July 19, 2001

eBay Inc. Announces Second Quarter 2001 Financial Results

- **Record Quarterly Net Revenues of $180.9 million --**
- **Pro Forma EPS of $0.12 --**
- **Raising 2001 Net Revenue and EPS Guidance --**

San Jose, CA, July 19, 2001 – eBay Inc. (NASDAQ: EBAY; www.ebay.com), the world's largest online trading community, reported financial results for its second quarter ended June 30, 2001.

eBay reported consolidated net revenues of $180.9 million in the second quarter of 2001, representing an 84% increase over the $98.2 million generated in the same period last year. Consolidated net income for the quarter was $24.6 million, or $0.09 per diluted share. eBay's pro forma consolidated net income, excluding certain charges was $33.5 million, or $0.12 per diluted share.

"It's clear that our business has excellent momentum," said Meg Whitman, President and CEO of eBay. "We're seeing sustained growth across categories, trading formats, and in our international operations."

Key financial and operating metrics:

Online Net Revenues – eBay reported online net revenues of $170.0 million, representing 92% year over year growth and 15% sequential growth from the $88.6 million reported in Q2-00 and $147.4 million reported in Q1-01, respectively.

Gross Profit – eBay reported gross profit totaling $148.0 million or 82% of net revenues during the quarter, compared to a 75% gross profit in Q2-00.

Pro Forma Net Income – eBay's pro forma net income, which excludes certain charges, was $33.5 million, or $0.12 per diluted share. This represents a 235% increase over Q2-00 pro forma net income of $10.0 million.

Gross Merchandise Sales – eBay users transacted a record $2.25 billion in GMS during the second quarter, representing 74% year over year and 14% quarter over quarter increases from the $1.29 billion reported in Q2-00 and the $1.98 billion reported in Q1-01, respectively. eBay's German and UK sites transacted $193 million and $42 million in GMS, representing 20% and 36% sequential growth, respectively.

Registered Users – eBay added more than 4.4 million users during the quarter to end Q2-01 with 34.1 million registered users. Excluded from this number are 3.1 million registered users from iBazar. Going forward, iBazar users will be included as the respective country sites are integrated into the eBay platform. These 34.1 million registered users represent a 15% increase over Q1-01 and a 116% increase over Q2-00. Based on total sales and marketing expense, the average cost per registered user acquired during the quarter was approximately $14. Germany and the UK ended Q2-01 with 2.6 million and 534,000 users, respectively.

Listings – eBay hosted 98.7 million listings during the quarter, representing 58% year over year growth and 11% sequential quarterly growth. Listings from the German and UK sites totaled 10.4 million and 2.4 million, respectively.

Key execution highlights:

iBazar S.A. – Completed the acquisition of iBazar S.A., the European pioneer in online trading, on May 18.

International Growth – eBay's international business continued to demonstrate outstanding performance, as net revenues from international operations contributed 14% of Q2-01 consolidated net revenues, up from 12% in Q1-01. International growth was driven by strong performances in the Company's more established markets, including Germany, Canada and the United Kingdom.

Half.com and Buy It Now – Launched an expanded Half.com fixed price platform, including millions of new items across four main categories: computers, consumer electronics, sporting goods, and trading cards. Half.com ended the quarter with over 50 million items available for sale. Buy it Now, an option that allows buyers to instantly buy an auction item, continued to gain traction and as of June was offered on approximately 35% of listings. Gross merchandise sales from Half.com and Buy It Now represented 11% of total GMS in Q2-01.

eBay Stores – Launched eBay Stores on June 11, introducing a new shopping experience that makes it easier and more exciting to participate in auction-style or fixed-price trading. Approximately 18,000 merchants have signed up for the initial pilot program.

Online Payments – The Billpoint online payment service continued to see increasing adoption rates across the eBay platform, which drove an 81% sequential increase in transactions completed with the service.

Online Advertising Revenues – Revenues from third party advertisers increased to 10% of net revenues vs. 8% in Q1-01 demonstrating the early success of our strategic relationship with AOL Time Warner, our exclusive partner for selling online advertising on eBay.

Technology Infrastructure –Completed migration of the eBay site database structure to a distributed environment. Delivered a record amount of change to site architecture and features, while handling high levels of traffic. At the same time, achieved record site availability, with Q2-01 uptime in excess of 99%.

Terra Lycos Alliance – Formed a multi-year agreement with Terra Lycos to integrate all of eBay's item listings and categories into the Lycos Auctions destination.

Antiques Roadshow – On May 15, the Company announced its sponsorship of "Antiques Roadshow," PBS's most-watched prime-time series with 15 million weekly viewers.

Financial and Operating Summary

The sequential increase in eBay's net revenues was broad-based, including better-than-expected performance in the U.S. business, after taking into account expected seasonality, robust international growth, a seasonally strong quarter at Butterfields, continued growth in eBay Motors, revenue growth in the Billpoint and fixed price businesses, and continued success in the expansion of third party advertising and end-to-end service and promotion revenues. The Company reported online net revenues of $170.0 million, representing a 92% year over year increase. Net revenues from eBay's off-line segment increased to $10.9 million in Q2-01, as compared to the $9.5 million in the Q2-00.

Gross margins as a percentage of net revenues held steady with the prior quarter at 82%, as productivity improvements resulting in U.S. customer support and cost management in site operations were offset by investments in our international site operations and customer support environments. Sales and marketing expenses increased on an absolute basis to $60.1 million but decreased as a percentage of net revenues to 33% in Q2-01 from 36% in Q1-01 and 38% in Q2-00. Product development costs increased to $17.7 million, or approximately 10% of net revenues in Q2-01, consistent with Q1-01, but down from 14% of net revenues in Q2-00. General and administrative costs increased to $25.6 million, or about 14% of revenues, consistent with Q1-01, but down from 21% in Q2-00. Net interest and other income totaled $9.2 million in Q2-01.

eBay recorded a consolidated tax provision of $21.3 million, representing a 46% effective tax on Q2-01 consolidated pre-tax income. The increase in the effective rate results from the amortization of goodwill components that are not deductible for tax purposes.

eBay's balance sheet remains very strong as the company ended the quarter with consolidated assets of approximately $1.5 billion, including $923 million in aggregate cash and investments.

Cash flows generated from operations were about $69 million. Of this, $21 million is derived from tax benefits on stock option exercises, up from about $13 million in Q1-01. About $48 million in cash was generated from general business operations. Total capital expenditures were $18 million in the quarter, resulting in a strong positive free cash flow of $51 million in the quarter.

Business Outlook

With strong second quarter momentum from its U.S. and international businesses combined with expected continued growth in its newer businesses, including fixed price trading, Billpoint online payments and eBay Motors, eBay now believes that consolidated net revenues in the second half of 2001 could be as much as $15-$30 million higher than previously indicated, or as much as $385-$400 million for the remainder of 2001. Given eBay's pattern of seasonality, management also expects that sequential revenue growth in Q3-01 will be lower than that experienced in Q2-01.

Gross margins are expected to remain above 80% for the balance of the year, even as the company continues its investments in technology, customer support and acquisition integration. eBay continues to execute on a strategy that balances bottom-line returns with investments in long-term growth. Accordingly, management expects that pro forma diluted earnings per share over the next two quarters could be as much as $0.01-$0.02 higher than current consensus expectations, or as much as $0.21-$0.22 for the remainder of 2001.

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. 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 period ended December 31, 2000, the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2001, and under the heading "Risk Factors" included in the Company's Registration Statement on Form S-3 filed June 1, 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)

	December 31, 2000	June 30, 2001
ASSETS		
Current assets:		
Cash and cash equivalents	$ 201,873	$ 439,765
Short-term investments	354,166	246,473
Accounts receivable, net	67,163	103,717
Other current assets	52,262	62,654
Total current assets	675,464	852,609
Long-term investments	218,197	107,571
Restricted cash and investments	126,390	129,467
Property and equipment, net	125,161	141,747
Intangible assets, net	13,063	213,415
Deferred tax asset	13,892	9,843
Other assets	10,236	21,005
	$ 1,182,403	$ 1,475,657
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 31,725	$ 40,111
Accrued expenses and other current liabilities	66,697	93,264
Deferred revenue and customer advances	12,656	18,123
Short-term debt	15,272	15,141
Income taxes payable	11,092	10,945
Total current liabilities	137,442	177,584
Long term debt	11,404	11,337
Other liabilities	6,549	14,119
Minority interests	13,248	44,133
Total liabilities	168,643	247,173
Total stockholders' equity	1,013,760	1,228,484
	$ 1,182,403	$ 1,475,657

eBAY INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share amounts; unaudited)

	Three Months Ended June 30 2000	Three Months Ended June 30 2001	Six Months Ended June 30 2000	Six Months Ended June 30 2001
Net revenues	$ 98,152	$ 180,905	$ 184,039	$ 334,995
Cost of net revenues	24,204	32,872	47,587	59,874
Gross profit	73,948	148,033	136,452	275,121
Operating expenses:				
Sales and marketing	37,093	60,117	76,591	115,653
Product development	13,600	17,651	25,938	33,388
General and administrative	20,610	25,604	37,626	46,932
Payroll expense on employee stock options	834	385	1,735	812
Amortization of acquired intangible assets	340	8,822	615	12,177
Total operating expenses	72,477	112,579	142,505	208,962
Income (loss) from operations	1,471	35,454	(6,053)	66,159
Interest and other income (expense), net	11,432	10,147	22,554	25,125
Interest expense	(1,038)	(959)	(1,884)	(1,671)
Impairment of certain equity investments	-	-	-	(9,921)
Income (loss) before income taxes and minority interests	11,865	44,642	14,617	79,692
Provision for income taxes	(5,401)	(21,276)	(6,675)	(36,703)
Minority interests in consolidated companies	995	1,242	1,275	2,686
Net income	$ 7,459	$ 24,608	$ 9,217	$ 45,675
Net income per share:				
Basic	$ 0.03	$ 0.09	$ 0.04	$ 0.17
Diluted	$ 0.03	$ 0.09	$ 0.03	$ 0.16
Weighted average shares:				
Basic	249,828	267,075	246,229	264,962
Diluted	280,483	283,582	280,867	281,145

SUPPLEMENTAL PRO FORMA FINANCIAL INFORMATION
CONDENSED CONSOLIDATED STATEMENTS 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.

	Six Months Ended June 30, 2000				Six Months Ended June 30, 2001			
	Reported	Pro Forma Entries		Pro Forma	Reported	Pro Forma Entries		Pro Forma
Net revenues	$ 184,039	$ -		$ 184,039	$ 334,995	$ -		$ 334,995
Cost of net revenues	47,587	(41)	(a)	47,546	59,874	(21)	(a)	59,853
Gross profit	136,452	41		136,493	275,121	21		275,142
Operating expenses:								
Sales and marketing	76,591	(578)	(a)	76,013	115,653	(107)	(a)	115,546
Product development	25,938	(1,679)	(a)	24,259	33,388	(249)	(a)	33,139
General and administrative	37,626	(1,886)	(a, f)	35,740	46,932	(566)	(a)	46,366
Payroll expense on employee stock options	1,735	(1,735)	(b)	-	812	(812)	(b)	-
Amortization of acquired intangible assets	615	(615)	(c)	-	12,177	(12,177)	(c)	-
Total operating expenses	142,505	(6,493)		136,012	208,962	(13,911)		195,051
Income (loss) from operations	(6,053)	6,534		481	66,159	13,932		80,091
Interest and other income (expense), net	22,554	-		22,554	25,125	-		25,125
Interest expense	(1,884)	-		(1,884)	(1,671)	-		(1,671)
Impairment of certain equity investments	-	-		-	(9,921)	9,921	(d)	-
Income before income taxes and minority interests	14,617	6,534		21,151	79,692	23,853		103,545
Provision for income taxes	(6,675)	(1,333)	(e)	(8,008)	(36,703)	(5,404)	(e)	(42,107)
Minority interests in consolidated companies	1,275	-		1,275	2,686	-		2,686
Net income	$ 9,217	$ 5,201		$ 14,418	$ 45,675	$ 18,449		$ 64,124
Net income per share:								
Basic	$ 0.04			$ 0.06	$ 0.17			$ 0.24
Diluted	$ 0.03			$ 0.05	$ 0.16			$ 0.23
Weighted average shares:								
Basic	246,229			246,229	264,962			264,962
Diluted	280,867			280,867	281,145			281,145

Notes:

(a) Non-cash stock based compensation and expenses.
(b) Employer payroll taxes on employee exercises of non-qualified stock options.
(c) Amortization of acquired intangible assets.
(d) Impairment of certain equity investments in the first quarter of 2001.
(e) Incremental income taxes associated with certain pro forma entries.
(f) Merger related costs of $824.

eBAY INC.

SUPPLEMENTAL PRO FORMA FINANCIAL INFORMATION
CONDENSED CONSOLIDATED STATEMENTS 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 June 30, 2000				Three Months Ended June 30, 2001			
	Reported	Pro Forma Entries		Pro Forma	Reported	Pro Forma Entries		Pro Forma
Net Revenues	$ 98,152	$ -		$ 98,152	$ 180,905	$ -		$ 180,905
Cost of net revenues	24,204	(18)	(a)	24,186	32,872	(9)	(a)	32,863
Gross profit	73,948	18		73,966	148,033	9		148,042
Operating expenses:								
Sales and marketing	37,093	(88)	(a)	37,005	60,117	(48)	(a)	60,069
Product development	13,600	(757)	(a)	12,843	17,651	(100)	(a)	17,551
General and administrative	20,610	(1,337)	(a, f)	19,273	25,604	(292)	(a)	25,312
Payroll expense on employee stock options	834	(834)	(b)	-	385	(385)	(b)	-
Amortization of acquired intangible assets	340	(340)	(c)	-	8,822	(8,822)	(c)	-
Total operating expenses	72,477	(3,356)		69,121	112,579	(9,647)		102,932
Income from operations	1,471	3,374		4,845	35,454	9,656		45,110
Interest and other income (expense), net	11,432	-		11,432	10,147	-		10,147
Interest expense	(1,038)	-		(1,038)	(959)	-		(959)
Impairment of certain equity investments	-	-		-	-	-		-
Income before income taxes and minority interests	11,865	3,374		15,239	44,642	9,656		54,298
Provision for income taxes	(5,401)	(839)	(e)	(6,240)	(21,276)	(770)	(e)	(22,046)
Minority interests in consolidated companies	995	-		995	1,242	-		1,242
Net income	$ 7,459	$ 2,535		$ 9,994	$ 24,608	$ 8,886		$ 33,494
Net income per share:								
Basic	$ 0.03			$ 0.04	$ 0.09			$ 0.13
Diluted	$ 0.03			$ 0.04	$ 0.09			$ 0.12
Weighted average shares:								
Basic	249,828			249,828	267,075			267,075
Diluted	280,483			280,483	283,582			283,582

Notes:

(a) Non-cash stock based compensation and expenses.
(b) Employer payroll taxes on employee exercises of non-qualified stock options.
(c) Amortization of acquired intangible assets.
(e) Incremental income taxes associated with certain pro forma entries.
(f) Merger related costs of $824.