



January 26, 1999

eBay Inc. Announces Fourth Quarter and 1998 Year End Financial Results

Achieved Record Fourth Quarter and Annual Net Revenues of \$19.5 million and \$47.4 million, respectively

SAN JOSE, Calif., Jan. 26 -- eBay Inc. (<http://www.ebay.com>), the world's largest person-to-person online trading community, today reported financial results for its fourth quarter and year ended December 31, 1998.

The Company generated net revenues of \$19.5 million in the fourth quarter of 1998, a 642 percent increase over the \$2.6 million reported for the same period last fiscal year. Gross profit margin decreased to 85 percent for the quarter from 87 percent a year ago. Net income for the current quarter was \$1.5 million, or \$0.04 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 \$2.8 million, or \$0.07 per fully diluted share, compared with \$214,000 or \$0.01 per fully diluted share during the fourth quarter of fiscal 1997.

For the year, the Company generated net revenues of \$47.4 million, a 724 percent increase over the net revenues of \$5.7 million in fiscal 1997. Gross profit margin decreased to 86 percent for the year from 87 percent last fiscal year. Net income for the current year was \$2.4 million, or \$0.06 per share on a fully diluted basis. The Company's net income before the effect of non-cash charges related to stock compensation and acquisition expenses was \$7.9 million, or \$0.21 per fully diluted share, compared with \$899,000 or \$0.03 per fully diluted share during the fiscal year 1997.

Increased activity on the site was the primary contributor to the increase in revenues for the quarter. Gross merchandise sales (the value of goods traded) for the current quarter were \$307 million, up 57 percent from the \$195 million reported in the third quarter of 1998. The number of registered users increased more than 916,000 to over 2.1 million at December 31, 1998, an increase of about 72 percent from the more than 1.2 million registered users at September 30, 1998. In addition, eBay hosted over 13.6 million auctions during the fourth quarter of 1998, up from 9.2 million in the third quarter.

The Company experienced higher cost of sales during the fourth quarter largely due to increased spending on customer support personnel, depreciation of new site equipment, and other volume-driven transactional expenses including ISP connectivity charges and bank processing charges for customer fees paid by credit cards. In addition, sales and marketing expenses in the fourth quarter increased substantially over the prior period primarily due to the national print, broadcasting and online advertising campaigns that were announced in an October 13th press release and commenced thereafter. The increase also reflects a full quarter of expense associated with the AOL marketing agreement. Product development expenses were relatively unchanged compared to the third quarter of 1998. The slight increase in general and administrative expenses was primarily driven by additional personnel-related costs and incremental costs associated with being a public company.

For the fourth quarter, eBay recorded certain non-cash charges of \$773,000 and \$515,000 related to the amortization of stock compensation and acquisition-related expenses, respectively. For the year ended December 31, 1998, these non-cash charges were \$3.1 million and \$1.2 million for the amortization of stock compensation and acquisition-related expenses, respectively.

The Company recorded a tax provision of \$1.2 million, representing an effective tax rate of 45 percent of income before taxes for the fourth quarter. For the year ended December 31, 1998, the Company recorded a tax provision of \$4.6 million, representing an effective tax rate of 66 percent of income before taxes. The difference between the effective and statutory tax rates resulted from non-deductible charges for stock-based compensation and acquisition-related charges.

"We are pleased with our strong fourth quarter results and the returns we gained from investing our resources in making our core service better for the community members we serve. In the quarter we implemented new marketing and public relations initiatives, we improved the functionality of eBay and we took important steps towards improving the overall level of trust and safety on the site," stated Meg Whitman, President and CEO of eBay. "A singular focus on helping buyers and sellers be successful built this Company. As we grow, we will continue to pursue this vision which has brought us so many passionate users."

The Company's overall balance sheet is largely unchanged from the third quarter. Balance sheet highlights included the purchase of \$3.0 million in fixed assets and the repayment of \$410,000 of debt.

On a separate note, the Board of Directors of eBay has approved a 3-for-1 Common Stock split for shares of record as of February 9, 1999. The split will be effective on March 1, 1999.

About eBay

eBay (<http://www.ebay.com>), the world's personal trading community(TM), pioneered person-to-person online trading. Founded in 1995, eBay has developed an efficient and entertaining trading site on the Web that is available 24 hours a day, seven days a week. eBay has more than 2.1 million registered users. Currently, there are more than one million items listed for sale. More than 150,000 items are added daily in more than 1,000 categories including: antiques; books, movies and music; coins and stamps; collectibles; computers; dolls and figures; jewelry and gemstones; photo and electronics; pottery and glass; sports memorabilia; and toys.

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 Company's need to manage significant growth in all aspects of its business, the increasingly competitive environment for online trading, including the effect of the recent entry of competitors which have significantly greater financial and marketing resources and, notwithstanding the Company's trust and safety efforts, the potential adverse effects of having illegal, fraudulent or infringing items sold by eBay users. In this context, the Company is having discussions with certain content owners who believe that the Company's efforts to eliminate infringing items on its site are inadequate and must be improved. More information about potential factors which could affect the Company's business and financial results is included in the Company's Form 10-Q for the period ended September 30, 1998 under the headings "Risk Factors that may Affect Results of Operations and Financial Condition" 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; unaudited)

	December 31, 1998	December 31, 1997
ASSETS		
Current assets:		
Cash and cash equivalents	\$31,790	\$3,723
Short-term investments	40,401	--
Accounts receivable, net	6,369	1,024
Other current assets	4,825	220
Total current assets	83,385	4,967
Property and equipment, net	7,831	652
Intangible and other assets, net	1,267	--
	\$92,483	\$5,619
LIABILITIES, MANDATORILY REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Debt and leases, current portion	\$ --	\$258
Accounts payable	1,385	252
Customer advances	727	128
Income taxes payable	--	169
Deferred tax liabilities	1,682	--
Other current liabilities	4,244	317
Total current liabilities	8,038	1,124
Debt and leases, long-term portion	--	305
Deferred tax liabilities	--	157
	8,038	1,586
Series B Mandatorily Redeemable Convertible Preferred Stock and Series B warrants	--	3,018
Total stockholders' equity	84,445	1,015
	\$92,483	\$5,619

eBAY INC.
CONDENSED CONSOLIDATED STATEMENT OF INCOME

(in thousands, except per share amounts; unaudited)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	1998	1997	1998	1997
Historical				
Net revenues	\$19,495	\$2,627	\$47,352	\$5,744
Cost of net revenues	3,020	333	6,859	746
Gross profit	16,475	2,294	40,493	4,998
Operating expenses:				
Sales and marketing	9,755	1,149	19,841	1,730
Product development	1,544	365	4,606	831
General and administrative	2,778	457	9,080	950
Acquired research and development and amortization of acquired intangibles	328	--	805	--
Total operating expenses	14,405	1,971	34,332	3,511
Income from operations	2,070	323	6,161	1,487
Interest and other income, net	682	26	869	56
Income before income taxes	2,752	349	7,030	1,543
Provision for income taxes	(1,232)	(160)	(4,632)	(669)
Net income	\$1,520	\$189	\$2,398	\$874
Net income per share:				
Basic	\$0.05	\$0.02	\$0.14	\$0.11
Weighted average shares				
-- basic	29,524	9,350	16,632	7,438
Diluted	\$0.04	\$0.01	\$0.06	\$0.03
Weighted average shares				
-- diluted	43,092	29,281	38,196	27,553
Supplemental (A)				
Historical net income	\$1,520	\$189	\$2,398	\$874
Add back certain non-cash expenses:				
Amortization of stock compensation	773	25	3,090	25
Amortization of acquisition-related expenses(B)	515	--	1,180	--
Charitable contribution of Common Stock	--	--	1,216	--
Total add back	1,288	25	5,486	25
Supplemental net income excluding certain non-cash expenses	\$2,808	\$214	\$7,884	\$899
Supplemental net income per share:				
Basic	\$0.10	\$0.02	\$0.47	\$0.12
Diluted	\$0.07	\$0.01	\$0.21	\$0.03

(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."