

Q2 2008 Financial Highlights

July 16, 2008



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, including those relating to the company's ability to grow its businesses, user base and user activity.

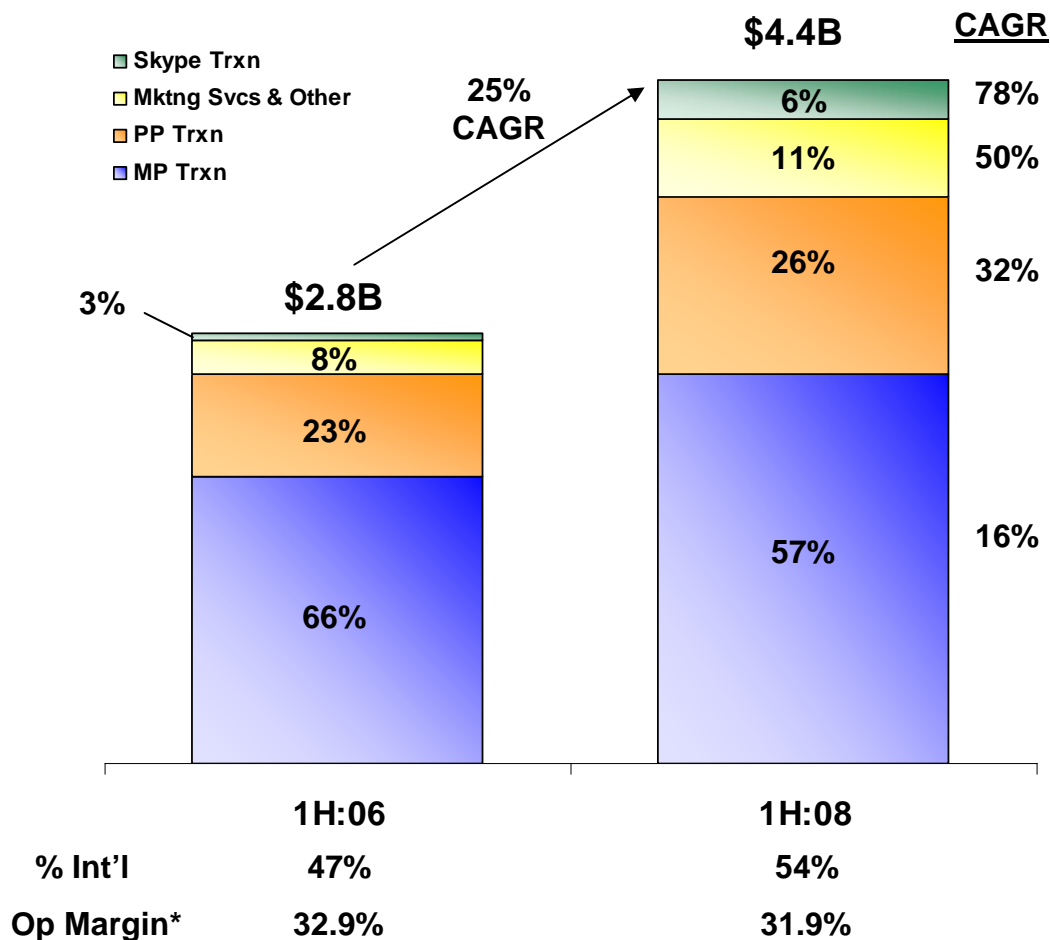
Our actual results may differ materially from those discussed in this call for a variety of reasons, including, but not limited to, our increasing need to grow revenues from existing users in established markets; an increasingly competitive environment for our businesses; the complexity of managing a growing company with a broad range of businesses, our need to manage regulatory, tax, IP and litigation risks (including risks specific to PayPal and the financial industry, and risks specific to Skype's technology and to the VoIP industry); our need to upgrade our technology and customer service infrastructure at reasonable cost while adding new features and maintaining site stability; foreign-exchange-rate fluctuations; changes in political, business, and economic conditions; our ability to profitably expand our business model to new types of merchandise and sellers; and the impact and integration of recent and future acquisitions.

You can find more information about factors that could affect our operating results in our most recent annual report on our Form 10-K and our subsequent quarterly reports on Form 10-Q (available at <http://investor.ebay.com>). You should not unduly rely on any forward-looking statements, and we assume no obligation to update them. All information in the presentation is as of July 16, 2008, and we do not intend, and undertake no duty, to update this presentation.

Continued Diversification with Strong and Steady Margins

Last two years...

Revenue



...driven by

- Global expansion
- PayPal growth... higher on-eBay penetration... rapid Merchant Services growth
- New formats (Classifieds)...
New monetization (Advertising)...
New business (Skype)

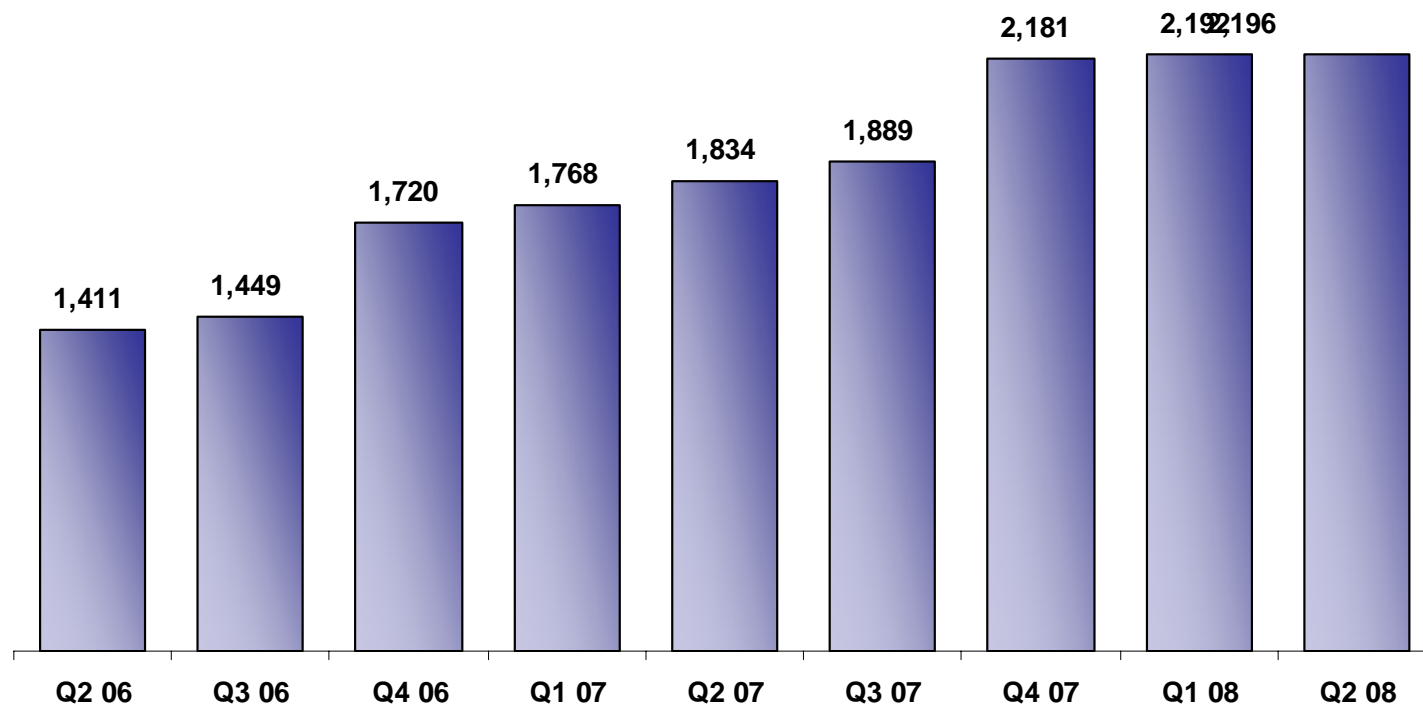
Q2 08 Summary

Strong quarter financially...

- Strong revenue growth... up 20% y/y
- Stronger non-GAAP EPS growth... up 25% y/y
- Significant free cash flow generation... \$617M
- Effective capital allocation:
 - \$566M share repurchase: ~19M shares at avg. price of ~\$30

Q2 08 Summary... Strong Top-line Growth

Revenue
(in \$millions)

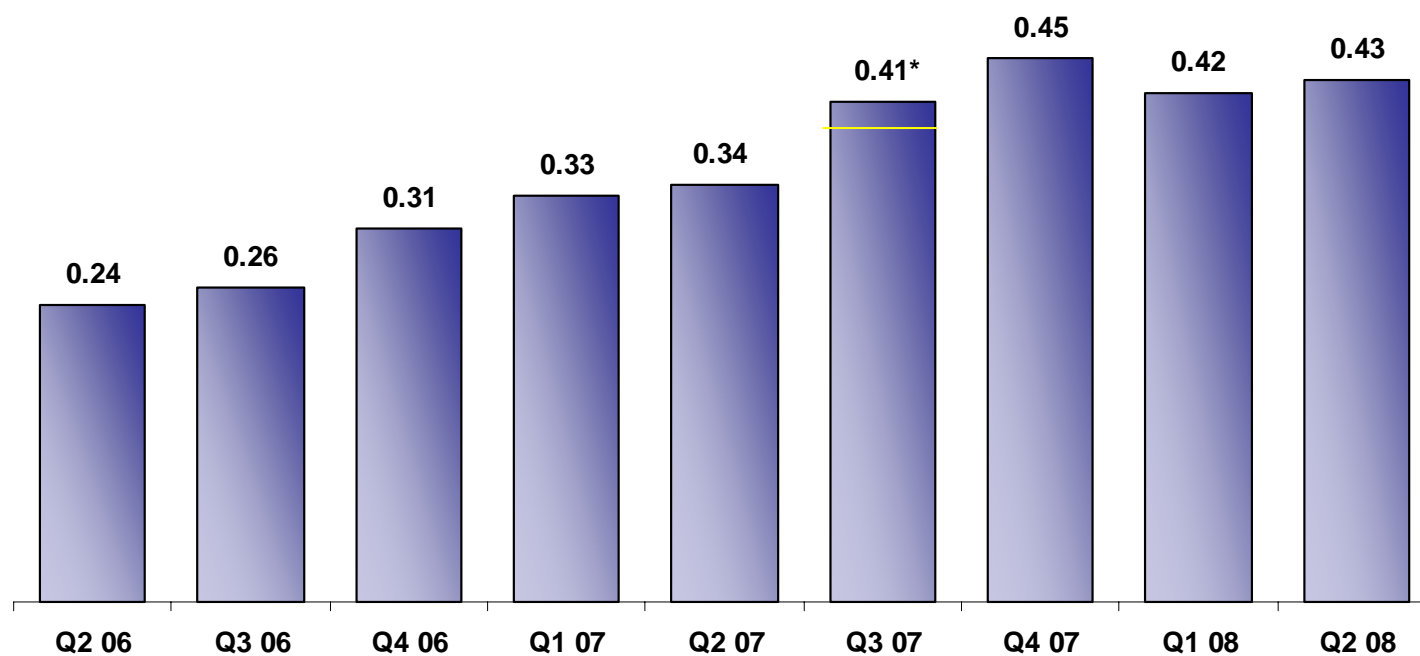


Reported Y/Y Growth	30%	31%	29%	27%	30%	30%	27%	24%	20%
Organic Y/Y Growth	20.6%	19.6%	21.1%	21.1%	23.4%	23.0%	18.0%	16.2%	13.0%

Q2 08 Summary... Stronger Earnings Growth

Non-GAAP EPS

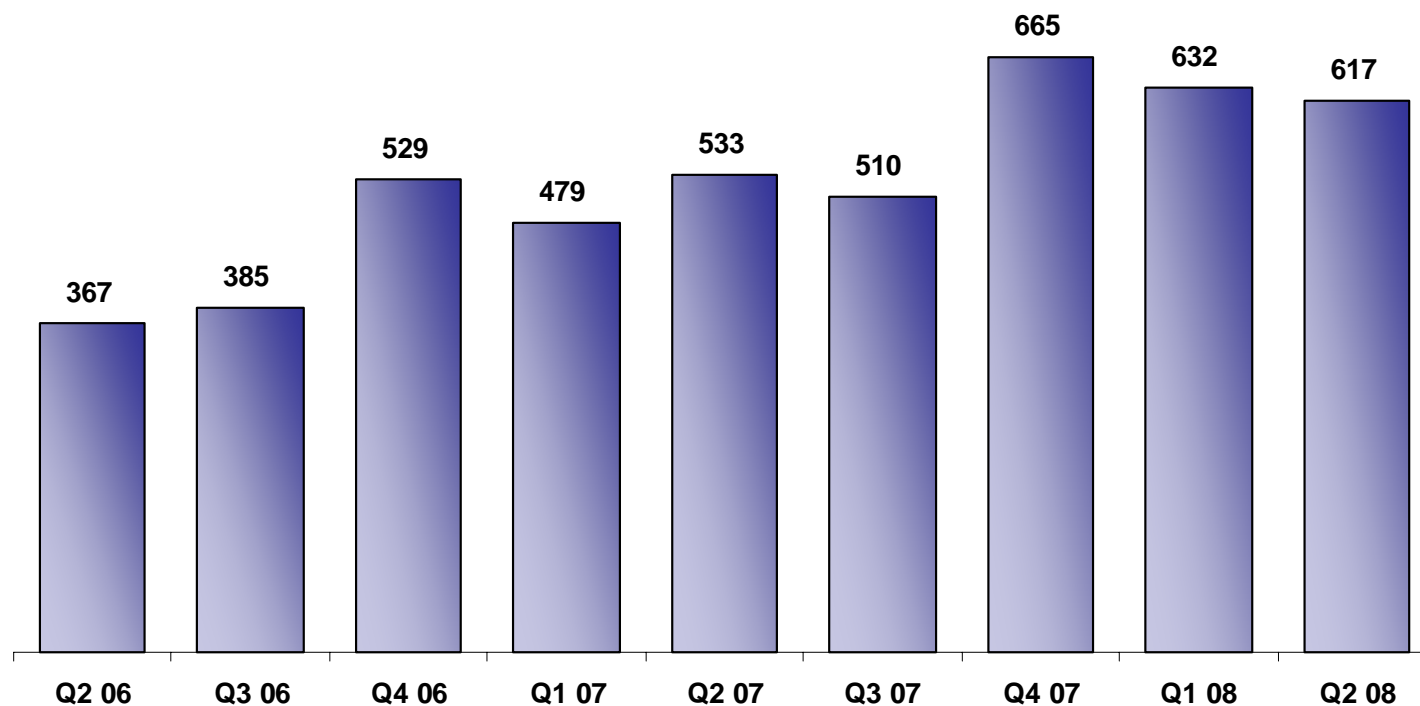
(in \$)



Reported Y/Y Growth	10%	28%	29%	39%	40%	59%	45%	26%	25%
Non-GAAP Op. Margin	32.6%	32.1%	33.4%	33.6%	32.4%	31.4%	34.6%	32.0%	31.9%

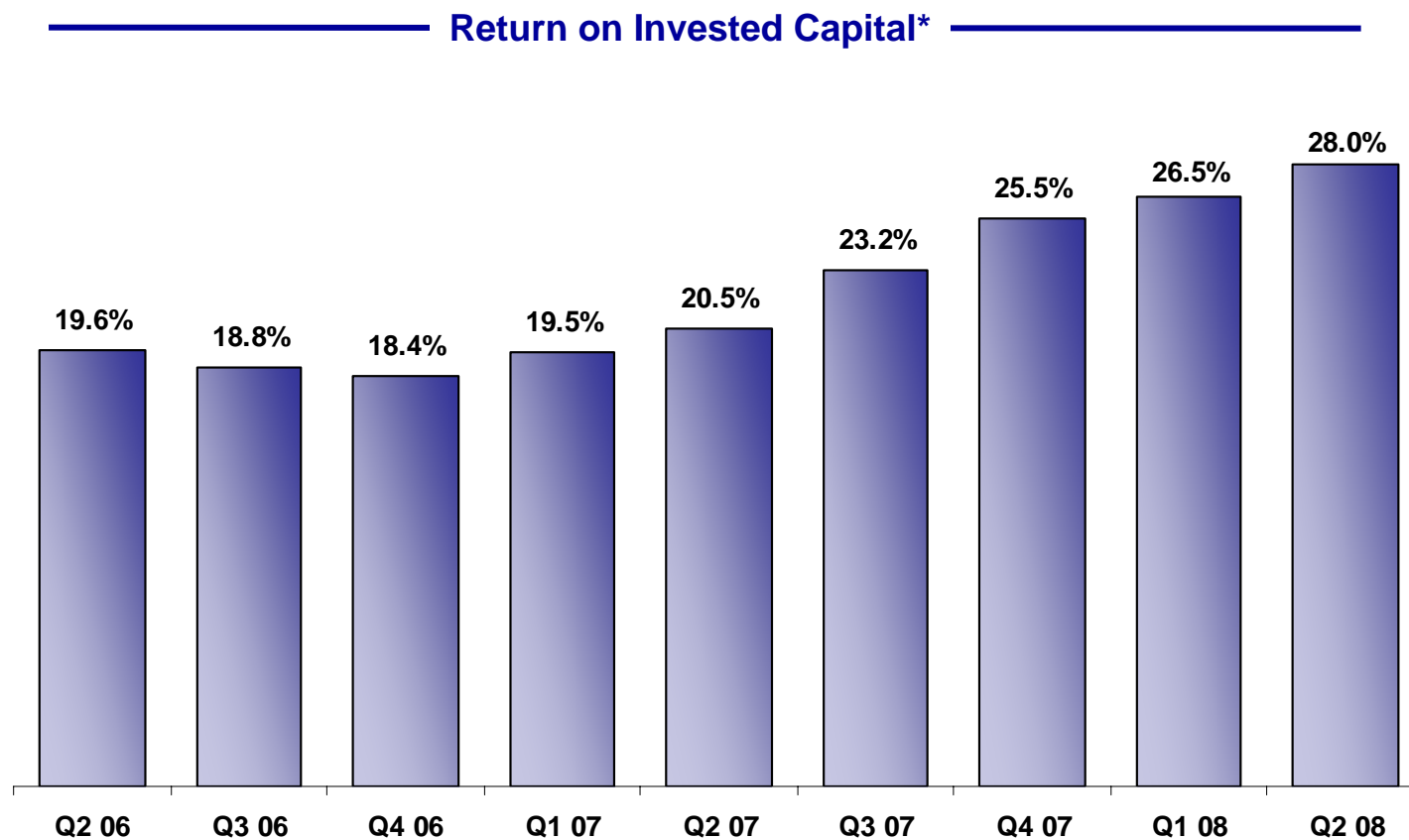
Q2 08 Summary... Significant Free Cash Flow Generation

Free Cash Flow
(in \$millions)



Reported Y/Y Growth	-10%	-14%	24%	6%	45%	32%	26%	32%	16%
Capex % of Revenue	11%	9%	6%	5%	7%	6%	6%	6%	6%
FCF % of Revenue	26%	27%	31%	27%	29%	27%	30%	29%	28%

Q2 08 Summary... RoIC Continues to Improve

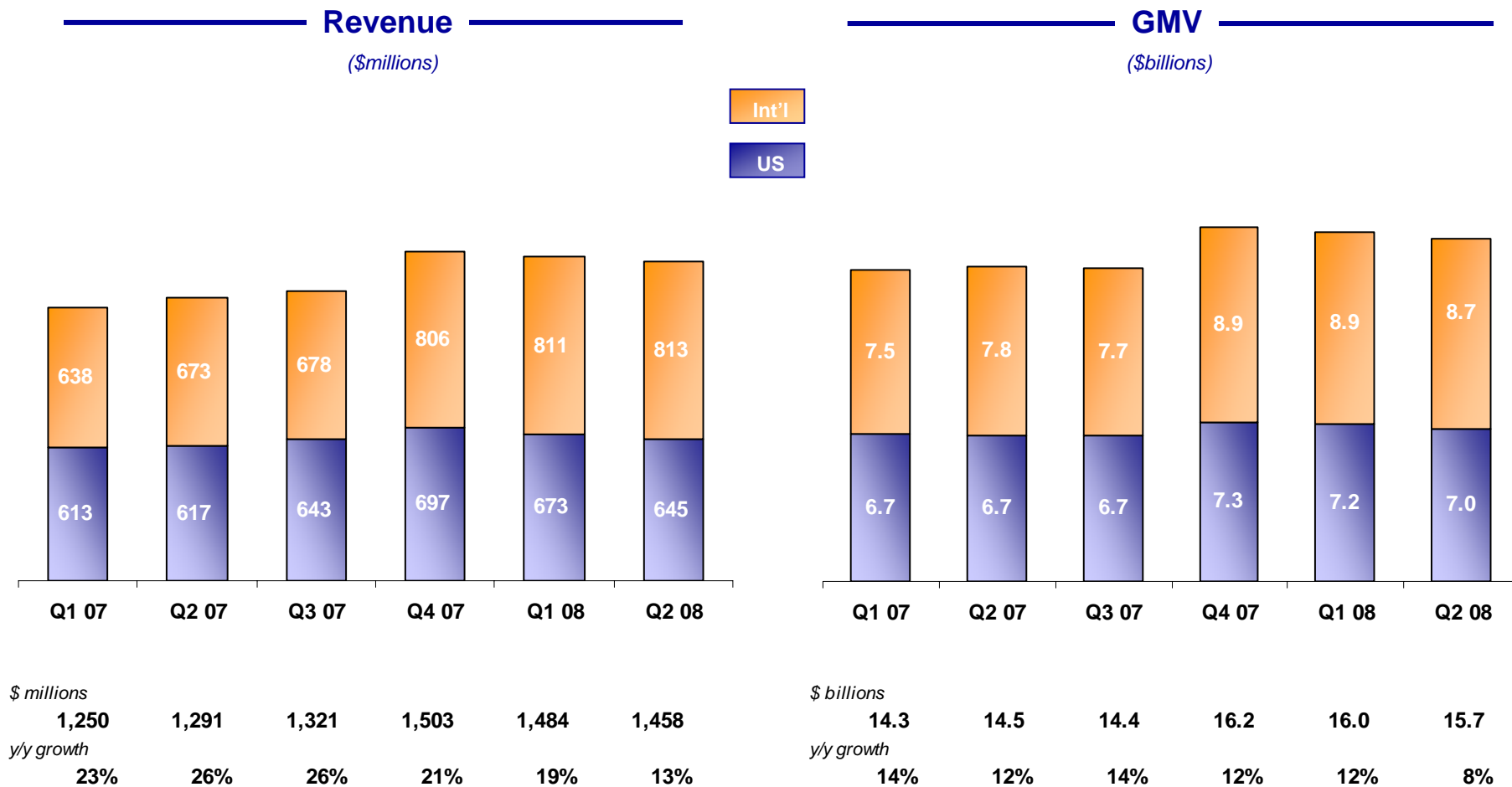


*Trailing 12-month Pro-Forma Net Operating Profits After Tax / (Average Total Assets – 95% of Average Cash, Cash Equivalents, and Investments - Average Current Liabilities)

Note: Skype write down that occurred in Q3'07 lowered our asset base without impacting pro-forma earnings

Calculation of RoIC is included in the Appendix of this presentation

Business Update... Marketplaces Revenue and Volume



Business Update... Marketplaces Operating Metrics

	Q1 07	Q2 07	Q3 07	Q4 07	Q1 08	Q2 08
Active Users (in millions)						
Global Active Users*	82.9	83.3	83.0	83.2	83.9	84.5
Y/Y Growth	10%	7%	4%	2%	1%	1%
New Listings (in millions)						
US	258	244	254	281	281	281
Y/Y Growth	-2%	-8%	-2%	3%	9%	15%
Int'l	330	316	301	357	366	386
Y/Y Growth	<u>6%</u>	<u>-5%</u>	<u>-7%</u>	<u>5%</u>	<u>11%</u>	<u>22%</u>
Total Listings	588	559	556	637	647	667
Y/Y Growth	2%	-6%	-5%	4%	10%	19%
GMV (in \$millions)						
US	6,736	6,700	6,729	7,331	7,183	6,983
Y/Y Growth	8%	10%	10%	8%	7%	4%
Int'l	7,545	7,764	7,666	8,883	8,853	8,701
Y/Y Growth	20%	14%	17%	16%	17%	12%
Fx Neutral Y/Y Growth	<u>11%</u>	<u>8%</u>	<u>10%</u>	<u>8%</u>	<u>8%</u>	<u>4%</u>
Total GMV	14,281	14,464	14,395	16,213	16,036	15,684
Y/Y Growth	14%	12%	14%	12%	12%	8%
Fx Neutral Y/Y Growth	10%	9%	10%	8%	8%	4%

• Active user growth was 6% ex-China and Taiwan

• Listings growth fueled by fee rebalance

• Int'l GMV accounted for 55% of global GMV in Q2'08

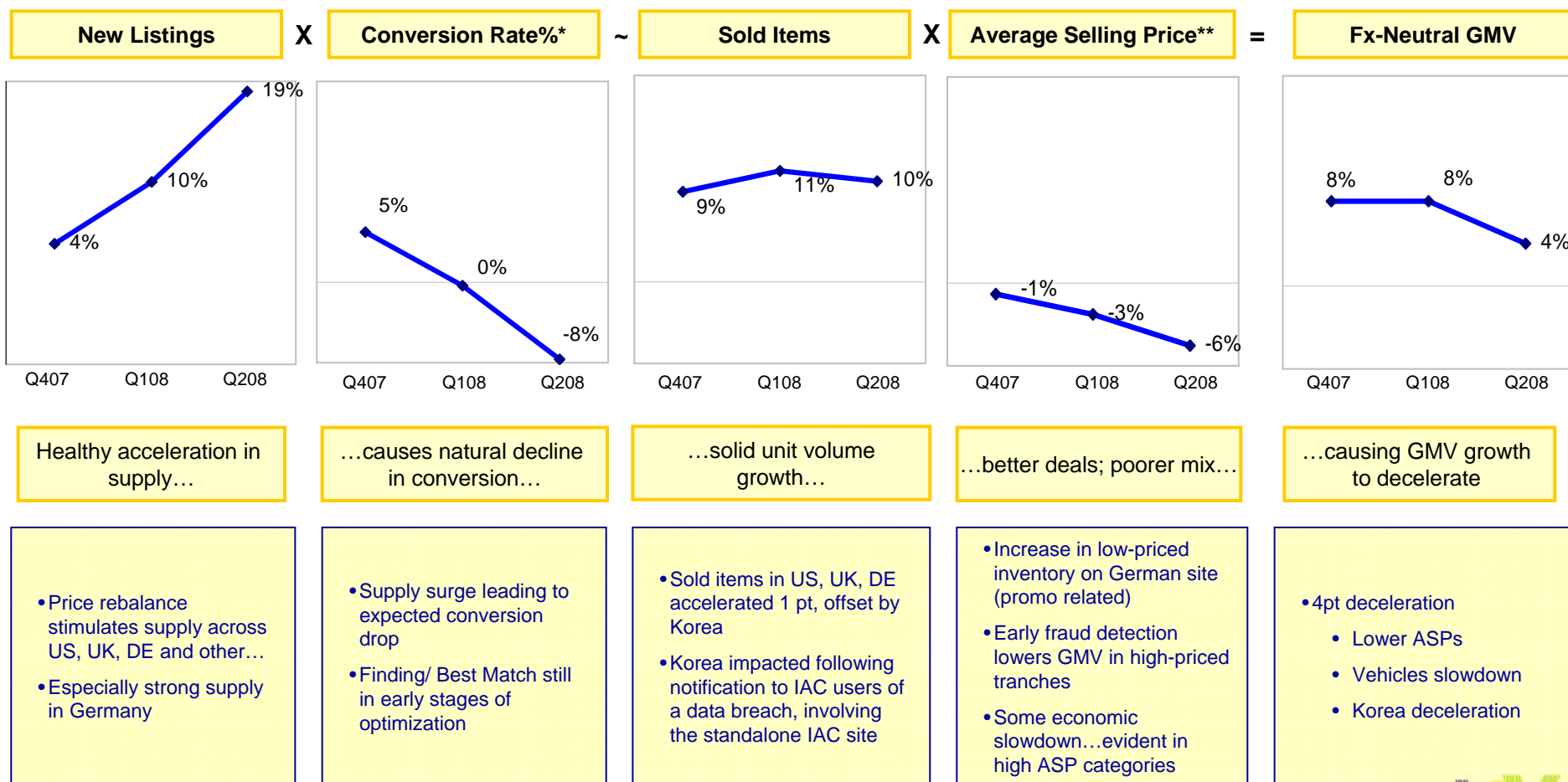
Notes:

*Global active users number reflects all users, excluding users of StubHub, Half.com and IAC, who bid on, bought, or listed an item within the previous 12-month period.

• More information on these metrics can be found on Page 10 of our Earnings Press Release dated July 16, 2008

Understanding GMV growth better ...

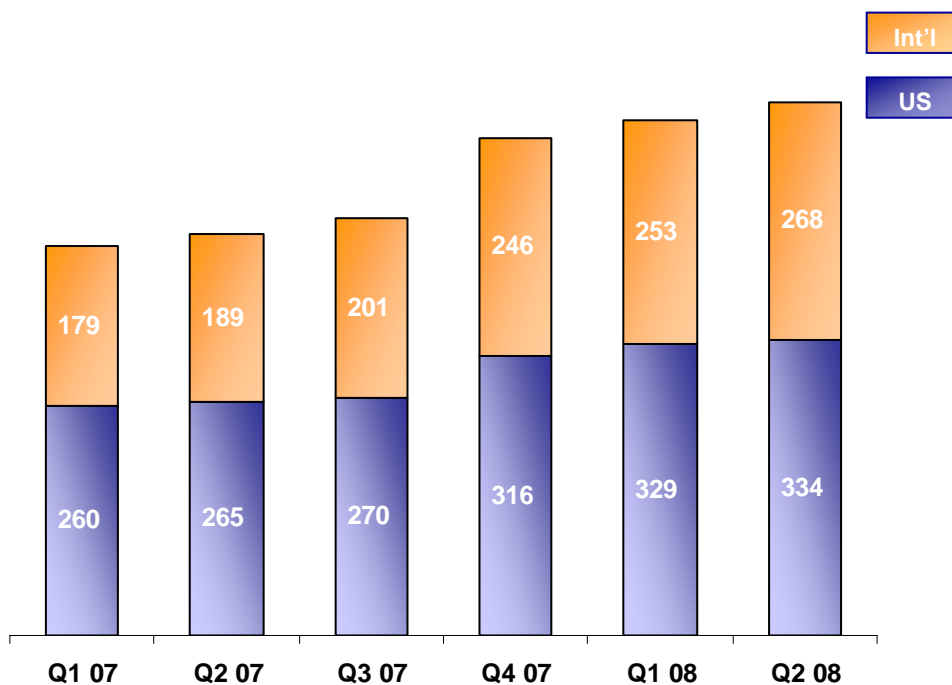
Changes to make eBay safer... easier to use... objective to increase velocity on the site with
 (1) improved selection (2) improved trust (3) improved finding



Business Update... PayPal Revenue and Volume

Revenue

(\$millions)



\$ millions

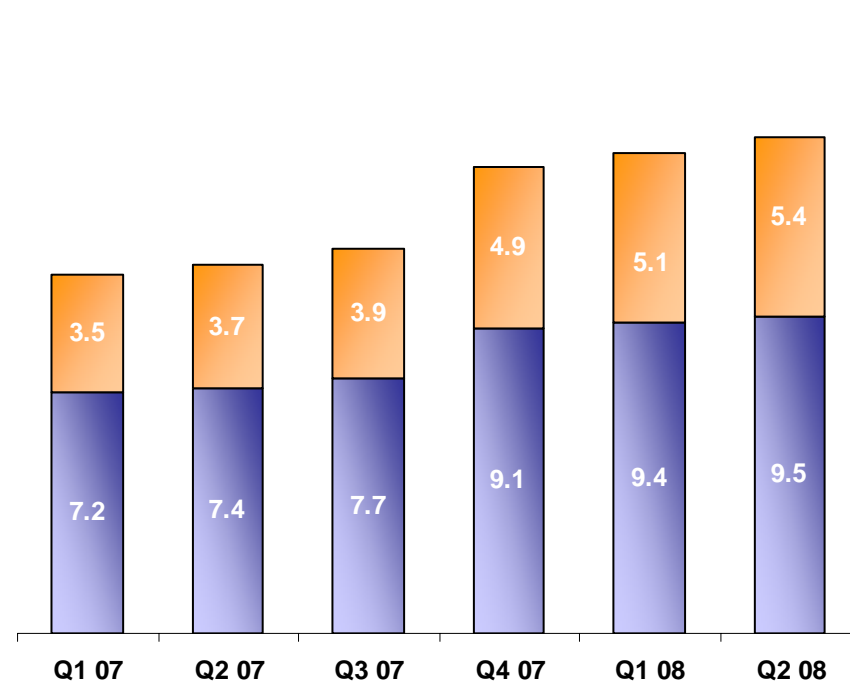
439 454 470 563 582 602

y/y growth

31% 34% 35% 35% 32% 33%

TPV

(\$billions)



\$ billions

10.8 11.1 11.6 14.0 14.4 14.9

y/y growth

30% 32% 34% 35% 34% 35%

Business Update... PayPal Operating Metrics

	Q1 07	Q2 07	Q3 07	Q4 07	Q1 08	Q2 08
Active Registered Accounts (in millions)						
Global Active Accounts	51.3	52.8	54.8	57.3	60.2	62.6
Y/Y Growth	18%	16%	16%	16%	17%	19%
TPV (in \$millions)						
On eBay	6,665	6,460	6,513	7,928	7,777	7,674
Y/Y Growth	19%	18%	18%	17%	17%	19%
Merchant Services	4,112	4,621	5,055	6,116	6,640	7,256
Y/Y Growth	50%	57%	62%	66%	61%	57%
Total TPV	10,777	11,080	11,569	14,044	14,417	14,930
Y/Y Growth	30%	32%	34%	35%	34%	35%
On-eBay Penetration Rate						
Global	52.3%	51.9%	53.6%	54.0%	54.5%	56.5%
Transaction rates						
Global take rate	3.89%	3.90%	3.87%	3.84%	3.88%	3.89%
Transaction exp	1.15%	1.18%	1.21%	1.18%	1.18%	1.23%
Transaction loss	0.33%	0.31%	0.27%	0.27%	0.24%	0.27%

- Second straight quarter of active user growth acceleration

- Increases in penetration rate driving acceleration of on-eBay TPV growth

- Penetration rate up 460 bps y/y

- Transaction margin at 61%

Notes:

• Global Active Registered Accounts reflects all registered accounts, excluding non registered users, that successfully sent or received at least one payment or payment reversal through PayPal within the previous 12-month period.

• TPV has been adjusted to Net TPV, which is the total dollar volume of payments, net of payment reversals successfully completed through the PayPal system during the quarter, excluding the payment gateway business.

• Transaction exp and transaction loss are expressed as % of Net TPV.

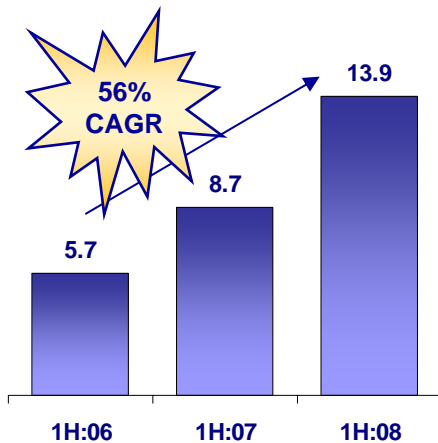
• Penetration Rate has been adjusted to reflect the total dollar volume of addressable GMV paid using PayPal in relation to the total dollar volume of addressable GMV.

12 • More information on these metrics can be found on Page 11 of our Earnings Press Release dated July 16, 2008

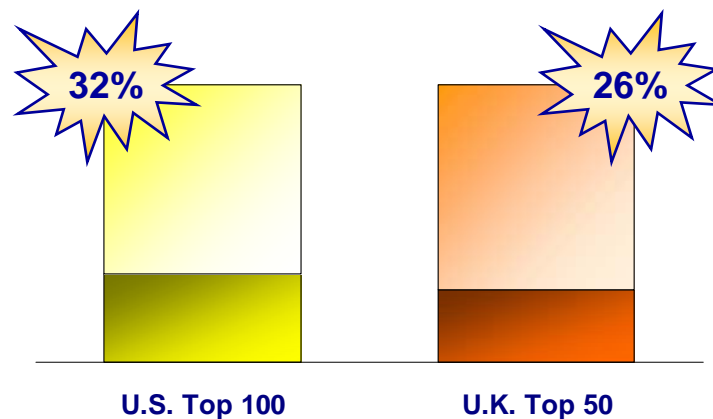


Business Update... PayPal Merchant Services

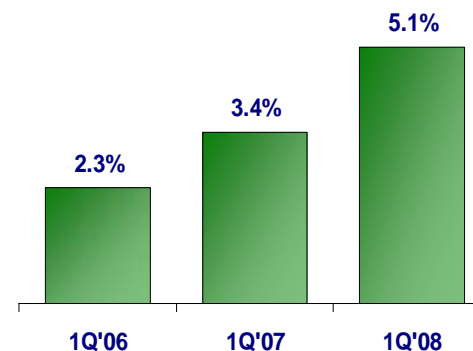
MS TPV
(\$ billions)



Penetration of Top Merchants*



Share of US eCommerce*
(excluding eBay GMV)

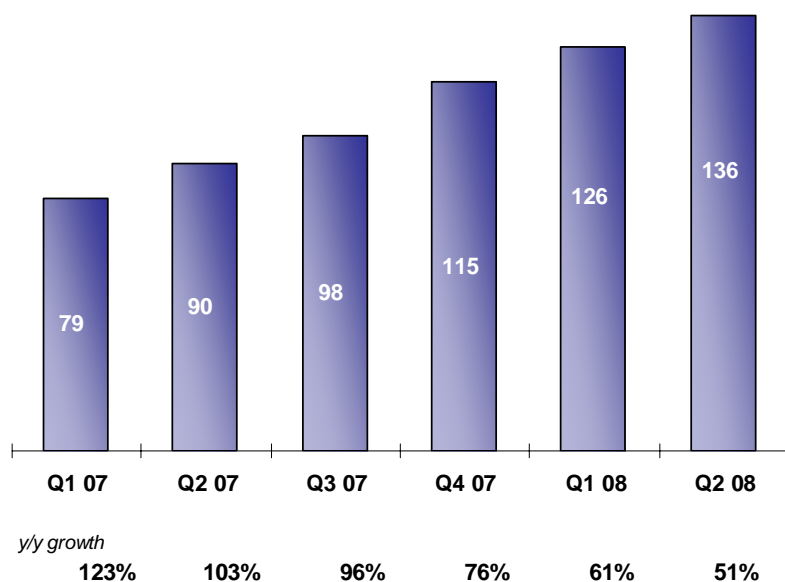


- Continued Penetration of top merchants in U.S. and U.K.
- Expanding share of eCommerce in U.S. and globally

Business Update... Skype Revenue and Operating Metrics

Revenue

(Millions)



	Q1 07	Q2 07	Q3 07	Q4 07	Q1 08	Q2 08
Registered Users (in millions)	196	220	246	276	309	338
Y/Y Growth	107%	94%	81%	61%	58%	54%
Skype to Skype Minutes (in billions)	10.9	10.8	9.8	11.9	14.2	14.8
Y/Y Growth	53%	41%	31%	26%	30%	38%
Skype Out Minutes (in billions)	1.3	1.3	1.4	1.6	1.7	1.9
Y/Y Growth	98%	57%	25%	7%	33%	42%

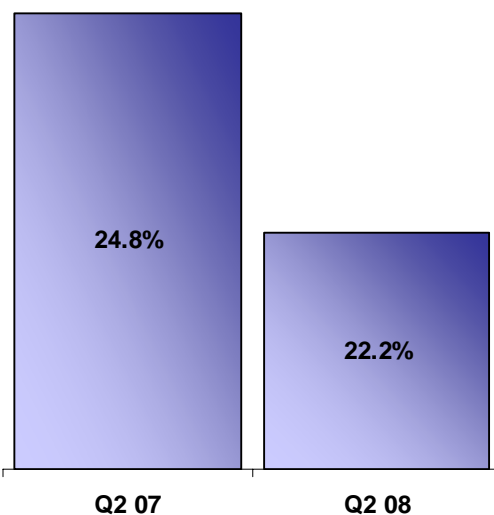
Notes:

- Registered user number reflects users that may have registered through non-Skype based web sites.
- Skype-to-Skype minutes are estimated; prior period amounts are updated to conform to current estimation methodology.
- More information on these metrics can be found on Page 12 of our Earnings Press Release dated July 16, 2008.

Total Non-GAAP Operating Expenses

Sales & Marketing

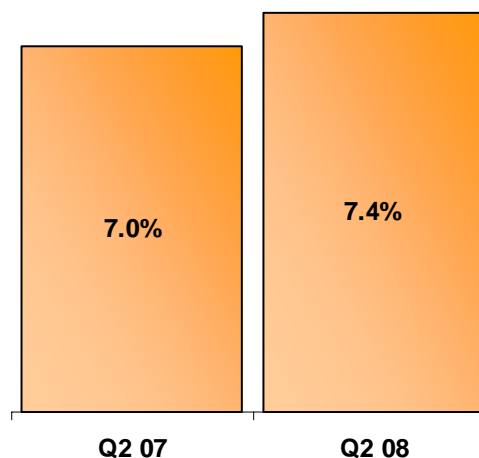
(% of Revenue)



- Increased efficiency in internet marketing spend, productivity
- Less customer acquisition... more retention (contra-rev)

Product Development

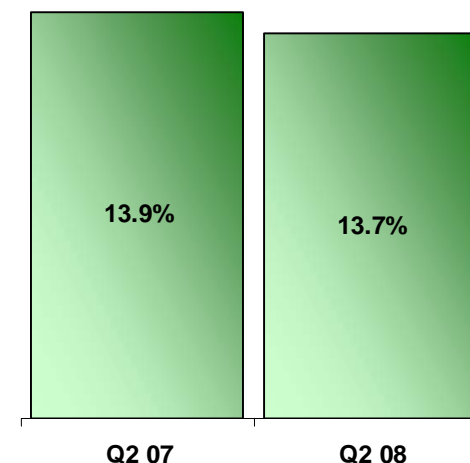
(% of Revenue)



- Increased investment in improving the customer experience

General & Admin.

(% of Revenue)

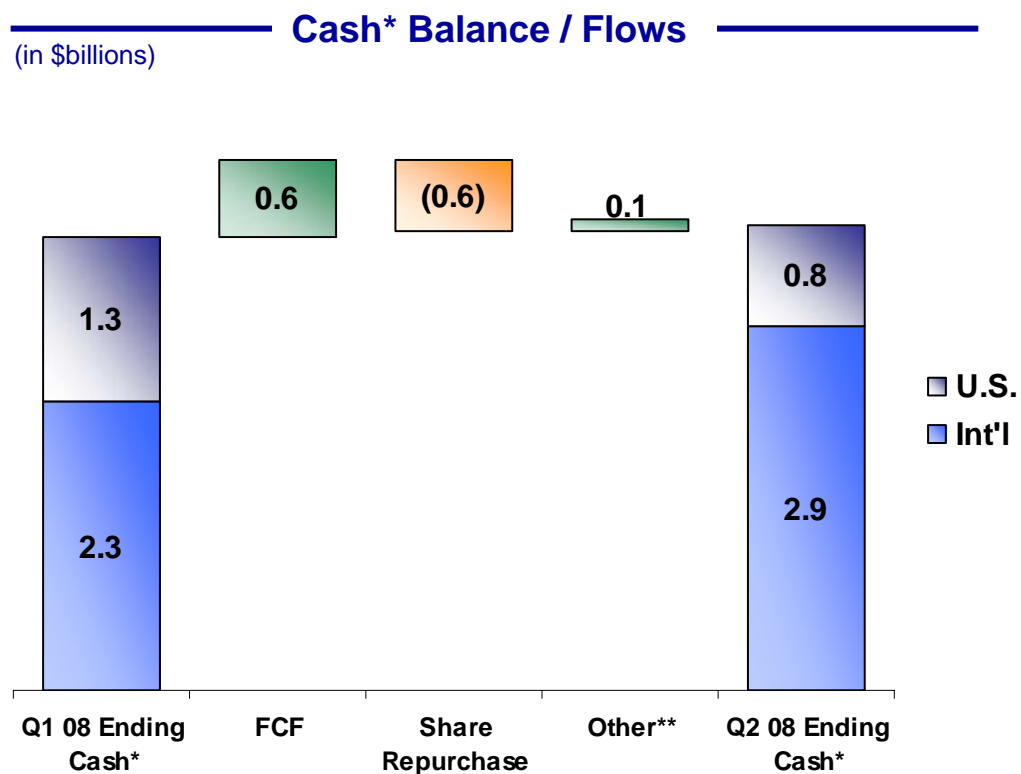


- Continued leverage
- Decline in PayPal transaction loss y/y

Q2 Non-GAAP Op Inc: \$700M +18% y/y

Q2 Non-GAAP Net Inc: \$568M +20% y/y

Q2 08 Cash Flow / Capital Allocation... Share Repurchase Update



Free Cash Flow / Other Movements

- Free cash flow driven by earnings expansion
- Capital expenditures: 6% of revenue

Q2 Share Repurchases / Acquisitions

- Repurchased >19 million shares at an average price of \$29.68

Guidance Summary

	Q3 08	2008
<u>Financial Guidance</u>		
Revenues (in millions)	\$2,100 - 2,150	\$8,800 - \$9,050
Non-GAAP Operating Margin	--	~32%
Non-GAAP EPS	\$0.39 - 0.41	\$1.72 - 1.77
Free Cash Flow (in millions)	--	\$2,350 - \$2,450
<u>Guidance Assumptions</u>		
Non-GAAP Tax Rate	--	22 - 23%
Capex % of Revenue	--	6.5 - 7.0%

Guidance Context

	Revenue		Non-GAAP
	Low	High	EPS
	(in millions)		
Previous 2008 Guidance	\$8,700	\$9,000	\$1.70 - \$1.75
<i>Implied Y/Y Growth Rate</i>	13%	17%	11% - 14%
...Q2 performance	~\$50		~\$0.02
...2H outlook	---- No Change ----		
Updated 2008 Guidance	\$8,800	\$9,050	\$1.72 - \$1.77
<i>Implied Y/Y Growth Rate</i>	15%	18%	12% - 16%

Summary

- **Strong 1H financials... full year guidance up \$300M top line, \$0.10 bottom line since January**
- **Significant changes implemented in 1H... progress as expected... but still have much work to do**
- **No change to 2H guidance... provides flexibility to make necessary changes to improve competitive position and weather a tough economic climate**

Q & A

Appendix

Calculation of Organic Revenue Growth

	Three Months Ended			
	Mar 31, 2006	Jun 30, 2006	Sep 30, 2006	Dec 31, 2006
Total revenue growth	35%	30%	31%	29%
Acquisition impact	(10%)	(9%)	(9%)	(3%)
Foreign currency impact	5%	-	(2%)	(5%)
Total organic revenue growth	<u>30%</u>	<u>21%</u>	<u>20%</u>	<u>21%</u>
	Mar 31, 2007	Jun 30, 2007	Sept 30, 2007	Dec 31, 2007
Total revenue growth	27%	30%	30%	27%
Acquisition impact	(1%)	(3%)	(3%)	(3%)
Foreign currency impact	(5%)	(4%)	(4%)	(6%)
Total organic revenue growth	<u>21%</u>	<u>23%</u>	<u>23%</u>	<u>18%</u>
	Mar 31, 2008	Jun 30, 2008		
Total revenue growth	24%	20%		
Acquisition impact	(2%)	0%		
Foreign currency impact	(6%)	(7%)		
Total organic revenue growth	<u>16%</u>	<u>13%</u>		

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

Reconciliation of GAAP to Non-GAAP Net Income / EPS

	Three Months Ended								
	Jun 30, 2006	Sep 30, 2006	Dec 31, 2006	Mar 31, 2007	June 30, 2007	Sept 30, 2007	Dec 31, 2007	Mar 31, 2008	Jun 30, 2008
(in millions, except per share data)									
GAAP net income (loss)	\$ 250.0	\$ 280.9	\$ 346.5	\$ 377.2	\$ 375.8	\$ (935.6)	\$ 530.9	\$ 459.7	\$ 460.3
Stock-based compensation expense	85.4	73.5	74.7	72.0	79.6	80.6	69.7	87.4	91.9
Employer payroll taxes on stock-based compensation	1.6	0.4	0.9	1.8	1.3	2.3	1.5	0.3	1.7
Amortization of acquired intangible assets ⁽¹⁾	62.0	51.5	49.5	51.8	56.9	57.3	57.7	60.9	61.5
Impairment of goodwill	-	-	-	-	-	1,390.9	-	-	-
Income taxes associated with certain non-GAAP entries	(48.3)	(38.9)	(41.0)	(42.3)	(42.5)	(31.7)	(48.9)	(46.8)	(47.9)
Non-GAAP net income	\$ <u>350.7</u>	\$ <u>367.4</u>	\$ <u>430.5</u>	\$ <u>460.5</u>	\$ <u>471.1</u>	\$ <u>563.8</u>	\$ <u>610.9</u>	\$ <u>561.5</u>	\$ <u>567.5</u>
Non-GAAP net income per diluted share	\$ <u>0.24</u>	\$ <u>0.26</u>	\$ <u>0.31</u>	\$ <u>0.33</u>	\$ <u>0.34</u>	\$ <u>0.41</u>	\$ <u>0.45</u>	\$ <u>0.42</u>	\$ <u>0.43</u>
Shares used in non-GAAP diluted share calculation	<u>1,436</u>	<u>1,426</u>	<u>1,403</u>	<u>1,384</u>	<u>1,379</u>	<u>1,373</u>	<u>1,368</u>	<u>1,344</u>	<u>1,325</u>

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

Reconciliation of GAAP to Non-GAAP Quarterly Operating Margin

	Three Months Ended									
	Mar 31, 2006	Jun 30, 2006	Sep 30, 2006	Dec 31, 2006	Mar 31, 2007	Jun 30, 2007	Sept 30, 2007	Dec 31, 2007	Mar 31, 2008	Jun 30, 2008
(in millions)										
GAAP operating income (loss)	\$ 322.7	\$ 311.4	\$ 339.1	\$ 449.9	\$ 467.8	\$ 456.8	\$ (937.7)	\$ 626.1	\$ 552.8	\$ 545.4
Stock-based compensation expense	83.8	85.4	73.5	74.7	72.0	79.6	80.6	69.7	87.4	91.9
Employer payroll taxes on stock-based compensation	2.3	1.6	0.4	0.9	1.8	1.3	2.3	1.5	0.3	1.7
Amortization of acquired intangible assets ⁽¹⁾	51.9	62.0	51.5	49.5	51.8	56.9	57.3	57.7	60.9	61.5
Impairment of goodwill	-	-	-	-	-	-	1,390.9	-	-	-
Non-GAAP operating income	<u>\$ 460.7</u>	<u>\$ 460.4</u>	<u>\$ 464.5</u>	<u>\$ 575.0</u>	<u>\$ 593.4</u>	<u>\$ 594.6</u>	<u>\$ 593.4</u>	<u>\$ 755.0</u>	<u>\$ 701.4</u>	<u>\$ 700.5</u>
Revenues	\$ 1,390	\$ 1,411	\$ 1,449	\$ 1,720	\$ 1,768	\$ 1,834	\$ 1,889	\$ 2,181	\$ 2,192	\$ 2,196
GAAP operating margin	23.2%	22.1%	23.4%	26.2%	26.5%	25.0%	-50.0%	28.7%	25.2%	24.8%
Non-GAAP operating margin	33.1%	32.6%	32.1%	33.4%	33.6%	32.0%	31.0%	34.6%	32.0%	31.9%

Reconciliation of GAAP to Non-GAAP YTD Operating Margin

(in millions)	Six Months Ended		
	Jun 30, 2006	Jun 30, 2007	Jun 30, 2008
GAAP operating income (loss)	\$ 634.1	\$ 924.6	\$ 1,098.2
Stock-based compensation expense	169.2	151.6	179.3
Employer payroll taxes on stock-based compensation	3.9	3.1	2.0
Amortization of acquired intangible assets ⁽¹⁾	113.9	108.7	122.4
Non-GAAP operating income	<u>\$ 921.1</u>	<u>\$ 1,188.0</u>	<u>\$ 1,401.9</u>
Revenues	\$ 2,801	\$ 3,602	\$ 4,388
GAAP operating margin	22.6%	25.7%	25.0%
Non-GAAP operating margin	32.9%	33.0%	31.9%

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

Calculation of Free Cash Flow

(in millions)	Three Months Ended				
	<u>Mar 31, 2006</u>	<u>Jun 30, 2006</u>	<u>Sept 30, 2006</u>	<u>Dec 31, 2006</u>	<u>Full Year 2006</u>
GAAP operating cash flow	\$ 584.2	\$ 515.5	\$ 522.1	\$ 626.0	\$ 2,247.8
Purchases of property and equipment, net	<u>(133.6)</u>	<u>(148.4)</u>	<u>(136.9)</u>	<u>(96.6)</u>	<u>(515.5)</u>
Free cash flow	<u>\$ 450.6</u>	<u>\$ 367.1</u>	<u>\$ 385.2</u>	<u>\$ 529.4</u>	<u>\$ 1,732.3</u>
	<u>Mar 31, 2007</u>	<u>Jun 30, 2007</u>	<u>Sept 30, 2007</u>	<u>Dec 31, 2007</u>	<u>Full Year 2007</u>
GAAP operating cash flow	\$ 564.5	\$ 654.6	\$ 629.5	\$ 792.5	\$ 2,641.1
Purchases of property and equipment, net	<u>(85.4)</u>	<u>(121.3)</u>	<u>(119.3)</u>	<u>(127.9)</u>	<u>(454.0)</u>
Free cash flow	<u>\$ 479.1</u>	<u>\$ 533.3</u>	<u>\$ 510.2</u>	<u>\$ 664.6</u>	<u>\$ 2,187.1</u>
	<u>Mar 31, 2008</u>	<u>Jun 30, 2008</u>			
GAAP operating cash flow	\$ 766.3	\$ 738.4			
Purchases of property and equipment, net	<u>(134.7)</u>	<u>(121.7)</u>			
Free cash flow	<u>\$ 631.6</u>	<u>\$ 616.7</u>			

Reconciliation of GAAP to Non-GAAP Quarterly Statement of Income

(in millions, except per share data and percentages)	Three Months Ended June 30, 2007			Three Months Ended June 30, 2008		
	Reported	Non-GAAP Entries	Non-GAAP	Reported	Non-GAAP Entries	Non-GAAP
Net revenues	\$ 1,834.4	\$ -	\$ 1,834.4	\$ 2,195.7	\$ -	\$ 2,195.7
Cost of net revenues	416.8	(9.6) (a)	401.9	562.1	(11.0) (a)	544.5
		(5.3) (c)			(6.6) (c)	
Gross Profit	<u>1,417.6</u>	<u>14.9</u>	<u>1,432.5</u>	<u>1,633.6</u>	<u>(17.6)</u>	<u>1,651.2</u>
Operating expenses:						
Sales and marketing	477.8	(23.1) (a)	454.7	512.8	(24.6) (a)	488.2
Product development	147.9	(19.4) (a)	128.5	186.8	(24.7) (a)	162.1
General and administrative	283.5	(27.5) (a)	254.7	333.7	(31.6) (a)	300.4
		(1.3) (b)			(1.7) (b)	
Amortization of acquired intangible assets	51.5	(51.5) (c)	-	54.9	(54.9) (c)	-
Total operating expense	<u>960.7</u>	<u>(122.8)</u>	<u>837.9</u>	<u>1,088.2</u>	<u>(137.5)</u>	<u>950.7</u>
Income from operations	456.9	137.7	594.6	545.4	155.1	700.5
Interest and other income, net	33.9	-	33.9	23.3	-	23.3
Interest expense	(2.7)	-	(2.7)	(0.6)	-	(0.6)
Income before income taxes	488.1	137.7	625.8	568.1	155.1	723.2
Provision for income taxes	(112.3)	(42.5) (d)	(154.8)	(107.8)	(47.9) (d)	(155.7)
Net income	<u>\$ 375.8</u>	<u>\$ 95.2</u>	<u>\$ 471.0</u>	<u>\$ 460.3</u>	<u>\$ 107.2</u>	<u>\$ 567.5</u>
Net income per share:						
Basic	<u>\$ 0.28</u>		<u>\$ 0.35</u>	<u>\$ 0.35</u>		<u>\$ 0.43</u>
Diluted	<u>\$ 0.27</u>		<u>\$ 0.34</u>	<u>\$ 0.35</u>		<u>\$ 0.43</u>
Weighted average shares:						
Basic	<u>1,361</u>		<u>1,361</u>	<u>1,312</u>		<u>1,312</u>
Diluted	<u>1,379</u>		<u>1,379</u>	<u>1,325</u>		<u>1,325</u>
Operating margin	<u>25%</u>	<u>7%</u>	<u>32%</u>	<u>25%</u>	<u>7%</u>	<u>32%</u>
Effective tax rate	<u>23%</u>	<u>2%</u>	<u>25%</u>	<u>19%</u>	<u>3%</u>	<u>22%</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

Reconciliation of GAAP to Non-GAAP YTD Statement of Income

(in millions, except per share data and percentages)	Six Months Ended June 30, 2007			Six Months Ended June 30, 2008		
	Reported	Non-GAAP Entries	Non-GAAP	Reported	Non-GAAP Entries	Non-GAAP
Net revenues	\$ 3,602.5	\$ -	\$ 3,602.5	\$ 4,387.9	\$ -	\$ 4,387.9
Cost of net revenues	810.5	(18.4) (a)	782.3	1,087.5	(21.5) (a)	1,053.3
		(9.8) (c)			(12.7) (c)	
Gross Profit	<u>2,792.0</u>	<u>(28.2)</u>	<u>2,820.2</u>	<u>3,300.4</u>	<u>(34.2)</u>	<u>3,334.6</u>
Operating expenses:						
Sales and marketing	921.0	(42.3) (a)	878.7	1,039.9	(48.3) (a)	991.6
Product development	285.6	(35.4) (a)	250.2	363.5	(48.1) (a)	315.4
General and administrative	561.8	(55.5) (a)	503.3	689.0	(61.2) (a)	625.7
		(3.0) (b)			(2.1) (b)	
Amortization of acquired intangible assets	98.9	(98.9) (c)	-	109.8	(109.8) (c)	-
Total operating expense	<u>1,867.3</u>	<u>(235.1)</u>	<u>1,632.2</u>	<u>2,202.2</u>	<u>(269.5)</u>	<u>1,932.7</u>
Income from operations	924.7	263.3	1,188.0	1,098.2	303.7	1,401.9
Interest and other income, net	64.0	-	64.0	53.0	-	53.0
Interest expense	(7.3)	-	(7.3)	(3.5)	-	(3.5)
Income before income taxes	981.4	263.3	1,244.7	1,147.7	303.7	1,451.4
Provision for income taxes	(228.4)	(84.8) (d)	(313.2)	(227.6)	(94.7) (d)	(322.3)
Net income	<u>\$ 753.0</u>	<u>\$ 178.5</u>	<u>\$ 931.5</u>	<u>\$ 920.1</u>	<u>\$ 209.0</u>	<u>\$ 1,129.1</u>
Net income per share:						
Basic	<u>\$ 0.55</u>		<u>\$ 0.68</u>	<u>\$ 0.70</u>		<u>\$ 0.85</u>
Diluted	<u>\$ 0.55</u>		<u>\$ 0.67</u>	<u>\$ 0.69</u>		<u>\$ 0.85</u>
Weighted average shares:						
Basic	<u>1,364</u>		<u>1,364</u>	<u>1,323</u>		<u>1,323</u>
Diluted	<u>1,381</u>		<u>1,381</u>	<u>1,335</u>		<u>1,335</u>
Operating margin	<u>26%</u>	<u>7%</u>	<u>33%</u>	<u>25%</u>	<u>7%</u>	<u>32%</u>
Effective tax rate	<u>23%</u>	<u>2%</u>	<u>25%</u>	<u>20%</u>	<u>2%</u>	<u>22%</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

Reconciliation and Calculation of Return on Invested Capital

(in thousands, except percentages)

	Three Months Ended											
	Q1'05	Q2'05	Q3'05	Q4'05	Q1'06	Q2'06	Q3'06	Q4'06	Q1'07	Q2'07	Q3'07	Q4'07
Numerator components:												
Non-GAAP operating income	\$ 367,424	\$ 406,390	\$ 393,551	\$ 448,070	\$ 460,687	\$ 460,427	\$ 464,493	\$ 575,007	\$ 593,445	\$ 594,664	\$ 593,445	\$ 754,979
Tax rate	29%	30%	34%	28%	29%	28%	27%	29%	26%	25%	10%	24%
Non-GAAP operating income after tax	\$ 260,871	\$ 286,233	\$ 260,176	\$ 322,338	\$ 325,244	\$ 332,889	\$ 337,825	\$ 406,703	\$ 441,523	\$ 447,544	\$ 531,845	\$ 576,276
Denominator components:												
Total assets	8,589,158	9,033,122	9,626,043	11,788,986	12,568,535	13,250,251	13,463,118	13,494,011	13,920,051	14,361,157	14,786,812	15,366,037
Total cash, cash equiv. & investments	3,465,015	3,848,937	3,929,828	2,943,599	3,528,735	4,010,778	3,795,865	3,495,486	3,519,880	3,793,677	4,461,775	5,035,692
Current liabilities	1,149,106	1,186,818	1,266,792	1,484,935	1,681,508	1,719,405	2,220,685	2,518,395	2,250,571	2,328,643	3,272,867	3,099,579
TTM Non-GAAP operating income after tax					\$ 1,240,647	\$ 1,318,296	\$ 1,402,661	\$ 1,518,940	\$ 1,633,595	\$ 1,827,615	\$ 1,997,188	
TTM average total assets					11,253,387	12,139,387	12,912,980	13,339,193	13,697,718	14,005,030	14,385,614	
TTM 95% of average cash, cash equivalents and investments					3,469,757	3,459,673	3,377,148	3,486,641	3,536,980	3,622,670	3,858,237	
TTM average current liabilities					1,467,892	1,674,665	1,924,986	2,078,113	2,207,540	2,518,232	2,694,011	
ROIC					19.6%	18.8%	18.4%	19.5%	20.5%	23.2%	25.5%	

Reconciliation of GAAP to Non-GAAP Guidance

(in millions, except per share amounts and percentages)	Three Months Ended September 30, 2008		Year Ended December 31, 2008	
	GAAP	Non-GAAP (a)	GAAP	Non-GAAP (a)
Revenues	\$2,100 - \$2,150	\$2,100 - \$2,150	\$8,800 - \$9,050	\$8,800 - \$9,050
Operating Margin	-	-	~25%	~32%
Diluted EPS	\$0.30 - \$0.32	\$0.39 - \$0.41	\$1.37 - \$1.42	\$1.72 - \$1.77
Effective Tax Rate	-	-	21.0% - 22.0%	22.0% - 23.0%

(a) Estimated non-GAAP amounts and percentages above reflect estimated quarterly adjustments that exclude the amortization of acquired intangible assets and developed technology of approximately \$60-\$65 million per quarter and stock-based compensation expense and employer payroll taxes on stock-based compensation of approximately \$90-\$100 million per quarter.