



## **eBAY INC. ANNOUNCES FIRST QUARTER 2006 FINANCIAL RESULTS**

***– Company Reports Record Q1 Net Revenues of US\$1.390 Billion –  
– Delivers Q1 GAAP Diluted EPS of US\$0.17 and Non-GAAP (pro forma) Diluted EPS of US\$0.24 –***

Hong Kong, April 21, 2006 — eBay Inc. (Nasdaq: EBAY; www.ebay.com) reported financial results for its first quarter ended March 31, 2006.

eBay reported record consolidated Q1-06 net revenues of US\$1.390 billion, representing a growth rate of 35% year over year and GAAP operating income of US\$322.6 million representing a 23% operating margin. Non-GAAP operating income in Q1-06 was US\$460.7 million representing a 33% operating margin. Certain financial measures previously referred to as “pro forma” are now referred to as non-GAAP.

GAAP net income in Q1-06 was US\$248.3 million, or US\$0.17 earnings per diluted share. Non-GAAP net income in Q1-06 was US\$342.9 million, or US\$0.24 earnings per diluted share.

These results exceeded the high end of the company’s guidance of US\$1.380 billion for net revenues, US\$0.15 for GAAP earnings per diluted share, and US\$0.23 for non-GAAP earnings per diluted share.

“Q1 was an excellent quarter for the company, with strong growth across our portfolio of businesses,” said Meg Whitman, President and CEO of eBay Inc. “eBay, PayPal and Skype are successful businesses on their own, and together they create additional opportunities for innovation and expansion.”

### ***Key Q1 Financial and Operating Metrics***

***Consolidated Net Revenues*** — Consolidated net revenues totaled a record US\$1.390 billion in Q1-06, a growth rate of 35% over the US\$1.032 billion reported in Q1-05.

- **US Marketplaces** — US Marketplaces net revenues, including Shopping.com, totaled US\$527.2 million in Q1-06, representing 30% year-over-year growth.
- **International Marketplaces** — **International Marketplaces net revenues totaled US\$493.0 million in Q1-06, representing 25% year-over-year growth. Excluding the impact of foreign currency translation, Q1-06 International Marketplaces net revenues increased 32% year over year.**
- **Payments** — Payments net revenues totaled US\$335.1 million in Q1-06, representing 44% year-over-year growth. Excluding the impact of foreign currency translation, Q1-06 Payments net revenue increased 47% year over year.
- **Communications** — Communications net revenues totaled US\$35.2 million in Q1-06, representing a 42%

## *eBay Announces Q1-06 Earnings (cont.)*

increase from the US\$24.8 million reported in Q4-05. The Q4-05 revenue represented the operations of Skype from the acquisition date of October 14, 2005 through the end of Q4-05.

### Marketplaces

- Confirmed Registered Users — eBay cumulative confirmed registered users at the end of Q1-06 totaled 192.9 million, representing a 31% increase over the 147.1 million users reported at the end of Q1-05.
- Active Users — eBay active users, the number of users on the eBay platform who bid, bought, or listed an item within the previous 12-month period, increased to a record 75.4 million in Q1-06, a 25% increase over the 60.5 million active users reported in Q1-05.
- Listings — eBay new listings totaled a record 575.4 million in Q1-06, 33% higher than the 431.8 million new listings reported in Q1-05.
- Gross Merchandise Volume (GMV) — eBay GMV, the total value of all successfully closed items on eBay's trading platforms, was US\$12.5 billion in Q1-06, representing an 18% year-over-year increase from the US\$10.6 billion reported in Q1-05. Excluding the impact of foreign currency translation, Q1-06 GMV increased 22% year over year.
- Fixed Price Trading — eBay's fixed price trading contributed approximately US\$4.3 billion or 34% of total GMV during Q1-06, primarily from eBay's "Buy It Now" feature.
- eBay Stores — At the end of Q1-06, eBay hosted approximately 486,000 stores worldwide, with approximately 247,000 stores hosted on the US site.

### Payments

- Total Payments Accounts — PayPal had 105.0 million total accounts at the end of Q1-06, a 47% increase from the 71.6 million reported in Q1-05. Total payments accounts represent the cumulative total of all accounts opened, excluding accounts that have been closed or locked and the payment gateway business accounts, and including users who made payments with PayPal but have not registered.
- Total Payment Volume (TPV) — TPV, the dollar volume of payments initiated through the PayPal system, excluding the payment gateway business, was a record US\$8.8 billion in Q1-06, a 41% increase from the US\$6.2 billion reported in Q1-05.

### Communications

- Registered Users — Communications had 94.6 million total registered users at the end of Q1-06. Communications registered users represent the cumulative total of all users who have completed the Skype registration process.

*eBay Announces Q1-06 Earnings (cont.)*

*Consolidated Operating Results*

This is the first quarter that eBay's financial results include stock-based compensation expenses from the adoption of the new accounting standard, FAS 123(R). eBay's financial results for prior periods have not been restated for FAS 123(R). In addition, eBay continues to disclose its non-GAAP (previously referred to as "pro forma") financial measures, which in each case exclude the stock-based compensation expense as well as stock option related payroll taxes, amortization of acquired intangible assets and the income taxes related to these items.

GAAP Operating Income — Operating income decreased 4% year over year to US\$322.6 million, or 23% of net revenues. Excluding stock-based compensation of US\$83.8 million, operating income would have increased 21% year over year to US\$406.4 million or 29% of net revenues.

Non-GAAP Operating Income — Non-GAAP operating income increased 25% year over year to US\$460.7 million, or 33% of net revenues.

GAAP Net Income — Net income decreased 3% year over year to US\$248.3 million, or US\$0.17 per diluted share. Excluding stock-based compensation of US\$58.3 million (net of tax effects), or US\$0.04 per diluted share, net income would have increased 20% year over year to US\$306.6 million, or US\$0.21 per diluted share.

Non-GAAP Net Income — Non-GAAP net income increased 24% year over year to US\$342.9 million, or US\$0.24 per diluted share.

Operating and Free Cash Flows — GAAP operating cash flows increased 18% year over year to US\$584.2 million. Free cash flows, representing operating cash flows less net purchases of property and equipment of US\$133.6 million, increased 56% year over year to US\$450.6 million.

*Consolidated Financial and Operating Summary*

eBay reported record consolidated net revenues of US\$1.390 billion in Q1-06, representing a growth rate of 35% year over year which is primarily due to continued Marketplaces and PayPal growth. Net revenues were negatively impacted by foreign currency translation of approximately US\$50.2 million in Q1-06 as compared to Q1-05. On a sequential basis, consolidated net revenues were positively impacted by foreign currency translation in Q1-06 by approximately US\$8.3 million.

GAAP gross profit was US\$1.112 billion in Q1-06, or 80% of net revenues, lower than the 82% reported in Q1-05. Excluding stock-based compensation of US\$9.5 million, gross profit would have been US\$1.121 billion in Q1-06, or 81% of net revenues. Gross profit declined slightly due to the inclusion of telecommunications costs related to eBay's Communications segment in Q1-06.

GAAP sales and marketing expenses totaled US\$400.6 million, or 29% of net revenues, higher than the 26% reported in Q1-05. Excluding stock-based compensation of US\$24.7 million, sales and marketing expenses totaled US\$375.8 million in Q1-06, or 27% of net revenues. Sales and marketing expenses increased primarily due to the inclusion of Shopping.com in Q1-06.

*eBay Announces Q1-06 Earnings (cont.)*

GAAP product development expenses totaled US\$119.1 million, or 9% of net revenues, up from the 7% reported in Q1-05. Excluding stock-based compensation of US\$20.7 million, product development expenses totaled US\$98.4 million in Q1-06, or 7% of net revenues, consistent with the 7% reported in Q1-05.

GAAP general and administrative costs totaled US\$215.4 million, or 15% of net revenues, up from the 13% reported in Q1-05. Excluding stock-based compensation of US\$28.9 million, general and administrative costs totaled US\$186.4 million in Q1-06, or 13% of net revenues, consistent with the 13% reported in Q1-05.

GAAP operating income totaled \$322.6 million during Q1-06, a 4% decrease over the US\$335.6 million reported in Q1-05. Excluding stock-based compensation of US\$83.8 million, operating income totaled US\$406.4 million, a 21% increase over the US\$335.6 million reported in Q1-05. On a non-GAAP basis, operating income totaled US\$460.7 million, a 25% increase over the US\$367.4 million reported in Q1-05. On a year-over-year basis, both GAAP and non-GAAP Q1-06 operating income were negatively impacted by foreign currency translation of approximately US\$25.1 million in Q1-06. On a sequential basis, GAAP operating income was positively impacted by foreign currency translation in Q1-06 of approximately US\$2.4 million.

Interest and other income, net, totaled US\$25.8 million in Q1-06, up from the US\$22.4 million reported in Q1-05. The increase was primarily due to higher interest rates and higher cash and investments balances.

The GAAP effective tax rate for Q1-06 was 29%, an increase from 28% for Q1-05, and consistent with 29% for Q4-05. The non-GAAP effective tax rate in Q1-06 was 29%, consistent with 29% for Q1-05 and an increase from 28% for Q4-05. The higher effective tax rate for Q1-06 as compared to Q1-05 results primarily from shifts in the company's geographic mix of business.

The Company reported US\$584.2 million in operating cash flows and US\$133.6 million of net purchases of property and equipment in Q1-06, resulting in free cash flows of US\$450.6 million. The company's cash, cash equivalents, and investments totaled nearly US\$3.5 billion at the end of Q1-06.

***Business Outlook***

The following updated guidance reflects current business trends and assumed exchange rates. This guidance is based on a weighted average exchange rate of US \$1.20 per Euro, which is consistent with prior guidance. The guidance includes the estimated impact of expensing stock options from the adoption of FAS 123(R), which is reflected in eBay's operating results beginning in Q1-06.

Net Revenues — eBay expects consolidated net revenues for 2006 to be in the range of US\$5.700 billion to US\$5.900 billion. eBay expects consolidated net revenues to be in the range of US\$1.370 to US\$1.415 billion in Q2-06.

GAAP Diluted EPS — eBay estimates GAAP earnings per diluted share for the full year 2006 to be in the range of US\$0.65 to US\$0.71. eBay estimates GAAP earnings per diluted share to be in the range of US\$0.14 to US\$0.16 in Q2-06. The estimated GAAP earnings per diluted share includes the estimated impact of stock-based compensation expense from the adoption of FAS 123(R) of approximately US\$0.16 to US\$0.17 for the full year ending December 31, 2006 and US\$0.04 to US\$0.05 for each of the quarters in the year ending December 31, 2006.

### *eBay Announces Q1-06 Earnings (cont.)*

Non-GAAP Diluted EPS — eBay estimates non-GAAP earnings per diluted share for the full year 2006 to be in the range of US\$0.96 to US\$1.01. eBay estimates non-GAAP earnings per diluted share to be in the range of US\$0.22 to US\$0.23 in Q2-06.

### *Quarterly Conference Call*

An archive of the webcast of the conference call on first quarter results can be accessed through the company's Investor Relations website at <http://investor.ebay.com>.

### *About eBay Inc.*

Founded in 1995, eBay pioneers communities built on commerce, sustained by trust, and inspired by opportunity. eBay enables ecommerce on a local, national and international basis with an array of websites – including the eBay Marketplaces, PayPal, Skype, Kijiji, Rent.com and Shopping.com – that bring together millions of buyers and sellers every day.

### *Forward-Looking Statements*

This press release contains forward-looking statements relating to the future performance of eBay and its consolidated subsidiaries, as well as the estimated impact of expensing stock options under FAS 123(R) "Share-Based Payment" effective in Q1-06. 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 need to manage an increasingly large enterprise with a broad range of businesses of varying degrees of maturity; the company's need to increasingly achieve growth from its existing users as well as from new users in its more established markets; the company's ability to deal with the increasingly competitive ecommerce environment, 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 need to integrate, manage, and profitably expand its recently-acquired businesses, the regulatory and competitive risks specific to Skype; the litigation, regulatory, credit card association, and other risks specific to PayPal, especially as it continues to expand geographically; the company's need to manage other regulatory, tax, and litigation risks even as its product offerings expand and its services are offered in more jurisdictions; 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 while adding new products and features in a timely fashion; fluctuations in foreign exchange rates; the company's ability to profitably expand its model to new types of merchandise and sellers; assumptions and methods used to value and expense stock options provided to employees; and, the company's ability to profitably integrate and manage recent and future acquisitions and other transactions. 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.