



July 26, 1999

eBay Inc. Announces Second Quarter 1999 Financial Results

Registered Users Increased 46% Sequentially to 5.6 Million

SAN JOSE, Calif., July 26 - eBay Inc. (Nasdaq: EBAY) (<http://www.ebay.com>), the world's largest person-to-person online trading community, today reported financial results for its second quarter ended June 30, 1999.

The Company generated consolidated net revenues of \$49.5 million in the second quarter of 1999, a 154 percent increase over the \$19.5 million reported for the same period last year. Revenues are net of the \$3.9 million in credits given to users for the June 10th site outage. Consolidated net income for the quarter was \$816,000, or \$0.01 per share on a diluted basis. eBay's consolidated net income excluding the effects of non-cash and one-time merger related charges was \$5.1 million, or \$0.04 per diluted share, compared with \$5.2 million, or \$0.05 per diluted share during the second quarter of 1998. These consolidated results include the effects of the acquisitions of Butterfield & Butterfield, Kruse International, Billpoint and Alando.

In addition to the consolidated statement of income, eBay supplementally reported a pro forma statement of income, which excludes one-time merger related costs and the financial results of the recent acquisitions. eBay pro forma net revenues were \$38.2 million in the second quarter of 1999, a 327 percent increase over the \$8.9 million reported for the same period last year. Pro forma revenues are net of the \$3.9 million in credits given to users. eBay pro forma net income for the second quarter of 1999 was \$4.3 million, or \$0.03 per share on a diluted basis. Net income before the effect of non-cash and one-time merger related charges was \$5.1 million, or \$0.04 per diluted share, compared with \$2.5 million, or \$0.02 per diluted share during the second quarter of 1998.

The primary contributor to the increase in eBay pro forma net revenues for the quarter was the increased activity on the site. The number of registered users increased more than 1.7 million to 5.6 million at June 30, 1999, an increase of 46 percent from the more than 3.8 million registered users at March 31, 1999 and an increase of 556 percent from June 30, 1998. eBay hosted 29.4 million auctions during the second quarter of 1999, up from 22.9 million in the first quarter of 1999, representing sequential growth of 28 percent and year over year growth of 346 percent. In addition, eBay's gross merchandise sales (the value of goods traded on the eBay site) for the second quarter of 1999 were \$622 million, up 15 percent from the \$541 million reported in the first quarter of 1999, and 346 percent over the second quarter of 1998.

In the second quarter, eBay continued to experience rapid growth in its business. In order to support this new level of activity, the Company made significant investments in personnel, infrastructure and marketing programs during the second quarter, which affected costs in all segments of the eBay pro forma income statement.

Pro forma cost of net revenues increased significantly in absolute dollars during the quarter largely due to site operations and customer support. Site operation expenditures included additional labor and related costs, depreciation on new equipment and ISP connectivity fees. Customer support costs included additional personnel and the opening of a new center in Salt Lake City. These investments, combined with the effects of the user credits, caused gross margin to decline during the quarter to 77 percent. Pro forma gross margin excluding the impact of the user credits was 79 percent.

The increase in pro forma sales and marketing expense in the second quarter over the first quarter was primarily due to personnel growth, the expansion of online advertising, product marketing, the continuation of radio advertising and international expansion. Pro forma product development expense increased significantly in the second quarter due to additional labor and related expenses. Pro forma general and administrative expense increased over the previous quarter primarily due to the Company's investment in personnel, including those in its SafeHarbor(TM) program, and increases in professional service fees.

For the second quarter, eBay recorded consolidated non-cash amortization charges of \$1.5 million related to stock-based compensation and \$327,000 associated with acquired intangibles. eBay also recorded \$4.4 million of one-time merger related charges. The Company recorded a consolidated tax provision of \$591,000 representing an effective tax rate of 42 percent of second quarter consolidated pretax income.

"We have tremendous momentum in our flagship business," said Meg Whitman, President and CEO of eBay. "Our customers now transact well over \$200 million in gross merchandise sales per month, making this the most vibrant consumer e-commerce site on the entire Internet. Our community continues to expand at a rate higher than the Internet in general. During the second quarter, we made unparalleled investments in infrastructure while taking bold moves in several new business areas including international, regional, premium, and person-to-person payments while maintaining profitability in the flagship business."

The Company's overall balance sheet was strengthened in the second quarter primarily from the proceeds of the follow-on offering that was completed in April 1999. Consolidated assets as of June 30, 1999 were over \$922 million, which included over \$752 million of cash and high quality financial instruments.

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. Currently, there are more than 2.4 million items listed for sale. More than 300,000 items are added daily in more than 1,600 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. eBay is also engaged in the traditional auction business through its subsidiaries, Butterfield & Butterfield and Kruse International.

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 maintain site stability, to successfully manage and integrate its new acquisitions, to manage significant growth in all aspects of its business, to deal with the increasingly competitive environment for online trading. More information about potential factors which could affect the Company's business and financial results is included in the Company's Form 10-K for the period ended December 31, 1998 under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations", its Form 10Q for the period ending March 31, 1999 and its Form 8-K/A filed on July 26, 1999. 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	June 30, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	\$37,285	\$347,553
Short-term investments	40,401	76,771
Accounts receivable, net	12,425	23,908
Other current assets	7,479	24,623
Total current assets	97,590	472,855
Property and equipment, net	44,062	72,319
Investments	--	358,724
Deferred tax asset	--	11,231
Intangible and other assets, net	7,884	7,080
	\$149,536	\$922,209
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$9,997	\$31,578
Accrued expenses and other current liabilities	6,577	16,124
Customer advances and deferred revenue	973	2,109
Debt and leases, current portion	4,047	13,305
Income taxes payable	1,380	7,570
Deferred tax liabilities	1,682	1,682
Total current liabilities	24,656	72,368
Debt and leases, long-term portion	18,361	5,521
Other liabilities	5,981	6,108
	48,998	83,997
Total stockholders' equity	100,538	838,212
	\$149,536	\$922,209

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	1998	1999	1998	1999
Net revenues	\$19,480	\$49,479	\$33,468	\$92,280
Cost of net revenues	3,286	10,945	5,777	18,922
Gross profit	16,194	38,534	27,691	73,358
Operating expenses:				
Sales and marketing	6,324	22,916	11,903	39,874
Product development	1,030	5,476	1,548	7,639
General and administrative	4,492	10,088	6,800	17,702
Amortization of acquired intangibles	150	327	150	655
Merger related costs	--	4,359	--	4,359
Total operating expenses	11,996	43,166	20,401	70,229
Income (loss) from operations	4,198	(4,632)	7,290	3,129
Interest and other income (expense), net	(432)	6,039	(432)	6,314
Income before income taxes	3,766	1,407	6,858	9,443
Provision for income taxes	(1,037)	(591)	(2,685)	(4,862)
Net income	\$2,729	\$816	\$4,173	\$4,581
Net income per share:				
Basic	\$0.07	\$0.01	\$0.12	\$0.04
Weighted average shares -- basic	39,447	106,855	34,248	102,343
Diluted	\$0.02	\$0.01	\$0.04	\$0.03
Weighted average shares -- diluted	109,929	136,614	104,808	134,525
Supplemental (A)				
Historical net income (loss)	\$2,729	\$816	\$4,173	\$4,581
Add back certain non-cash and merger costs:				
Amortization of stock-based compensation	1,078	1,457	1,499	2,275
Amortization of acquired intangibles (B)	150	327	150	780
Merger related costs (C)	--	2,528	--	2,528
Charitable contribution of Common Stock	1,216	--	1,216	--
Total add back	2,444	4,312	2,865	5,583
Supplemental net income excluding certain non-cash and merger related charges	\$5,173	\$5,128	\$7,038	\$10,164
Supplemental net income per share:				
Basic	\$0.13	\$0.05	\$0.21	\$0.10
Diluted	\$0.05	\$0.04	\$0.07	\$0.08

(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 "amortization of acquired intangibles."

(C) Supplemental information on merger related costs reflects a 42 percent

tax benefit when compared to the operating expenses under the heading "merger related costs."

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	1998	1999	1998	1999
Historical (A)				
Net revenues	\$8,941	\$38,183	\$14,922	\$72,193
Cost of net revenues	1,106	8,722	1,736	13,843
Gross profit	7,835	29,461	13,186	58,350
Operating expenses:				
Sales and marketing	2,504	17,061	4,610	29,128
Product development	1,030	4,153	1,548	6,077
General and administrative	3,159	7,094	4,187	12,137
Amortization of acquired intangibles	150	327	150	655
Total operating expenses	6,843	28,635	10,495	47,997
Income from operations	992	826	2,691	10,353
Interest and other income, net	54	6,570	76	7,209
Income before income taxes	1,046	7,396	2,767	17,562
Provision for income taxes	(979)	(3,106)	(2,552)	(7,376)
Net income	\$67	\$4,290	\$215	\$10,186
Net income per share:				
Basic	\$0.00	\$0.04	\$0.01	\$0.10
Weighted average shares -- basic	37,332	106,855	32,133	102,343
Diluted	\$0.00	\$0.03	\$0.00	\$0.08
Weighted average shares -- diluted	107,814	136,614	102,693	134,525
Supplemental (B)				
Historical net income	\$67	\$4,290	\$215	\$10,186
Add back certain non-cash and merger costs:				
Amortization of stock-based compensation	1,078	501	1,499	1,167
Amortization of acquired intangibles (C)	150	327	150	780
Charitable contribution of Common Stock	1,216	--	1,216	--
Total add back	2,444	828	2,865	1,947
Supplemental net income excluding certain non-cash and one time charges	\$2,511	\$5,118	\$3,080	\$12,133
Supplemental net income per share:				
Basic	\$0.07	\$0.05	\$0.10	\$0.12
Diluted	\$0.02	\$0.04	\$0.03	\$0.09

(A) Represents the historical financial information of eBay Inc., excluding non-recurring merger related costs and the effect of the mergers with Butterfield and Butterfield, Kruse International, Billpoint, Inc., and alando.de AG.

(B) 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.

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