

Q4-11 and Full Year 2011 Financial Highlights

January 18, 2012

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 dark blue, italicized sans-serif 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.

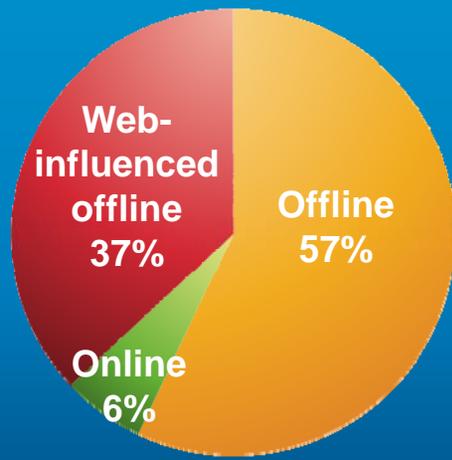
This presentation contains forward-looking statements relating to our future performance that are based on our current expectations, forecasts and assumptions and involve risks and uncertainties. These statements include, but are not limited to, statements regarding expected financial results for the first quarter and full year 2012, our three-year outlook 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: changes in political, business, and economic conditions including any further downturn or crisis in Europe; 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 January 18, 2012, and we do not intend, and undertake no duty, to update this presentation.

eBay Inc... Re-inventing Shopping and Payments

Market opportunity is expanding...



eCommerce + retail*

Merchants of all sizes must reach buyers in new ways and keep up with innovation



Our end to end capabilities...

- Global reach
- Multi-channel
- Payments
- Large user base
- Web services
- Demand generation
- Fulfillment
- Mobile
- Local
- Social
- Point of sale

Technology platform enabling commerce

Excellent 2011 Performance...

27% Revenue Growth
17% Non-GAAP EPS Growth*
\$2.3B in Free Cash Flow*

Platform enabled nearly \$150B of commerce volume in 2011**

PayPal... creating the next generation of payment capabilities

26% Y/Y Transaction Rev
66% Y/Y MS&O Rev
22.2% Op Margin

Marketplaces... a global channel reinventing shopping

13% Y/Y Transaction Rev
32% Y/Y MS&O Rev
39.6% Op Margin

GSI... helping retailers to succeed in a multi-channel world

22% Y/Y SSS Growth***
13% Y/Y Rev****
14.1% Op Margin***

Year 1 of Three Year Plan...Ahead of Expectations

* Calculations of Non-GAAP EPS and Free Cash Flow are included in the Appendix of this presentation

** Includes eBay GMV, PayPal Merchant Services TPV, and GSI GMS not earned on eBay or paid for via PayPal/BML. Excludes volume transacted through the X.commerce platform.

*** Results of operations of GSI are included in our consolidated results of operations as of June 17, 2011.

**** Total Pro Forma revenues are not comparable to prior year pro forma revenues because of impact of revenues from divested businesses being recorded as service fees vs. gross product revenues for the post-acquisition stub-period



Q4-11 Summary

Strong Q4-11 results:

- **Top line Growth up 35%* ... with strength across the board**
- **Non-GAAP EPS** Growth up 17% ... segment margins accelerated across the board**
- **Operational Excellence ... delivered cost savings and reinvested for growth**
- **Capital Allocation ... closed sale of remaining minority interest in Skype for \$2.3B ... completed 3 acquisitions ... repurchased 8M shares**

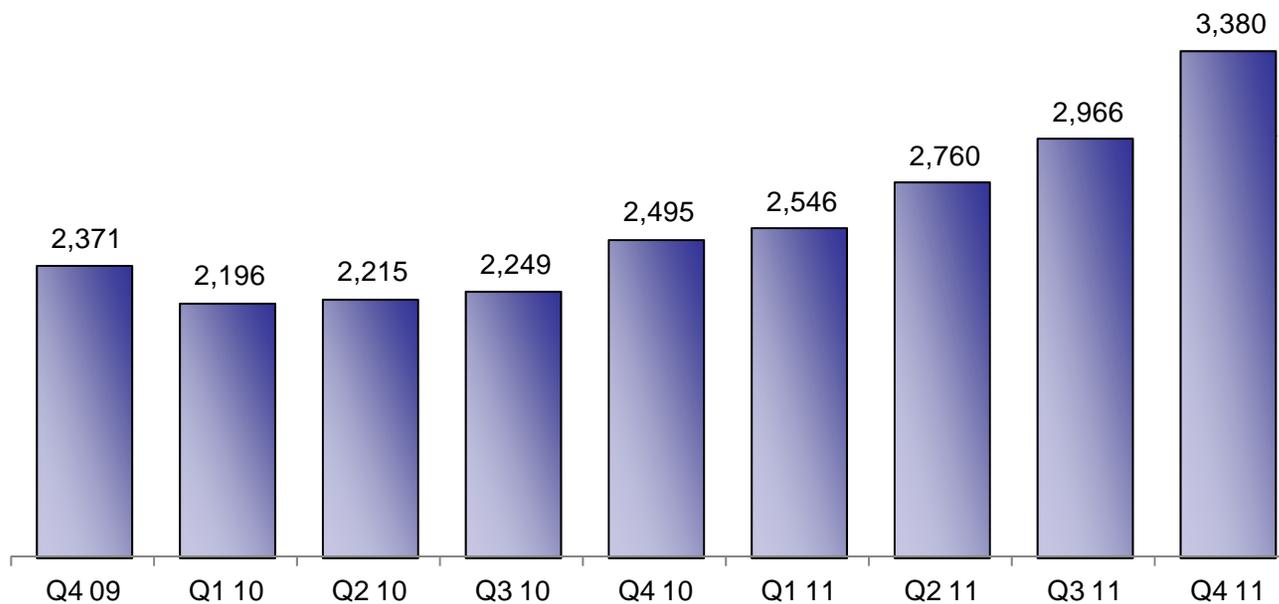
* Note: All comparisons represent year-over-year growth in Q4-11 compared to the same period of the prior year at spot FX rates unless otherwise noted

** Calculation of Non-GAAP EPS is included in the Appendix of this presentation

Q4-11 Summary... Revenue

Revenue

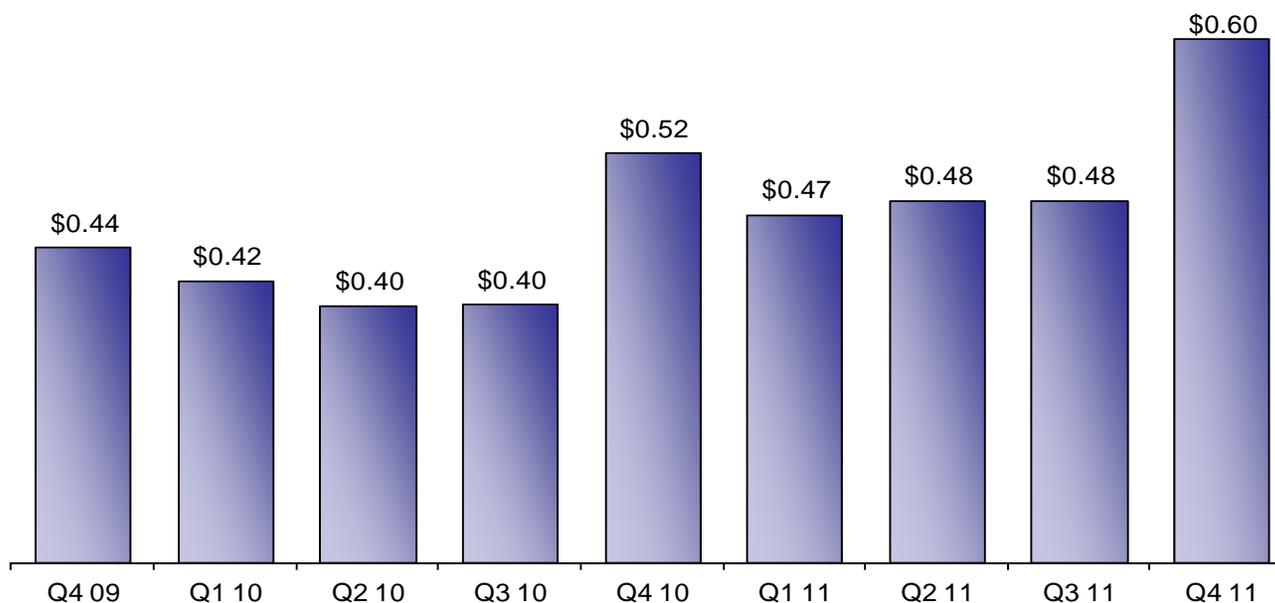
(\$ millions)



Reported Y/Y Growth	16%	9%	6%	1%	5%	16%	25%	32%	35%
Organic Y/Y Growth*	12%	11%	13%	12%	12%	14%	18%	18%	19%

Q4-11 Summary... Non-GAAP EPS*

Non-GAAP EPS*



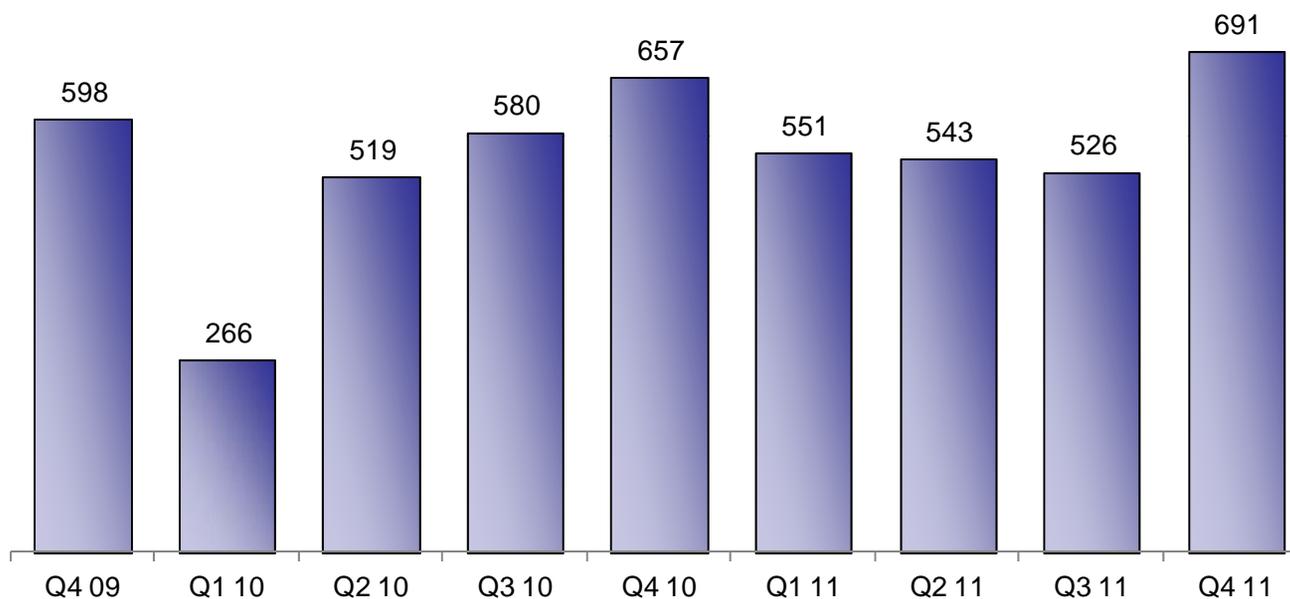
	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11
Reported Y/Y Growth	9%	8%	8%	4%	16%	12%	20%	20%	17%
Non-GAAP Op. Margin*	29.3%	30.6%	29.1%	28.7%	29.5%	29.4%	27.6%	25.3%	28.7%

Operating leverage offset by business mix and the impact of recently completed acquisitions

Q4-11 Summary... Free Cash Flow* Generation

Free Cash Flow*

(\$ millions)



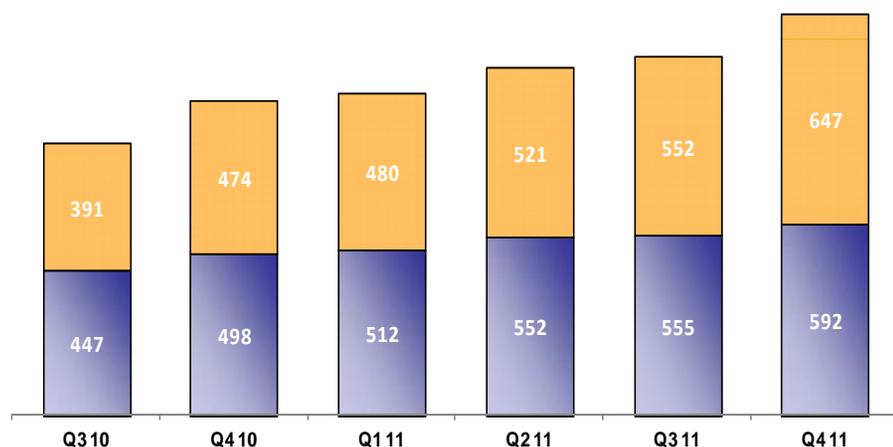
Reported Y/Y Growth	14%	-54%	-14%	3%	10%	107%	5%	-9%	5%
Capex % of Revenue	7%	7%	9%	7%	8%	6%	9%	10%	9%
FCF % of Revenue	25%	12%	23%	26%	26%	22%	20%	18%	20%

Business Update... Payments Revenue and Volume

Revenue

(\$ millions)

Int'l
US



\$ millions

838 **971** **992** **1,073** **1,107** **1,240**

y/y growth

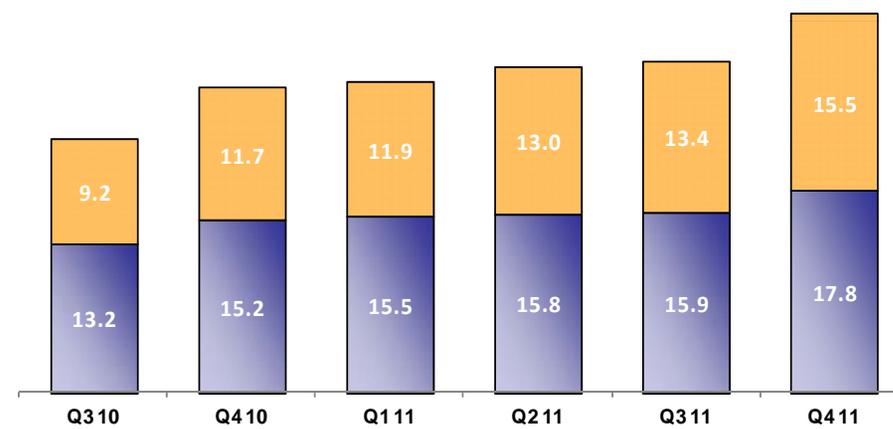
22% **22%** **23%** **31%** **32%** **28%**

Fx-neutral y/y growth

23% **24%** **23%** **30%** **31%** **28%**

TPV

(\$ billions)



\$ billions

22.4 **26.9** **27.4** **28.7** **29.3** **33.4**

y/y growth

26% **26%** **28%** **34%** **31%** **24%**

Fx-neutral y/y growth

29% **28%** **27%** **29%** **27%** **24%**

Business Update... Payments Operating Metrics

(In millions, except percentages)	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11
<u>Active Registered Accounts</u>						
Global Active Accounts	90.5	94.4	97.7	100.3	103.0	106.3
Y/Y Growth	16%	17%	16%	15%	14%	13%
<u>Net Number of Payments</u>						
Net Number of Payments	357.0	421.1	424.6	432.0	459.2	548.1
Y/Y Growth	31%	28%	26%	29%	29%	30%
<u>TPV</u>						
On eBay	8,204	9,884	9,795	9,881	9,968	11,413
Y/Y Growth	8%	11%	14%	23%	22%	15%
Fx-Neutral Y/Y Growth	11%	13%	13%	17%	18%	16%
Merchant Services*	14,161	16,982	17,567	18,860	19,314	21,959
Y/Y Growth	40%	37%	38%	42%	36%	29%
Fx-Neutral Y/Y Growth	42%	39%	37%	37%	33%	29%
<u>On eBay Penetration Rate</u>						
Global	69.8%	70.0%	70.8%	71.4%	73.1%	74.4%
Take Rate	3.75%	3.61%	3.63%	3.73%	3.78%	3.71%
Transaction Expense	1.20%	1.11%	1.11%	1.11%	1.14%	1.04%
Loss Rate	0.22%	0.20%	0.21%	0.25%	0.31%	0.27%
Transaction Margin**	62.1%	63.5%	63.7%	63.6%	61.5%	64.8%
<u>Payments Segment Margin</u>						
Payments Segment Margin	19.3%	22.1%	22.3%	21.9%	19.5%	24.7%

Strong FX-neutral TPV growth... deceleration driven by softness in cross-border trade and average payment values

Transaction margin up Y/Y driven by:

- Take rate: increased due to product mix, partially offset by the impact from Durbin Amendment
- Trxn expense: lower due to Durbin Amendment and higher penetration of BML
- Loss rate: increased due primarily to new products

Segment margin increased due to higher transaction margin and operating leverage

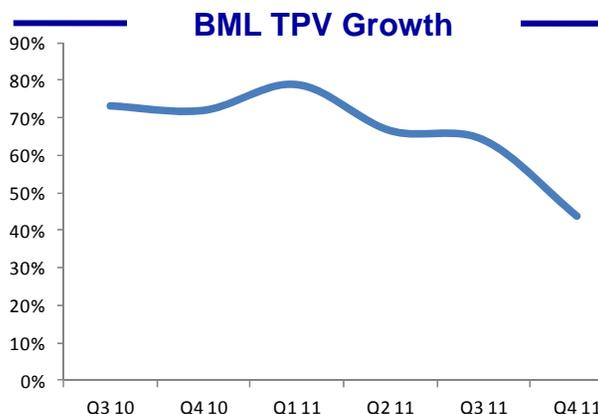
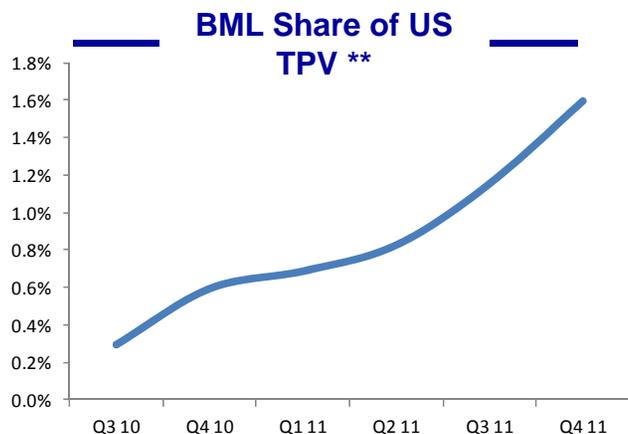
* Merchant Services TPV includes TPV for Bill Me Later whether used within or outside of the PayPal wallet

** 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: \$1.6B*



- BML share of US TPV continued to grow rapidly, creating transaction expense savings for PayPal business
- Increased penetration due to greater usage and higher approval rates achieved by leveraging eBay and PayPal proprietary data

- BML growth coming from increased penetration on eBay and Merchant Services
- BML active customer base grew 33% Y/Y while spend per active customer decreased

- Favorable increase Y/Y driven by strong revenue growth, lower charge offs and decrease in cost of funds

Credit Operating Metrics

	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11
BML TPV (\$M)	345	550	431	499	566	790
BML TPV (Y/Y)	73%	72%	79%	67%	64%	44%
Portfolio Balance (\$M)	767	999	993	1,084	1,236	1,560
Risk Adjusted Margin	11.5%	14.4%	14.7%	16.5%	18.0%	16.9%
Net Charge-offs	7.3%	6.1%	4.9%	4.3%	4.3%	4.4%

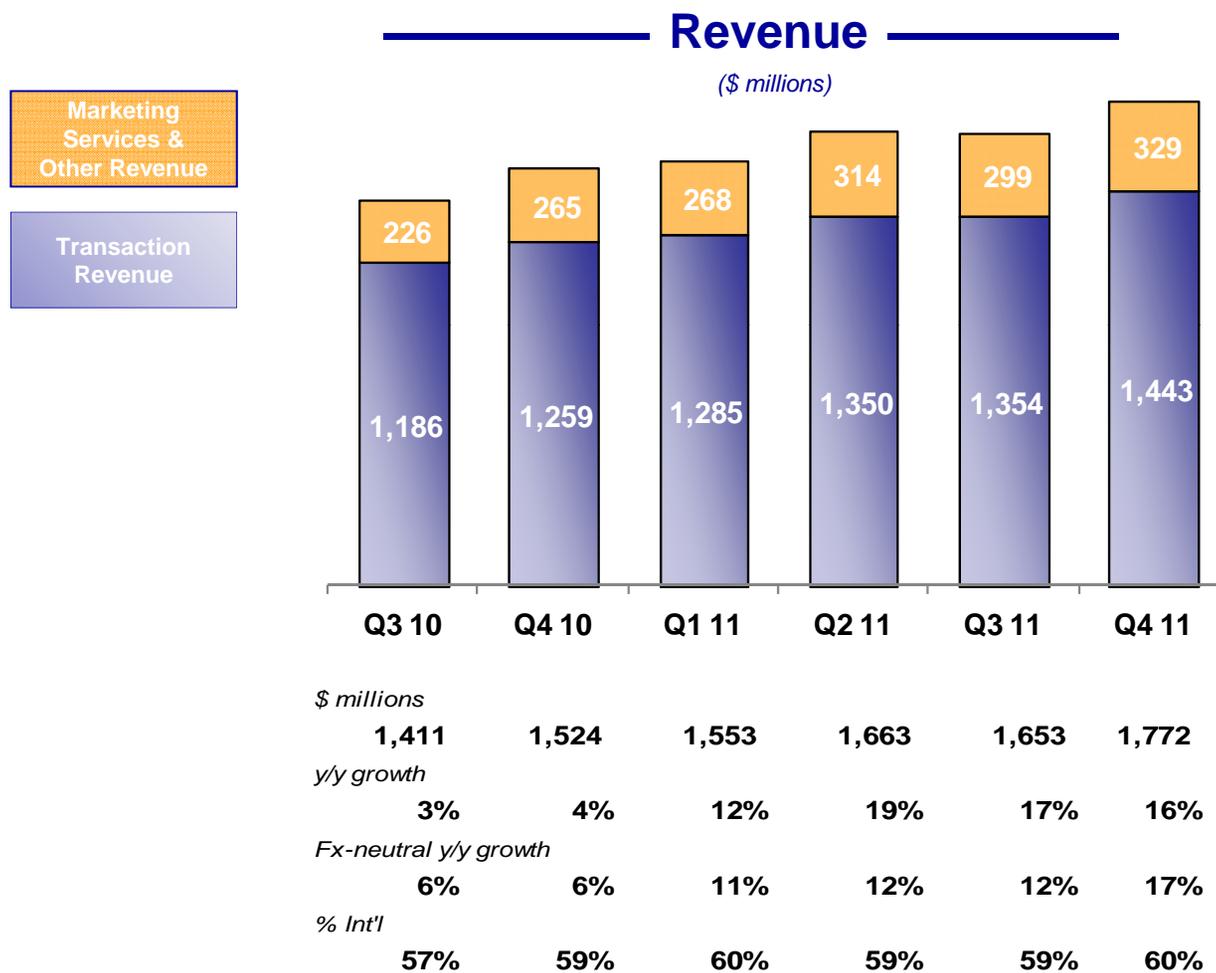
* Gross receivables balance as of 12/31/11

** % of US Marketplaces and Merchant Services TPV funded using Bill Me Later

*** 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



Business Update... Marketplaces Revenue



Business Update... Marketplaces Operating Metrics

(In millions, except percentages)

Active Users

	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11
Global Active Users	93.2	94.5	95.9	97.2	98.7	100.4
<i>Y/Y Growth</i>	4%	5%	5%	6%	6%	6%

Sold Items

Y/Y Growth in Sold Items*	8.5%	9.5%	6.5%	7.7%	9.6%	11.3%
----------------------------------	------	------	------	------	------	-------

GMV

US Non-Vehicles GMV	4,900	5,584	5,631	5,490	5,588	6,157
<i>Y/Y Growth</i>	2%	5%	10%	14%	14%	10%

Int'l Non-Vehicles GMV	7,691	9,455	8,866	9,191	9,078	10,333
<i>Y/Y Growth</i>	4%	6%	8%	19%	18%	9%
<i>Fx-Neutral Y/Y Growth</i>	8%	9%	6%	8%	10%	10%

Non-Vehicles GMV	12,591	15,039	14,497	14,681	14,666	16,490
<i>Y/Y Growth</i>	3%	6%	8%	17%	16%	10%
<i>Fx-Neutral Y/Y Growth</i>	6%	8%	8%	10%	11%	10%

Vehicles GMV	2,157	1,920	2,050	2,238	2,149	1,864
<i>Y/Y Growth</i>	-10%	-8%	1%	2%	0%	-3%
<i>Fx-Neutral Y/Y Growth</i>	-7%	-7%	0%	-3%	-4%	-3%

Fixed price as a % of GMV	60%	62%	61%	62%	63%	64%
----------------------------------	-----	-----	-----	-----	-----	-----

Segment Margin

Marketplaces Segment Margin	39.7%	39.2%	40.5%	38.8%	38.5%	40.6%
------------------------------------	-------	-------	-------	-------	-------	-------

Active users growth driven by UK, US and Australia

Sold items growth driven by UK, China and US

FX-neutral non-vehicles GMV:

- US – Solid fixed price growth offset by export weakness, lower ASP (gold), and slow auction growth.

- Int'l – APAC accelerating, UK strong and stable, Germany continued sluggish

GMV by format:

- Continued mix shift. Fixed price solid growth at 14%, while auctions were up 1%

Segment margin up from volume leverage, partially offset by the impact of recently completed acquisitions

* Sold items growth ex-Gmarket was 12.7% in Q3-10

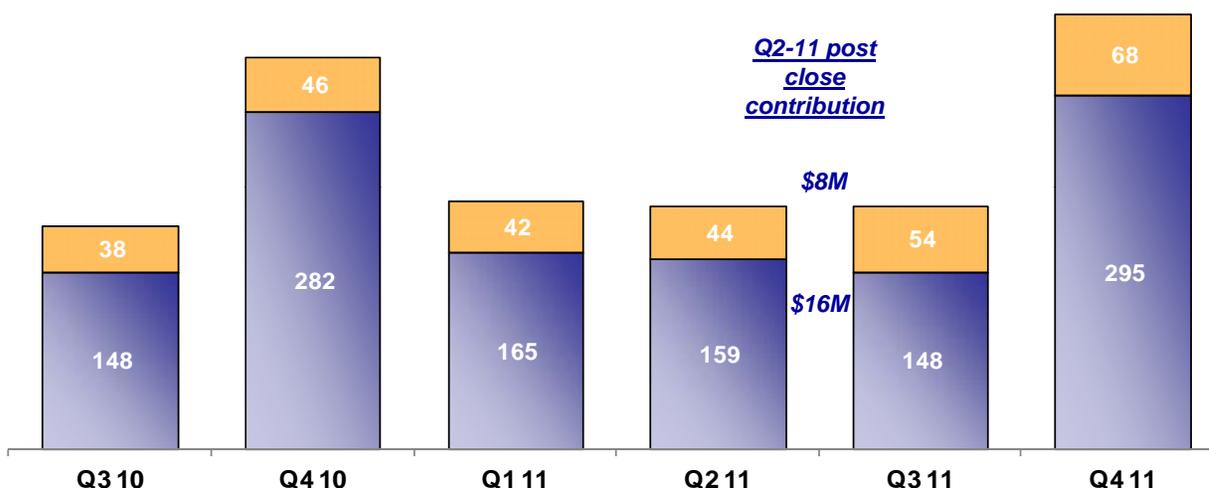
Business Update... GSI Revenue and Operating Metrics

Revenue / Metrics

(\$ millions)

Marketing Services & Other Revenue

Transaction Revenue



	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11
Total Revenue*	187	328	207	203	203	364
y/y growth	n/a	n/a	n/a	16%	8%	11%
GeC Merchandise Sales (GMS)**	508	1,119	609	578	608	1,362
y/y growth	28%	30%	24%	20%	20%	22%
Same Store Sales (SSS) y/y growth	25%	27%	20%	20%	18%	26%
Segment Margin	N/A	N/A	N/A	N/A	2.8%	21.4%

\$8M

\$16M

Q2-11 post close contribution

\$24M

\$76M

-0.9%

Revenue growth impacted by continued shift to service fee model. Excluding this impact, revenue growth would have been 15% Y/Y***

SSS GMS increased driven by strong sales for top merchants, despite tougher comps

Segment margin was strong due to seasonality and operating leverage

* Results of operations of GSI are included in our consolidated results of operations as of June 17, 2011. Total Pro Forma transaction revenues are not comparable to prior year pro forma transaction revenues because of impact of revenues from divested businesses being recorded as service fees vs. gross product revenues for the post-acquisition stub-period

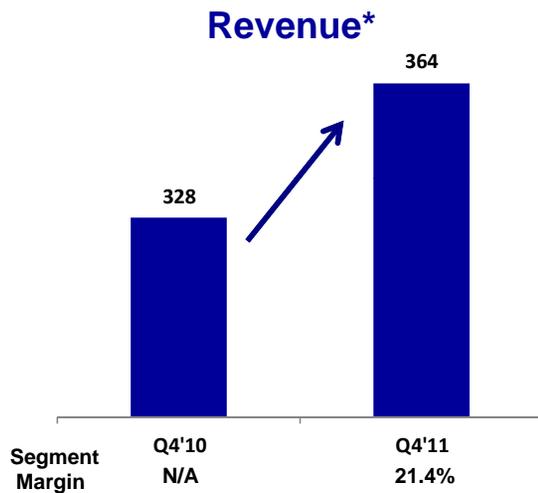
** GeC merchandise sales (GMS) represents the retail value of all sales transactions, inclusive of freight charges and net of allowances for returns and discounts, which flow through the GSI ecommerce platform, whether we record the full amount of such transaction as a product sale or a percentage of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

*** Calculation of revenue excluding the impact of the shift to service fee model included in the appendix of this presentation.



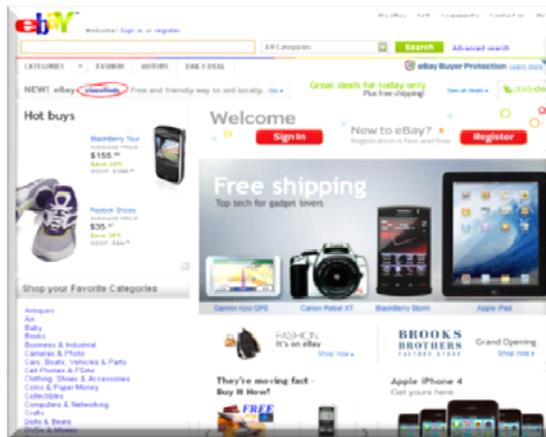
GSI... Integration Update

Synergies on Track



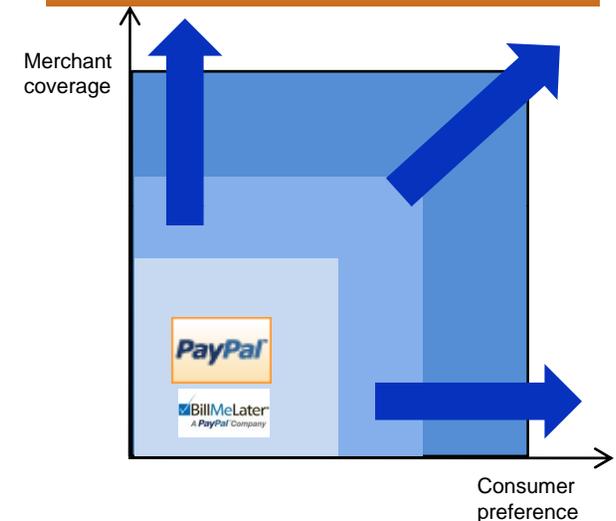
- GSI clients continue to gain share (SSS +26%)
- Multi-channel capability improving... in store pick-up and ship from store

Leverage eBay Channel



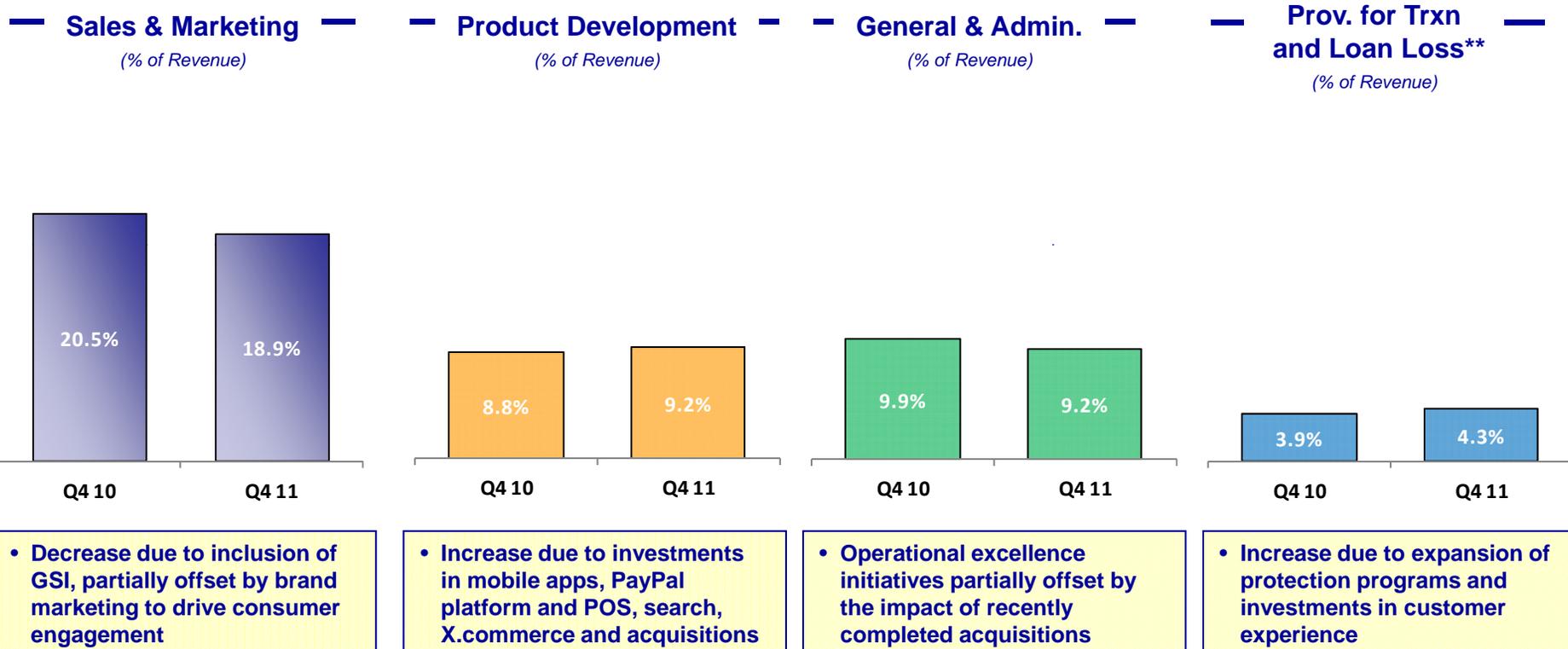
- 13 GSI merchants/brands live on eBay ... pipeline building
- Utilizing GSI demand generation capabilities Q4-11/Q1-12

Increase PayPal Ubiquity



- PayPal coverage of GSI's volume was 89% in Q4-11, up from 80% in Q3-11
- PayPal share of checkout was 13% in Q4-11, up from 11% in Q3-11

Business Update... Operating Expenses*



Q4-11 Non-GAAP Op Inc*: \$972M
 Q4-11 Non-GAAP Net Inc*: \$789M

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

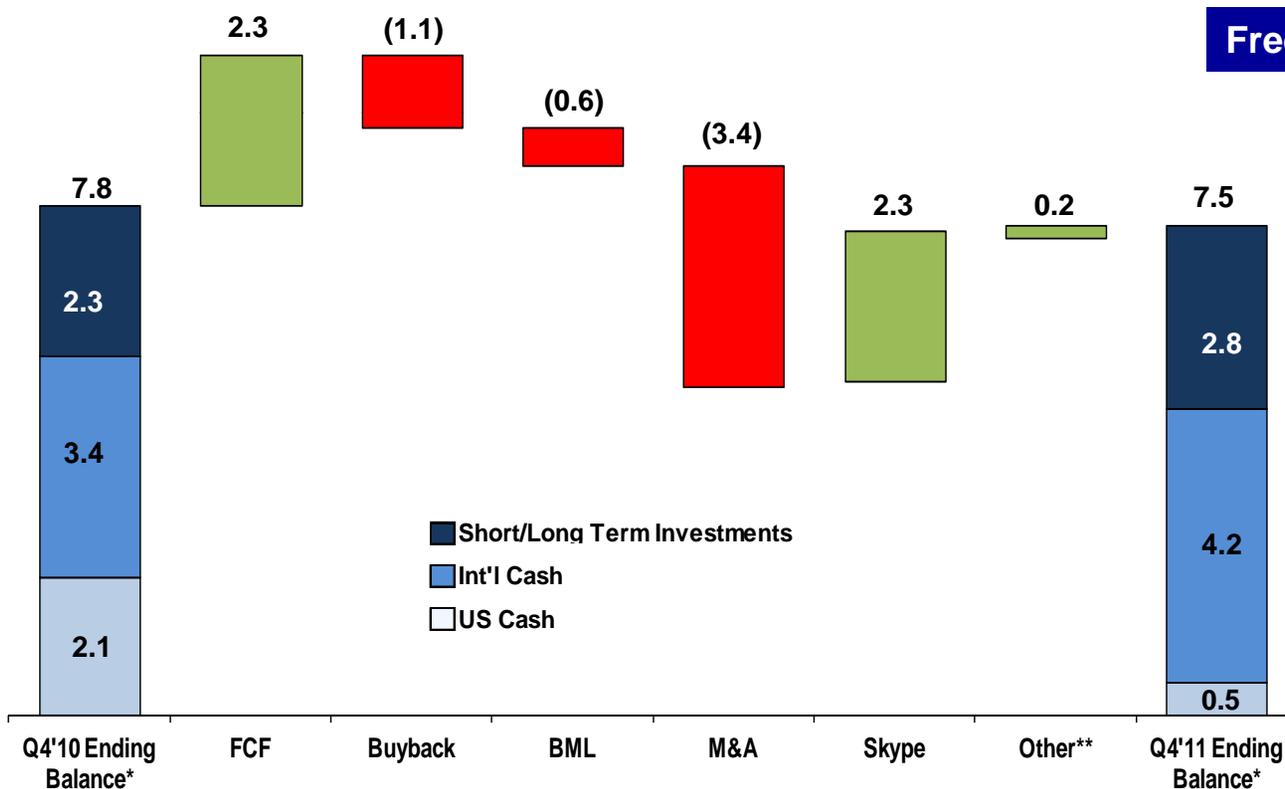
** Prov. for Trxn and Loan Loss Includes Marketplaces and PayPal txn loss, Marketplaces consumer protection programs, bad debt expense and BML loan loss



2011 Cash Flow / Capital Allocation...

Strong FCF and Skype proceeds used for M&A and buyback

Cash Balance / Flows*



Free Cash Flow / Other Movements

- Generated FCF*** of \$2.3B
- Repurchased ~33.6M shares
- 47% of BML loan portfolio funded with offshore cash
- Closed 13 acquisitions ~\$3.4B
- Total US cash and non-equity investments ~\$1.0B
- Completed the sale of remaining interest in Skype for \$2.3B

... while maintaining strong balance sheet and financial flexibility

As we Enter 2012 ... Guidance Context

From a macro perspective, we are assuming...

- Relatively stable outlook for the global economy ... with Europe caution
- Current spot rates hold
- Global interest rates remain at current low levels

From an operating perspective, we expect...

- PayPal - continued strong performance from expanding merchant coverage and share of checkout
- Marketplaces - solid performance in core markets with continued investment in platform and new products
- GSI - strong performance from driving top-line growth and realizing synergies
- Non-GAAP effective tax rate at 18.5 –19.5%*

2012 Growth Drivers...



- Growth Drivers —————
- | Growth Driver | Non-GAAP EPS Growth |
|--|-----------------------|
| • Strong Operating Performance... | ~+15 pts |
| • Accretive M&A... +4pts to top-line | ~+1 pt |
| • Stronger US Dollar... (3pts) to top-line | ~(3 pts) |
| • Lower Yield/ Skype Sale... | ~(1 pt) |
| | <hr/> |
| | +12% (midpt of range) |

Q1 2012 Outlook:

- Revenue of \$3.050-\$3.150B...up 20-24%
- Non-GAAP EPS* at \$0.50-\$0.51... up 7-9%

Increased Confidence in Our Outlook for 2013...

PayPal[™]

Marketplaces

 **gsi commerce**[®]

Revenue

\$6.5B - \$7B

\$7.5B - \$8B

\$1.2B - \$1.3B

As of March '11

~~\$6B - \$7B~~

~~\$7B - \$8B~~

~~\$1.1B - \$1.3B~~

Key growth drivers

Consumer Preferences,
Merchant coverage,
New Products,
New Markets

Tailored shopping experiences, Local C2C strength, global tickets, Mobile, Offline, Platform

Comp growth led by multi-channel, new clients, geographic expansion, New products

Direct segment margin*

25% to 26%

38% to 42%

14% to 16%**

As of March '11

~~24% to 26%~~

Non-GAAP EPS CAGR 2010 – 2013

14% - 16%

As of March '11

~~12% - 16%~~

* Direct segment margin does not include ~3-4 points of corporate overhead for PayPal and eBay

19 ** Updated to reflect direct segment margin definition post-acquisition. Previous estimate of 19%-21% was defined by GSI as income/loss from operations excluding stock-based compensation, depreciation and amortization expenses, and the following expenses related to acquisitions: transaction expenses, due diligence expenses, integration expenses, non-cash inventory valuation adjustments, the cash portion of any deferred acquisition payments recorded as compensation expense, the changes in fair value of deferred acquisition payments and any impairment of goodwill and intangible assets.



Summary

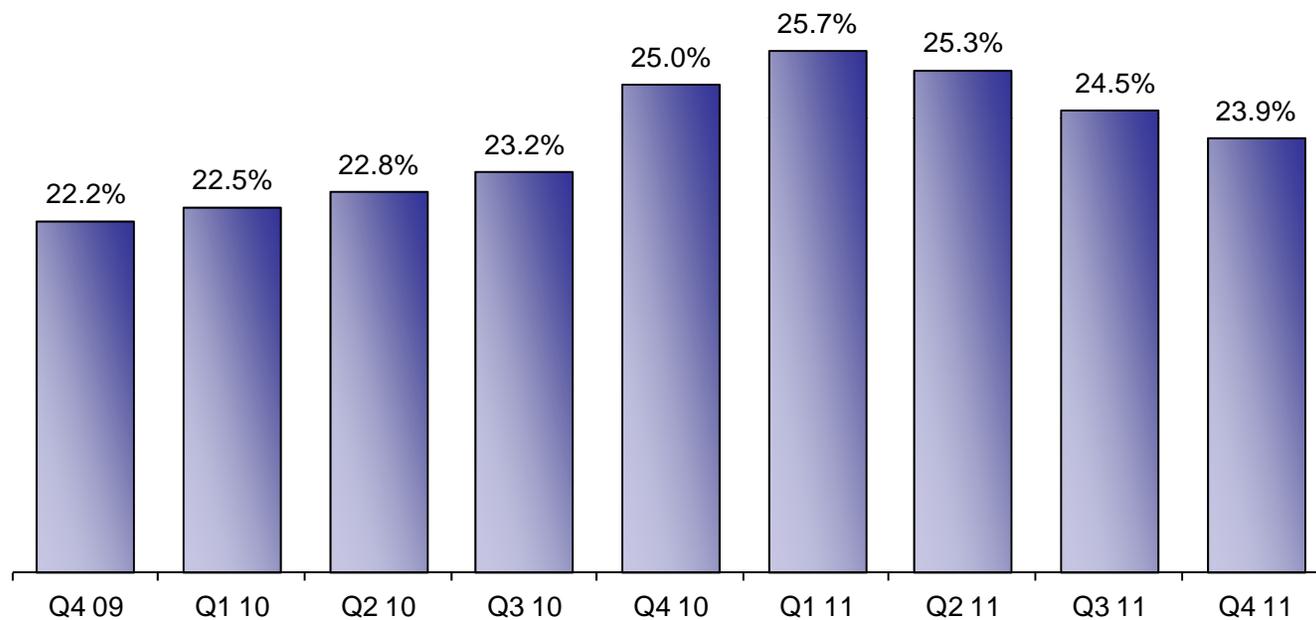
- **Strong close to a great year...**
 - **Exceeded our 2011 commitments: PayPal continued strong growth... Core Marketplaces healthy and getting stronger... GSI integration going well**
 - **Invested for growth: Operational excellence drives improvements in customer experience and commerce innovation**
 - **Allocated capital... closed 13 acquisitions... repurchased 34M shares... sold remaining stake in Skype**
- **Outlook...**
 - **A stronger portfolio of commerce capabilities**
 - **More confident in our 2013 plan... increasing mid point of outlook**

Q & A

Appendix

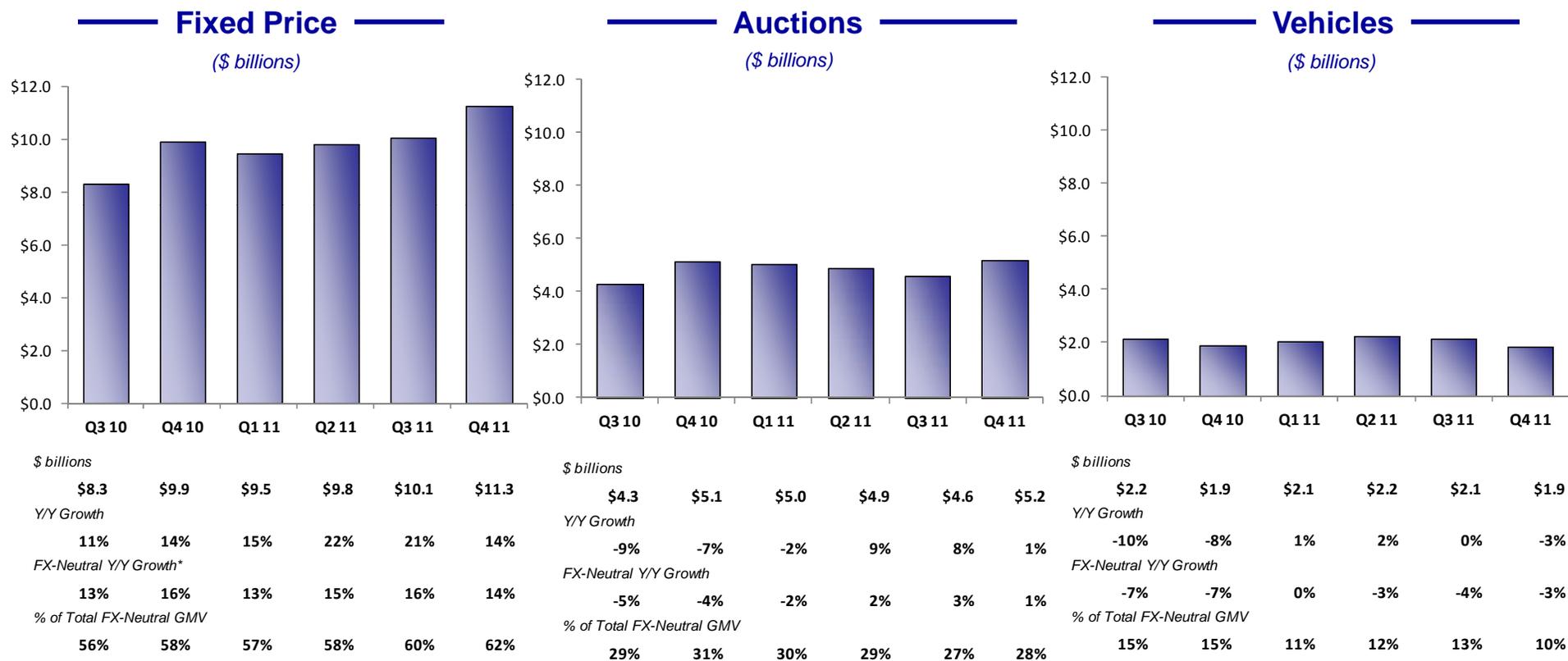
Q4-11 Summary... RoIC*

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... GMV-Based Formats



Strong performance ...

... Stable dollar volume as shift continues to fixed price ...

... Shifting from GMV to lead gen model



Reconciliation of Full Year 2012 GAAP to Non-GAAP Net Income / EPS

(in millions, except per share data)	Twelve Months Ended				
	Dec 31, 2007	Dec 31, 2008	Dec 31, 2009	Dec 31, 2010	Dec 31, 2011
GAAP net income (loss)	\$ 348.3	\$ 1,779.4	\$ 2,389.1	\$ 1,801.0	\$ 3,229.4
Stock-based compensation expense	301.8	352.1	394.8	381.5	457.0
Employer payroll taxes on stock-based compensation	6.9	3.1	5.4	13.8	17.4
Acquisition related transaction expenses	-	-	-	-	58.1
Amortization of acquired intangible assets (1)	223.7	264.1	314.8	229.8	328.4
Restructuring	-	49.1	38.1	21.5	(0.4)
Joltid settlement	-	-	343.2	-	-
Skype sale and transaction related items	-	-	(1,407.5)	18.0	(1,664.1)
Amortization of intangibles and stock-based compensation for Skype	-	-	-	35.8	43.1
Impairment of goodwill	1,390.9	-	-	-	-
Gain from the acquisition of a business	-	-	-	-	(73.4)
Loss on divested business	-	-	-	-	256.5
Accretion of note receivable	-	-	-	-	(8.2)
Income taxes associated with certain non-GAAP entries	(165.4)	(202.9)	(12.1)	(202.7)	23.0
Non-GAAP net income	<u>\$ 2,106.2</u>	<u>\$ 2,244.9</u>	<u>\$ 2,065.8</u>	<u>\$ 2,298.7</u>	<u>\$ 2,666.8</u>
Non-GAAP net income per diluted share	<u>\$ 1.53</u>	<u>\$ 1.71</u>	<u>\$ 1.58</u>	<u>\$ 1.73</u>	<u>\$ 2.03</u>
Shares used in non-GAAP diluted share calculation	<u>1,376</u>	<u>1,313</u>	<u>1,305</u>	<u>1,327</u>	<u>1,313</u>

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

Calculation of Organic Revenue Growth

	Mar 31, 2009	Jun 30, 2009	Sept 30, 2009	Dec 31, 2009
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>
	Mar 31, 2010	Jun 30, 2010	Sept 30, 2010	Dec 31, 2010
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>
	Mar 31, 2011	Jun 30, 2011	Sept 30, 2011	Dec 31, 2011
Total revenue growth	16%	25%	32%	35%
Acquisition/Disposition impact	(1%)	(2%)	(11%)	(16%)
Foreign currency impact	(1%)	(5%)	(3%)	0%
Total organic revenue growth	<u>14%</u>	<u>18%</u>	<u>18%</u>	<u>19%</u>

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

Calculation of GSI Revenue Growth Excluding Shift to Service Fee Model

	<u>Dec 31, 2011</u>
Total proforma revenue growth	11%
Impact from shift to service fee model	<u>4%</u>
Total proforma growth excluding shift to service fee model	<u><u>15%</u></u>

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

Reconciliation of Quarterly GAAP to Non-GAAP Operating Margin

	<u>Dec 31,</u> <u>2009</u>	<u>Mar 31,</u> <u>2010</u>	<u>Jun 30,</u> <u>2010</u>	<u>Sep 30,</u> <u>2010</u>	<u>Sept 30,</u> <u>2011</u>	<u>Dec 31,</u> <u>2011</u>
GAAP operating income (loss)	\$ 179.4	\$ 488.6	\$ 484.6	\$ 490.2	\$ 536.8	753.1
Stock-based compensation expense	92.0	102.1	92.0	93.8	108.2	111.2
Employer payroll taxes on stock-based compensation	1.0	8.5	1.2	2.5	1.7	1.2
Acquisition related transaction expense	-	-	-	-	-	0.8
Amortization of acquired intangible assets (1)	78.1	65.0	59.0	55.5	104.8	105.2
Restructuring	1.3	8.6	8.9	3.0	(0.2)	(0.0)
Joltid settlement	343.2	-	-	-	-	-
Non-GAAP operating income	<u>\$ 695.0</u>	<u>\$ 672.8</u>	<u>\$ 645.7</u>	<u>\$ 645.0</u>	<u>\$ 751.3</u>	<u>971.5</u>
Revenues	\$ 2,371	\$ 2,196	\$ 2,215	\$ 2,249	\$ 2,966	3,380
GAAP operating margin	7.6%	22.2%	21.9%	21.8%	18.1%	22.3%
Non-GAAP operating margin	29.3%	30.6%	29.1%	28.7%	25.3%	28.7%

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

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

	<u>Dec 31,</u> <u>2009</u>	<u>Mar 31,</u> <u>2010</u>	<u>Jun 30,</u> <u>2010</u>	<u>Sep 30,</u> <u>2010</u>	<u>Dec 31,</u> <u>2010</u>	<u>Mar31,</u> <u>2011</u>	<u>Jun 30,</u> <u>2011</u>	<u>Sept 30,</u> <u>2011</u>	<u>Dec 31,</u> <u>2011</u>
GAAP net income	\$ 1,354.9	\$ 397.7	\$ 412.2	\$ 431.9	\$ 559.2	\$ 475.9	\$ 283.4	\$ 490.5	\$ 1,979.6
Stock-based compensation expense	92.0	102.1	92.0	93.8	93.7	118.7	118.8	108.2	111.2
Employer payroll taxes on stock-based compensation	1.0	8.5	1.2	2.5	1.6	13.1	1.4	1.7	1.2
Acquisition related transaction expense	-	-	-	-	-	-	57.3	-	0.8
Amortization of acquired intangible assets (1)	78.1	65.0	59.0	55.5	50.3	52.6	65.8	104.8	105.2
Restructuring	1.3	8.6	8.9	3.0	1.0	(0.1)	(0.1)	(0.2)	(0.0)
Joltid settlement	343.2	-	-	-	-	-	-	-	-
Skype sale and transaction related items	(1,407.5)	28.0	-	(10.0)	-	-	-	-	(1,664.1)
Amortization of intangibles and stock-based compensation for Skype	-	4.3	9.4	9.5	12.6	9.2	9.8	24.1	-
Gain from the acquisition of a business	-	-	-	-	-	-	(17.1)	(56.3)	-
Loss on divested business	-	-	-	-	-	-	256.5	-	-
Accretion of note receivable	-	-	-	-	-	-	-	(3.9)	(4.3)
Income taxes associated with certain non-GAAP entries	122.8	(60.0)	(52.5)	(55.6)	(34.5)	(50.4)	(144.9)	(40.7)	259.0
Non-GAAP net income	\$ 585.8	\$ 554.2	\$ 530.2	\$ 530.6	\$ 683.9	\$ 619.0	\$ 630.9	\$ 628.2	\$ 788.6
Non-GAAP net income attributable to Skype	(35.2)	-	-	-	-	-	-	-	-
Non-GAAP net income excluding Skype (2)	\$ 550.6	\$ 554.2	\$ 530.2	\$ 530.6	\$ 683.9	\$ 619.0	\$ 630.9	\$ 628.2	\$ 788.6
Non-GAAP net income per diluted share	\$ 0.44	\$ 0.42	\$ 0.40	\$ 0.40	\$ 0.52	\$ 0.47	\$ 0.48	\$ 0.48	\$ 0.60
Non-GAAP net income per diluted share excluding Skype	\$ 0.42	\$ 0.42	\$ 0.40	\$ 0.40	\$ 0.52	\$ 0.47	\$ 0.48	\$ 0.48	\$ 0.60
Shares used in non-GAAP diluted share calculation	1,323	1,326	1,330	1,328	1,326	1,320	1,315	1,309	1,308

Reconciliation of GAAP to Non-GAAP Quarterly Statement of Income

	Three Months Ended December 31, 2010			Three Months Ended December 31, 2011		
	Reported	Non-GAAP Entries	Non-GAAP	Reported	Non-GAAP Entries	Non-GAAP
	(in millions, except per share data and percentages)					
Net revenues	\$ 2,495.4	\$ -	\$ 2,495.4	\$ 3,380.0	\$ -	\$ 3,380.0
Cost of net revenues	702.5	(12.6) (a)	681.2	1,034.4	(13.3) (a)	1,001.3
		(8.7) (c)			(19.8) (c)	
Gross Profit	<u>1,792.9</u>	<u>21.3</u>	<u>1,814.2</u>	<u>2,345.6</u>	<u>33.1</u>	<u>2,378.7</u>
Operating expenses:						
Sales and marketing	538.8	(26.2) (a)	512.6	671.8	(31.4) (a)	640.4
Product development	246.2	(25.5) (a)	220.7	344.3	(31.9) (a)	312.4
General and administrative	278.9	(29.4) (a)	247.9	346.0	(34.6) (a)	309.4
		(1.6) (b)			(1.2) (b)	
					(0.8) (i)	
Provision for transaction and loan losses	96.2	-	96.2	145.0	-	145.0
Amortization of acquired intangible assets	41.6	(41.6) (c)	-	85.4	(85.4) (c)	(0.0)
Restructuring	1.0	(1.0) (e)	-	(0.0)	0.0 (e)	-
Total operating expense	<u>1,202.7</u>	<u>(125.3)</u>	<u>1,077.4</u>	<u>1,592.5</u>	<u>(185.3)</u>	<u>1,407.2</u>
Income from operations	590.2	146.6	736.8	753.1	218.4	971.5
Interest and other income, net	(2.8)	12.6 (h)	9.8	1,682.1	- (h)	13.7
					(1,664.1) (g)	
					(4.3) (m)	
Accretion of note receivable				-		
Income before income taxes	587.4	159.2	746.6	2,435.2	(1,450.0)	985.2
Provision for income taxes	(28.2)	(34.5) (d)	(62.7)	(455.6)	259.0 (d)	(196.6)
Net income	<u>\$ 559.2</u>	<u>\$ 124.7</u>	<u>\$ 683.9</u>	<u>\$ 1,979.6</u>	<u>\$ (1,191.0)</u>	<u>\$ 788.6</u>
Net income per share:						
Basic	<u>\$ 0.43</u>		<u>\$ 0.53</u>	<u>\$ 1.54</u>		<u>\$ 0.61</u>
Diluted	<u>\$ 0.42</u>		<u>\$ 0.52</u>	<u>\$ 1.51</u>		<u>\$ 0.60</u>
Weighted average shares:						
Basic	<u>1,302</u>		<u>1,302</u>	<u>1,289</u>		<u>1,289</u>
Diluted	<u>1,326</u>		<u>1,326</u>	<u>1,308</u>		<u>1,308</u>
Operating margin	<u>24%</u>	<u>6%</u>	<u>30%</u>	<u>22%</u>	<u>7%</u>	<u>29%</u>
Effective tax rate	<u>5%</u>	<u>3%</u>	<u>8%</u>	<u>19%</u>	<u>1%</u>	<u>20%</u>

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
- (l) Contingencies associated with the sale of Skype that were settled during the quarter
- (m) Accretion of note receivable

Calculation of Free Cash Flow

	Three Months Ended				
	Mar 31, 2009	Jun 30, 2009	Sept 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	\$ 577.6	\$ 602.3	\$ 563.4	\$ 597.7	\$ 2,341.0

	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	\$ 266.0	\$ 519.2	\$ 580.1	\$ 656.5	\$ 2,021.8

	Three Months Ended				
	Mar 31, 2011	Jun 30, 2011	Sept 31, 2011	Dec 31, 2011	Full Year 2011
	(in millions)				
GAAP operating cash flow	\$ 699.6	\$ 782.7	809.1	982.3	3,273.7
Purchases of property and equipment, net	(148.6)	(239.8)	(283.5)	(291.6)	(963.5)
Free cash flow	\$ 551.0	\$ 542.9	525.6	690.7	2,310.2

Reconciliation and Calculation of Return on Invested Capital

	Q4'09	Q1'10	Q2'10	Q3'10	Q4'10	Q1'11	Q2'11	Q3'11	Q4'11
Numerator components:									
Non-GAAP operating income	\$ 694,976	\$ 672,852	\$ 645,650	\$ 644,997	\$ 736,729	\$ 749,023	\$ 762,072	\$ 751,407	\$ 971,501
Tax rate	16%	22%	21%	21%	8%	19%	19%	21%	20%
Non-GAAP operating income after tax	\$ 580,791	\$ 524,286	\$ 510,967	\$ 509,806	\$ 674,789	\$ 608,242	\$ 613,733	\$ 594,583	\$ 777,667
Denominator components:									
Total assets	\$ 18,408,320	\$ 18,690,178	\$ 18,747,584	\$ 19,948,062	\$ 22,003,762	\$ 23,004,860	\$ 24,833,954	\$ 24,900,537	\$ 27,320,218
Total cash, cash equivalents and investments	6,325,569	6,505,468	6,725,768	7,463,927	9,114,826	9,479,971	7,475,324	7,031,469	8,382,165
Current liabilities	3,641,968	3,587,011	3,564,261	3,808,909	4,516,514	4,763,549	6,143,271	6,145,151	6,734,204
TTM Non-GAAP operating income after tax	\$ 2,053,943	\$ 2,092,498	\$ 2,121,242	\$ 2,125,851	\$ 2,219,848	\$ 2,303,805	\$ 2,406,570	\$ 2,491,347	\$ 2,594,225
TTM average total assets	16,610,241	17,229,789	17,953,749	18,630,103	19,559,581	20,478,889	21,707,644	22,938,235	24,412,666
TTM 95% of average cash, cash equivalents and investments	3,778,013	4,356,872	5,002,675	5,825,271	6,865,756	7,465,092	7,649,365	7,707,448	7,881,914
TTM average current liabilities	3,576,804	3,553,189	3,634,056	3,649,765	3,823,733	4,048,049	4,559,301	5,075,479	5,660,538
ROIC	22.2%	22.5%	22.8%	23.2%	25.0%	25.7%	25.3%	24.5%	23.9%

Reconciliation of Q1'12 and FY 2012 GAAP to Non-GAAP Guidance

	Three Months Ending March 31, 2012	
	GAAP	Non-GAAP (a)
(in millions, except per share amounts)		
Revenues	\$3,050 - \$3,150	\$3,050 - \$3,150
Diluted EPS	\$0.37 - \$0.38	\$0.50 - \$0.51

(a) Estimated non-GAAP amounts above for the three months ending March 31, 2012, reflect adjustments that exclude the estimated amortization of acquired intangible assets of approximately \$95-\$105 million, estimated stock-based compensation expense and employer payroll taxes on stock-based compensation expense of approximately \$140-\$150 million and the accretion of a note receivable of approximately \$5 million.

	Full Year Ending December 31, 2012	
	GAAP	Non-GAAP (b)
(in millions, except per share amounts)		
Revenues	\$13,700 - \$14,000	\$13,700 - \$14,000
Diluted EPS	\$1.76 - \$ 1.81	\$2.25 - \$ 2.30
Tax rate	14%-15%	18.5%-19.5%

(b) Estimated non-GAAP amounts above for the twelve months ending December 31, 2012, reflect adjustments that exclude the estimated amortization of acquired intangible assets of approximately \$390-\$410 million, estimated stock-based compensation expense and employer payroll taxes on stock-based compensation expense of approximately \$570-\$625 million and the accretion of a note receivable of approximately \$20 million.