

Q3 2008 Financial Highlights

October 15, 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, the impact of recent global economic events and a potential global economic downturn; 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; 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 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); and our need to upgrade our technology and customer service infrastructure at reasonable cost while adding new features and maintaining site stability.

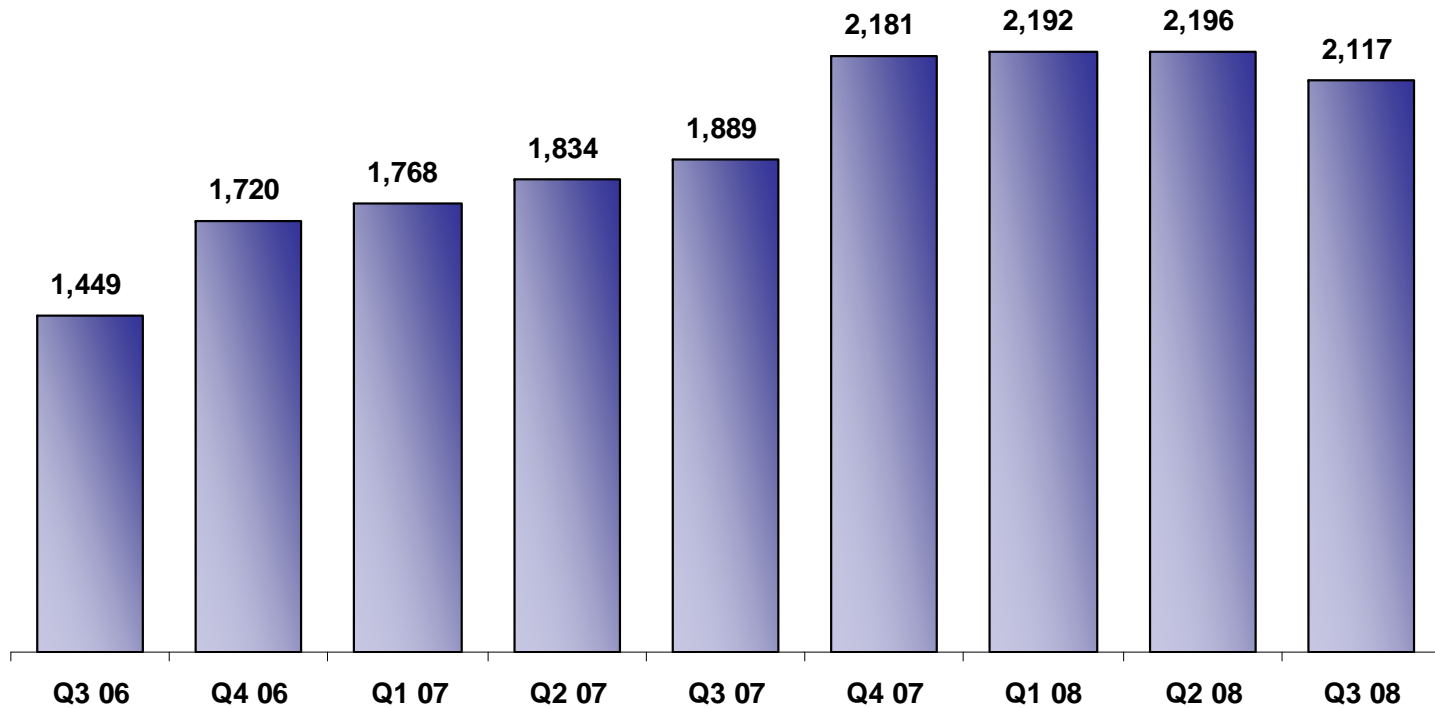
You can find more information about factors that could affect our operating results in our most recent annual report on our Form 10-K and our subsequent quarterly reports on Form 10-Q (available at <http://investor.ebay.com>). You should not unduly rely on any forward-looking statements, and we assume no obligation to update them. All information in the presentation is as of October 15, 2008, and we do not intend, and undertake no duty, to update this presentation.

Q3 08 Summary

- **Revenue in line with guidance... EPS exceeds high end of guidance range**
 - **Revenue... up 12% y/y**
 - **Non-GAAP EPS... up 11% y/y (24% excluding one-time tax benefit from Q3'07)**
 - **Free cash flow generation... \$543M**
 - **Stock repurchase... \$623M (~25M shares at avg. price of \$25.09)**
- **Announced plans to simplify organization and improve our speed of execution... ~10% reduction in force; ~\$70 – 80M charge primarily in Q4'08; \$150M in annualized savings**
- **Announced M&A transactions to extend the PayPal Platform (agreement to acquire BML) and expand our Classifieds footprint (acquisition of dBA and BilBasen)**

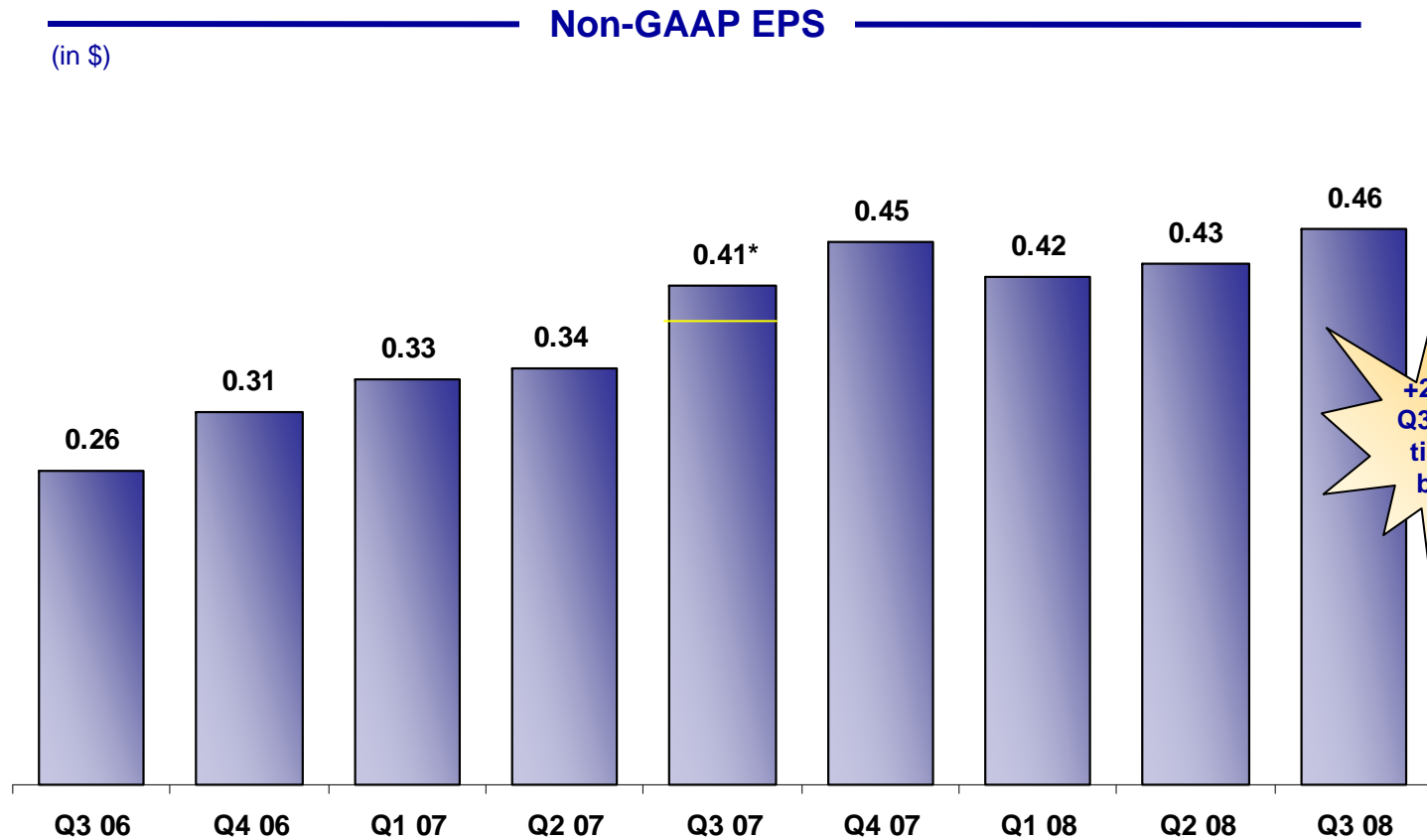
Q3 08 Summary... Top-line Up 12%

Revenue
(in \$millions)



Reported Y/Y Growth	31%	29%	27%	30%	30%	27%	24%	20%	12%
Organic Y/Y Growth	19.6%	21.1%	21.1%	23.4%	23.0%	18.0%	16.2%	13.0%	8.6%

Q3 08 Summary... Non-GAAP EPS Up 11%

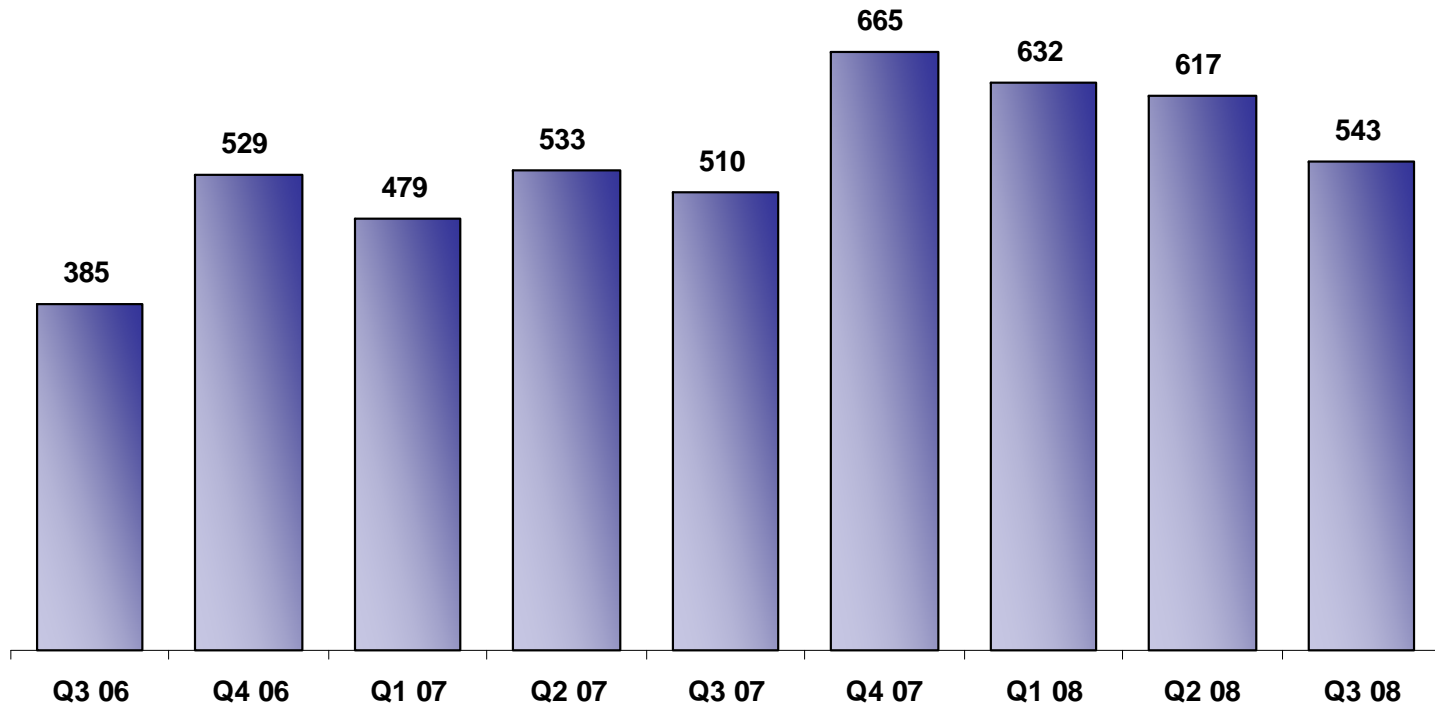


+24% ex-Q3'07 one-time tax benefit

Reported Y/Y Growth	28%	29%	39%	40%	59%	45%	26%	25%	11%
Non-GAAP Op. Margin	32.1%	33.4%	33.6%	32.4%	31.4%	34.6%	32.0%	31.9%	31.8%

Q3 08 Summary... Free Cash Flow Generation Up 6%

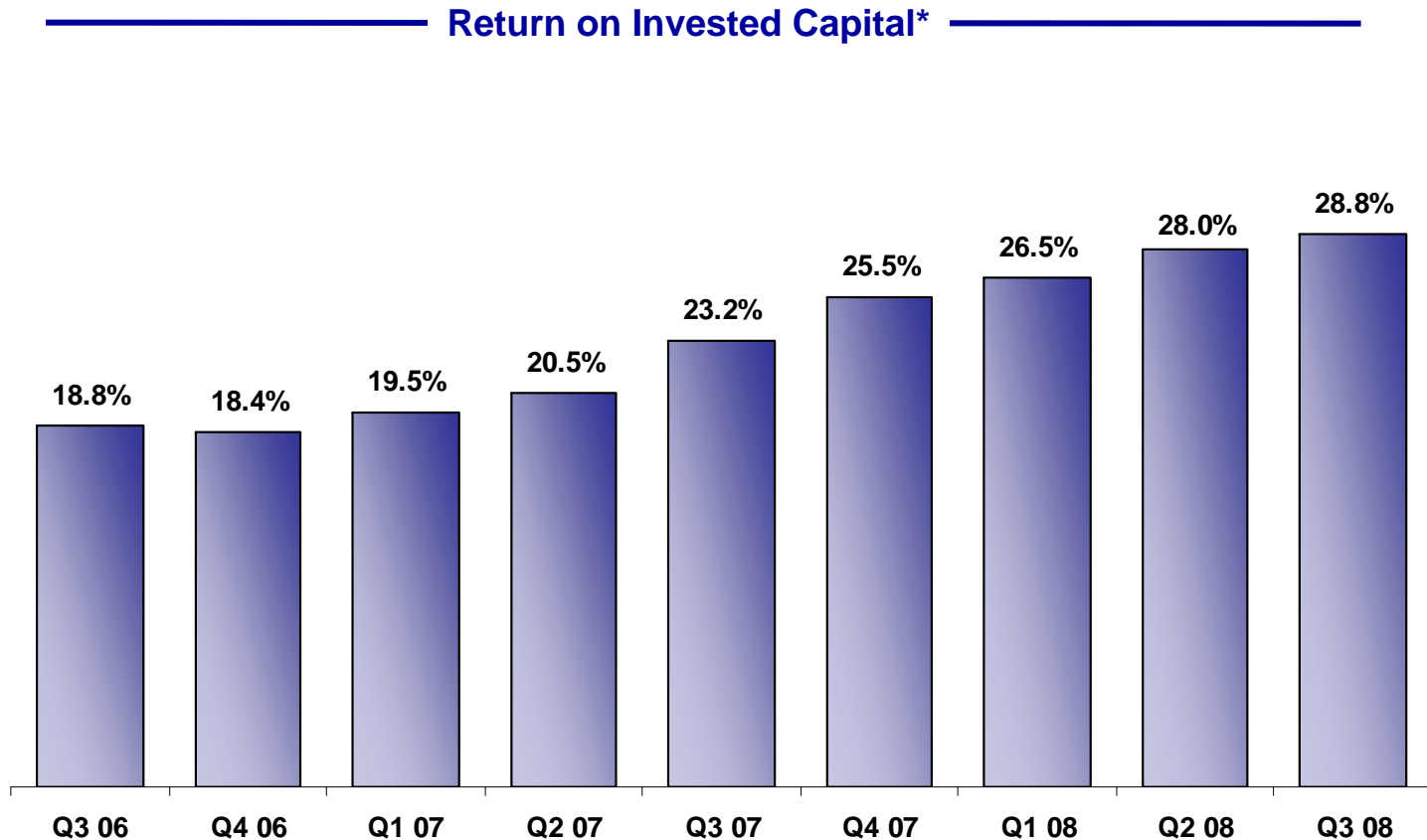
Free Cash Flow
(in \$millions)



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

Note: Calculation of FCF is included in the Appendix of this presentation

Q3 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)*

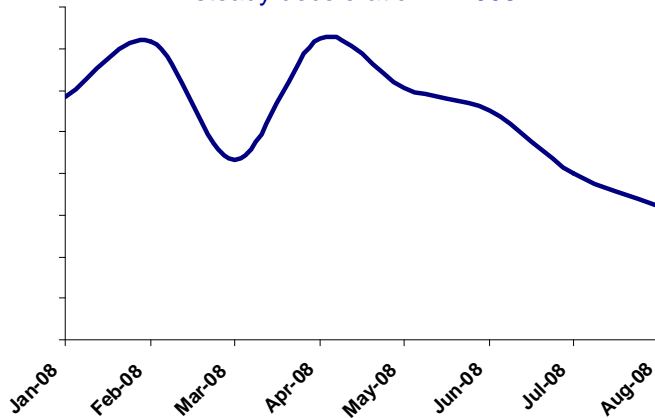
Note: Skype write down that occurred in Q3'07 lowered our asset base without impacting pro-forma earnings

Calculation of RoIC is included in the Appendix of this presentation

Weak macro environment impacts our business...

U.S. ecommerce*

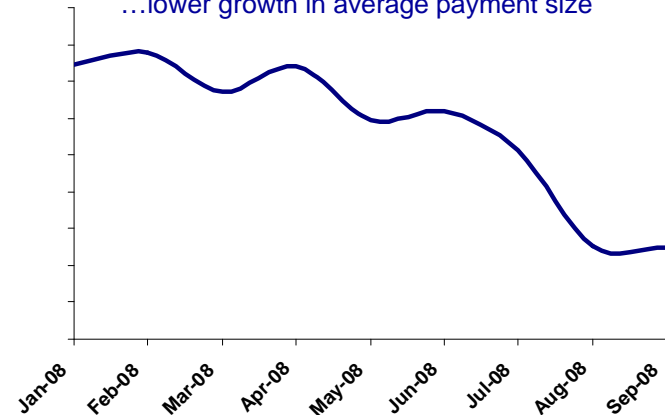
...steady deceleration in 2008



*Source: ComScore

U.S. Merchant Services TPV** (Same-Store Sales)

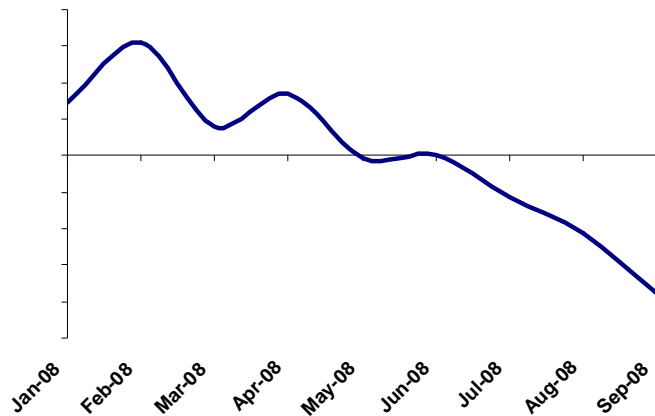
...lower growth in average payment size



**3-month moving average

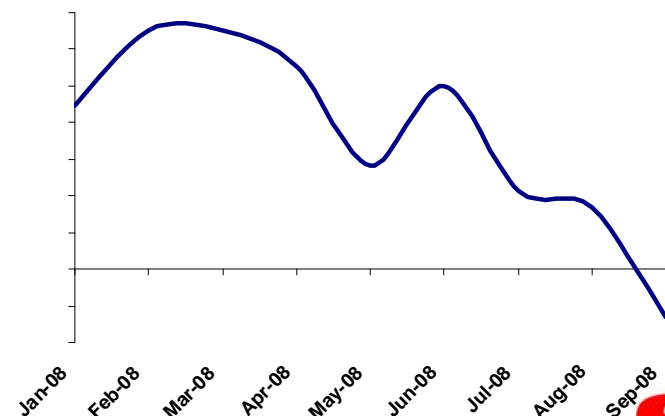
eBay Vehicles GMV

...Sept was the worst month for industry in decades



eBay Non-Vehicles GMV

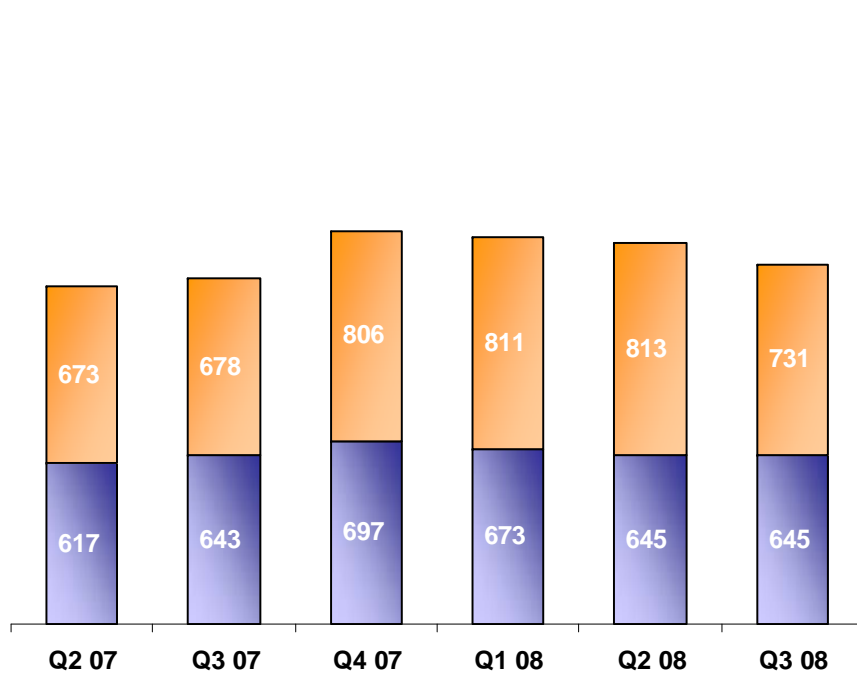
...impact from lower volume and lower ASPs



Business Update... Marketplaces Revenue and Volume

Revenue

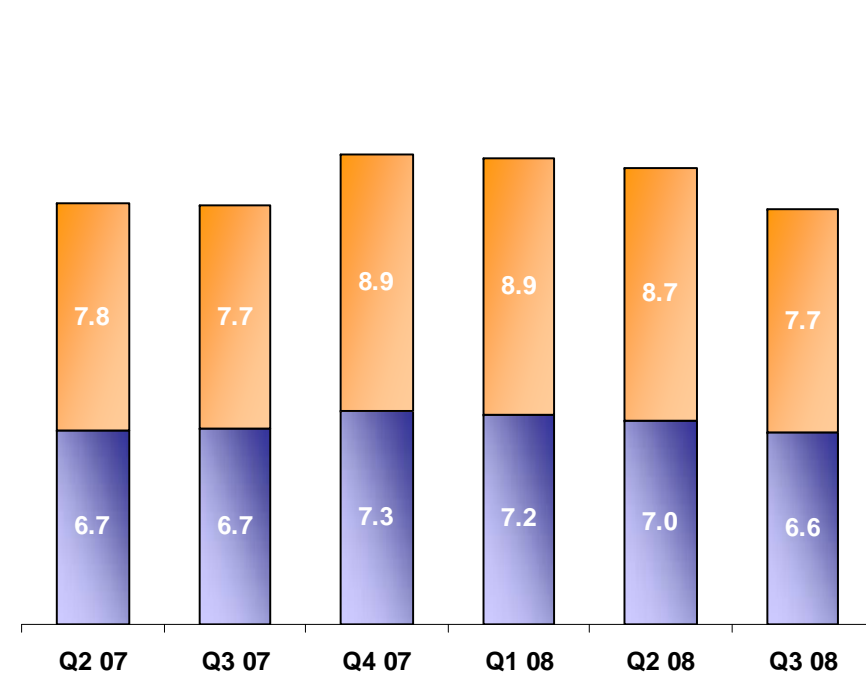
(\$millions)



Quarter	Q2 07	Q3 07	Q4 07	Q1 08	Q2 08	Q3 08
\$ millions	1,291	1,321	1,503	1,484	1,458	1,377
y/y growth	26%	26%	21%	19%	13%	4%

GMV

(\$billions)



Quarter	Q2 07	Q3 07	Q4 07	Q1 08	Q2 08	Q3 08
\$ billions	14.5	14.4	16.2	16.0	15.7	14.3
y/y growth	12%	14%	12%	12%	8%	-1%

Business Update... Marketplaces Operating Metrics

	Q2 07	Q3 07	Q4 07	Q1 08	Q2 08	Q3 08
Active Users (in millions)						
Global Active Users*	83.3	83.0	83.2	83.9	84.5	85.7
Y/Y Growth	7%	4%	2%	1%	1%	3%
New Listings (in millions)						
US	244	254	281	281	281	290
Y/Y Growth	-8%	-2%	3%	9%	15%	14%
Int'l	316	301	357	366	386	410
Y/Y Growth	<u>-5%</u>	<u>-7%</u>	<u>5%</u>	<u>11%</u>	<u>22%</u>	<u>36%</u>
Total Listings	559	556	637	647	667	700
Y/Y Growth	-6%	-5%	4%	10%	19%	26%
GMV (in \$millions)						
US	6,700	6,729	7,331	7,183	6,983	6,609
Y/Y Growth	10%	10%	8%	7%	4%	-2%
Int'l	7,764	7,666	8,883	8,853	8,701	7,675
Y/Y Growth	14%	17%	16%	17%	12%	0%
Fx Neutral Y/Y Growth	<u>8%</u>	<u>10%</u>	<u>8%</u>	<u>8%</u>	<u>4%</u>	<u>-2%</u>
Total GMV	14,464	14,395	16,213	16,036	15,684	14,284
Y/Y Growth	12%	14%	12%	12%	8%	-1%
Fx Neutral Y/Y Growth	9%	10%	8%	8%	4%	-2%
Fixed price as a % of GMV	39%	41%	42%	42%	43%	46%

• Global active users up 6%, excluding China and Taiwan

• Continued progress in increasing selection on the site

• Continue to focus on Finding, Trust and Safety, and Loyalty to reaccelerate GMV in the future

• Fixed price GMV was \$6.5B in the quarter, growing 11% y/y

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 October 15, 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, and (3) improved finding

New Listings

X

Conversion Rate%*

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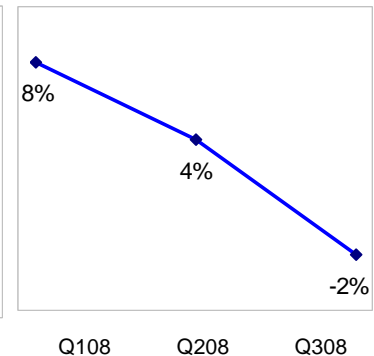
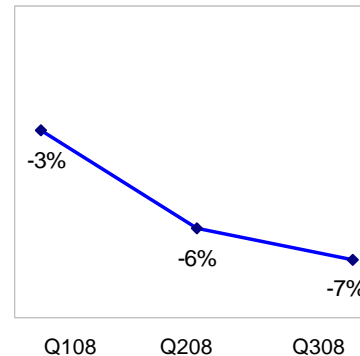
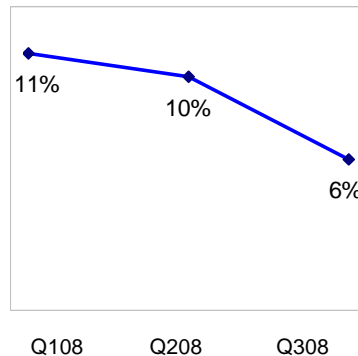
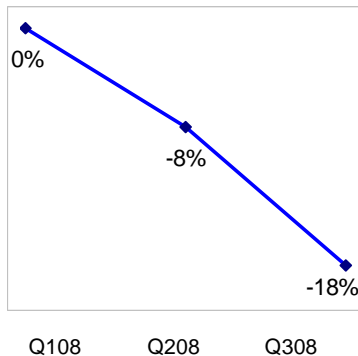
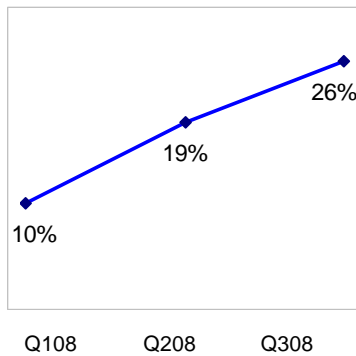
Sold Items

X

Average Selling Price**

=

Fx-Neutral GMV



Fee rebalancing has brought more inventory onto the site...

Traffic flat...
Finding/Best Match still in early stages/more work to be done...

Unit volume growth up 6% in tough economic environment...

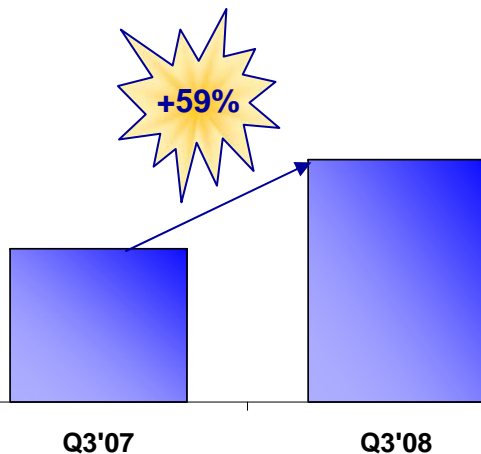
Economy impacting ASPs as customers trade down and vehicle sales remain under pressure...

GMV not yet where we'd like it to be...

- Fx-neutral GMV growth (ex-vehicles): 2%
- Fx-neutral Vehicles GMV growth: -13%

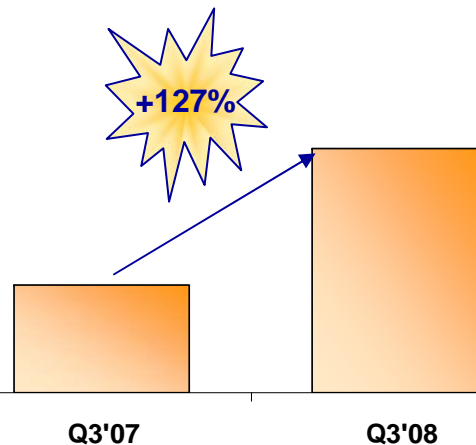
Continued strength in adjacencies...

Classifieds



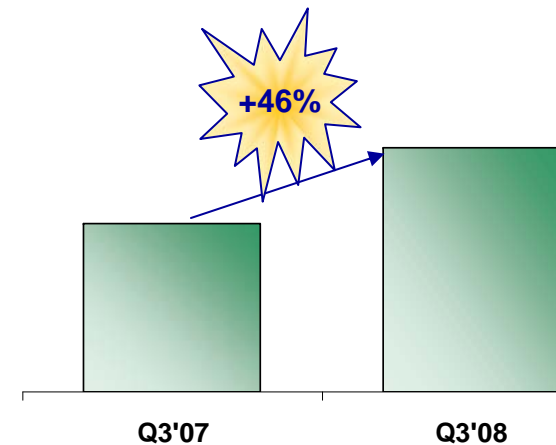
- Averaged 84M unique visitors per month to our global classifieds sites
- Q4: Acquired Danish general classifieds site dBA and auto site Bilbasen, further strengthening our global portfolio of classifieds

Text & Graphical Ad Partnerships



- Strategic deals performing well... new and different ways of monetizing traffic

StubHub

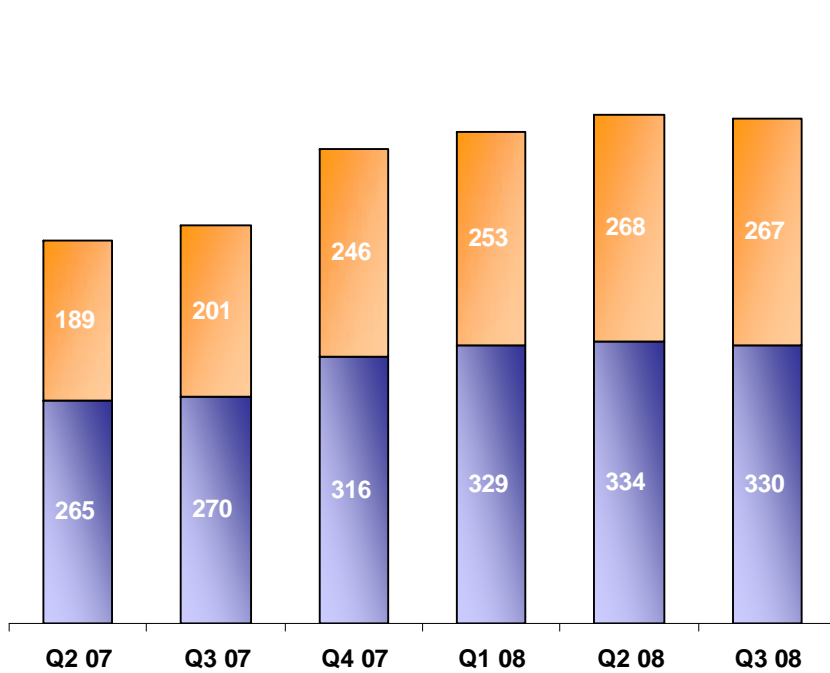


- Partnership with Major League Baseball
- Improvements in visitor to buyer conversion

Business Update... PayPal Revenue and Volume

Revenue

(\$millions)



\$ millions

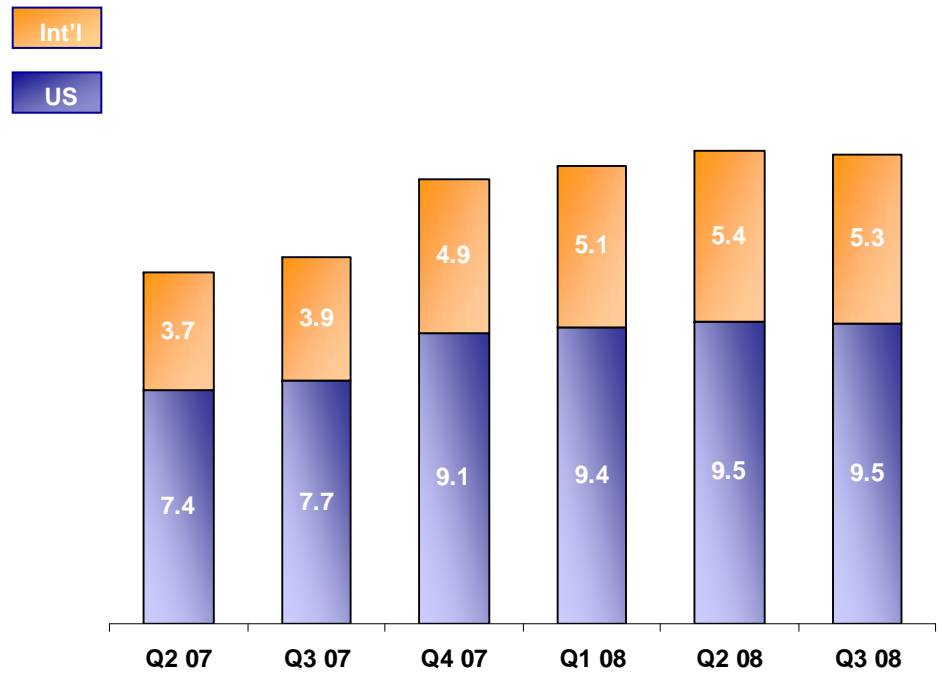
454 470 563 582 602 597

y/y growth

34% 35% 35% 32% 33% 27%

TPV

(\$billions)



\$ billions

11.1 11.6 14.0 14.4 14.9 14.8

y/y growth

32% 34% 35% 34% 35% 28%

Business Update... PayPal Operating Metrics

	Q2 07	Q3 07	Q4 07	Q1 08	Q2 08	Q3 08	
Active Registered Accounts (in millions)							
Global Active Accounts	52.8	54.8	57.3	60.2	62.6	65.3	<ul style="list-style-type: none"> Increasing merchant penetration... consumer preference
Y/Y Growth	16%	16%	16%	17%	19%	19%	
TPV (in \$millions)							
On eBay	6,460	6,513	7,928	7,777	7,674	7,265	<ul style="list-style-type: none"> Increased penetration on-eBay
Y/Y Growth	18%	18%	17%	17%	19%	12%	
Merchant Services	4,621	5,055	6,116	6,640	7,256	7,547	<ul style="list-style-type: none"> Strong growth... deceleration in Merchant Services TPV primarily driven by deceleration in average payment size growth
Y/Y Growth	57%	62%	66%	61%	57%	49%	
Total TPV	11,080	11,569	14,044	14,417	14,930	14,812	
Y/Y Growth	32%	34%	35%	34%	35%	28%	
On-eBay Penetration Rate							
Global	51.9%	53.6%	54.0%	54.5%	56.5%	59.6%	<ul style="list-style-type: none"> 310 bps increase q/q
Transaction rates							
Global take rate	3.90%	3.87%	3.84%	3.88%	3.89%	3.89%	<ul style="list-style-type: none"> Continuing to manage txn costs while scaling operations... txn margin at 62%, up 1pt sequentially
Transaction exp	1.18%	1.21%	1.18%	1.18%	1.23%	1.20%	
Transaction loss	0.31%	0.27%	0.27%	0.24%	0.27%	0.29%	

Notes:

- Global Active 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.
- 13 • More information on these metrics can be found on Page 11 of our Earnings Press Release dated October 15, 2008



Business Update... Expanding PayPal's Reach

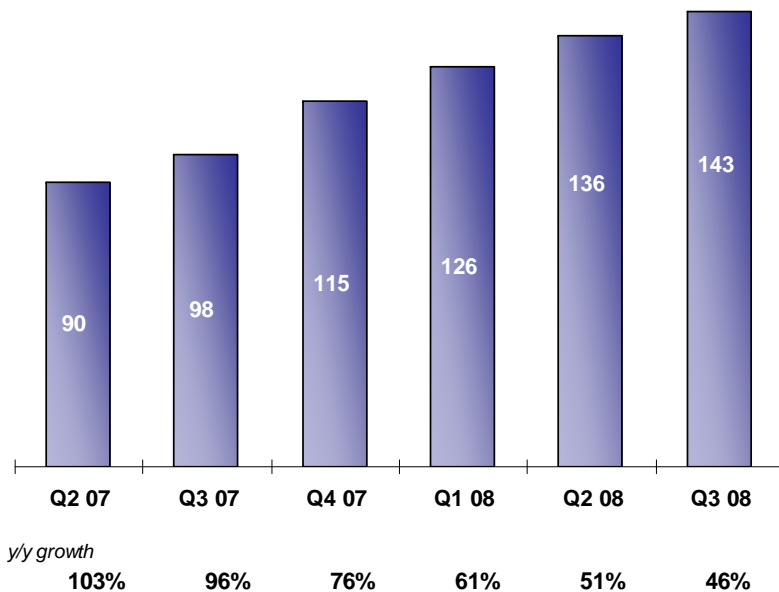
- Announced agreement to acquire Bill Me Later on October 6th, 2008
- Bill Me Later is a great stand alone business...
 - TPV of ~\$1 billion in 2008, growing at 36%
 - Take rate (~12.5% of TPV)
 - Estimated present value between \$500 million and \$1.0 billion, depending on assumptions
- Bill Me Later expected to be more powerful as part of PayPal
 - Network effects: accelerate consumer and merchant adoption
 - Low cost processing alternative... improves funding mix for PayPal
 - PayPal's data and fraud engine will lower BML's loss rates
 - eBay's strong balance sheet lowers BML's cost of funds
 - Estimated present value of synergies worth ~\$700 million - \$1 billion
- Significant opportunity to capture even more value for our stockholders in the future
- Expected to close mid-Q4'08



Business Update... Skype Revenue and Operating Metrics

Revenue

(Millions)



	Q2 07	Q3 07	Q4 07	Q1 08	Q2 08	Q3 08
Registered Users (in millions)	220	246	276	309	338	370
Y/Y Growth	94%	81%	61%	58%	54%	51%
Skype to Skype Minutes (in billions)	10.8	9.8	11.9	14.2	14.8	16.0
Y/Y Growth	41%	31%	26%	30%	38%	63%
Skype Out Minutes (in billions)	1.3	1.4	1.6	1.7	1.9	2.2
Y/Y Growth	57%	25%	7%	33%	42%	54%

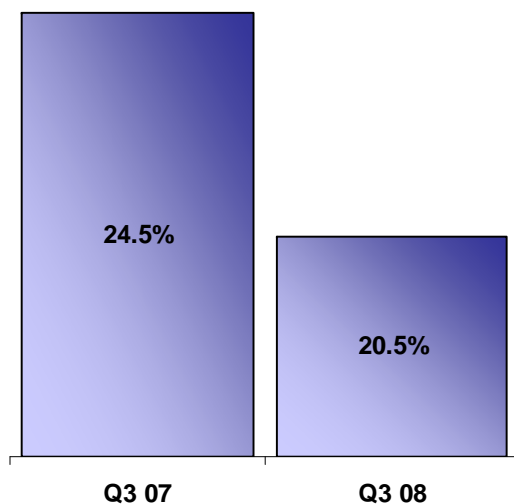
Notes:

- 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 October 16, 2008.

Total Non-GAAP Operating Expenses

Sales & Marketing

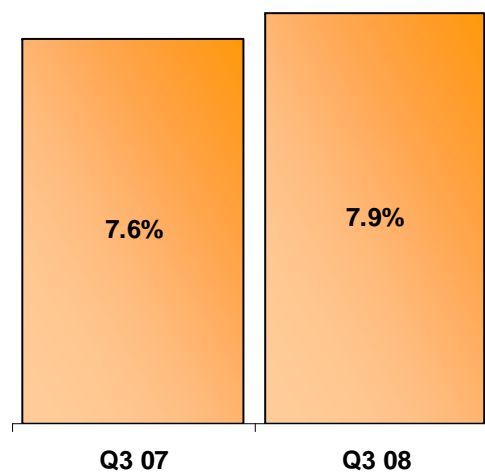
(% of Revenue)



- Improved efficiency
- Shift of focus to buyer retention, recorded as contra-revenue, instead of S&M expense

Product Development

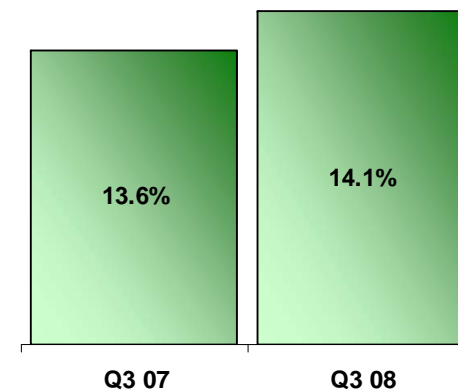
(% of Revenue)



- Increased investments in key initiatives... Finding, improvements to the buyer experience

General & Admin.

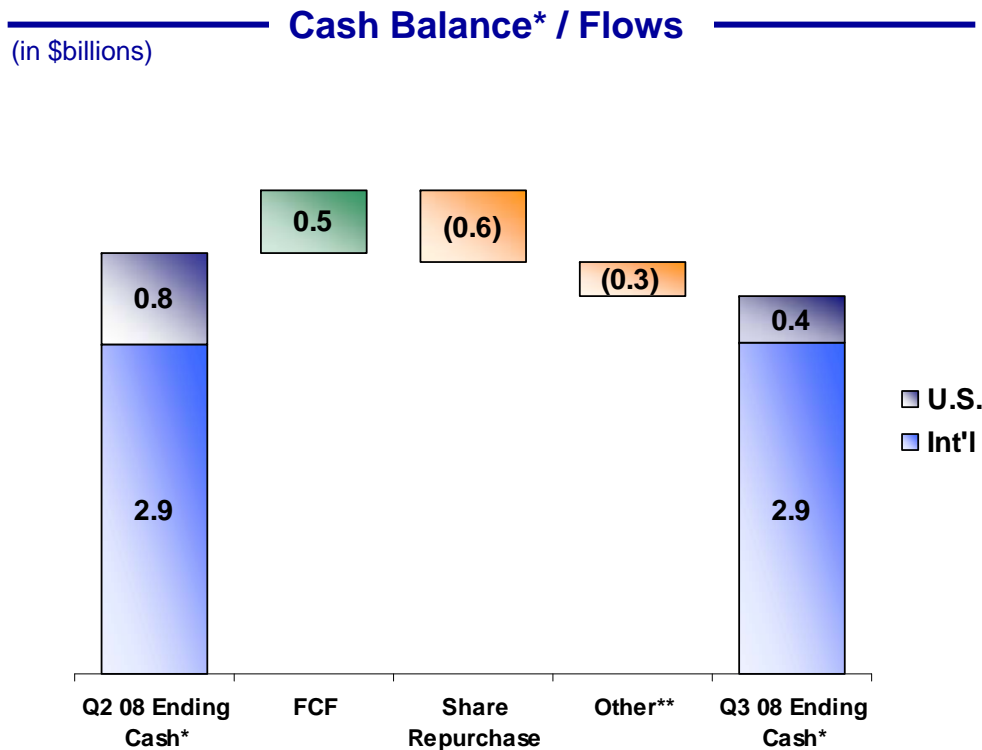
(% of Revenue)



- Modestly higher fraud losses as we expand PayPal protections
- Higher bad debt expense

Q3 Non-GAAP Op Inc:	\$674M	+14% y/y
Q3 Non-GAAP Net Inc:	\$592M	+5% y/y

Q3 08 Cash Flow / Capital Allocation... Share Repurchase Update



Free Cash Flow / Other Movements

- Free cash flow driven by earnings expansion
- Capital expenditures: 7% of revenue

Q3 Share Repurchases / Acquisitions

- Repurchased ~25 million shares at an average price of \$25.09

Guidance Context

	Revenue		Non-GAAP										
	Low	High	EPS										
	(in millions)												
Previous 2008 Guidance	\$8,800	\$9,050	\$1.72 - \$1.77										
<i>Implied Y/Y Growth Rate</i>	<i>15%</i>	<i>18%</i>	<i>12% - 16%</i>										
...Lower tax rate / share count	--	--	~\$0.03	<table border="1"> <thead> <tr> <th colspan="2">Q3 Impact</th> </tr> </thead> <tbody> <tr> <td>Tax/Shr Cnt</td> <td>+\$0.03</td> </tr> <tr> <td>Fx</td> <td>(\$0.01)</td> </tr> <tr> <td>Belt Tighter</td> <td>+\$0.03</td> </tr> </tbody> </table>		Q3 Impact		Tax/Shr Cnt	+\$0.03	Fx	(\$0.01)	Belt Tighter	+\$0.03
Q3 Impact													
Tax/Shr Cnt	+\$0.03												
Fx	(\$0.01)												
Belt Tighter	+\$0.03												
...Stronger US\$	(~\$200)	(~\$200)	(~\$0.06)										
...Belt tightening / simplifying organization	--	--	~\$0.06										
...Weak economy / more marketing \$'s	(~\$150)	(~\$150)	(~\$0.05)										
...Acquisitions	~\$30	~\$30	(~\$0.03)										
Updated 2008 Guidance	\$8,525	\$8,675	\$1.69 - \$1.71										
<i>Implied Y/Y Growth Rate</i>	<i>11%</i>	<i>13%</i>	<i>10% - 12%</i>										

Note: The impact of the approximately \$70-\$80 million restructuring-related charge will be taken primarily in the fourth quarter and is included in GAAP guidance but excluded from non-GAAP guidance



Guidance Summary

	Q4 08	2008
<u>Financial Guidance</u>		
Revenues (in millions)	\$2,020 - 2,170	\$8,525 - \$8,675
Non-GAAP Operating Margin	--	~32%
Non-GAAP EPS	\$0.39 - 0.41	\$1.69 - 1.71
Free Cash Flow (in millions)	--	\$2,350 - \$2,450
<u>Guidance Assumptions</u>		
Non-GAAP Tax Rate	--	21 - 22%
Capex % of Revenue	--	6.5 - 7.0%

Note: The impact of the approximately \$70-\$80 million restructuring-related charge will be taken primarily in the fourth quarter and is included in GAAP guidance but excluded from non-GAAP guidance

Summary

- **Q3 was a busy quarter:**
 - **Revenue in line with guidance... EPS exceeded expectations... strong FCF**
 - **Announced steps to simplify org and accelerate decision making**
 - **Repurchased ~25M shares... announced acquisitions to strengthen portfolio**
- **Confident we are working on the right priorities... focused on making it easier for sellers to win and buyers to find great deals... however it will take more time to stimulate growth in GMV**
- **Q4 outlook adjusted for stronger US dollar, tough economic environment, and dilution from acquisitions, partially offset by lower expenses...**

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	Sept 30, 2008	
Total revenue growth	24%	20%	12%	
Acquisition impact	(2%)	0%	0%	
Foreign currency impact	(6%)	(7%)	(3%)	
Total organic revenue growth	<u>16%</u>	<u>13%</u>	<u>9%</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								
	Sep 30, 2006	Dec 31, 2006	Mar 31, 2007	June 30, 2007	Sept 30, 2007	Dec 31, 2007	Mar 31, 2008	Jun 30, 2008	Sep 30, 2008
(in millions, except per share data)									
GAAP net income (loss)	\$ 280.9	\$ 346.5	\$ 377.2	\$ 375.8	\$ (935.6)	\$ 530.9	\$ 459.7	\$ 460.3	\$ 492.2
Stock-based compensation expense	73.5	74.7	72.0	79.6	80.6	69.7	87.4	91.9	90.3
Employer payroll taxes on stock-based compensation	0.4	0.9	1.8	1.3	2.3	1.5	0.3	1.7	0.5
Amortization of acquired intangible assets ⁽¹⁾	51.5	49.5	51.8	56.9	57.3	57.7	60.9	61.5	59.4
Impairment of goodwill	-	-	-	-	1,390.9	-	-	-	-
Income taxes associated with certain non-GAAP entries	(38.9)	(41.0)	(42.3)	(42.5)	(31.7)	(48.9)	(46.8)	(47.9)	(50.3)
Non-GAAP net income	<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>	<u>\$ 592.1</u>
Non-GAAP net income per diluted share	<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>	<u>\$ 0.46</u>
Shares used in non-GAAP diluted share calculation	<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>	<u>1,297</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

(in millions)	Three Months Ended							
	Dec 31, 2006	Mar 31, 2007	Jun 30, 2007	Sept 30, 2007	Dec 31, 2007	Mar 31, 2008	Jun 30, 2008	Sept 30, 2008
GAAP operating income (loss)	\$ 449.9	\$ 467.8	\$ 456.8	\$ (937.7)	\$ 626.1	\$ 552.8	\$ 545.4	\$ 524.1
Stock-based compensation expense	74.7	72.0	79.6	80.6	69.7	87.4	91.9	90.3
Employer payroll taxes on stock-based compensation	0.9	1.8	1.3	2.3	1.5	0.3	1.7	0.5
Amortization of acquired intangible assets ⁽¹⁾	49.5	51.8	56.9	57.3	57.7	60.9	61.5	59.4
Impairment of goodwill	-	-	-	1,390.9	-	-	-	-
Non-GAAP operating income	<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>	<u>\$ 674.3</u>
Revenues	\$ 1,720	\$ 1,768	\$ 1,834	\$ 1,889	\$ 2,181	\$ 2,192	\$ 2,196	\$ 2,118
GAAP operating margin	26.2%	26.5%	25.0%	-50.0%	28.7%	25.2%	24.8%	24.7%
Non-GAAP operating margin	33.4%	33.6%	32.0%	31.0%	34.6%	32.0%	31.9%	31.8%

Reconciliation of GAAP to Non-GAAP YTD Operating Margin

(in millions)	Nine Months Ended		
	Sept 30, 2006	Sept 30, 2007	Sept 30, 2008
GAAP operating income (loss)	\$ 973.2	\$ (13.0)	\$ 1,622.2
Stock-based compensation expense	242.7	232.2	269.5
Employer payroll taxes on stock-based compensation	4.3	5.4	2.5
Amortization of acquired intangible assets ⁽¹⁾	165.4	166.1	181.9
Impairment of goodwill	-	1,390.9	-
Non-GAAP operating income	<u>\$ 1,385.6</u>	<u>\$ 1,781.6</u>	<u>\$ 2,076.1</u>
Revenues	\$ 4,250	\$ 3,602	\$ 6,506
GAAP operating margin	22.9%	-0.4%	24.9%
Non-GAAP operating margin	32.6%	49.5%	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>	<u>Sept 30, 2008</u>		
GAAP operating cash flow	\$ 766.3	\$ 738.4	\$ 693.4		
Purchases of property and equipment, net	<u>(134.7)</u>	<u>(121.7)</u>	<u>(150.4)</u>		
Free cash flow	<u>\$ 631.6</u>	<u>\$ 616.7</u>	<u>\$ 543.0</u>		

Reconciliation of GAAP to Non-GAAP Quarterly Statement of Income

(in millions, except per share data and percentages)

	Three Months Ended September 30, 2007			Three Months Ended September 30, 2008		
	Reported	Non-GAAP Entries	Non-GAAP	Reported	Non-GAAP Entries	Non-GAAP
Net revenues	\$ 1,889.2	\$ -	\$ 1,889.2	\$ 2,117.5	\$ -	\$ 2,117.5
Cost of net revenues	446.5	(9.1) (a)	432.0	560.9	(10.4) (a)	543.8
		(5.4) (c)			(6.7) (c)	
Gross Profit	<u>1,442.7</u>	<u>14.5</u>	<u>1,457.2</u>	<u>1,556.6</u>	<u>17.1</u>	<u>1,573.7</u>
Operating expenses:						
Sales and marketing	485.2	(22.2) (a)	463.0	457.2	(23.7) (a)	433.5
Product development	164.9	(21.4) (a)	143.5	190.9	(23.5) (a)	167.4
General and administrative	287.5	(27.9) (a)	257.3	331.7	(32.7) (a)	298.5
		(2.3) (b)			(0.5) (b)	
Amortization of acquired intangible assets	51.9	(51.9) (c)	-	52.7	(52.7) (c)	-
Impairment of goodwill	1,390.9	(1,390.9) (e)	-	-	-	-
Total operating expense	<u>2,380.4</u>	<u>(1,516.6)</u>	<u>863.8</u>	<u>1,032.5</u>	<u>(133.1)</u>	<u>899.4</u>
Income from operations	(937.7)	1,531.1	593.4	524.1	150.2	674.3
Interest and other income, net	38.4	-	38.4	38.5	-	38.5
Interest expense	(2.7)	-	(2.7)	-	-	-
Income before income taxes	(902.0)	1,531.1	629.1	562.6	150.2	712.8
Provision for income taxes	(33.6)	(31.7) (d)	(65.3)	(70.4)	(50.3) (d)	(120.7)
Net income	<u>\$ (935.6)</u>	<u>\$ 1,499.4</u>	<u>\$ 563.8</u>	<u>\$ 492.2</u>	<u>\$ 99.9</u>	<u>\$ 592.1</u>
Net income per share:						
Basic	<u>\$ (0.69)</u>		<u>\$ 0.42</u>	<u>\$ 0.38</u>		<u>\$ 0.46</u>
Diluted	<u>\$ (0.69)</u>		<u>\$ 0.41</u>	<u>\$ 0.38</u>		<u>\$ 0.46</u>
Weighted average shares:						
Basic	<u>1,354</u>		<u>1,354</u>	<u>1,289</u>		<u>1,289</u>
Diluted	<u>1,354</u>		<u>1,373</u>	<u>1,297</u>		<u>1,297</u>
Operating margin	<u>(50%)</u>	<u>81%</u>	<u>31%</u>	<u>25%</u>	<u>7%</u>	<u>32%</u>
Effective tax rate	<u>(4%)</u>	<u>14%</u>	<u>10%</u>	<u>13%</u>	<u>4%</u>	<u>17%</u>

Notes:

- (a) Stock-based compensation expense
- (b) Employer payroll taxes on stock-based compensation
- (c) Amortization of acquired intangible assets and developed technology
- (d) Income taxes associated with certain non-GAAP entries
- (e) Impairment of goodwill

Reconciliation of GAAP to Non-GAAP YTD Statement of Income

(in millions, except per share data and percentages)

	Nine Months Ended September 30, 2007			Nine Months Ended September 30, 2008		
	Reported	Non-GAAP Entries	Non-GAAP	Reported	Non-GAAP Entries	Non-GAAP
Net revenues	\$ 5,491.7	\$ -	\$ 5,491.7	\$ 6,505.4	\$ -	\$ 6,505.4
Cost of net revenues	1,257.0	(27.5) (a)	1,214.3	1,648.4	(31.9) (a)	1,597.1
		(15.2) (c)			(19.4) (c)	
Gross Profit	<u>4,234.7</u>	<u>42.7</u>	<u>4,277.4</u>	<u>4,857.0</u>	<u>51.3</u>	<u>4,908.3</u>
Operating expenses:						
Sales and marketing	1,406.3	(64.5) (a)	1,341.8	1,497.2	(72.1) (a)	1,425.1
Product development	450.4	(56.8) (a)	393.6	554.4	(71.6) (a)	482.8
General and administrative	849.3	(83.4) (a)	760.5	1,020.7	(93.9) (a)	924.2
		(5.4) (b)			(2.6) (b)	
Amortization of acquired intangible assets	150.8	(150.8) (c)	-	162.4	(162.4) (c)	-
Impairment of goodwill	1,390.9	(1,390.9) (e)	-	-	- (e)	-
Total operating expense	<u>4,247.7</u>	<u>(1,751.8)</u>	<u>2,495.9</u>	<u>3,234.7</u>	<u>(402.6)</u>	<u>2,832.1</u>
Income from operations	(13.0)	1,794.5	1,781.5	1,622.3	453.9	2,076.2
Interest and other income, net	102.4	-	102.4	91.5	-	91.5
Interest expense	(10.0)	-	(10.0)	(3.5)	-	(3.5)
Income before income taxes	79.4	1,794.5	1,873.9	1,710.3	453.9	2,164.2
Provision for income taxes	(262.0)	(116.6) (d)	(378.6)	(298.0)	(145.0) (d)	(443.0)
Net income	<u>\$ (182.6)</u>	<u>\$ 1,677.9</u>	<u>\$ 1,495.3</u>	<u>\$ 1,412.3</u>	<u>\$ 308.9</u>	<u>\$ 1,721.2</u>
Net income per share:						
Basic	<u>\$ (0.13)</u>		<u>\$ 1.10</u>	<u>\$ 1.08</u>		<u>\$ 1.31</u>
Diluted	<u>\$ (0.13)</u>		<u>\$ 1.08</u>	<u>\$ 1.07</u>		<u>\$ 1.30</u>
Weighted average shares:						
Basic	<u>1,361</u>		<u>1,361</u>	<u>1,312</u>		<u>1,312</u>
Diluted	<u>1,361</u>		<u>1,379</u>	<u>1,322</u>		<u>1,322</u>
Operating margin	<u>0%</u>	<u>32%</u>	<u>32%</u>	<u>25%</u>	<u>7%</u>	<u>32%</u>
Effective tax rate	<u>(330%)</u>	<u>350%</u>	<u>20%</u>	<u>17%</u>	<u>3%</u>	<u>20%</u>

Notes:

- (a) Stock-based compensation expense
- (b) Employer payroll taxes on stock-based compensation
- (c) Amortization of acquired intangible assets and developed technology
- (d) Income taxes associated with certain non-GAAP entries

Reconciliation and Calculation of Return on Invested Capital

(in thousands, except percentages)

	Three Months Ended									
	Q2'06	Q3'06	Q4'06	Q1'07	Q2'07	Q3'07	Q4'07	Q1'08	Q2'08	Q3'08
Numerator components:										
Non-GAAP operating income	\$ 460,427	\$ 464,493	\$ 575,007	\$ 593,445	\$ 594,664	\$ 593,445	\$ 754,979	\$ 701,364	\$ 700,487	\$ 674,318
Tax rate	28%	27%	29%	26%	25%	10%	24%	23%	22%	17%
Non-GAAP operating income after tax	\$ 332,889	\$ 337,825	\$ 406,703	\$ 441,523	\$ 447,544	\$ 531,845	\$ 576,276	\$ 540,892	\$ 549,673	\$ 559,684
Denominator components:										
Total assets	13,250,251	13,463,118	13,494,011	13,920,051	14,361,157	14,786,812	15,366,037	15,046,305	15,021,625	14,240,157
Total cash, cash equivalents and investments	4,010,778	3,795,865	3,495,486	3,519,880	3,793,677	4,461,775	5,035,692	4,108,141	4,181,717	3,777,482
Current liabilities	1,719,405	2,220,685	2,518,395	2,250,571	2,328,643	3,272,867	3,099,579	3,080,432	3,006,234	2,854,733
	\$ 1,240,647	\$ 1,318,296	\$ 1,402,661	\$ 1,518,940	\$ 1,633,595	\$ 1,827,615	\$ 1,997,188	\$ 2,096,556	\$ 2,198,685	\$ 2,226,524
	11,253,387	12,139,387	12,912,980	13,339,193	13,697,718	14,005,030	14,385,614	14,696,072	14,916,387	14,892,187
	3,469,757	3,459,673	3,377,148	3,486,641	3,536,980	3,622,670	3,858,237	3,974,641	4,100,390	4,097,313
	1,467,892	1,674,665	1,924,986	2,078,113	2,207,540	2,518,232	2,694,011	2,806,418	2,957,551	3,062,769
	19.6%	18.8%	18.4%	19.5%	20.5%	23.2%	25.5%	26.5%	28.0%	28.8%

Reconciliation of GAAP to Non-GAAP Guidance

(in millions, except per share amounts and percentages)	Three Months Ended December 30, 2008		Year Ended December 31, 2008	
	GAAP	Non-GAAP	GAAP	Non-GAAP
Revenues	\$2,020 - \$2,170	\$2,020 - \$2,170	\$8,525 - \$8,675	\$8,525 - \$8,675
Operating Margin	-	-	~24%	~32%
Diluted EPS	\$0.25 - \$0.27	\$0.39 - \$0.41	\$1.32 - \$1.34	\$1.69 - \$1.71
Effective Tax Rate	-	-	18.0% - 19.0%	21.0% - 22.0%

(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 \$85-\$95 million per quarter, stock-based compensation expense and employer payroll taxes on stock-based compensation of approximately \$90-\$105 million per quarter and restructuring-related charges of approximately \$60-\$70 million.