



April 18, 2002

eBay Announces First Quarter 2002 Financial Results

Company Reports Record Net Revenues and Transaction Revenues Achieves Record Pro Forma EPS of \$0.18 and Pro Forma Operating Margin of 30 Percent Company Raises 2002 Pro Forma EPS Guidance

San Jose, CA, April 18, 2002 – eBay Inc. (NASDAQ: EBAY; www.ebay.com), the world's online marketplace™, reported financial results for its first quarter ended March 31, 2002. eBay reported consolidated net revenues totaling a record \$245.1 million. This represents a 59% increase over the \$154.1 million generated in the same period last year. Consolidated net income for the quarter was a record \$47.6 million, or \$0.17 per diluted share. eBay's pro forma consolidated net income, excluding certain charges, was a record \$50.6 million, or \$0.18 per diluted share.

"The company's focus and ability to execute allowed us to deliver record revenues and record profitability for the quarter," said Meg Whitman, President and CEO of eBay. "These results demonstrate that the momentum in our core transaction business is stronger than ever."

Based on the company's most recent performance, eBay now believes that net revenues for Q2-02 will range between \$260 and \$265 million, bringing its first half 2002 net revenue guidance to between \$505 and \$510 million, representing the high end of previous guidance. eBay also believes that Q2-02 pro forma earnings per diluted share will approximate \$0.17, bringing its first half 2002 guidance to approximately \$0.35. This earnings level represents an increase of \$0.03 to \$0.04 from the company's previous guidance of \$0.31 to \$0.32 per diluted share.

For the full year 2002, eBay expects that net revenues will approximate \$1.1 billion, representing the high end of its previous guidance of \$1.05 billion to \$1.1 billion. On the bottom line, eBay now believes that pro forma earnings per diluted share could range between \$0.73 and \$0.75, reflecting a \$0.03 to \$0.04 increase from previous guidance.

Key Financial and Operating Metrics

Online Transaction Revenues – eBay reported record net online transaction revenues, which exclude revenues from third party advertising and end-to-end services, of \$213.7 million, representing 65% year-over-year growth from the \$129.7 million reported in Q1-01.

Gross Profit – eBay reported record gross profit totaling \$203.8 million or 83% of net revenues during the quarter, up from the 82% gross profit reported in Q1-01.

Pro Forma Operating Income – eBay reported record pro forma operating income totaling \$74.4 million, or 30% of net revenues. This represents a 113% increase over Q1-01 pro forma operating income of \$35.0 million, or 23% of Q1-01 net revenues.

Pro Forma Net Income – eBay reported record pro forma net income totaling \$50.6 million, or \$0.18 per diluted share. This earnings level represents a 65% increase over Q1-01 pro forma net income of \$30.6 million.

Operating and Free Cash Flows – eBay reported a record \$92.3 million in operating cash flows, 147% higher than the \$37.4 million reported in Q1-01. Free cash flows for Q1-02 were a record \$80.8 million, 203% higher than the \$26.7 million reported in Q1-01.

Gross Merchandise Sales – eBay users transacted a record \$3.11 billion in gross merchandise sales, or GMS, during the first quarter, representing a 57% year-over-year increase from the \$1.98 billion reported in Q1-01.

Listings – eBay hosted a record 138.0 million listings during the quarter, representing a 55% year-over-year increase from the 89.0 million reported in Q1-01.

Registered Users – eBay added 4.6 million new confirmed registered users, offset by approximately 1.0 million user IDs eliminated as part of the company's Half.com integration efforts and enhanced user registration policies. Cumulative confirmed registered users at the end of Q1-02 totaled a record 46.1 million, representing a 55% increase over the 29.7 million users

reported at the end of Q1-01.

Key Execution Highlights

U.S. Online Net Revenues – U.S. online net transaction revenues totaled \$161.9 million in Q1-02, representing 16% sequential and 45% year-over-year growth. Including net revenues from third party advertising and end-to-end services, total U.S. online net revenues were \$185.0 million, representing 8% sequential and 43% year-over-year growth.

International Net Revenues – Net revenues from international operations totaled \$53 million in Q1-02, or 21% of consolidated net revenues. Highlighting the quarter were 46% sequential net revenue growth in the United Kingdom, 35% sequential net revenue growth in Germany and 23% sequential net revenue growth in Canada. In total, international net revenues grew 31% sequentially and 194% on a year-over-year basis.

International Profitability – On a fully allocated basis, eBay's international business achieved a double-digit operating margin, after turning profitable for the first time in Q4-01. Also during the quarter, the company's United Kingdom operations achieved profitability for the first time, complementing the company's existing profitable operations in Germany and Canada.

Asia Expansion – The company advanced its Asia business strategy through the acquisition of NeoCom and its leading online auction sites in Taiwan, and through the acquisition of a 33 percent interest in EachNet, China's largest online marketplace. In addition, Internet Auction Company, eBay's majority-owned subsidiary in South Korea, reported record net revenues and improved financial results.

Key Category Performance – The company achieved strong sequential and year-over-year growth in gross merchandise sales across virtually all top-level categories. Globally, eBay's ten largest categories in Q1-02 were: eBay Motors, Computers, Consumer Electronics, Book/Movies/Music, Collectibles, Sports, Toys, Clothing & Accessories, Jewelry & Gemstones and Antiques & Art.

Based on Q1-02 annualized gross merchandise sales, eBay now has four categories that each represent greater than \$1 billion businesses – eBay Motors with \$2.5 billion, Computers with \$1.4 billion, Consumer Electronics with \$1.2 billion and Books/Movies/Music with \$1.1 billion.

Fixed-Price Trading – eBay's fixed price offerings continue to drive seller success and contributed more than 19% of total gross merchandise sales during Q1-02. GMS on completed "Buy It Now" auctions remained constant, even as eBay introduced a \$.05 fee. In addition, over 25,000 users are currently paying monthly subscription fees for the merchandising capability offered by eBay Stores.

Financial and Operating Summary

During Q1-02, the company reported record net revenues of \$245.1 million, representing 12% sequential and 59% year-over-year increases. The sequential increase was driven largely by better-than-expected results in the U.S. transaction business combined with continued strong performance internationally. Revenues from third party advertisers represented approximately 8% of net revenues, down from 13% of net revenues in Q4-01 and consistent with the 8% of net revenues reported in Q1-01. The sequential decrease in advertising revenues was attributed primarily to the current industry-wide weakness in the online advertising market. Overall, the company's core online transaction performance more than offset the sequential decrease in advertising revenues.

Gross profit as a percentage of net revenues increased to 83% as compared with 82% in both Q4-01 and Q1-01. The sequential margin improvement resulted from a combination of strong revenue growth, relatively fixed costs in customer support and site operations, and efficiencies gained from migrating the former iBazar sites to the eBay platform.

Sales and marketing expenses totaled \$73.1 million, or 30% of net revenues, comparing favorably to the 33% of net revenues reported in Q4-01 and the 36% reported in Q1-01. The sequential improvement was attributed to lower sales and marketing expenditures in the former iBazar sites, Internet Auction Company and Half.com, combined with improved pricing on U.S. Internet advertising contracts.

Product development costs totaled \$24.3 million, or approximately 10% of net revenues in Q1-02, consistent with both Q4-01 and Q1-01. The sequential dollar increase of approximately \$2.6 million resulted primarily from site feature and functionality improvements, V3 architecture development and seller tools development.

General and administrative costs totaled \$32.5 million, or about 13% of net revenues, down from 14% of net revenues in both Q4-01 and Q1-01. The sequential dollar increase of approximately \$1.2 million resulted principally from costs associated with the closure of eBay's operations in Japan.

Net interest and other income totaled \$5.5 million in Q1-02, down from the \$6.5 million reported in Q4-01, primarily reflecting a \$1.2 million impairment charge taken on certain equity investments held by eBay's Internet Auction Company subsidiary.

eBay reported a consolidated tax provision of \$29.4 million, reflecting a 38% effective tax rate.

eBay's balance sheet remains strong. At the end of Q1-02, the company had consolidated assets totaling \$1.79 billion, including \$1.20 billion in aggregate cash and investments.

The company reported \$92.3 million in operating cash flows, 147% higher than the \$37.4 million reported in Q1-01. Of this amount, \$29 million is attributable to tax benefits on stock option exercises. Free cash flows during Q1-02 totaled \$80.8 million, 203% higher than the \$26.7 million reported in Q1-01.

Business Outlook

Q2-02 Outlook – eBay now believes that net revenues for Q2-02 will range between \$260 and \$265 million, bringing its first half 2002 net revenue guidance to between \$505 and \$510 million, representing the high end of previous guidance. This net revenue outlook reflects the company's expectation that a sequential decrease in advertising revenues will be fully offset by higher than previously anticipated transaction revenues, from both the U.S. and international markets.

The company remains committed to making important strategic investments to build its marketplace for the long term. In Q2-02, eBay will increase marketing expenditures both domestically and internationally and continue to roll out its next-generation technology infrastructure. In addition, as previously disclosed, eBay expects to absorb approximately \$4 million for the first full quarter of operating losses from its NeoCom subsidiary.

Accordingly, eBay believes that Q2-02 pro forma earnings per diluted share will approximate \$0.17, bringing its first half 2002 guidance to approximately \$0.35. This earnings level represents an increase of \$0.03 to \$0.04 from the company's previous guidance of \$0.31 to \$0.32 per diluted share.

Full Year 2002 Outlook – Despite a decrease in advertising revenues, eBay expects that net revenues will approximate \$1.1 billion, representing the high end of its previous guidance. On the bottom line, eBay now believes that pro forma earnings per diluted share could range between \$0.73 and \$0.75, reflecting a \$0.03 to \$0.04 increase from previous guidance. The company also expects its operating margin could be between 29% and 30% for 2002, compared to previous guidance of 25% to 28%.

About eBay

eBay is the world's online marketplaceTM. 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. 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 an increasingly broad range of businesses, to deal with the increasingly competitive environment for online trading, to manage regulatory and litigation risks even as its product offerings and geographies expand, to maintain site stability and continue to expand its model to new types of merchandise and sellers, to continue to expand 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 year ended December 31, 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.
Unaudited Condensed Consolidated Balance Sheet
(U.S. Dollars In Thousands)

	December 31, 2001	March 31, 2002
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents.....	\$ 523,969	\$ 576,851
Short-term investments	199,450	152,936
Accounts receivable, net	101,703	120,912
Other current assets.....	58,683	59,973
Total current assets.....	883,805	910,672
Long-term investments	286,998	343,813
Restricted cash and investments	129,614	126,390
Property and equipment, net.....	142,349	142,387
Intangible assets, net.....	198,639	232,198
Deferred tax assets.....	21,540	23,031
Other assets.....	15,584	10,523
	\$ 1,678,529	\$ 1,789,014
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable.....	\$ 33,235	\$ 33,619
Accrued expenses and other current liabilities.....	94,593	114,360
Deferred revenue and customer advances	15,583	16,283
Short-term debt	16,111	15,049
Income taxes payable.....	20,617	22,990
Total current liabilities	180,139	202,301
Long-term debt.....	12,008	9,774
Other liabilities	19,493	19,002
Minority interests.....	37,751	30,332
Total liabilities	249,391	261,409
Total stockholders' equity	1,429,138	1,527,605
	\$ 1,678,529	\$ 1,789,014

eBay Inc.
Unaudited Condensed Consolidated Statement of Income
(U.S. Dollars In Thousands, Except Per Share Amounts)

	Three Months Ended March 31,	
	2001	2002
Net revenues	\$ 154,090	\$ 245,106
Cost of net revenues	27,002	41,277
Gross profit	127,088	203,829
Operating expenses:		
Sales and marketing	55,536	73,104
Product development	15,737	24,307
General and administrative	21,328	32,493
Payroll expense on employee stock options	427	1,679
Amortization of acquired intangible assets	3,355	1,530
Total operating expenses	96,383	133,113
Income from operations	30,705	70,716
Interest and other income (expense), net	14,978	7,387
Interest expense	(712)	(685)
Impairment of certain equity investments	(9,921)	(1,181)
Income before income taxes and minority interests	35,050	76,237
Provision for income taxes	(15,427)	(29,411)
Minority interests in consolidated companies	1,444	758
Net income	\$ 21,067	\$ 47,584
Net income per share:		
Basic	\$ 0.08	\$ 0.17
Diluted	\$ 0.08	\$ 0.17
Weighted average shares:		
Basic	264,279	278,332
Diluted	278,732	284,891

eBay Inc.
Unaudited Pro Forma Condensed Consolidated Statement of Income
(U.S. Dollars In Thousands, Except Per Share Amounts)

	Three Months Ended March 31, 2001			Three Months Ended March 31, 2002		
	Reported	Pro Forma Entries	Pro Forma	Reported	Pro Forma Entries	Pro Forma
Net Revenues.....	\$ 154,090	\$ -	\$ 154,090	\$ 245,106		\$ 245,106
Cost of net revenues	27,002	(12) (a)	26,990	41,277	(28) (a)	41,249
Gross profit	127,088	12	127,100	203,829	28	203,857
Operating expenses:						
Sales and marketing	55,536	(59) (a)	55,477	73,104	(46) (a)	73,058
Product development	15,737	(149) (a)	15,588	24,307	(111) (a)	24,196
General and administrative.....	21,328	(274) (a)	21,054	32,493	(274) (a)	32,219
Payroll expense on employee stock options	427	(427) (b)	-	1,679	(1,679) (b)	-
Amortization of acquired intangible assets.....	3,355	(3,355) (c)	-	1,530	(1,530) (c)	-
Total operating expenses	96,383	(4,264)	92,119	133,113	(3,640)	129,473
Income from operations.....	30,705	4,276	34,981	70,716	3,668	74,384
Interest and other income (expense), net	14,978	-	14,978	7,387	-	7,387
Interest expense	(712)	-	(712)	(685)	-	(685)
Impairment of certain equity investments.....	(9,921)	9,921 (d)	-	(1,181)	1,181 (d)	-
Income before income taxes and minority interests.....	35,050	14,197	49,247	76,237	4,849	81,086
Provision for income taxes	(15,427)	(4,634) (e)	(20,061)	(29,411)	(1,291) (e)	(30,702)
Minority interests in consolidated companies.....	1,444	-	1,444	758	(590) (f)	168
Net income	<u>\$ 21,067</u>	<u>\$ 9,563</u>	<u>\$ 30,630</u>	<u>\$ 47,584</u>	<u>\$ 2,968</u>	<u>\$ 50,552</u>
Net income per share:						
Basic.....	<u>\$ 0.08</u>		<u>\$ 0.12</u>	<u>\$ 0.17</u>		<u>\$ 0.18</u>
Diluted.....	<u>\$ 0.08</u>		<u>\$ 0.11</u>	<u>\$ 0.17</u>		<u>\$ 0.18</u>
Weighted average shares:						
Basic.....	<u>264,279</u>		<u>264,279</u>	<u>278,332</u>		<u>278,332</u>
Diluted.....	<u>278,732</u>		<u>278,732</u>	<u>284,891</u>		<u>284,891</u>

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) Minority interest attributable to impairment of certain equity investments.

eBay Inc.
Unaudited Condensed Consolidated Statement of Cash Flows
(U.S. Dollars In Thousands)

	Three Months Ended March 31,	
	2001	2002
Cash flows from operating activities:		
Net income	\$ 21,067	\$ 47,584
Adjustments:		
Provision for doubtful accounts and authorized credits	6,720	8,148
Depreciation and amortization	14,237	13,011
Amortization of unearned stock-based compensation	761	913
Tax benefit on the exercise of employee stock options	13,385	29,411
Impairment of certain equity investments	9,921	1,181
Minority interests and other	(1,952)	(2,042)
Changes in assets and liabilities:		
Accounts receivable	(7,098)	(27,832)
Other current assets	(5,541)	(1,561)
Intangible and other assets	(2,495)	1,218
Deferred tax assets	2,024	(2,411)
Accounts payable	(13,546)	507
Accrued expenses and other liabilities	1,563	21,041
Deferred revenue and customer advances	(1,501)	732
Income taxes payable	(97)	2,373
Net cash provided by operating activities	37,448	92,273
Cash flows from investing activities:		
Purchases of property and equipment	(10,717)	(11,494)
Purchases of investments	(53,223)	(208,245)
Maturities and sales of investments	249,710	200,509
Proceeds from sale of property and equipment	4,500	-
Acquisitions, net of cash acquired	(109,212)	(43,557)
Net cash provided by (used in) investing activities	81,058	(62,787)
Cash flows from financing activities:		
Proceeds from issuance of common stock, net	1,731	27,004
Principal payments on long-term debt	(6,091)	(3,296)
Net cash provided by financing activities	(4,360)	23,708
Effect of exchange rate changes on cash and cash equivalents	(1,756)	(312)
Net increase in cash and cash equivalents	112,390	52,882
Cash and cash equivalents at beginning of period	201,873	523,969
Cash and cash equivalents at end of period	\$ 314,263	\$ 576,851

eBay Inc.
Unaudited Summary of Consolidated Net Revenues
(U.S. Dollars In Thousands)

Net Revenues by Type	Three Months Ended				
	March 31, 2001	June 30, 2001	September 30, 2001	December 31, 2001	March 31, 2002
Online net revenues					
Transaction	\$ 129,727	\$ 141,724	\$ 152,274	\$ 178,946	\$ 213,664
<i>Current quarter vs prior quarter</i>	22%	9%	7%	18%	19%
<i>Current quarter vs prior year quarter</i>	78%	78%	70%	68%	65%
End-to-end services	5,851	9,431	8,128	4,471	4,869
<i>Current quarter vs prior quarter</i>	(38%)	61%	(14%)	(45%)	9%
<i>Current quarter vs prior year quarter</i>	57%	36%	(23%)	(53%)	(17%)
3rd party advertising	11,783	18,845	25,046	28,179	19,033
<i>Current quarter vs prior quarter</i>	65%	60%	33%	13%	(32%)
<i>Current quarter vs prior year quarter</i>	1154%	771%	805%	294%	62%
Total online net revenues	147,361	170,000	185,448	211,596	237,566
<i>Current quarter vs prior quarter</i>	20%	15%	9%	14%	12%
<i>Current quarter vs prior year quarter</i>	90%	92%	80%	72%	61%
Offline net revenues	6,729	10,905	8,977	7,805	7,540
<i>Current quarter vs prior quarter</i>	(38%)	62%	(18%)	(13%)	(3%)
<i>Current quarter vs prior year quarter</i>	(21%)	14%	(15%)	(28%)	12%
Total net revenues	\$ 154,090	\$ 180,905	\$ 194,425	\$ 219,401	\$ 245,106
<i>Current quarter vs prior quarter</i>	15%	17%	7%	13%	12%
<i>Current quarter vs prior year quarter</i>	79%	84%	71%	64%	59%

Net Revenues by Geography	Three Months Ended				
	March 31, 2001	June 30, 2001	September 30, 2001	December 31, 2001	March 31, 2002
U.S. net revenues	\$ 136,186	\$ 154,969	\$ 164,194	\$ 179,310	\$ 192,555
<i>Current quarter vs prior quarter</i>	10%	14%	6%	9%	7%
<i>Current quarter vs prior year quarter</i>	68%	68%	56%	44%	41%
International net revenues	17,904	25,936	30,231	40,091	52,551
<i>Current quarter vs prior quarter</i>	83%	45%	17%	33%	31%
<i>Current quarter vs prior year quarter</i>	273%	328%	262%	310%	194%
Total net revenues	\$ 154,090	\$ 180,905	\$ 194,425	\$ 219,401	\$ 245,106
<i>Current quarter vs prior quarter</i>	15%	17%	7%	13%	12%
<i>Current quarter vs prior year quarter</i>	79%	84%	71%	64%	59%