

# Q4-10 and FY 2010 Financial Highlights

January 19, 2011



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 may make 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 2011, and the future growth in the Payments and Marketplaces businesses.

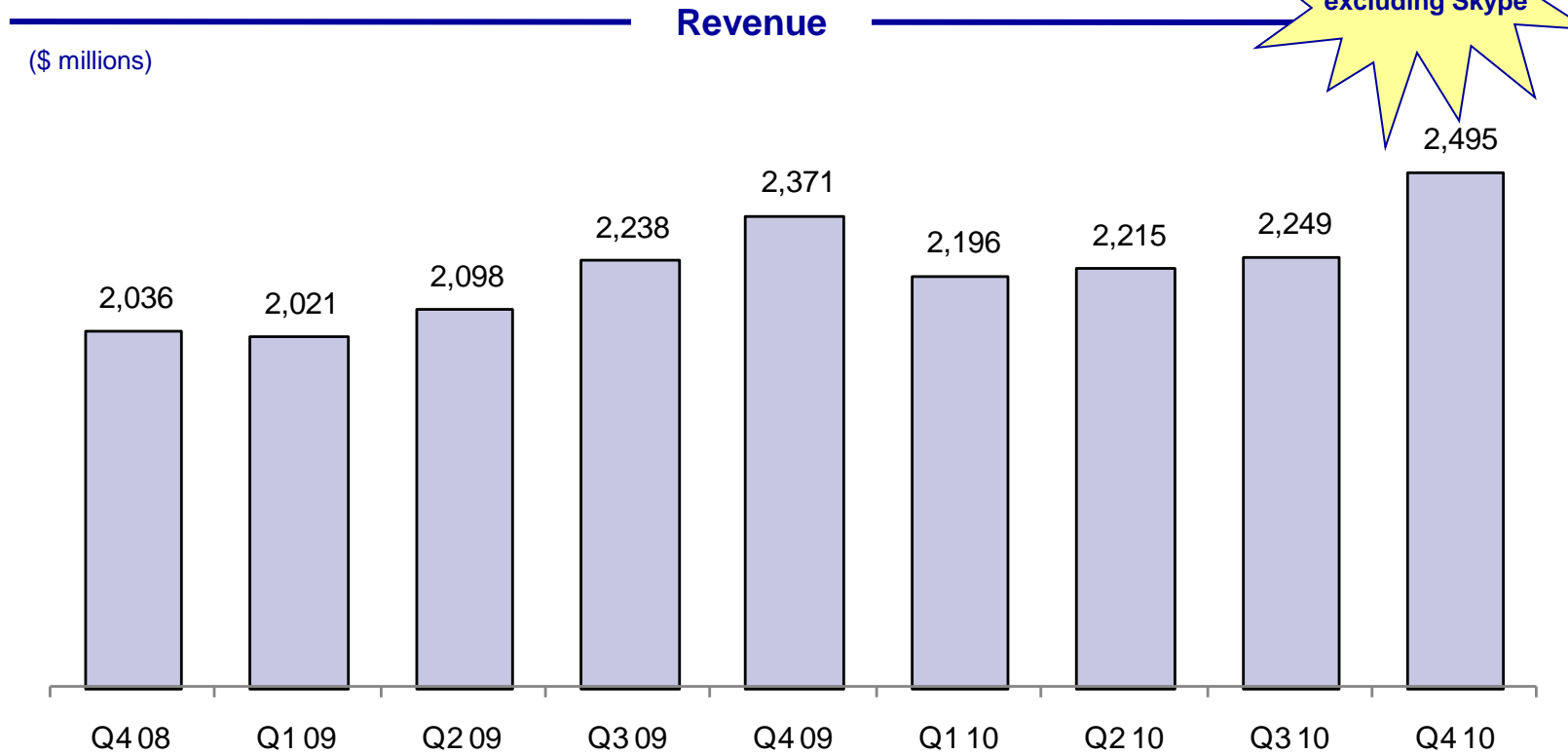
Our actual results may differ materially from those discussed in this call for a variety of reasons, including, but not limited to, the after effects of the global economic downturn; changes in political, business, and economic conditions; foreign exchange rate fluctuations; the impact and integration of recent and future acquisitions; 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 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 the presentation is as of January 19, 2011, and we do not intend, and undertake no duty, to update this presentation.

# Q4-10 Summary

- **Continued to show global progress in Q4**
  - **Top and bottom line results above the high end of guidance**
  - **PayPal continued strong TPV/revenue growth and margin expansion**
  - **Marketplaces had solid performance ... sold items growth accelerated with continued ASP pressure**
  - **Generated free cash flow of \$657M**
  - **Capital allocation - repurchased ~\$413M of eBay shares and closed 3 acquisitions in the last 90 days**
  - **Capital structure - Initiated \$1B CP program and issued \$1.5B of term debt to enhance financial flexibility**
- **2011 outlook ... continued momentum**

# Q4-10 Summary... Revenue



**10% y/y growth excluding Skype\***

One-time Q4-10 events decreased rev growth by ~3pts\*\*

|                            |     |     |     |    |     |     |     |     |     |
|----------------------------|-----|-----|-----|----|-----|-----|-----|-----|-----|
| <b>Reported Y/Y Growth</b> | -7% | -8% | -4% | 6% | 16% | 9%  | 6%  | 1%  | 5%  |
| <b>Organic Y/Y Growth*</b> | -1% | -1% | 1%  | 5% | 12% | 11% | 13% | 12% | 12% |

\*Calculation of revenue excluding Skype and Organic Y/Y Growth is included in the Appendix of this presentation

\*\* Calculation of impact of one-time events in Q4-10 is included in the Appendix of this presentation.



# Q4-10 Summary... Non-GAAP EPS



One-time Q4-10 events increased EPS by ~\$0.02\*\*

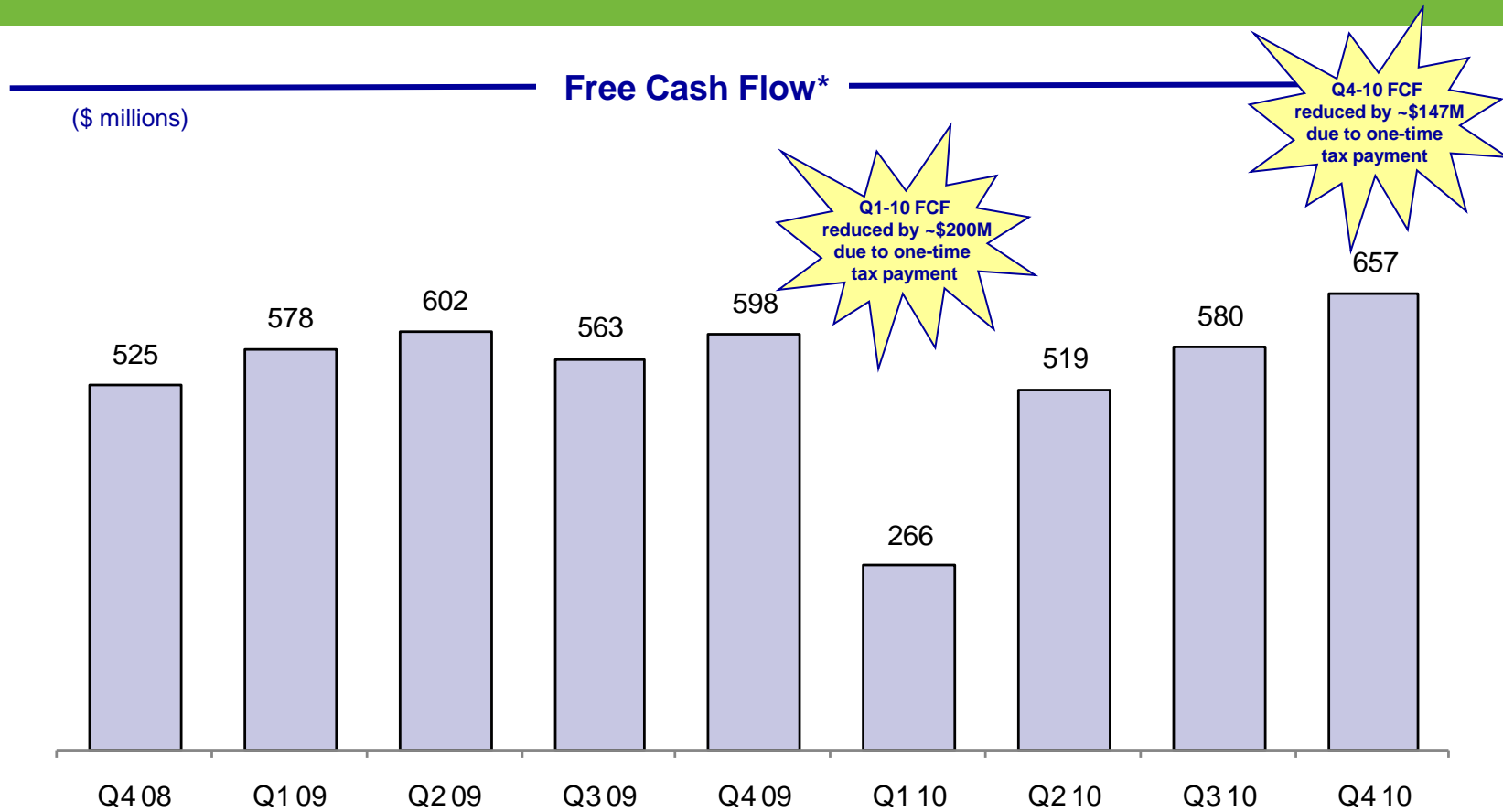
|                             |              |              |              |              |              |              |              |              |              |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Reported Y/Y Growth</b>  | <b>-9%</b>   | <b>-7%</b>   | <b>-14%</b>  | <b>-16%</b>  | <b>9%</b>    | <b>8%</b>    | <b>8%</b>    | <b>4%</b>    | <b>16%</b>   |
| <b>Non-GAAP Op. Margin*</b> | <b>32.8%</b> | <b>30.7%</b> | <b>28.7%</b> | <b>28.4%</b> | <b>29.3%</b> | <b>30.6%</b> | <b>29.1%</b> | <b>28.7%</b> | <b>29.5%</b> |

# Q4-10 Results ... vs Guidance

## Several one-time items impacting results\*\* ...

|                                       | Revenue                   | Non-GAAP EPS*          |
|---------------------------------------|---------------------------|------------------------|
| <b>Q4 Guidance (October 20, 2010)</b> | <b>\$2.390 - \$2.490b</b> | <b>\$0.45 - \$0.48</b> |
| Stronger Performance                  | \$116m                    | 0.04                   |
| Settlement of Uncertain Tax Positions | ----                      | 0.06                   |
| Legal Settlement/Indirect Taxes       | (\$59m)                   | (0.04)                 |
| <b>Q4 Reported</b>                    | <b>\$2.495b</b>           | <b>\$0.52</b>          |

# Q4-10 Summary... Free Cash Flow Generation

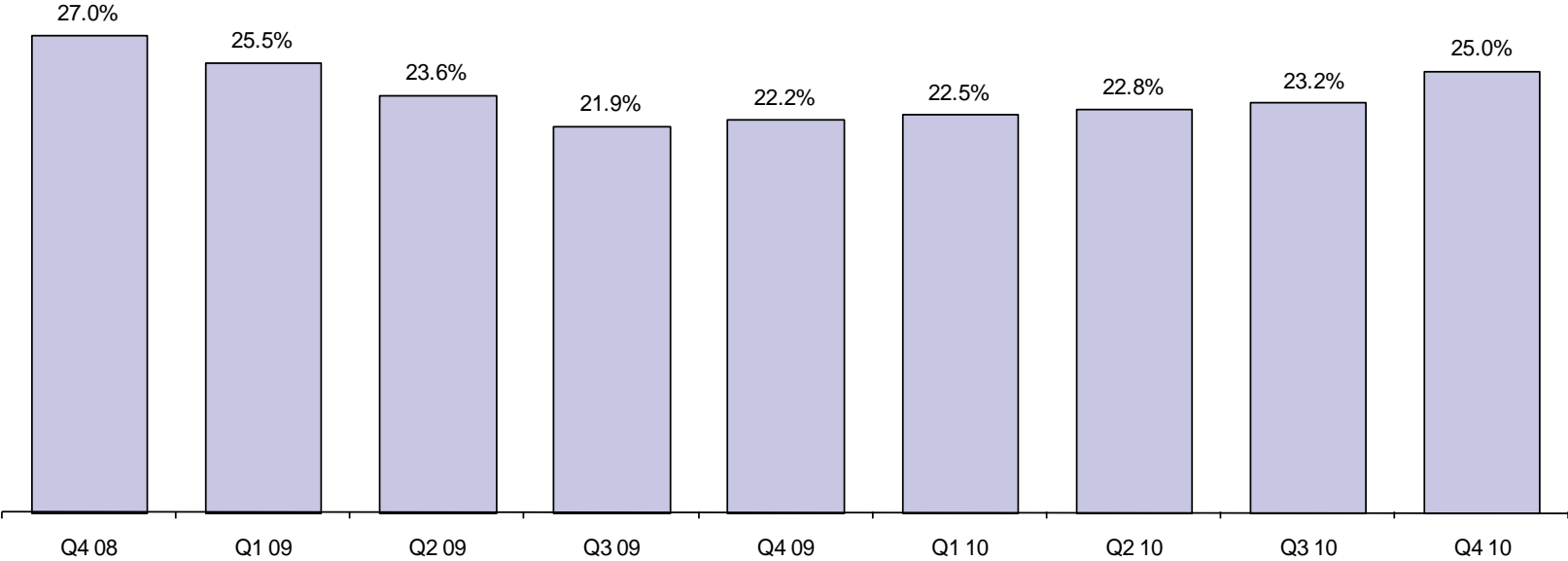


|                     | Q4 08 | Q1 09 | Q2 09 | Q3 09 | Q4 09 | Q1 10 | Q2 10 | Q3 10 | Q4 10 |
|---------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Reported Y/Y Growth | -21%  | -9%   | -2%   | 4%    | 14%   | -54%  | -14%  | 3%    | 10%   |
| Capex % of Revenue  | 8%    | 5%    | 6%    | 8%    | 7%    | 7%    | 9%    | 7%    | 8%    |
| FCF % of Revenue    | 26%   | 29%   | 29%   | 25%   | 25%   | 12%   | 23%   | 26%   | 26%   |



# Q4-10 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

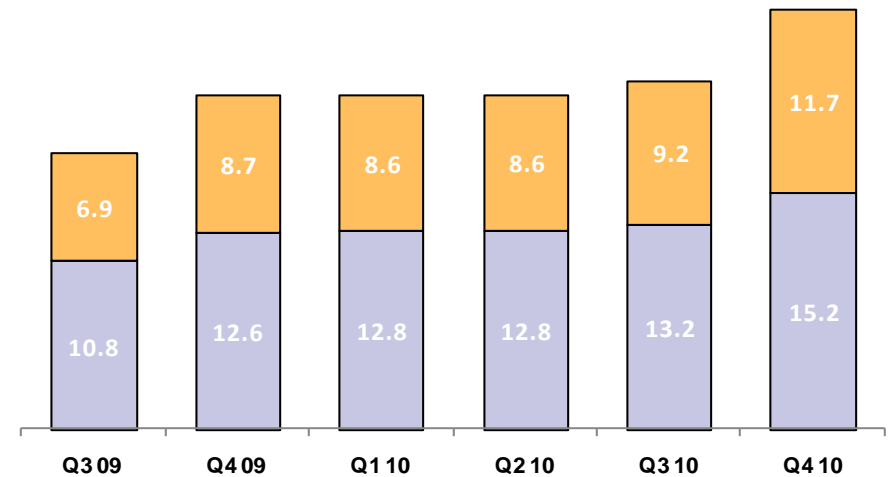
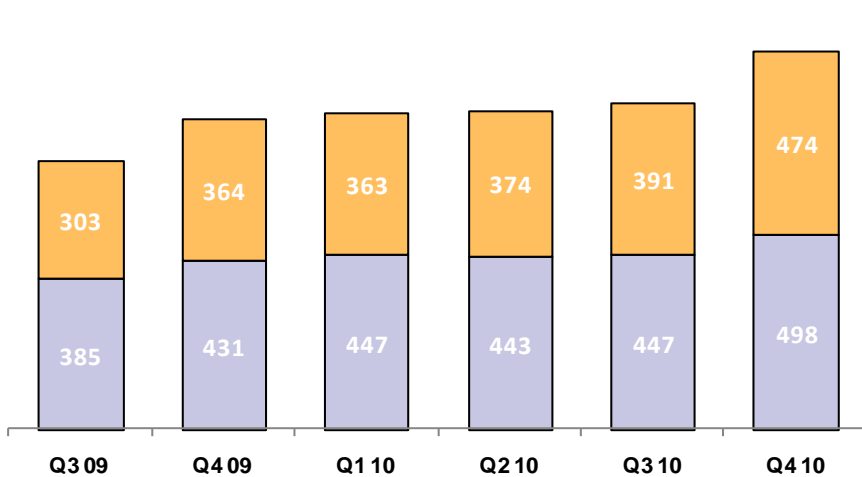


# Business Update... Payments Revenue and Volume

**Revenue**  
(\$ millions)

**TPV**  
(\$ billions)

Int'l  
US



|                       | Q3 09      | Q4 09      | Q1 10      | Q2 10      | Q3 10      | Q4 10      |
|-----------------------|------------|------------|------------|------------|------------|------------|
| \$ millions           | <b>688</b> | <b>796</b> | <b>809</b> | <b>817</b> | <b>838</b> | <b>971</b> |
| y/y growth            | <b>15%</b> | <b>28%</b> | <b>26%</b> | <b>22%</b> | <b>22%</b> | <b>22%</b> |
| Fx-neutral y/y growth | <b>19%</b> | <b>30%</b> | <b>26%</b> | <b>23%</b> | <b>23%</b> | <b>24%</b> |

|                       | Q3 09       | Q4 09       | Q1 10       | Q2 10       | Q3 10       | Q4 10       |
|-----------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| \$ billions           | <b>17.7</b> | <b>21.4</b> | <b>21.3</b> | <b>21.4</b> | <b>22.4</b> | <b>26.9</b> |
| y/y growth            | <b>19%</b>  | <b>34%</b>  | <b>35%</b>  | <b>28%</b>  | <b>26%</b>  | <b>26%</b>  |
| Fx-neutral y/y growth | <b>23%</b>  | <b>30%</b>  | <b>31%</b>  | <b>29%</b>  | <b>29%</b>  | <b>28%</b>  |

# Business Update ... Payments Operating Metrics

(In millions, except percentages)

|  | Q3 09        | Q4 09         | Q1 10         | Q2 10         | Q3 10         | Q4 10         |
|--|--------------|---------------|---------------|---------------|---------------|---------------|
| <b><u>Active Registered Accounts</u></b> |              |               |               |               |               |               |
| <b>Global Active Accounts</b>            | <b>78.0</b>  | <b>81.0</b>   | <b>84.3</b>   | <b>87.2</b>   | <b>90.5</b>   | <b>94.4</b>   |
| Y/Y Growth                               | 19%          | 15%           | 15%           | 16%           | 16%           | 17%           |
| <b><u>Net Number of Payments</u></b>     |              |               |               |               |               |               |
| <b>Net Number of Payments</b>            | <b>273.2</b> | <b>329.0</b>  | <b>336.0</b>  | <b>335.0</b>  | <b>357.0</b>  | <b>421.1</b>  |
| Y/Y Growth                               | 27%          | 30%           | 32%           | 29%           | 31%           | 28%           |
| <b><u>TPV</u></b>                        |              |               |               |               |               |               |
| <b>On eBay</b>                           | <b>7,582</b> | <b>8,940</b>  | <b>8,581</b>  | <b>8,055</b>  | <b>8,204</b>  | <b>9,884</b>  |
| Y/Y Growth                               | 4%           | 16%           | 18%           | 9%            | 8%            | 11%           |
| Fx-Neutral Y/Y Growth                    | 9%           | 12%           | 14%           | 10%           | 11%           | 13%           |
| <b>Merchant Services</b>                 | <b>9,901</b> | <b>12,112</b> | <b>12,533</b> | <b>13,051</b> | <b>13,855</b> | <b>16,523</b> |
| Y/Y Growth                               | 31%          | 50%           | 49%           | 43%           | 40%           | 36%           |
| Fx-Neutral Y/Y Growth                    | 34%          | 46%           | 46%           | 44%           | 42%           | 38%           |
| <b>Bill Me Later*</b>                    | <b>199</b>   | <b>309</b>    | <b>228</b>    | <b>276</b>    | <b>306</b>    | <b>460</b>    |
| Y/Y Growth                               | N/A          | N/A           | 18%           | 38%           | 53%           | 49%           |
| <b><u>On eBay Penetration Rate</u></b>   |              |               |               |               |               |               |
| <b>Global</b>                            | <b>65.7%</b> | <b>65.9%</b>  | <b>67.8%</b>  | <b>68.6%</b>  | <b>69.8%</b>  | <b>70.0%</b>  |
| <b><u>Transaction Rates</u></b>          |              |               |               |               |               |               |
| <b>Global Take Rate</b>                  | <b>3.67%</b> | <b>3.54%</b>  | <b>3.59%</b>  | <b>3.60%</b>  | <b>3.57%</b>  | <b>3.45%</b>  |
| <b>Transaction Expense</b>               | <b>1.16%</b> | <b>1.14%</b>  | <b>1.13%</b>  | <b>1.17%</b>  | <b>1.18%</b>  | <b>1.10%</b>  |
| <b>Transaction Loss</b>                  | <b>0.25%</b> | <b>0.20%</b>  | <b>0.18%</b>  | <b>0.17%</b>  | <b>0.17%</b>  | <b>0.15%</b>  |
| <b>Transaction Margin**</b>              | <b>61.6%</b> | <b>62.1%</b>  | <b>63.5%</b>  | <b>62.8%</b>  | <b>62.2%</b>  | <b>63.8%</b>  |
| <b><u>Payments Segment Margin</u></b>    | <b>14.8%</b> | <b>17.8%</b>  | <b>22.6%</b>  | <b>19.9%</b>  | <b>19.3%</b>  | <b>22.1%</b>  |

- TPV growth driven by increases in the number of merchants, share of checkout and penetration on eBay

- Trxn margin of 63.8%. Y/Y impact driven by:

- Take rate: Declined due to mix shift to large merchants, business mix shift and processor partner contract modification, partially offset by international growth

- Trxn expense: Improved due to processor partner contract modification, international growth and funding mix improvement, partially offset by payment card rate increases

- Trxn loss: Improved due to better fraud detection and prevention and buyer protection program shift to eBay, partially offset by expansion of Merchant Services protection program

- Segment margin: 430 bps increase due to operating leverage, improvement in transaction margin and BML

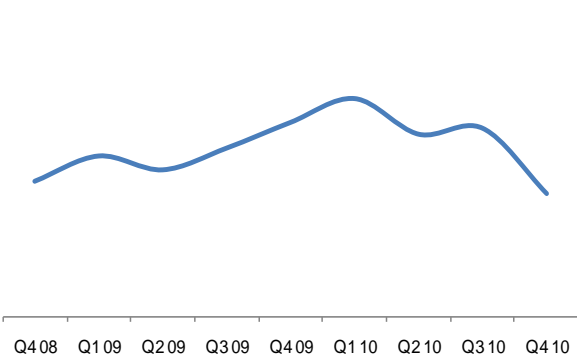
\* Represents TPV generated when BML is listed as a separate payment option by the merchant. BML within PayPal's wallet is included in Merchant Services TPV

\*\*Transaction margin is calculated as the transaction take rate less transaction expense less transaction loss, divided by transaction take rate

# Business Update... Bill Me Later Metrics

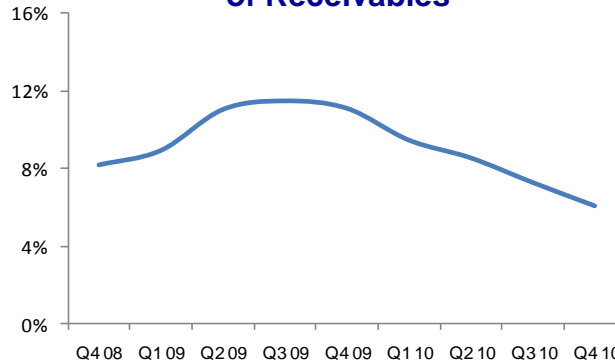
Portfolio Balance: \$1.0B\*

Avg. Customer FICO Score



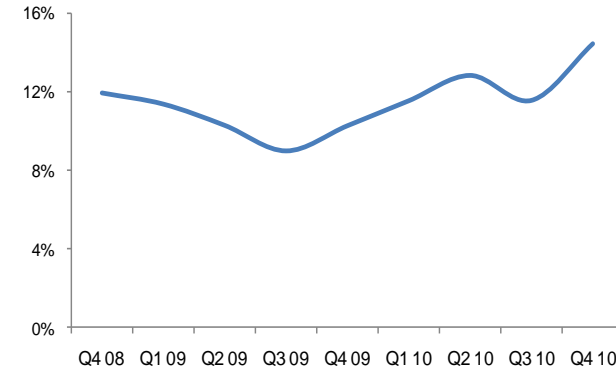
- Continued trend of high quality customer acquisitions
- Used eBay Inc. data to better target potential users and reduce declines without taking on additional risk

Net Charge-Offs as % of Receivables\*\*



- Net charge-offs declined by 120 bps q/q as loans made under tighter underwriting standards continue to become a larger part of the portfolio, an increased receivable balance, as well as improved collection efforts

Risk Adjusted Margin\*\*\*



- Q/Q increase in risk adjusted margin due to lower credit losses and higher merchant revenue from volume increases

## BML Operating Metrics

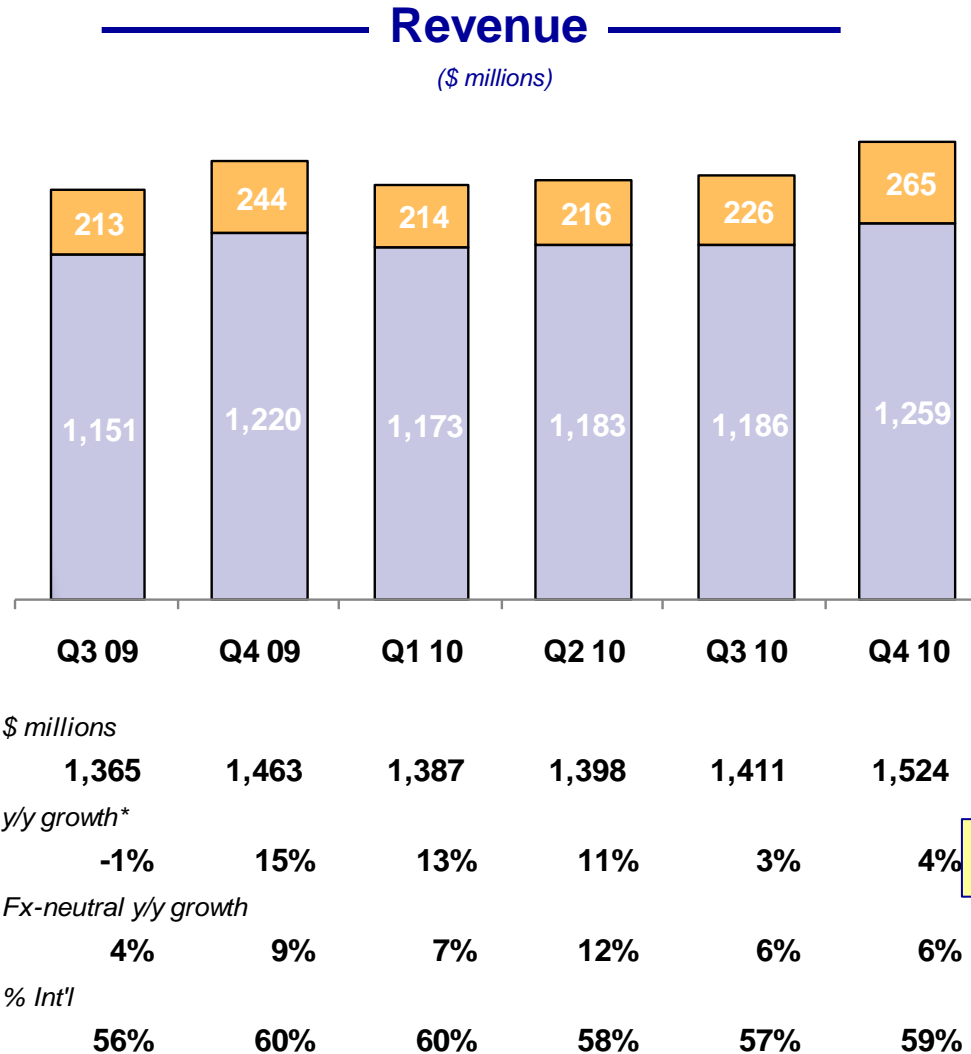
|                         | <u>Q3 09</u> | <u>Q4 09</u> | <u>Q1 10</u> | <u>Q2 10</u> | <u>Q3 10</u> | <u>Q4 10</u> |
|-------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Portfolio Balance (\$M) | 561          | 673          | 641          | 691          | 767          | 999          |
| Risk Adjusted Margin    | 9.0%         | 10.3%        | 11.5%        | 12.8%        | 11.5%        | 14.4%        |
| Net Charge-offs         | 11.5%        | 11.1%        | 9.5%         | 8.6%         | 7.3%         | 6.1%         |

\*Gross receivables balance as of 12/31/10

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

\*\*\* 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

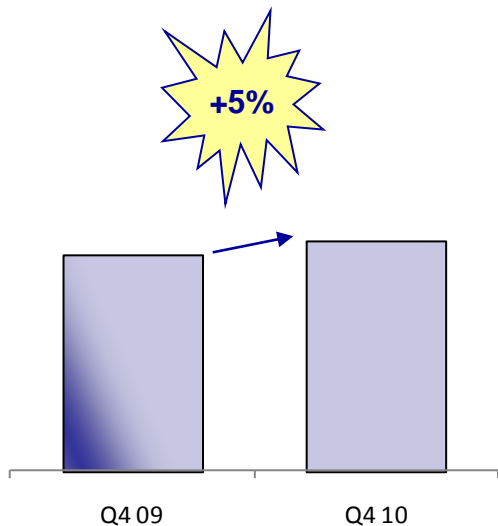


\*y/y FX-neutral growth ex-Gmarket was 7% in Q2-10, 3% in Q1-10, 4% in Q4-09 and(2% ) in Q3-09

\*\* Calculation of impact of one-time events in Q4-10 is included in the Appendix of this presentation.

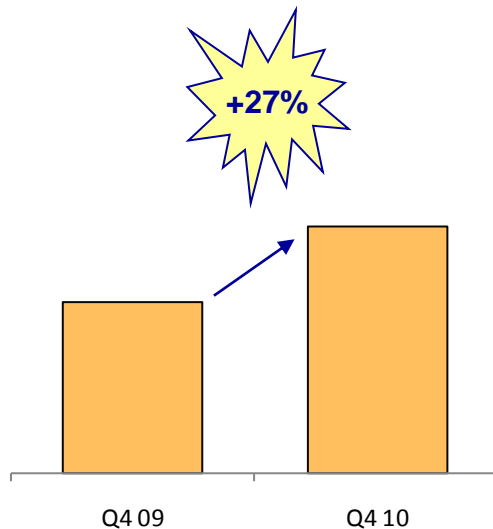
# Business Update... Marketplaces Marketing Services & Other revenue grew 13% y/y (FX neutral)

## Classifieds



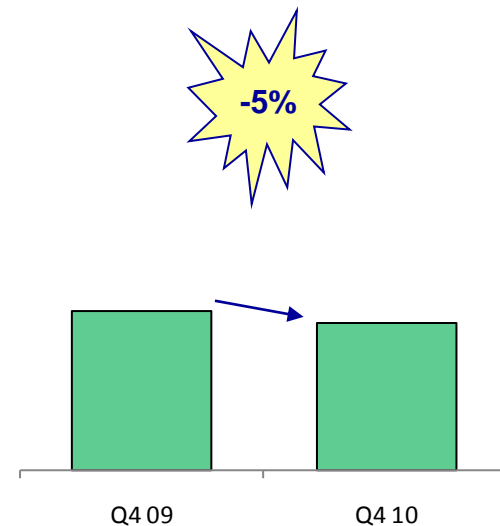
- FX-neutral revenue growth of 12% (15% in Q3)
- Average monthly metrics:
  - Unique Visitors: 108M, +28% y/y
  - Visits: 329M, +24% y/y
  - Page Views: 5.7B, +15% y/y
- Strong growth from continued international expansion

## Advertising



- FX-neutral revenue growth of 30% (15% in Q3)
- Strength in international display advertising and US text advertising

## Other



- FX-neutral revenue growth -3% (0% in Q3)
- SDC growth in distributed commerce more than offset by pressure from search engine algorithm changes

# Business Update... Marketplaces Operating Metrics

(In millions, except percentages)

|                             | Q3 09  | Q4 09  | Q1 10  | Q2 10  | Q3 10  | Q4 10  |
|-----------------------------|--------|--------|--------|--------|--------|--------|
| <b>Active Users</b>         |        |        |        |        |        |        |
| Global Active Users         | 89.2   | 90.1   | 89.5   | 91.8   | 93.2   | 94.5   |
| Y/Y Growth                  | 2%     | 3%     | 1%     | 4%     | 4%     | 5%     |
| <b>Sold Items</b>           |        |        |        |        |        |        |
| Y/Y Growth in Sold Items*   | 30.9%  | 31.6%  | 32.4%  | 28.0%  | 8.5%   | 9.5%   |
| <b>GMV</b>                  |        |        |        |        |        |        |
| US Non-Vehicles GMV         | 4,805  | 5,302  | 5,130  | 4,802  | 4,900  | 5,584  |
| Y/Y Growth                  | -3%    | 4%     | 6%     | 2%     | 2%     | 5%     |
| Int'l Non-Vehicles GMV      | 7,386  | 8,933  | 8,241  | 7,730  | 7,691  | 9,455  |
| Y/Y Growth                  | 16%    | 40%    | 38%    | 20%    | 4%     | 6%     |
| Fx Neutral Y/Y Growth**     | 27%    | 28%    | 24%    | 21%    | 8%     | 9%     |
| Non-Vehicles GMV            | 12,191 | 14,235 | 13,371 | 12,531 | 12,591 | 15,039 |
| Y/Y Growth                  | 7%     | 24%    | 24%    | 13%    | 3%     | 6%     |
| Fx Neutral Y/Y Growth***    | 14%    | 17%    | 16%    | 13%    | 6%     | 8%     |
| Vehicles GMV                | 2,388  | 2,095  | 2,021  | 2,189  | 2,157  | 1,920  |
| Y/Y Growth                  | -18%   | -4%    | -3%    | -5%    | -10%   | -8%    |
| Fx Neutral Y/Y Growth       | -14%   | -8%    | -7%    | -4%    | -7%    | -7%    |
| Fixed price as a % of GMV   | 56%    | 56%    | 57%    | 59%    | 60%    | 62%    |
| <b>Segment Margin</b>       |        |        |        |        |        |        |
| Marketplaces Segment Margin | 42.0%  | 40.4%  | 42.0%  | 40.3%  | 39.7%  | 39.2%  |

Active user y/y growth primarily from the UK, US and DE

Sold items y/y growth: accelerated 1 pt, driven by UK, DE and US

Non-vehicles GMV:

US – Increased due to stronger holiday season, improved user experience through product and site changes, partially offset by lower ASPs due to broader selection of well-priced inventory

Int'l – Increased due to strength in UK, DE and AU, partially offset by decreased cross border trade from China due to increased trust standards and slower growth in Korea as we better optimize coupons

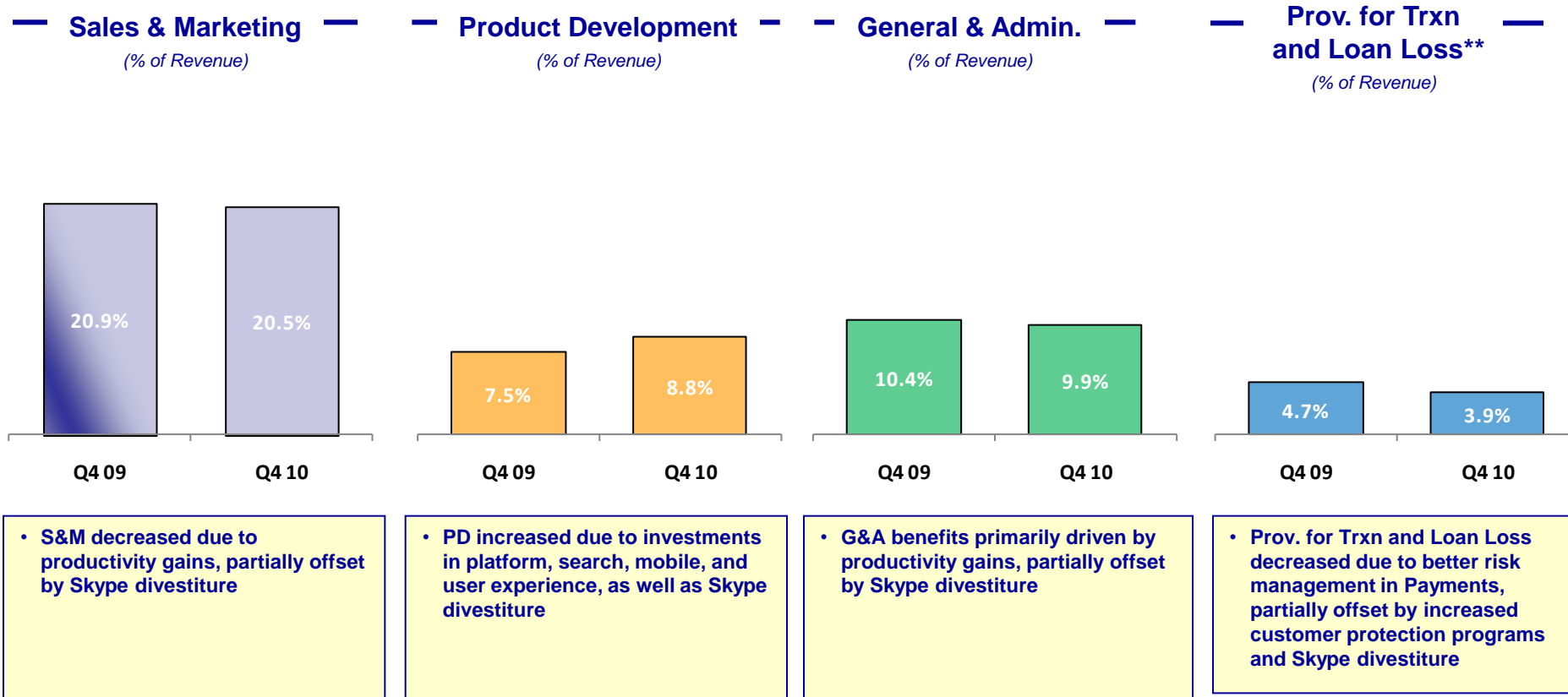
Segment margin declined y/y primarily due to one time legal settlement and indirect tax impact (~2pts), partially offset by operational excellence initiatives.

\* Sold items growth ex-Gmarket was 12.7% in Q3-10, 11.1% in Q2-10, 12.9% in Q1-10, 10.7% in Q4-09 and 8.2% in Q3-09

\*\* Int'l FX-neutral non-vehicles GMV ex -market growth rate was 9% in Q2-10, 9% in Q1-10, 11% in Q4-09 and 10% in Q3-09

\*\*\* Total FX-neutral non-vehicles GMV ex-Gmarket growth rate was 6% in Q2-10, 8% in Q1-10, 8% in Q4-09 and 4% in Q3-09

# Business Update... Operating Expenses\*



Q4 Non-GAAP Op Inc: \$737M  
 Q4 Non-GAAP Net Inc: \$684M

\*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

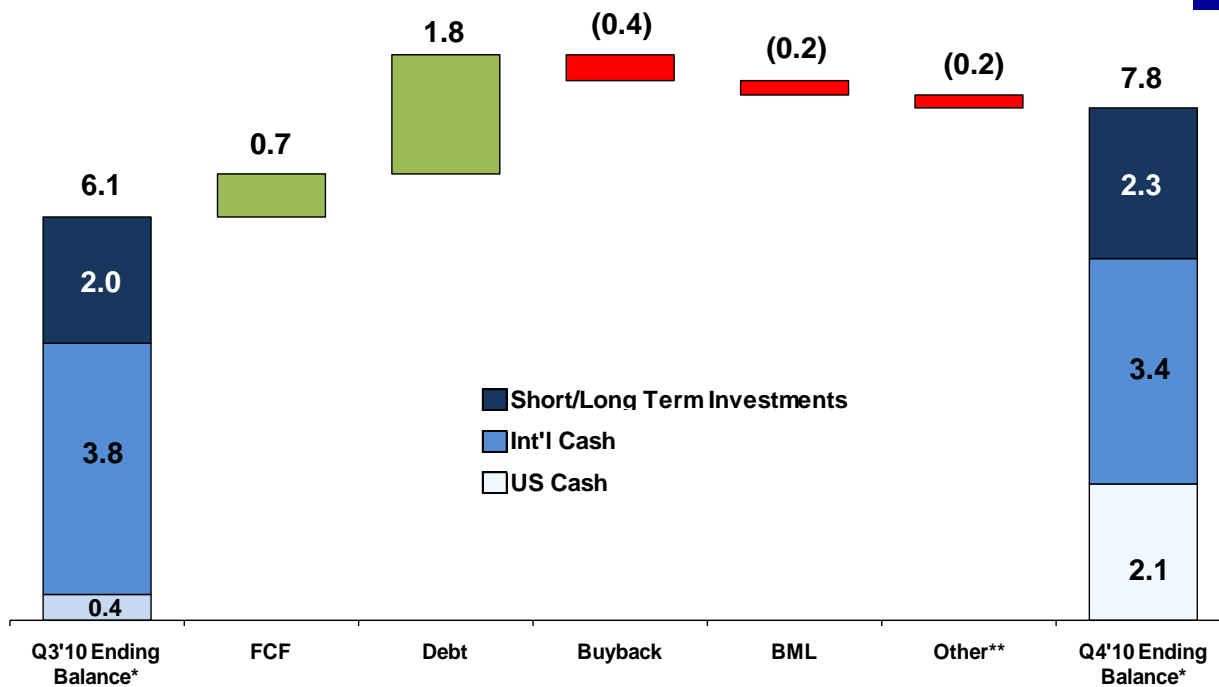


# Q4-10 Cash Flow / Capital Allocation...

Maintained a strong balance sheet with financial flexibility ...

## Cash Balance / Flows\*

(\$ billions)



## Free Cash Flow / Other Movements

- Generated strong FCF of \$657M, net of \$147M tax payment
- Issued \$1.5B of term debt and \$300M of commercial paper
- Repurchased ~13.7M shares at an average price of ~\$30
- Closed Milo.com and Critical Path acquisitions
- Total US cash and non equity investments ~\$2.7B

... while making necessary investments

# New acquisitions strengthen our portfolio ...

## Local Shopping ... Milo.com

- Enter new adjacency
- Provides real-time availability of inventory in local stores
- Brings offline inventory online
- Integration with eBay.com and RedLaser mobile app

Acquisition closed

## Private Sales ... brands4friends

- Enter new adjacency
- ~\$200M purchase price
- Enables eBay to participate in fastest-growing channel for secondary CSA in Europe
- Strengthen eBay's position as a leading online fashion destination in Europe

Acquisition closed

## Mobile Development ... Critical Path Software

- Accelerates organic plans with technology & talent acquisition
- Increases mobile capacity and capabilities and secures talent critical to our mobile development efforts

Acquisition closed

# 2011 Guidance Context

From a macro perspective, we are assuming...

- Relatively stable outlook on the overall economy and market growth
- Current spot rates hold versus last year
- Global interest rates that remain generally at current levels

From an operating perspective, we expect...

- PayPal - continue its strong performance from expanded merchant coverage and share of checkout while generating operating leverage
- Marketplaces - solid performance in its core markets driven by continued progress in trust, value and selection
- Non-GAAP effective tax rate to be 18.5 – 19.5% for 2011

# 2011 Guidance

| Q1'11 Guidance |             |               |             |
|----------------|-------------|---------------|-------------|
| Revenue        |             | Non-GAAP EPS* |             |
| <u>Low</u>     | <u>High</u> | <u>Low</u>    | <u>High</u> |
| \$2.40B        | \$2.50B     | \$0.44        | \$0.46      |

| FY'11 Guidance |             |               |             |
|----------------|-------------|---------------|-------------|
| Revenue        |             | Non-GAAP EPS* |             |
| <u>Low</u>     | <u>High</u> | <u>Low</u>    | <u>High</u> |
| \$10.30B       | \$10.60B    | \$1.90        | \$1.95      |

|            |    |     |    |     |
|------------|----|-----|----|-----|
| Y/Y Growth | 9% | 14% | 5% | 10% |
|------------|----|-----|----|-----|

|     |     |     |     |
|-----|-----|-----|-----|
| 12% | 16% | 10% | 13% |
|-----|-----|-----|-----|

# Summary

- **Strong close to a good year**
  - **We expanded our global footprint... Leveraged ops excellence to strengthen our competitive position... Accelerated innovation**
  - **Excellent balance sheet ... closed several acquisitions...repurchased \$713M in stock during the year**
  - **Increased financial flexibility: launched a \$1B CP program and issued \$1.5B in term debt**
- **The outlook...double digit top and bottom line growth...a stronger portfolio**

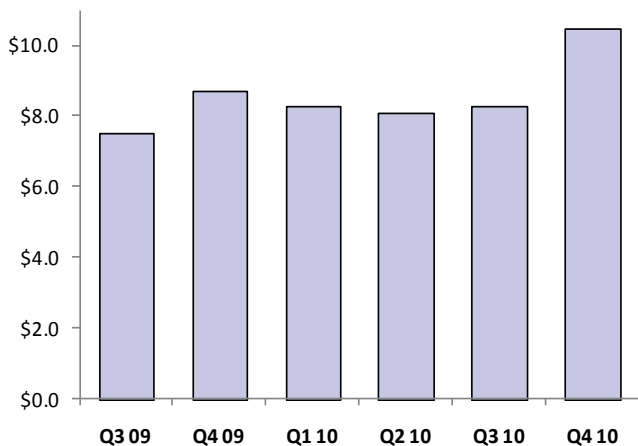
# Q & A

# Appendix

# Business Update... GMV Based Formats

## Fixed Price

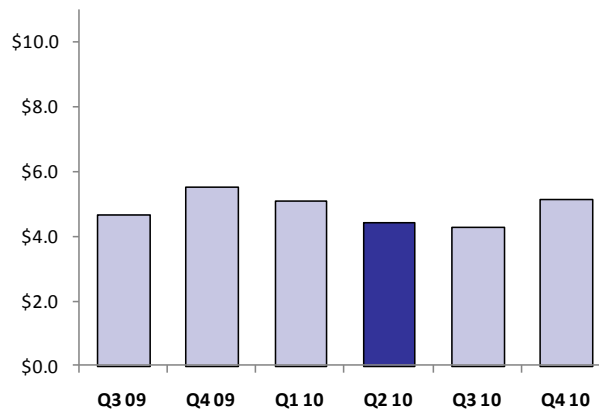
(\$ billions)



| \$ billions               |     |     |     |     |     |     |
|---------------------------|-----|-----|-----|-----|-----|-----|
|                           | 7.5 | 8.7 | 8.3 | 8.1 | 8.3 | 9.9 |
| Y/Y Growth                |     |     |     |     |     |     |
|                           | 30% | 43% | 43% | 28% | 11% | 14% |
| FX-Neutral Y/Y Growth     |     |     |     |     |     |     |
|                           | 39% | 35% | 33% | 27% | 13% | 16% |
| % of Total FX-Neutral GMV |     |     |     |     |     |     |
|                           | 52% | 53% | 53% | 54% | 56% | 58% |

## Auctions

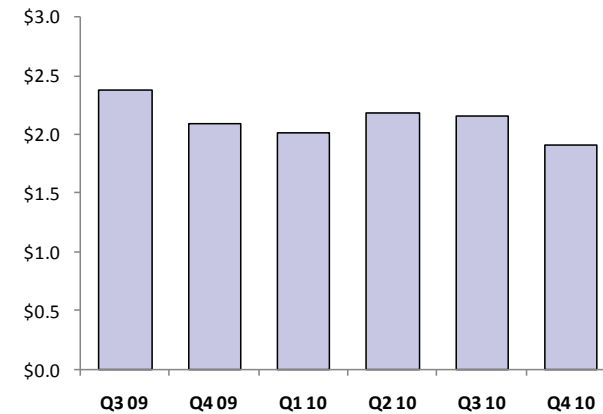
(\$ billions)



| \$ billions               |      |     |     |     |     |     |
|---------------------------|------|-----|-----|-----|-----|-----|
|                           | 4.7  | 5.5 | 5.1 | 4.5 | 4.3 | 5.1 |
| Y/Y Growth                |      |     |     |     |     |     |
|                           | -16% | 3%  | 2%  | -7% | -9% | -7% |
| FX-Neutral Y/Y Growth     |      |     |     |     |     |     |
|                           | -12% | -3% | -3% | -6% | -5% | -4% |
| % of Total FX-Neutral GMV |      |     |     |     |     |     |
|                           | 32%  | 34% | 34% | 31% | 29% | 31% |

## Vehicles

(\$ billions)



| \$ billions               |      |     |     |     |      |     |
|---------------------------|------|-----|-----|-----|------|-----|
|                           | 2.4  | 2.1 | 2.0 | 2.2 | 2.2  | 1.9 |
| Y/Y Growth                |      |     |     |     |      |     |
|                           | -18% | -4% | -3% | -5% | -10% | -8% |
| FX-Neutral Y/Y Growth     |      |     |     |     |      |     |
|                           | -14% | -8% | -7% | -4% | -7%  | -7% |
| % of Total FX-Neutral GMV |      |     |     |     |      |     |
|                           | 16%  | 13% | 13% | 15% | 15%  | 11% |

# Calculation of Organic Revenue Growth

|                                | <u>Mar 31,<br/>2008</u> | <u>Jun 30,<br/>2008</u> | <u>Sept 30,<br/>2008</u> | <u>Dec 31,<br/>2008</u> |
|--------------------------------|-------------------------|-------------------------|--------------------------|-------------------------|
| Total revenue growth           | 24%                     | 20%                     | 12%                      | (7%)                    |
| Acquisition impact             | (2%)                    | 0%                      | 0%                       | (2%)                    |
| Foreign currency impact        | <u>(5%)</u>             | <u>(5%)</u>             | <u>(2%)</u>              | <u>8%</u>               |
| Total organic revenue growth   | <u>17%</u>              | <u>15%</u>              | <u>10%</u>               | <u>(1%)</u>             |
|                                |                         |                         |                          |                         |
|                                | <u>Mar 31,<br/>2009</u> | <u>Jun 30,<br/>2009</u> | <u>Sept 30,<br/>2009</u> | <u>Dec 31,<br/>2009</u> |
| Total revenue growth           | (8%)                    | (4%)                    | 6%                       | 17%                     |
| Acquisition/Disposition impact | (2%)                    | (3%)                    | (5%)                     | (1%)                    |
| Foreign currency impact        | <u>9%</u>               | <u>8%</u>               | <u>4%</u>                | <u>(4%)</u>             |
| Total organic revenue growth   | <u>(1%)</u>             | <u>1%</u>               | <u>5%</u>                | <u>12%</u>              |
|                                |                         |                         |                          |                         |
|                                | <u>Mar 31,<br/>2010</u> | <u>Jun 30,<br/>2010</u> | <u>Sept 30,<br/>2010</u> | <u>Dec 31,<br/>2010</u> |
| Total revenue growth           | 9%                      | 6%                      | 1%                       | 5%                      |
| Acquisition/Disposition impact | 5%                      | 6%                      | 9%                       | 5%                      |
| Foreign currency impact        | <u>(3%)</u>             | <u>1%</u>               | <u>2%</u>                | <u>2%</u>               |
| Total organic revenue growth   | <u>11%</u>              | <u>13%</u>              | <u>12%</u>               | <u>12%</u>              |

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

## Three Months Ended

|  | Dec 31,<br>2008                      | Mar 31,<br>2009 | Jun 30,<br>2009 | Sept 30,<br>2009 | Dec 31,<br>2009 | Mar 31,<br>2010 | Jun 30,<br>2010 | Sep 30,<br>2010 | Dec 31,<br>2010 |
|--|--------------------------------------|-----------------|-----------------|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|  | (in millions, except per share data) |                 |                 |                  |                 |                 |                 |                 |                 |
| GAAP net income  | \$ 367.2                             | \$ 357.1        | \$ 327.3        | \$ 349.7         | \$ 1,354.9      | \$ 397.7        | \$ 412.2        | \$ 431.9        | \$ 559.2        |
| Stock-based compensation expense   | 82.6                                 | 113.8           | 96.4            | 92.5             | 92.0            | 102.1           | 92.0            | 93.8            | 93.7            |
| Employer payroll taxes on stock-based compensation                                   | 0.6                                  | 2.6             | 0.9             | 0.9              | 1.0             | 8.5             | 1.2             | 2.5             | 1.6             |
| Amortization of acquired intangible assets (1)                                       | 82.2                                 | 74.6            | 75.6            | 86.5             | 78.1            | 65.0            | 59.0            | 55.5            | 50.3            |
| Restructuring  | 49.1                                 | 6.6             | 17.7            | 12.7             | 1.3             | 8.6             | 8.9             | 3.0             | 1.0             |
| Joltid settlement  | -                                    | -               | -               | -                | 343.2           | -               | -               | -               | -               |
| Skype sale and transaction related items   | -                                    | -               | -               | -                | (1,407.5)       | 28.0            | -               | -               | -               |
| Amortization of intangibles and stock-based compensation for Skype                   | -                                    | -               | -               | -                | -               | 4.3             | 9.4             | 9.5             | 12.6            |
| Impairment of goodwill   | -                                    | -               | -               | -                | -               | -               | -               | -               | -               |
| Contingencies associated with the sale of Skype that were settled during the quarter | -                                    | -               | -               | -                | -               | -               | -               | (10.0)          | -               |
| Income taxes associated with certain non-GAAP entries                                | (57.9)                               | (54.8)          | (39.3)          | (40.7)           | 122.8           | (60.0)          | (52.5)          | (55.6)          | (34.5)          |
| Non-GAAP net income  | \$ 523.8                             | \$ 499.9        | \$ 478.6        | \$ 501.6         | \$ 585.8        | \$ 554.2        | \$ 530.2        | \$ 530.6        | \$ 683.9        |
| Non-GAAP net income attributable to Skype  | -                                    | (30.2)          | (38.6)          | (43.0)           | (35.2)          | -               | -               | -               | -               |
| Non-GAAP net income excluding Skype (2)  | \$ 523.8                             | \$ 469.7        | \$ 440.0        | \$ 458.6         | \$ 550.6        | \$ 554.2        | \$ 530.2        | \$ 530.6        | \$ 683.9        |
| Non-GAAP net income per diluted share  | \$ 0.41                              | \$ 0.39         | \$ 0.37         | \$ 0.38          | \$ 0.44         | \$ 0.42         | \$ 0.40         | \$ 0.40         | \$ 0.52         |
| Non-GAAP net income per diluted share excluding Skype                                | \$ 0.41                              | \$ 0.36         | \$ 0.34         | \$ 0.35          | \$ 0.42         | \$ 0.42         | \$ 0.40         | \$ 0.40         | \$ 0.52         |
| Shares used in non-GAAP diluted share calculation                                    | 1,284                                | 1,288           | 1,300           | 1,311            | 1,323           | 1,326           | 1,330           | 1,328           | 1,326           |

(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                |                 |                 |                  |                 |                 |                 |                 |                 |
|--|-----------------------------------|-----------------|-----------------|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|  | Dec 31,<br>2008                   | Mar 31,<br>2009 | Jun 30,<br>2009 | Sept 30,<br>2009 | Dec 31,<br>2009 | Mar 31,<br>2010 | Jun 30,<br>2010 | Sep 30,<br>2010 | Dec 31,<br>2010 |
|  | (in millions, except percentages) |                 |                 |                  |                 |                 |                 |                 |                 |
| GAAP operating income (loss)                       | \$ 453.5                          | \$ 422.8        | \$ 411.7        | \$ 442.9         | \$ 179.4        | \$ 488.6        | \$ 484.6        | \$ 490.2        | \$ 590.2        |
| Stock-based compensation expense                   | 82.6                              | 113.8           | 96.4            | 92.5             | 92.0            | 102.1           | 92.0            | 93.8            | 93.7            |
| Employer payroll taxes on stock-based compensation | 0.6                               | 2.6             | 0.9             | 0.9              | 1.0             | 8.5             | 1.2             | 2.5             | 1.6             |
| Amortization of acquired intangible assets (1)     | 82.2                              | 74.6            | 75.6            | 86.5             | 78.1            | 65.0            | 59.0            | 55.5            | 50.3            |
| Restructuring                                      | 49.1                              | 6.6             | 17.7            | 12.7             | 1.3             | 8.6             | 8.9             | 3.0             | 1.0             |
| Joltid settlement                                  | -                                 | -               | -               | -                | 343.2           | -               | -               | -               | -               |
| Non-GAAP operating income                          | <u>\$ 668.0</u>                   | <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> |
| Revenues   | \$ 2,036                          | \$ 2,020        | \$ 2,098        | \$ 2,238         | \$ 2,371        | \$ 2,196        | \$ 2,215        | \$ 2,249        | \$ 2,495        |
| GAAP operating margin                              | 22.3%                             | 20.9%           | 19.6%           | 19.8%            | 7.6%            | 22.2%           | 21.9%           | 21.8%           | 23.7%           |
| Non-GAAP operating margin                          | 32.8%                             | 30.7%           | 28.7%           | 28.4%            | 29.3%           | 30.6%           | 29.1%           | 28.7%           | 29.5%           |

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

# Calculation of Free Cash Flow

|  | Three Months Ended |                 |                  |                 |                   |
|--|--------------------|-----------------|------------------|-----------------|-------------------|
|  | Mar 31,<br>2008    | Jun 30,<br>2008 | Sept 30,<br>2008 | Dec 31,<br>2008 | Full Year<br>2008 |
|  | (in millions)      |                 |                  |                 |                   |
| GAAP operating cash flow                 | \$ 766.2           | \$ 738.4        | \$ 693.4         | \$ 684.0        | \$ 2,882.0        |
| Purchases of property and equipment, net | (134.6)            | (121.7)         | (150.4)          | (159.2)         | (565.9)           |
| Free cash flow                           | <u>\$ 631.6</u>    | <u>\$ 616.7</u> | <u>\$ 543.0</u>  | <u>\$ 524.8</u> | <u>\$ 2,316.1</u> |

|  | Three Months Ended |                 |                  |                 |                   |
|--|--------------------|-----------------|------------------|-----------------|-------------------|
|  | Mar 31,<br>2009    | Jun 30,<br>2009 | Sept 30,<br>2009 | Dec 31,<br>2009 | Full Year<br>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,<br>2010    | Jun 30,<br>2010 | Sep 30,<br>2010 | Dec 31,<br>2010 | Full Year<br>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> |

# Reconciliation of GAAP to Non-GAAP Quarterly Statement of Income

|  | Three Months Ended<br>December 31, 2009 |                  |            | Three Months Ended<br>December 31, 2010 |                  |            |
|--|---|------------------|------------|---|------------------|------------|
|  | Reported                                | Non-GAAP Entries | Non-GAAP   | Reported                                | Non-GAAP Entries | Non-GAAP   |
| (in millions, except per share data and percentages) |   |                  |            |   |                  |            |
| Net revenues   | \$ 2,370.9                              | \$ -             | \$ 2,370.9 | \$ 2,495.4                              | \$ -             | \$ 2,495.4 |
| Cost of net revenues                                 | 670.7                                   | (11.7) (a)       | 643.5      | 702.5                                   | (12.6) (a)       | 681.2      |
|  |   | (15.5) (c)       |            |   | (8.7) (c)        |            |
| Gross Profit   | 1,700.2                                 | 27.2             | 1,727.4    | 1,792.9                                 | 21.3             | 1,814.2    |
| Operating expenses:                                  |   |                  |            |   |                  |            |
| Sales and marketing                                  | 526.4                                   | (30.6) (a)       | 495.8      | 538.8                                   | (26.2) (a)       | 512.6      |
| Product development                                  | 197.9                                   | (20.0) (a)       | 177.9      | 246.2                                   | (25.5) (a)       | 220.7      |
| General and administrative                           | 620.4                                   | (29.7) (a)       | 246.5      | 278.9                                   | (29.4) (a)       | 247.9      |
|  |   | (1.0) (b)        |            |   | (1.6) (b)        |            |
|  |   | (343.2) (f)      |            |   |                  |            |
| Provision for transaction and loan losses            | 112.2                                   | -                | 112.2      | 96.2                                    | -                | 96.2       |
| Amortization of acquired intangible assets           | 62.6                                    | (62.6) (c)       | -          | 41.6                                    | (41.6) (c)       | -          |
| Restructuring  | 1.3                                     | (1.3) (e)        | -          | 1.0                                     | (1.0) (e)        | -          |
| Total operating expense                              | 1,520.8                                 | (488.4)          | 1,032.4    | 1,202.7                                 | (125.3)          | 1,077.4    |
| Income from operations                               | 179.4                                   | 515.6            | 695.0      | 590.2                                   | 146.6            | 736.8      |
| Interest and other income, net                       | 1,413.4                                 | (1,407.5) (g)    | 5.9        | (2.8)                                   | 12.6 (h)         | 9.8        |
| Income before income taxes                           | 1,592.8                                 | (891.9)          | 700.9      | 587.4                                   | 159.2            | 746.6      |
| Provision for income taxes                           | (237.9)                                 | 122.8 (d)        | (115.1)    | (28.2)                                  | (34.5) (d)       | (62.7)     |
| Net income   | \$ 1,354.9                              | \$ (769.1)       | \$ 585.8   | \$ 559.2                                | \$ 124.7         | \$ 683.9   |
| Net income per share:                                |   |                  |            |   |                  |            |
| Basic  | \$ 1.05                                 |                  | \$ 0.45    | \$ 0.43                                 |                  | \$ 0.53    |
| Diluted  | \$ 1.02                                 |                  | \$ 0.44    | \$ 0.42                                 |                  | \$ 0.52    |
| Weighted average shares:                             |   |                  |            |   |                  |            |
| Basic  | 1,296                                   |                  | 1,296      | 1,302                                   |                  | 1,302      |
| Diluted  | 1,323                                   |                  | 1,323      | 1,326                                   |                  | 1,326      |
| Operating margin                                     | 8%                                      | 21%              | 29%        | 24%                                     | 6%               | 30%        |
| Effective tax rate                                   | 15%                                     | 1%               | 16%        | 5%                                      | 3%               | 8%         |

## 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

# Reconciliation and Calculation of Return on Invested Capital

(in thousands, except percentages)

| <b>Numerator components:</b>                              | <b>Q4'08</b>  | <b>Q1'09</b>  | <b>Q2'09</b>  | <b>Q3'09</b>  | <b>Q4'09</b>  | <b>Q1'10</b>  | <b>Q2'10</b>  | <b>Q3'10</b>  | <b>Q4'10</b>  |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Non-GAAP operating income                                 | \$ 667,958    | \$ 620,347    | \$ 602,252    | \$ 635,468    | \$ 694,976    | \$ 672,853    | \$ 645,650    | \$ 644,997    | \$ 736,729    |
| Tax rate  | 24%           | 22%           | 20%           | 21%           | 16%           | 22%           | 21%           | 21%           | 8%            |
| Non-GAAP operating income after tax                       | \$ 508,685    | \$ 485,732    | \$ 482,223    | \$ 505,197    | \$ 580,791    | \$ 524,287    | \$ 510,967    | \$ 509,806    | \$ 674,789    |
| <b>Denominator components:</b>                            | <b>Q4'08</b>  | <b>Q1'09</b>  | <b>Q2'09</b>  | <b>Q3'09</b>  | <b>Q4'09</b>  | <b>Q1'10</b>  | <b>Q2'10</b>  | <b>Q3'10</b>  | <b>Q4'10</b>  |
| Total assets  | \$ 15,592,439 | \$ 15,127,787 | \$ 16,566,289 | \$ 17,356,732 | \$ 18,408,320 | \$ 18,690,178 | \$ 18,747,584 | \$ 19,948,062 | \$ 22,003,762 |
| Total cash, cash equivalents and investments              | 3,458,840     | 3,326,805     | 3,134,478     | 3,638,587     | 6,325,569     | 6,505,468     | 6,725,768     | 7,463,927     | 9,114,826     |
| Current liabilities                                       | 3,705,087     | 3,159,924     | 3,730,364     | 3,646,678     | 3,641,968     | 3,587,011     | 3,564,261     | 3,808,909     | 4,516,514     |
| TTM Non-GAAP operating income after tax                   | \$ 2,158,933  | \$ 2,103,774  | \$ 2,036,324  | \$ 1,981,837  | \$ 2,053,943  | \$ 2,092,499  | \$ 2,121,243  | \$ 2,125,852  | \$ 2,219,849  |
| TTM average total assets                                  | 15,053,313    | 15,005,663    | 15,309,659    | 15,776,681    | 16,610,313    | 17,229,861    | 17,953,821    | 18,630,175    | 19,559,581    |
| TTM 95% of average cash, cash equivalents and investments | 3,906,756     | 3,582,067     | 3,397,071     | 3,293,876     | 3,778,013     | 4,356,872     | 5,002,675     | 5,825,271     | 6,865,756     |
| TTM average current liabilities                           | 3,149,213     | 3,161,282     | 3,291,268     | 3,419,357     | 3,576,804     | 3,553,189     | 3,634,056     | 3,649,765     | 3,823,733     |
| <b>ROIC</b>   | <b>27.0%</b>  | <b>25.5%</b>  | <b>23.6%</b>  | <b>21.9%</b>  | <b>22.2%</b>  | <b>22.5%</b>  | <b>22.8%</b>  | <b>23.2%</b>  | <b>25.0%</b>  |

# Reconciliation of GAAP Net Revenue to Non-GAAP Net Revenue Excluding Skype

|   | <b>Three Months Ended</b>    |                              |
|---|------------------------------|------------------------------|
|   | <b>December 31,<br/>2009</b> | <b>December 31,<br/>2010</b> |
|   | (In millions)                |                              |
| GAAP Net Revenue                        | \$ 2,371                     | \$ 2,495                     |
| Less: Net Revenue attributable to Skype | (112)                        | -                            |
| Non-GAAP Net Revenue excluding Skype    | <u>\$ 2,259</u>              | <u>\$ 2,495</u>              |

# Reconciliation of Q4 2010 One Time Items

|   | <u>Q4 2010</u>  |
|---|-----------------|
| Revenue   | \$ 2,495        |
| One time events                                       | <u>59</u>       |
| Revenue excluding one time events                     | <u>\$ 2,554</u> |
| <br>  |                 |
| Marketplaces revenue                                  | \$ 1,524        |
| One time events                                       | <u>59</u>       |
| Marketplaces revenue excluding one time events        | <u>\$ 1,583</u> |
| <br>  |                 |
| Marketplaces segment margin                           | \$ 597          |
| One time events                                       | <u>59</u>       |
| Marketplaces segment margin excluding one time events | <u>\$ 656</u>   |
| <br>  |                 |
| Diluted earnings per Share                            | \$ 0.52         |
| Settlement of uncertain tax positions                 | (0.06)          |
| Legal settlement/indirect taxes                       | <u>0.04</u>     |
| Diluted earnings per share excluding one time events  | <u>\$ 0.50</u>  |

# Reconciliation of Q3 2010 GAAP to Non-GAAP Guidance

| (in millions, except per share amounts) | Three Months Ending<br>December 31, 2010 |                   |
|---|--|-------------------|
|   | GAAP                                     | Non-GAAP (a)      |
| Revenues                                | \$2,389 - \$2,489                        | \$2,389 - \$2,489 |
| Diluted EPS                             | \$0.37 - \$0.40                          | \$0.45 - \$0.48   |

(a) Estimated non-GAAP amounts above for the three months ending September 30, 2010, reflect the quarterly adjustments that exclude the estimated amortization of acquired intangible assets of approximately \$55-\$65 million, estimated stock-based compensation expense and employer payroll taxes on stock-based compensation expense of approximately \$90-\$110 million and restructuring charges of approximately \$2 million.

# Reconciliation of Q1'11 and FY 2011 GAAP to Non-GAAP Guidance

|   | Three Months Ending<br>March 31, 2011 |                   |
|---|---------------------------------------|-------------------|
|   | GAAP                                  | Non-GAAP (a)      |
| (in millions, except per share amounts) |                                       |                   |
| Revenues                                | \$2,400 - \$2,500                     | \$2,400 - \$2,500 |
| Diluted EPS                             | \$0.34 - \$0.36                       | \$0.44 - \$0.46   |

(a) Estimated non-GAAP amounts above for the three months ending March 31, 2011, reflect the adjustments that exclude the estimated amortization of acquired intangible assets of approximately \$50 - \$60 million, estimated stock-based compensation expense and employer payroll taxes on stock-based compensation expense of approximately \$110 - \$130 million and estimated restructuring charges of approximately \$1 million.

|   | Full Year Ending<br>December 31, 2011 |                     |
|---|---------------------------------------|---------------------|
|   | GAAP                                  | Non-GAAP (b)        |
| (in millions, except per share amounts) |                                       |                     |
| Revenues                                | \$10,300 - \$10,600                   | \$10,300 - \$10,600 |
| Diluted EPS                             | \$1.56 - \$1.61                       | \$1.90 - \$1.95     |

(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 \$200 - \$240 million, estimated stock-based compensation expense and employer payroll taxes on stock-based compensation expense of approximately \$420 - \$460 million and estimated restructuring charges of approximately \$1 million.