Term Assets	72,127
13,528		
	Goodwill, net	843,575
-		

	Total Assets	\$1,521,536
\$ 757,793		=====
	Liabilities and Shareholders' Equity	
	Current Liabilities:	
	Accounts Payable	\$ 18,473
\$ 18,333		
	Accrued Liabilities	87,906
16,030		
	Current Portion of Long-term Obligations	13,930
4,306		

	Total Current Liabilities	120,309
38,669		
	Long-term Obligations	42,210
12,147		
	Redeemable Common Stock	-
1,725		
	Shareholders' Equity:	
	Common stock, \$.0001 par value;	
	800,000 shares authorized:	
	476,746 and 321,582 issued and	
	outstanding at December 31,	
	2000 and December 31, 1999,	
	respectively	48
32		
	Additional Paid-in Capital	2,011,041
964,536		
	Deferred Compensation	(40,587)
(99,178)		
	Accumulated Deficit	(612,702)
(159,413)		
	Accumulated Other Comprehensive Income (Loss)	1,217
(725)		

	Total Shareholders' Equity	1,359,017
705,252		-----

	Total	\$1,521,536
\$ 757,793		
=====		=====

</TABLE>

See notes to consolidated financial statements.

<PAGE>

WEBVAN GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(In thousands, except per share amounts)

<TABLE>
<CAPTION>

December 31, -----	Year Ended	
	2000	1999
1998		
-----	-----	-----
<S>	<C>	<C>
<C>		
Net Sales	\$ 178,456	\$ 13,305
\$ -		
Cost of Goods Sold	131,239	11,289
-	-----	-----

Gross Profit	47,217	2,016
-	-----	-----

Sales and Marketing Expenses	49,120	11,746
-		
Development and Engineering Expenses	25,516	15,237
3,010		
General and Administrative Expenses	292,335	92,406
8,825		
Amortization of Goodwill and Intangibles	63,394	-
-		
Amortization of Deferred Compensation	55,233	36,520
1,060		
Restructuring Charges	40,810	-
-	-----	-----

Total Expenses	526,408	155,909
12,895		

-----	-----	-----
Loss from Operations (12,895)	(479,191)	(153,893)
Interest Income 923	27,550	11,480
Interest Expense 32	1,648	2,156
-----	-----	-----
Net Interest Income 891	25,902	9,324
-----	-----	-----
Net Loss (12,004)	(453,289)	(144,569)
Unrealized Gain (Loss) on Marketable Securities 4	1,942	(729)
-----	-----	-----
Comprehensive Income (Loss) \$(12,000)	\$(451,347)	\$(145,298)
=====	=====	=====
Basic and Diluted Net Loss Per Share \$(0.31)	\$(1.21)	\$(1.43)
=====	=====	=====
Shares Used In Calculating Basic and Diluted Net Loss Per Share 39,344	374,124	101,044
=====	=====	=====

</TABLE>

See notes to consolidated financial statements.

<PAGE>

WEBVAN GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands, except per share amounts)

<TABLE>
<CAPTION>

Convertible		Convertible		Convertible	
Series C	Series D	Series A		Series B	
Preferred Stock	Preferred Stock	Preferred Stock		Preferred Stock	
-----	-----	-----	-----	-----	-----
Shares	Amount	Shares	Amount	Shares	Amount

<S>			<C>	<C>	<C>	<C>
<C>	<C>	<C>	<C>			
Balances, January 1, 1998			112,582,992	10,754	-	-
-	-	-	-			
Issuance of Series A Preferred, January 1998			52,176	5		
Issuance of Series B Preferred, net of \$890 Issuance						
Costs, May through September 1998					39,101,304	34,823
Series B Preferred Warrants Granted for Debt, May 1998						
Exercise of Options during 1998						
Options Granted for Services, September and November 1998						
Deferred Compensation						
Amortization of Deferred Compensation						
Accumulated Other Comprehensive Income						
Net Loss						
Balances at December 31, 1998			112,635,168	10,759	39,101,304	34,823
-	-	-	-			
Issuance of Series B Preferred, January 99					12,000	11
Issuance of Series C Preferred, net of Issuance Costs (\$2,363)						
32,341,200	72,776					
Issuance of Series D Preferred, net of Issuance Costs (\$100)						
21,670,605	274,900					
Exercise of Warrants						
150,000	349					
Conversion of Preferred Stock into Common Stock			(112,635,168)	(10,759)	(39,113,304)	(34,834)
(32,491,200)	(73,125)	(21,670,605)	(274,900)			
Exercise of Options during 1999						
Issuance of Common Stock						
Options and Shares Issued for Services Rendered						
Public Stock Offering, net of cost of \$28,603						
Executive Stock Issuance, September, 1999						
Executive Option Issuance, September, 1999						
Deferred Compensation						
Amortization of Deferred Compensation						
Accumulated Other Comprehensive Loss						
Issuance of Shareholder Note						
Reclassify Common Stock over Par to Additional Paid-in						

Capital
Net Loss

Balances at December 31, 1999	-	-	-	-
Cashless Exercise of Warrants				
Exercise of Stock Options during 2000				
Deferred Compensation				
Amortization of Deferred Compensation				
Issuance of Warrant				
Expiration of Redeemable Common Stock				
Options and Shares Issued for Services Rendered				
Cancellation of Options and Shares Issued				
Employee Stock Purchase Plan				
Net Write Down of Shareholder Note				
Shares Issued for Merger with HomeGrocer				
Accumulated Other Comprehensive Income				
Net Loss				
Balance at December 31, 2000	-	-	-	-

<CAPTION>

Net Unrealized

Gain (Loss) on	Total	Common Stock		Additional
		Shareholders' Shares	Amount	
Deferred Compensation	Accumulated Deficit	Marketable Securities	Shareholders' Equity	
<S>	<C>	<C>	<C>	<C>
<C>	<C>	<C>	<C>	<C>
Balances, January 1, 1998			64,394,472	58
(2,840)			7,972	
Issuance of Series A Preferred, January 1998				
5				
Issuance of Series B Preferred, net of \$890 Issuance				
-				
Costs, May through September 1998				
34,823				
Series B Preferred Warrants Granted for Debt, May 1998				1,679

1,679			
Exercise of Options during 1998	14,195,250	66	
66			
Options Granted for Services, September and November 1998			7
7			
Deferred Compensation (11,797)	-	11,797	
Amortization of Deferred Compensation			
1,060	1,060		
Accumulated Other Comprehensive Income			
4	4		
Net Loss			
(12,004)	(12,004)		

Balances at December 31, 1998	78,589,722	11,921	1,686
(10,737) (14,844)	4 33,612		
Issuance of Series B Preferred, January 99			
11			
Issuance of Series C Preferred, net of Issuance Costs (\$2,363)			
72,776			
Issuance of Series D Preferred, net of Issuance Costs (\$100)			
274,900			
Exercise of Warrants	379,000		3,563
3,912			
Conversion of Preferred Stock into Common Stock	205,910,277	393,618	
-			
Exercise of Options during 1999	6,186,887	1,299	
1,299			
Issuance of Common Stock	450,000	2,246	
2,246			
Options and Shares Issued for Services Rendered	67,000	378	31
409			
Public Stock Offering, net of cost of \$28,603	28,750,000	402,648	
402,648			
Executive Stock Issuance, September, 1999	1,250,000	15,000	
15,000			
Executive Option Issuance, September, 1999		12,000	
12,000			
Deferred Compensation (124,961)	-	124,961	
Amortization of Deferred Compensation			
36,520	36,520		
Accumulated Other Comprehensive Loss			

(729)	(729)			
Issuance of Shareholder Note			(4,783)	
(4,783)				
Reclassify Common Stock over				
Par to Additional Paid-in				
Capital		(959,256)		959,256
-				
Net Loss				
(144,569)	(144,569)			

Balances at December 31, 1999		321,582,886	32	964,536
(99,178)	(159,413)	(725)		705,252
Cashless Exercise of Warrants		881,685		
-				
Exercise of Stock Options				
during 2000		11,195,874	1	3,330
3,331				
Deferred Compensation				10,721
(10,721)				
Amortization of Deferred				
Compensation				
55,233		55,233		
Issuance of Warrant				331
331				
Expiration of Redeemable				
Common Stock		4,785,000	1	1,753
1,754				
Options and Shares Issued for				
Services Rendered				(2,842)
3,532		690		
Cancellation of Options				
and Shares Issued				(10,467)
10,547		80		
Employee Stock Purchase Plan				1,155
1,155				
Net Write Down of Shareholder Note				4,527
4,527				
Shares Issued in Merger with				
HomeGrocer		138,300,676	14	1,037,997
1,038,011				
Accumulated Other Comprehensive				
Income				
1,942	1,942			
Net Loss				
(453,289)	(453,289)			

Balance at December 31, 2000		476,746,121	48	2,011,041
(40,587)	(612,702)	1,217		1,359,017
=====				

</TABLE>

<PAGE>

WEBVAN GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

<TABLE>
<CAPTION>

December 31,	Year Ended	
-----	-----	-----
	2000	1999
1998	-----	-----

<S>	<C>	<C>
<C>		
Cash Flows From Operating Activities:		
Net Loss	\$ (453,289)	\$
(144,569) \$ (12,004)		
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	94,312	
7,712 263		
Accretion on redeemable common stock	29	
423 1,242		
Amortization of deferred compensation	55,233	
36,520 1,060		
Restructuring charges	38,289	
- -		
Stock compensation and options issued for services, net	3,765	
29,020 7		
Provision for loss on notes receivable	7,044	
Issuance of warrants	-	
2,173 -		
Changes in operating assets and liabilities:		
Inventories	(4,995)	
(1,508) -		
Prepaid expenses and other current assets	4,573	
(3,684) (109)		
Accounts payable	(3,925)	
8,105 6,643		
Accrued liabilities	(11,647)	
6,499 588		
Deferred rent	7,531	
511 90		
	-----	-----
Net cash used in operating activities	(263,080)	
(58,798) (2,220)		
	-----	-----
Cash Flows From Investing Activities:		
Purchases of property, equipment and leasehold improvements	(259,755)	

(64,253)	(32,669)		
Cash acquired from merger with HomeGrocer			101,064
-	-		
Sales of marketable securities			615,743
278,973	-		
Purchases of marketable securities			(196,255)
(850,535)	(2,681)		
Purchases of investments			(2,000)
(482)	(518)		
Deposits and other assets			(11,325)
(4,796)	(3,098)		
		-----	-----
-----	-----		
Net cash provided by (used in) investing activities			247,472
(641,093)	(38,966)		
		-----	-----
-----	-----		
Cash Flows from Financing Activities:			
Proceeds from long-term debt			-
-	17,168		
Repayment of long-term debt			(4,542)
(3,221)	(471)		
Proceeds from capital lease financing			1,251
2,200	794		
Repayment of capital lease obligations			(1,876)
(511)	(32)		
Loan fees capitalized			-
-	(323)		
Net proceeds from Series A preferred stock			-
-	5		
Net proceeds from Series B preferred stock			-
11	34,823		
Net proceeds from Series C preferred stock			-
73,125	-		
Net proceeds from Series D preferred stock			-
274,900	-		
Shareholder note receivable			(2,517)
(4,783)	-		
Proceeds from common stock issued			4,486
1,903	78		
Net proceeds from initial public offering			-
402,648	-		
Stock issuance costs			(1,121)
-	-		
Proceeds from redeemable common stock issued			-
-	48		
		-----	-----
-----	-----		
Net cash (used in) provided by financing activities			(4,319)
746,272	52,090		
		-----	-----
-----	-----		
Net (Decrease) Increase in Cash and Equivalents			(19,927)
46,381	10,904		
Cash and Equivalents, Beginning of Period			60,220

13,839	2,935		

Cash and Equivalents, End of Period		\$ 40,293	\$
60,220	\$ 13,839		
=====			
Supplemental Cash Flow Information:			
Interest paid		\$ 3,196	\$
2,436	\$ 32		
=====			
Acquisition of HomeGrocer Net Assets:			
Tangible assets acquired		\$ (121,793)	
Intangible assets acquired		(935,650)	
Liabilities assumed		114,496	
Common stock issued		1,044,011	

Cash acquired from acquisition		\$ 101,064	
		=====	

</TABLE>

See notes to consolidated financial statements.

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WEBVAN GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization -- Webvan Group, Inc. and subsidiaries (collectively, "Webvan" or the "Company") was incorporated in California on December 17, 1996 and reincorporated in Delaware in October 1999. Webvan is an Internet retailer offering home delivery of a variety of product offerings, including groceries, non-prescription drug products and other general merchandise. Webvan began selling and delivering products to the public in June 1999. As discussed in Note 3, in September 2000, Webvan acquired HomeGrocer, Inc. ("HomeGrocer"). The acquisition was accounted for as a purchase and HomeGrocer's operating results have been consolidated with Webvan's since September 5, 2000.

Consolidation -- The accompanying consolidated financial statements include the accounts of Webvan and its wholly-owned subsidiaries. Intercompany balances and transactions have been eliminated in the consolidated financial statements.

Use of Estimates -- The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents -- Webvan considers all highly liquid instruments acquired with an original maturity of three months or less when purchased to be cash equivalents. The recorded carrying amounts of Webvan's cash equivalents approximate their fair market value due to their highly liquid nature.

Marketable Securities -- Webvan considers all investments with a maturity of more than three months but less than one year when purchased and investments to be sold within one year to be short-term and available for sale.

Concentration of Credit Risk -- Financial instruments that potentially subject Webvan to concentrations of credit risk consist principally of cash, cash equivalents and short-term investments to the extent these exceed federal insurance limits. Risks associated with cash, cash equivalents and marketable securities are mitigated by banking with and purchasing commercial paper, market auction preferred stock, corporate notes, and corporate bonds from credit-worthy institutions.

Supplier Concentration -- During 2000, Webvan purchased goods for resale from numerous suppliers for its operations. During 2000, two significant suppliers of food products accounted for approximately 17% and 12% of Webvan's purchases for resale, respectively, and during 1999, two suppliers accounted for 34% and 12%, respectively. Although products are available from other sources, the vendors' inability to supply products in a timely manner could adversely affect Webvan's ability to satisfy customer demands.

Inventory Valuation -- Webvan values its inventories of goods available for sale using the weighted average cost method and states its inventory at the lower of cost or market.

Property, Equipment and Leasehold Improvements -- Property, equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization. Depreciation on property and equipment is taken on assets placed

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into service using the straight-line method over estimated useful lives of three to ten years. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful lives of the improvements.

Webvan evaluates the recoverability of its long-lived assets in accordance with Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." Webvan assesses the impairment of long-lived assets whenever events and circumstances indicate that the carrying value of an asset may not be recoverable. Impairments are recognized when the net book value of assets exceed future undiscounted cash flows attributable to such assets.

Income Taxes -- Income taxes are provided at current rates. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for income tax purposes. Under the provisions of SFAS No. 109, "Accounting for Income Taxes," a valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets recorded will not be recognized.

Stock Options -- As permitted by SFAS No. 123, "Accounting for Stock-Based Compensation," Webvan accounts for stock options to employees using the intrinsic value method in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." As required by SFAS No. 123, the pro forma impact on earnings and earnings per share resulting from the fair value method is disclosed in Note 9. Webvan accounts for Stock options issued to non-employees under the provisions of SFAS No.123 and EITF 96-18, "Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling Goods or Services."

Revenue Recognition -- Webvan recognizes revenues from product sales and delivery, net of returns and discounts, when the products are delivered to customers. Net revenues include the impact of approximately \$8.5 and \$.2 million in promotional discounts and allowances in the years ended December 31, 2000 and 1999, respectively.

Cost of Goods Sold -- Cost of goods sold consist of product costs, inbound freight costs, and inventory scrap and obsolescence, offset by certain vendor allowances and credits that relate to Webvan's buying and merchandising activities, which are recognized as earned. Approximately \$64.4 million and \$7.6 million of warehouse and delivery related costs are included in General and Administrative Expenses in 2000 and 1999, respectively. In addition, Amortization of Deferred Compensation includes \$4.6 million and \$2.4 million related to warehouse and delivery personnel in 2000 and 1999, respectively.

Net Loss Per Share -- Basic net loss per share excludes dilution and is computed by dividing net loss by the weighted average number of common shares outstanding for the period (excluding shares subject to repurchase). Diluted net loss per common share was the same as basic net loss per common share for all periods presented since the effect of any potentially dilutive securities is excluded as they are anti-dilutive because of Webvan's net losses.

Capitalized Software and Web Site Development Costs -- Webvan capitalizes internally developed software costs and web site development costs in accordance with the provisions of Statement of Position ("SOP") 98-1, "Accounting for Costs of Computer Software Developed or Obtained for Internal Use" and Emerging Issues Task Force ("EITF") 00-2, "Accounting for Web Site Development Costs." Capitalized costs are amortized on a straight line basis over the useful life of the software once it is placed into service.

Segment Reporting -- The Company follows SFAS No. 131 "Disclosures About Segments of an Enterprise and Related Information" which establishes annual and interim reporting standards for an enterprises' business segments and related

<PAGE>

disclosures about its products, services, geographic areas and major customers. Webvan operates in one segment in the United States.

Start-Up Costs -- Webvan expenses the costs of start-up activities and organization costs as they are incurred, in accordance with SOP 98-5, "Reporting on the Cost of Start-up Activities."

Reclassifications -- Certain prior year balances have been

reclassified to conform to the current year presentation.

Recently Issued Accounting Standards -- In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement is effective for all fiscal years beginning after June 15, 2000. SFAS 133, as amended by SFAS 137 and 138, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. Under SFAS 133, certain contracts that were not formerly considered derivatives may now meet the definition of a derivative. Webvan has adopted SFAS 133 effective January 1, 2001. Management does not believe the adoption of SFAS 133 will have a significant impact on the financial position, results of operations, or cash flows of Webvan.

2. Ability to Continue Operations

The accompanying financial statements have been prepared assuming that Webvan will continue as a going concern. Webvan has experienced recurring net losses of \$453.3 million, \$144.6 million and \$12.0 million during the years ended December 31, 2000, 1999 and 1998, respectively. As a result, Webvan has an accumulated deficit of \$612.7 million as of December 31, 2000. Operating and investing activities resulted in net cash consumption of \$15.6 million, \$699.9 million, and \$41.2 million for the years ended December 31, 2000, 1999 and 1998, respectively. Webvan may continue to suffer significant net losses and a negative cash flow from operations. These matters raise substantial doubt about Webvan's ability to continue as a going concern.

Webvan's continued existence is dependent upon several factors, including its ability to increase revenue levels and reduce costs of operations to generate positive cash flows. Although Webvan has historically been able to satisfy its cash requirements, there can be no assurance that efforts to obtain sufficient financing for operations will be successful in the future. In response to current conditions and as a part of its ongoing corporate strategy, Webvan has instituted and continues to pursue initiatives intended to increase liquidity, reduce costs, enhance gross profit margins and better position the Company to compete under current market conditions. Several completed and ongoing initiatives are summarized below.

Webvan has instituted initiatives that have reduced the level of orders required to achieve cash-flow profitability at any particular facility. These initiatives include reducing the infrastructure required to process orders, raising the minimum order size required for free delivery, extending the delivery window in certain markets from a 30 minute to a 60 minute duration, and outsourcing operations that are done more efficiently by third parties. In addition, Webvan has restructured its headquarters operations to reflect the synergies arising from the merger with HomeGrocer and Webvan's scaled-back operations. As a result, since September 2000, Webvan has reduced its workforce by approximately 1300 employees or 27%. In addition, management has indicated that it will, as necessary, continue to pursue cost reductions. As necessary, management will pursue additional debt or equity financing.

In an effort to increase revenue, during the first quarter of 2001, Webvan commenced initiatives aimed at further enhancing the customer shopping experience and value proposition, including redesigning its Webstore, providing on-line coupons and launching frequent shopper programs. Webvan also launched a new marketing campaign to build its brand and is utilizing efficient marketing techniques such as direct marketing to strengthen Webvan's relationship with

existing customers and targeted marketing to attract new customers.

<PAGE>

While Webvan is aggressively pursuing these actions, as discussed above, there can be no assurance that the Company will be successful in its efforts to achieve future profitable operations, generate sufficient cash from operations or obtain additional funding sources. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

3. ACQUISITION

On September 5, 2000, Webvan completed its merger with HomeGrocer, Inc., an Internet retailer that provided home delivery of groceries and other consumer products. To effect the merger, Webvan issued 138.3 million shares of common stock in exchange for all of HomeGrocer's common stock outstanding. Webvan exchanged 1.07605 shares of its common stock for each share of HomeGrocer common stock. In addition, all outstanding HomeGrocer stock options were converted at the same exchange ratio into options to purchase approximately 19.6 million shares of Webvan common stock. The total purchase price was approximately \$1,044.0 million. The purchase price in excess of identified tangible and intangible assets was approximately \$901.6 million, which was recorded as goodwill, and is being amortized on a straight line basis over 5 years. The merger was accounted for under the purchase method of accounting. The total purchase cost of the HomeGrocer merger is as follows (in thousands):

Value of Common Stock Issued	\$ 996,513
Assumption of HomeGrocer Common Stock options	44,731
Transaction Costs and Expenses	2,767

Total Consideration	\$1,044,011
	=====

Following purchase accounting, the purchase price was allocated to acquired assets and liabilities based on their estimated fair values at the date of acquisition, and any excess was allocated to goodwill. Such allocations are subject to final determination based on real estate and other contract termination costs, leasehold and equipment valuations, and a review of the books, records and accounting policies of HomeGrocer, which are expected to be complete before the end of the second quarter of fiscal 2001. Accordingly, the final allocations may be different from the amount reflected herein, although management does not believe such differences will be material.

In connection with the acquisition, the fair value of assets and liabilities acquired were as follows (in thousands):

Cash, receivables and other current assets	\$ 124,935
Property, plant and equipment and other non current assets	94,691
Note receivable from stockholder	3,231
Goodwill and other intangible assets	935,650
Current liabilities assumed	(86,950)
Long-term liabilities assumed	(27,546)

Net Assets Acquired

\$1,044,011
 =====

Other intangible assets consist of \$34.1 million pertaining to customer lists, workforce in place and technology, which are being amortized on a straight line basis over two years.

The following table presents unaudited pro forma combined revenues, net income and earnings per share for Webvan Group, Inc. as if the merger had been consummated at the beginning of the periods presented, under the purchase accounting method:

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<PAGE>

<TABLE>
 <CAPTION>

	Unaudited	
	Fiscal Year Ended December 31, 2000	Fiscal Year Ended December 31, 1999
(in millions, except per share amounts)		
<S>	<C>	<C>
Revenues	\$ 259.7	\$ 35.0
Net Loss	\$ (736.2)	\$ (429.4)
Net Loss per Share Basic and Diluted	\$ (1.62)	\$ (1.32)

The pro forma net loss includes the impact of amortization of goodwill of \$200.8 million in each of the fiscal years ended December 31, 2000 and 1999.

The pro forma combined consolidated financial data does not reflect any cost savings anticipated as a result of the merger and is not indicative of actual results of the combined entities had the merger been consummated at the beginning of the periods presented, nor is it necessarily indicative of future results of operations.

4. RESTRUCTURING CHARGE

During the year ended December 31, 2000, Webvan recorded a restructuring charge of \$40.8 million to account for estimated costs in connection with its modified rollout schedule. As Webvan had incurred construction costs and real estate obligations in markets where HomeGrocer had existing operations, Webvan suspended its plans to enter these locations as well as certain other locations, thereby incurring a write down of certain construction in progress assets, as well as incurring liabilities to exit certain real estate obligations. Webvan is evaluating the affected sites and is pursuing the most economical option, including subleasing or terminating the respective leases. Webvan anticipates such activities related to completing the real estate transactions will be substantially completed by the end of the second quarter of 2001. Included in the \$40.8 million charge, \$24.6 million pertained to writing down construction in progress assets and \$16.2 million pertained to severance and the estimated cost of exiting leased facilities. Webvan recorded liabilities of \$15.7 million for anticipated payments resulting

from the restructuring charge, of which, \$11.8 million was unpaid as of December 31, 2000.

5. MARKETABLE SECURITIES

The fair value of marketable securities at December 31, 2000 and 1999 are presented below. Fair values are based on quoted market prices. Webvan's marketable securities are classified as available-for-sale, as Webvan intends to sell them as needed for operations. Balances at year-end consist of the following (in thousands):

<TABLE>
<CAPTION>

	DECEMBER 31, 2000	
	AMORTIZED	UNREALIZED
MARKET	COST	GAIN (LOSS)
VALUE		ON INVESTMENTS
	-----	-----
<S>	<C>	<C>
<C>		
Money market funds.....	\$ 5,744	\$ --
\$ 5,744		
US government instruments.....	51,101	1,078
52,179		
Asset backed securities.....	40,968	175
41,143		
Commercial paper.....	62,356	(17)
62,339		
Foreign debt securities.....	-	-
-		
Corporate notes.....	46,567	(19)
46,548		
	-----	-----
Total.....	206,736	1,217
207,953		
	-----	-----
Less amounts included in cash and equivalents	36,408	(11)
36,397		
	-----	-----
	\$170,328	1,228
\$171,556		
	=====	=====

</TABLE>

<PAGE>

<TABLE>

<CAPTION>

DECEMBER 31, 1999

MARKET

VALUE

<S>

<C>

	AMORTIZED COST	UNREALIZED GAIN (LOSS) ON INVESTMENTS
Money market funds.....	\$ 47,470	\$ --
\$ 47,470		
US government instruments.....	329,990	654
330,644		
Asset backed securities.....	160,505	(825)
159,680		
Commercial paper.....	5,505	2
5,507		
Foreign debt securities.....	1,683	(5)
1,678		
Corporate notes.....	87,111	(551)
86,560		

Total.....	632,264	(725)
631,539		
Less amounts included in cash and equivalents.....	52,975	3
52,978		

\$578,561

\$579,289

\$ (728)

</TABLE>

6. PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Property, equipment and leasehold improvements at December 31, 2000, and 1999 consists of the following (in thousands):

<TABLE>

<CAPTION>

DECEMBER 31,

<S>

	2000	1999
Computer equipment and software.....	\$ 66,039	\$18,122
Machinery and equipment.....	80,090	20,184
Leasehold improvements.....	97,350	21,816
Vehicles.....	24,674	-
Furniture and fixtures.....	6,111	2,656
	274,264	62,778

Accumulated depreciation and amortization.....	(35,282)	(7,260)
	-----	-----
	238,982	55,518
Construction in progress.....	131,933	44,460
	-----	-----
Property, equipment and leasehold improvements, net..	\$370,915	\$99,978
	=====	=====

</TABLE>

Equipment under capital leases amounted to \$19.6 million and \$3.0 million at year end 2000 and 1999, respectively. Accumulated amortization on capital leases as of year end 2000 and 1999 was \$2.2 million and \$0.9 million, respectively.

Construction in progress includes costs incurred in the construction of Webvan's distribution centers. Such costs include the purchase and installation of materials handling equipment, refrigeration and freezer storage units, and related finance charges.

7. BORROWING ARRANGEMENTS

In December 1998, Webvan entered into a \$17.0 million loan and security agreement. The loan is payable in monthly installments of \$0.5 million from January 1999 through June 2002 with an additional \$2.6 million payment of the remaining balance payable in June 2002. Based upon this repayment schedule, the imputed interest on this loan is 16.33%. The loan is secured by certain assets.

<PAGE>

Related to the above financing, Webvan issued warrants to the lenders to purchase an aggregate of 2,233,578 shares at an exercise price of \$0.91 per share. The fair value of the warrants at the date granted was \$1.6 million and was capitalized with loan fees (see Note 10). Webvan also paid \$0.3 million in loan fees. The loan fees are being amortized over the 42 month term of the loan.

In September 1999, HomeGrocer entered into a Subordinated Loan and Security Agreement which was assumed by Webvan in the merger. The loan is for \$10 million, and is payable in 36 equal monthly installments bearing interest at 11%. As of December 31, 2000, \$7.5 million was outstanding on this loan. In addition, HomeGrocer granted the lender a warrant to purchase 296,841 shares at an exercise price of \$5.39 per share (as converted into Webvan Common shares). Such shares were converted to Webvan common shares at the time of the merger. The fair value of the warrant was \$1.4 million when granted and is being amortized over 40 months, the term of the Subordinated Loan and Security Agreement.

Future principal maturities under loan agreements as of December 31, 2000 are as follows (in thousands):

YEAR ENDING	
DECEMBER 31,	
- - - - -	
2001.....	\$ 8,392
2002.....	9,022

2003.....	744
2004.....	54
2005.....	6

	18,218
Less current maturities.....	8,392

	\$ 9,826
	=====

CAPITAL LEASE OBLIGATIONS

In March 1998, Webvan entered into a \$3.0 million non-revolving master lease agreement. As part of the leasing arrangement, warrants for 164,232 shares were granted to the provider at an exercise price of \$0.91 per share. The \$115,000 fair value of the warrants at the date granted has been capitalized with loan fees and is being amortized over 36 to 48 months (see Note 10).

In November 1998, HomeGrocer entered into a \$3.0 million nonrevolving master lease agreement. During fiscal 1999, this lender provided an additional \$5.0 million of lease financing. As part of its merger with HomeGrocer, Webvan assumed these lease liabilities.

In August 1999, HomeGrocer entered into a lease agreement and a related financing agreement with finance companies for delivery vehicles. This lease was assumed by Webvan as part of its merger with HomeGrocer. Under the terms of the lease, Webvan leases certain delivery vehicles and is obligated to pay a guaranteed residual value of \$12,500 per vehicle at the end of the lease term. HomeGrocer entered into a financing agreement for a revolving line of credit under which Webvan may borrow up to \$20.0 million for the purchase of delivery vehicles or to finance the lease of such vehicles.

Future minimum lease payments under the capital lease agreements as of December 31, 2000 are as follows (in thousands):

<PAGE>

YEAR ENDING	
DECEMBER 31,	
- - - - -	
2001.....	\$ 7,812
2002.....	7,306
2003.....	5,247
2004.....	3,409
2005.....	3,409
Thereafter.....	7,037

Total future minimum lease payments.....	34,220
Less portion relating to interest.....	7,184

Total capital lease obligations.....	27,036
Less current portion.....	5,479

Total long-term portion.....	\$21,557
	=====

8. SHAREHOLDERS' EQUITY

CONVERTIBLE PREFERRED STOCK

From October 1997 through January 1998, Webvan sold 112,635,168 shares of Series A preferred stock at \$.0958 per share. From May through September 1998, Webvan sold 39,113,304 shares of Series B preferred stock at \$.91 per share. From January through April 1999, Webvan sold 32,341,200 shares of Series C preferred stock at \$2.32 per share. In September 1999, Webvan issued 150,000 shares of Series C preferred stock related to the exercise of warrants. In July 1999, Webvan sold 21,670,605 shares of Series D preferred stock at \$12.69 per share. In November 1999, at the closing of Webvan's initial public offering, all of Webvan's preferred stock was converted into 205,910,277 shares of common stock on a share for share basis.

The Board of Directors is authorized, without shareholder approval, to issue up to an aggregate of 10,000,000 shares of preferred stock, in one or more series, each of the series to have rights and preferences, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences, as shall be determined by the Board of Directors. No shares of this preferred stock have been issued.

COMMON STOCK

At December 31, 2000, Webvan had 800,000,000 authorized shares of common stock of which 476,746,000 were issued and outstanding. Webvan has the right to repurchase certain shares until vesting is completed (See Note 11). At December 31, 2000, Webvan had reserved 149,607,000 shares for issuance under stock option plans (including options granted but not exercised).

During 1998, Webvan recorded redeemable common stock, representing common stock sold to employees who had put rights. The put rights allowed the shareholders to sell to Webvan, at a price of \$0.3658 per share, 2,871,000 shares of common stock after February 1999, and an additional 1,914,000 shares of common stock after February 2000. Redeemable common stock was originally recorded at its \$0.0125 fair value as determined by the board of directors, and was accreted to the redemption amounts as compensation expense over the period the put rights became exercisable. These rights expired in March 2000.

9. STOCK OPTION PLAN

On September 17, 1997, Webvan adopted the 1997 Stock Plan (the "1997 Plan"). A total of 108,546,320 shares of Webvan's common stock have been reserved for issuance under the 1997 Plan, which expires on September 17, 2007. Options are granted at fair market value at the date of grant based on the prior day's closing stock price. As provided for in the 1997 Plan, incentive and non-statutory stock options may be granted to employees, officers, directors or consultants. Incentive options may only be granted to employees

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and at an exercise price of no less than fair value on the date of grant. Non-statutory options may be granted at less than fair value; such options may not be granted at less than fair value in order to qualify as "performance based compensation" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended. For owners of more than 10% of Webvan's stock, incentive

options may only be granted for an exercise price of no less than 110% of fair value. Options generally become exercisable at a rate of 25% on the one year anniversary of the vesting commencing date, which may precede the grant date, with an additional 6.25% exercisable at the end of each quarter thereafter until fully vested at the end of the fourth year. The term of an incentive option may not exceed five years for grants to owners of more than 10% of Webvan's voting power, nor exceed ten years for all other option holders.

In August 1999, Webvan adopted the 1999 Nonstatutory Stock Option Plan (the "NSO Plan"). A total of 23,000,000 shares of Webvan's common stock have been reserved for issuance under the NSO Plan. The NSO Plan provides for the grant of nonstatutory stock options to employees and consultants of Webvan. Executive officers (subject to Section 16 of the Securities Exchange Act of 1934, as amended) are only eligible to receive options under the NSO Plan in connection with their initial employment by Webvan. The exercise price, vesting and term of all stock options granted under the NSO Plan are determined by the administrator.

As of December 31, 2000, there were approximately 149,607,000 shares reserved in the option pools for the NSO Plan and the 1997 Plan. At December 31, 2000, shares of common stock available for future options grants under the 1997 Plan and the NSO Plan totaled approximately 37,500,000 million.

Stock option activity under Webvan's plans is summarized as follows:

<TABLE>
<CAPTION>

WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF SHARES
	(IN THOUSANDS)
-----	-----
<S>	<C>
<C>	
Balance, December 31, 1997 (none exercisable).....	12,480
\$0.00081	
Options granted during 1998 (weighted average fair value of	
\$0.01740).....	46,437
0.10546	
Options exercised during 1998.....	(18,981)
0.00645	
Options canceled during 1998.....	(3,210)
0.02735	

Balance, December 31, 1998.....	36,726
0.12758	
Options granted during 1999 (weighted average fair value of	
\$8.64133).....	42,793
7.51307	
Options exercised during 1999.....	(6,187)
0.20936	
Options canceled during 1999.....	(1,827)
1.96871	

Balance, December 31, 1999.....	71,505
4.48233	
Options granted during 2000 (weighted average fair value of \$3.81029).....	25,443
3.08906	
Options exercised during 2000.....	(10,987)
0.30249	
Options canceled during 2000.....	(15,814)
4.47187	
Options granted in HomeGrocer Merger.....	10,501
3.81679	

Balance, December 31, 2000.....	80,648
\$4.51554	
	=====

</TABLE>

<PAGE>

Additional information regarding options outstanding as of December 31, 2000 is as follows:

<TABLE>
<CAPTION>

OPTIONS OUTSTANDING

OPTIONS EXERCISABLE		-----		
		NUMBER	WEIGHTED AVERAGE	
		OUTSTANDING	REMAINING	
NUMBER		AS OF	CONTRACTUAL LIFE	WT'ED AVERAGE
EXERCISABLE	W'TED AVE	12/31/00	(YEARS)	EXERCISE PRICE
RANGE OF EXERCISE PRICES	EXER. PRICE			
12/31/00				
-----		-----	-----	-----
		<C>	<C>	<C>
\$ 0.00083 - \$ 0.10000		14,045,995	6.69	\$ 0.05827
4,626,391	\$ 0.05238			
\$ 0.24000 - \$.66667		7,214,812	8.57	\$ 0.43110
2,164,300	\$ 0.45498			
\$ 0.96880 - \$.96880		12,996,699	9.82	\$ 0.96880
134,949	\$ 0.96880			
\$ 1.35000 - \$ 4.25000		10,354,202	8.77	\$ 2.89313
4,068,699	\$ 2.76221			
\$ 4.53120 - \$ 7.79000		5,156,323	9.30	\$ 5.11439
1,326,197	\$ 5.27003			
\$ 8.00000 - \$ 8.00000		15,000,000	8.72	\$ 8.00000
6,750,000	\$ 8.00000			
\$ 8.37000 - \$11.00000		12,231,010	8.91	\$10.01536
2,767,947	\$10.51234			
\$12.00000 - \$23.00000		3,648,647	8.90	\$13.38110
793,031	\$13.44586			

-----	-----	-----	-----	-----
\$ 0.00083 - \$23.00000		80,647,688	8.61	\$ 4.51554
22,631,514	\$ 5.69853			

</TABLE>

ADDITIONAL STOCK PLAN INFORMATION

As discussed in Note 1, Webvan accounts for its stock-based awards using the intrinsic value method in accordance with APB 25. Based on the stock value and exercise prices, during the year ended December 31, 2000, \$56.6 million of compensation expense has been recognized in the financial statements for employee stock arrangements, including \$55.2 million of amortization of deferred compensation. During the year ended December 31, 1999, \$67.7 million of compensation expense was recognized, including \$36.5 million of amortization of deferred compensation. During the year ended December 31, 1998, \$2.3 million of compensation expense was recognized, including \$1.1 million of amortization of deferred compensation.

SFAS 123 requires the disclosure of pro forma net income and earnings per share as if Webvan had adopted the fair value method as of the beginning of the period ended December 31, 1997. Webvan's calculations were made with the following weighted average assumptions for 2000, 1999 and 1998: expected life of 60 months following the grant date; risk free interest rates of 5.5% for 2000 and 6.0% for 1999 and 1998; and no dividends during the expected term. As to volatility, the assumed value for 2000, 1999 and 1998 was 145%, 80% and 0%, respectively. Forfeitures are recognized as they occur. If the computed fair value of 2000, 1999 and 1998 awards had been charged to compensation over the vesting period of the awards, the net loss would have been \$596.4 million \$(1.60) per share, (basic and diluted) in 2000, \$158.6 million \$(1.57) per share, (basic and diluted) in 1999, and \$12.0 million \$(0.31) per share, (basic and diluted) in 1998.

10. NONCASH FINANCING ACTIVITIES

STOCK AND OPTIONS FOR SERVICES

Webvan issued the following shares and options for certain consulting or recruiting services that represent non-cash operating expenses (in thousands, except per share amounts):

<TABLE>
<CAPTION>

DATE	NUMBER	FAIR VALUE	FAIR VALUE AT
ISSUED	OF SHARES	PER SHARE	ISSUANCE DATE

<S>				---
<C>	<C>	<C>		<C>
Stock:				
Series A preferred stock.....				
1998	51	\$ 0.09583	\$ 5	
Common.....				
1999	67	14.3138	378	

<CAPTION>

SHARES	EXERCISE		
DATE	COVERED BY	PRICE	FAIR VALUE
ISSUED	OPTIONS	PER SHARE	GRANT DATE

<S>			
<C>	<C>	<C>	
Stock options:			
Common.....			
1998	160	\$ 0.10000	\$ 7
Common.....			
2000	48	10.79000	7

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All preferred shares and options were converted into common shares and options on a one for one basis at the time of Webvan's initial public offering in November 1999.

In July 1999, Webvan issued Yahoo! an option to purchase up to 150,000 shares of Webvan common stock at a price of \$3.33 per share. The option vests 6.25% each quarter contingent upon the continued service of Yahoo!'s Chairman on Webvan's Board of Directors. The fair value of the options at the grant date was determined to be \$180,000 using the Black-Scholes option pricing model. Based upon the terms of the option, it is subject to variable plan accounting using the Multiple Award Method. The fair value of the remaining options was \$10,000 and \$1,945,000 at December 31, 2000 and 1999 respectively. Compensation expense related to these options amounted to approximately \$130,000 for the year ended December 31, 2000 and \$225,000 for the prior fiscal year.

DEFERRED COMPENSATION

In connection with the grant of certain stock options to employees, and cancellation of other options for terminated employees, Webvan recorded net increases in deferred compensation of \$0.2 million, \$125.0 million and \$11.8 million in 2000, 1999 and 1998, respectively. Additionally, Webvan recorded amortization of deferred compensation expense of \$55.2 million, \$36.5 million and \$1.1 million for 2000, 1999 and 1998, respectively. The deferred compensation is generally being amortized over the four-year vesting period of the underlying options.

WARRANTS FOR DEBT

Webvan issued the following warrants in connection with its long-term debt and capital lease arrangements (in thousands, except per share amounts):

<TABLE>

<CAPTION>

	DATE ISSUED	SHARES COVERED BY WARRANTS	EXERCISE PRICE PER SHARE	FAIR VALUE GRANT DATE
<S>	<C>	<C>	<C>	<C>
Series B preferred stock warrants.....	1998	2,398	\$0.91	\$1,679

The fair value of the warrants was determined using the Black-Scholes option pricing model with the following assumptions: expected life ranging from five to seven years; risk-free interest rate of 6% in 1999, 1998 and 1997; no dividends during the expected term and volatility ranging from 80% to 100%. The calculations are based on a single option valuation approach.

WARRANTS FOR SERVICES

On July 8, 1999, Webvan signed an agreement (the "Agreement") with a contractor to design, develop and construct up to 26 distribution center warehouse facilities ("Distribution Centers") in the United States. The Agreement includes a five year exclusivity clause. The Agreement expires July 8, 2002, unless extended by written agreement. As part of the Agreement, the contractor was granted a warrant to purchase up to 1,800,000 shares of Webvan's Series C preferred stock at \$2.32 per share (the "Warrant"). The Warrant was exercisable as to 150,000 shares on July 8, 1999 and generally becomes exercisable as to the remaining shares as Distribution Centers are completed by the contractor within agreed upon schedule and budgetary parameters. A portion of the Warrant shares will be forfeited to the extent schedule and budgetary parameters are not met for any Distribution Center.

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Under the applicable accounting guidelines in ETIF No. 96-18, "Accounting for Equity Instruments That are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services", the measurement date for the Warrant is July 8, 1999 as that is the performance commitment date. As of July 8, 1999, Webvan capitalized approximately \$1.3 million for the first tranche of warrants, the fair value of the warrant related to the 150,000 exercisable shares, as determined by the board of directors and is amortizing that amount over the five year exclusivity period. No amount was capitalized as of that date for the fair value of the Warrant related to the non-exercisable shares as eventual exercisability is dependent on counter party performance. During fiscal year 2000, the contractor completed its first distribution within parameters, thereby earning its warrant for this particular distribution center, valued at \$331,000. If and when the Warrant becomes exercisable as to additional shares, based on counter party performance, Webvan will capitalize additional cost based on the then current fair value of the warrant related to such additional exercisable shares.

11. NET LOSS PER SHARE

Net loss per share is calculated by dividing the net loss by the weighted average shares outstanding for the period. The weighted average shares

outstanding excludes certain shares subject to repurchase by Webvan. Shares subject to repurchase by Webvan include options exercised prior to vesting. Shares subject to repurchase by Webvan also include certain shares issued in 1997 which vest under the agreements pursuant to which they were issued. Of the shares issued in 1997, Webvan had the right to repurchase 36,000 of such shares at December 31, 2000, which will expire in the first quarter of 2001.

The following is a reconciliation of the numerators and denominators used in computing basic and diluted net loss per share (in thousands except per share amounts):

<TABLE>

<CAPTION>

YEAR ENDED	YEAR ENDED	YEAR ENDED	
DECEMBER 31,	DECEMBER 31,	DECEMBER 31,	
1998	2000	1999	
	-----	-----	
<S>	<C>	<C>	<C>
Net loss (numerator), basic and diluted.....	\$ (453,289)	\$ (144,569)	
\$ (12,004)	-----	-----	

Shares (denominator):			
Weighted average common shares outstanding.....	380,580	123,101	
76,934			
Weighted average common shares outstanding and			
subject to repurchase.....	(6,456)	(22,057)	
(37,590)	-----	-----	

Weighted average shares outstanding			
- -- basic and diluted.....	374,124	101,044	
39,344			
	=====	=====	
=====			
Net loss per share, basic and diluted.....	\$ (1.21)	\$ (1.43)	
\$ (0.31)	=====	=====	
=====			

</TABLE>

For the above-mentioned periods, Webvan had securities outstanding which could potentially dilute basic earnings per share in the future, but were excluded from the computation of diluted net loss per share in the periods presented, as their effect would have been anti-dilutive. Such outstanding securities consist of the following (in thousands, except per share amounts):

<TABLE>

<CAPTION>

YEAR ENDED	YEAR ENDED	YEAR ENDED
31, DECEMBER 31,	DECEMBER 31,	DECEMBER
	2000	1999

1998		

<S>	<C>	<C>
<C>		
Convertible preferred stock.....	--	--
151,736		
Shares of common stock subject to repurchase	3,340	9,945
33,500		
Outstanding options.....	80,648	71,684
36,905		
Warrants.....	3,141	3,831
2,398		

Total.....	87,129	85,460
224,539		
=====		
Weighted average exercise price of options.....	\$4.51554	\$4.48233
\$0.12758		
=====		
Weighted average exercise price of warrants.....	\$2.07935	1.57870
\$ 0.91		
=====		
</TABLE>		

<PAGE>

12. INCOME TAXES

In 1999, when Webvan first generated revenues from operations, expenditures accumulated during Webvan's development stage started being amortized for income tax purposes over a five-year period. The deduction of these expenses for financial statement purposes in years preceding the deduction for income tax purposes is a temporary difference that creates a deferred tax asset. At statutory rates, the total deferred tax asset amounts to approximately \$240.5 million which has been offset by a valuation allowance of the same amount due to lack of operating history combined with risks and uncertainties surrounding Webvan's ability to generate future taxable income.

Significant components of Webvan's deferred tax assets and liabilities are as follows (in thousands):

<TABLE>
<CAPTION>

DECEMBER 31,

	2000
1999	

<S>	<C>
<C>	
Deferred tax assets:	
Net operating loss carryforwards.....	\$164,421
\$35,779	
Deferred compensation.....	50,313
22,310	
Accrued Restructuring Costs.....	14,727
--	
Start-up costs capitalized for tax purposes.....	4,887
9,614	
Other.....	6,188
105	
-----	-----
Total deferred tax assets.....	240,536
67,808	
Valuation allowance.....	(240,536)
(67,808)	
-----	-----
Net deferred tax assets.....	\$ --
\$ --	
	=====
=====	

</TABLE>

At December 31, 2000 Webvan has federal net operating loss carryforwards of approximately \$430.4 million, expiring from 2012 to 2020. Webvan has research tax credit carryforwards available to offset future federal taxes of \$216,000, expiring from 2012 to 2020. Webvan has state net operating loss carryforwards of approximately \$239.6 million, expiring from 2002 to 2005. The Company also has state tax credit carryforwards of approximately \$1.6 million, which do not expire.

Utilization of the net operating losses and credits may be subject to an annual limitation due to ownership change limitations provided by the Internal Revenue Code and similar state provisions. The annual limitation may result in the expiration of net operating losses and credits before utilization.

Webvan's effective tax rate differs from the expected benefit at the federal statutory tax rate at December 31 as follows:

<TABLE>		
<CAPTION>		
1999	1998	2000
----	----	----
<S>		<C>
<C>	<C>	
Federal statutory tax rate.....		35%
35%	35%	
State taxes, net of federal benefit.....		6
6	6	
Nondeductible goodwill amortization.....		(5)
--	--	

Valuation allowance.....	(36)
(41) (41)	
-----	-----
Effective tax rate.....	--%
--%	--%
=====	=====

</TABLE>

<PAGE>

13. Leases

Webvan leases facilities under noncancelable operating lease agreements which expire at various dates through 2014.

Future lease payments under the lease agreements as of December 31, 2000 are as follows (in thousands):

<TABLE>
<CAPTION>

YEAR ENDING DECEMBER 31, -----	<S>	<C>
2001.....	\$ 47,645	
2002.....	40,463	
2003.....	40,967	
2004.....	39,856	
2005.....	37,316	
Thereafter.....	178,025	

Total future lease payments.....	\$384,272	=====

</TABLE>

Facilities rent expense was \$21.1 million, \$4.7 million and \$1.0 million for the periods ended December 31, 2000, 1999 and 1998, respectively.

14. EMPLOYEE BENEFIT PLANS

Webvan has a 401(k) profit-sharing plan (the "401(k) Plan") that covers substantially all employees. The 401(k) Plan provides for voluntary salary reduction contributions of up to 15% of eligible participants' annual compensation subject to Internal Revenue Code limitations. Under the terms of the 401(k) Plan, Webvan will match 100% of employees' contributions for the first \$500 and 25% thereafter to a maximum of \$2,000 per year. Matching contributions made during 2000, 1999 and 1998 were \$2,416,000, \$503,000 and \$81,000, respectively.

In November 1999, Webvan introduced its Employee Stock Purchase Plan ("ESPP") to its associates. A total of 5,000,000 shares of common stock have been reserved for issuance under the ESPP. The first offering period commenced

in November 1999 and ended in August 2000, and new offering periods end every six months thereafter. Under the ESPP, eligible full-time employees can choose to have up to 10% of their annual base earnings withheld, up to a maximum of \$25,000 annually, to purchase Webvan's common stock. The purchase price of the stock is 85% of the lower of the beginning of the offering period or end of the offering period market price. During 2000, employees purchased approximately 300,000 shares of Webvan's common stock under the plan at a weighted average per-share price of \$3.8505 representing the only purchase under the plan since its inception. The number of shares reserved for issuance under the ESPP will be subject to an annual increase on each anniversary beginning January 1, 2000 equal to the lesser of the number of shares issued under the ESPP in the prior year and an amount determined by Webvan's board of directors. The weighted average fair values of the 2000 awards were \$2.635 per share. For determining pro forma earnings per share, the fair value of the employees' purchase rights was estimated using the Black-Scholes option pricing model using the following assumptions: (i.) dividend yield of 0.0%, (ii.) expected volatility of 145%, (iii.) risk-free interest rate of 5.5% and (iv.) expected life of one year.

<PAGE>

15. RELATED PARTY TRANSACTIONS

A general contractor of Webvan has subcontracted with an equipment manufacturer to install equipment in Webvan's distribution center. A total of \$17.7 million of this work was completed by December 31, 2000 and is included in fixed assets. In November, 1998, Webvan acquired 1,000 shares of stock from this equipment manufacturer for a total amount of \$1.0 million which represents a less than 10% interest in the manufacturer. This investment is included in other long-term assets.

In September 1999, Webvan loaned an officer \$4.8 million and in April 2000, loaned this officer an additional \$1.9 million. The loan bears interest at 6.26%, is secured by 1.25 million shares of Webvan common stock, and matures in connection with the sale of the shares securing the note. Webvan recorded a \$7.0 million reserve, including accrued interest, against this loan during fiscal year 2000 because the fair market value of the collateral securing the note was substantially less than the outstanding principal balance.

In September 1999, Webvan loaned \$2.2 million to a former officer of HomeGrocer and current director of Webvan. In September 1999, Webvan also loaned \$1.0 million to a founder and former officer of HomeGrocer. These loans were made in connection with their exercises of stock options and purchases of common stock and bear interest at 5.98%. All principal and accrued interest under the loans remain outstanding, are recourse and are due and payable on September 9, 2004. Proceeds from the sale of any of the 7.7 million shares underlying these notes are initially applied toward repaying the loans.

In May 2000, Webvan loaned an officer \$0.5 million. The loan bears interest at 6.37%, is secured by 200,000 shares of Webvan common stock and provides for full recourse against the officer.

16. LITIGATION

Webvan is a party to various litigation relating to claims arising out of its ordinary course of business. Webvan is not engaged in any legal proceedings that are expected individually or in the aggregate, to have a material adverse

effect on the Company's business, financial condition or results of operations.

17. SUBSEQUENT EVENT

During February 2001, Webvan elected to close its facility acquired from HomeGrocer located in Carrollton, Texas. The decision was principally based upon this operating unit's relatively weak operating performance in the Dallas marketplace. Webvan will record a restructuring charge related to this closure in its first fiscal quarter of 2001 of up to \$60.0 million, of which, approximately \$46.0 million represents a write down of goodwill and other intangible assets. The remaining \$14.0 million represents a write down of approximately \$12.0 million for asset impairments and \$2.0 million for severance payments and the estimated costs to exit the leased facility.

18. SELECTED QUARTERLY DATA (UNAUDITED)
(In thousands, except per share data)

<TABLE>
<CAPTION>

ENDED DECEMBER 31, 2000			YEAR
-----			-----
SECOND	THIRD	FOURTH	FIRST
QUARTER	QUARTER	QUARTER	QUARTER
-----	-----	-----	-----
<S>			<C>
<C>	<C>	<C>	
Net Sales.....			\$ 16,269
\$ 28,300	\$ 52,057	\$ 84,191	
Gross Profit.....			\$ 4,131
\$ 7,993	\$ 14,548	\$ 22,908	
Net Loss.....			\$(57,815)
\$(74,365)	\$(147,973)	\$(173,135)	
Basic and Diluted Net Loss per Share.....			\$ (0.18)
\$ (0.23)	\$ (0.40)	\$ (0.37)	
Weighted Average Shares Outstanding			
Basic and Diluted.....			320,682
327,667	366,547	472,218	

</TABLE>

<PAGE>

<TABLE>
<CAPTION>

YEAR ENDED DECEMBER 31, 1999

-----			-----
SECOND	THIRD	FOURTH	FIRST

QUARTER	QUARTER	QUARTER	QUARTER
-----	-----	-----	-----
<S>			<C>
<C>	<C>	<C>	
Net Sales.....			\$ 12
\$ 383	\$ 3,841	\$ 9,069	
Gross Profit.....			\$ 3
\$ (27)	\$ 350	\$ 1,690	
Net Loss.....			\$(11,690)
\$(23,444)	\$(60,437)	\$(48,998)	
Basic and Diluted Net Loss per Share.....			\$ (0.21)
\$ (0.38)	\$ (0.88)	\$ (0.22)	
Weighted Average Shares Outstanding			
Basic and Diluted.....			56,081
62,252	68,339	220,172	

</TABLE>

Item 9. Changes In and Disagreement With Accountants on Accounting and Financial Disclosure

Not applicable.

PART III

Certain information required by Part III is omitted from this Report on Form 10-K in that the Registrant will file its definitive Proxy Statement for its Annual Meeting of Stockholders to be held on June 4, 2001, pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended (the "Proxy Statement"), not later than 120 days after the end of the fiscal year covered by this Report, and certain information included in the Proxy Statement is incorporated herein by reference.

Item. 10. Directors and Executive Officers of the Registrant

(a) Executive Officers -- See the section entitled "Executive Officers" in Part I, Item 1 hereof.

(b) Directors -- The information required by this Item is incorporated by reference to the section entitled "Election of Directors" in the Proxy statement.

The disclosure required by Item 405 of Regulation S-K is incorporated by reference to the section entitled "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement.

Item. 11. Executive Compensation

The information required by this Item is incorporated by reference to the sections entitled "Compensation of Executive Officers" and "Compensation of Directors" in the Proxy Statement.

Item 12. Security Ownership Of Certain Beneficial Owners and Management

The information required by this Item is incorporated by reference to the

sections entitled "Principal Share Ownership" and "Security Ownership of Management" in the Proxy Statement.

Item 13. Certain Relationships and Related Transactions

The information required by this Item is incorporated by reference to the section entitled "Certain Transactions" in the Proxy Statement.

<PAGE>

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
<S>	<C>
2.1(2)	Agreement and Plan of Reorganization by and between Registrant, Robin Merger Corporation and HomeGrocer.com, Inc.
3.1(1)	Restated Certificate of Incorporation of the Registrant
3.2(3)	Bylaws of the Registrant
4.1(1)	Specimen Common Stock Certificate
4.2(1)	Registration Rights Agreement dated October 29, 1997, as amended
10.1(1)	Form of Indemnification Agreement between the Registrant and each of its directors and officers
10.2(1)*	1997 Stock Plan and form of agreements thereunder
10.3(1)*	1999 Employee Stock Purchase Plan
10.6(1)	Offer Letter dated June 5, 1997 between the Registrant and Mark J. Holtzman
10.8(1)	Warrant dated July 8, 1999 issued to Bechtel Corporation
10.9(1)	Warrant dated May 27, 1998 issued to Comdisco Ventures
10.10(1)	Warrant dated November 18, 1998 issued to Lighthouse Capital Partners
10.11(1)*	1999 Nonstatutory Stock Option Plan and form of agreements thereunder
10.12(1)	Employment Agreement between the Registrant and George T. Shaheen
10.13(1)	Offer Letter dated August 19, 1999 between the Registrant and Gregory Beutler
10.15(1)	Offer Letter dated October 2, 1999 between the Registrant and Robert H. Swan
10.16(1)	Offer Letter dated February 28, 2000 between the Registrant and F. Terry Bean
21.1	List of subsidiaries of the Registrant
23.1	Consent of Deloitte & Touche LLP, Independent Auditors
24.1	Power of Attorney (see page 57)

</TABLE>

- (1) Incorporated by reference from the Registrant's Registration Statement on Form S-1 (file no. 333-84703), as amended.
- (2) Incorporated by reference from the Registrant's Registration Statement on Form S-4 (file no. 333-42244), as amended.
- (3) Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ending September 30, 2000.

* Management contract or compensatory plan or arrangement required to be filed

14(b) REPORTS ON FORM 8-K:

On June 28, 2000, the Registrant filed a report on Form 8-K announcing the definitive Agreement and Plan of Reorganization by and between Registrant, Robin Merger Corporation and HomeGrocer.com, Inc.

On September 5, 2000 the Registrant filed a report on Form 8-K announcing that Robin Merger Corporation merged with and into HomeGrocer.com, Inc. and HomeGrocer.com Inc. became a wholly-owned subsidiary of Registrant.

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SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, in Foster City, California, on March 30, 2001.

WEBVAN GROUP, INC.

By: /s/ GEORGE T. SHAHEEN

George T. Shaheen
Chairman and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints George T. Shaheen and Robert H. Swan, and each of them acting individually, as his attorney-in-fact, each with full power of substitution for him in any and all capacities, to sign any and all amendments to this report on Form 10-K, and file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our attorney to any and all amendments to said Report.

In accordance with the Exchange Act, this report has been signed below on March 30, 2001 by the following persons on behalf of the Registrant and in the capacities indicated.

<TABLE>
<CAPTION>

Title	Signature

----- <S>	<C>
/s/ George T. Shaheen	Chairman of the Board

of Directors and Chief Executive George T. Shaheen	Officer

/s/ Robert H. Swan ----- Officer and Chief Operating Officer Robert H. Swan Accounting Officer)	----- Chief Financial (Principal Financial and
/s/ James Barksdale ----- James Barksdale	----- Director
/s/ David M. Beirne ----- David M. Beirne	----- Director
/s/ Christos M Costakos ----- Christos M Costakos	----- Director
/s/ Tim Koogle ----- Tim Koogle	----- Director
/s/ Mary Alice Taylor ----- Mary Alice Taylor	----- Director
/s/ Michael J. Moritz ----- Michael J. Moritz	----- Director

</TABLE>

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 <DOCUMENT>
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EXHIBIT 21.1

SUBSIDIARIES OF WEBVAN GROUP, INC.

HomeGrocer.com, Inc., a Washington corporation
 Webvan-Bay Area, Inc., a California corporation
 Webvan Operations, Inc., a Delaware corporation
 </TEXT>
 </DOCUMENT>
 <DOCUMENT>
 <TYPE>EX-23.1
 <SEQUENCE>3

<FILENAME>0003.txt
<DESCRIPTION>CONSENT OF DELOITTE & TOUCHE LLP
<TEXT>

<PAGE>

EXHIBIT 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements Nos. 333-92769, 333-95823 and 333-45242 of Webvan Group, Inc. on Form S-8 of our report dated January 24, 2001 (March 28, 2001 as to Notes 2 and 17) (which report includes an explanatory paragraph expressing substantial doubt about the Company's ability to continue as a going concern), appearing in this Annual Report on Form 10-K of Webvan Group, Inc. for the year ended December 31, 2000.

San Jose, California
March 28, 2001

</TEXT>
</DOCUMENT>
</SEC-DOCUMENT>
-----END PRIVACY-ENHANCED MESSAGE-----