



October 18, 2001

eBay Inc. Announces Third Quarter 2001 Financial Results

Record Quarterly Net Revenues of \$194.4 Million

Pro Forma EPS of \$0.12

SAN JOSE, Calif., Oct. 18 - eBay Inc. (Nasdaq: EBAY) (<http://www.ebay.com>), the world's online marketplace, reported financial results for its third quarter ended September 30, 2001.

Consolidated net revenues for the quarter ended September 30, 2001, totaled \$194.4 million, representing a 71% increase over the \$113.4 million generated in the same period last year. Consolidated net income for the quarter was \$18.8 million, or \$0.07 per diluted share. eBay's pro forma consolidated net income, excluding certain charges was a record \$34.9 million, or \$0.12 per diluted share.

"In these extraordinary times, we continue to be impressed by the strength and resiliency of our user community," said Meg Whitman, President and CEO of eBay. "We're continuing to see sustained growth across our U.S. and international markets, deeper penetration into many vertical categories and expanded adoption of our fixed price trading formats."

Based on eBay's current outlook, including consideration of the changing economic environment and some diversion of trading activity to its "Auction for America" effort, the company now believes that Q4-01 net revenues could approximate \$200-210 million, or about \$5 million higher than its previous financial guidance.

Key Financial and Operating Metrics

Online Net Revenues -- eBay reported record online net revenues of \$185.4 million, representing 80% year over year growth from the \$102.8 million reported in Q3-00.

Gross Profit -- eBay reported gross profit totaling \$159.5 million or 82% of net revenues during the quarter, which is a 3% improvement from the 79% gross profit reported in Q3-00.

Pro Forma Net Income -- eBay reported record pro forma net income, which excludes certain charges, totaling \$34.9 million, or \$0.12 per diluted share. This earnings level represents a 82% increase over Q3-00 pro forma net income of \$19.1 million

Operating Cash Flows -- Cash flows generated from operations totaled \$61.5 million during the quarter. Of this amount, \$19.2 million was derived from tax benefits on certain stock option exercises. Quarterly free cash flows amounted to \$46.9 million.

Gross Merchandise Sales -- eBay users transacted a record \$2.355 billion in GMS during the third quarter, representing 74% year over year increase from the \$1.355 billion reported in Q3-00.

Listings -- eBay hosted a record 108.8 million listings during the quarter, representing 59% year over year growth.

Registered Users -- eBay added about 3.5 million users to end Q3-01 with 37.6 million confirmed registered users. This CRU level represents a 99% increase over the 18.9 million users reported at the end of Q3-00.

Key Execution Highlights

Geographic Expansion

Net revenues from international operations contributed 16% of Q3-01 consolidated net revenues, up from 14% in Q2-01, highlighted by 31% sequential net revenue growth in Germany.

The company successfully integrated the eBay and iBazar trading platforms in Italy, the first of a series of iBazar site integration efforts.

eBay entered into a strategic equity relationship with MercadoLibre.com, a leading online trading site serving Latin America.

Category and Pricing Format Development

Buy It Now, Half.com and eBay Stores trading formats contributed more than 16% of total gross merchandise sales in Q3-01, up sequentially from 11% in Q2-01.

Gross merchandise sales processed using the Billpoint online payment service increased by 16% sequentially and 687% year over year.

eBay acquired HomesDirect, the leading provider of foreclosure-related auction services. In 2000, HomesDirect supported the sale of more than 116,000 homes on its online auction platform.

Revenues from third party advertisers increased to nearly 13% of net revenues from a 10% level in Q2-01.

Technology Infrastructure

eBay achieved 99.9% site availability for first time in company history. This record achievement is due in large part to the outstanding technology and significant, ongoing support contributions from Sun Microsystems.

Community Development

eBay launched "Auction for America" to raise money to help the victims, their families and the communities affected by the terrorist attacks of September 11, raising \$5 million to date.

The company signed an agreement with Columbia TriStar Television, a division of Sony Pictures Entertainment, to launch a new television project for Fall 2002.

Financial and Operating Summary

The company reported online net revenues of \$185.4 million, representing an 80% year over year increase. The sequential increase was driven largely by better-than-expected performance in the U.S. online business, robust international growth, solid contributions from eBay Motors and Billpoint and continued success in the development of third party advertising revenues. Net revenues from eBay's offline segment contributed \$9.0 million in Q3-01 net revenues, as compared to the \$10.5 million reported in Q3-00.

Gross profit as a percentage of net revenues held steady with the prior quarter at 82%, as productivity improvements in U.S. customer support and cost management in site operations were offset by increased costs in site operations from eBay's iBazar acquisition without a proportional revenue contribution.

Sales and marketing expenses totaled \$66.3 million, or 34% of net revenues, which compares to the 33% of net revenues reported in Q2-01 and 36% reported in Q3-00. The sequential dollar increase of approximately \$6.2 million resulted primarily from increases in online marketing campaigns, iBazar integration and staff additions to our category and business development teams.

Product development costs totaled \$20.2 million, or approximately 10% of net revenues in Q3-01, consistent with Q2-01, and down from 14% of net revenues in Q3-00. The sequential dollar increase of approximately \$2.5 million resulted primarily from site feature and functionality improvements, iBazar integration and V3 architecture research and development.

General and administrative costs totaled \$27.6 million, or about 14% of revenues, consistent with Q2-01, and down from 16% in Q3-00. The sequential dollar increase of approximately \$2.0 million resulted principally from costs associated with international expansion.

Net interest and other income totaled \$8.8 million in Q3-01. In addition, non-operating income included a \$6.3 million impairment charge associated with certain of the company's strategic equity investments.

eBay recorded a consolidated tax provision of \$19.3 million, representing a 50.6% effective tax rate on Q3-01 consolidated pre-tax income. The increase in the effective rate from the 46.4% reported in Q2-01, results from a combination of increased non-deductible goodwill amortization and losses in certain international jurisdictions. On a pro forma basis, excluding certain charges, the consolidated effective tax rate remained consistent with the prior quarter at 40.0%.

eBay's balance sheet remains very strong as the company ended the quarter with consolidated assets of approximately \$1.549 billion, including \$1.007 billion in aggregate cash and investments.

Business Outlook

Given eBay's current outlook for Q4-01, including consideration of the changing economic environment and some diversion of trading activity to eBay's "Auction for America" effort, the company now believes that Q4-01 net revenues could approximate \$200-\$210 million, or about \$5 million higher than its previous financial guidance.

eBay continues to execute on a strategy that balances bottom-line returns with investments in long-term growth. These investments include continued international expansion, development of our next generation architecture, continued improvements to our site features and functionality, development and integration of fixed price trading formats, and promoting eBay as a holiday shopping destination.

As a result of a slightly higher net revenue outlook, eBay believes that these incremental investments can be made while delivering improved bottom line profitability. Accordingly, eBay is raising its pro forma EPS expectation for Q4-01 to between \$0.11 and \$0.12 per diluted share.

About eBay

eBay is The World's Online Marketplace(TM). Founded in 1995, eBay created a powerful platform for the sale of goods and services by a passionate community of individuals and businesses. On any given day, there are millions of items across thousands of categories for sale on eBay, as well as on Half.com, eBay's site dedicated to fixed price trading. eBay enables trade on a local, national and international basis with customized sites in markets around the world.

Forward-Looking Statements

This announcement contains forward-looking statements that involve risks and uncertainties, including those relating to the company's ability to grow its business and user base. Actual results could differ materially from those discussed. Factors that could cause or contribute to such differences include, but are not limited to, the company's need to manage both an increasingly broad range of businesses and significant growth, to deal with the increasingly competitive environment for online trading, to manage regulatory and litigation risks, to maintain site stability and to continue to expand its model outside of the U.S., as well as the timing and commercial success of new features and functions added to the company's sites, the price and demand for advertising offered by the company, the success of the company's commercial partners and the costs of announced and prospective joint ventures, acquisitions and other commercial transactions. This forward-looking guidance assumes no substantial worsening of the economy from current levels and no terrorist actions making consumers less willing to purchase or receive goods. More information about potential factors which could affect the company's business and financial results is included in the company's Annual Report on Form 10-K for the year ended December 31, 2000, the company's Quarterly Reports on Form 10-Q for the periods ended March 31, 2001 and June 30, 2001, and under the heading "Risk Factors" included in the company's Registration Statement on Form S-3 filed September 6, 2001. All forward-looking statements are based on information available to the company on the date hereof, and the company assumes no obligation to update such statements.

eBAY INC.

CONDENSED CONSOLIDATED BALANCE SHEET (in thousands; unaudited)

	Dec. 31, 2000	Sept. 30, 2001
ASSETS		
Current assets:		
Cash and cash equivalents	\$201,873	\$423,729
Short-term investments	354,166	227,324
Accounts receivable, net	67,163	97,931
Other current assets	52,262	61,494
Total current assets	675,464	810,478
Long-term investments	218,197	225,997
Restricted cash and investments	126,390	129,690
Property and equipment, net	125,161	142,845
Intangible assets, net	13,063	212,929
Deferred tax asset	13,892	10,572
Other assets	10,236	16,096
	\$1,182,403	\$1,548,607
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$31,725	\$30,739
Accrued expenses and other current liabilities	66,697	94,890
Deferred revenue and customer advances	12,656	15,535
Short-term debt	15,272	15,958

Income taxes payable	11,092	10,981
Total current liabilities	137,442	168,103
Long term debt	11,404	12,046
Other liabilities	6,549	17,966
Minority interests	13,248	39,715
Total liabilities	168,643	237,830
Total stockholders' equity	1,013,760	1,310,777
	\$1,182,403	\$1,548,607

eBAY INC.

CONDENSED CONSOLIDATED STATEMENT OF INCOME
(in thousands, except per share amounts; unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	2001	2000	2001
Net revenues	\$113,377	\$194,425	\$297,416	\$529,420
Cost of net revenues	23,912	34,953	71,499	94,827
Gross profit	89,465	159,472	225,917	434,593
Operating expenses:				
Sales and marketing	41,137	66,267	117,728	181,920
Product development	15,783	20,177	41,721	53,565
General and administrative	17,948	27,606	55,574	74,538
Payroll expense on employee stock options	17	749	1,752	1,561
Amortization of acquired intangible assets	264	12,024	879	24,201
Total operating expenses	75,149	126,823	217,654	335,785
Income from operations	14,316	32,649	8,263	98,808
Interest and other income (expense), net	11,674	9,302	34,223	34,427
Interest expense	(958)	(458)	(2,836)	(2,129)
Impairment of certain equity investments	--	(6,324)	--	(16,245)
Income before income taxes and minority interests	25,032	35,169	39,650	114,861
Provision for income taxes	(10,141)	(19,268)	(16,815)	(55,971)
Minority interests in consolidated companies	320	2,937	1,594	5,623
Net income	\$15,211	\$18,838	\$24,429	\$64,513
Net income per share:				
Basic	\$0.06	\$0.07	\$0.10	\$0.24
Diluted	\$0.05	\$0.07	\$0.09	\$0.23
Weighted average shares:				
Basic	255,741	271,236	249,070	267,116
Diluted	280,297	282,317	280,567	279,614

eBAY INC.

SUPPLEMENTAL PRO FORMA FINANCIAL INFORMATION
CONDENSED CONSOLIDATED STATEMENT OF INCOME
(in thousands, except per share amounts; unaudited)

The accompanying supplemental pro forma financial information is presented for informational purposes only and should not be considered as a substitute for the historical financial information presented in accordance with

generally accepted accounting principles.

Three Months Ended September 30, 2000				Three Months Ended September 30, 2001		
		Pro Forma	Pro Forma		Pro Forma	Pro Forma
	Reported	Entries		Reported	Entries	
Net						
revenues	\$113,377	\$--	\$113,377	\$194,425	\$--	\$194,425
Cost of net						
revenues	23,912	(31)(A)	23,881	34,953	(13)(A)	34,940
Gross						
profit	89,465	31	89,496	159,472	13	159,485
Operating						
expenses:						
Sales and						
marketing	41,137	(121)(A)	41,016	66,267	(54)(A)	66,213
Product						
development	15,783	(2,311)(A)	13,472	20,177	(107)(A)	20,070
General and						
admini-						
strative	17,948	(1,504)(A, F)	16,444	27,606	(362)(A)	27,244
Payroll expense						
on employee						
stock options	17	(17)(B)	--	749	(749)(B)	--
Amortization of						
acquired						
intangible						
assets	264	(264)(C)	--	12,024	(12,024)(C)	--
Total						
operating						
expenses	75,149	(4,217)	70,932	126,823	(13,296)	113,527
Income from						
operations	14,316	4,248	18,564	32,649	13,309	45,958
Interest and						
other income						
(expense),						
net	11,674	--	11,674	9,302	--	9,302
Interest						
expense	(958)	--	(958)	(458)	--	(458)
Impairment of						
certain equity						
investments	--	--	--	(6,324)	6,324(D)	--
Income before						
income taxes and						
minority						
interests	25,032	4,248	29,280	35,169	19,633	54,802
Provision for						
income						
taxes	(10,141)	(355)(E)	(10,496)	(19,268)	(3,615)(E)	(22,883)
Minority						
interests in						
consolidated						
companies	320	--	320	2,937	--	2,937
Net income	\$15,211	\$3,893	\$19,104	\$18,838	\$16,018	\$34,856
Net income						
per share:						
Basic	\$0.06		\$0.07	\$0.07		\$0.13
Diluted	\$0.05		\$0.07	\$0.07		\$0.12
Weighted						

average				
shares:				
Basic	255,741	255,741	271,236	271,236
Diluted	280,297	280,297	282,317	282,317

Notes:

- (A) Non-cash stock based compensation expense.
- (B) Employer payroll taxes on employee exercises of non-qualified stock options.
- (C) Amortization of acquired intangible assets.
- (D) Impairment of certain equity investments.
- (E) Incremental income taxes associated with certain pro forma entries.
- (F) Merger related costs.

eBAY INC.

SUPPLEMENTAL PRO FORMA FINANCIAL INFORMATION
CONDENSED CONSOLIDATED STATEMENT OF INCOME
(in thousands, except per share amounts; unaudited)

The accompanying supplemental pro forma financial information is presented for informational purposes only and should not be considered as a substitute for the historical financial information presented in accordance with generally accepted accounting principles.

	Nine Months Ended September 30, 2000			Nine Months Ended September 30, 2001		
	Reported	Pro Forma Entries	Pro Forma	Reported	Pro Forma Entries	Pro Forma
Net revenues	\$297,416	\$--	\$297,416	\$529,420	\$--	\$529,420
Cost of net revenues	71,499	(72)(A)	71,427	94,827	(34)(A)	94,793
Gross profit	225,917	72	225,989	434,593	34	434,627
Operating expenses:						
Sales and marketing	117,728	(699)(A)	117,029	181,920	(161)(A)	181,759
Product development	41,721	(3,990)(A)	37,731	53,565	(356)(A)	53,209
General and admini- strative	55,574	(3,390)(A,F)	52,184	74,538	(928)(A)	73,610
Payroll expense on employee stock options	1,752	(1,752)(B)	--	1,561	(1,561)(B)	-
Amortization of acquired intangible assets	879	(879)(C)	--	24,201	(24,201)(C)	--
Total operating expenses	217,654	(10,710)	206,944	335,785	(27,207)	308,578
Income from operations	8,263	10,782	19,045	98,808	27,241	126,049
Interest and other income						

(expense), net	34,223	--	34,223	34,427	--	34,427
Interest expense	(2,836)	--	(2,836)	(2,129)	--	(2,129)
Impairment of certain equity investments	--	--	--	(16,245)	16,245(D)	--
Income before income taxes and minority interests	39,650	10,782	50,432	114,861	43,486	158,347
Provision for income taxes	(16,815)	(1,688)(E)	(18,503)	(55,971)	(9,019)(E)	(64,990)
Minority interests in consolidated companies	1,594	--	1,594	5,623	--	5,623
Net income	\$24,429	\$9,094	\$33,523	\$64,513	\$34,467	\$98,980
Net income per share:						
Basic	\$0.10		\$0.13	\$0.24		\$0.37
Diluted	\$0.09		\$0.12	\$0.23		\$0.35
Weighted average shares:						
Basic	249,070		249,070	267,116		267,116
Diluted	280,567		280,567	279,614		279,614

Notes:

- (A) Non-cash stock based compensation expense.
- (B) Employer payroll taxes on employee exercises of non-qualified stock options.
- (C) Amortization of acquired intangible assets.
- (D) Impairment of certain equity investments.
- (E) Incremental income taxes associated with certain pro forma entries.
- (F) Merger related costs.

eBAY INC.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands; unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2000	2001	2000	2001
Cash flows from operating activities:				
Net income	\$15,211	\$18,838	\$24,429	\$64,513
Adjustments:				
Provision for doubtful accounts and authorized credits	4,861	6,256	12,866	18,830
Depreciation and amortization	9,689	22,884	27,207	59,916
Amortization of unearned stock-based compensation	3,425	676	6,784	2,184

Tax benefit on the exercise of employee stock options	7,997	19,184	20,943	53,822
Impairment of certain equity investments	--	6,324	--	16,245
Minority interests and other	(51)	(3,063)	(806)	(7,730)
Changes in assets and liabilities:				
Accounts receivable (12,569)		62	(25,218)	(39,680)
Other current assets (3,168)		1,582	(12,744)	1,889
Intangible and other assets	--	(1,117)	(3,050)	(5,214)
Deferred tax assets	--	--	(5,248)	2,041
Accounts payable (10,569)		(9,555)	(13,337)	(6,689)
Accrued expenses and other liabilities	14,793	2,220	31,519	7,010
Deferred revenue and customer advances (1,211)		(2,820)	827	1,436
Income taxes payable	1,888	3	1,511	(144)
Net cash provided by operating activities	30,296	61,474	65,683	168,429
Cash flows from investing activities:				
Purchases of property and equipment (6,186)		(14,616)	(36,224)	(43,677)
Purchases of investments (78,897)		(181,812)	(383,080)	(350,292)
Maturities and sales of investments	37,897	84,915	184,945	522,431
Purchases of other non-current assets	--	--	--	(2,065)
Proceeds from sale of property and equipment	--	--	-	4,560
Acquisitions, net of cash acquired	--	(718)	--	(111,730)
Net cash provided by (used in) in investing activities	(47,186)	(112,231)	(234,359)	19,227
Cash flows from financing activities:				
Proceeds from issuance of common stock, net (254)		34,003	39,215	56,869
Proceeds from issuance of common stock by subsidiaries	--	--	37,736	--
Principal payments on long-term debt	3,350	(59)	(506)	(21,839)
Net cash provided by financing activities	3,096	33,944	76,445	35,030
Effect of exchange rate changes on cash and cash equivalents	1,428	777	988	(830)

Net increase (decrease) in cash and cash equivalents	(12,366)	(16,036)	(91,243)	221,856
Cash and cash equivalents at beginning of period	142,924	439,765	221,801	201,873
Cash and cash equivalents at end of period	\$130,558	\$423,729	\$130,558	\$423,729