



eBAY INC. ANNOUNCES THIRD QUARTER 2004 FINANCIAL RESULTS

**— Company Reports Record Q3 Net Revenues of \$805.9 Million, Up 52% Year Over Year —
— Achieves Q3 GAAP Diluted EPS of \$0.27 and Pro Forma Diluted EPS of \$0.28 —
— Raises 2004 Guidance and Issues 2005 Guidance —**

San Jose, CA, October 20, 2004 – eBay Inc. (Nasdaq: EBAY; www.ebay.com), the World’s Online Marketplace, reported financial results for its quarter ended September 30, 2004.

eBay reported record consolidated Q3-04 net revenues of \$805.9 million, up 52% year over year; operating income of \$253.9 million, up 63% year over year; and pro forma operating income of \$272.6 million, up 58% year over year. Operating income was 32% of net revenues and pro forma operating income was 34% of net revenues.

Consolidated net income in Q3-04 was \$182.3 million, or \$0.27 per diluted share. eBay’s pro forma consolidated net income, excluding certain items, was \$195.0 million, or \$0.28 per diluted share.

These results exceeded the company’s guidance of \$770 million for net revenues, \$0.24 for earnings per diluted share and \$0.25 for pro forma earnings per diluted share.

“Q3 was a great quarter for eBay,” said Meg Whitman, President and CEO of eBay. “An active community of users and strong demand helped us achieve robust results. We have excellent momentum going into eBay’s traditionally strongest quarters.”

Key Financial and Operating Metrics

Consolidated Net Revenues - Consolidated net revenues totaled a record \$805.9 million, which represented an increase of 52% from the \$530.9 million reported in Q3-03.

Transaction Revenues - Consolidated net transaction revenues totaled a record \$779.2 million, which represented an increase of 51% from the \$517.1 million reported in Q3-03.

- eBay U.S. Net Transaction Revenues - eBay U.S. net transaction revenues totaled \$330.6 million in Q3-04, reflecting 29% year-over-year growth.
- eBay International Net Transaction Revenues - eBay International net transaction revenues totaled \$282.3 million in Q3-04, representing 82% year-over-year growth.
- Payments Net Transaction Revenues - Payments net transaction revenues totaled \$166.3 million in Q3-04, representing 56% year-over-year growth.

eBay Announces Q3-04 Earnings (cont.)

Confirmed Registered Users - Cumulative confirmed registered users at the end of Q3-04 totaled a record 125.0 million, representing a 46% increase over the 85.5 million users reported at the end of Q3-03.

Active Users - Active users, the number of users on the eBay platform who bid, bought, listed or sold an item over the trailing 12 months, increased to 51.7 million, a 38% increase over the 37.4 million active users reported in the same period a year ago.

Listings - New listings totaled a record 348.0 million in Q3-04, 48% higher than the 234.6 million listings reported in Q3-03. New listings in Q3-04 included 20.3 million new eBay Stores listings during the quarter, versus 4.1 million new Stores listings in Q3-03.

Gross Merchandise Volume (GMV) - Gross Merchandise Volume, the total value of all successfully closed listings on eBay's trading platforms, was \$8.3 billion, representing a 44% year-over-year increase from the \$5.8 billion reported in Q3-03.

Total Payments Accounts - PayPal's business had 56.7 million total accounts at the end of Q3-04, a 61% increase from the 35.2 million reported in Q3-03.

Total Payment Volume (TPV) - PayPal's TPV was \$4.6 billion in Q3-04, a 52% increase from the \$3.0 billion reported in Q3-03.

Gross Profit - Gross profit was \$648.8 million, or 81% of net revenues, which was up from the 79% level reported in Q3-03.

Operating Income - Operating income was \$253.9 million, or 32% of net revenues, a 63% increase over the \$155.9 million reported in Q3-03. Pro forma operating income increased 58% year over year to \$272.6 million, or 34% of net revenues, compared to 32% in Q3-03.

GAAP Net Income - GAAP net income increased 77% year over year to \$182.3 million, or \$0.27 per diluted share.

Pro Forma Net Income - Pro forma net income increased 65% year over year to \$195.0 million, or \$0.28 per diluted share.

Operating and Free Cash Flows - Operating cash flows totaled \$274.8 million. Free cash flows, representing operating cash flows less capital expenditures, totaled \$201.4 million.

Key Category Performance* - Based on Q3-04 GMV, eBay has twelve categories that delivered \$1 billion or more in worldwide annualized GMV: eBay Motors at \$10.7 billion; Consumer Electronics at \$2.5 billion; Computers at \$2.5 billion; Clothing & Accessories at \$2.2 billion; Books/Movies/Music at \$2.2 billion; Collectibles at \$1.8 billion; Home & Garden at \$1.7 billion; Sports at \$1.6 billion; Toys at \$1.3 billion; Jewelry & Watches at \$1.2 billion; Cameras & Photo at \$1.1 billion; and Business & Industrial at \$1.1 billion.

*For further detail on eBay's current annualized \$1 billion categories, including trended data, please see the metrics section on eBay's Investor Relations website at <http://investor.ebay.com/fundamentals.cfm>.

eBay Announces Q3-04 Earnings (cont.)

Fixed Price Trading - eBay's fixed price trading contributed approximately \$2.4 billion or 29% of total GMV during Q3-04, primarily from eBay's "Buy It Now" feature.

eBay Stores - At the end of Q3-04, eBay hosted approximately 224,000 stores worldwide, with approximately 143,000 stores hosted on the U.S. site.

Acquisitions

Baazee.com - On August 2, 2004, eBay completed its acquisition of Baazee.com, an online marketplace in India. eBay acquired all outstanding shares of Baazee.com for approximately \$50 million in cash.

Internet Auction Co., Ltd. - On August 31, 2004, September 6, 2004 and October 6, 2004, eBay purchased, for cash, an aggregate of approximately 4.8 million additional shares in Internet Auction Co., Ltd. (IAC) for an aggregate purchase price of approximately \$523 million. As a result, eBay increased its investment in IAC from approximately 62.2% to approximately 99.7%.

Consolidated Financial and Operating Summary

eBay reported record consolidated net revenues of \$805.9 million in Q3-04, representing a 52% year-over-year increase. On a year-over-year basis, consolidated net revenues reflected a foreign currency translation benefit in Q3-04 of approximately \$22.3 million. On a sequential basis, consolidated net revenues reflected a foreign currency translation benefit in Q3-04 of approximately \$4.5 million, primarily related to the Euro.

Gross profit was \$648.8 million, or 81% of net revenues, which was up from the 79% level reported in Q3-03.

Sales and marketing expenses totaled \$207.2 million, or 26% of net revenues, which is consistent with the percentage reported in Q3-03. While sales and marketing expenses remained consistent as a percentage of net revenues, the absolute dollars increased, primarily as a result of global increases in both on-line and off-line marketing efforts and international expansion.

Product development expenses totaled \$63.4 million, or 8% of net revenues, which was up from the 7% of net revenues reported in Q3-03. Total product development expenses in Q3-04 do not include \$10.7 million of required cost capitalization for major site and other product development efforts.

General and administrative costs totaled \$105.9 million, or 13% of net revenues, down from the 14% of net revenues reported in Q3-03. While general and administrative costs decreased as a percentage of net revenues, the absolute dollars increased, primarily as a result of increases in headcount, professional services and costs related to legal matters.

eBay Announces Q3-04 Earnings (cont.)

Income from operations totaled \$253.9 million during Q3-04, a 63% increase over the \$155.9 million reported in Q3-03. On a pro forma basis, income from operations totaled \$272.6 million, a 58% increase over the \$172.2 million reported in Q3-03. Included in both the GAAP and pro forma Q3-04 consolidated income from operations was a \$9.9 million year-over-year net benefit from changes in foreign currencies. On a sequential basis, both the GAAP and pro forma consolidated income from operations reflected a foreign currency translation benefit in Q3-04 of approximately \$2.5 million, primarily related to the Euro.

Interest and other income, net, totaled \$13.2 million in Q3-04, up from the \$7.8 million reported in Q3-03. The increase in Q3-04 was primarily the result of gains recorded in Q3-04 due to certain facility sublease amendments in Q1-04 and eBay's portion of EachNet's losses recorded in Q3-03 prior to the acquisition of the remaining interest in EachNet's common stock.

The GAAP and pro forma effective tax rate for Q3-04 was 30% and 31%, respectively, a decrease from the GAAP effective tax rate of 32% and the pro forma effective tax rate of 33% for Q3-03. The lower rates for Q3-04 compared to Q3-03 reflects an increased profit contribution from the company's international operations.

At the end of Q3-04, the company had nearly \$3.1 billion in aggregate cash and investments and more than \$7.2 billion in total assets.

The company reported \$274.8 million in operating cash flows and \$73.4 million of capital expenditures in Q3-04, resulting in free cash flows of \$201.4 million.

Business Outlook

Fiscal Year 2004

Net Revenues - eBay now expects that consolidated net revenues for 2004 could be as high as \$3.25 billion, \$65 million higher than the company's most recent guidance. From a quarterly perspective, eBay expects that consolidated net revenues will be approximately \$915 million in Q4-04, \$29 million higher than the company's most recent guidance. eBay's guidance for Q4-04 is based on an assumed weighted average exchange rate of US\$1.20 per Euro.

GAAP Diluted EPS - eBay now expects that GAAP earnings per diluted share for the full year 2004 could be as high as \$1.14, \$0.04 higher than the company's most recent guidance. From a quarterly perspective, eBay estimates that GAAP earnings per diluted share could be as high as \$0.30 in Q4-04, which is consistent with previous guidance.

Pro Forma Diluted EPS - eBay now expects that pro forma earnings per diluted share for the full year 2004 could be as high as \$1.20, \$0.03 higher than the company's most recent guidance. From a quarterly perspective, eBay estimates pro forma earnings per diluted share could be as high as \$0.32 in Q4-04, which is consistent with previous guidance.

eBay Announces Q3-04 Earnings (cont.)

Effective Tax Rate - eBay's current estimate for its 2004 effective tax rate is 30% on a GAAP basis and 31% on a pro forma basis, which is consistent with previous guidance.

Capital Expenditures - eBay expects its capital expenditures to total \$315 million for the full year 2004, which is consistent with previous guidance.

Fiscal Year 2005

Net Revenues - eBay expects that consolidated net revenues for 2005 could be as high as \$4.2 billion. From a quarterly perspective, eBay expects that consolidated net revenues could be as high as \$1.02 billion in Q1-05, \$1.01 billion in Q2-05, \$1.01 billion in Q3-05 and \$1.16 billion in Q4-05. eBay's guidance is based on an assumed 2005 quarterly weighted average exchange rate of US\$1.20 per Euro.

GAAP Diluted EPS - eBay estimates that GAAP earnings per diluted share for the full year 2005 could be as high as \$1.42. From a quarterly perspective, eBay estimates that GAAP earnings per diluted share could be as high as \$0.34 in Q1-05, \$0.33 in Q2-05, \$0.33 in Q3-05 and \$0.41 in Q4-05.

Pro Forma Diluted EPS - eBay estimates that pro forma earnings per diluted share for the full year 2005 could be as high as \$1.50. From a quarterly perspective, eBay estimates pro forma earnings per diluted share could be as high as \$0.36 in Q1-05, \$0.35 in Q2-05, \$0.35 in Q3-05 and \$0.42 in Q4-05.

Quarterly Conference Call

eBay will host a conference call to discuss third quarter results at 2 pm Pacific Daylight Time today. A live webcast of the conference call can be accessed through the Company's Investor Relations website at <http://investor.ebay.com>. In addition, an archive of the webcast can be accessed through the same link.

Non-GAAP Measures

To supplement the company's consolidated financial statements presented in accordance with GAAP, eBay uses non-GAAP measures of certain components of financial performance, including gross profit, operating income, net income, earnings per share, cash flows, and effective tax rate, which are adjusted from results based on GAAP to exclude certain expenses, gains and losses. These non-GAAP measures are provided to enhance investors' overall understanding of the company's current financial performance and the company's prospects for the future. Specifically, the company believes the non-GAAP results provide useful information to both management and investors by excluding certain expenses, gains and losses that may not be indicative of its core operating results. In addition, because eBay has historically reported certain non-GAAP results to investors, the company believes the inclusion of non-GAAP measures provides consistency in the company's financial reporting. These measures should be considered in addition to results prepared in accordance with generally accepted accounting principles, but should not be considered a substitute for, or superior to, GAAP results. Consistent with the company's historical practice, the non-GAAP measures included in this press release have been reconciled to the nearest GAAP measure.

eBay Announces Q3-04 Earnings (cont.)

About eBay

eBay is The World's Online Marketplace®. 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. Through an array of services, such as its payment solution provider PayPal, eBay is enabling global e-commerce for an ever-growing online community.

Forward-Looking Statements

This press release contains forward-looking statements relating to the future performance of eBay and its consolidated subsidiaries. Those statements involve risks and uncertainties, and the company's 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 ability to upgrade and develop its systems, infrastructure and customer service capabilities to accommodate growth at a reasonable cost; the company's ability to maintain site stability and performance on all of its sites, such as PayPal, while adding new products and features in a timely fashion; the reaction of current and prospective customers and regulators to site stability issues; the company's need to manage an increasingly large company with a broad range of businesses; the company's ability to deal with the increasingly competitive environment for online trading, including competition for its sellers from other trading sites and other means of selling, and competition for its buyers from other merchants, online and offline; the litigation, regulatory, credit card association, and other risks specific to PayPal; the company's need to manage other regulatory, tax, and litigation risks as its product offerings expand and its services are offered in more jurisdictions; the company's ability to continue to expand its model to new types of merchandise and sellers; the company's ability to continue to expand outside of the US; fluctuations in foreign exchange rates; the costs and benefits of recent and future acquisitions and other commercial transactions; and the need to manage the integration of recent and future acquisitions. The forward looking statements in this release do not include the potential impact of any acquisitions that may be completed after the date hereof.

More information about factors that could affect the company's operating results is included under the captions "Risk Factors That May Affect Results of Operations and Financial Condition" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the company's annual report on Form 10-K and quarterly reports on Form 10-Q, copies of which may be obtained by visiting the company's investor relations site at <http://investor.ebay.com>. Undue reliance should not be placed on the forward-looking statements in this release, which are based on information available to the company on the date hereof. eBay assumes no obligation to update such statements.

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eBay Inc.
Unaudited Condensed Consolidated Balance Sheet
(U.S. Dollars In Thousands)

	<u>December 31, 2003</u>	<u>September 30, 2004</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,381,513	\$ 1,435,910
Short-term investments	340,576	641,710
Accounts receivable, net	225,871	306,671
Funds receivable	79,893	156,356
Other current assets	<u>118,029</u>	<u>388,376</u>
Total current assets	2,145,882	2,929,023
Long-term investments	934,171	981,095
Restricted cash and investments	127,432	1,280
Property and equipment, net	601,785	682,022
Goodwill	1,719,311	2,296,423
Intangible assets, net	274,057	326,343
Other assets	<u>17,496</u>	<u>25,415</u>
	<u>\$ 5,820,134</u>	<u>\$ 7,241,601</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 64,633	\$ 80,014
Funds payable and amounts due to customers	106,568	252,792
Accrued expenses and other current liabilities	356,491	381,616
Deferred revenue and customer advances	28,874	43,377
Short-term obligations	2,840	124,273
Income taxes payable	<u>87,870</u>	<u>94,350</u>
Total current liabilities	647,276	976,422
Long-term obligations	124,476	443
Deferred tax liabilities	79,238	133,513
Other liabilities	33,494	36,519
Minority interests	<u>39,408</u>	<u>4,400</u>
Total liabilities	923,892	1,151,297
Total stockholders' equity	<u>4,896,242</u>	<u>6,090,304</u>
	<u>\$ 5,820,134</u>	<u>\$ 7,241,601</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2004	2003	2004
Net revenues	\$ 530,942	\$ 805,876	\$1,516,703	\$ 2,335,527
Cost of net revenues	<u>109,353</u>	<u>157,121</u>	<u>300,601</u>	<u>438,010</u>
Gross profit	<u>421,589</u>	<u>648,755</u>	<u>1,216,102</u>	<u>1,897,517</u>
Operating expenses:				
Sales and marketing	136,408	207,155	394,784	588,995
Product development	39,737	63,403	112,888	176,079
General and administrative	74,238	105,871	206,714	299,447
Patent litigation expense	—	—	29,965	—
Payroll tax on employee stock options	1,510	1,957	7,984	12,289
Amortization of acquired intangible assets	<u>13,824</u>	<u>16,456</u>	<u>37,668</u>	<u>46,188</u>
Total operating expenses	<u>265,717</u>	<u>394,842</u>	<u>790,003</u>	<u>1,122,998</u>
Income from operations	155,872	253,913	426,099	774,519
Interest and other income, net	7,806	13,163	26,419	59,105
Interest expense	(2,267)	(2,236)	(2,335)	(6,614)
Impairment of certain equity investments	<u>—</u>	<u>—</u>	<u>(230)</u>	<u>—</u>
Income before cumulative effect of accounting change, income taxes and minority interests	161,411	264,840	449,953	827,010
Provision for income taxes	(51,137)	(80,749)	(139,698)	(248,103)
Minority interests	<u>(1,611)</u>	<u>(1,742)</u>	<u>(5,533)</u>	<u>(6,063)</u>
Net income before cumulative effect of accounting change	108,663	182,349	304,722	572,844
Cumulative effect of accounting change, net of tax	<u>(5,413)</u>	<u>—</u>	<u>(5,413)</u>	<u>—</u>
Net income	<u>\$ 103,250</u>	<u>\$ 182,349</u>	<u>\$ 299,309</u>	<u>\$ 572,844</u>
Net income per basic share:				
Net income before cumulative effect of accounting change	\$ 0.17	\$ 0.28	\$ 0.48	\$ 0.87
Cumulative effect of accounting change	<u>(0.01)</u>	<u>—</u>	<u>(0.01)</u>	<u>—</u>
Net income per basic share	<u>\$ 0.16</u>	<u>\$ 0.28</u>	<u>\$ 0.47</u>	<u>\$ 0.87</u>
Net income per diluted share:				
Net income before cumulative effect of accounting change	\$ 0.17	\$ 0.27	\$ 0.47	\$ 0.84
Cumulative effect of accounting change	<u>(0.01)</u>	<u>—</u>	<u>(0.01)</u>	<u>—</u>
Net income per diluted share	<u>\$ 0.16</u>	<u>\$ 0.27</u>	<u>\$ 0.46</u>	<u>\$ 0.84</u>
Weighted average shares:				
Basic	<u>642,729</u>	<u>661,572</u>	<u>635,484</u>	<u>657,228</u>
Diluted	<u>662,231</u>	<u>684,935</u>	<u>653,325</u>	<u>680,385</u>

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

	Three Months Ended			Three Months Ended		
	September 30, 2003			September 30, 2004		
	Reported	Pro Forma Entries	Pro Forma	Reported	Pro Forma Entries	Pro Forma
Net revenues	\$ 530,942	\$ -	\$ 530,942	\$ 805,876	\$ -	\$ 805,876
Cost of net revenues	109,353	(48)	(a) 109,305	157,121	(59)	(a) 157,062
Gross profit	421,589	48	421,637	648,755	59	648,814
Operating expenses:						
Sales and marketing	136,408	(169)	(a) 136,239	207,155	(36)	(a) 207,119
Product development	39,737	(220)	(a) 39,517	63,403	(189)	(a) 63,214
General and administrative	74,238	(524)	(a) 73,714	105,871	32	(a) 105,903
Payroll tax on employee stock options	1,510	(1,510)	(b) -	1,957	(1,957)	(b) -
Amortization of acquired intangible assets	13,824	(13,824)	(c) -	16,456	(16,456)	(c) -
Total operating expenses	265,717	(16,247)	249,470	394,842	(18,606)	376,236
Income from operations	155,872	16,295	172,167	253,913	18,665	272,578
Interest and other income, net	7,806	-	7,806	13,163	813	(d) 13,976
Interest expense	(2,267)	-	(2,267)	(2,236)	-	(2,236)
Income before cumulative effect of accounting change, income taxes and minority interests	161,411	16,295	177,706	264,840	19,478	284,318
Provision for income taxes	(51,137)	(6,629)	(e) (57,766)	(80,749)	(6,850)	(e) (87,599)
Minority interests	(1,611)	-	(1,611)	(1,742)	-	(1,742)
Net income before cumulative effect of accounting change	108,663	9,666	118,329	182,349	12,628	\$ 194,977
Cumulative effect of accounting change, net of tax	(5,413)	5,413	(f) -	-	-	-
Net income	\$ 103,250	\$ 15,079	\$ 118,329	\$ 182,349	\$ 12,628	\$ 194,977
Net income per share:						
Basic	\$ 0.16		\$ 0.18	\$ 0.28		\$ 0.29
Diluted	\$ 0.16		\$ 0.18	\$ 0.27		\$ 0.28
Weighted average shares:						
Basic	642,729		642,729	661,572		661,572
Diluted	662,231		662,231	684,935		684,935
Operating margin	29%	3%	32%	32%	2%	34%

Notes:

- (a) Non-cash stock based compensation expense
- (b) Employer payroll taxes on employee non-qualified stock option gains
- (c) Amortization of acquired intangible assets
- (d) Loss on sale of certain real estate properties
- (e) Income taxes associated with certain pro forma entries
- (f) Cumulative effect of accounting changes, net of tax

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

	Nine Months Ended September 30, 2003			Nine Months Ended September 30, 2004		
	Reported	Pro Forma Entries	Pro Forma	Reported	Pro Forma Entries	Pro Forma
Net revenues	\$ 1,516,703	\$ -	\$ 1,516,703	\$ 2,335,527	\$ -	\$ 2,335,527
Cost of net revenues	300,601	(196)	300,405	438,010	(87)	437,923
Gross profit	1,216,102	196	1,216,298	1,897,517	87	1,897,604
Operating expenses:						
Sales and marketing	394,784	(867)	393,917	588,995	(125)	588,870
Product development	112,888	(1,095)	111,793	176,079	(492)	175,587
General and administrative	206,714	(2,574)	204,140	299,447	(921)	298,526
Patent litigation expense	29,965	-	29,965	-	-	-
Payroll tax on employee stock options	7,984	(7,984)	-	12,289	(12,289)	-
Amortization of acquired intangible assets	37,668	(37,668)	-	46,188	(46,188)	-
Total operating expenses	790,003	(50,188)	739,815	1,122,998	(60,015)	1,062,983
Income from operations	426,099	50,384	476,483	774,519	60,102	834,621
Interest and other income, net	26,419	(979)	25,440	59,105	(6,485)	52,620
Interest expense	(2,335)	-	(2,335)	(6,614)	-	(6,614)
Impairment of certain equity investments	(230)	230	-	-	-	-
Income before cumulative effect of accounting change, income taxes and minority interests	499,953	49,635	499,588	827,010	53,617	880,627
Provision for income taxes	(139,698)	(16,759)	(156,457)	(248,103)	(23,036)	(271,139)
Minority interests	(5,533)	-	(5,533)	(6,063)	-	(6,063)
Net income before cumulative effect of accounting change	304,722	32,876	337,598	572,844	30,581	603,425
Cumulative effect of accounting change, net of tax	(5,413)	5,413	-	-	-	-
Net income	\$ 299,309	\$ 38,289	\$ 337,598	\$ 572,844	\$ 30,581	\$ 603,425
Net income per share:						
Basic	\$ 0.47		\$ 0.53	\$ 0.87		\$ 0.92
Diluted	\$ 0.46		\$ 0.52	\$ 0.84		\$ 0.89
Weighted average shares:						
Basic	635,484		635,484	657,228		657,228
Diluted	653,325		653,325	680,385		680,385
Operating margin	28%	3%	31%	33%	3%	36%

Notes:

- (a) Non-cash stock based compensation expense
- (b) Employer payroll taxes on employee non-qualified stock option gains
- (c) Amortization of acquired intangible assets
- (d) Gain on sale of certain real estate properties and recovery of fully reserved receivables
- (e) Gain on sale of equity investment and loss on sale of certain real estate properties
- (f) Income taxes associated with certain pro forma entries
- (g) Cumulative effect of accounting changes, net of tax

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2004	2003	2004
Cash flows from operating activities:				
Net income	\$ 103,250	\$ 182,349	\$ 299,309	\$ 572,844
Adjustments:				
Cumulative effect of accounting change	5,413	—	5,413	—
Provision for doubtful accounts and authorized credits	12,331	19,693	31,964	57,994
Provision for transaction losses	6,818	10,342	24,891	32,692
Depreciation and amortization	43,358	65,722	113,885	180,841
Amortization of unearned stock-based compensation	961	252	4,732	1,626
Tax benefit on the exercise of employee stock options	42,710	24,618	105,647	184,455
Impairment of certain equity investments	—	—	230	—
Minority interests	(175)	1,732	3,982	6,053
Changes in assets and liabilities, net of acquisition effects:				
Accounts receivable	(15,574)	(84,150)	(70,650)	(137,867)
Funds receivable	(1,596)	(13,345)	(43,645)	(75,214)
Other current assets	(12,176)	(35,643)	(9,298)	(148,454)
Other non-current assets	(1,821)	(1,100)	(6,424)	(3,925)
Deferred tax liabilities, net	13,457	54,015	12,598	35,734
Accounts payable	(10,680)	3,190	6,553	4,968
Funds payable and amounts due to customers	9,878	18,717	59,674	149,208
Accrued expenses and other liabilities	18,383	32,150	49,724	23,017
Deferred revenue and customer advances	3,631	3,883	6,238	13,602
Income taxes payable	(10,155)	(7,662)	11,878	6,534
Net cash provided by operating activities	<u>208,013</u>	<u>274,763</u>	<u>606,701</u>	<u>904,108</u>
Cash flows from investing activities:				
Purchases of property and equipment, net	(39,629)	(73,385)	(269,616)	(209,950)
Purchases of investments	(618,503)	(52,637)	(1,481,047)	(1,262,174)
Maturities and sales of investments	642,624	158,293	1,131,998	911,173
Purchases of intangibles and other non-current assets	—	(4,809)	—	(7,257)
Acquisitions, net of cash acquired	(102,772)	(531,191)	(107,161)	(703,706)
Net cash used in investing activities	<u>(118,280)</u>	<u>(503,729)</u>	<u>(725,826)</u>	<u>(1,271,914)</u>
Cash flows from financing activities:				
Proceeds from issuance of common stock, net	97,216	73,948	570,189	429,242
Principal payments on long-term obligations	(929)	(444)	(1,727)	(2,599)
Net cash provided by financing activities	<u>96,287</u>	<u>73,504</u>	<u>568,462</u>	<u>426,643</u>
Effect of exchange rate changes on cash and cash equivalents	<u>6,298</u>	<u>2,659</u>	<u>25,225</u>	<u>(4,440)</u>
Net increase (decrease) in cash and cash equivalents	192,318	(152,803)	474,562	54,397
Cash and cash equivalents at beginning of period	<u>1,391,557</u>	<u>1,588,713</u>	<u>1,109,313</u>	<u>1,381,513</u>
Cash and cash equivalents at end of period	<u>\$ 1,583,875</u>	<u>\$ 1,435,910</u>	<u>\$ 1,583,875</u>	<u>\$ 1,435,910</u>
Net cash provided by operating activities	\$ 208,013	\$ 274,763	\$ 606,701	\$ 904,108
Less: Purchases of property and equipment, net	<u>(39,629)</u>	<u>(73,385)</u>	<u>(269,616)</u>	<u>(209,950)</u>
Free cash flow	<u>\$ 168,384</u>	<u>\$ 201,378</u>	<u>\$ 337,085</u>	<u>\$ 694,158</u>

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

Net Revenues by Type

	September 30, 2003	December 31, 2003	March 31, 2004	June 30, 2004	September 30, 2004
Transaction					
U.S.	\$256,076	\$291,578	\$326,217	\$319,119	\$330,643
<i>Current quarter vs prior quarter</i>	6%	14%	12%	(2%)	4%
<i>Current quarter vs prior year quarter</i>	41%	38%	39%	32%	29%
International	154,715	210,500	257,090	273,740	282,294
<i>Current quarter vs prior quarter</i>	0%	36%	22%	6%	3%
<i>Current quarter vs prior year quarter</i>	105%	96%	87%	76%	82%
Payments	106,350	130,561	155,513	158,815	166,282
<i>Current quarter vs prior quarter</i>	7%	23%	19%	2%	5%
<i>Current quarter vs prior year quarter</i>	1645%	68%	67%	60%	56%
Total transaction	517,141	632,639	738,820	751,674	779,219
<i>Current quarter vs prior quarter</i>	4%	22%	17%	2%	4%
<i>Current quarter vs prior year quarter</i>	96%	60%	59%	51%	51%
Advertising and other non-transaction revenues					
U.S.	10,012	11,540	12,353	15,361	16,700
<i>Current quarter vs prior quarter</i>	14%	15%	7%	24%	9%
<i>Current quarter vs prior year quarter</i>	(59%)	(16%)	63%	75%	67%
International	1,760	2,261	2,400	3,705	4,222
<i>Current quarter vs prior quarter</i>	23%	28%	6%	54%	14%
<i>Current quarter vs prior year quarter</i>	96%	32%	83%	159%	140%
Payments	2,029	1,953	2,666	2,672	5,735
<i>Current quarter vs prior quarter</i>	(6%)	(4%)	37%	0%	115%
<i>Current quarter vs prior year quarter</i>	N/A	(5%)	32%	24%	183%
Total advertising and other non-transaction revenues	13,801	15,754	17,419	21,738	26,657
<i>Current quarter vs prior quarter</i>	12%	14%	11%	25%	23%
<i>Current quarter vs prior year quarter</i>	(45%)	(10%)	59%	76%	93%
Total net revenues	\$530,942	\$648,393	\$756,239	\$773,412	\$805,876
<i>Current quarter vs prior quarter</i>	4%	22%	17%	2%	4%
<i>Current quarter vs prior year quarter</i>	84%	57%	59%	52%	52%

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

Net Revenues by Segment

	September 30, 2003	December 31, 2003	March 31, 2004	June 30, 2004	September 30, 2004
U.S.	\$266,088	\$303,118	\$338,570	\$334,481	\$347,343
<i>Current quarter vs prior quarter</i>	6%	14%	12%	(1%)	4%
<i>Current quarter vs prior year quarter</i>	29%	35%	40%	33%	31%
International	156,475	212,761	259,490	277,444	286,516
<i>Current quarter vs prior quarter</i>	0%	36%	22%	7%	3%
<i>Current quarter vs prior year quarter</i>	105%	95%	87%	77%	83%
Payments	108,379	132,514	158,179	161,487	172,017
<i>Current quarter vs prior quarter</i>	7%	22%	19%	2%	7%
<i>Current quarter vs prior year quarter</i>	1678%	66%	66%	59%	59%
Total net revenues	\$530,942	\$648,393	\$756,239	\$773,412	\$805,876
<i>Current quarter vs prior quarter</i>	4%	22%	17%	2%	4%
<i>Current quarter vs prior year quarter</i>	84%	57%	59%	52%	52%

Net Revenues by Geography

	September 30, 2003	December 31, 2003	March 31, 2004	June 30, 2004	September 30, 2004
U.S. net revenues	\$351,187	\$404,833	\$455,355	\$449,571	\$467,545
<i>Current quarter vs prior quarter</i>	6%	15%	12%	(1%)	4%
<i>Current quarter vs prior year quarter</i>	65%	39%	43%	36%	33%
<i>% of total</i>	66%	62%	60%	58%	58%
International net revenues	179,755	243,560	300,884	323,841	338,331
<i>Current quarter vs prior quarter</i>	1%	35%	24%	8%	4%
<i>Current quarter vs prior year quarter</i>	136%	97%	91%	82%	88%
<i>% of total</i>	34%	38%	40%	42%	42%
Total net revenues	\$530,942	\$648,393	\$756,239	\$773,412	\$805,876
<i>Current quarter vs prior quarter</i>	4%	22%	17%	2%	4%
<i>Current quarter vs prior year quarter</i>	84%	57%	59%	52%	52%

eBay Inc.
eBay Unaudited Supplemental Operating Data
(In Millions, Except Percentages)

	September 30, 2003	December 31, 2003	March 31, 2004	June 30, 2004	September 30, 2004
Confirmed Registered Users (1)	85.5	94.9	104.8	114.0	125.0
<i>Current quarter vs prior quarter</i>	14%	11%	10%	9%	10%
<i>Current quarter vs prior year quarter</i>	56%	54%	52%	51%	46%
Active Users (2)	37.4	41.2	45.1	48.0	51.7
<i>Current quarter vs prior quarter</i>	10%	10%	9%	6%	8%
<i>Current quarter vs prior year quarter</i>	55%	49%	45%	41%	38%
Number of Listings (3)	234.6	291.7	327.7	332.3	348.0
<i>Current quarter vs prior quarter</i>	4%	24%	12%	1%	5%
<i>Current quarter vs prior year quarter</i>	47%	49%	49%	48%	48%
Gross Merchandise Volume (4)	\$5,775	\$7,052	\$8,039	\$8,012	\$8,307
<i>Current quarter vs prior quarter</i>	2%	22%	14%	0%	4%
<i>Current quarter vs prior year quarter</i>	53%	53%	51%	42%	44%

Our classified vehicle advertising platform in Germany, mobile.de, is not included in these metrics

- (1) Cumulative total of all users who have completed their registration process on one of eBay's trading platforms.
- (2) All users, excluding users of Baazee.com, EachNet, Half.com, Internet Auction, and mobile.de, who bid on, bought, listed, or sold an item within the previous 12-month period.
- (3) All listings on eBay's trading platforms during the quarter, regardless of whether the listing subsequently closed successfully.
- (4) Total value of all successfully closed listings between users on eBay's trading platforms during the quarter, regardless of whether the buyer and seller actually consummated the transaction.

eBay Inc.
PayPal Unaudited Supplemental Operating Data
(In Millions, except percentages)

	September 30, 2003	December 31, 2003	March 31, 2004	June 30, 2004	September 30, 2004
Revenue					
Transaction	\$106.4	\$130.6	\$155.5	\$158.8	\$166.3
<i>Current quarter vs prior quarter</i>	7%	23%	19%	2%	5%
<i>Current quarter vs prior year quarter</i>	83%	80%	69%	60%	56%
Non- transaction	\$2.0	\$2.0	\$2.7	\$2.7	\$5.7
<i>Current quarter vs prior quarter</i>	(5%)	0%	37%	0%	115%
<i>Current quarter vs prior year quarter</i>	67%	(5%)	32%	24%	183%
Total revenues	\$108.4	\$132.6	\$158.2	\$161.5	\$172.0
Percent of revenue which is international	21.4%	23.2%	26.2%	28.7%	30.1%
Metrics					
Total accounts (1)	35.2	40.3	45.6	50.4	56.7
<i>Current quarter vs prior quarter</i>	13%	14%	13%	11%	13%
<i>Current quarter vs prior year quarter</i>	79%	73%	67%	62%	61%
Active accounts (2)	11.2	13.2	14.5	15.5	17.4
Total number of payments (3)	57.4	68.2	79.2	77.7	83.4
<i>Current quarter vs prior quarter</i>	7%	19%	16%	(2%)	7%
<i>Current quarter vs prior year quarter</i>	83%	74%	57%	45%	45%
Total payment volume (4)	\$3,044	\$3,711	\$4,321	\$4,350	\$4,637
<i>Current quarter vs prior quarter</i>	7%	22%	16%	1%	7%
<i>Current quarter vs prior year quarter</i>	70%	74%	64%	53%	52%
Auction as % of total payment volume	67%	69%	70%	69%	70%
Transaction rates					
Transaction revenue rate	3.49%	3.52%	3.60%	3.64%	3.59%
Transaction processing expense rate	1.25%	1.23%	1.25%	1.34%	1.30%
Transaction loss rate	0.22%	0.31%	0.27%	0.25%	0.22%

- (1) Cumulative total of all personal, premier, or business accounts opened, excluding accounts that have been closed or locked.
- (2) All accounts that sent or received at least one payment through the PayPal system during the quarter.
- (3) Total number of payments initiated through the PayPal system during the quarter, regardless of whether the payment was actually sent successfully, or was reversed, rejected, or pending at the end of the quarter.
- (4) Total dollar volume of payments initiated through the PayPal system during the quarter, regardless of whether the payment was actually sent successfully, or was reversed, rejected, or was pending at the end of the quarter.

eBay Inc.
Guidance Summary
(In Millions, Except Per Share Amounts And Percentages)

The guidance figures provided below and elsewhere in this press release are approximate in nature because eBay's future performance is difficult to predict. Such guidance is based on information available on the date hereof, and eBay assumes no obligation to update it.

eBay's future performance involves risks and uncertainties, and the company's actual results could differ materially from such guidance. Some of the factors that could affect the company's operating results are set forth under the caption "Forward-Looking Statements" above in this press release. More information about factors that could affect eBay's operating results is included under the captions "Risk Factors That May Affect Results of Operations and Financial Condition" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in its most recent annual report on Form 10-K and quarterly reports on Form 10-Q, copies of which may be obtained by visiting the company's investor relations site at <http://investor.ebay.com>.

Three months ending December 31, 2004			
	GAAP	Adjustments	Pro Forma (a)
Net revenue	\$ 915	—	\$ 915
Diluted EPS	\$ 0.30	\$ 0.02 (b)	\$ 0.32

Three months ending March 31, 2005			
	GAAP	Adjustments	Pro Forma (a)
Net revenue	\$ 1,020	—	\$ 1,020
Diluted EPS	\$ 0.34	\$ 0.02 (b)	\$ 0.36

Three months ending June 30, 2005			
	GAAP	Adjustments	Pro Forma (a)
Net revenue	\$ 1,010	—	\$ 1,010
Diluted EPS	\$ 0.33	\$ 0.02 (b)	\$ 0.35

Three months ending September 30, 2005			
	GAAP	Adjustments	Pro Forma (a)
Net revenue	\$ 1,010	—	\$ 1,010
Diluted EPS	\$ 0.33	\$ 0.02 (b)	\$ 0.35

Three months ending December 31, 2005			
	GAAP	Adjustments	Pro Forma (a)
Net revenue	\$ 1,160	—	\$ 1,160
Diluted EPS	\$ 0.41	\$ 0.01 (b)	\$ 0.42

Year ending December 31, 2005			
	GAAP	Adjustments	Pro Forma (a)
Net revenue	\$ 4,200	—	\$ 4,200
Operating Margin	35%	0% (a)	35%
Diluted EPS*	\$ 1.42	\$ 0.08 (b)	\$ 1.50

* Please note that the sum of the quarters may not total to the full year EPS because the quarterly EPS is calculated using the respective results and weighted average shares for each quarter, and the full year EPS is calculated using the results and weighted average shares for the full year.

- (a) Pro forma guidance reflects estimated quarterly adjustments for amortization of acquired intangible assets of approximately \$18 million, payroll taxes on employee stock options of approximately \$4 million, stock based compensation of approximately \$3 - 4 million and other adjustments estimated to result in an operating margin adjustment of 2 - 3% for each of the quarters in the year ending December 31, 2005.
- (b) Net of tax, the above pro forma items are estimated to result in a \$0.01 - 0.02 per diluted share adjustment for each of the quarters in the year ending December 31, 2005.