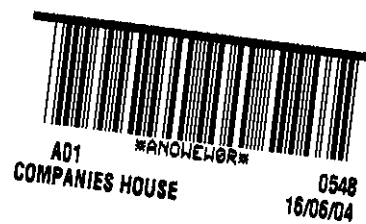


eBay (UK) Limited
(Registered number: 3726028)

Directors' Report and Financial Statements
for the year ended 31 December 2003



eBay (UK) Limited

Directors' Report for the year ended 31 December 2003

The Directors submit their report and the audited financial statements of eBay (UK) Limited ("the Company") for the year ended 31 December 2003.

Results and dividends

The profit for the financial year amounted to £170,000 (2002: £127,000), which has been transferred to reserves. The Directors do not recommend the payment of a dividend.

Review of business and future developments

eBay (UK) Limited is a subsidiary undertaking of eBay International AG a subsidiary undertaking of eBay Inc., a global internet company incorporated in the USA, which offers an internet based personal trading community.

eBay (UK) Limited is a service provider for eBay International AG, and recommends market penetration and advertising strategies for the UK internet market place to eBay International AG. The Company's revenues are derived from intercompany sales of these services.

The Directors are satisfied with the results for the financial year and are confident that the business will continue to grow and develop in the future.

Directors and their interests

The Directors who served during the period were:

Mike Jacobson	
Douglas McCallum	(Appointed July 28th 2003)
William Cobb	(Appointed January 28 th 2003)

The Directors have no interest in the shares of the company.

The beneficial interests of the directors in the Ordinary shares of eBay Inc, the Company's ultimate parent undertaking, are shown below.

	At 31 December 2002	At 31 December 2003
Beneficial holdings		
Mike Jacobson	324,938	258,544
Douglas McCallum	150	428
William Cobb	0	0

Details of options granted to executive directors for eBay Inc. shares, under eBay Inc.'s existing equity compensation plans are set out in the table below. Full details of the executive share option scheme are disclosed in the financial statements of eBay Inc.

eBay (UK) Limited

Option plan	At 31 December 2002	Granted during the period	Exercised during the period	At 31 December 2003	Exercise price (\$)	Option date
Mike Jacobson						
1997	1,000,068		280,000	720,068	1.25	24/8/1998
1998	800,000			800,000	20.03	12/1/2001
2001	250,000			250,000	29.03	12/2/2002
2001		250,000		250,000	38.78	3/3/2003
Douglas McCallum						
1999	27,000		9,000	18,000	30.33	25/1/2002
1999	27,000		9,000	18,000	26.10	22/2/2002
1999		17,000		17,000	38.78	3/3/2003
1999		5,750		5,750	54.75	2/9/2003
1999		8,350		8,350	52.85	5/9/2003
1999		8,350		8,350	57.35	3/10/2003
William Cobb						
1998	390,000		155,000	235,000	19.09	27/11/2000
2001	250,000			250,000	29.03	12/2/2002
2001		250,000		250,000	38.78	3/3/2003

Directors' Report for the year ended 31 December 2003 (Continued)

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising on the adoption of new accounting standards in the year as explained on page 8 under Note 1 'Accounting policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2003 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By Order of the Board

eBay (UK) Limited

Director

Registered Office
c/o Taylor Joynson Garrett
Carmelite
50 Victoria Embankment
Blackfriars
London EC4Y 0DX

2nd April 2004

A handwritten signature in black ink, appearing to read "D. M. E. Gallen", followed by a horizontal line and a dash.

Auditors' Report to the Members of eBay (UK) Limited

We have audited the financial statements on pages 5 to 13 which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises the directors' report.

Basis of opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Auditors' Report to the Members of eBay (UK) Limited

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2003 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors

1 Embankment Place
London
WC2N 6RH

1 April 2004

eBay (UK) Limited

Profit and Loss Account for the Year Ended 31 December 2003

		Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
	Note		
Turnover	1	5,165	3,236
Cost of sales		(4,919)	(3,075)
Profit on ordinary activities before interest and taxation	2	246	161
Interest income		47	27
Interest, other expense and foreign exchange gain/(loss)		(64)	
Profit on ordinary activities before taxation		229	188
Tax on profit on ordinary activities	4	(59)	(61)
Retained profit for the financial year		170	127

The Company had no recognised gains or losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

All turnover and operating losses arise from continuing operations.

The notes on pages 8 to 13 form part of these financial statements.

eBay (UK) Limited

Balance Sheet at 31 December 2003

	Note	2003 £'000	2002 £'000
Tangible fixed assets	5	1,104	286
Current assets			
Debtors: amounts falling due within one year	6	318	130
Cash at bank and in hand		637	969
		955	1,099
Creditors: amounts falling due with one year	7	(2,183)	(1,268)
Net current liabilities		(1,228)	(169)
Long term assets: amounts falling due after one year		415	2
Total assets less current liabilities		291	119
Provisions for liabilities and charges	8	(50)	(48)
Net assets/(liabilities)		241	71
Capital and reserves			
Called up share capital	10	1	1
Profit and loss account	11	240	70
Total shareholders' funds	11	241	71

Approved by the Board on 2nd April 2004 and signed on its behalf by:



Director

The notes on pages 8 to 13 form part of these financial statements.

eBay (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2003

1 Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Turnover

Turnover represents the revenue excluding VAT, from the providing of services to eBay International AG. Turnover is receivable from group companies. Per the services agreement between eBay International AG and the Company, expenses are recharged to eBay International AG, and are classified as Cost of Sales.

Leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Depreciation

Depreciation is provided on all tangible fixed assets to write off the cost less estimated residual value over an asset's estimated useful life on a straight-line basis.

Fixed assets are depreciated at the following rates:

Computer equipment	-	33% per annum
Leasehold improvement	-	over the term of the lease
Computer software	-	100% per annum
Office furniture	-	33% per annum

Deferred taxation

FRS19 'Deferred taxation' was issued on 7 December 2000 and is mandatory for years ending on or after 23 January 2002. The Company has adopted FRS19 during the period, but this has had no impact on the results as the company has no deferred tax assets or liabilities.

Foreign currencies

Exchange differences arising on trading transactions are taken to the profit and loss account.

Cashflow statement

In accordance with Financial Reporting Standard Number 1 (Revised 1996) ("Cashflow Statements"), the Company has not published a cashflow statement as it qualifies as a wholly owned subsidiary.

eBay (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2003

(Continued)

2 Operating profit

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
The operating profit is stated after charging:		
Wages and salaries	2,608	1,967
Social security costs	408	224
Auditors' remuneration for audit services	16	13
Depreciation	198	81
Operating lease rentals – building	448	108

3 Directors and employees

The Directors have not received any emoluments for their services to the Company in respect of the period ended 31 December 2003.

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Employee costs consist of:		
Wages and salaries	2,608	1,967
Social security costs	408	224
Total	3,016	2,191

The average number of employees during the period was as follows:

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Management	7	7
Administration and operations	52	31
Total	59	38

eBay (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2003

(Continued)

4 Taxation

The charge for taxation is based upon the taxable profit for the year and comprises:

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Current tax:		
UK corporation at 30% (2002: 30%)	68	54
Under/(over) provision in previous year	(9)	7
	<u>59</u>	<u>61</u>

Factors affecting the tax charge for the period:

The difference between the current tax charge and the standard rate of corporation tax in the UK (30%) is explained below:

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Profit on ordinary activities before tax	<u>229</u>	<u>188</u>
Profit on ordinary activities before tax multiplied by the standard rate of tax in the UK	68	56
Effects of:		
Adjustments to tax charge in respect of the previous period	(9)	5
Current tax charge for the period	<u>59</u>	<u>61</u>

eBay (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2003

(Continued)

5 Tangible fixed assets

	Computer equipment £'000	Leasehold improvements £'000	Software £'000	Office furniture £'000	Construction in progress £'000	Total £'000
Cost						
At 31 December 2002	121	158	11	27	118	435
Additions in the period	54	1017	14	112	-	1,197
Disposals in the period	(28)	(109)	-	(4)	(118)	(259)
At 31 December 2003	147	1066	25	135	-	1,373
Depreciation						
At 31 December 2002	(63)	(67)	(5)	(14)	-	(149)
Charge for the period	(38)	(125)	(12)	(23)	-	(198)
Disposals in the period	27	47	-	4	-	78
At 31 December 2003	(74)	(145)	(17)	(33)		(269)
Net Book Amount						
At 31 December 2003	73	921	8	102	-	1,104
Net Book Amount						
At 31 December 2002	59	91	6	13	118	286

6 Debtors

	2003 £'000	2002 £'000
Prepaid expenses	114	75
Other debtors	204	55
Total	318	130

eBay (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2003

(Continued)

7 Creditors: amounts falling due within one year

	2003 £'000	2002 £'000
Trade creditors	17	165
Accruals	354	156
Corporation tax	25	54
Taxation and social security	1	10
Amounts due to group undertakings	1,786	883
Total	2,183	1,268

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

8 Provisions for liabilities and charges

	2003 £'000	2002 £'000
Provision arising on eBay Inc. stock option plan	50	48

The provision relates to potential National Insurance charges arising on share options granted after 5 April 1999. The company is responsible for paying this charge for options granted to employees up to 1 October 2001.

9 Operating lease commitments

The Company had annual commitments under a non-cancellable operating lease which expires as follows:

	Land and buildings 2003 £'000	Land and buildings 2002 £'000
Within 1 year	0	110
Within 2 to 6 years	586	209
Total	586	319

eBay (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2003

(Continued)

10 Called up share capital

	2003 £	2002 £
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
Called up, issued and fully paid		
999 ordinary shares of £1 each	999	999

11 Reconciliation of movements in shareholders' funds

	Called up share capital £'000	Profit & loss account £'000	Total shareholders' funds £'000
At beginning of period	1	70	71
Profit in period	-	170	170
At end of period	1	240	241

12 Ultimate parent undertaking

The immediate parent undertaking is eBay International AG.

The ultimate parent undertaking and controlling party is eBay Inc., a company incorporated in Delaware, USA. eBay Inc. is the parent company of the smallest and largest group to consolidate these financial statements. Copies of the eBay Inc. financial statements may be obtained from:

eBay Inc.
2145 Hamilton Avenue
San Jose CA
USA 95125

13 Related party transactions

The Company has taken advantage of the exemption under Financial Reporting Standard 8 from disclosing transactions with other group companies as more than 90% of the voting rights are controlled within the group.