

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 on pages 12, 14 and 15 of 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, and net purchases of property and equipment 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 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 statements 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 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.

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 from the disposal of a business. eBay incurs amortization or impairments of acquired intangible assets and goodwill in connection with acquisitions and may incur significant gains or losses from the disposal of a business. eBay also settled a legal exposure in conjunction with the disposal of a business. eBay's results are also impacted by hedge transactions related to unique movements of cash from significant business acquisitions or dispositions. eBay excludes these items which management does not believe has any direct correlation to the current 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 EPS to Non-GAAP EPS
(Unaudited)

	Year Ended December 31,					
	2004	2005	2006	2007	2008	2009
(in millions, except per share data)						
GAAP net income (loss)	\$ 778.2	\$ 1,082.1	\$ 1,125.6	\$ 348.3	\$ 1,779.4	\$ 2,389.1
Stock-based compensation expense	5.8	31.8	317.4	301.8	352.1	394.8
Employer payroll taxes on stock-based compensation	17.5	13.0	5.3	6.9	3.1	5.3
Amortization of acquired intangible assets (1)	65.9	128.9	214.9	223.7	264.1	314.7
Restructuring	-	-	-	-	49.1	38.3
Impairment of goodwill	-	-	-	1,390.9	-	-
Gain on sale of equity investment	(6.4)	(2.3)	-	-	-	-
Joltid settlement	-	-	-	-	-	343.2
Gain on sale of Skype	-	-	-	-	-	(1,407.5)
Income taxes associated with certain non-GAAP entries	(31.5)	(50.5)	(171.6)	(165.4)	(202.9)	(12.1)
Cummulative effect of account change, net of tax	-	-	-	-	-	-
Non-GAAP net income	<u>\$ 829.5</u>	<u>\$ 1,203.0</u>	<u>\$ 1,491.6</u>	<u>\$ 2,106.2</u>	<u>\$ 2,244.9</u>	<u>\$ 2,065.8</u>
Diluted net income per share:						
GAAP net income per diluted share	<u>\$ 0.57</u>	<u>\$ 0.78</u>	<u>\$ 0.79</u>	<u>\$ 0.25</u>	<u>\$ 1.36</u>	<u>\$ 1.83</u>
Non-GAAP net income per diluted share	<u>\$ 0.61</u>	<u>\$ 0.86</u>	<u>\$ 1.05</u>	<u>\$ 1.53</u>	<u>\$ 1.71</u>	<u>\$ 1.58</u>
Shares used in non-GAAP diluted share calculation	<u>1,368</u>	<u>1,394</u>	<u>1,425</u>	<u>1,376</u>	<u>1,313</u>	<u>1,305</u>

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



eBay Inc.
Reconciliation of GAAP to Non-GAAP Net Income
(in millions, except per share data)
(Unaudited)

	Three Months Ended								
	Dec 31, 2007	Mar 31, 2008	Jun 30, 2008	Sep 30, 2008	Dec 31, 2008	Mar 31, 2009	Jun 30, 2009	Sep 30, 2009	Dec 31, 2009
(in millions, except per share data)									
GAAP net income (loss)	\$ 530.9	\$ 459.7	\$ 460.3	\$ 492.2	\$ 367.2	\$ 357.1	\$ 327.3	\$ 349.7	\$ 1,354.9
Stock-based compensation expense	69.7	87.4	91.9	90.3	82.6	113.8	96.4	92.5	92.0
Employer payroll taxes on stock-based compensation	1.5	0.3	1.7	0.5	0.6	2.6	0.9	0.9	1.0
Amortization of acquired intangible assets ⁽¹⁾	57.7	60.9	61.5	59.4	82.2	74.6	75.6	86.5	78.1
Restructuring	-	-	-	-	49.1	6.6	17.7	12.7	1.3
Joltid settlement	-	-	-	-	-	-	-	-	343.2
Gain on sale of Skype	-	-	-	-	-	-	-	-	(1,407.5)
Income taxes associated with certain non-GAAP entries	(48.9)	(46.8)	(47.9)	(50.3)	(57.9)	(54.8)	(39.3)	(40.7)	122.8
Non-GAAP net income	<u>\$ 610.9</u>	<u>\$ 561.5</u>	<u>\$ 567.5</u>	<u>\$ 592.1</u>	<u>\$ 523.8</u>	<u>\$ 499.9</u>	<u>\$ 478.6</u>	<u>\$ 501.6</u>	<u>\$ 585.8</u>
GAAP net income per diluted share	<u>\$ 0.39</u>	<u>\$ 0.34</u>	<u>\$ 0.35</u>	<u>\$ 0.38</u>	<u>\$ 0.29</u>	<u>\$ 0.28</u>	<u>\$ 0.25</u>	<u>\$ 0.27</u>	<u>\$ 1.02</u>
Non-GAAP net income per diluted share	<u>\$ 0.45</u>	<u>\$ 0.42</u>	<u>\$ 0.43</u>	<u>\$ 0.46</u>	<u>\$ 0.41</u>	<u>\$ 0.39</u>	<u>\$ 0.37</u>	<u>\$ 0.38</u>	<u>\$ 0.44</u>
Shares used in non-GAAP diluted share calculation	<u>1,368</u>	<u>1,344</u>	<u>1,325</u>	<u>1,297</u>	<u>1,284</u>	<u>1,288</u>	<u>1,300</u>	<u>1,311</u>	<u>1,323</u>



eBay Inc.
Reconciliation of Operating Cash Flow to Free Cash Flow
(Unaudited)

(in millions)	Three Months Ended				
	Mar 31, 2004	Jun 30, 2004	Sept 30, 2004	Dec 31, 2004	Full Year 2004
GAAP operating cash flow	\$ 366.2	\$ 263.1	\$ 274.8	\$ 381.2	\$ 1,285.3
Purchases of property and equipment, net	<u>(70.9)</u>	<u>(65.6)</u>	<u>(73.4)</u>	<u>(82.9)</u>	<u>(292.8)</u>
Free cash flow	<u>\$ 295.3</u>	<u>\$ 197.5</u>	<u>\$ 201.4</u>	<u>\$ 298.3</u>	<u>\$ 992.5</u>

(in millions)	Three Months Ended				
	Mar 31, 2005	Jun 30, 2005	Sept 30, 2005	Dec 31, 2005	Full Year 2005
GAAP operating cash flow	\$ 495.4	\$ 496.5	\$ 491.7	\$ 526.2	\$ 2,009.8
Purchases of property and equipment, net	(79.6)	(90.5)	(70.5)	(97.7)	(338.3)
Proceeds from sale of corporate aircraft	-	-	28.3	-	28.3
Payment of headquarters facility lease obligation	<u>(126.4)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(126.4)</u>
Free cash flow	<u>\$ 289.4</u>	<u>\$ 406.0</u>	<u>\$ 449.5</u>	<u>\$ 428.5</u>	<u>\$ 1,573.4</u>

(in millions)	Three Months Ended				
	Mar 31, 2006	Jun 30, 2006	Sept 30, 2006	Dec 31, 2006	Full Year 2006
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>

(in millions)	Three Months Ended				
	Mar 31, 2007	Jun 30, 2007	Sept 30, 2007	Dec 31, 2007	Full Year 2007
GAAP operating cash flow	\$ 564.5	\$ 654.6	\$ 629.5	\$ 792.8	\$ 2,641.4
Purchases of property and equipment, net	(85.4)	(121.3)	(119.3)	(127.9)	(454.0)
Free cash flow	<u>\$ 479.1</u>	<u>\$ 533.3</u>	<u>\$ 510.2</u>	<u>\$ 664.9</u>	<u>\$ 2,187.4</u>

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

(in millions)	Three Months Ended				
	Mar 31, 2009	Jun 30, 2009	Sept 30, 2009	Dec 31, 2009	Full Year 2009
GAAP operating cash flow	\$ 668.5	\$ 730.7	\$ 738.2	\$ 770.6	\$ 2,908.0
Purchases of property and equipment, net	<u>(90.9)</u>	<u>(128.4)</u>	<u>(174.8)</u>	<u>(172.9)</u>	<u>(567.0)</u>
Free cash flow	<u>\$ 577.6</u>	<u>\$ 602.3</u>	<u>\$ 563.4</u>	<u>\$ 597.7</u>	<u>\$ 2,341.0</u>



eBay Inc.
Reconciliation of GAAP to Non-GAAP Operating Margin
(in millions, except percentages)
(Unaudited)

(in millions, except percentages)	Twelve Months Ended					
	Dec 31, 2004	Dec 31, 2005	Dec 31, 2006	Dec 31, 2007	Dec 31, 2008	Dec 31, 2009
GAAP operating income (loss)	\$ 1,059.2	\$ 1,441.8	\$ 1,423.0	\$ 613.2	\$ 2,075.7	\$ 1,456.8
Stock-based compensation expense	5.9	31.8	317.4	301.8	352.1	394.8
Employer payroll taxes on stock-based compensation	17.5	13.0	5.3	6.9	3.1	5.3
Amortization of acquired intangible assets (1)	66.0	128.9	214.9	223.7	264.1	314.7
Restructuring	-	-	-	-	49.1	38.3
Impairment of goodwill	-	-	-	1,390.9	-	-
Joltid settlement	-	-	-	-	-	343.2
Non-GAAP operating income	\$ 1,148.6	\$ 1,615.5	\$ 1,960.6	\$ 2,536.5	\$ 2,744.1	\$ 2,553.1
Revenues	\$ 3,271	\$ 4,553	\$ 5,970	\$ 7,672	\$ 8,541	\$ 8,727
GAAP operating margin	32.4%	31.7%	23.8%	8.0%	24.3%	16.7%
Non-GAAP operating margin	35.1%	35.5%	32.8%	33.1%	32.1%	29.3%

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



eBay Inc.

Reconciliation of GAAP to Non-GAAP Operating Margin

(in millions, except percentages)

(Unaudited)

	Three Months Ended					
	Sept 30, 2008	Dec 31, 2008	Mar 31, 2009	Jun 30, 2009	Sept 30, 2009	Dec 31, 2009
(in millions, except percentages)						
GAAP operating income (loss)	\$ 524.1	\$ 453.5	\$ 422.8	\$ 411.7	\$ 442.9	\$ 179.4
Stock-based compensation expense	90.3	82.6	113.8	96.4	92.5	92.0
Employer payroll taxes on stock-based compensation	0.5	0.6	2.6	0.9	0.9	1.0
Amortization of acquired intangible assets ⁽¹⁾	59.4	82.2	74.6	75.6	86.5	78.1
Restructuring	-	49.1	6.6	17.7	12.7	1.3
Joltid settlement	-	-	-	-	-	343.2
Non-GAAP operating income	<u>\$ 674.3</u>	<u>\$ 668.0</u>	<u>\$ 620.4</u>	<u>\$ 602.3</u>	<u>\$ 635.5</u>	<u>\$ 695.0</u>
Revenues	\$ 2,118	\$ 2,036	\$ 2,020	\$ 2,098	\$ 2,238	\$ 2,371
GAAP operating margin	24.7%	22.3%	20.9%	19.6%	19.8%	7.6%
Non-GAAP operating margin	31.8%	32.8%	30.7%	28.7%	28.4%	29.3%



eBay Inc.
Reconciliation of Organic Revenue Growth

	Three Months Ended			
	Mar 31, 2008	Jun 30, 2008	Sept 30, 2008	Dec 31, 2008
Total revenue growth	24%	20%	12%	(7%)
Acquisition impact	(2%)	0%	0%	(2%)
Foreign currency impact	(5%)	(5%)	(2%)	8%
Total organic revenue growth	<u>17%</u>	<u>15%</u>	<u>10%</u>	<u>(1%)</u>

	Three Months Ended			
	Mar 31, 2009	Jun 30, 2009	Sept 30, 2009	Dec 31, 2009
Total revenue growth	(8%)	(4%)	6%	17%
Acquisition impact	(2%)	(3%)	(5%)	(1%)
Foreign currency impact	9%	8%	4%	(4%)
Total organic revenue growth	<u>(1%)</u>	<u>1%</u>	<u>5%</u>	<u>12%</u>