

COMPANY VIEW

A statement by Pierre Omidyar, founder and chairman, and Meg Whitman, president and CEO, of eBay, follows. This statement has been taken from the company's 2002 Annual Report.

A Defining Year for eBay The year 2002 was a defining time in eBay's history - a time when all the aspects of the business came together to demonstrate the company's true potential. The eBay community led the company to another year of record performance, reflected in extraordinary growth across all metrics. Registered users grew to nearly 62 million by the end of the year, an increase of 46% from the year-ago level. And those users listed more than 638 million items in 2002, a 51% year-over-year increase. Gross merchandise sales, which is the value of all items sold on eBay, totaled nearly \$15 billion in 2002, a 60% increase over 2001. For the first time in our history, net revenues surpassed \$1 billion, totaling \$1.21 billion for the full year. This growth strengthens our confidence in the depth of the US market, the potential of international expansion, and the promise of online payments. But more importantly, the outstanding momentum we achieved in 2002 fully validates our long-term strategy, and sets the stage for an even broader, larger and more engaged community and a stronger company for years to come. As we look back on the year, there were a few powerful trends that strengthened and expanded the eBay marketplace: e-commerce continues to broaden its appeal. Consumers are becoming increasingly comfortable with shopping online, as reflected in the fact that more people are coming online than ever before and more Internet users are shopping each month, both in the US and around the world. According to the US Department of Commerce, total retail e-commerce in the United States jumped 27% in 2002 to more than \$45 billion. eBay is benefiting from this trend as it is one of the first places that consumers want to visit. eBay is now a global, mainstream shopping destination. A truly global marketplace, eBay ended 2002 with a presence in 27 markets around the world and 62 million users in more than 150 countries. As a result, the eBay community fully reflects the diversity of the Internet. And when these users come to eBay, they are finding unparalleled selection and value across a wide range of items, including everything from collectibles to clothing, and everyday household items to automobiles. In total, our users can find more than 16 million items listed in more than 27,000 categories on any given day. Providing this broad and ever-changing selection are eBay sellers, now representing every link in the distribution chain, from large manufacturers and wholesalers, to small businesses and individual merchants. Our partnership with the eBay community continues to drive innovation and strengthen the marketplace. Our sellers are quick to identify trends and offer new types of goods at a pace nearly impossible anywhere else. Their constant innovation makes a compelling user proposition, which attracts more shoppers and improves the overall marketplace.

eBay's strategy of managing the marketplace and listening to the community enables us to develop features and functionality that assist sellers as well as buyers. We help our users become successful by improving the experience, building out new and existing categories, helping sellers expand sales, attracting and activating buyers, making online payments easier, and creating new communities around the world. Perhaps nothing illustrates our role as marketplace manager better than our strategy to continuously simplify and improve the trading process. eBay's most significant achievement in this area in 2002 was the acquisition of PayPal, the leading online payment service that allows any business or consumer with an email address to securely, conveniently, and cost-effectively send and receive payments online. Payment is a vital function to trading on eBay and integrating PayPal's functionality into the eBay platform is expanding trading, improving trust and safety, and making the eBay user experience easier, faster and safer for everyone. Having only completed the acquisition of PayPal in October, our Payments business has become a third major engine of growth, both on eBay and off. The eBay Community's Success is eBay's Success Both individually and in the aggregate, these trends strengthened and expanded the company across many elements in 2002. And combined with a continued focus on execution and careful investment, these trends also led to outstanding financial performance for the company. In every quarter throughout 2002, eBay's U.S. business, excluding payments, saw accelerating year-over-year revenue growth. For the full year, eBay's International business grew 165% over 2001, reflecting outstanding growth in our largest international markets, such as Germany, the United Kingdom, and Korea, and accelerating trends in many of our earlier stage European markets. On a consolidated basis, net revenues in 2002 increased 62% over the prior year, operating margins expanded more than ten percentage points, and net income increased 176% to a record \$250 million. These profits also drove record cash flows - free cash flows for 2002 increased 75% to \$341 million. This left our balance sheet in its strongest position ever, with more than \$1.8 billion in cash and investments and total assets of more than \$4.1 billion. A Promising Future The eBay marketplace continues to deliver on its promise with each passing year, and 2002 was no exception. There are few companies today achieving eBay's rate of growth, while expanding operating margins and generating increasing amounts of cash, while continuing to make important investments to strengthen the unique long-term prospects of the business. We are excited about eBay's future and we believe that 2003 will be another year where we see increasing success for our users, strengthening core capabilities of the company, and record financial performance. In 2003 we will focus heavily on marketing and promotional activities to accelerate trading on the site. We will make product development advances that will make it easier and faster for our users to trade, and technology innovations that expand the platform itself. We are going to further integrate payments, and continue to build customer support and trust & safety so that users can enjoy an even better experience than they do today. We're going to invest heavily in international

expansion, to tap the huge potential that appears to be the hallmark of Germany, the UK, Korea and so many of the other markets we've entered. And we're going to do all of this with the same financial discipline we have always shown by staying true to our strategy of balancing returns with appropriate investment to capitalize on the company's long-term opportunities. We would like to express our gratitude to eBay's stockholders, partners, and employees for their continued support. In particular, we would like to offer special thanks to the eBay community, who continues to drive the growth and evolution of the business. Working together with our community, we look forward to even greater success to come.