July 18, 2002

eBay Inc. Announces Second Quarter 2002 Financial Results

Company Reports Accelerating Year-over-Year Transaction Revenue Growth of 66%

Achieves Record EPS of $0.19 and Pro Forma Operating Margin of 30%

SAN JOSE, Calif. July 18, 2002 - eBay Inc. (Nasdaq: EBAY; www.ebay.com), the world's online marketplace, reported financial results for its second quarter ended June 30, 2002.

As announced on July 8, eBay reported consolidated net revenues totaling a record $266.3 million. Consolidated net income for the quarter was a record $54.3 million, or $0.19 per diluted share. eBay's pro forma consolidated net income, excluding certain items, was a record $54.0 million, or $0.19 per diluted share.

Online net transaction revenues in Q2-02 increased 66% year-over-year to a record $235.3 million, driven by 48% year-over-year transaction revenue growth in the U.S. and 152% year-over-year growth internationally. This transaction revenue growth was partially offset by an 11% year-over-year decrease in third party advertising revenues. As a result, consolidated Q2-02 net revenues increased 47% over the $180.9 million generated in Q2-01.

"The strength of our transaction business allowed us once again to deliver record revenues and record profitability," said Meg Whitman, President and CEO of eBay. "These results demonstrate that our continued focus on expanding the eBay marketplace is accelerating the company's growth around the world."

Key Financial and Operating Metrics

Online Transaction Revenues -- eBay reported record net online transaction revenues of $235.3 million, representing 66% year-over-year growth from the $141.7 million reported in Q2-01 versus the 65% year-over-year growth rate achieved in Q1-02.

Gross Profit -- eBay reported record gross profit totaling $221.7 million or 83% of net revenues during the quarter, up from the 82% gross profit reported in Q2-01.

Pro Forma Operating Income -- eBay reported record pro forma operating income totaling $80.7 million, or 30% of net revenues. This represents a 79% increase over Q2-01 pro forma operating income of $45.1 million, or 25% of Q2-01 net revenues.

Net Income -- eBay reported record net income totaling $54.3 million, or $0.19 per diluted share. This represents a 121% increase over the net income level of $24.6 million reported in Q2-01.

Pro Forma Net Income -- eBay reported record pro forma net income totaling $54.0 million, or $0.19 per diluted share. This earnings level represents a 61% increase over Q2-01 pro forma net income of $33.5 million.

Operating and Free Cash Flows -- eBay reported a record $92.8 million in operating cash flows, 34% higher than the $69.5 million reported in Q2-01. Free cash flows for Q2-02 were $30.1 million, a 41% decrease from the $51.2 million reported in Q2-01.

Gross Merchandise Sales -- eBay users transacted a record $3.40 billion in gross merchandise sales, or GMS, during the second quarter, representing a 51% year-over-year increase from the $2.25 billion reported in Q2-01.

Listings -- eBay hosted a record 145.2 million listings during the quarter, representing a 47% year-over-year increase from the 98.7 million reported in Q2-01.

Registered Users -- eBay added 4.4 million new confirmed registered users, offset by approximately 700 thousand user IDs eliminated as part of the company's enhanced trust and safety policies at Internet Auction Company, its South Korean subsidiary. Cumulative confirmed registered users at the end of Q2-02 totaled a record 49.7 million, representing a 46% increase over the 34.1 million users reported at the end of Q2-01.

Key Execution Highlights

U.S. Online Net Revenues -- U.S. online net transaction revenues totaled $172.2 million in Q2-02, representing 48% year-over-year growth. Including net revenues from third party advertising and end-to-end services, total U.S. online net revenues were $192.8 million, representing 34% year-over-year growth.

International Net Revenues -- Net revenues from international operations totaled $64.3 million in Q2-02, or 24% of consolidated net revenues. This net revenue level represents a 148% year-over-year growth rate. Highlighting the quarter was continuing strong growth in Germany and the U.K., which reported 25% and 26% sequential quarterly net revenue growth, respectively.

Key Category Performance -- The company achieved double-digit year-over-year growth rates in gross merchandise sales across virtually all top-level categories. Globally, eBay's ten largest categories in Q2-02 were: eBay Motors, Computers, Consumer Electronics, Book/Movies/Music, Sports, Collectibles, Toys, Clothing & Accessories, Jewelry & Gemstones and Photo.

Fixed-Price Trading -- eBay's fixed price offerings continue to drive seller success and contributed more than 19% of total gross merchandise sales during Q2-02. In addition, more than 29,000 sellers are currently taking advantage of the enhanced merchandising capabilities of eBay Stores.

Financial and Operating Summary

During Q2-02, the company reported record net revenues of $266.3 million, representing a 47% year-over-year increase. The strong Q2-02 performance was due largely to better-than-expected transaction revenues, driven by a 48% year-over-year increase in U.S. online net transaction revenues and a 152% increase in international online transaction revenues. Revenues from third party advertisers were down 11% year-over-year to $16.7 million, which represented approximately 6% of net revenues, down from the 10% of net revenues reported in Q2-01. The decrease in advertising revenues was consistent with the company's expectations.

Gross profit as a percentage of net revenues was 83% as compared with 83% in Q1-02 and 82% in Q2-01. Gross margins on a sequential basis benefited from a combination of strong revenue growth and relatively fixed costs in site operations, largely offset by investments in our international customer support infrastructure and disaster recovery site.

Sales and marketing expenses totaled $79.8 million, or 30% of net revenues, consistent with the 30% of net revenues reported in Q1-02, and comparing favorably to the 33% reported in Q2-01. The sequential increase in sales and marketing expenses was attributed to higher sales and marketing expenditures in our international businesses, as well as in certain vertical categories, in particular eBay Motors, and costs associated with eBay Live, the company's first ever community celebration.

Product development costs totaled $24.3 million, or approximately 9% of net revenues, compared to 10% of net revenues in Q1-02. While these expenses were roughly the same dollar level as in Q1-02, product development expenses in Q2-02 reflect an actual increase in spending, offset by $1.6 million in capitalized internal software development related to eBay's next generation technology infrastructure.

General and administrative costs totaled $36.6 million, or about 14% of net revenues, up from 13% of net revenues in Q1-02 and consistent with 14% of net revenues in Q2-01. The sequential dollar increase of approximately $4.1 million resulted principally from costs associated with the company's international expansion efforts, various legal matters and employee-related costs.

Net interest and other income totaled $8.3 million in Q2-02, up from the $5.5 million reported in Q1-02, primarily reflecting a $1.6 million gain on the sales of certain real estate properties.

eBay reported a consolidated pro forma tax provision of $33.3 million, reflecting a 38% effective tax rate.

eBay's balance sheet remains strong. At the end of Q2-02, the company had consolidated assets totaling nearly $2.0 billion, including nearly $1.3 billion in aggregate cash and investments.

The company reported $92.8 million in operating cash flows, 34% higher than the $69.5 million reported in Q2-01. Of this amount, $33 million is attributable to tax benefits on stock option exercises. In addition, Q2-02 operating cash flows were impacted by the timing of the company's $18.8 million payment to its largest advertising partner, America Online, for services to be rendered over the course of 2002.

Free cash flows during Q2-02 totaled $30.1 million, 41% lower than the $51.2 million reported in Q2-01. Of the $62.7 million in capital expenditures in Q2-02, approximately $5 million resulted from investments in software development, $11 million from the purchase of the company's customer support facility in Salt Lake City, and $30 million related to the purchase of a corporate aircraft. The company now expects that capital expenditures for 2002 will approximate $130 million, compared to previous guidance of $95 million.

Business Outlook

Based on the company's most recent performance, eBay now expects that net revenues for Q3-02 could range between $278 and $281 million, Q3-02 pro forma earnings per diluted share will approximate $0.19, and GAAP earnings per diluted share will also approximate $0.19.

For the full year 2002, eBay continues to expect that net revenues will approximate $1.1 billion. For Q3-02 and Q4-02, eBay also believes that the pro forma effective tax rate will be 36 percent. On the bottom line, eBay now believes that pro forma earnings per diluted share could range between $0.76 and $0.78 for the full year, reflecting a $0.03 increase from previous guidance. On a GAAP basis, earnings per diluted share could range between $0.74 and $0.76 for the full year. The company also expects its pro forma operating margin will approximate 30% for 2002, compared to previous guidance of 29 to 30 percent. GAAP operating margin for the full year is expected to approximate 29 percent.

In addition, eBay currently believes that 2003 net revenues could range between $1.50 billion and $1.55 billion, including an expected 45% year-over-year growth rate in online transaction revenues from anticipated 2002 levels, as well as the company's current expectations for third party advertising, end-to-end service and offline revenues. The company expects that both pro forma and GAAP operating margins in 2003 could range from 31 to 32 percent. The company anticipates that the pro forma effective tax rate for 2003 will approximate 36 percent. This 2003 guidance excludes the expected impact of the recently announced agreement to acquire PayPal, Inc. 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. 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. Additional factors that could cause or contribute to such differences and that relate to the announced acquisition of PayPal, Inc. include the possibility of delay or non-closure, the reaction of each company's user base to the acquisition, the future growth and identified risks relating to PayPal, and the possibility that the future integration of the two companies will be more difficult or costly than expected. 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, its quarterly report on Form 10-Q for the first quarter of 2002, and its other S.E.C. filings and prospectuses. 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	June 30, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	$ 523,969	$ 616,867
Short-term investments	199,450	121,651
Accounts receivable, net	101,703	128,769
Other current assets	58,683	70,299
Total current assets	883,805	937,586
Long-term investments	286,998	412,969
Restricted cash and investments	129,614	129,963
Property and equipment, net	142,349	187,055
Intangible assets, net	198,639	263,980
Deferred tax assets	21,540	23,520

Other assets	15,584	14,950
	$1,678,529	$1,970,023
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 33,235	$ 36,531
Accrued expenses and other current liabilities	94,593	116,025
Deferred revenue and customer advances	15,583	22,373
Short-term debt	16,111	14,974
Income taxes payable	20,617	23,318
Total current liabilities	180,139	213,221
Long-term debt	12,008	9,808
Other liabilities	19,493	20,421
Minority interests	37,751	30,470
Total liabilities	249,391	273,920
Total stockholders' equity	1,429,138	1,696,103
	$1,678,529	$1,970,023

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2002	2001	2002
Net revenues	$ 180,905	$ 266,287	$ 334,995	$ 511,393
Cost of net revenues	32,872	44,561	59,874	85,838
Gross profit	148,033	221,726	275,121	425,555
Operating expenses:				
Sales and marketing	60,117	79,804	115,653	152,908
Product development	17,651	24,346	33,388	48,653
General and administrative	25,604	36,596	46,932	69,089
Payroll expense on employee stock options	385	431	812	2,110
Amortization of acquired intangible assets	8,822	1,108	12,177	2,638
Total operating expenses	112,579	142,285	208,962	275,398
Income from operations	35,454	79,441	66,159	150,157
Interest and other income (expense), net	10,147	9,001	25,125	16,388
Interest expense	(959)	(698)	(1,671)	(1,383)
Impairment of certain equity investments	--		(9,921)	(1,181)

Income before income taxes and minority interests	44,642	87,744	79,692	163,981
Provision for income taxes	(21,276)	(33,286)	(36,703)	(62,697)
Minority interests in consolidated companies	1,242	(150)	2,686	608
Net income	$ 24,608	$ 54,308	$ 45,675	$ 101,892
Net income per share:				
Basic	$ 0.09	$ 0.19	$ 0.17	$ 0.36
Diluted	$ 0.09	$ 0.19	$ 0.16	$ 0.36
Weighted average shares:				
Basic	267,075	280,707	264,962	279,525
Diluted	283,582	285,416	281,145	285,142

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

	Three Months Ended June 30, 2001		
	Reported	Pro Forma Entries	Pro Forma
Net Revenues	$ 180,905	$ --	$ 180,905
Cost of net revenues	32,872	(9)(a)	32,863
Gross profit	148,033	9	148,042
Operating expenses:			
Sales and marketing	60,117	(48)(a)	60,069
Product development	17,651	(100)(a)	17,551
General and administrative	25,604	(292)(a)	25,312
Payroll expense on employee stock options	385	(385)(b)	--
Amortization of acquired intangible assets	8,822	(8,822)(c)	--
Total operating expenses	112,579	(9,647)	102,932
Income from operations	35,454	9,656	45,110
Interest and other income (expense), net	10,147	--	10,147
Interest expense	(959)	--	(959)
Impairment of certain equity investments	--	--	--
Income before income taxes and minority interests	44,642	9,656	54,298
Provision for income taxes	(21,276)	(770)(e)	(22,046)
Minority interests in			

consolidated companies	1,242	--	1,242
Net income	$ 24,608	$ 8,886	$ 33,494
Net income per share:			
Basic	$ 0.09		$ 0.13
Diluted	$ 0.09		$ 0.12
Weighted average shares:			
Basic	267,075		267,075
Diluted	283,582		283,582

	Three Months Ended June 30, 2002		
	Reported	Pro Forma Entries	Pro Forma
Net Revenues	$ 266,287		$ 266,287
Cost of net revenues	44,561	298 (a)	44,859
Gross profit	221,726	(298)	221,428
Operating expenses:			
Sales and marketing	79,804	113 (a)	79,917
Product development	24,346	82 (a)	24,428
General and administrative	36,596	(168)(a)	36,428
Payroll expense on employee stock options	431	(431)(b)	--
Amortization of acquired intangible assets	1,108	(1,108)(c)	--
Total operating expenses	142,285	(1,512)	140,773
Income from operations	79,441	1,214	80,655
Interest and other income (expense), net	9,001	(1,584)(f)	7,417
Interest expense	(698)	--	(698)
Impairment of certain equity investments	--	-- (d)	--
Income before income taxes and minority interests	87,744	(370)	87,374
Provision for income taxes	(33,286)	17 (e)	(33,269)
Minority interests in consolidated companies	(150)		(150)
Net income	$ 54,308	$ (353)	$ 53,955
Net income per share:			
Basic	$ 0.19		$ 0.19
Diluted	$ 0.19		$ 0.19
Weighted average shares:			
Basic	280,707		280,707

Diluted	285,416	285,416
	=========	=========

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) Gain on sale of certain real estate properties

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

	Six Months Ended June 30, 2001		
	Reported	Pro Forma Entries	Pro Forma
Net revenues	$ 334,995	$ --	$ 334,995
Cost of net revenues	59,874	(21)(a)	59,853
Gross profit	275,121	21	275,142
Operating expenses:			
Sales and marketing	115,653	(107)(a)	115,546
Product development	33,388	(249)(a)	33,139
General and administrative	46,932	(566)(a)	46,366
Payroll expense on employee stock options	812	(812)(b)	--
Amortization of acquired intangible assets	12,177	(12,177)(c)	--
Total operating expenses	208,962	(13,911)	195,051
Income from operations	66,159	13,932	80,091
Interest and other income (expense), net	25,125	--	25,125
Interest expense	(1,671)	--	(1,671)
Impairment of certain equity investments	(9,921)	9,921 (d)	--
Income before income taxes and minority interests	79,692	23,853	103,545
Provision for income taxes	(36,703)	(5,404)(e)	(42,107)
Minority interests in consolidated companies	2,686	--	2,686
Net income	$ 45,675	$ 18,449	$ 64,124
Net income per share:			
Basic	$ 0.17		$ 0.24

Diluted	$ 0.16		$ 0.23
Weighted average shares:			
Basic	264,962		264,962
Diluted	281,145		281,145

	Six Months Ended June 30, 2002		
	Reported	Pro Forma Entries	Pro Forma
Net revenues	$ 511,393	$ --	$ 511,393
Cost of net revenues	85,838	270 (a)	86,108
Gross profit	425,555	(270)	425,285
Operating expenses:			
Sales and marketing	152,908	67 (a)	152,975
Product development	48,653	(29)(a)	48,624
General and administrative	69,089	(442)(a)	68,647
Payroll expense on employee stock options	2,110	(2,110)(b)	--
Amortization of acquired intangible assets	2,638	(2,638)(c)	--
Total operating expenses	275,398	(5,152)	270,246
Income from operations	150,157	4,882	155,039
Interest and other income (expense), net	16,388	(1,584)(g)	14,804
Interest expense	(1,383)	--	(1,383)
Impairment of certain equity investments	(1,181)	1,181 (f)	--
Income before income taxes and minority interests	163,981	4,479	168,460
Provision for income taxes	(62,697)	(1,274)(e)	(63,971)
Minority interests in consolidated companies	608	(590)	18
Net income	$ 101,892	$ 2,615	$ 104,507
Net income per share:			
Basic	$ 0.36		$ 0.37
Diluted	$ 0.36		$ 0.37
Weighted average shares:			
Basic	279,525		279,525
Diluted	285,142		285,142

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) Merger related costs.
(e) Incremental income taxes associated with certain pro forma entries.
(f) Impairment of certain equity investments
(g) Gain on sale of certain real estate properties

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2002	2001	2002
Cash flows from operating activities:				
Net income	$ 24,608	$ 54,308	$ 45,675	$ 101,892
Adjustments:				
Provision for doubtful accounts and authorized credits	5,854	$ 4,073	12,574	$ 12,221
Depreciation and amortization	22,795	18,377	37,032	31,388
Amortization of unearned stock-based compensation	747	(776)	1,508	137
Tax benefit on the exercise of employee stock options	21,253	33,011	34,638	62,422
Impairment of certain equity investments	--	--	9,921	1,181
Minority interests and other	(2,715)	(1,870)	(4,667)	(3,912)
Changes in assets and liabilities:				
Accounts receivable	(32,644)	(6,391)	(39,742)	(34,223)
Other current assets	5,848	(11,050)	307	(12,611)
Other non-current assets	(1,602)	(3,241)	(4,097)	(2,023)
Deferred tax assets	17	1,558	2,041	(853)
Accounts payable	16,412	2,002	2,866	2,509
Accrued expenses and other liabilities	3,227	(2,945)	4,790	18,096
Deferred revenue and customer advances	5,757	5,567	4,256	6,299
Income taxes payable	(50)	217	(147)	2,590
Net cash provided by operating activities	69,507	92,840	106,955	185,113
Cash flows from investing activities:				
Purchases of property and equipment	(18,344)	(62,724)	(29,061)	(74,218)

Purchases of investments	(115,257)	(100,150)	(168,480)	(308,395)
Maturities and sales of investments	187,806	66,449	437,516	266,958
Purchases of intangibles and certain non-current assets	(2,065)	--	(2,065)	--
Proceeds from sale of property and equipment	60	2,883	4,560	2,883
Acquisitions, net of cash acquired	(1,800)	(11,053)	(111,012)	(54,610)
Net cash provided by (used in) investing activities	50,400	(104,595)	131,458	(167,382)
Cash flows from financing activities:				
Proceeds from issuance of common stock, net	21,135	41,440	22,866	68,444
Principal payments on long-term debt	(15,689)	(111)	(21,780)	(3,407)
Net cash provided by financing activities	5,446	41,329	1,086	65,037
Effect of exchange rate changes on cash and cash equivalents	149	10,442	(1,607)	10,130
Net increase in cash and cash equivalents	125,502	40,016	237,892	92,898
Cash and cash equivalents at beginning of period	314,263	576,851	201,873	523,969
Cash and cash equivalents at end of period	$ 439,765	$ 616,867	$ 439,765	$ 616,867

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

Net Revenues by Type

	June 30, 2001	Sept. 30, 2001	Dec. 31, 2001	March 31, 2002	June 30, 2002
Online net revenues					
Transaction	141,724	152,274	178,946	213,664	235,307
Current quarter vs prior quarter	9%	7%	18%	19%	10%
Current quarter vs prior year quarter	78%	70%	68%	65%	66%
End-to-end services	9,431	8,128	4,471	4,869	5,091
Current quarter vs prior quarter	61%	(14%)	(45%)	9%	5%
Current quarter vs prior year quarter	36%	(23%)	(53%)	(17%)	(46%)

3rd party advertising	18,845	25,046	28,179	19,033	16,700
Current quarter vs prior quarter	60%	33%	13%	(32%)	(12%)
Current quarter vs prior year quarter	771%	805%	294%	62%	(11%)
Total online net revenues	170,000	185,448	211,596	237,566	257,098
Current quarter vs prior quarter	15%	9%	14%	12%	8%
Current quarter vs prior year quarter	92%	80%	72%	61%	51%
Offline net revenues	10,905	8,977	7,805	7,540	9,189
Current quarter vs prior quarter	62%	(18%)	(13%)	(3%)	22%
Current quarter vs prior year quarter	14%	(15%)	(28%)	12%	(16%)
Total net revenues	$180,905	$194,425	$219,401	$245,106	$266,287
Current quarter vs prior quarter	17%	7%	13%	12%	9%
Current quarter vs prior year quarter	84%	71%	64%	59%	47%

Net Revenues by Geography

	June 30, 2001	Sept. 30, 2001	Dec. 31, 2001	March 31, 2002	June 30, 2002
U.S. net revenues	154,969	164,194	179,310	192,555	201,978
Current quarter vs prior quarter	14%	6%	9%	7%	5%
Current quarter vs prior year quarter	68%	56%	44%	41%	30%
International net revenues	25,936	30,231	40,091	52,551	64,309
Current quarter vs prior quarter	45%	17%	33%	31%	22%
Current quarter vs prior year quarter	328%	262%	310%	194%	148%
Total net revenues	$180,905	$194,425	$219,401	$245,106	$266,287
Current quarter vs prior quarter	17%	7%	13%	12%	9%
Current quarter vs prior year quarter	84%	71%	64%	59%	47%