

Q2-11 Financial Highlights

July 20, 2011

The eBay logo is displayed in its signature multi-colored font: 'e' in red, 'b' in blue, 'a' in yellow, and 'y' in green. A registered trademark symbol (®) is located at the top right of the 'y'.The PayPal logo is shown in a bold, italicized blue font. A trademark symbol (™) is positioned at the top right of the 'l'.

gsi commerce®

This presentation contains non-GAAP measures relating to the company's performance. You can find the reconciliation of those measures to the nearest comparable GAAP measures in the appendix at the end of this presentation.

This presentation contains forward-looking statements relating to our future performance that are based on our current expectations, forecasts and assumptions and involve risks and uncertainties. These statements include, but are not limited to, statements regarding expected financial results for the third quarter and full year 2011, and the future growth in the Payments, Marketplaces and GSI businesses.

Our actual results may differ materially from those included in this presentation for a variety of reasons, including, but not limited to, global economic events, including sovereign debt uncertainties; changes in political, business, and economic conditions; foreign exchange rate fluctuations; the impact and integration of recent and future acquisitions including GSI; our increasing need to grow revenues from existing users in established markets; an increasingly competitive environment for our businesses; the complexity of managing an increasingly large enterprise, with a broad range of businesses; our need to manage regulatory, tax, IP and litigation risks (including risks specific to PayPal, Bill Me Later and the financial industry); and our need to timely upgrade our technology and customer service infrastructure at reasonable cost while adding new features and maintaining site stability.

You can find more information about factors that could affect our operating results in our most recent annual report on Form 10-K and our subsequent quarterly reports on Form 10-Q (available at <http://investor.ebayinc.com>). You should not rely on any forward-looking statements, and we assume no obligation to update them. All information in this presentation is as of July 20, 2011, and we do not intend, and undertake no duty, to update this presentation.

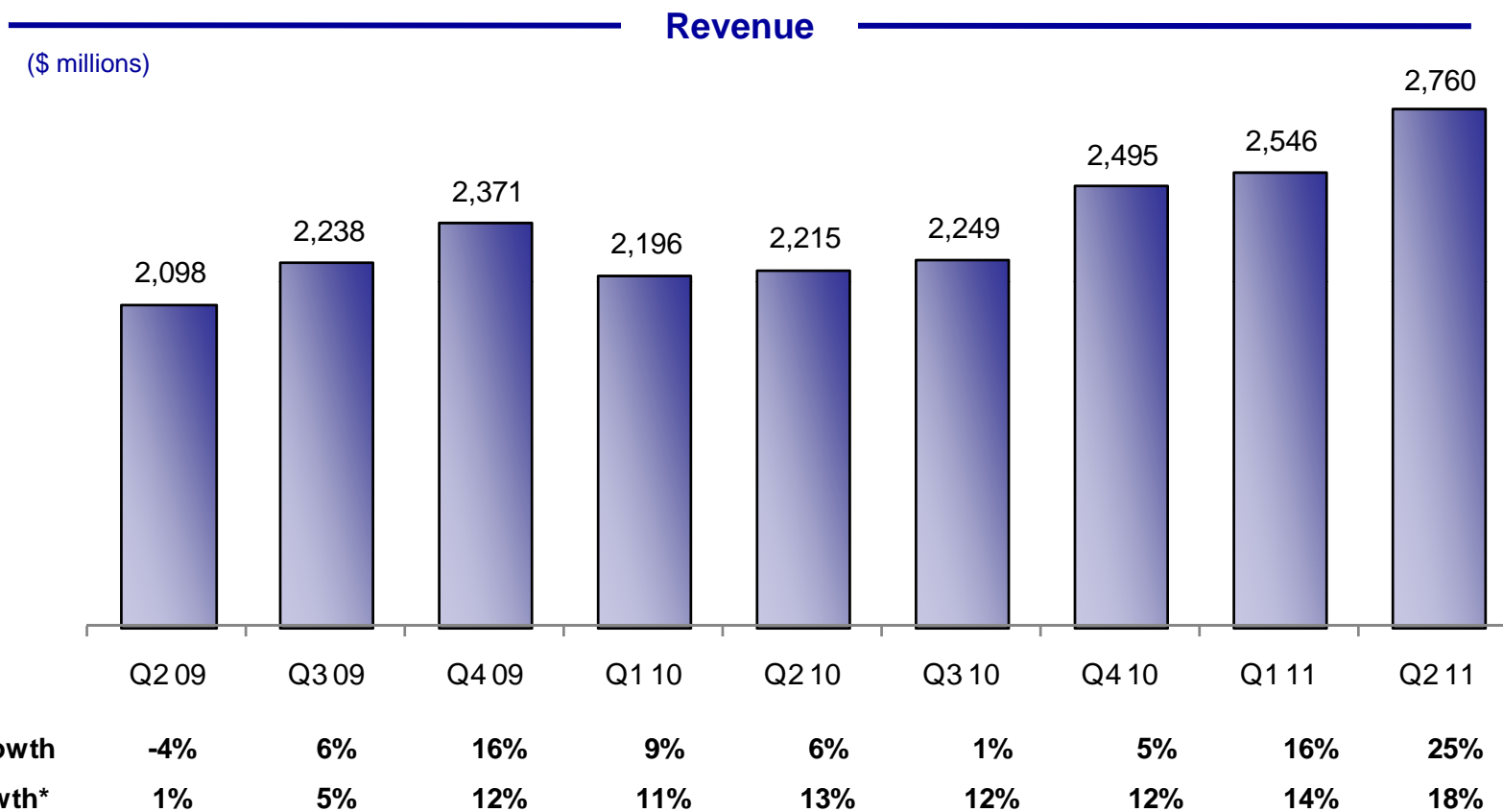
Q2-11 Summary

We exceeded our expectations for Q2 ...

- **Top Line Growth up 25%* ... Accelerated 9 pts from Q1 ... with strong momentum across the board**
- **Operational excellence: accelerating pace of innovation... Good operating leverage**
- **Capital Allocation: Closed 6 acquisitions in Q2, including GSI... repurchased ~13.6M shares ... Announced sale of Skype (~\$2.3B for 30% stake)**

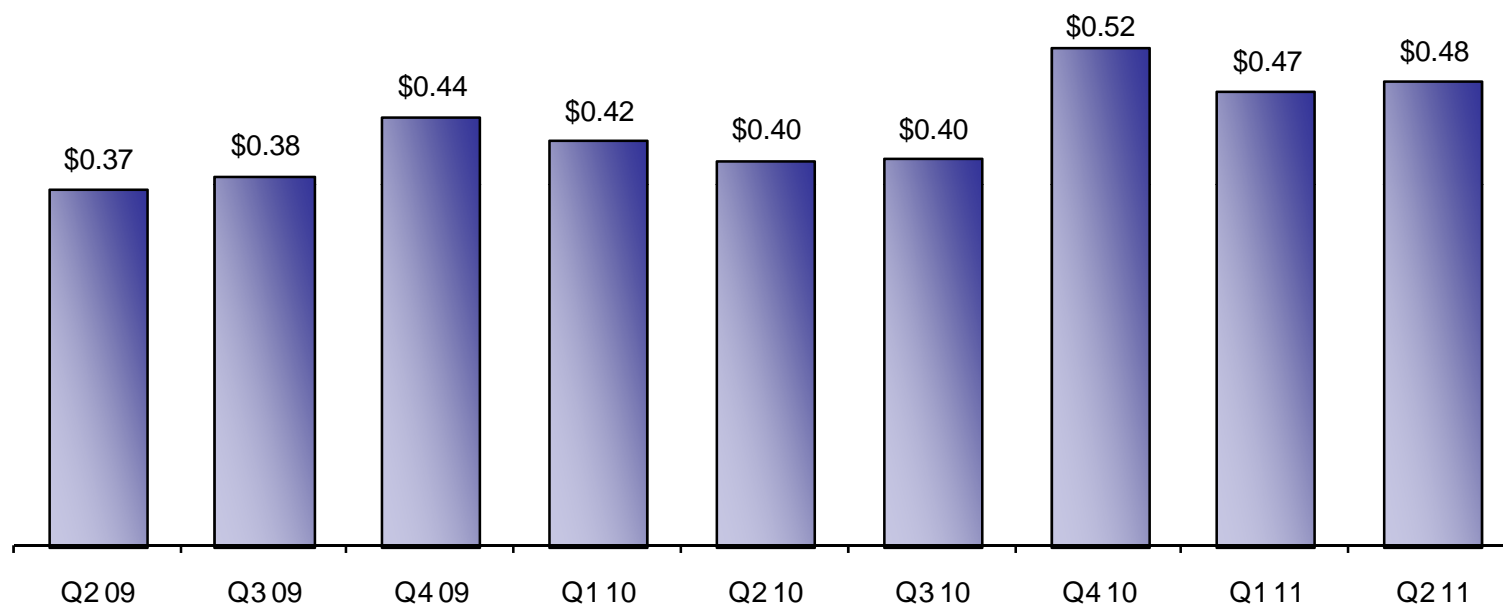
... and we are raising guidance for full year

Q2-11 Summary... Revenue



Q2-11 Summary... Non-GAAP EPS

Non-GAAP EPS*

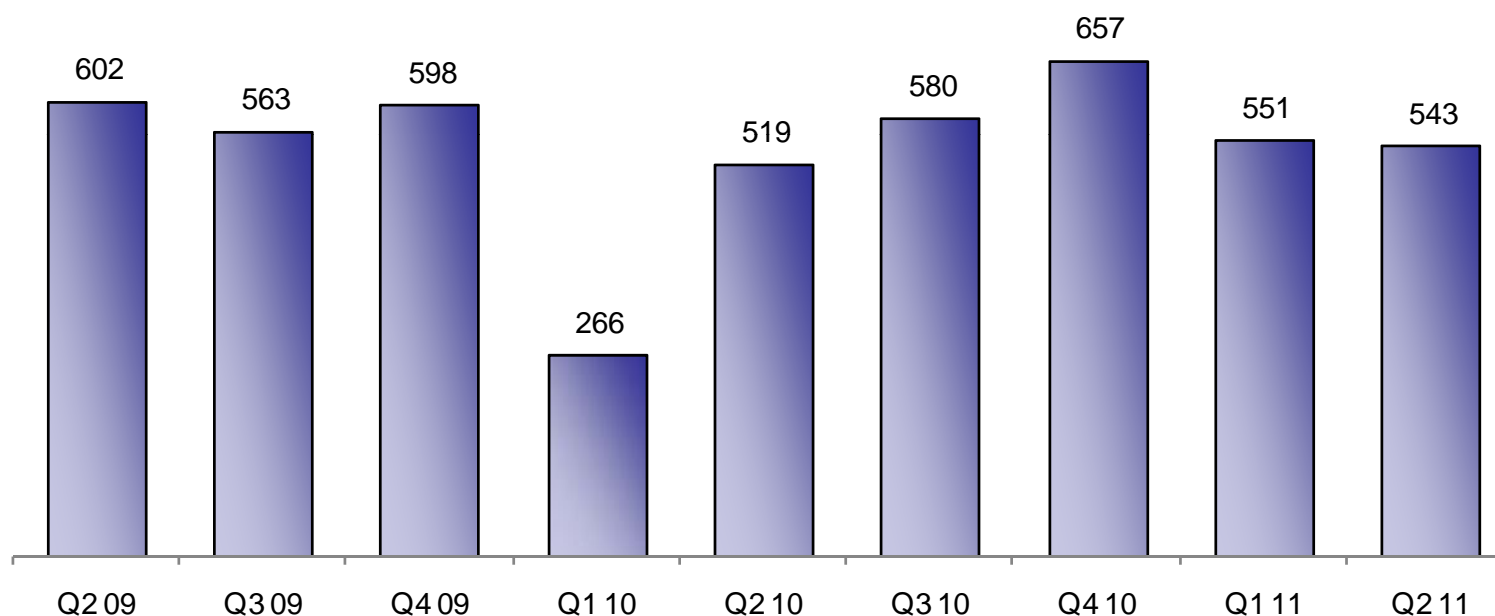


Reported Y/Y Growth	-14%	-16%	9%	8%	8%	4%	16%	12%	20%
Non-GAAP Op. Margin*	28.7%	28.4%	29.3%	30.6%	29.1%	28.7%	29.5%	29.4%	27.6%

Q2-11 Summary... Free Cash Flow Generation

Free Cash Flow*

(\$ millions)



Reported Y/Y Growth

Q2 09

Q3 09

Q4 09

Q1 10

Q2 10

Q3 10

Q4 10

Q1 11

Q2 11

-2%

4%

14%

-54%

-14%

3%

10%

107%

5%

Capex % of Revenue

6%

8%

7%

7%

9%

7%

8%

6%

9%

FCF % of Revenue

29%

25%

25%

12%

23%

26%

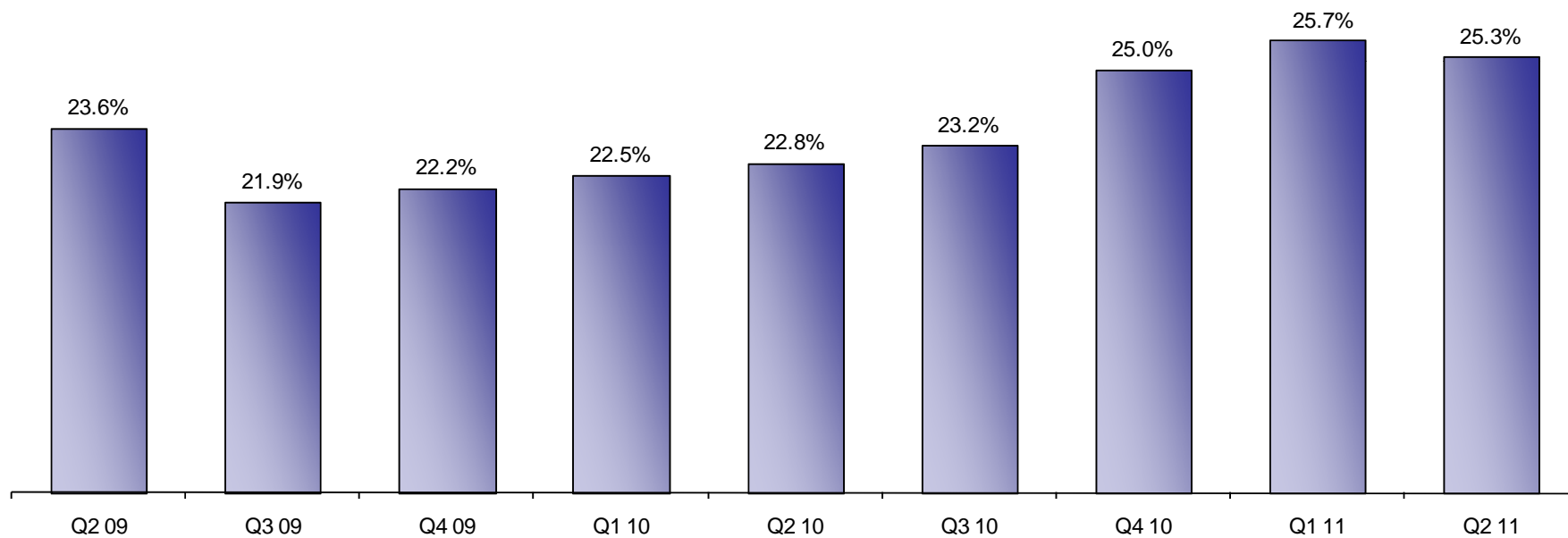
26%

22%

20%

Q2-11 Summary... RoIC

Return on Invested Capital*

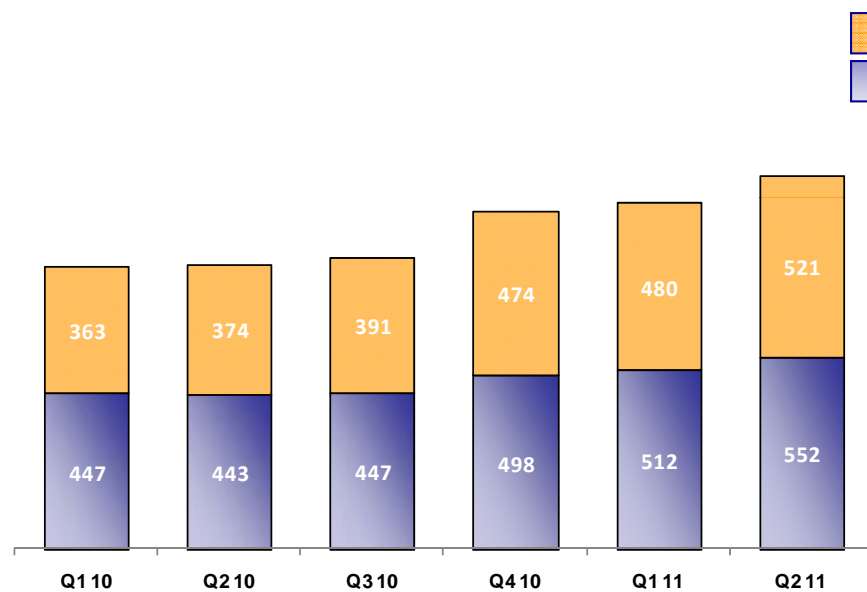


*Trailing 12-month Pro-Forma Net Operating Profits After Tax / (Average Total Assets – 95% of Average Cash, Cash Equivalents, and Investments - Average Current Liabilities)
Calculation of Return on Invested Capital is included in the Appendix of this presentation

Business Update... Payments Revenue and Volume

Revenue

(\$ millions)



\$ millions

809 **817** **838** **971** **992** **1,073**

y/y growth

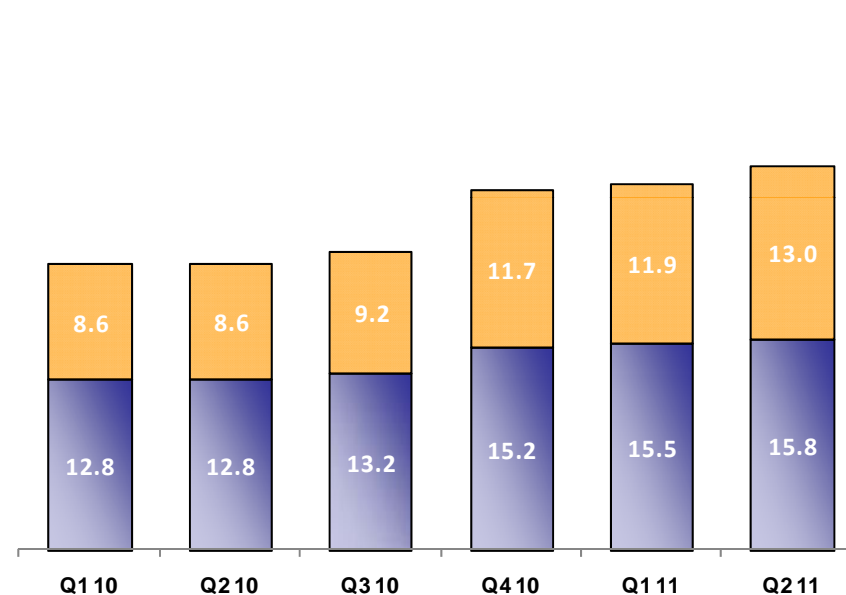
26% **22%** **22%** **22%** **23%** **31%**

Fx-neutral y/y growth

26% **23%** **23%** **24%** **23%** **30%**

TPV

(\$ billions)



\$ billions

21.3 **21.4** **22.4** **26.9** **27.4** **28.7**

y/y growth

35% **28%** **26%** **26%** **28%** **34%**

Fx-neutral y/y growth

31% **29%** **29%** **28%** **27%** **29%**

Business Update ... Payments Operating Metrics

(In millions, except percentages)	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11
Active Registered Accounts						
Global Active Accounts	84.3	87.2	90.5	94.4	97.7	100.3
Y/Y Growth	15%	16%	16%	17%	16%	15%
Net Number of Payments	336.0	335.0	357.0	421.1	424.6	432.0
Y/Y Growth	32%	29%	31%	28%	26%	29%
TPV						
On eBay	8,581	8,055	8,204	9,884	9,795	9,881
Y/Y Growth	18%	9%	8%	11%	14%	23%
Fx-Neutral Y/Y Growth	14%	10%	11%	13%	13%	17%
Merchant Services*	12,761	13,327	14,161	16,982	17,567	18,860
Y/Y Growth	49%	43%	40%	37%	38%	42%
Fx-Neutral Y/Y Growth	45%	44%	42%	39%	37%	37%
On eBay Penetration Rate						
Global	67.8%	68.6%	69.8%	70.0%	70.8%	71.4%
Take Rate	3.79%	3.82%	3.75%	3.61%	3.63%	3.73%
Transaction Expense	1.15%	1.19%	1.20%	1.11%	1.11%	1.11%
Loss Rate	0.24%	0.22%	0.22%	0.20%	0.21%	0.25%
Transaction Margin**	63.5%	63.0%	62.1%	63.5%	63.7%	63.6%
Payments Segment Margin	22.6%	19.9%	19.3%	22.1%	22.3%	21.9%

- TPV growth driven by increase in the number of merchants and consumer engagement

Transaction margin up 60 bps Y/Y driven by:

- Take rate: decreases due to mix to large merchants... sequential increase due to revenues from co-branded card and higher FX revenues
- Trxn expense: lower due to international growth and higher BML penetration, offset by card cost rate increase
- Loss rate: higher due to improvement in customer experience partially offset by lower BML provision for losses

- Segment margin up 200 bps... operating leverage and BML improvement

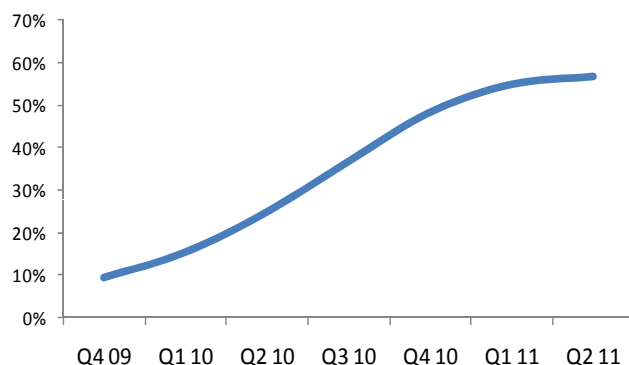
* Merchant Services TPV includes TPV for BillMeLater whether used within or outside of the PayPal wallet

**Transaction Margin calculation has been adjusted to include total revenues (including revenue from credit), less transaction expense (including credit cost of funds), less transaction loss (including credit loan losses), divided by global take rate (based on global total revenues divided by total TPV)

Business Update... Credit Metrics

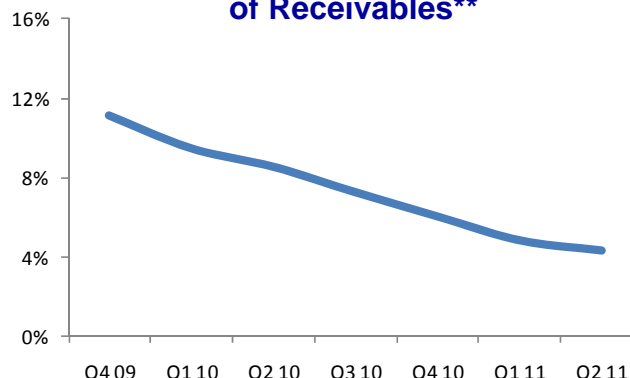
Portfolio Balance: \$1.1B*

Portfolio Balance Growth Rate Y/Y



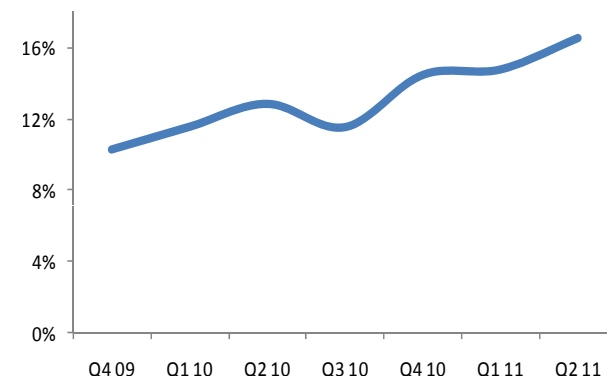
- Q2'11 TPV up 67% Y/Y driven by 39% Y/Y growth in active customers and 20% Y/Y higher spend per active customer
- Increased share of US Marketplaces and Merchant Services

Net Charge-Offs as % of Receivables**



- Continued high FICO acquisition trend
- Improved collection efforts

Risk Adjusted Margin***



- Continued improvement driven by lower charge offs and decrease in cost of funds

Credit Operating Metrics

	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11
BML TPV (\$M)	241	300	345	550	431	499
BML TPV (Y/Y)	25%	50%	73%	72%	79%	67%
Portfolio Balance (\$M)	641	691	767	999	993	1,084
Risk Adjusted Margin	11.5%	12.8%	11.5%	14.4%	14.7%	16.5%
Net Charge-offs	9.5%	8.6%	7.3%	6.1%	4.9%	4.3%

*Gross receivables balance as of 06/30/11

** Represents the annualized ratio of BML net credit losses relative to average loans receivable for the quarter

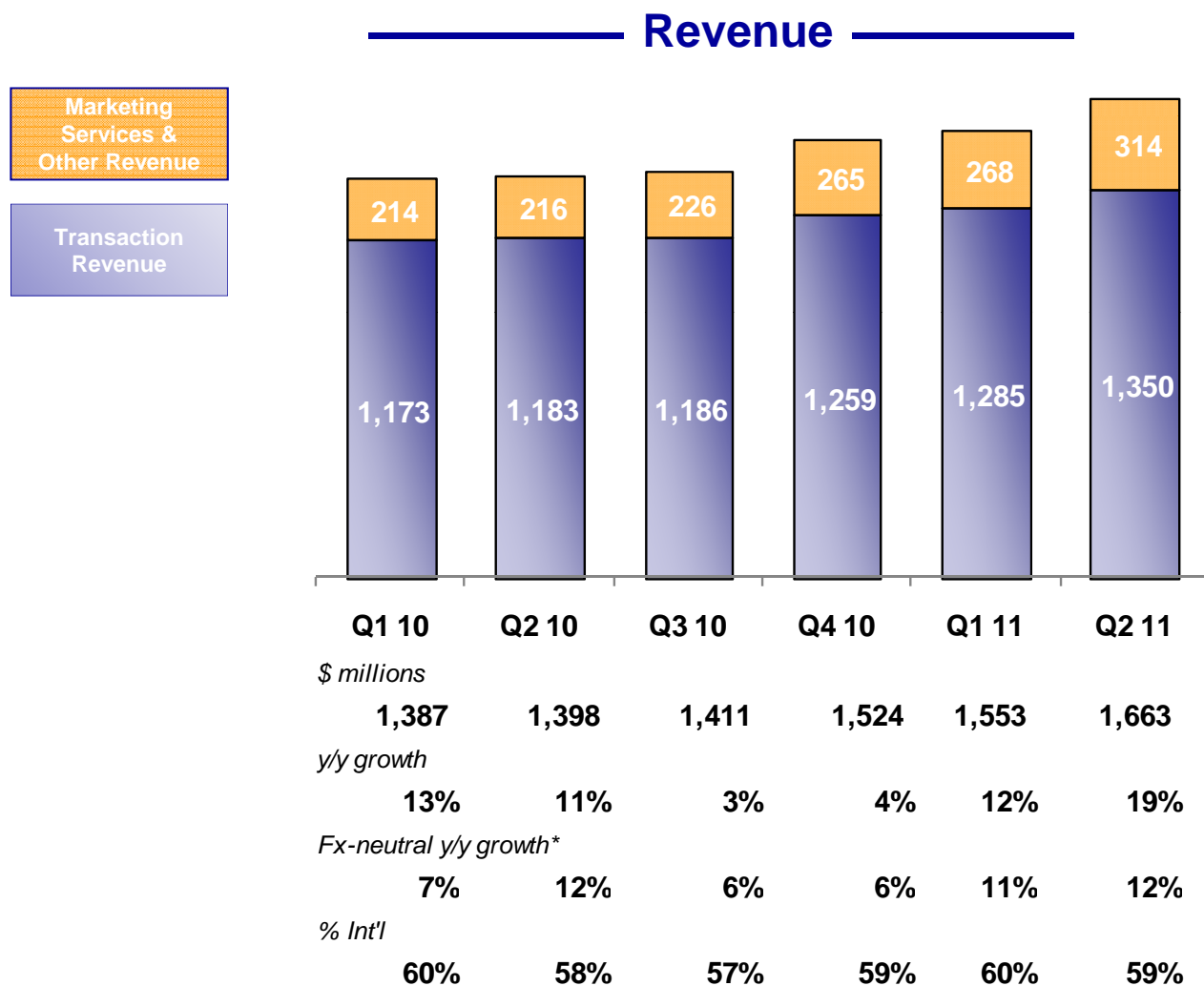
9 *** Risk adjusted margin represents the annualized ratio of Bill Me Later revenue, excluding contra-revenue incentives to customers or merchants, less cost of funds less net credit and fraud losses relative to average loans receivable for the 3-month period



Durbin implications ...

- **We believe the rules do not treat PayPal as a payment card network**
- **We expect the overall “net” impact of the Durbin Act on our margins to be slightly positive in the short/medium term**
- **The reduction in our transaction expense related to debit cards will be somewhat offset by lower revenue from PayPal’s small co-branded debit card program**
- **Our US ACH contract was extended during Q2 for another 5 years, preserving our cost structure with this funding method**

Business Update ... Marketplaces Revenue



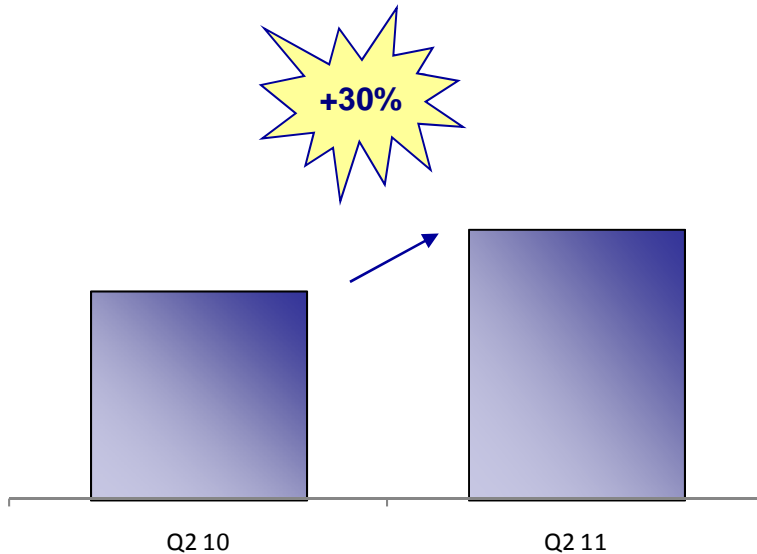
*y/y FX-neutral growth ex-Gmarket was 7% in Q2-10, 3% in Q1-10, 4% in Q4-09 and (2%) in Q3-09



Business Update... Marketing Services & Other

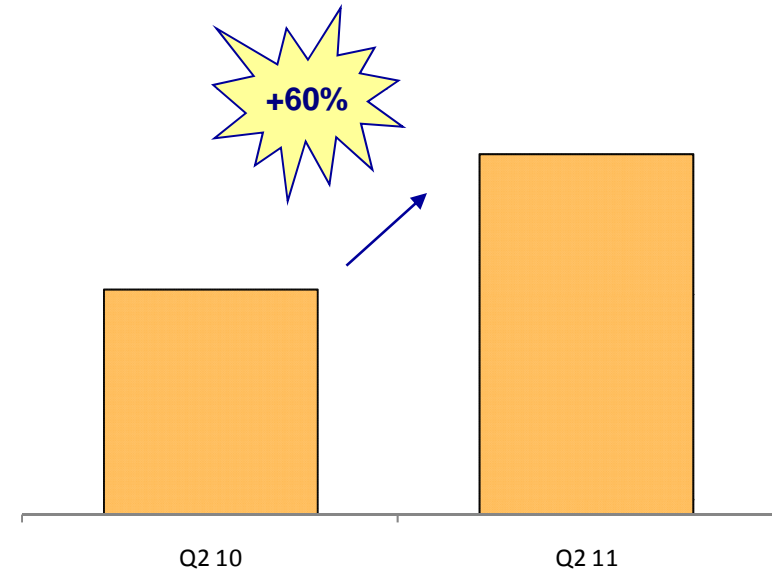
A \$314M business growing at 45%* in Q2'11...

Classifieds**



- FX-neutral revenue growth of 18% (15% in Q1)
- Growth driven by increase in daily deals and motors
- Classifieds Unique Visitors up +31% y/y, ex. Rent

Advertising/Other***



- FX-neutral revenue growth of 48% (33% in Q1)
- Advertising accelerated... Driven by higher CPCs
- German private sale acquisition (Brands4Friends) added 22 pts to FX-neutral Y/Y growth

* Marketing Services & Other FX-neutral growth was 34% (22% Y/Y excluding Brands4Friends)

** includes Rent.com

*** includes Shopping.com, Brands4Friends and other non-transactional revenue

Business Update... Marketplaces Operating Metrics

(In millions, except percentages)

	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11
Active Users						
Global Active Users	91.3	91.8	93.2	94.5	95.9	97.2
<i>Y/Y Growth</i>	3%	4%	4%	5%	5%	6%
Sold Items						
Y/Y Growth in Sold Items*	32.4%	28.0%	8.5%	9.5%	6.5%	7.7%
GMV						
US Non-Vehicles GMV	5,130	4,802	4,900	5,584	5,631	5,490
<i>Y/Y Growth</i>	6%	2%	2%	5%	10%	14%
Int'l Non-Vehicles GMV	8,241	7,730	7,691	9,455	8,866	9,191
<i>Y/Y Growth</i>	38%	20%	4%	6%	8%	19%
<i>Fx-Neutral Y/Y Growth**</i>	24%	21%	8%	9%	6%	8%
Non-Vehicles GMV	13,371	12,531	12,591	15,039	14,497	14,681
<i>Y/Y Growth</i>	24%	13%	3%	6%	8%	17%
<i>Fx-Neutral Y/Y Growth***</i>	16%	13%	6%	8%	8%	10%
Vehicles GMV	2,021	2,189	2,157	1,920	2,050	2,238
<i>Y/Y Growth</i>	-3%	-5%	-10%	-8%	1%	2%
<i>Fx-Neutral Y/Y Growth</i>	-7%	-4%	-7%	-7%	0%	-3%
Fixed price as a % of GMV	57%	59%	60%	62%	61%	62%
Segment Margin						
Marketplaces Segment Margin	42.0%	40.3%	39.7%	39.2%	40.5%	38.8%

Active users acceleration driven by UK, US and Australia

Sold items acceleration driven by US, UK and China cross border

Non-vehicles GMV continued strength sequentially:

- US – Continued acceleration driven by improvements in search, ASP increases and stronger performance in consumer selling
- Int'l – EU showing good growth while APAC accelerated

Segment margin declined y/y due primarily to acquisitions

* Sold items growth ex-Gmarket was 12.7% in Q3-10, 11.1% in Q2-10 and 12.9% in Q1-10

** Int'l FX-neutral non-vehicles GMV ex-Gmarket growth rate was 9% in Q2-10 and 9% in Q1-10

*** Total FX-neutral non-vehicles GMV ex-Gmarket growth rate was 6% in Q2-10 and 8% in Q1-10

Update on GSI ...

Status of Transaction

- Transaction closed June 17, 2011
 - Acquired 100% of ecommerce/Marketing Services
 - Divested 100% of the Sports Licensing/Fanatics business
 - Retained 30% of RueLaLa/ShopRunner
 - Provided \$467M seller note to divested businesses
- Transaction financed with cash and \$700M in commercial paper
- Leadership team in place... Chris Saridakis leading talent-rich team

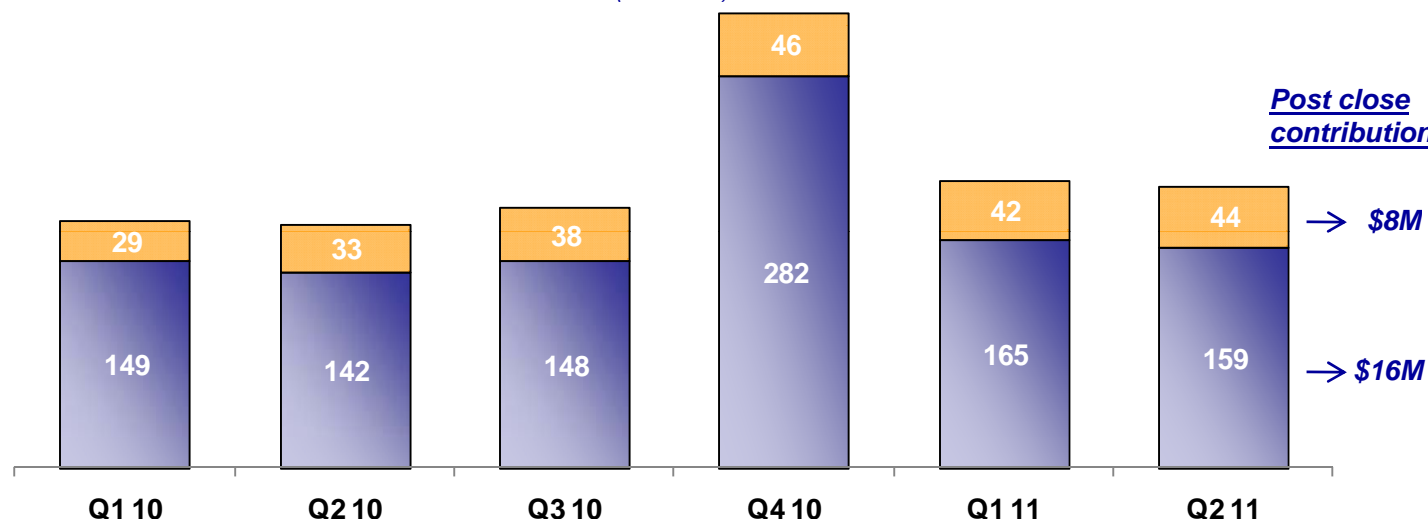
Business Highlights

- Financials:
 - GeC Merchandise Sales (GMS) comp volume up 18% Y/Y... Total Revenue up 16% as we continue shifting away from the owned inventory model
 - Contributed Q2* Revenue of \$24M and EPS neutral
- Technology Platform... Increasing spend to accelerate V11 deployment... initial launch in Q3
- ~\$60M in revenue synergies and cost savings by 2013...5 GSI merchants on eBay, 56 use PayPal... pipeline building

Business Update ... GSI Revenue and Operating Metrics

Revenue / Metrics

(\$ millions)



Post close contribution

→ \$8M

→ \$16M

→ \$24M

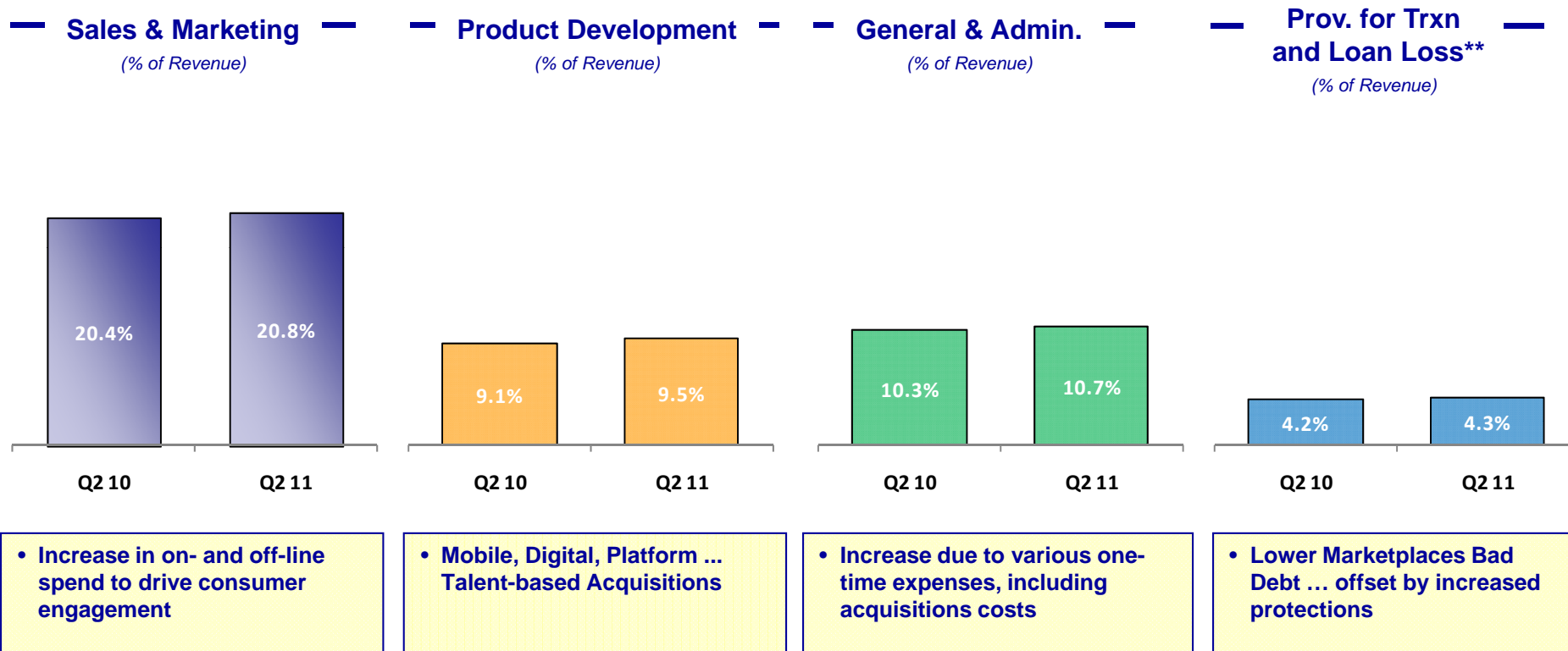
→ \$76M

	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11
Total Revenue*	178	175	187	328	207	203
<i>y/y growth</i>	n/a	n/a	n/a	n/a	16%	16%
GeC Merchandise Sales (GMS)**	493	484	508	1,119	609	578
<i>y/y growth</i>	25%	23%	28%	30%	24%	20%
<i>y/y comparable store growth</i>	22%	19%	25%	27%	20%	20%

* Total Pro Forma GeC net revenues are not comparable to 2Q10 Pro Forma GeC net revenues because of impact of revenues from divested businesses being recorded as service fees vs. gross product revenues for the post-acquisition stub-period

** Merchandise sales represents the retail value of all sales transactions, inclusive of freight charges and net of allowances for returns and discounts, which flow through the GSI ecommerce platform, whether we record the full amount of such transaction as a product sale or a percentage of such transaction as a service fee.

Business Update... Operating Expenses*



Q2 Non-GAAP Op Inc: \$762M
 Q2 Non-GAAP Net Inc: \$631M

*All expenses are shown on a non-GAAP basis (calculations can be found in the Appendix of this presentation)

**Prov. For Trxn and Loan Loss Includes Marketplaces and PayPal txn loss, Marketplaces consumer protection programs, bad debt expense and BML loan loss

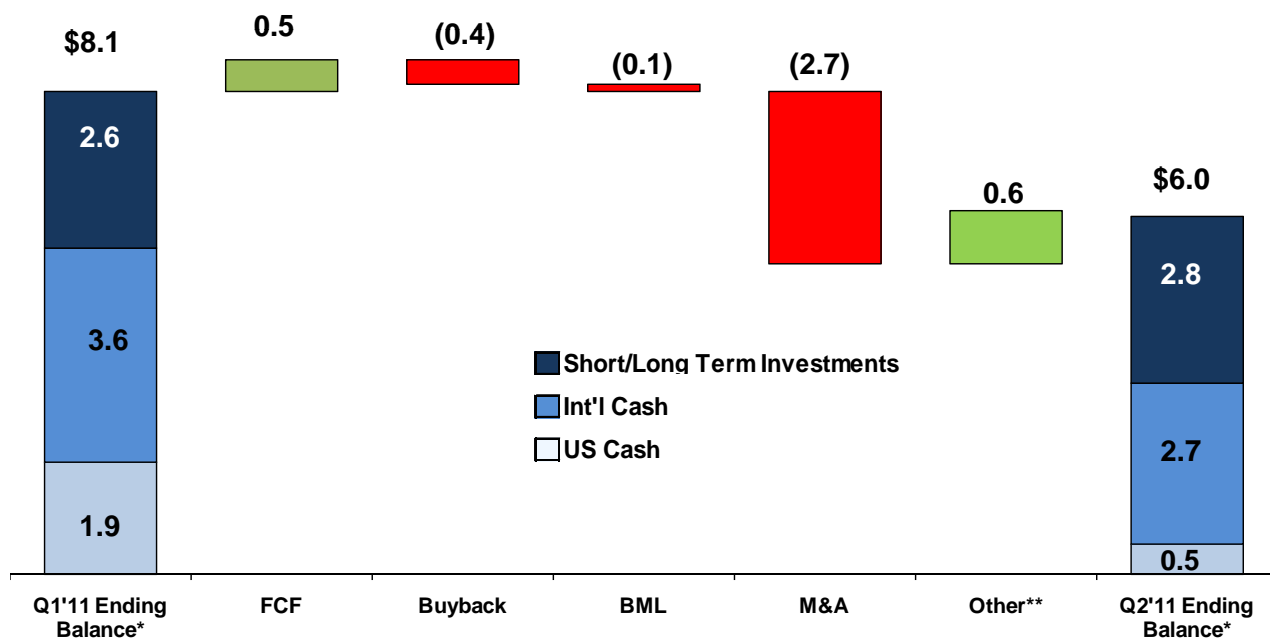


Q2-11 Cash Flow / Capital Allocation...

Made significant investments in M&A and bought back shares

Cash Balance / Flows*

(\$ billions)



Free Cash Flow / Other Movements

- Generated FCF of \$543M ... Net of ~\$75M tax payment related to Q4'10 tax settlements
- Repurchased ~13.6M shares
- Closed 6 acquisitions ~\$2.7B
- Added \$0.7B in short-term financing
- Total US cash and non equity investments ~\$1.2B

... while maintaining strong balance sheet and financial flexibility

Other Q2 M&A activity... Strengthening our Portfolio

Expand geographic footprint... GittiGidiyor

- Purchased additional shares to increase stake to ~93%
- Expands geographic footprint in Turkey
- Transactions come from fixed price listings
- Largest categories include Fashion and Electronics

Closed Q2'11

Extend "local" reach... WHERE

- Purchased 100% of outstanding shares
- Builds on eBay Inc.'s acquisition of Milo last year...
- Provides hyper-local, personalized deals
- Strengthens our position as the multi-channel commerce partner for merchants of all sizes

Closed Q2'11

Expand platform services... Magento

- Agreed to acquire remaining 51% shares outstanding
- Leading open source e-commerce platform with ~100K merchants
- Foundation for our Open Commerce Platform(OCP) initiative
- OCP enables merchants to create innovative new shopping experiences.

Expected to close in Q3'11

Accelerate mobile payments... Zong

- Agreed to acquire Zong for ~\$240M
- Leading provider of payments through mobile carrier billing
- Connections with over 250 mobile operators in 45 countries
- Complementary technology and talent to strengthen PayPal's leadership position in mobile payments and digital goods

Expected to close in Q3'11

Full Year Impact* : Revenue increase of ~\$550M and ~\$0.01 Non-GAAP EPS

Guidance Q3 2011

Q3'11 Guidance				
Revenue		Non-GAAP EPS*		
<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>	
\$2,850	\$2,950	\$0.46	\$0.47	
<i>Y/Y Growth</i>	27%	31%	15%	18%

Accelerated top line growth across the board ... includes GSI...
 Good productivity ... with investment in product and marketing
 ... but acquisitions/mix impact margins

Guidance FY 2011 ... vs. January and April '11 Guidance

	Revenue	Non-GAAP EPS*
Guidance Apr'11	\$10.6- \$10.9B	\$1.93 - \$1.97
Y/Y %	16% - 19%	11% - 14%
<hr/>		
Operating Performance	~\$150M	~\$0.03
M&A... Primarily GSI	~\$550M	~\$0.01
Increased marketing spend	--	~(\$0.01)
<hr/>		
Revised Guidance*	\$11.3 - \$11.6B	\$1.97 - \$2.00
Y/Y %	23% - 27%	14% - 15%
<i>Change vs. Jan'11</i>	<i>~\$1,000M</i>	<i>~\$0.06</i>
<i>Change vs. Apr'11</i>	<i>~\$700M</i>	<i>~\$0.03</i>

Summary

Excellent first half of '11 ...

- Strong Q2 with double digit top & bottom line growth
- Marketplaces business building momentum... PayPal continues strong trajectory ... Adjacencies performing well ... GSI integration in progress
- Investing for growth: accelerating innovation and executing strategic M&A, while maintaining dilution neutral buyback
- We are pleased with our progress so far in 2011 ...

... and increased conviction around 3 year plans

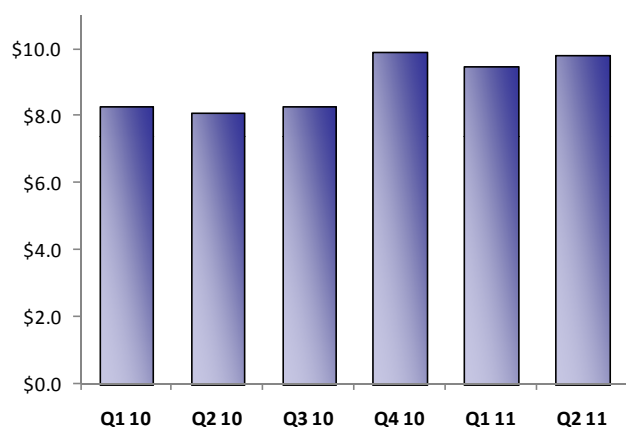
Q & A

Appendix

Business Update... GMV-Based Formats

Fixed Price

(\$ billions)

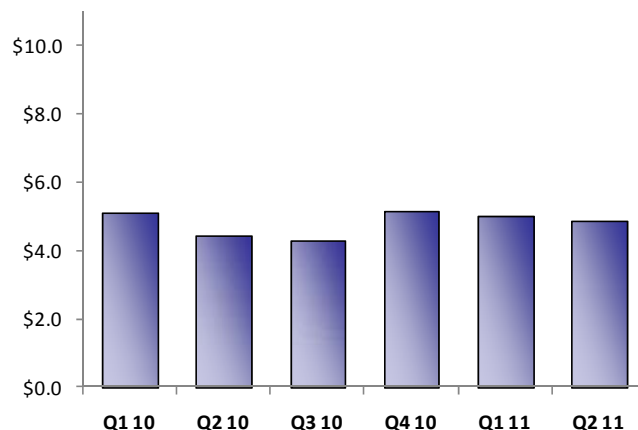


\$ billions						
	8.3	8.1	8.3	9.9	9.5	9.8
YY Growth						
	43%	28%	11%	14%	15%	22%
FX-Neutral YY Growth*						
	33%	27%	13%	16%	13%	15%
% of Total FX-Neutral GMV						
	53%	54%	56%	58%	57%	58%

Growing consistently in mid teens ...

Auctions

(\$ billions)

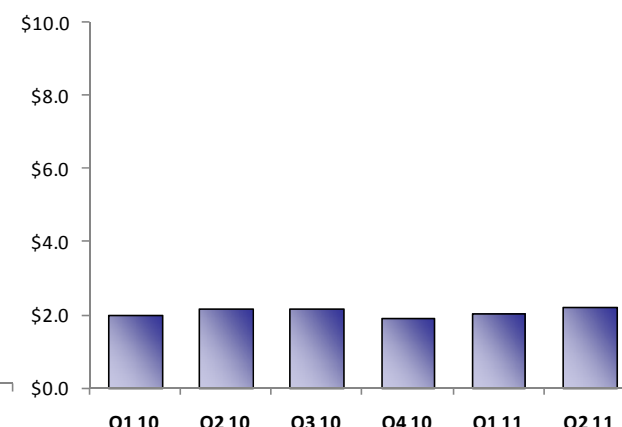


\$ billions						
	5.1	4.5	4.3	5.1	5.0	4.9
YY Growth						
	2%	-7%	-9%	-7%	-2%	9%
FX-Neutral YY Growth						
	-3%	-6%	-5%	-4%	-2%	2%
% of Total FX-Neutral GMV						
	34%	31%	29%	31%	30%	29%

... Auctions format stable ...

Vehicles

(\$ billions)



\$ billions						
	2.0	2.2	2.2	1.9	2.1	2.2
YY Growth						
	-3%	-5%	-10%	-8%	1%	2%
FX-Neutral YY Growth						
	-7%	-4%	-7%	-7%	0%	-3%
% of Total FX-Neutral GMV						
	13%	15%	15%	11%	12%	13%

... Shifting from GMV to lead gen model

Calculation of Organic Revenue Growth

	<u>Mar 31, 2009</u>	<u>Jun 30, 2009</u>	<u>Sept 30, 2009</u>	<u>Dec 31, 2009</u>
Total revenue growth	(8%)	(4%)	6%	17%
Acquisition/Disposition impact	(2%)	(3%)	(5%)	(1%)
Foreign currency impact	9%	8%	4%	(4%)
Total organic revenue growth	<u>(1%)</u>	<u>1%</u>	<u>5%</u>	<u>12%</u>

	<u>Mar 31, 2010</u>	<u>Jun 30, 2010</u>	<u>Sept 30, 2010</u>	<u>Dec 31, 2010</u>
Total revenue growth	9%	6%	1%	5%
Acquisition/Disposition impact	5%	6%	9%	5%
Foreign currency impact	(3%)	1%	2%	2%
Total organic revenue growth	<u>11%</u>	<u>13%</u>	<u>12%</u>	<u>12%</u>

	<u>Mar 31, 2011</u>	<u>Jun 30, 2011</u>
Total revenue growth	16%	25%
Acquisition/Disposition impact	(1%)	(3%)
Foreign currency impact	(1%)	(4%)
Total organic revenue growth	<u>14%</u>	<u>18%</u>

Note: Acquisition impact includes acquisitions made within 12 months of the quarter.

Reconciliation of Quarterly GAAP to Non-GAAP Net Income / EPS

	Three months ended								
	Jun 30, 2009	Sept 30, 2009	Dec 31, 2009	Mar 31, 2010	Jun 30, 2010	Sep 30, 2010	Dec 31, 2010	Mar31, 2011	Jun 30, 2011
GAAP net income	\$ 327.3	\$ 349.7	\$ 1,354.9	\$ 397.7	\$ 412.2	\$ 431.9	\$ 559.2	\$ 475.9	\$ 283.4
Stock-based compensation expense	96.4	92.5	92.0	102.1	92.0	93.8	93.7	118.7	118.8
Employer payroll taxes on stock-based compensation	0.9	0.9	1.0	8.5	1.2	2.5	1.6	13.1	1.4
Acquisition related transaction expense	-	-	-	-	-	-	-	-	57.3
Amortization of acquired intangible assets (1)	75.6	86.5	78.1	65.0	59.0	55.5	50.3	52.6	65.8
Restructuring	17.7	12.7	1.3	8.6	8.9	3.0	1.0	(0.1)	(0.1)
Joltid settlement	-	-	343.2	-	-	-	-	-	-
Skype sale and transaction related items	-	-	(1,407.5)	28.0	-	(10.0)	-	-	-
Amortization of intangibles and stock-based compensation for Skype	-	-	-	4.3	9.4	9.5	12.6	9.2	9.8
Gain from the acquisition of a business	-	-	-	-	-	-	-	-	(17.1)
Loss on divested business	-	-	-	-	-	-	-	-	256.5
Income taxes associated with certain non-GAAP entries	(39.3)	(40.7)	122.8	(60.0)	(52.5)	(55.6)	(34.5)	(50.4)	(144.9)
Non-GAAP net income	\$ 478.6	\$ 501.6	\$ 585.8	\$ 554.2	\$ 530.2	\$ 530.6	\$ 683.9	\$ 619.0	\$ 630.9
Non-GAAP net income attributable to Skype	(38.6)	(43.0)	(35.2)	-	-	-	-	-	-
Non-GAAP net income excluding Skype (2)	\$ 440.0	\$ 458.6	\$ 550.6	\$ 554.2	\$ 530.2	\$ 530.6	\$ 683.9	\$ 619.0	\$ 630.9
Non-GAAP net income per diluted share	\$ 0.37	\$ 0.38	\$ 0.44	\$ 0.42	\$ 0.40	\$ 0.40	\$ 0.52	\$ 0.47	\$ 0.48
Non-GAAP net income per diluted share excluding Skype	\$ 0.34	\$ 0.35	\$ 0.42	\$ 0.42	\$ 0.40	\$ 0.40	\$ 0.52	\$ 0.47	\$ 0.48
Shares used in non-GAAP diluted share calculation	1,300	1,311	1,323	1,326	1,330	1,328	1,326	1,320	1,315

(1) Includes amortization of acquired intangible assets within cost of net revenues and operating expenses.

(2) The presentation of non-GAAP net income excluding Skype, does not include Skype's results of operations that were consolidated in our 2009 results through the date of sale (November 19, 2009).

Reconciliation of GAAP to Non-GAAP Quarterly Operating Margin

	Three Months Ended									
	Mar 31, 2009	Jun 30, 2009	Sept 30, 2009	Dec 31, 2009	Mar 31, 2010	Jun 30, 2010	Sep 30, 2010	Dec 31, 2010	Mar 31, 2011	Jun 30, 2011
	In millions, except per share amounts									
GAAP operating income (loss)	\$ 422.8	\$ 411.7	\$ 442.9	\$ 179.4	\$ 488.6	\$ 484.6	\$ 490.2	\$ 590.2	\$ 564.7	\$ 518.9
Stock-based compensation expense	113.8	96.4	92.5	92.0	102.1	92.0	93.8	93.7	118.7	118.8
Employer payroll taxes on stock-based compensation	2.6	0.9	0.9	1.0	8.5	1.2	2.5	1.6	13.1	1.4
Acquisition related transaction expense	-	-	-	-	-	-	-	-	-	57.3
Amortization of acquired intangible assets (1)	74.6	75.6	86.5	78.1	65.0	59.0	55.5	50.3	52.6	65.8
Restructuring	6.6	17.7	12.7	1.3	8.6	8.9	3.0	1.0	(0.1)	(0.1)
Joltid settlement	-	-	-	343.2	-	-	-	-	-	-
Non-GAAP operating income	<u>\$ 620.4</u>	<u>\$ 602.3</u>	<u>\$ 635.5</u>	<u>\$ 695.0</u>	<u>\$ 672.8</u>	<u>\$ 645.7</u>	<u>\$ 645.0</u>	<u>\$ 736.8</u>	<u>\$ 749.0</u>	<u>\$ 762.1</u>
Revenues	\$ 2,020	\$ 2,098	\$ 2,238	\$ 2,371	\$ 2,196	\$ 2,215	\$ 2,249	\$ 2,495	\$ 2,546	\$ 2,760
GAAP operating margin	20.9%	19.6%	19.8%	7.6%	22.2%	21.9%	21.8%	23.7%	22.2%	18.8%
Non-GAAP operating margin	30.7%	28.7%	28.4%	29.3%	30.6%	29.1%	28.7%	29.5%	29.4%	27.6%

(1) Includes amortization of acquired intangible assets within cost of net revenues and operating expenses.

Reconciliation of GAAP to Non-GAAP Quarterly Statement of Income

	Three Months Ended June 30, 2010			Three Months Ended June 30, 2011		
	Reported	Non-GAAP Entries	Non-GAAP	Reported	Non-GAAP Entries	Non-GAAP
	(in millions, except per share data and percentages)					
Net revenues	\$ 2,215.4	\$ -	\$ 2,215.4	\$ 2,760.3	\$ -	\$ 2,760.3
Cost of net revenues	615.4	(11.2) (a)	594.1	773.5	(14.3) (a)	746.7
		(10.1) (c)			(12.5) (c)	
Gross Profit	1,600.0	21.3	1,621.3	1,986.8	26.8	2,013.6
Operating expenses:						
Sales and marketing	478.2	(25.2) (a)	453.0	607.9	(33.5) (a)	574.4
Product development	225.3	(24.0) (a)	201.3	297.0	(33.6) (a)	263.4
General and administrative	262.1	(31.6) (a)	229.3	391.3	(37.4) (a)	295.2
		(1.2) (b)			(1.4) (b)	
					(57.3) (i)	
Provision for transaction and loan losses	92.0	-	92.0	118.5	-	118.5
Amortization of acquired intangible assets	48.9	(48.9) (c)	-	53.3	(53.3) (c)	-
Restructuring	8.9	(8.9) (f)	-	(0.1)	0.1 (e)	-
Total operating expense	1,115.4	(139.8)	975.6	1,467.9	(216.4)	1,251.5
Income from operations	484.6	161.1	645.7	518.9	243.2	762.1
Interest and other income, net	14.8	9.4 (h)	24.2	28.6	9.8 (h)	21.3
					(17.1) (j)	
Loss on divested business				(256.5)	256.5 (k)	-
Income before income taxes	499.4	170.5	669.9	291.0	492.4	783.4
Provision for income taxes	(87.2)	(52.5) (d)	(139.7)	(7.6)	(144.9) (d)	(152.5)
Net income	\$ 412.2	\$ 118.0	\$ 530.2	\$ 283.4	\$ 347.5	\$ 630.9
Net income per share:						
Basic	\$ 0.31		\$ 0.40	\$ 0.22		\$ 0.49
Diluted	\$ 0.31		\$ 0.40	\$ 0.22		\$ 0.48
Weighted average shares:						
Basic	1,310		1,310	1,297		1,297
Diluted	1,330		1,330	1,315		1,315
Operating margin	22%	7%	29%	19%	9%	28%
Effective tax rate	17%	4%	21%	3%	16%	19%

Notes:

- (a) Stock-based compensation expense
- (b) Employer payroll taxes on stock-based compensation
- (c) Amortization of acquired intangible assets and developed technology
- (d) Income taxes associated with certain non-GAAP entries
- (e) Restructuring
- (f) Joltid settlement
- (g) Gain on sale of Skype and transaction related items
- (h) Amortization of intangibles and stock-based compensation for Skype
- (i) Acquisition related transaction expense
- (j) Gain from the acquisition of a business
- (k) Loss on divested business

Calculation of Free Cash Flow

	Three Months Ended				
	Mar 31, 2009	Jun 30, 2009	Sep 30, 2009	Dec 31, 2009	Full Year 2009
	(in millions)				
GAAP operating cash flow	\$ 668.5	\$ 730.7	\$ 738.2	\$ 770.6	\$ 2,908.0
Purchases of property and equipment, net	(90.9)	(128.4)	(174.8)	(172.9)	(567.0)
Free cash flow	<u>\$ 577.6</u>	<u>\$ 602.3</u>	<u>\$ 563.4</u>	<u>\$ 597.7</u>	<u>\$ 2,341.0</u>

	Three Months Ended				
	Mar 31, 2010	Jun 30, 2010	Sep 30, 2010	Dec 31, 2010	Full Year 2010
	(in millions)				
GAAP operating cash flow	\$ 418.3	\$ 726.4	\$ 747.1	\$ 854.0	\$ 2,745.8
Purchases of property and equipment, net	(152.3)	(207.2)	(167.0)	(197.5)	(724.0)
Free cash flow	<u>\$ 266.0</u>	<u>\$ 519.2</u>	<u>\$ 580.1</u>	<u>\$ 656.5</u>	<u>\$ 2,021.8</u>

	Three Months Ended	
	Mar 31, 2011	Jun 30, 2011
	(in millions)	
GAAP operating cash flow	\$ 699.6	\$ 782.7
Purchases of property and equipment, net	(148.6)	(239.8)
Free cash flow	<u>\$ 551.0</u>	<u>\$ 542.9</u>

Reconciliation and Calculation of Return on Invested Capital

(in thousands, except percentages)

	Q2'09	Q3'09	Q4'09	Q1'10	Q2'10	Q3'10	Q4'10	Q1'11	Q2'11
Numerator components:									
Non-GAAP operating income	\$ 602,252	\$ 635,468	\$ 694,976	\$ 672,852	\$ 645,650	\$ 644,997	\$ 736,729	\$ 749,023	\$ 762,073
Tax rate	20%	21%	16%	22%	21%	21%	8%	19%	19%
Non-GAAP operating income after tax	\$ 482,223	\$ 505,197	\$ 580,791	\$ 524,286	\$ 510,967	\$ 509,806	\$ 674,789	\$ 608,242	\$ 613,733
Denominator components:									
Total assets	\$ 16,566,289	\$ 17,356,372	\$ 18,408,320	\$ 18,690,178	\$ 18,747,584	\$ 19,948,062	\$ 22,003,762	\$ 23,004,860	\$ 24,833,954
Total cash, cash equivalents and investments	3,134,478	3,638,587	6,325,569	6,505,468	6,725,768	7,463,927	9,114,826	9,479,971	7,475,324
Current liabilities	3,730,364	3,646,678	3,641,968	3,587,011	3,564,261	3,808,909	4,516,514	4,763,549	6,143,272
TTM Non-GAAP operating income after tax	\$ 2,036,324	\$ 1,981,837	\$ 2,053,943	\$ 2,092,498	\$ 2,121,242	\$ 2,125,851	\$ 2,219,848	\$ 2,303,805	\$ 2,406,570
TTM average total assets	15,309,659	15,776,609	16,610,241	17,229,789	17,953,749	18,630,103	19,559,581	20,478,889	21,707,644
TTM 95% of average cash, cash equivalents and investments	3,397,071	3,293,876	3,778,013	4,356,872	5,002,675	5,825,271	6,865,756	7,465,092	7,649,365
TTM average current liabilities	3,291,268	3,419,357	3,576,804	3,553,189	3,634,056	3,649,765	3,823,733	4,048,049	4,559,301
ROIC	23.6%	21.9%	22.2%	22.5%	22.8%	23.2%	25.0%	25.7%	25.3%

Reconciliation of Q2'11 and FY 2011 GAAP to Non-GAAP Guidance

	Three Months Ending September 30, 2011	
	GAAP	Non-GAAP (a)
(in millions, except per share amounts)		
Revenues	\$2,850 - \$2,950	\$2,850 - \$2,950
Diluted EPS	\$0.37 - \$0.38	\$0.46 - \$0.47

(a) Estimated non-GAAP amounts above for the three months ending September 30, 2011, reflect the adjustments that exclude the estimated amortization of acquired intangible assets of approximately \$100-115 million, estimated stock-based compensation expense and employer payroll taxes on stock-based compensation expense of approximately \$110-\$130 million, and a gain from the acquisition of a business of approximately \$50-\$60 million.

	Full Year Ending December 31, 2011	
	GAAP	Non-GAAP (b)
(in millions, except per share amounts)		
Revenues	\$11,300 - \$11,600	\$11,300 - \$11,600
Diluted EPS	\$2.41 - \$ 2.44	\$1.97 - \$2.00

(b) Estimated non-GAAP amounts above for the twelve months ending December 31, 2011, reflect adjustments that exclude the estimated amortization of acquired intangible assets of approximately \$315-\$355 million, estimated stock-based compensation expense and employer payroll taxes on stock-based compensation expense of approximately \$460-\$510 million, a loss on divested business of approximately \$257 million, acquisition related transaction expense of approximately \$57 million, a gain on the sale of our investment in Skype of approximately \$1.7 billion, and gains from the acquisition of businesses of approximately \$65-\$80 million.

Reconciliation of FY 2011 Operating Cash Flow to Free Cash Flow Guidance

	Full Year Ending December 31, 2011
	(In millions)
GAAP Operating Cash Flow	\$3,000 - \$3,300
Purchases of Property and Equipment, net	900 - 1,000
Free Cash Flow	<u>\$2,100 - \$2,300</u>