



April 19, 2001

eBay Inc. Announces First Quarter 2001 Financial Results

Record Quarterly Net Revenues of \$154.1 million Record Quarterly Pro Forma Net Income of \$30.6 million Raising Q2/Q3 2001 Net Revenue Guidance

San Jose, CA, April 19, 2001 - eBay Inc. (NASDAQ: EBAY; www.ebay.com), the world's largest online trading community, reported financial results for its first quarter ended March 31, 2001.

eBay reported consolidated net revenues of \$154.1 million in the first quarter of 2001, representing a 79% increase over the \$85.9 million generated in the same period last year. Consolidated net income for the quarter was \$21.1 million, or \$0.08 per diluted share. eBay's consolidated net income excluding the effects of certain non-cash and stock-related charges was \$30.6 million, or \$0.11 per diluted share, which compares to the First Call consensus estimate of \$0.08 per diluted share.

"eBay's momentum continues to accelerate," said Meg Whitman, President and CEO of eBay. "Across all important metrics, we had a great quarter. It's very exciting to see more and more buyers and sellers discovering the value of eBay's global marketplace."

Key financial and operating metrics:

Online Net Revenues - eBay reported online net revenues of \$147.4 million, representing 90% year over year growth and 20% sequential growth from the \$77.4 million reported in Q1-00 and \$123.1 million reported in Q4-00.

Gross Margin - eBay reported a gross profit of \$127.1 million or 82% of net revenues during the quarter, compared to gross margins in Q1-00 of 73%.

Pro Forma Net Income - eBay's pro forma net income, excluding certain non-cash and stock related charges, was \$30.6 million, or \$0.11 per diluted share. This represents a 592% increase over Q1-00 pro forma net income of \$4.4 million.

Gross Merchandise Sales - eBay users transacted a record \$1.980 billion in GMS during the first quarter, representing a 72% year over year and 23% quarter over quarter increase from the \$1.15 billion reported in Q1-00 and \$1.616 billion reported in Q4-00.

Registered Users - eBay added over 7.2 million users during the quarter to end Q1 with 29.7 million registered users. Included in this number for the first time are 3.2 million registered users from Internet Auction Co. in South Korea. Excluding South Korea, registered users increased 110% over the number at the end of Q1-00. The average cost per registered user acquired during the quarter was approximately \$14.

Listings - eBay hosted 89.0 million listings during the quarter, representing 66% year over year growth and 12% sequential quarterly growth.

Key execution highlights:

Internet Auction Co. - Completed the acquisition of a majority interest in Internet Auction Co. Ltd., South Korea's largest auction-style web site, on February 15.

iBazar S.A. - Announced the acquisition of iBazar S.A., the European pioneer in online trading.

New International Sites - Launched eBay Italy on February 21, and rolled out service to Ireland, New Zealand and Switzerland the week of March 26.

Microsoft Alliance - Formed a strategic alliance with Microsoft to extend the API via .Net technologies, integrate eBay's marketplace into select MSN sites worldwide as well CarPoint, bCentral and WebTV in the US, and deploy Microsoft hardware to support these new initiatives.

eBay Motors - During the first quarter, completed transactions on eBay Motors generated gross merchandise sales of

approximately \$260 million, which translates into an annualized GMS run rate of over \$1.0 billion.

Online Payments - The Billpoint payment service continued to see increasing adoption rates, which drove a 124% sequential increase in transactions that were completed with the service.

Buy It Now - Buy it Now, an option that allows buyers to instantly buy an auction item, continued to gain traction and in March, was being offered on nearly 30% of listings.

Technology Infrastructure - To reduce the likelihood of a system-wide outage caused by a single point of failure, migrated 75% of site database structure, including feedback, most categories and core functionality to a distributed environment. Quarterly site availability exceeded 99%.

500 Millionth Auction - On March 19, the Company celebrated the 500 millionth listing on the eBay site by honoring 28 sellers who had listed items across multiple categories, including a silk dress, a beanie baby, a 50s Chevy speedometer, a Nintendo system and a Dean Koontz book.

Financial and Operating Summary

The sequential increase in eBay's net revenues was driven by broad-based growth in the online business, including strength in the U.S. businesses, very strong international growth and continued success in the expansion of partnership and advertising revenues. The Company reported online net revenues of \$147.4 million, representing a 90% year over year increase. Net revenues from eBay's off-line segment decreased to \$6.7 million in the quarter, as compared to the \$8.5 million in the first quarter of 2000. The sequential decrease in offline net revenues was primarily attributable to the Company's Butterfields subsidiary.

Gross margins improved as a percentage of net revenues versus the prior quarter, primarily due to strong net revenue growth, continuing productivity improvements in customer support and cost management in site operations. Sales and marketing expenses increased on an absolute basis to \$55.5 million but decreased as a percentage of net revenues from 46% in Q1-00 to 36%. Product development costs increased to \$15.7 million, or approximately 10% of net revenues, down from 14% of net revenues in Q1-00. General and administrative costs of \$21.3 million increased on an absolute basis, but were down sharply from 20% of net revenues in the year ago quarter to 14%.

For the first quarter, net interest and other income was negatively impacted by a \$9.9 million write-down to reflect the decreased market value of eBay's small portfolio of strategic investments. In addition, the Company recognized other non-cash charges for stock-based compensation, amortization of intangible assets and other special items totaling \$4.3 million.

eBay recorded a consolidated tax provision of \$15.4 million, representing a 42% effective tax on Q1-01 consolidated pre-tax income.

eBay's balance sheet remains very strong as the company ended the quarter with consolidated assets of \$1.3 billion, including \$850 million in cash and investments. The decrease from the fourth quarter balance of \$901 million resulted from the \$120 million cash acquisition of Internet Auction Co., partially offset by positive cash flows from operations of approximately \$40 million.

Business Outlook

Despite signs of a broad economic slowdown, the Company remains confident in its strategy and near-term opportunities for its online trading platform.

With strong momentum from its core U.S. and international businesses in the current quarter, and the strength of its newer businesses, such as fixed price trading, Billpoint online payments and eBay Motors, eBay now believes that consolidated net revenues over the next two quarters could be as much as \$10 to \$15 million higher than previously anticipated.

Gross margins are expected to remain above 80% for the balance of the year, even as the company continues its investments in technology and works toward completing the integration of its newest international subsidiaries. As in prior quarters, the Company believes it is appropriate at this growth stage to continually re-invest potential upsides in revenue back into the business. In addition, given eBay's reasonably well established pattern of seasonality that leads to slower growth in the second and third quarters, management expects that sequential growth in the next few quarters will be lower than that experienced in Q1-01 and remains generally comfortable with the current bottom line consensus expectations, as adjusted for the acquisition of iBazar. The iBazar acquisition is expected to close in Q2-01, subject to regulatory approval.

About eBay

eBay is the world's largest on-line trading community. Founded in 1995, eBay created a powerful marketplace for the sale of goods and services by a passionate community of individuals and businesses. On any given day, there are millions of items for sale on the site across thousands of categories. eBay enables trade on a local, national and international basis with local sites in 60 cities in the US and country specific sites in the UK, Canada, Germany, France, Italy, Australia, South Korea, Japan, Switzerland, New Zealand, Ireland, and Austria. With the acquisition of Half.com in July 2000, eBay's community now benefits from a marketplace which includes traditional auction and fixed-price trading.

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 expected to be 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. More information about potential factors which could affect the Company's business and financial results is included in the Company's Form 10-K for the period ended December 31, 2000 under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." 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.

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eBAY INC.

CONDENSED CONSOLIDATED BALANCE SHEET
(in thousands; unaudited)

	<u>December 31,</u> <u>2000</u>	<u>March 31,</u> <u>2001</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents.....	\$201,873	\$314,263
Short-term investments.....	354,166	273,838
Accounts receivable, net.....	67,163	75,494
Other current assets.....	52,262	75,742
Total current assets.....	<u>675,464</u>	<u>739,337</u>
Long-term investments.....	218,197	135,540
Property and equipment, net.....	125,161	133,279
Intangible and other assets, net.....	23,299	111,546
Restricted cash and investments.....	126,390	126,390
Deferred tax asset.....	13,892	10,937
	<u>\$1,182,403</u>	<u>\$1,257,029</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable.....	\$31,725	\$21,395
Accrued expenses and other current liabilities.....	66,697	69,657
Deferred revenue and customer advances.....	12,656	12,081
Short-term debt.....	15,272	30,254
Income taxes payable.....	11,092	10,995
Total current liabilities.....	<u>137,442</u>	<u>144,382</u>
Long term debt.....	11,404	11,339
Other liabilities.....	6,549	13,717
Minority interests.....	13,248	43,319
Total liabilities.....	<u>168,643</u>	<u>212,757</u>
Total stockholders' equity.....	<u>1,013,760</u>	<u>1,044,272</u>
	<u>\$1,182,403</u>	<u>\$1,257,029</u>

eBAY INC.

CONDENSED CONSOLIDATED STATEMENT OF INCOME

(in thousands, except per share amounts; unaudited)

	Three Months Ended March 31,	
	2000	2001
Net revenues.....	\$85,887	\$154,090
Cost of net revenues.....	23,383	27,002
Gross profit.....	62,504	127,088
Operating expenses:		
Sales and marketing.....	39,498	55,536
Product development.....	12,338	15,737
General and administrative.....	17,016	21,328
Payroll expense on employee stock options.....	901	427
Amortization of acquired intangible assets.....	275	3,355
Total operating expenses.....	70,028	96,383
Income (loss) from operations.....	(7,524)	30,705
Interest and other income, net.....	10,556	5,789
Income before income taxes.....	3,032	36,494
Provision for income taxes.....	(1,274)	(15,427)
Net income.....	\$1,758	\$21,067
Net income per share:		
Basic.....	\$0.01	\$0.08
Diluted.....	\$0.01	\$0.08
Weighted average shares		
Basic.....	242,658	264,279
Diluted.....	281,344	278,732

Supplemental Pro Forma Financial Information (1)

Reported income (loss) from operations.....	(\$7,524)	\$30,705
Stock-based cost and expenses.....	1,984	494
Amortization of acquired intangible assets.....	275	3,355
Payroll expense on employee stock options.....	901	427
Pro forma income (loss) from operations.....	(4,364)	34,981
Reported interest and other income, net.....	10,556	5,789
Impairment charge on investments.....	—	9,921
Pro forma interest and other income, net.....	10,556	15,710
Reported provision for income taxes (2).....	(1,274)	(15,427)
Supplemental provision for income taxes.....	(494)	(4,634)
Pro forma provision for income taxes.....	(1,768)	(20,061)
Pro forma net income.....	\$4,424	\$30,630
Pro forma net income per diluted share.....	\$0.02	\$0.11

- (1) The accompanying supplemental 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.
- (2) Supplemental provision for income taxes includes a 42 percent tax effect for 2000 and a 40 percent tax effect for 2001 for the amortization of tax-deductible acquired intangibles, payroll expense on employee stock options and impairment of investments.