eBay Inc. Reports Strong Third Quarter 2011 Results

Net Income up Double Digits Year over Year on Record $3 Billion Revenue Quarter

SAN JOSE, Calif.--(BUSINESS WIRE)-- Global ecommerce and online payments leader eBay Inc. (Nasdaq:EBAY) today reported that revenue for the third quarter ended September 30, 2011, increased 32% to $3.0 billion, compared to the same period of 2010. The company reported third quarter net income on a GAAP basis of $490.5 million, or $0.37 per diluted share, and non-GAAP net income of $628.2 million, or $0.48 per diluted share. The year-over-year increase in third quarter GAAP and non-GAAP earnings per diluted share was driven primarily by strong top-line growth, partially offset by continued investment in key strategic initiatives and the impact of acquisitions.

"Our company reported another strong quarter, with eBay, PayPal and GSI each performing well," said eBay Inc. President and CEO John Donahoe. "Mobile commerce continues to accelerate as consumers change the way they shop and pay. We expect eBay mobile commerce to generate almost $5 billion in merchandise volume this year and PayPal mobile to exceed $3.5 billion in payment volume. Mobile is one way online and offline shopping are blending into a single commerce environment. We are focused on enabling commerce, helping consumers shop anytime, anywhere, and being the commerce partner of choice for retailers of all sizes."

The company's PayPal business continued to expand its leadership position in global payments. PayPal ended the quarter with 103.0 million active registered accounts, a 14% increase year over year. PayPal revenue increased 32% year over year driven primarily by increased penetration on eBay as well as continued merchant and consumer adoption. PayPal's net total payment volume (TPV) grew 31% to $29.3 billion in the third quarter of 2011 compared to the same period of last year. PayPal continues to invest in innovation, focusing on the core platform, as well as mobile and point of sale initiatives. PayPal expects to generate more than $3.5 billion in mobile TPV in 2011, up from $750 million in 2010.

The company's Marketplaces business also delivered a strong third quarter performance. Gross merchandise volume (GMV) excluding vehicles increased by 16% year over year to $14.7 billion. U.S. GMV excluding vehicles increased 14% year over year, driven by continued improvements in customer experience on the site and growth in key shopping categories. International GMV excluding vehicles increased 18% year over year to $9.1 billion, reflecting solid growth in Europe, continued improved performance in Korea, as well as a positive impact from foreign exchange. Improved cross border trade performance contributed to GMV growth as currencies strengthened against the U.S. dollar. The company continued to benefit from growing adoption of its suite of mobile applications as downloads surpassed 50 million globally since the launch of mobile in the third quarter of 2008. eBay expects to generate almost $5 billion in mobile GMV in 2011, more than double mobile GMV in 2010.

The company's GSI business, which was acquired in the second quarter of 2011, contributed $202.6 million in revenue for the third quarter. GSI generated $608 million in global ecommerce (GeC) merchandise sales during the quarter.

Third Quarter 2011 Financial Highlights (presented in millions, except per share data and percentages)

	Third Quarter			
	2011	**2010**	**Change**	
GAAP				
Net revenue	$ 2,966	$ 2,249	$ 717	32%
Net income	$ 491	$ 432	$ 59	14%
Earnings per diluted share	$ 0.37	$ 0.33	$ 0.04	12%
Non-GAAP				
Net income	$ 628	$ 531	$ 97	18%
Earnings per diluted share	$ 0.48	$ 0.40	$ 0.08	20%
Business Units				
Payments				
Net revenue	$ 1,107	$ 838	$ 269	32%
Net total payment volume	$29,282	$22,365	$6,917	31%
Merchant Services	$19,314	$14,161	$5,153	36%
On eBay	$ 9,968	$ 8,204	$1,764	22%

Marketplaces				
Net revenue	$ 1,653	$ 1,411	$ 242	17%
Gross merchandise volume (excl. vehicles)	$14,666	$12,591	$2,075	16%
U.S.	$ 5,588	$ 4,900	$ 688	14%
International	$ 9,078	$ 7,691	$1,387	18%
GSI				
Net revenue	$ 203	$ —	$ 203	N/A
GeC Merchandise Sales	$ 608	$ —	$ 608	N/A

Other Selected Financial Results

- Operating margin — GAAP operating margin decreased to 18.1% for the third quarter of 2011, compared to 21.8% for the same period last year. Non-GAAP operating margin decreased to 25.3% for the quarter, compared to 28.7% for the same period last year. The decrease in GAAP and non-GAAP operating margin was due primarily to the impact of acquisitions and business mix, partially offset by productivity gains.
- Taxes — The GAAP effective tax rate for the third quarter of 2011 was 20%, compared to 16% for the third quarter of 2010. The higher effective tax rate was due to geographic mix, acquisitions and other factors. For the third quarter of 2011 and 2010, the non-GAAP effective tax rate was 21%.
- Cash flow — The company generated $809 million of operating cash flow and $526 million of free cash flow during the third quarter.
- Stock repurchase program — The company repurchased approximately $33 million of its common stock in the third quarter.
- Cash and cash equivalents and non-equity investments — The company's cash and cash equivalents and non-equity investments portfolio totaled $5.8 billion at September 30, 2011, compared to $7.8 billion at December 31, 2010.

Business Outlook

- Fourth quarter 2011 — eBay expects net revenues in the range of $3,200 - $3,350 million with GAAP earnings per diluted share in the range of $1.47 - $1.53 and non-GAAP earnings per diluted share in the range of $0.55 - $0.58. GAAP earnings per diluted share includes the gain from the sale of our remaining equity interest in Skype.

- Full year 2011 — eBay now expects net revenues in the range of $11,500 - $11,600 million with GAAP earnings per diluted share in the range of $2.42 - $2.48 and non-GAAP earnings per diluted share in the range of $1.98 - $2.01. GAAP earnings per diluted share includes the gain from the sale of our remaining equity interest in Skype.

Quarterly Conference Call

eBay will host a conference call to discuss third quarter 2011 results at 2:00 p.m. Pacific Time today. A live webcast of the conference call, together with a slide presentation that includes supplemental financial information and reconciliations of certain non-GAAP measures to their nearest comparable GAAP measures, can be accessed through the company's Investor Relations website at http://investor.ebayinc.com. In addition, an archive of the webcast will be accessible for 90 days through the same link.

About eBay Inc.

Founded in 1995 in San Jose, Calif., eBay Inc. (NASDAQ:EBAY) is about enabling commerce. We do so through eBay, the world's largest online marketplace, which allows users to buy and sell in nearly every country on earth; through PayPal, which enables individuals and businesses to securely, easily and quickly send and receive online payments; and through GSI, which facilitates ecommerce, multichannel retailing and digital marketing for global enterprises. X.commerce brings together the technology assets and developer communities of eBay, PayPal and Magento, an ecommerce platform, to support eBay Inc.'s mission of enabling commerce. We also reach millions through specialized marketplaces such as StubHub, the world's largest ticket marketplace, and eBay classifieds sites, which together have a presence in more than 1,000 cities around the world. For more information about the company and its global portfolio of online brands, visit www.ebayinc.com.

Non-GAAP Financial Measures

This press release includes the following financial measures defined as "non-GAAP financial measures" by the Securities and Exchange Commission, or SEC: non-GAAP net income, non-GAAP earnings per diluted share, non-GAAP operating margin,

non-GAAP effective tax rate and free cash flow. These measures may be different from non-GAAP financial measures used by other companies. The presentation of this financial information, which is not prepared under any comprehensive set of accounting rules or principles, is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with generally accepted accounting principles. For a reconciliation of these non-GAAP financial measures to the nearest comparable GAAP measures, see "Business Outlook," "Non-GAAP Measures of Financial Performance," "Reconciliation of GAAP Operating Margin to Non-GAAP Operating Margin," "Reconciliation of GAAP Net Income to Non-GAAP Net Income," "Reconciliation of GAAP Effective Tax Rate to Non-GAAP Effective Tax Rate" and "Reconciliation of Operating Cash Flow to Free Cash Flow" included in this press release.

Forward-Looking Statements

This press release contains forward-looking statements relating to, among other things, the future performance of eBay and its consolidated subsidiaries that are based on the company's 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 fourth quarter and full year 2011 and the future growth in the Payments, Marketplaces and GSI businesses. The company's actual results could differ materially from those predicted or implied and reported results should not be considered as an indication of future performance. Factors that could cause or contribute to such differences include, but are not limited to: changes in political, business and economic conditions, including any conditions that affect ecommerce growth; fluctuations in foreign currency exchange rates; the company's ability to profitably integrate, manage and grow businesses that have been acquired recently or may be acquired in the future, including GSI; the company's need to increasingly achieve growth from its existing users, particularly in its more established markets; the company's ability to deal with the increasingly competitive ecommerce environment, including competition for its sellers from other trading sites and other means of selling, and competition for its buyers from other merchants, online and offline; the company's need to manage an increasingly large enterprise with a broad range of businesses of varying degrees of maturity and in many different geographies; the effect of management changes and business initiatives; the company's need and ability to manage other regulatory, tax and litigation risks as its services are offered in more jurisdictions and applicable laws become more restrictive; any changes the company may make to its product offerings; the competitive, regulatory, credit card association-related and other risks specific to PayPal and Bill Me Later, especially as PayPal continues to expand geographically and grow its open platform initiative and as new laws and regulations related to financial services companies come into effect; the company's ability to timely upgrade and develop its systems, infrastructure and customer service capabilities, including GSI's v.11 initiative, at reasonable cost; and the company's ability to maintain site stability and performance on all of its sites while adding new products and features in a timely fashion. The forward-looking statements in this release do not include the potential impact of any acquisitions or divestitures that may be announced and/or completed after the date hereof.

More information about factors that could affect the company's operating results is included under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the company's most recent annual report on Form 10-K and subsequent quarterly reports on Form 10-Q, copies of which may be obtained by visiting the company's Investor Relations website at http://investor.ebayinc.com or the SEC's website at www.sec.gov. Undue reliance should not be placed on the forward-looking statements in this release, which are based on information available to the company on the date hereof. eBay assumes no obligation to update such statements.

eBay Inc.
Unaudited Condensed Consolidated Balance Sheet

	September 30, 2011	December 31, 2010
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,998,950	$ 5,577,411
Short-term investments	1,013,924	1,045,403
Accounts receivable, net	595,716	454,366
Loans and interest receivable, net	1,186,870	956,189
Funds receivable and customer accounts	3,295,115	2,550,731
Other current assets	671,770	481,238
Total current assets	9,762,345	11,065,338
Long-term investments	3,018,596	2,492,012
Property and equipment, net	1,859,190	1,523,333
Goodwill	8,341,910	6,193,163
Intangible assets, net	1,452,723	540,711
Other assets	465,773	189,205

Total assets	$ 24,900,537	$ 22,003,762
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	$ 1,015,830	$ 300,000
Accounts payable	269,031	184,963
Funds payable and amounts due to customers	3,295,115	2,550,731
Accrued expenses and other current liabilities	1,427,706	1,343,888
Deferred revenue	108,274	96,464
Income taxes payable	29,196	40,468
Total current liabilities	6,145,152	4,516,514
Deferred and other tax liabilities, net	1,005,732	645,457
Long-term debt	1,528,158	1,494,227
Other liabilities	56,169	45,385
Total liabilities	8,735,211	6,701,583
Total stockholders' equity	16,165,326	15,302,179
Total liabilities and stockholders' equity	$ 24,900,537	$ 22,003,762

eBay Inc.
Unaudited Condensed Consolidated Statement of Income

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(In thousands, except per share amounts)			
Net revenues (2)	$2,965,761	$2,249,488	$8,271,644	$6,660,924
Cost of net revenues (1)	919,697	640,268	2,425,752	1,862,194
Gross profit	2,046,064	1,609,220	5,845,892	4,798,730
Operating expenses:				
Sales and marketing (1)	623,309	483,653	1,763,226	1,408,050
Product development (1)	318,902	226,803	890,921	662,259
General and administrative (1)	336,606	261,662	1,018,234	800,505
Provision for transaction and loan losses	146,054	97,964	371,641	296,025
Amortization of acquired intangible assets	84,605	45,957	181,978	148,104
Restructuring	(233)	3,005	(482)	20,437
Total operating expenses	1,509,243	1,119,044	4,225,518	3,335,380
Income from operations (2)	536,821	490,176	1,620,374	1,463,350
Loss on divested business	—	—	(256,501)	—
Interest and other income (expense), net	78,704	26,825	110,972	47,692
Income before income taxes	615,525	517,001	1,474,845	1,511,042
Provision for income taxes	(125,022)	(85,072)	(225,070)	(269,268)
Net income	$ 490,503	$ 431,929	$1,249,775	$1,241,774
Net income per share:				
Basic	$ 0.38	$ 0.33	$ 0.97	$ 0.95
Diluted	$ 0.37	$ 0.33	$ 0.95	$ 0.94
Weighted average shares:				
Basic	1,289,631	1,308,888	1,290,921	1,303,217
Diluted	1,309,334	1,328,415	1,311,173	1,324,509

(1) Includes stock-based compensation as follows:

Cost of net revenues	$ 14,210	$ 11,833	$ 42,637	$ 36,116
Sales and marketing	32,259	26,350	100,370	80,030
Product development	25,665	24,389	90,778	75,544
General and administrative	36,088	31,208	112,147	96,142
	$ 108,222	$ 93,780	$ 345,932	$ 287,832

(2) For the three-month period ended September 30, 2011, foreign currency movements relative to the U.S. dollar, including the impact of any effective hedging activities, positively impacted net revenues by approximately $84.7 million and positively impacted operating income by approximately $31.2 million compared to the same period of the prior year. For the nine-month period ended September 30, 2011, foreign currency movements relative to the U.S. dollar, including the impact of any effective hedging activities, positively impacted net revenues by approximately $213.8 million and positively impacted operating income by approximately $62.2 million compared to the same period of the prior year.

eBay Inc.
Unaudited Condensed Consolidated Statement of Cash Flows

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(In thousands)			
Cash flows from operating activities:				
Net income	$ 490,503	$ 431,929	$1,249,775	$1,241,774
Adjustments:				
Provision for transaction and loan losses	146,053	97,964	371,641	296,025
Depreciation and amortization	266,716	194,338	667,400	570,177
Stock-based compensation	108,222	93,780	345,932	287,832
Loss on divested business	—	—	256,501	—
Gain on acquisition of a business	(56,345)	—	(73,400)	—
Changes in assets and liabilities, net of acquisition effects	(146,081)	(70,897)	(526,435)	(504,053)
Net cash provided by operating activities	809,068	747,114	2,291,414	1,891,755
Cash flows from investing activities:				
Purchases of property and equipment, net	(283,500)	(166,988)	(671,851)	(526,445)
Changes in principal loans receivable, net	(155,447)	(90,134)	(254,097)	(138,244)
Purchases of investments	(654,254)	(728,441)	(1,883,599)	(2,022,642)
Maturities and sales of investments	437,094	430,617	1,297,592	1,183,523
Acquisitions, net of cash acquired	(308,236)	—	(3,155,122)	(7,000)
Repayment of Skype note receivable	—	—	—	125,000
Other	1,083	(151)	(101,818)	(4,924)
Net cash used in investing activities	(963,260)	(555,097)	(4,768,895)	(1,390,732)
Cash flows from financing activities:				
Proceeds from issuance of common stock	31,261	19,213	187,720	118,852
Repurchases of common stock	(32,752)	(297,662)	(814,132)	(297,662)
Excess tax benefits from stock-based compensation	6,849	2,192	65,457	26,649
Tax withholdings related to net share settlements of restricted stock awards and units	(16,465)	(33,192)	(130,259)	(106,925)
Net borrowings under commercial paper program	—	—	700,000	—
Repayment of acquired debt	(13,038)	—	(199,271)	—
Funds receivable and customer accounts	67,093	(235,871)	(696,060)	(334,911)
Funds payable and amounts due to customers	(67,093)	235,871	696,060	334,911
Net cash used in financing activities	(24,145)	(309,449)	(190,485)	(259,086)
Effect of exchange rate changes on cash and cash equivalents	(88,539)	260,897	89,505	(60,848)
Net (decrease) increase in cash and cash equivalents	(266,876)	143,465	(2,578,461)	181,089
Cash and cash equivalents at beginning of period	3,265,826	4,037,442	5,577,411	3,999,818
Cash and cash equivalents at end of period	$2,998,950	$4,180,907	$2,998,950	$4,180,907

eBay Inc.
Unaudited Summary of Consolidated Net Revenues

Net Revenues by Type

	Three Months Ended				
	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010

Net transaction revenues	(In thousands, except percentages)				
Marketplaces	$ 1,353,660	$1,349,640	$1,284,755	$ 1,259,179	$ 1,185,562
Current quarter vs prior quarter	*— %*	*5%*	*2%*	*6 %*	*— %*
Current quarter vs prior year quarter	*14 %*	*14%*	*10%*	*3 %*	*3 %*
Percent of Marketplaces revenue from international	*56 %*	*56%*	*56%*	*57 %*	*54 %*
Payments	1,032,816	991,118	942,709	926,161	797,826
Current quarter vs prior quarter	*4 %*	*5%*	*2%*	*16 %*	*4 %*
Current quarter vs prior year quarter	*29 %*	*29%*	*23%*	*22 %*	*23 %*
Percent of Payments revenue from international	*53 %*	*52%*	*50%*	*51 %*	*49 %*
GSI (1)	148,444	16,060	N/A	N/A	N/A
Current quarter vs prior quarter	N/A	N/A			
Current quarter vs prior year quarter	N/A	N/A			
Percent of GSI revenue from international	*3 %*	*5%*			
Total net transaction revenues	2,534,920	2,356,818	2,227,464	2,185,340	1,983,388
Current quarter vs prior quarter	*8 %*	*6%*	*2%*	*10 %*	*2 %*
Current quarter vs prior year quarter	*28 %*	*21%*	*15%*	*5 %*	*1 %*
Marketing services and other revenues					
Marketplaces	299,246	313,799	268,507	264,996	225,761
Current quarter vs prior quarter	*(5)%*	*17%*	*1%*	*17 %*	*5 %*
Current quarter vs prior year quarter	*33 %*	*45%*	*26%*	*9 %*	*6 %*
Percent of Marketplaces revenue from international	*74 %*	*74%*	*74%*	*69 %*	*69 %*
Payments	74,386	81,878	49,638	45,014	40,339
Current quarter vs prior quarter	*(9)%*	*65%*	*10%*	*12 %*	*(13)%*
Current quarter vs prior year quarter	*84 %*	*77%*	*16%*	*17 %*	*4 %*
Percent of Payments revenue from international	*9 %*	*6%*	*9%*	*10 %*	*10 %*
GSI (1)	54,174	7,779	N/A	N/A	N/A
Current quarter vs prior quarter	N/A	N/A			
Current quarter vs prior year quarter	N/A	N/A			
Percent of GSI revenue from international	*— %*	*—%*			
Corporate and other	3,035	N/A	N/A	N/A	N/A
Total marketing services and other revenues	430,841	403,456	318,145	310,010	266,100
Current quarter vs prior quarter	*7 %*	*27%*	*3%*	*17 %*	*2 %*
Current quarter vs prior year quarter	*62 %*	*54%*	*24%*	*7 %*	*1 %*
Total net revenues	$ 2,965,761	$2,760,274	$2,545,609	$ 2,495,350	$ 2,249,488
Current quarter vs prior quarter	*7 %*	*8%*	*2%*	*11 %*	*2 %*
Current quarter vs prior year quarter	*32 %*	*25%*	*16%*	*5 %*	*1 %*

Net Revenues by Geography (2)	**Three Months Ended**				
	September 30, 2011	**June 30, 2011**	**March 31, 2011**	**December 31, 2010**	**September 30, 2010**
	(In thousands, except percentages)				
U.S. net revenues	$ 1,427,811	$1,249,303	$1,141,051	$ 1,119,642	$ 1,058,258
Current quarter vs prior quarter	*14 %*	*9%*	*2%*	*6 %*	*3 %*
Current quarter vs prior year quarter	*35 %*	*21%*	*14%*	*7 %*	*4 %*
Percent of total	*48 %*	*45%*	*45%*	*45 %*	*47 %*

International net revenues	1,537,950	1,510,971	1,404,558	1,375,708	1,191,230
Current quarter vs prior quarter	*2%*	*8%*	*2%*	*15%*	*1 %*
Current quarter vs prior year quarter	*29%*	*28%*	*18%*	*4%*	*(3)%*
Percent of total	*52%*	*55%*	*55%*	*55%*	*53 %*
Total net revenues	$ 2,965,761	$2,760,274	$2,545,609	$ 2,495,350	$ 2,249,488
Current quarter vs prior quarter	*7%*	*8%*	*2%*	*11%*	*2 %*
Current quarter vs prior year quarter	*32%*	*25%*	*16%*	*5%*	*1 %*

(1) Net revenue attributable to the GSI segment for the three months ended June 30, 2011, reflects net revenues for the period from June 17, 2011 (the date that the acquisition was completed) to June 30, 2011.
(2) Revenues are attributed to U.S. and international geographies primarily based upon the country in which the seller, payment recipient, customer, website that displays advertising, or other service provider, as the case may be, is located.

eBay Inc.
Unaudited Payments Supplemental Operating Data

	Three Months Ended				
	September 30, 2011	**June 30, 2011**	**March 31, 2011**	**December 31, 2010**	**September 30, 2010**
	(In millions, except percentages)				
Active registered accounts (1)	103.0	100.3	97.7	94.4	90.5
Current quarter vs prior quarter	*3 %*	*3%*	*3%*	*4 %*	*4 %*
Current quarter vs prior year quarter	*14 %*	*15%*	*16%*	*17 %*	*16 %*
Net number of payments (2)	459.2	432.0	424.6	421.1	357.0
Current quarter vs prior quarter	*6 %*	*2%*	*1%*	*18 %*	*7 %*
Current quarter vs prior year quarter	*29 %*	*29%*	*26%*	*28 %*	*31 %*
Net total payment volume (3)	$ 29,282	$28,742	$ 27,362	$ 26,866	$ 22,365
Current quarter vs prior quarter	*2 %*	*5%*	*2%*	*20 %*	*5 %*
Current quarter vs prior year quarter	*31 %*	*34%*	*28%*	*26 %*	*26 %*
Merchant Services net total payment volume as % of net total payment volume	*66 %*	*66%*	*64%*	*63 %*	*63 %*
Transaction rates					
Take rate	3.78 %	3.73%	3.63%	3.61 %	3.75 %
Transaction expense	1.14 %	1.11%	1.11%	1.11 %	1.20 %
Loss rate	0.31 %	0.25%	0.21%	0.20 %	0.22 %
Transaction margin (4)	61.5 %	63.6%	63.7%	63.5 %	62.1 %
Loan portfolio rates					
Risk adjusted margin (5)	18.0 %	16.5%	14.7%	14.4 %	11.5 %
Net charge-off rate (6)	4.3 %	4.4%	4.9%	6.1 %	7.3 %
90-day delinquency rate (7)	2.6 %	2.2%	2.2%	2.4 %	3.1 %

(1) All registered accounts that successfully sent or received at least one payment or payment reversal through the PayPal system or Bill Me Later accounts that are currently able to transact and that received a statement within the last 12 months.
(2) Number of payments, net of payment reversals, successfully completed through PayPal's payments network and on Bill Me Later accounts during the quarter, excluding PayPal's payments gateway business.
(3) Total dollar volume of payments, net of payment reversals, successfully completed through our Payments networks and Zong, excluding PayPal's payment gateway business, and on Bill Me Later accounts during the period.
(4) 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).
(5) The risk adjusted margin represents the annualized ratio of Bill Me Later revenue, excluding contra-revenue incentives to customers or merchants, less cost of funds, and less net credit and fraud losses relative to average loans receivable for

the quarter.

(6) Net charge-off rate represents the annualized ratio of Bill Me Later net credit losses relative to average loans receivable for the quarter.

(7) 90-day delinquency rate is the ratio of Bill Me Later end of period account balances that have missed three or more consecutive payments relative to total ending loan receivables.

eBay Inc.
Unaudited eBay Marketplaces Supplemental Operating Data

	Three Months Ended				
	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010
	(In millions, except percentages)				
Active Users (1)	98.7	97.2	95.9	94.5	93.2
Current quarter vs prior quarter	*2 %*	*1%*	*1 %*	*1 %*	*1 %*
Current quarter vs prior year quarter	*6 %*	*6%*	*5 %*	*5 %*	*4 %*
Gross Merchandise Volume (excluding vehicles) (2)	$ 14,666	$14,680	$14,496	$ 15,039	$ 12,591
Current quarter vs prior quarter	*— %*	*1%*	*(4)%*	*19 %*	*— %*
Current quarter vs prior year quarter	*16 %*	*17%*	*8 %*	*6 %*	*3 %*
Vehicles Gross Merchandise Volume (3)	$ 2,149	$ 2,238	$ 2,050	$ 1,920	$ 2,157
Current quarter vs prior quarter	*(4) %*	*9%*	*7 %*	*(11) %*	*(1) %*
Current quarter vs prior year quarter	*— %*	*2%*	*1 %*	*(8) %*	*(10) %*
Fixed Price Trading (4) as % of total gross merchandise volume	*63 %*	*62%*	*61 %*	*62 %*	*60 %*

eBay's classifieds websites (including Rent.com) and Shopping.com are not included in these metrics.

(1) All users, excluding users of Half.com, StubHub, GittiGidiyor and our Korean subsidiaries (Gmarket and eBay Auction Co.), who bid on, bought, listed or sold an item within the previous 12-month period. Users may register more than once, and as a result, may have more than one account.

(2) Total value of all successfully closed items between users on eBay Marketplaces trading platforms during the quarter, regardless of whether the buyer and seller actually consummated the transaction, excluding vehicles gross merchandise volume.

(3) Total value of all successfully closed vehicle transactions between users on eBay Marketplaces trading platforms during the quarter, regardless of whether the buyer and seller actually consummated the transaction.

(4) Primarily, total gross merchandise volume related to eBay's "Buy It Now" feature on eBay Marketplaces trading platforms relative to total gross merchandise volume during the quarter.

eBay Inc.
Unaudited GSI Supplemental Operating Data

	Three Months Ended				
	September 30, 2011	June 30, 2011 (1)	March 31, 2011	December 31, 2010	September 30, 2010
	(In millions, except percentages)				
GeC Merchandise Sales (2)	$ 608.1	$ 75.6	N/A	N/A	N/A

(1) Reflects the period from June 17, 2011 (the date that the acquisition was completed) to June 30, 2011.

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

eBay Inc.
Business Outlook
(In Millions, Except Per Share Amounts)

The guidance figures provided below and elsewhere in this press release are forward-looking statements, reflect a number of estimates, assumptions and other uncertainties, and are approximate in nature because eBay's future performance is difficult to predict. Such guidance is based on information available on the date of this press release, and eBay assumes no obligation to update it.

eBay's future performance involves risks and uncertainties, and the company's actual results could differ materially from the information below and elsewhere in this press release. Some of the factors that could affect the company's operating results are set forth under the caption "Forward-Looking Statements" above in this press release. More information about factors that could affect eBay's operating results is included under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in its most recent annual report on Form 10-K and subsequent quarterly reports on Form 10-Q, copies of which may be obtained by visiting the company's investor relations website at http://investor.ebayinc.com or the SEC's website at www.sec.gov.

	Three Months Ended December 31, 2011	
(In millions, except per share amounts)	**GAAP**	**Non-GAAP (a)**
Net Revenue	$3,200 - $3,350	$3,200 - $3,350
Diluted EPS	$1.47 - $1.53	$0.55 - $0.58

	Twelve Months Ended December 31, 2011	
(In millions, except per share amounts)	**GAAP**	**Non-GAAP (b)**
Net Revenue	$11,500 - $11,600	$11,500 - $11,600
Diluted EPS	$2.42 - $2.48	$1.98 - $2.01

(a) Estimated non-GAAP amounts above for the three months ending December 31, 2011, reflect adjustments that exclude the estimated amortization of acquired intangible assets of approximately $110-$120 million, estimated stock-based compensation expense and employer payroll taxes on stock-based compensation expense of approximately $120-$140 million, a gain on the sale of our remaining equity interest in Skype of approximately $1.7 billion and the accretion of a note receivable of approximately $5 million as well as the related tax impact.

(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 $330-$345 million, estimated stock-based compensation expense and employer payroll taxes on stock-based compensation expense of approximately $480-$505 million, a loss on a divested business of approximately $257 million, acquisition related transaction expense of approximately $57 million, a gain on the sale of our remaining equity interest in Skype of approximately $1.7 billion, gains from the acquisition of businesses of approximately $73 million, amortization of intangibles and stock-based compensation for Skype of approximately $45 million, and the accretion of a note receivable of approximately $9 million as well as the related tax impact.

eBay Inc.
Non-GAAP Measures of Financial Performance

To supplement the company's condensed consolidated financial statements presented in accordance with generally accepted accounting principles, or GAAP, eBay uses non-GAAP measures of certain components of financial performance. These non-GAAP measures include non-GAAP net income, non-GAAP earnings per diluted share, non-GAAP operating margin, non-GAAP effective tax rate, and free cash flow.

These non-GAAP measures are not in accordance with, or an alternative to, measures prepared in accordance with GAAP and may be different from non-GAAP measures used by other companies. In addition, these non-GAAP measures are not based on any comprehensive set of accounting rules or principles. Non-GAAP measures have limitations in that they do not reflect all of the amounts associated with eBay's results of operations as determined in accordance with GAAP. These measures should only be used to evaluate eBay's results of operations in conjunction with the corresponding GAAP measures.

Reconciliation to the nearest GAAP measure of all non-GAAP measures included in this press release can be found in the tables included in this press release.

These non-GAAP measures are provided to enhance investors' overall understanding of the company's current financial performance and the company's prospects for the future. Specifically, the company believes the non-GAAP measures provide useful information to both management and investors by excluding certain expenses, gains and losses or net purchases of property and equipment, as the case may be, that may not be indicative of its core operating results and business outlook. In addition, because eBay has historically reported certain non-GAAP results to investors, the company believes that the inclusion of non-GAAP measures provides consistency in the company's financial reporting.

For its internal budgeting process, and as discussed further below, eBay's management uses financial measures that do not include stock-based compensation expense, employer payroll taxes on stock-based compensation, amortization or impairment of acquired intangible assets, impairment of goodwill, significant gains or losses from the disposal/acquisition of a business, restructuring-related charges and the income taxes associated with the foregoing. In addition to the corresponding GAAP measures, eBay's management also uses the foregoing non-GAAP measures in reviewing the financial results of eBay.

eBay excludes the following items from non-GAAP net income, non-GAAP earnings per diluted share, non-GAAP operating margin and non-GAAP effective tax rate:

Stock-based compensation expense. This expense consists of expenses for stock options, restricted stock and employee stock purchases. eBay excludes stock-based compensation expenses from its non-GAAP measures primarily because they are non-cash expenses that management does not believe are reflective of ongoing operating results. eBay also excludes its proportionate share of Skype's stock-based compensation expense.

Employer payroll taxes on stock-based compensation. This amount is dependent on eBay's stock price and the timing and size of exercises by employees of their stock options and the vesting of their restricted stock, over which management has limited to no control, and as such management does not believe it correlates to eBay's operation of the business.

Amortization or impairment of acquired intangible assets, impairment of goodwill and significant gains or losses and transaction expenses from the acquisition or disposal of a business. eBay incurs amortization or impairment of acquired intangible assets and goodwill in connection with acquisitions and may incur significant gains or losses from the acquisition or disposal of a business and therefore excludes these amounts from its non-GAAP measures. eBay also excludes its proportionate share of Skype's amortization of acquired intangibles expense. eBay also settled a legal exposure in conjunction with the acquisition of a business and excludes this settlement payment. In addition, eBay's results are also impacted by hedge transactions related to unique movements of cash from significant business acquisitions or dispositions. eBay excludes the impact of the accretion of a note receivable associated with the disposal of certain businesses. eBay excludes these items because management does not believe they correlate to the ongoing operating results of eBay's business.

Restructuring. These charges consist of expenses for employee severance and other exit and disposal costs. eBay excludes restructuring charges primarily because management does not believe they are reflective of ongoing operating results.

Income taxes associated with certain non-GAAP entries. This amount is used to present stock-based compensation and the other amounts described above on an after-tax basis consistent with the presentation of non-GAAP net income.

In addition to the non-GAAP measures discussed above, eBay also uses free cash flow. Free cash flow represents operating cash flows less net purchases of property and equipment. eBay considers free cash flow to be a liquidity measure that provides useful information to management and investors about the amount of cash generated by the business after the purchases of property, buildings, and equipment, which can then be used to, among other things, invest in eBay's business, make strategic acquisitions, and repurchase stock. A limitation of the utility of free cash flow as a measure of financial performance is that it does not represent the total increase or decrease in the company's cash balance for the period.

eBay Inc.
Reconciliation of GAAP Operating Margin to Non-GAAP Operating Margin

	Three Months Ended	
	September 30, 2011	September 30, 2010
	(In thousands, except percentages)	
GAAP operating income	$ 536,821	$ 490,176
Stock-based compensation expense	108,222	93,780
Employer payroll taxes on stock-based compensation	1,739	2,475
Amortization of acquired intangible assets within cost of net revenues	20,253	9,604
Amortization of acquired intangible assets within operating expenses	84,605	45,957

Restructuring	(233)	3,005
Non-GAAP operating income	$ 751,407	$ 644,997
Non-GAAP operating margin	25.3 %	28.7 %

Reconciliation of GAAP Net Income to Non-GAAP Net Income

	Three Months Ended	
	September 30, 2011	September 30, 2010
	(In thousands, except per share amounts)	
GAAP net income	$ 490,503	$ 431,929
Stock-based compensation expense	108,222	93,780
Employer payroll taxes on stock-based compensation	1,739	2,475
Amortization of acquired intangible assets within cost of net revenues	20,253	9,604
Amortization of acquired intangible assets within operating expenses	84,605	45,957
Restructuring	(233)	3,005
Amortization of intangibles and stock-based compensation for Skype	24,121	9,469
Gain from the acquisition of a business	(56,345)	—
Accretion of note receivable	(3,949)	—
Contingencies associated with the sale of Skype that were settled during the quarter	—	(10,000)
Income taxes associated with certain non-GAAP entries	(40,678)	(55,631)
Non-GAAP net income	$ 628,238	$ 530,588
Diluted net income per share:		
GAAP	$ 0.37	$ 0.33
Non-GAAP	$ 0.48	$ 0.40
Shares used in GAAP and non-GAAP diluted net income per-share calculation	1,309,334	1,328,415

Reconciliation of GAAP Effective Tax Rate to Non-GAAP Effective Tax Rate

	Three Months Ended	
	September 30, 2011	September 30, 2010
	(In thousands, except percentages)	
GAAP provision for income taxes (a)	$ 125,022	$ 85,072
Income taxes associated with certain non-GAAP entries	40,678	55,631
Non-GAAP provision for income taxes (b)	$ 165,700	$ 140,703
GAAP income before income taxes (c)	$ 615,525	$ 517,001
Stock-based compensation expense	108,222	93,780
Employer payroll taxes on stock-based compensation	1,739	2,475
Amortization of acquired intangible assets within cost of net revenues	20,253	9,604
Amortization of acquired intangible assets within operating expenses	84,605	45,957
Restructuring	(233)	3,005
Amortization of intangibles and stock-based compensation for Skype	24,121	9,469
Gain from the acquisition of a business	(56,345)	—
Accretion of note receivable	(3,949)	—
Contingencies associated with the sale of Skype that were settled during the quarter	—	(10,000)
Non-GAAP income before income taxes (d)	$ 793,938	$ 671,291
GAAP effective tax rate (a/c)	20 %	16 %
Non-GAAP effective tax rate (b/d)	21 %	21 %

Reconciliation of Operating Cash Flow to Free Cash Flow

	Three Months Ended	
	September 30, 2011	September 30, 2010
	(In thousands)	
Net cash provided by operating activities	$ 809,068	$ 747,114
Less: Purchases of property and equipment, net	(283,500)	(166,988)
Free cash flow	$ 525,568	$ 580,126

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