



## **eBay Announces Fourth Quarter and Year End 2001 Financial Results**

### **Record Quarterly Net Revenues of \$219.4 Million**

### **Record Pro Forma EPS of \$0.14**

SAN JOSE, Calif. Jan. 15, 2002 - eBay Inc. (Nasdaq:EBAY)(www.ebay.com), the world's online marketplace, reported financial results for its fourth quarter and fiscal year ended December 31, 2001.

Consolidated net revenues for the quarter ended December 31, 2001, totaled a record \$219.4 million, representing a 64% increase over the \$134.0 million generated in the same period last year. Consolidated net income for the quarter was \$25.9 million, or \$0.09 per diluted share. eBay's pro forma consolidated net income, excluding certain charges, was a record \$38.5 million, or \$0.14 per diluted share.

For the full year, eBay generated consolidated net revenues of \$748.8 million, representing 74% annual growth. Consolidated net income for the year was \$90.4 million, or \$0.32 per diluted share. On a pro forma basis, excluding certain charges, eBay reported consolidated net income of \$137.5 million, or \$0.49 per diluted share. This represents 135% year-over-year growth in pro forma net income as compared to the \$58.6 million reported in 2000, and 133% growth in pro forma earnings per share as compared to \$0.21 in 2000.

"Our fourth quarter results capped off an outstanding year," said Meg Whitman, President and CEO of eBay. "We have excellent momentum going into 2002 and feel confident with our long-term strategy, ongoing execution and the inherent strength of our business model."

Based on the momentum in the business, eBay now believes that revenues for the first half of 2002 could be approximately \$490 to \$510 million. The company also continues to believe that pro forma earnings per share over the same period could range between \$0.32 to \$0.33 per diluted share.

#### **Key Financial and Operating Metrics**

**Online Net Revenues** -- eBay reported record online net revenues of \$211.6 million, representing 72% year-over-year growth from the \$123.1 million reported in Q4-00.

**Gross Profit** -- eBay reported record gross profit totaling \$179.4 million or 82% of net revenues during the quarter, which is consistent with the 82% gross profit reported in Q4-00.

**Pro Forma Operating Income** -- eBay reported record pro forma operating income, which excludes certain charges, totaling \$55.4 million, or 25% of net revenues. This represents a 95% increase over Q4-00 pro forma operating income of \$28.4 million, or 21% of Q4-00 net revenues.

**Pro Forma Net Income** -- eBay reported record pro forma net income, which excludes certain charges, totaling \$38.5 million, or \$0.14 per diluted share. This earnings level represents a 54% increase over Q4-00 pro forma net income of \$25.0 million.

**Operating and Free Cash Flows** -- For the quarter, eBay reported \$83.7 million in operating cash flows, 143% higher than the \$34.5 million reported in Q4-00. Free cash flows for Q4-01 were \$69.9 million, 234% higher than the \$20.9 million reported in Q4-00. For the full year 2001, eBay generated a record \$252.1 million in operating cash flows, representing 152% growth versus operating cash flows of \$100.1 million in 2000. For the full year 2001, free cash flows grew to \$194.7 million, 286% higher than the \$50.4 million reported in 2000.

**Gross Merchandise Sales** -- eBay users transacted a record \$2.735 billion in gross merchandise sales during the fourth quarter, representing a 69% year-over-year increase from the \$1.616 billion reported in Q4-00.

**Listings** -- eBay hosted a record 126.5 million listings during the quarter, representing 59% year-over-year growth.

**Registered Users** -- eBay added a record 4.8 million users, to end Q4-01 with 42.4 million confirmed registered users. This level represents an 88% increase over the 22.5 million users reported at the end of Q4-00.

#### **Key Execution Highlights**

## Holiday Highlights

According to Jupiter Media Metrix, eBay was the No. 1 online holiday shopping destination, with nearly 5 million unique daily visitors during the peak December shopping season.

Average auction duration on eBay.com decreased almost 10% versus December 2000, as a result of increased adoption of eBay's Buy It Now feature, which was offered as an option on 45% of eBay.com listings during the month of December.

## Geographic Expansion

On a fully allocated basis, eBay's international business achieved operating profitability for the first time in Q4-01, ahead of expectations.

Net revenues from international operations contributed 18% of Q4-01 consolidated net revenues, up from 16% in Q3-01, highlighted by 51% sequential net revenue growth in Germany, 26% sequential net revenue growth in Canada, and 25% sequential net revenue growth in the U.K.

In the U.S. business, online revenues excluding advertising grew 10% sequentially, representing an acceleration from the quarter-over-quarter growth rate in Q3-01. Including advertising, online revenues in the U.S. were up 11% sequentially, which also represents an acceleration versus the quarter-over-quarter growth rate in Q3-01.

The company successfully integrated the former iBazar Spain site into eBay's global technology platform on January 8, 2002, following the integrations of the French, Italian and Dutch sites. With the changeover of the Belgian site, eBay expects to complete the iBazar integration process by the end of Q1-02.

## Category and Pricing Format Development

The company achieved strong quarter-over-quarter growth in gross merchandise sales across virtually all meta-level categories. The largest categories in Q4-01 were eBay Motors, computers, consumer electronics, collectibles, books/movies/music, sports and toys.

eBay's fixed price initiatives, Buy It Now, Half.com and eBay Stores, contributed more than 19% of total gross merchandise sales in Q4-01, up sequentially from 16% in Q3-01.

Gross merchandise sales processed using eBay Payments by Billpoint increased 14% sequentially and 263% year-over-year.

Revenues from third party advertisers represented approximately 13% of net revenues, roughly the same percentage as in Q3-01.

## Technology Infrastructure

eBay achieved 99.9% site availability for the second consecutive quarter. At the same time, eBay supported 300 million page views per day, 20% more than in Q3, and sent out more than 1.5 giga-bits of data per second, a 25% sequential increase.

The company successfully implemented the first components of V3, eBay's next generation technology platform.

## Community Development

eBay's "Auction for America" successfully raised \$10 million to help the victims, their families and the communities affected by the terrorist attacks of September 11. The fundraising tool created for "Auction for America" will become a permanent feature for charities using eBay.

## Financial and Operating Summary

For the fourth quarter, the company reported net revenues of \$219.4 million, representing a 64% year-over-year increase. The sequential increase was driven largely by better-than-expected holiday sales in the U.S. online business, strong international growth, solid contributions from eBay Motors and eBay Payments by Billpoint, and continued success in the development of third party advertising revenues. Net revenues from eBay's offline segment contributed \$7.8 million in Q4-01 net revenues, as compared to the \$10.9 million reported in Q4-00.

Gross profit as a percentage of net revenues held steady with the prior quarter at 82%.

Sales and marketing expenses totaled \$71.6 million, or 33% of net revenues, which compares favorably to the 34% of net revenues reported in Q3-01 and the 37% reported in Q4-00. The sequential dollar increase of approximately \$5.3 million resulted primarily from increases in online and offline marketing campaigns, iBazar integration and staff additions to our

category and business development teams.

Product development costs totaled \$21.7 million, or approximately 10% of net revenues in Q4-01, consistent with Q3-01, and down from 11% of net revenues in Q4-00. The sequential dollar increase of approximately \$1.5 million resulted primarily from site feature and functionality improvements, iBazar integration and V3 architecture development.

General and administrative costs totaled \$31.2 million, or about 14% of net revenues, compared with 14% in Q3-01 and 14% in Q4-00. The sequential dollar increase of approximately \$3.6 million resulted principally from costs associated with international expansion, legal expenses and general infrastructure growth.

Net interest and other income totaled \$6.5 million in Q4-01, down from the \$11.6 million reported in Q4-00, reflecting the lower interest rate environment.

eBay recorded a consolidated tax provision of \$24.0 million, representing a 48% effective tax rate on Q4-01 consolidated pre-tax income. The effective rate includes the impact of non-deductible goodwill amortization and losses in certain international jurisdictions. On a pro forma basis, excluding certain charges, the consolidated effective tax rate remained consistent with the prior quarter at 40%.

eBay's balance sheet remains very strong as the company ended the quarter with consolidated assets approaching \$1.7 billion, including \$1.1 billion in aggregate cash and investments.

For the quarter, eBay reported \$83.7 million in operating cash flows, 143% higher than the \$34.5 million reported in Q4-00. \$27.9 million of this amount is attributable to tax benefits on certain stock option exercises. Free cash flows for Q4-01 were \$69.9 million, 234% higher than the \$20.9 million reported in Q4-00. For the full year 2001, eBay generated a record \$252.1 million in operating cash flows, representing 152% growth versus operating cash flows of \$100.1 million in 2000. Of the \$252.1 million in operating cash flows, \$81.7 million is attributable to tax benefits on certain stock option exercises. For the full year 2001, free cash flows grew to \$194.7 million, 286% higher than the \$50.4 million reported in 2000.

## Business Outlook

Based on the momentum in the business, eBay now believes that revenues for the first half of 2002 could be approximately \$490 to \$510 million. Further, eBay expects that Q1-02 net revenue growth will be driven primarily by transactions, both in the U.S. and in international markets. Given the difficult environment for online advertising, the company believes that advertising revenues as a percentage of net revenues will be down in Q1-02.

eBay continues to execute on a strategy that balances increasing bottom-line returns with investments in future growth. Near-term investments include international development and selective expansion, broadening and deepening category offerings, development of fixed price formats and other merchandising options, improving the user experience, ongoing development of eBay's next generation architecture, and attracting new buyers and sellers to the eBay platform while building loyalty with eBay's existing community of users.

As a result of its higher net revenue outlook, eBay believes that these incremental investments can be made while delivering improved sequential bottom line profitability. Accordingly, eBay continues to believe pro forma earnings per share for the first half of 2002 could range between \$0.32 and \$0.33 per diluted share.

## 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 continue to expand its model to new types of merchandise and sellers and 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, 2000, and the company's Quarterly Reports on Form 10-Q for the periods ended March 31, 2001, June 30, 2001 and September 30, 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	December 31, 2001
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 201,873	\$ 523,969
Short-term investments	354,166	199,450
Accounts receivable, net	67,163	101,703
Other current assets	52,262	58,683
	-----	-----
Total current assets	675,464	883,805
Long-term investments	218,197	286,998
Restricted cash and investments	126,390	129,614
Property and equipment, net	125,161	142,349
Intangible assets, net	13,063	198,639
Deferred tax asset	13,892	21,540
Other assets	10,236	15,584
	-----	-----
	\$ 1,182,403	\$ 1,678,529
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 31,725	\$ 33,235
Accrued expenses and other current liabilities	66,697	94,593
Deferred revenue and customer advances	12,656	15,583
Short-term debt	15,272	16,111
Income taxes payable	11,092	20,617
	-----	-----
Total current liabilities	137,442	180,139
Long term debt	11,404	12,008
Other liabilities	6,549	19,493
Minority interests	13,248	37,751
	-----	-----
Total liabilities	168,643	249,391
Total stockholders' equity	1,013,760	1,429,138
	-----	-----
	\$ 1,182,403	\$ 1,678,529

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eBAY INC.

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CONDENSED CONSOLIDATED STATEMENT OF INCOME  
(in thousands, except per share amounts; unaudited)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2000	2001	2000	2001
Net revenues	\$ 134,008	\$ 219,401	\$ 431,424	\$ 748,821
Cost of net revenues	23,954	39,989	95,453	134,816
Gross profit	110,054	179,412	335,971	614,005
Operating expenses:				
Sales and marketing	49,039	71,554	166,767	253,474
Product development	14,142	21,723	55,863	75,288
General and administrative	19,003	31,246	74,577	105,784
Payroll expense on employee stock options	585	881	2,337	2,442
Amortization of acquired intangible assets	554	12,390	1,433	36,591
Total operating expenses	83,323	137,794	300,977	473,579
Income from operations	26,731	41,618	34,994	140,426
Interest and other income (expense), net	12,114	7,186	46,337	41,613
Interest expense	(538)	(722)	(3,374)	(2,851)
Impairment of certain equity investments	--	--	--	(16,245)
Income before income taxes and minority interests	38,307	48,082	77,957	162,943
Provision for income taxes	(15,910)	(24,038)	(32,725)	(80,009)
Minority interests in consolidated companies	1,468	1,891	3,062	7,514
Net income	\$ 23,865	\$ 25,935	\$ 48,294	\$ 90,448
Net income per share:				
Basic	\$ 0.09	\$ 0.09	\$ 0.19	\$ 0.34
Diluted	\$ 0.09	\$ 0.09	\$ 0.17	\$ 0.32
Weighted average shares:				
Basic	259,789	274,599	251,776	268,971

Diluted	279,822	283,564	280,346	280,595
	=====	=====	=====	=====

eBAY INC.

SUPPLEMENTAL PRO FORMA FINANCIAL INFORMATION  
CONDENSED CONSOLIDATED STATEMENT 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  
December 31, 2001

	Reported	Pro Forma Entries	Pro Forma
	-----	-----	-----
Net Revenues	\$ 134,008	\$ --	\$ 134,008
Cost of net revenues	23,954	(10)(a)	23,944
	-----	-----	-----
Gross profit	110,054	10	110,064
	-----	-----	-----
Operating expenses:			
Sales and marketing	49,039	(63)(a)	48,976
Product development	14,142	(170)(a)	13,972
General and administrative	19,003	(297)(a,d)	18,706
Payroll expense on employee stock options	585	(585)(b)	--
Amortization of acquired intangible assets	554	(554)(c)	--
	-----	-----	-----
Total operating expenses	83,323	(1,669)	81,654
	-----	-----	-----
Income from operations	26,731	1,679	28,410
Interest and other income (expense), net	12,114	--	12,114
Interest expense	(538)	--	(538)
Impairment of certain equity investments	--	--	--
	-----	-----	-----
Income before income taxes and minority			

interests	38,307	1,679	39,986
Provision for income taxes	(15,910)	(503)(e)	(16,413)
Minority interests in consolidated companies	1,468	--	1,468
	-----		-----
Net income	\$ 23,865	\$ 1,176	\$ 25,041
	=====		=====

Net income per share:

Basic	\$ 0.09		\$ 0.10
	=====		=====
Diluted	\$ 0.09		\$ 0.09
	=====		=====

Weighted average shares:

Basic	259,789		259,789
	=====		=====
Diluted	279,822		279,822
	=====		=====

Three Months Ended  
December 31, 2001

	Reported	Pro Forma Entries	Pro Forma
	-----		-----
Net Revenues	\$ 219,401		\$ 219,401
Cost of net revenues	39,989	(19)(a)	39,970
	-----		-----
Gross profit	179,412	19	179,431
	-----		-----
Operating expenses:			
Sales and marketing	71,554	(47)(a)	71,507
Product development	21,723	(96)(a)	21,627
General and administrative	31,246	(364)(a)	30,882
Payroll expense on employee stock options	881	(881)(b)	--
Amortization of acquired intangible assets	12,390	(12,390)(c)	--
	-----		-----
Total operating expenses	137,794	(13,778)	124,016
	-----		-----
Income from operations	41,618	13,797	55,415
Interest and other income (expense), net	7,186	--	7,186
Interest expense	(722)	--	(722)
Impairment of			

certain equity investments	--	--	--
	-----	-----	-----
Income before income taxes and minority interests	48,082	13,797	61,879
Provision for income taxes	(24,038)	(1,259)(e)	(25,297)
Minority interests in consolidated companies	1,891	--	1,891
	-----	-----	-----
Net income	\$ 25,935	\$ 12,538	\$ 38,473
	=====	=====	=====
Net income per share:			
Basic	\$ 0.09		\$ 0.14
	=====		=====
Diluted	\$ 0.09		\$ 0.14
	=====		=====
Weighted average shares:			
Basic	274,599		274,599
	=====		=====
Diluted	283,564		283,564
	=====		=====

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.

eBAY INC.

SUPPLEMENTAL PRO FORMA FINANCIAL INFORMATION  
CONDENSED CONSOLIDATED STATEMENT 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.

Twelve Months Ended  
December 31, 2000

	Reported	Pro Forma Entries	Pro Forma
	-----	-----	-----
Net revenues	\$ 431,424	\$ --	\$ 431,424

Cost of net revenues	95,453	(82)(a)	95,371
	-----		-----
Gross profit	335,971	82	336,053
	-----		-----
Operating expenses:			
Sales and marketing	166,767	(762)(a)	166,005
Product development	55,863	(4,160)(a)	51,703
General and administrative	74,577	(3,687)(a,d)	70,890
Payroll expense on employee stock options	2,337	(2,337)(b)	--
Amortization of acquired intangible assets	1,433	(1,433)(c)	--
	-----		-----
Total operating expenses	300,977	(12,379)	288,598
	-----		-----
Income from operations	34,994	12,461	47,455
Interest and other income (expense), net	46,337	--	46,337
Interest expense	(3,374)	--	(3,374)
Impairment of certain equity investments	--	--	--
	-----		-----
Income before income taxes and minority interests	77,957	12,461	90,418
Provision for income taxes	(32,725)	(2,191)(e)	(34,916)
Minority interests in consolidated companies	3,062	--	3,062
	-----		-----
Net income	\$ 48,294	\$10,270	\$ 58,564
	=====		=====
Net income per share:			
Basic	\$ 0.19		\$ 0.23
	=====		=====
Diluted	\$ 0.17		\$ 0.21
	=====		=====
Weighted average shares:			
Basic	251,776		251,776
	=====		=====
Diluted	280,346		280,346
	=====		=====

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.

Twelve Months Ended  
December 31, 2001

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Pro Forma

	Reported	Entries	Pro Forma
	-----	-----	-----
Net revenues	\$ 748,821	\$ --	\$ 748,821
Cost of net revenues	134,816	(53)(a)	134,763
	-----	-----	-----
Gross profit	614,005	53	614,058
	-----	-----	-----
Operating expenses:			
Sales and marketing	253,474	(208)(a)	253,266
Product development	75,288	(452)(a)	74,836
General and administrative	105,784	(1,292)(a)	104,492
Payroll expense on employee stock options	2,442	(2,442)(b)	--
Amortization of acquired intangible assets	36,591	(36,591)(c)	--
	-----	-----	-----
Total operating expenses	473,579	(40,985)	432,594
	-----	-----	-----
Income from operations	140,426	41,038	181,464
Interest and other income (expense), net	41,613	--	41,613
Interest expense	(2,851)	--	(2,851)
Impairment of certain equity investments	(16,245)	16,245(f)	--
	-----	-----	-----
Income before income taxes and minority interests	162,943	57,283	220,226
Provision for income taxes	(80,009)	(10,278)(e)	(90,287)
Minority interests in consolidated companies	7,514	--	7,514
	-----	-----	-----
Net income	\$ 90,448	\$47,005	\$ 137,453
	=====	=====	=====
Net income per share:			
Basic	\$ 0.34		\$ 0.51
	=====		=====
Diluted	\$ 0.32		\$ 0.49
	=====		=====
Weighted average shares:			
Basic	268,971		268,971
	=====		=====
Diluted	280,595		280,595
	=====		=====

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.

eBAY INC.

SUPPLEMENTAL PRO FORMA FINANCIAL INFORMATION  
 CONDENSED CONSOLIDATED STATEMENT OF INCOME  
 (in thousands, except per share amounts; unaudited)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2000	2001	2000	2001
Cash flows from operating activities:				
Net income	\$ 23,865	\$ 25,935	\$ 48,294	\$ 90,448
Adjustments:				
Provision for doubtful accounts and authorized credits	5,371	6,413	18,237	25,243
Depreciation and amortization	10,843	26,725	38,050	86,641
Amortization of unearned stock-based compensation	357	907	7,141	3,091
Tax benefit on the exercise of employee stock options	16,540	27,883	37,483	81,705
Impairment of certain equity investments	--	--	--	16,245
Minority interests and other	(669)	(2,440)	(1,475)	(10,170)
Changes in assets and liabilities:				
Accounts receivable	(23,644)	(10,541)	(48,862)	(50,221)
Other current assets	(7,786)	9,718	(20,530)	11,607
Intangible and other assets	(8,942)	427	(11,992)	(4,787)
Deferred tax assets	(3,005)	(13,449)	(8,253)	(11,408)
Accounts payable	12,929	2,602	(408)	(4,087)
Accrued expenses and other liabilities	(352)	(220)	31,167	6,790
Deferred revenue and customer advances	5,832	80	6,659	1,516
Income taxes payable	3,126	9,643	4,637	9,499
Net cash provided by operating activities	34,465	83,683	100,148	252,112
Cash flows from investing activities:				
Purchases of property and equipment	(13,529)	(13,743)	(49,753)	(57,420)
Purchases of investments	(15,918)	(252,193)	(398,998)	(602,485)
Maturities and sales of investments	63,602	216,558	248,547	738,989
Purchases of other non-current assets	(5,850)	332	(5,850)	(1,733)

Proceeds from sale of property and equipment	--	--	--	4,560
Acquisitions, net of cash acquired	--	--	--	(111,730)
	-----		-----	
Net cash provided by (used in) investing activities	28,305	(49,046)	(206,054)	(29,819)
	-----		-----	
Cash flows from financing activities:				
Proceeds from issuance of common stock, net	6,158	66,522	45,373	123,391
Proceeds from issuance of common stock by subsidiaries	--	--	37,736	--
Principal payments on long-term debt	3,375	(47)	2,869	(21,886)
	-----		-----	
Net cash provided by financing activities	9,533	66,475	85,978	101,505
	-----		-----	
Effect of exchange rate changes on cash and cash equivalents	(988)	(872)	--	(1,702)
	-----		-----	
Net increase (decrease) in cash and cash equivalents	71,315	100,240	(19,928)	322,096
Cash and cash equivalents at beginning of period	130,558	423,729	221,801	201,873
	-----		-----	
Cash and cash equivalents at end of period	\$ 201,873	\$ 523,969	\$ 201,873	\$ 523,969
	=====		=====	