



October 27, 1998

eBay Inc. Announces Third Quarter 1998 Financial Results

Achieved Record Net Revenues of \$12.9 Million

SAN JOSE, Calif., Oct. 27 -- eBay Inc. (<http://www.ebay.com>), the world's largest person-to-person online trading community, today reported financial results for the third quarter ended September 30, 1998.

The Company generated net revenue of \$12.9 million in the third quarter of 1998, a 787 percent increase over the \$1.5 million reported for the same period last fiscal year. Gross profit margin improved to 84 percent for the quarter from 83 percent a year ago. Net income for the current quarter was \$663,000, or \$0.02 per share on a fully diluted basis. eBay's net income before the effect of non-cash charges related to stock compensation and acquisition expenses was \$2.0 million, or \$0.05 per fully diluted share, compared with net income of \$199,000 or \$0.01 per fully diluted share during the third quarter of fiscal 1997.

The Company's strong revenue growth was primarily attributable to increased activity on the eBay Web site. Gross merchandise sales (the value of goods traded) for the current quarter were \$195 million, up 39 percent from the \$140 million reported in the second quarter of 1998. The number of registered users increased over 400,000 to more than 1.2 million at September 30, 1998, an increase of about 49 percent from the 851,000 registered users at June 30, 1998. In addition, eBay hosted over 9.2 million auctions during the third quarter of 1998, up from 6.6 million in the second quarter.

Sales and marketing expenses in the third quarter increased in part due to significantly increased marketing expenses and in part to expenses related to the Company's partnership with AOL. Certain marketing expenses associated with the Company's national advertising campaign were deferred into the fourth quarter due to legal restrictions relating to the "quiet period" of the Company's initial public offering. Such expenses, including those associated with the national print and broadcast advertising campaign announced on October 13th, will be recognized in the fourth quarter. In addition, the Company's continued commitment to building infrastructure in advance of demand led to increased spending on equipment to support its service and for personnel in customer support and product development. The decrease in G&A expense relative to the second quarter of 1998 is largely the result of a one-time, non-cash charge for the charitable contribution of stock to the eBay Foundation, which occurred in the second quarter of 1998.

The Company recorded a tax provision of \$848,000, or 56 percent of income before taxes for the quarter ended September 30, 1998. The difference between the effective and statutory tax rates is the result of certain non-cash expenses that provide no tax benefit.

During the quarter ended September 30, 1998, eBay recorded certain non-cash charges of \$818,000 and \$515,000 related to the amortization of stock compensation and of acquisition-related expenses, respectively.

In announcing third quarter results, Meg Whitman, President and CEO of eBay Inc., stated, "We are pleased to issue our first earnings release as a public company with such positive growth momentum. eBay pioneered online person-to-person trading in a format that we believe consumers find efficient, entertaining and fun. As such, we expect that the number of eBay users will continue to grow as consumers discover that eBay is the place to trade on the Internet and as we work to build our brand awareness through aggressive marketing initiatives. In addition, we will continue to invest in capital and customer support infrastructure in order to provide our community of users the best possible experience on eBay."

The Company's balance sheet was strengthened by the completion of its initial public offering of common stock on the Nasdaq National Market. eBay sold 4.025 million shares, 10,725 of which were sold on behalf of a charitable foundation established by the Company, resulting in net proceeds to the Company of \$66 million. The Company also added \$2.6 million in fixed assets and \$2.7 million in prepaid marketing expenses to the balance sheet in the quarter.

About eBay

eBay (<http://www.ebay.com>), the world's personal trading community™, is headquartered in San Jose, CA. eBay pioneered person-to-person online trading by developing an efficient and entertaining auction format trading site that is available 24 hours a day, seven days a week. Currently, eBay users list items in more than 1,000 categories, including antiques; books, movies and music; coins and stamps; electronics; pottery and glass; sports memorabilia; and toys. There are currently more than 800,000 items listed for sale. eBay has more than 1.2 million registered users.

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 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 increasingly competitive environment for online trading, including the effect of the recent entry of competitors which have significantly greater financial and marketing resources, seasonal factors, including a possible decrease in activity during holiday periods, and the Company's need to manage significant growth in all aspects of its business. More information about potential factors which could affect the Company's business and financial results is included in the Company's prospectus dated September 24, 1998 under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." 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)

	September 30, 1998	December 31, 1997
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$74,474	\$3,723
Accounts receivable, net	3,994	1,024
Other current assets	3,663	220
Total current assets	82,131	4,967
Property and equipment, net	5,668	652
Intangible assets, net	1,701	--
	\$89,500	\$5,619
LIABILITIES, MANDATORILY REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Debt and leases, current portion	\$316	\$258
Accounts payable	3,376	252
Customer advances	506	128
Income taxes payable	--	169
Other current liabilities	3,066	317
Total current liabilities	7,264	1,124
Debt and leases, long-term portion	94	305
Deferred tax liabilities	157	157
	7,515	1,586
Series B Mandatorily Redeemable Convertible Preferred Stock and Series B warrants	--	3,018
Total stockholders' equity	81,985	1,015
	\$89,500	\$5,619

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1998	1997	1998	1997
Historical				
Net revenues	\$12,935	\$1,459	\$27,857	\$3,117
Cost of net revenues	2,103	253	3,839	413

Gross profit	10,832	1,206	24,018	2,704
Operating expenses:				
Sales and marketing	5,476	369	10,086	581
Product development	1,514	257	3,062	466
General and administrative	2,115	260	6,302	493
Acquired research and development and amortization of acquired intangibles	327	--	477	--
Total operating expenses	9,432	886	19,927	1,540
Income from operations	1,400	320	4,091	1,164
Interest and other income, net	111	26	187	30
Income before income taxes	1,511	346	4,278	1,194
Provision for income taxes	(848)	(147)	(3,400)	(509)
Net income	\$663	\$199	\$878	\$685
Net income per share:				
Basic	\$0.04	\$0.02	\$0.07	\$0.10
Weighted average shares				
-- basic	15,423	8,075	12,296	6,800
Diluted	\$0.02	\$0.01	\$0.02	\$0.02
Weighted average shares				
-- diluted	37,168	29,784	35,837	27,984
Supplemental (A)				
Historical net income	\$663	\$199	\$878	\$685
Add back certain non-cash charges:				
Amortization of stock compensation	818	--	2,317	--
Amortization of acquisition related charges (B)	515	--	66 5	--
Charitable contribution of Common Stock	--	--	1,216	--
Total add back	1,333	--	4,198	--
Supplemental net income excluding certain non-cash charges	\$1,996	\$199	\$5,076	\$685
Supplemental net income per share:				
Basic	\$0.13	\$0.02	\$0.41	\$0.10
Diluted	\$0.05	\$0.01	\$0.14	\$0.02

(A) The accompanying supplemental 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.

(B) Expenses associated with the amortization of acquisition related charges are included within cost of net revenues as well as operating expenses under the heading "acquired research and development and amortization of acquired intangibles."