# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2021

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

**Commission file number 001-37713**

**eBay Inc.**
(Exact name of registrant as specified in its charter)

| **Delaware** | **77-0430924** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **2025 Hamilton Avenue**<br>**San Jose , California** | **95125** |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code:
**(408) 376-7008**

**Securities registered pursuant to Section 12(b) of the Act:**

| Title of each class | Trading symbol | Name of exchange on which registered |
|---|---|---|
| Common stock | EBAY | The Nasdaq Global Select Market |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| | | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of August 9, 2021, there were 650,055,805 shares of the registrant's common stock, $0.001 par value, outstanding, which is the only class of common or voting stock of the registrant issued.

## PART I: FINANCIAL INFORMATION

### Item 1: Financial Statements

**eBay Inc.**

**CONDENSED CONSOLIDATED BALANCE SHEET**

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| | (In millions, except par value) (Unaudited) | |
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 2,128 | $ 1,101 |
| Short-term investments | 4,738 | 2,392 |
| Equity investment in Adevinta | 10,354 | — |
| Accounts receivable, net of allowance for doubtful accounts of $80 and $97 | 137 | 362 |
| Customer accounts and funds receivable | 485 | 290 |
| Other current assets | 805 | 780 |
| Current assets held for sale | 1,414 | 1,077 |
| Current assets of discontinued operations | — | 1,188 |
| Total current assets | 20,061 | 7,190 |
| Long-term investments | 1,323 | 833 |
| Property and equipment, net | 1,257 | 1,292 |
| Goodwill | 4,212 | 4,285 |
| Intangible assets, net | 3 | 12 |
| Operating lease right-of-use assets | 369 | 430 |
| Deferred tax assets | 3,343 | 3,537 |
| Warrant asset | 1,123 | 1,051 |
| Other assets | 132 | 131 |
| Long-term assets held for sale | — | 549 |
| Total assets | $ 31,823 | $ 19,310 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Short-term debt | $ 761 | $ 6 |
| Accounts payable | 285 | 278 |
| Customer accounts and funds payable | 578 | 379 |
| Accrued expenses and other current liabilities | 2,044 | 1,767 |
| Deferred revenue | 90 | 98 |
| Income taxes payable | 519 | 167 |
| Current liabilities held for sale | 786 | 855 |
| Current liabilities of discontinued operations | — | 452 |
| Total current liabilities | 5,063 | 4,002 |
| Operating lease liabilities | 255 | 316 |
| Deferred tax liabilities | 4,002 | 2,368 |
| Long-term debt | 8,331 | 7,740 |
| Other liabilities | 1,156 | 1,260 |
| Long-term liabilities held for sale | — | 63 |
| Total liabilities | 18,807 | 15,749 |
| Commitments and Contingencies (Note 11) | | |
| Stockholders' equity: | | |
| Common stock, $0.001 par value; 3,580 shares authorized; 661 and 684 shares outstanding | 2 | 2 |
| Additional paid-in capital | 16,676 | 16,497 |
| Treasury stock at cost, 1,050 and 1,021 shares | (38,308) | (36,515) |
| Retained earnings | 34,086 | 22,961 |
| Accumulated other comprehensive income | 560 | 616 |
| Total stockholders' equity | 13,016 | 3,561 |
| Total liabilities and stockholders' equity | $ 31,823 | $ 19,310 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

**eBay Inc.**

**CONDENSED CONSOLIDATED STATEMENT OF INCOME**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | (In millions, except per share amounts) (Unaudited) | | | |
| Net revenues | $ 2,668 | $ 2,337 | $ 5,306 | $ 4,158 |
| Cost of net revenues | 672 | 417 | 1,278 | 771 |
| Gross profit | 1,996 | 1,920 | 4,028 | 3,387 |
| Operating expenses: | | | | |
| Sales and marketing | 559 | 523 | 1,105 | 917 |
| Product development | 350 | 256 | 654 | 474 |
| General and administrative | 250 | 281 | 496 | 484 |
| Provision for transaction losses | 103 | 89 | 191 | 185 |
| Amortization of acquired intangible assets | 2 | 7 | 9 | 14 |
| Total operating expenses | 1,264 | 1,156 | 2,455 | 2,074 |
| Income from operations | 732 | 764 | 1,573 | 1,313 |
| Interest and other, net | (331) | 181 | (448) | 182 |
| Income from continuing operations before income taxes | 401 | 945 | 1,125 | 1,495 |
| Income tax provision | (107) | (256) | (263) | (385) |
| Income from continuing operations | 294 | 689 | 862 | 1,110 |
| Income from discontinued operations, net of income taxes | 10,440 | 57 | 10,513 | 3,048 |
| Net income | $ 10,734 | $ 746 | $ 11,375 | $ 4,158 |
| | | | | |
| Income per share - basic: | | | | |
| Continuing operations | $ 0.44 | $ 0.98 | $ 1.27 | $ 1.53 |
| Discontinued operations | 15.48 | 0.08 | 15.52 | 4.18 |
| Net income per share - basic | $ 15.92 | $ 1.06 | $ 16.79 | $ 5.71 |
| | | | | |
| Income per share - diluted: | | | | |
| Continuing operations | $ 0.43 | $ 0.97 | $ 1.25 | $ 1.51 |
| Discontinued operations | 15.25 | 0.08 | 15.27 | 4.16 |
| Net income per share - diluted | $ 15.68 | $ 1.05 | $ 16.52 | $ 5.67 |
| | | | | |
| Weighted-average shares: | | | | |
| Basic | 674 | 703 | 678 | 728 |
| Diluted | 685 | 711 | 689 | 734 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

**eBay Inc.**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | (In millions) (Unaudited) | | | |
| Net income | $ 10,734 | $ 746 | $ 11,375 | $ 4,158 |
| Other comprehensive income (loss), net of reclassification adjustments: | | | | |
| Foreign currency translation gains (losses) | 10 | 49 | (107) | (64) |
| Unrealized gains (losses) on investments, net | (1) | 32 | (4) | 1 |
| Tax benefit (expense) on unrealized gains (losses) on investments, net | 1 | (8) | 1 | — |
| Unrealized gains (losses) on hedging activities, net | (4) | (47) | 70 | — |
| Tax benefit (expense) on unrealized gains (losses) on hedging activities, net | 1 | 10 | (16) | — |
| Other comprehensive income (loss), net of tax | 7 | 36 | (56) | (63) |
| Comprehensive income | $ 10,741 | $ 782 | $ 11,319 | $ 4,095 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

**eBay Inc.**

**CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | (In millions, except per share amounts) (Unaudited) | | | |
| Common stock: | | | | |
| Balance, beginning of period | $ 2 | $ 2 | $ 2 | $ 2 |
| Common stock issued | — | — | — | — |
| Common stock repurchased | — | — | — | — |
| Balance, end of period | 2 | 2 | 2 | 2 |
| Additional paid-in-capital: | | | | |
| Balance, beginning of period | 16,546 | 15,723 | 16,497 | 16,126 |
| Common stock and stock-based awards issued | 57 | 45 | 58 | 49 |
| Tax withholdings related to net share settlements of restricted stock units and awards | (59) | (43) | (128) | (83) |
| Stock-based compensation | 140 | 116 | 256 | 210 |
| Forward contract for share repurchase | — | — | — | (450) |
| Other | (8) | 3 | (7) | (8) |
| Balance, end of period | 16,676 | 15,844 | 16,676 | 15,844 |
| Treasury stock at cost: | | | | |
| Balance, beginning of period | (36,807) | (34,946) | (36,515) | (31,396) |
| Common stock repurchased | (1,501) | — | (1,793) | (3,550) |
| Balance, end of period | (38,308) | (34,946) | (38,308) | (34,946) |
| Retained earnings: | | | | |
| Balance, beginning of period | 23,476 | 21,051 | 22,961 | 17,754 |
| Net income | 10,734 | 746 | 11,375 | 4,158 |
| Dividends and dividend equivalents declared | (124) | (116) | (250) | (231) |
| Balance, end of period | 34,086 | 21,681 | 34,086 | 21,681 |
| Accumulated other comprehensive income: | | | | |
| Balance, beginning of period | 553 | 285 | 616 | 384 |
| Foreign currency translation adjustment | 10 | 49 | (107) | (64) |
| Change in unrealized gains (losses) on investments | (1) | 32 | (4) | 1 |
| Change in unrealized gains (losses) on derivative instruments | (4) | (47) | 70 | — |
| Tax benefit (provision) on above items | 2 | 2 | (15) | — |
| Balance, end of period | 560 | 321 | 560 | 321 |
| Total stockholders' equity | $ 13,016 | $ 2,902 | $ 13,016 | $ 2,902 |
| | | | | |
| Dividends and dividend equivalents declared per share or restricted stock unit | $ 0.18 | $ 0.16 | $ 0.36 | $ 0.32 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

**eBay Inc.**
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

| | Six Months Ended June 30, | |
|---|---|---|
| | 2021 | 2020 |
| | (In millions) (Unaudited) | |
| Cash flows from operating activities: | | |
| Net income | $ 11,375 | $ 4,158 |
| Income from discontinued operations, net of income taxes | (10,513) | (3,048) |
| Adjustments: | | |
| Provision for transaction losses | 191 | 185 |
| Depreciation and amortization | 261 | 295 |
| Stock-based compensation | 238 | 191 |
| (Gain) loss on investments, net | (44) | 2 |
| Deferred income taxes | 106 | 106 |
| Change in fair value of warrant | (72) | (305) |
| Change in fair value of equity investment in Adevinta | 422 | — |
| (Gain) loss on extinguishment of debt | 10 | — |
| Changes in assets and liabilities, net of acquisition effects | (17) | (56) |
| Net cash provided by continuing operating activities | 1,957 | 1,528 |
| Net cash provided by discontinued operating activities | 152 | 28 |
| Net cash provided by operating activities | 2,109 | 1,556 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (182) | (184) |
| Purchases of investments | (9,676) | (21,673) |
| Maturities and sales of investments | 6,765 | 19,666 |
| Other | 4 | 39 |
| Net cash used in continuing investing activities | (3,089) | (2,152) |
| Net cash provided by discontinued investing activities | 2,444 | 4,021 |
| Net cash provided by (used in) investing activities | (645) | 1,869 |
| Cash flows from financing activities: | | |
| Proceeds from issuance of common stock | 57 | 50 |
| Repurchases of common stock | (1,733) | (4,030) |
| Payments for taxes related to net share settlements of restricted stock units and awards | (128) | (83) |
| Payments for dividends | (243) | (226) |
| Proceeds from issuance of long-term debt, net | 2,482 | 1,765 |
| Repayment of debt | (1,156) | (839) |
| Net funds receivable and payable activity | 30 | — |
| Other | 6 | — |
| Net cash used in continuing financing activities | (685) | (3,363) |
| Net cash used in discontinued financing activities | (62) | (7) |
| Net cash used in financing activities | (747) | (3,370) |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | (5) | (26) |
| Net increase in cash, cash equivalents and restricted cash | 712 | 29 |
| Cash, cash equivalents and restricted cash at beginning of period | 1,594 | 996 |
| Cash, cash equivalents and restricted cash at end of period | $ 2,306 | $ 1,025 |
| Less: Cash, cash equivalents and restricted cash of held for sale business | 162 | 158 |
| Less: Cash, cash equivalents and restricted cash of discontinued operations | — | 18 |
| Cash, cash equivalents and restricted cash of continuing operations at end of period | $ 2,144 | $ 849 |

| | | |
|---|---|---|
| Supplemental cash flow disclosures: | | |
| Cash paid for: | | |
| Interest | $ 121 | $ 138 |
| Income taxes | $ 313 | $ 56 |
| Non-cash investing activities: | | |
| Equity investment in Adevinta | $ 10,776 | $ — |

The accompanying notes are an integral part of these condensed consolidated financial statements.

## Note 1 — The Company and Summary of Significant Accounting Policies

### *The Company*

eBay Inc. is a global commerce leader, which includes our Marketplace platforms. Founded in 1995 in San Jose, California, eBay is one of the world's largest and most vibrant marketplaces for discovering great value and unique selection. Collectively, we connect millions of buyers and sellers around the world, empowering people and creating opportunity for all through our technology. Our technologies and services are designed to give buyers choice and a breadth of relevant inventory and to enable sellers worldwide to organize and offer their inventory for sale, virtually anytime and anywhere.

When we refer to "we," "our," "us," the "Company" or "eBay" in this Quarterly Report on Form 10-Q, we mean the current Delaware corporation (eBay Inc.) and its consolidated subsidiaries, unless otherwise expressly stated or the context otherwise requires.

On June 24, 2021, we completed the previously announced transfer of our Classifieds business to Adevinta ASA ("Adevinta") for $2.5 billion in cash, subject to certain adjustments, and approximately 540 million shares in Adevinta which represent an equity interest of 44%, comprised of approximately 33% of voting shares and 11% of non-voting shares. Together, the total consideration received under the definitive agreement was valued at approximately $13.3 billion, based on the closing trading price of Adevinta's outstanding shares on the Oslo Stock Exchange on June 24, 2021. The equity interest received is accounted for under the fair value option. We have classified the related assets and liabilities associated with our Classifieds business as discontinued operations in our condensed consolidated balance sheet. The results of our Classifieds business have been presented as discontinued operations in our condensed consolidated statement of income for all periods presented as the transfer represents a strategic shift in our business that has a major effect on our operations and financial results. See "Note 3 – Discontinued Operations" for additional information.

On June 30, 2021, we entered into a securities purchase agreement with E-mart Inc. and one of its wholly owned subsidiaries (together, "Emart"), to sell 80.01% of the outstanding equity interests of eBay Korea LLC, a limited liability company incorporated under the laws of Korea and a wholly owned subsidiary of eBay KTA ("eBay Korea"), pursuant to the terms and conditions of the securities purchase agreement, in exchange for KRW 3.44 trillion, or approximately $3.0 billion as of the agreement date, subject to certain adjustments specified for indebtedness, cash, working capital, transaction expenses and certain taxes. We will retain 19.99% of the outstanding equity interests of eBay Korea. The transaction is expected to close within one year, subject to certain conditions, including receipt of regulatory approvals. As of the second quarter of 2021, we have classified the related assets and liabilities associated with our eBay Korea business as held for sale in our condensed consolidated balance sheet. The results of our eBay Korea business have been presented as discontinued operations in our condensed consolidated statement of income for all periods presented as the transfer represents a strategic shift in our business that has a major effect on our operations and financial results. See "Note 3 – Discontinued Operations" for additional information.

On July 14, 2021, we entered into a share purchase agreement with Astinlux Finco S.à r.l. ("Permira") to sell approximately 125 million of our voting shares in Adevinta for total consideration of $2.25 billion. The price represents an approximate 7% discount to the 10-day volume weighted average price ("VWAP") of Adevinta shares as of July 12, 2021 and a 5% discount to the 30-day VWAP as of July 12, 2021. In addition, we granted Permira an option, exercisable within 30 days after the date of the purchase agreement, to purchase approximately 10 million additional voting shares for $180 million in consideration. On July 29, 2021, Permira exercised the option. At the close of both transactions, our ownership in Adevinta will be reduced to 33%. The transactions are expected to close in the fourth quarter of 2021, subject to the receipt of required regulatory approvals.

***Use of Estimates***

The preparation of condensed consolidated financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, we evaluate our estimates, including those related to provisions for transaction losses, legal contingencies, income taxes, revenue recognition, stock-based compensation, investments, goodwill and the recoverability of intangible assets. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ from those estimates.

***Principles of Consolidation and Basis of Presentation***

The accompanying condensed financial statements are consolidated and include the financial statements of eBay Inc., our wholly and majority-owned subsidiaries and variable interest entities ("VIE") where we are the primary beneficiary. All intercompany balances and transactions have been eliminated in consolidation. Minority interests are recorded as a noncontrolling interest. A qualitative approach is applied to assess the consolidation requirement for VIEs. Equity investments in entities where we have not elected the fair value option and where we hold at least a 20% ownership interest, have the ability to exercise significant influence, but not control, over the investee are accounted for using the equity method of accounting. For such investments, our share of the investees' results of operations is included in interest and other, net and our investment balance is included in long-term investments. Investments in entities where we hold less than a 20% ownership interest are generally accounted for as equity investments to be measured at fair value or, under an election, at cost if it does not have readily determinable fair value, in which case the carrying value would be adjusted upon the occurrence of an observable price change in an orderly transaction for identical or similar instruments or impairment.

These condensed consolidated financial statements and accompanying notes should be read in conjunction with the audited consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2020. We have evaluated all subsequent events through the date these condensed consolidated financial statements were issued. In the opinion of management, these condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, which are necessary for the fair statement of the condensed consolidated financial position, results of operations and cash flows for these interim periods.

***Significant Accounting Policies***

Notwithstanding the updates to our policies below to include intermediation of managed payments and our investment policy for our equity investment in Adevinta, there were no significant changes to our significant accounting policies disclosed in "Note 1 – The Company and Summary of Significant Accounting Policies" of our Annual Report on Form 10-K for the year ended December 31, 2020.

***Equity investment in Adevinta***

As of June 30, 2021, our equity investment in Adevinta represented a 44% equity interest. At the initial recognition of the equity investment, we elected the fair value option where subsequent changes in fair value are recognized as earnings in interest and other, net in the condensed consolidated statement of income. We report the investment at fair value within equity investment in Adevinta in our condensed consolidated balance sheet. The investment is classified within Level 1 in the fair value hierarchy as the valuation can be obtained from real time quotes in active markets. The fair value of the equity investment is measured based on Adevinta's closing stock price and prevailing foreign exchange rate. We believe the fair value option election creates more transparency of the current value of our shares in the equity investment for Adevinta. Refer to "Note 8 – Fair Value Measurement of Assets and Liabilities" for additional details.

***Revenue recognition***

We recognize revenue when we transfer control of promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. Revenue is recognized net of any taxes collected, which are subsequently remitted to governmental authorities.

*Net transaction revenues*

Our net transaction revenues primarily include final value fees, feature fees, including fees to promote listings, and listing fees from sellers in our Marketplace. Our net transaction revenues also include store subscription and other fees often from large enterprise sellers. Our net transaction revenues are reduced by incentives provided to our customers.

We identified one performance obligation to sellers on our Marketplace platform, which is to connect buyers and sellers on our secure and trusted Marketplace platforms, including payment processing activities. Final value fees are recognized when an item is sold on a Marketplace platform, satisfying this performance obligation. There may be additional services available to Marketplace sellers, mainly to promote or feature listings, that are not distinct within the context of the contract. Accordingly, fees for these additional services are recognized when the single performance obligation is satisfied. Promoted listing fees are recognized when the item is sold and feature and listing fees are recognized when an item is sold, or when the contract expires.

Store subscription and other nonstandard listing contracts may contain multiple performance obligations, including discounts on future services. Determining whether performance obligations should be accounted for separately or combined may require significant judgment. The transaction price is allocated to each performance obligation based on its stand-alone selling price (“SSP”). In instances where SSP is not directly observable, we generally estimate selling prices based on when they are sold to customers of a similar nature and geography. These estimates are generally based on pricing strategies, market factors, strategic objectives and observable inputs. Store subscription revenues are recognized over the subscription period, and discounts offered through store subscription or nonstandard listing contracts are recognized when the options are exercised or when the options expire.

Further, to drive traffic to our platforms, we provide incentives to buyers and sellers in various forms including discounts on fees, discounts on items sold, coupons and rewards. Evaluating whether a promotion or incentive is a payment to a customer may require significant judgment. Promotions and incentives which are consideration payable to a customer are recognized as a reduction of revenue at the later of when revenue is recognized or when we pay or promise to pay the incentive. Promotions and incentives to most buyers on our Marketplace platforms, to whom we have no performance obligation, are recognized as sales and marketing expense. In addition, we may provide credits to customers when we refund certain fees. Credits are accounted for as variable consideration at contract inception when estimating the amount of revenue to be recognized when a performance obligation is satisfied to the extent that it is probable that a significant reversal of revenue will not occur and updated as additional information becomes available.

*Marketing services and other revenues*

Our marketing services and other revenues are derived principally from the sale of advertisements and revenue sharing arrangements. Advertising revenue is derived principally from the sale of online advertisements which are based on “impressions” (i.e., the number of times that an advertisement appears in pages viewed by users of our platforms) or “clicks” (which are generated each time users on our platforms click through our advertisements to an advertiser’s designated website) delivered to advertisers. We use the output method and apply the practical expedient to recognize advertising revenue in the amount to which we have a right to invoice. For contracts with target advertising commitments with rebates, estimated payout is accounted for as a variable consideration to the extent it is probable that a significant reversal of revenue will not occur.

Revenues related to revenue sharing arrangements are recognized based on whether we are the principal and are responsible for fulfilling the promise to provide the specified services or whether we are an agent arranging for those services to be provided by our partners. Determining whether we are a principal or agent in these contracts may require significant judgment. If we are the principal, we recognize revenue in the gross amount of

consideration received from the customer, whereas if we are an agent, we recognize revenue net of the consideration due to our partners at a point in time when the services are provided. Our most significant revenue share arrangements are with shipping service providers. We are primarily acting as an agent in these contracts and revenues are recognized at a point in time when we have satisfied our promise of connecting the shipping service provider to our customer.

***Payment processor advances***

Payment processor advances represent amounts prefunded to and held by payment processors in order to fund outflows in the normal course of the transaction lifecycle, including but not limited to payment processor fees, seller account payouts, and incentives such as coupons or gift cards. Payment processor advances are recorded within other current assets in our condensed consolidated balance sheet. Other accounts are used to collect and remit indirect taxes from the buyer to the local tax authorities and to transfer shipping label proceeds from the seller to the relevant shipping service providers. Generally, changes in balances that impact the determination of net income, such as payment processor fees and incentives are presented within operating activities in our condensed consolidated statement of cash flows. Changes in balances that pertain solely to payment intermediation activities (e.g. seller pay-out services) are presented within financing activities in our condensed consolidated statement of cash flows.

***Customer accounts and funds receivable***

These balances represent payments in transit and cash received and held by financial institutions and payment processors associated with marketplace activity and awaiting settlement or are installment collections from financial institutions.

We are exposed to credit losses from customer accounts and funds receivable balances held by third party financial institutions. We assess these balances for credit loss based on a review of the average period for which the funds are held, credit ratings of the financial institutions and by assessing the probability of default and loss given default models. At June 30, 2021, we did not record any credit-related loss.

***Customer accounts and funds payable***

These balances primarily represent the Company's liability towards its customers to settle the funds from the completed transactions on the platform associated with marketplace activity.

***Recently Adopted Accounting Pronouncements***

In 2019, the Financial Accounting Standards Board ("FASB") issued new guidance to simplify the accounting for income taxes by removing certain exceptions to the general principles and also simplification of areas such as franchise taxes, step-up in tax basis goodwill, separate entity financial statements and interim recognition of enactment of tax laws or rate changes. The standard is effective for annual reporting periods beginning after December 15, 2020, including interim reporting periods within those fiscal years. We adopted this guidance in the first quarter of 2021 with no material impact on our condensed consolidated financial statements.

In 2020, the FASB issued new guidance to decrease diversity in practice and increase comparability for the accounting of certain equity securities and investments under the equity method of accounting. The standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. We adopted this guidance in the first quarter of 2021 with no material impact on our condensed consolidated financial statements.

**Note 2 — Net Income Per Share**

Basic net income per share is computed by dividing net income for the period by the weighted average number of common shares outstanding during the period. Diluted net income per share is computed by dividing net income for the period by the weighted average number of shares of common stock and potentially dilutive common stock outstanding during the period. The dilutive effect of outstanding options and equity incentive awards is reflected in diluted net income per share by application of the treasury stock method. The calculation of diluted net income per share excludes all anti-dilutive common shares. The following table sets forth the computation of basic and diluted net income per share for the three and six months ended June 30, 2021 and 2020 (in millions, except per share amounts):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Numerator: | | | | |
| Income from continuing operations | $ 294 | $ 689 | $ 862 | $ 1,110 |
| Income from discontinued operations, net of income taxes | 10,440 | 57 | 10,513 | 3,048 |
| Net income | $ 10,734 | $ 746 | $ 11,375 | $ 4,158 |
| Denominator: | | | | |
| Weighted average shares of common stock - basic | 674 | 703 | 678 | 728 |
| Dilutive effect of equity incentive awards | 11 | 8 | 11 | 6 |
| Weighted average shares of common stock - diluted | 685 | 711 | 689 | 734 |
| | | | | |
| Income per share - basic: | | | | |
| Continuing operations | $ 0.44 | $ 0.98 | $ 1.27 | $ 1.53 |
| Discontinued operations | 15.48 | 0.08 | 15.52 | 4.18 |
| Net income per share - basic | $ 15.92 | $ 1.06 | $ 16.79 | $ 5.71 |
| Income per share - diluted: | | | | |
| Continuing operations | $ 0.43 | $ 0.97 | $ 1.25 | $ 1.51 |
| Discontinued operations | 15.25 | 0.08 | 15.27 | 4.16 |
| Net income per share - diluted | $ 15.68 | $ 1.05 | $ 16.52 | $ 5.67 |
| Common stock equivalents excluded from income per diluted share because their effect would have been anti-dilutive | 8 | 1 | 9 | 6 |

**Note 3 — Discontinued Operations**

***StubHub***

On November 24, 2019, we entered into a stock purchase agreement with an affiliate of viagogo to sell our StubHub business. On February 13, 2020, we completed the sale of our StubHub business to an affiliate of viagogo for a purchase price of $4.05 billion in cash, subject to certain adjustments specified in the purchase agreement, including adjustments for indebtedness, cash, working capital and transaction expenses of StubHub at the closing of the transaction. The sale was completed for $4.1 billion in proceeds ($3.2 billion, net of income taxes of approximately $900 million) and a pre-tax gain of $3.9 billion within income from discontinued operations, both subject to working capital adjustments.

In connection with the sale of StubHub, we entered into a transition service agreement (“TSA”) with viagogo pursuant to which we are providing services, including, but not limited to, business support services for StubHub after the divestiture. These agreements commenced with the close of the transaction and have minimum initial terms ranging from 12 to 18 months and can be extended by viagogo for a maximum of 12 months. The estimated related fees in 2021 are $27 million for support services.

***Classifieds***

On July 20, 2020, we entered into a definitive agreement with Adevinta to transfer our Classifieds business to Adevinta for $2.5 billion in cash, subject to certain adjustments, and approximately 540 million shares in Adevinta. On June 24, 2021, we completed the previously announced transfer of our Classifieds business to Adevinta. Upon closing, we received consideration of approximately $2.5 billion in cash, subject to certain adjustments as specified in the definitive agreement, and approximately 540 million shares in Adevinta which represent an equity interest of 44%, comprised of approximately 33% of voting shares and 11% of non-voting shares. Together, the total consideration received at the close of the transaction was valued at $13.3 billion, based on the closing trading price of Adevinta's outstanding shares at the Oslo Stock Exchange on June 24, 2021. The equity interest received is accounted for under the fair value option.

The transfer of our Classifieds business was completed for total consideration of $13.3 billion which comprised of $2.5 billion in cash proceeds and shares of Adevinta valued at $10.8 billion on the date of close. The transfer resulted in a pre-tax gain of $12.5 billion and related income tax expense of $2.1 billion, both within income from discontinued operations. The consideration is subject to adjustments specified in the definitive agreement.

In addition, upon closing we entered into a transition service agreement ("TSA") with Adevinta to support the operations of Classifieds after the divestiture for fees of $29 million. These agreements commenced with the close of the transaction and have minimum initial terms ranging from 6 to 12 months and can be extended for a maximum of 6 months.

On July 14, 2021, we entered into a share purchase agreement with Permira to sell approximately 125 million of our voting shares in Adevinta for total consideration of $2.25 billion. The price represents an approximate 7% discount to the 10-day VWAP of Adevinta shares as of July 12, 2021 and a 5% discount to the 30-day VWAP as of July 12, 2021. In addition, we granted Permira an option, exercisable within 30 days after the date of the purchase agreement, to purchase approximately 10 million additional voting shares for $180 million in consideration. On July 29, 2021, Permira exercised the option. At the close of both transactions, our ownership in Adevinta will be reduced to 33%. The transactions are expected to close in the fourth quarter of 2021, subject to the receipt of required regulatory approvals.

***eBay Korea***

On June 30, 2021, we entered into a securities purchase agreement with Emart, to sell 80.01% of the outstanding equity interests of eBay Korea, pursuant to the terms and conditions of the securities purchase agreement, in exchange for KRW 3.44 trillion, or approximately $3.0 billion as of the agreement date, subject to certain adjustments specified for indebtedness, cash, working capital, transaction expenses and certain taxes. We will retain 19.99% of the outstanding equity interests of eBay Korea. The transaction is expected to close within one year, subject to certain conditions, including receipt of regulatory approvals. We have classified the results of the eBay Korea business as discontinued operations in our condensed consolidated statement of income for the periods presented. Additionally, the related assets and liabilities associated with eBay Korea are classified as held for sale in our condensed consolidated balance sheet. The assets and liabilities as of June 30, 2021 are classified as current in our condensed consolidated balance sheet as we expect to close this transaction within one year.

The following table presents financial results from discontinued operations, net of income taxes in our condensed consolidated statement of income (in millions):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 [1] | 2020 | 2021 [1] | 2020 [2] |
| eBay Korea income from discontinued operations, net of income taxes | $ 3 | $ 20 | $ 4 | $ 30 |
| Classifieds income from discontinued operations, net of income taxes | 10,428 | 31 | 10,500 | 85 |
| StubHub income from discontinued operations, net of income taxes | 9 | 7 | 9 | 2,935 |
| PayPal and Enterprise income (loss) from discontinued operations, net of income taxes | — | (1) | — | (2) |
| Income from discontinued operations, net of income taxes | $ 10,440 | $ 57 | $ 10,513 | $ 3,048 |

[1] Includes Classifieds financial results through the transaction close on June 24, 2021 and includes the gain on sale recorded for the Classifieds transaction.
[2] Includes StubHub financial results from January 1, 2020 to February 13, 2020, and includes the gain on sale recorded for the StubHub transaction.

The following table presents cash flows for discontinued operations (in millions):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 [1] | 2020 | 2021 [1] | 2020 [2] |
| eBay Korea net cash provided by (used in) discontinued operating activities | $ 17 | $ (18) | $ 7 | $ 19 |
| Classifieds net cash provided by discontinued operating activities | 41 | 31 | 145 | 119 |
| StubHub net cash provided by (used in) discontinued operating activities | — | — | — | (110) |
| Net cash provided by (used in) discontinued operating activities | $ 58 | $ 13 | $ 152 | $ 28 |
| | | | | |
| eBay Korea net cash (used in) discontinued investing activities | $ (8) | $ — | $ (9) | $ (10) |
| Classifieds net cash (used in) discontinued investing activities | 2,454 | (43) | 2,453 | (44) |
| StubHub net cash provided by (used in) discontinued investing activities | — | — | — | 4,075 |
| Net cash provided by (used in) discontinued investing activities | $ 2,446 | $ (43) | $ 2,444 | $ 4,021 |
| | | | | |
| eBay Korea net cash (used in) discontinued financing activities | $ 6 | $ (3) | $ (62) | $ (5) |
| Classifieds net cash (used in) discontinued financing activities | — | — | — | (2) |
| Net cash (used in) discontinued financing activities | $ 6 | $ (3) | $ (62) | $ (7) |

[1] Includes Classifieds financial results through the transaction close on June 24, 2021 and includes the gain on sale recorded for the Classifieds transaction.
[2] Includes StubHub financial results from January 1, 2020 to February 13, 2020, and includes the gain on sale recorded for the StubHub transaction.

The financial results of StubHub are presented as income from discontinued operations, net of income taxes on our condensed consolidated statement of income. The following table presents the financial results of StubHub (in millions):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020[1] |
| Net revenues | $ — | $ — | $ — | $ 100 |
| Cost of net revenues | — | — | — | 31 |
| Gross profit | — | — | — | 69 |
| Operating expenses: | | | | |
| Sales and marketing | — | — | — | 51 |
| Product development | — | — | — | 29 |
| General and administrative | — | — | — | 33 |
| Provision for transaction losses | — | — | — | 3 |
| Amortization of acquired intangible assets | — | — | — | 1 |
| Total operating expenses | — | — | — | 117 |
| Income (loss) from operations of discontinued operations | — | — | — | (48) |
| Pre-tax gain on sale | 12 | — | 12 | 3,876 |
| Income from discontinued operations before income taxes | 12 | — | 12 | 3,828 |
| Income tax benefit (provision) | (3) | 7 | (3) | (893) |
| Income from discontinued operations, net of income taxes | $ 9 | $ 7 | $ 9 | $ 2,935 |

[1] Includes StubHub financial results from January 1, 2020 to February 13, 2020, and includes the gain on sale recorded for the StubHub transaction.

The financial results of Classifieds are presented as income from discontinued operations, net of income taxes on our condensed consolidated statement of income. Each period presented below includes the impact of intercompany revenue agreements that will continue with eBay subsequent to the completion of the transfer of the Classifieds business for a term of three years with an option to extend for 12 months. The impact of these intercompany revenue agreements to net revenues and cost of net revenues were $3 million and $3 million for the three months ended June 30, 2021 and 2020, respectively, and $5 million and $7 million for the six months ended June 30, 2021 and 2020, respectively. The expected continuing cash flows are not considered to be significant. The following table presents the financial results of Classifieds (in millions):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 [1] | 2020 | 2021 [1] | 2020 |
| Net revenues | $ 289 | $ 197 | $ 565 | $ 442 |
| Cost of net revenues | 33 | 25 | 63 | 49 |
| Gross profit | 256 | 172 | 502 | 393 |
| Operating expenses: | | | | |
| Sales and marketing | 96 | 61 | 183 | 148 |
| Product development | 62 | 39 | 105 | 74 |
| General and administrative | 40 | 35 | 67 | 62 |
| Provision for transaction losses | — | 4 | 2 | 10 |
| Amortization of acquired intangible assets | — | 2 | — | 4 |
| Total operating expenses | 198 | 141 | 357 | 298 |
| Income from operations of discontinued operations | 58 | 31 | 145 | 95 |
| Interest and other, net | (1) | 1 | — | 2 |
| Pre-tax gain (loss) on sale | 12,524 | — | 12,524 | — |
| Income from discontinued operations before income taxes | 12,581 | 32 | 12,669 | 97 |
| Income tax provision | (2,153) | (1) | (2,169) | (12) |
| Income from discontinued operations, net of income taxes | $ 10,428 | $ 31 | $ 10,500 | $ 85 |

[1] Includes Classifieds financial results through the transaction close on June 24, 2021 and includes the gain on sale recorded for the Classifieds transaction.

The financial results of eBay Korea are presented as income from discontinued operations, net of income taxes on our condensed consolidated statement of income. The following table presents the financial results of eBay Korea (in millions):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Net revenues | $ 398 | $ 331 | $ 783 | $ 639 |
| Cost of net revenues | 229 | 156 | 446 | 304 |
| Gross profit | 169 | 175 | 337 | 335 |
| Operating expenses: | | | | |
| Sales and marketing | 141 | 132 | 282 | 258 |
| Product development | 15 | 13 | 29 | 27 |
| General and administrative | 9 | 4 | 21 | 8 |
| Total operating expenses | 165 | 149 | 332 | 293 |
| Income (loss) from operations of discontinued operations | 4 | 26 | 5 | 42 |
| Interest and other, net | 1 | — | 1 | — |
| Income (loss) from discontinued operations before income taxes | 5 | 26 | 6 | 42 |
| Income tax benefit (provision) | (2) | (6) | (2) | (12) |
| Income (loss) from discontinued operations, net of income taxes | $ 3 | $ 20 | $ 4 | $ 30 |

For the three and six months ended June 30, 2021 and 2020, the discontinued operations activity related to our former PayPal and Enterprise businesses was immaterial.

The following table presents the aggregate carrying amounts of assets and liabilities of discontinued operations for Classifieds in the condensed consolidated balance sheet (in millions):

| | December 31, 2020 |
|---|---|
| Carrying amounts of assets included as part of discontinued operations: | |
| Cash and cash equivalents | $ 23 |
| Accounts receivable, net | 117 |
| Other current assets | 30 |
| Long-term investments | 32 |
| Property and equipment, net | 31 |
| Goodwill | 465 |
| Intangible assets, net | 35 |
| Operating lease right-of-use assets | 20 |
| Deferred tax assets | 435 |
| Total assets classified as discontinued operations in the condensed consolidated balance sheet | $ 1,188 |
| | |
| Carrying amounts of liabilities included as part of discontinued operations: | |
| Accounts payable | $ 18 |
| Accrued expenses and other current liabilities | 104 |
| Deferred revenue | 4 |
| Income taxes payable | 35 |
| Operating lease liabilities | 11 |
| Deferred tax liabilities | 278 |
| Other liabilities | 2 |
| Total liabilities classified as discontinued operations in the condensed consolidated balance sheet | $ 452 |

The following table presents the aggregate carrying amounts of held for sale assets and liabilities related to eBay Korea in the condensed consolidated balance sheet (in millions):

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Carrying amounts of assets included as part of held for sale: | | |
| Cash and cash equivalents | $ 162 | $ 327 |
| Short-term investments | — | 6 |
| Accounts receivable, net | 49 | 50 |
| Customer accounts and funds receivable | 590 | 649 |
| Other current assets | 61 | 45 |
| Property and equipment, net | 63 | 66 |
| Goodwill | 383 | 390 |
| Operating lease right-of-use assets | 69 | 79 |
| Deferred tax assets | 22 | — |
| Other assets | 15 | 14 |
| Total assets classified as held for sale in the condensed consolidated balance sheet | $ 1,414 | $ 1,626 |
| | | |
| Carrying amounts of liabilities included as part of held for sale: | | |
| Short-term debt | $ 11 | $ 12 |
| Accounts payable | 58 | 54 |
| Customer accounts and funds payable | 559 | 673 |
| Accrued expenses and other current liabilities | 70 | 91 |
| Deferred revenue | 11 | 12 |
| Income taxes payable | 6 | 13 |
| Operating lease liabilities | 54 | 64 |
| Deferred tax liabilities | 12 | (9) |
| Long-term debt | 1 | 5 |
| Other liabilities | 4 | 3 |
| Total liabilities classified as held for sale in the condensed consolidated balance sheet | $ 786 | $ 918 |

## Note 4 — Goodwill

### *Goodwill*

The following table presents goodwill activity during the six months ended June 30, 2021 (in millions):

| | December 31, 2020 | Goodwill Acquired | Adjustments | June 30, 2021 |
|---|---|---|---|---|
| Goodwill | $ 4,285 | $ — | $ (73) | $ 4,212 |

The adjustments to goodwill during the six months ended June 30, 2021 were primarily due to foreign currency translation.

**Note 5 — Segments**

We have one operating and reportable segment. Our reportable segment is Marketplace, which includes our online marketplace located at www.ebay.com, its localized counterparts and the eBay suite of mobile apps. Our management and our CODM review financial information presented on a consolidated basis for purposes of allocating resources and evaluating performance and do not evaluate using asset information. The accounting policies of our segment are the same as those described in "Note 1 – The Company and Summary of Significant Accounting Policies".

The following table summarizes net revenues by type for the periods presented (in millions):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Net revenues by type | | | | |
| Net transaction revenues | $ 2,496 | $ 2,185 | $ 4,972 | $ 3,837 |
| Marketing services and other revenues | 172 | 152 | 334 | 321 |
| Total net revenues | $ 2,668 | $ 2,337 | $ 5,306 | $ 4,158 |

The following table summarizes the allocation of net revenues based on geography (in millions):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| U.S. | $ 1,304 | $ 1,086 | $ 2,600 | $ 1,908 |
| United Kingdom | 498 | 444 | 1,001 | 771 |
| Germany | 337 | 298 | 681 | 530 |
| Rest of world | 529 | 509 | 1,024 | 949 |
| Total net revenues | $ 2,668 | $ 2,337 | $ 5,306 | $ 4,158 |

Net revenues, inclusive of the effects of foreign exchange during each period, are attributed to U.S. and international geographies primarily based upon the country in which the seller, platform that displays advertising, other service provider or customer, as the case may be, is located.

**Note 6 — Investments**

The following tables summarize the unrealized gains and losses and estimated fair value of our investments classified as available-for-sale and restricted cash (in millions):

| | June 30, 2021 | | | |
|---|---|---|---|---|
| | Gross Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
| Short-term investments: | | | | |
| Restricted cash | $ 15 | $ — | $ — | $ 15 |
| Corporate debt securities | 4,596 | 2 | — | 4,598 |
| Government and agency securities | 125 | — | — | 125 |
| | $ 4,736 | $ 2 | $ — | $ 4,738 |
| Long-term investments: | | | | |
| Corporate debt securities | 635 | 2 | (1) | 636 |
| Government and agency securities | 109 | — | — | 109 |
| | $ 744 | $ 2 | $ (1) | $ 745 |

| | December 31, 2020 | | | |
|---|---|---|---|---|
| | Gross Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
| Short-term investments: | | | | |
| Restricted cash | $ 137 | $ — | $ — | $ 137 |
| Corporate debt securities | 2,252 | 3 | — | 2,255 |
| | $ 2,389 | $ 3 | $ — | $ 2,392 |
| Long-term investments: | | | | |
| Corporate debt securities | 284 | 2 | — | 286 |
| | $ 284 | $ 2 | $ — | $ 286 |

We consider cash to be restricted when withdrawal or general use is legally restricted. At December 31, 2020 our restricted cash balance primarily comprised of cash on deposit with banks restricted to safeguard seller payables.

Investments classified as available-for-sale are carried at fair value with changes reflected in other comprehensive income. Where there is an intention or a requirement to sell an impaired available-for-sale debt security, the entire impairment is recognized in earnings with a corresponding adjustment to the amortized cost basis of the security. We presently do not intend to sell any of the available-for-sale debt securities in an unrealized loss position and expect to realize the full value of all these investments upon maturity or sale.

We regularly review investment securities for credit impairment using both qualitative and quantitative criteria. In making this assessment, we consider the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, any adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses will be recorded through interest and other, net for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income. We did not recognize any credit-related impairment through an allowance for credit losses as of June 30, 2021.

Investment securities in a continuous loss position for less than 12 months had an estimated fair value of $3.0 billion and an immaterial amount of unrealized losses as of June 30, 2021, and an estimated fair value of $261 million and an immaterial amount of unrealized losses as of December 31, 2020. As of June 30, 2021 and December 31, 2020 there were no investment securities in a continuous loss position for greater than 12 months. Refer to “Note 15 – Accumulated Other Comprehensive Income” for amounts reclassified to earnings from unrealized gains and losses.

The estimated fair values of our short-term and long-term investments classified as available-for-sale and restricted cash by date of contractual maturity as of June 30, 2021 are as follows (in millions):

| | June 30, 2021 |
|---|---|
| One year or less (including restricted cash of $15) | $ 4,738 |
| One year through two years | 243 |
| Two years through three years | 289 |
| Three years through four years | 80 |
| Four years through five years | 133 |
| | $ 5,483 |

***Equity Investments***

The following table provides a summary of our equity investments (in millions):

| | Balance Sheet Location | June 30, 2021 | December 31, 2020 |
|---|---|---|---|
| Equity investment in Adevinta | Equity investment in Adevinta | $ 10,354 | $ — |
| Equity investments without readily determinable fair values | Long-term investments | 571 | 539 |
| Equity investments under the equity method of accounting | Long-term investments | 7 | 8 |
| Total equity investments | | $ 10,932 | $ 547 |

During the second quarter of 2021, we recorded an upward adjustment for an observable price change of $41 million to the carrying value of a strategic investment. The upward adjustment was recorded in interest and other, net on our condensed consolidated statement of income.

Upon completion of the transfer of our Classifieds business to Adevinta we retained an equity investment of 44% in Adevinta valued at $10.8 billion at the close of the transfer. At the initial recognition of the equity investment, we elected the fair value option where subsequent changes in fair value are recognized in earnings. The investment is classified within Level 1 in the fair value hierarchy as the valuation can be obtained from real time quotes in active markets. The fair value of the equity investment is measured based on Adevinta’s closing stock price and prevailing foreign exchange rate at each balance sheet date and the changes in fair value are reflected in interest and other, net in the condensed consolidated statement of income. We believe the fair value option election creates more transparency of the current value in the equity investment in Adevinta. Our non-voting shares are convertible to voting shares on a one-to-one basis, subject to a limitation of 33% voting interest. For the three and six months ended June 30, 2021 a loss of $422 million was recorded in interest and other, net on our condensed consolidated statement of income related to the investment.

On July 14, 2021, we entered into a share purchase agreement with Permira to sell approximately 125 million of our voting shares in Adevinta for total consideration of $2.25 billion. The price represents an approximate 7% discount to the 10-day VWAP of Adevinta shares as of July 12, 2021 and a 5% discount to the 30-day VWAP as of July 12, 2021. In addition, we granted Permira an option, exercisable within 30 days after the date of the purchase agreement, to purchase approximately 10 million additional voting shares for $180 million in consideration. On July 29, 2021, Permira exercised the option. At the close of both transactions, our ownership in Adevinta will be reduced to 33%. The transactions are expected to close in the fourth quarter of 2021, subject to the receipt of required regulatory approvals.

The following table provides a summary of unrealized gains and losses recorded in interest and other, net during the three and six months ended June 30, 2021 and 2020 related to equity investments held at June 30, 2021 (in millions):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Net gains/(losses) recognized during the period on equity investments | $ (380) | $ — | $ (380) | $ — |
| Less: Net gains/(losses) recognized during the period on equity investments sold during the period | — | — | — | — |
| Total unrealized gains/(losses) on equity investments still held at June 30, 2021 | $ (380) | $ — | $ (380) | $ — |

The following table summarizes the change in total carrying value during the three and six months ended June 30, 2021 and 2020 related to equity investments without readily determinable fair values still held (in millions):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Carrying value, beginning of period | $ 528 | $ 296 | $ 539 | $ 307 |
| Additions | 1 | — | 1 | — |
| Upward adjustments for observable price changes | 41 | — | 41 | — |
| Downward adjustments for observable price changes and impairment | — | (40) | — | (40) |
| Foreign currency translation and other | 1 | 5 | (10) | (6) |
| Carrying value, end of period | $ 571 | $ 261 | $ 571 | $ 261 |

For such equity investments without readily determinable fair values still held at June 30, 2021, the cumulative upward adjustment for observable price changes were $280 million and cumulative downward adjustments for observable price changes and impairments were $121 million.

**Note 7 — Derivative Instruments**

Our primary objective in holding derivatives is to reduce the volatility of earnings and cash flows associated with changes in foreign currency exchange rates and interest rates. These hedging contracts reduce, but do not entirely eliminate, the impact of adverse foreign exchange rate and interest rate movements. We do not use any of our derivative instruments for trading purposes.

We use foreign currency exchange contracts to reduce the volatility of cash flows related to forecasted revenues, expenses, assets and liabilities, including intercompany balances denominated in foreign currencies. These contracts are generally one month to one year in duration but with maturities up to 24 months. The objective of the foreign exchange contracts is to better ensure that ultimately the U.S. dollar-equivalent cash flows are not adversely affected by changes in the applicable U.S. dollar/foreign currency exchange rate. We evaluate the effectiveness of our foreign exchange contracts designated as cash flow or net investment hedges on a quarterly basis.

In 2020, we began to hedge the variability of forecasted interest payments on anticipated debt issuance using forward-starting interest rate swaps. These interest rate swaps effectively fixed the benchmark interest rate and had the economic effect of hedging the variability of forecasted interest payments for up to 10 years on an anticipated debt issuance. Similar to other cash flow hedges, we recorded changes in the fair value of these interest rate swaps in accumulated other comprehensive income (loss) until the anticipated debt issuance. In May 2021, we issued $2.5 billion of senior unsecured notes, which consisted of notes maturing in 2026, 2031 and 2051. As a result, we terminated the interest rate swaps and the gain associated with the termination of approximately $45 million will be amortized to interest expense over the terms of our notes due in May 2026 and May 2031.

During 2020, we began to hedge the variability of the cash flows in interest payments associated with our floating-rate debt using interest rate swaps. These interest rate swap agreements effectively convert our floating-rate debt that is based on London Interbank Offered Rate ("LIBOR") to a fixed-rate basis, reducing the impact of interest-rate changes on future interest expense. The total notional amount of these interest rate swaps was $400 million as of June 30, 2021 with terms calling for us to receive interest at a variable rate and to pay interest at a fixed rate. Our interest rate swap contracts have maturity dates in 2023. Similar to other cash flow hedges, we record changes in the fair value of these interest rate swaps in accumulated other comprehensive income (loss) and their fair value will be amortized over the term of the debt to interest expense.

***Cash Flow Hedges***

For derivative instruments that are designated as cash flow hedges, the derivative's gain or loss is initially reported as a component of accumulated other comprehensive income ("AOCI") and subsequently reclassified into earnings in the same period the forecasted hedged transaction affects earnings. Derivative instruments designated as cash flow hedges must be de-designated as hedges when it is probable the forecasted hedged transaction will not occur in the initially identified time period or within a subsequent two-month time period. Unrealized gains and losses in AOCI associated with such derivative instruments are immediately reclassified into earnings. As of June 30, 2021, we have estimated that approximately $43 million of net derivative loss related to our foreign exchange cash flow hedges and $1 million net derivative loss related to our interest rate cash flow hedges included in accumulated other comprehensive income will be reclassified into earnings within the next 12 months. We classify cash flows related to our cash flow hedges as operating activities in our condensed consolidated statement of cash flows.

***Non-Designated Hedges***

Our derivatives not designated as hedging instruments consist of foreign currency forward contracts that we primarily use to hedge monetary assets or liabilities, including intercompany balances denominated in non-functional currencies. The gains and losses on our derivatives not designated as hedging instruments are recorded in interest and other, net, which are offset by the foreign currency gains and losses on the related assets and liabilities that are also recorded in interest and other, net. We classify cash flows related to our non-designated hedging instruments as operating activities in our condensed consolidated statement of cash flows.

***Warrant***

We entered into a warrant agreement in conjunction with a commercial agreement with Adyen that, subject to meeting certain conditions, entitles us to acquire a fixed number of shares up to 5% of Adyen's fully diluted issued and outstanding share capital at a specific date. The warrant has a term of seven years and will vest in a series of four tranches, at a specified price per share (fixed for the first two tranches) upon meeting processing volume milestone targets on a calendar year basis. If and when a relevant milestone is reached, the warrant becomes exercisable with respect to the corresponding tranche of warrant shares up until the warrant expiration date of January 31, 2025. The maximum number of tranches that can vest in one calendar year is two.

The warrant is accounted for as a derivative under ASC Topic 815, *Derivatives and Hedging*. We report the warrant at fair value within warrant asset in our condensed consolidated balance sheets and changes in the fair value of the warrant are recognized in interest and other, net in our condensed consolidated statement of income. The day-one value attributable to the other side of the warrant, which was recorded as a deferred credit, is reported within other liabilities in our condensed consolidated balance sheets and will be amortized over the life of the commercial arrangement.

***Fair Value of Derivative Contracts***

The fair values of our outstanding derivative instruments were as follows (in millions):

| | Balance Sheet Location | June 30, 2021 | December 31, 2020 |
|---|---|---|---|
| **Derivative Assets:** | | | |
| Foreign exchange contracts designated as cash flow hedges | Other Current Assets | $ 22 | $ 12 |
| Foreign exchange contracts not designated as hedging instruments | Other Current Assets | 13 | 23 |
| Warrant | Warrant Asset | 1,123 | 1,051 |
| Foreign exchange contracts designated as cash flow hedges | Other Assets | 22 | 14 |
| Interest rate contracts designated as cash flow hedges | Other Assets | — | 13 |
| Total derivative assets | | $ 1,180 | $ 1,113 |
| | | | |
| **Derivative Liabilities:** | | | |
| Foreign exchange contracts designated as cash flow hedges | Other Current Liabilities | $ 9 | $ 17 |
| Foreign exchange contracts not designated as hedging instruments | Other Current Liabilities | 15 | 25 |
| Interest rate contracts designated as cash flow hedges | Other Current Liabilities | 1 | 1 |
| Interest rate contracts designated as cash flow hedges | Other Liabilities | 1 | 1 |
| Total derivative liabilities | | $ 26 | $ 44 |
| | | | |
| Total fair value of derivative instruments | | $ 1,154 | $ 1,069 |

Under the master netting agreements with the respective counterparties to our derivative contracts, subject to applicable requirements, we are allowed to net settle transactions of the same type with a single net amount payable by one party to the other. However, we have elected to present the derivative assets and derivative liabilities on a gross basis on our condensed consolidated balance sheet. As of June 30, 2021, the potential effect of rights of set-off associated with the foreign exchange contracts would be an offset to both assets and liabilities by $21 million, resulting in net derivative assets of $36 million and net derivative liabilities of $4 million. As of June 30, 2021, the potential effect of rights of set-off associated with the interest rate contracts would be an offset to both assets and liabilities by zero, resulting in net derivative assets of zero and net derivative liabilities of $1 million.

***Effect of Derivative Contracts on Accumulated Other Comprehensive Income***

The following tables present the activity of derivative instruments designated as cash flow hedges as of June 30, 2021 and December 31, 2020, and the impact of these derivative contracts on AOCI for the six months ended June 30, 2021 and 2020 (in millions):

| | December 31, 2020 | Amount of Gain (Loss) Recognized in Other Comprehensive Income | Less: Amount of Gain (Loss) Reclassified From AOCI to Earnings | June 30, 2021 |
|---|---|---|---|---|
| Foreign exchange contracts designated as cash flow hedges | $ (95) | $ (6) | $ (44) | $ (57) |
| Interest rate contracts designated as cash flow hedges | 10 | 22 | — | 32 |
| Total | $ (85) | $ 16 | $ (44) | $ (25) |

| | December 31, 2019 | Amount of Gain (Loss) Recognized in Other Comprehensive Income | Less: Amount of Gain (Loss) Reclassified From AOCI to Earnings | June 30, 2020 |
|---|---|---|---|---|
| Foreign exchange contracts designated as cash flow hedges | $ (9) | $ 21 | $ 17 | $ (5) |
| Interest rate contracts designated as cash flow hedges | — | (3) | — | (3) |
| Total | $ (9) | $ 18 | $ 17 | $ (8) |

***Effect of Derivative Contracts on Condensed Consolidated Statement of Income***

The following table provides a summary of the total gain (loss) recognized in the condensed consolidated statement of income from our foreign exchange derivative contracts by location (in millions):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Foreign exchange contracts designated as cash flow hedges recognized in net revenues | $ (18) | $ 17 | $ (46) | $ 17 |
| Foreign exchange contracts designated as cash flow hedges recognized in cost of net revenues | 1 | — | 2 | — |
| Foreign exchange contracts not designated as hedging instruments recognized in interest and other, net | — | (1) | (6) | 9 |
| Total gain (loss) recognized from foreign exchange derivative contracts in the condensed consolidated statement of income | $ (17) | $ 16 | $ (50) | $ 26 |

The following table provides a summary of the total gain (loss) recognized in the condensed consolidated statement of income from our interest rate derivative contracts by location (in millions):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Gain (loss) from interest rate contracts designated as cash flow hedges recognized in interest and other, net | $ 1 | $ — | $ — | $ — |

The following table provides a summary of the total gain (loss) recognized in the condensed consolidated statement of income due to changes in the fair value of the warrant (in millions):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Gain (loss) attributable to changes in the fair value of warrant recognized in interest and other, net | $ 108 | $ 293 | $ 72 | $ 305 |

***Notional Amounts of Derivative Contracts***

Derivative transactions are measured in terms of the notional amount, but this amount is not recorded on the balance sheet and is not, when viewed in isolation, a meaningful measure of the risk profile of the instruments. The notional amount is generally not exchanged, but is used only as the basis on which the value of foreign exchange payments under these contracts are determined. The following table provides the notional amounts of our outstanding derivatives (in millions):

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Foreign exchange contracts designated as cash flow hedges | $ 2,376 | $ 2,305 |
| Foreign exchange contracts not designated as hedging instruments | 3,613 | 3,016 |
| Interest rate contracts designated as cash flow hedges | 400 | 1,100 |
| Total | $ 6,389 | $ 6,421 |

***Credit Risk***

Our derivatives expose us to credit risk to the extent that the counterparties may be unable to meet the terms of the arrangement. We seek to mitigate such risk by limiting our counterparties to, and by spreading the risk across, major financial institutions. In addition, the potential risk of loss with any one counterparty resulting from this type of credit risk is monitored on an ongoing basis. To further limit credit risk, we also enter into collateral security arrangements related to certain interest rate derivative instruments whereby collateral is posted between counterparties if the fair value of the derivative instrument exceeds certain thresholds. Additional collateral would be required in the event of a significant credit downgrade by either party. We are not required to pledge, nor are we entitled to receive, collateral related to our foreign exchange derivative transactions.

**Note 8 — Fair Value Measurement of Assets and Liabilities**

The following tables present our financial assets and liabilities measured at fair value on a recurring basis (in millions):

| | June 30, 2021 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| ***Assets:*** | | | | |
| Cash and cash equivalents | $ 2,128 | $ 2,128 | $ — | $ — |
| Short-term investments: | | | | |
| Restricted cash | 15 | 15 | — | — |
| Corporate debt securities | 4,598 | — | 4,598 | — |
| Government and agency securities | 125 | — | 125 | — |
| Total short-term investments | 4,738 | 15 | 4,723 | — |
| Equity investment in Adevinta | 10,354 | 10,354 | — | — |
| Derivatives | 1,180 | — | 57 | 1,123 |
| Long-term investments: | | | | |
| Corporate debt securities | 636 | — | 636 | — |
| Government and agency securities | 109 | — | 109 | — |
| Total long-term investments | 745 | — | 745 | — |
| Total financial assets | $ 19,145 | $ 12,497 | $ 5,525 | $ 1,123 |
| | | | | |
| ***Liabilities:*** | | | | |
| Derivatives | $ 26 | $ — | $ 26 | $ — |

| | December 31, 2020 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| ***Assets:*** | | | | |
| Cash and cash equivalents | $ 1,101 | $ 890 | $ 211 | $ — |
| Short-term investments: | | | | |
| Restricted cash | 137 | 137 | — | — |
| Corporate debt securities | 2,255 | — | 2,255 | — |
| Total short-term investments | 2,392 | 137 | 2,255 | — |
| Derivatives | 1,113 | — | 62 | 1,051 |
| Long-term investments: | | | | |
| Corporate debt securities | 286 | — | 286 | — |
| Total long-term investments | 286 | — | 286 | — |
| Total financial assets | $ 4,892 | $ 1,027 | $ 2,814 | $ 1,051 |
| | | | | |
| ***Liabilities:*** | | | | |
| Derivatives | $ 44 | $ — | $ 44 | $ — |

Our financial assets and liabilities are valued using market prices on both active markets (Level 1), less active markets (Level 2) and little or no market activity (Level 3). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Level 2 instrument valuations are obtained from readily available pricing sources for comparable instruments, identical instruments in less active markets, or models using market observable inputs. Level 3 instrument valuations typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability. We did not have any transfers of financial instruments between valuation levels during the six months ended June 30, 2021.

The majority of our derivative instruments are valued using pricing models that take into account the contract terms as well as multiple inputs where applicable, such as equity prices, interest rate yield curves, option volatility and currency rates. Our warrant, which is accounted for as a derivative instrument, is valued using a Black-Scholes model. Key assumptions used in the valuation include risk-free interest rates; Adyen's common stock price, equity volatility and common stock outstanding; exercise price; and details specific to the warrant. The value is also probability adjusted for management's assumptions with respect to vesting of the four tranches which are each subject to meeting processing volume milestone targets. These assumptions and the probability of meeting processing volume milestone targets may have a significant impact on the value of the warrant. Refer to "Note 7 – Derivative Instruments" for further details on our derivative instruments.

Upon completion of the transfer of our Classifieds business to Adevinta we retained an equity investment of 44% in Adevinta valued at $10.8 billion. The investment is accounted for under the fair value option and classified within Level 1 in the fair value hierarchy as the valuation can be obtained from real time quotes in active markets. The fair value of the equity investment is measured based on Adevinta's closing stock price and prevailing foreign exchange rate at each balance sheet date and the changes in fair value are reflected in interest and other, net in the condensed consolidated statement of income. Refer to "Note 6 – Investments" for further details.

On July 14, 2021, we entered into a share purchase agreement with Permira to sell approximately 125 million of our voting shares in Adevinta for total consideration of $2.25 billion. The price represents an approximate 7% discount to the 10-day VWAP of Adevinta shares as of July 12, 2021 and a 5% discount to the 30-day VWAP as of July 12, 2021. In addition, we granted Permira an option, exercisable within 30 days after the date of the purchase agreement, to purchase approximately 10 million additional voting shares for $180 million in consideration. On July 29, 2021, Permira exercised the option. At the close of both transactions, our ownership in Adevinta will be reduced to 33%. The transactions are expected to close in the fourth quarter of 2021, subject to the receipt of required regulatory approvals.

Other financial instruments, including accounts receivable and accounts payable, are carried at cost, which approximates their fair value because of the short-term nature of these instruments.

The following tables present a reconciliation of the opening to closing balance of assets measured using significant unobservable inputs (Level 3) (in millions):

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Opening balance at beginning of period | $ 1,051 | $ 281 |
| Change in fair value | 72 | 770 |
| Closing balance at end of period | $ 1,123 | $ 1,051 |

The following table presents quantitative information about Level 3 significant unobservable inputs used in the fair value measurement of the warrant as of June 30, 2021 (in millions):

| | Fair value | Valuation technique | Unobservable Input | Range (weighted average)[1] |
|---|---|---|---|---|
| Warrant | $ 1,123 | Black-Scholes and Monte Carlo | Probability of vesting | 0.0% - 95.0% (71%) |
| | | | Equity volatility | 24.1% - 61.0% (42%) |

[1] Probability of vesting were weighted by the unadjusted value of the tranches. For volatility, the average represents the arithmetic average of the points within the range and is not weighted by the relative fair value or notional amount.

## Note 9 — Debt

The following table summarizes the carrying value of our outstanding debt (in millions, except percentages):

| | Coupon Rate | As of June 30, 2021 | Effective Interest Rate | As of December 31, 2020 | Effective Interest Rate |
|---|---|---|---|---|---|
| **Long-Term Debt** | | | | | |
| Floating Rate Notes: | | | | | |
| Senior notes due 2023 | LIBOR plus 0.87% | $ 400 | 1.158 % | $ 400 | 1.187 % |
| | | | | | |
| Senior notes due 2022 | 3.800% | 750 | 3.989 % | 750 | 3.989 % |
| Senior notes due 2022 | 2.600% | 605 | 2.678 % | 1,000 | 2.678 % |
| Senior notes due 2023 | 2.750% | 750 | 2.866 % | 750 | 2.866 % |
| Senior notes due 2024 | 3.450% | 750 | 3.531 % | 750 | 3.531 % |
| Senior notes due 2025 | 1.900% | 800 | 1.803 % | 800 | 1.803 % |
| Senior notes due 2026 | 1.400% | 750 | 1.252 % | — | — % |
| Senior notes due 2027 | 3.600% | 850 | 3.689 % | 850 | 3.689 % |
| Senior notes due 2030 | 2.700% | 950 | 2.623 % | 950 | 2.623 % |
| Senior notes due 2031 | 2.600% | 750 | 2.186 % | — | — % |
| Senior notes due 2042 | 4.000% | 750 | 4.114 % | 750 | 4.114 % |
| Senior notes due 2051 | 3.650% | 1,000 | 2.517 % | — | — % |
| Senior notes due 2056 | 6.000% | — | — % | 750 | 6.547 % |
| Total senior notes | | 9,105 | | 7,750 | |
| Hedge accounting fair value adjustments [1] | | 9 | | 10 | |
| Unamortized premium/(discount) and debt issuance costs | | (33) | | (20) | |
| Less: Current portion of long-term debt | | (750) | | — | |
| Total long-term debt | | 8,331 | | 7,740 | |
| | | | | | |
| **Short-Term Debt** | | | | | |
| Current portion of long-term debt | | 750 | | — | |
| Unamortized premium/(discount) and debt issuance costs | | (1) | | — | |
| Other short-term borrowings | | 12 | | 6 | |
| Total short-term debt | | 761 | | 6 | |
| **Total Debt** | | $ 9,092 | | $ 7,746 | |

[1] Includes the fair value adjustments to debt associated with terminated interest rate swaps which are being recorded as a reduction to interest expense over the remaining term of the related notes.

### *Senior Notes*

On January 29, 2021, the company announced that it issued a notice of redemption for the $750 million aggregate principal amount of the 6.000% senior notes due 2056. The effective date of this redemption was March 1, 2021. Total cash consideration paid was $750 million, as the redemption price was equal to 100% of the principal amount. In addition, we paid accrued and unpaid interest on the principal amount.

In March 2021, we settled cash tender offers with holders of approximately 39% of the total outstanding $1 billion aggregate principal amount of the 2.600% senior fixed rate notes due 2022. Total cash consideration paid for these purchases was $405 million and the carrying amount of the notes was $395 million, resulting in a loss on extinguishment of $10 million (including immaterial fees and other costs associated with the tender), which was recorded in interest and other, net in our condensed consolidated statement of income. In addition, we paid any accrued interest on the tendered notes up to, but not including the date of settlement.

In May 2021, we issued senior notes, in an aggregate principal amount of $2.5 billion, which consisted of $750 million of 1.400% fixed rate notes due 2026, $750 million of 2.600% fixed rate notes due to 2031 and $1.0 billion of 3.650% fixed rate notes due 2051.

None of the floating rate notes are redeemable prior to maturity. We may redeem some or all of the other fixed rate notes of each series at any time and from time to time prior to their maturity, generally at a make-whole redemption price, plus accrued and unpaid interest.

If a change of control triggering event (as defined in the applicable senior notes) occurs with respect to the 3.800% fixed rate notes due 2022, the floating rate notes due 2023, the 2.750% fixed rate notes due 2023, the 1.900% fixed rate notes due 2025, the 1.400% fixed rate notes due 2026, the 3.600% fixed rate notes due 2027, the 2.700% fixed rate notes due 2030, the 2.600% fixed rate notes due 2031 or the 3.650% fixed rate notes due 2051, we must, subject to certain exceptions, offer to repurchase all of the notes of the applicable series at a price equal to 101% of the principal amount, plus accrued and unpaid interest.

The indenture pursuant to which the senior notes were issued includes customary covenants that, among other things and subject to exceptions, limit our ability to incur, assume or guarantee debt secured by liens on specified assets or enter into sale and lease-back transactions with respect to specified properties, and also includes customary events of default with customary grace periods in certain circumstances, including payment defaults and bankruptcy-related defaults.

To help achieve our interest rate risk management objectives, during the second quarter of 2020, we entered into interest rate swap agreements that effectively converted $400 million of our LIBOR-based floating-rate debt to a fixed-rate basis. These swaps were designated as cash flow hedges and have maturity dates in 2023.

The effective interest rates for our senior notes include the interest payable, the amortization of debt issuance costs and the amortization of any original issue discount and premium on these senior notes. Interest on these senior notes is payable either quarterly or semiannually. Interest expense associated with these senior notes, including amortization of debt issuance costs, was approximately $59 million and $74 million during the three months ended June 30, 2021 and 2020, respectively, and $125 million and $144 million during the six months ended June 30, 2021 and 2020.

As of June 30, 2021 and December 31, 2020, the estimated fair value of these senior notes, using Level 2 inputs, was approximately $9.5 billion and $8.3 billion, respectively.

***Commercial Paper***

We have a commercial paper program pursuant to which we may issue commercial paper notes in an aggregate principal amount at maturity of up to $1.5 billion outstanding at any time with maturities of up to 397 days from the date of issue. As of June 30, 2021, there were no commercial paper notes outstanding.

***Credit Agreement***

In March 2020, we entered into a credit agreement that provides for an unsecured $2 billion five-year credit facility. We may also, subject to the agreement of the applicable lenders, increase commitments under the revolving credit facility by up to $1 billion. Funds borrowed under the credit agreement may be used for working capital, capital expenditures, acquisitions and other general corporate purposes. The credit agreement replaced our prior $2 billion unsecured revolving credit agreement dated November 2015, which was terminated effective March 2020.

As of June 30, 2021, no borrowings were outstanding under our $2 billion credit agreement. However, as described above, we have an up to $1.5 billion commercial paper program and are required to maintain available borrowing capacity under our credit agreement in order to repay commercial paper borrowings in the event we are unable to repay those borrowings from other sources when they become due, in an aggregate amount of $1.5 billion. As of June 30, 2021, no borrowings were outstanding under our commercial paper program; therefore, $2 billion of borrowing capacity was available for other purposes permitted by the credit agreement, subject to customary conditions to borrowing. The credit agreement includes a covenant limiting our consolidated leverage ratio to no more than 4.0:1.0, subject to, upon the occurrence of a qualified material acquisition, if so elected by us, a step-up to 4.5:1.0 for the four fiscal quarters completed following such qualified material acquisition. The credit agreement includes customary events of default, with corresponding grace periods in certain circumstances, including payment defaults, cross-defaults and bankruptcy-related defaults. In addition, the credit agreement

contains customary affirmative and negative covenants, including restrictions regarding the incurrence of liens and subsidiary indebtedness, in each case, subject to customary exceptions. The credit agreement also contains customary representations and warranties.

We were in compliance with all financial covenants in our outstanding debt instruments during the six months ended June 30, 2021.

**Note 10 — Balance Sheet Components**

***Contract Balances***

Timing of revenue recognition may differ from the timing of invoicing to customers. Accounts receivable represents amounts invoiced and revenue recognized prior to invoicing when we have satisfied our performance obligation and have the unconditional right to payment. The allowance for doubtful accounts and authorized credits is estimated based upon our assessment of various factors including historical experience, the age of the accounts receivable balances, current economic conditions reasonable and supportable forecasts, and other factors that may affect our customers' ability to pay. The allowance for doubtful accounts and authorized credits was $115 million and $136 million as of June 30, 2021 and December 31, 2020, respectively. As of June 30, 2021, we reported allowances for doubtful accounts of $80 million reflecting a decrease of $17 million, net of write-offs of $65 million for the six months ended June 30, 2021.

Deferred revenue consists of fees received related to unsatisfied performance obligations at the end of the period. Due to the generally short-term duration of contracts, the majority of the performance obligations are satisfied in the following reporting period. The amount of revenue recognized for the six month period ended June 30, 2021 that was included in the deferred revenue balance at the beginning of the period was $46 million. The amount of revenue recognized for the six month period ended June 30, 2020 that was included in the deferred revenue balance at the beginning of the period was $64 million.

***Cash, cash equivalents and restricted cash***

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Cash and cash equivalents | $ 2,128 | $ 1,101 |
| Customer accounts | 1 | — |
| Restricted cash included in short-term investments | 15 | 137 |
| Cash, cash equivalents and restricted cash | $ 2,144 | $ 1,238 |

***Customer accounts and funds receivable***

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Cash and cash equivalents | $ 1 | $ — |
| Funds receivable | 484 | 290 |
| Customer accounts and funds receivable | $ 485 | $ 290 |

**Note 11 — Commitments and Contingencies**

***Off-Balance Sheet Arrangements***

As of June 30, 2021, we had no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our consolidated financial condition, results of operations, liquidity, capital expenditures or capital resources.

We have a cash pooling arrangement with a financial institution for cash management purposes. This arrangement allows for cash withdrawals from the financial institution based upon our aggregate operating cash balances held within the same financial institution ("Aggregate Cash Deposits"). This arrangement also allows us to withdraw amounts exceeding the Aggregate Cash Deposits up to an agreed-upon limit. The net balance of the withdrawals and the Aggregate Cash Deposits are used by the financial institution as a basis for calculating our net

interest expense or income under the arrangement. As of June 30, 2021, we had a total of $2.1 billion in aggregate cash deposits, partially offset by $1.9 billion in cash withdrawals, held within the financial institution under the cash pooling arrangement.

***Litigation and Other Legal Matters***

Overview

We are involved in legal and regulatory proceedings on an ongoing basis. Many of these proceedings are in early stages and may seek an indeterminate amount of damages. If we believe that a loss arising from such matters is probable and can be reasonably estimated, we accrue the estimated liability in our financial statements. If only a range of estimated losses can be determined, we accrue an amount within the range that, in our judgment, reflects the most likely outcome; if none of the estimates within that range is a better estimate than any other amount, we accrue the low end of the range. For those proceedings in which an unfavorable outcome is reasonably possible but not probable, we have disclosed an estimate of the reasonably possible loss or range of losses or we have concluded that an estimate of the reasonably possible loss or range of losses arising directly from the proceeding (i.e., monetary damages or amounts paid in judgment or settlement) is not material. If we cannot estimate the probable or reasonably possible loss or range of losses arising from a proceeding, we have disclosed that fact. In assessing the materiality of a proceeding, we evaluate, among other factors, the amount of monetary damages claimed, as well as the potential impact of non-monetary remedies sought by plaintiffs (e.g., injunctive relief) that may require us to change our business practices in a manner that could have a material adverse impact on our business. With respect to the matters disclosed in this Note 11, we are unable to estimate the possible loss or range of losses that could potentially result from the application of such non-monetary remedies.

Amounts accrued for legal and regulatory proceedings for which we believe a loss is probable were not material for the six months ended June 30, 2021. We have concluded, based on currently available information, that reasonably possible losses arising directly from the proceedings (i.e., monetary damages or amounts paid in judgment or settlement) in excess of our recorded accruals are also not material. However, legal and regulatory proceedings are inherently unpredictable and subject to significant uncertainties. If one or more matters were resolved against us in a reporting period for amounts in excess of management's expectations, the impact on our operating results or financial condition for that reporting period could be material. Legal fees are expensed as incurred.

General Matters

Third parties have from time to time claimed, and others may claim in the future, that we have infringed their intellectual property rights. We are subject to patent disputes, and expect that we could be subject to additional patent infringement claims involving various aspects of our business as our products and services continue to expand in scope and complexity. Such claims may be brought directly or indirectly against us and/or against our customers (who may be entitled to contractual indemnification under their contracts with us), and we are subject to increased exposure to such claims as a result of our acquisitions and divestitures and in cases where we are entering new lines of business. We have in the past been forced to litigate such claims. We may also become more vulnerable to third-party claims as laws such as the Digital Millennium Copyright Act, the Lanham Act and the Communications Decency Act are interpreted by the courts, and as we expand the scope of our business (both in terms of the range of products and services that we offer and our geographical operations) and become subject to laws in jurisdictions where the underlying laws with respect to the potential liability of online intermediaries like ourselves are either unclear or less favorable. We believe that additional lawsuits alleging that we have violated patent, copyright or trademark laws will be filed against us. Intellectual property claims, whether meritorious or not, are time consuming and costly to defend and resolve, could require expensive changes in our methods of doing business or could require us to enter into costly royalty or licensing agreements on unfavorable terms.

From time to time, we are involved in other disputes or regulatory inquiries that arise in the ordinary course of business, including suits by our users (individually or as class actions) alleging, among other things, improper disclosure of our prices, rules or policies, that our practices, prices, rules, policies or customer/user agreements violate applicable law or that we have acted unfairly and/or not acted in conformity with such practices, prices, rules, policies or agreements. Further, the number and significance of these disputes and inquiries are increasing as the political and regulatory landscape changes and, as we have grown larger, our businesses have expanded in scope (both in terms of the range of products and services that we offer and our geographical operations) and our products and services have increased in complexity. Any claims or regulatory actions against us, whether meritorious or not, could be time consuming, result in costly litigation, damage awards (including statutory damages for certain causes of action in certain jurisdictions), injunctive relief or increased costs of doing business through adverse judgment or settlement, require us to change our business practices in expensive ways, require significant amounts of management time, result in the diversion of significant operational resources or otherwise harm our business.

***Indemnification Provisions***

We entered into a separation and distribution agreement and various other agreements with PayPal to govern the separation and relationship of the two companies. These agreements provide for specific indemnity and liability obligations and could lead to disputes between us and PayPal, which may be significant. In addition, the indemnity rights we have against PayPal under the agreements may not be sufficient to protect us and our indemnity obligations to PayPal may be significant.

In addition, we have entered into indemnification agreements with each of our directors, executive officers and certain other officers. These agreements require us to indemnify such individuals, to the fullest extent permitted by Delaware law, for certain liabilities to which they may become subject as a result of their affiliation with us.

In the ordinary course of business, we have included limited indemnification provisions in certain of our agreements with parties with which we have commercial relations, including our standard marketing, promotions and application programming interface license agreements. Under these contracts, we generally indemnify, hold harmless and agree to reimburse the indemnified party for losses suffered or incurred by the indemnified party in connection with claims by a third party with respect to our domain names, trademarks, logos and other branding elements to the extent that such marks are applicable to our performance under the subject agreement. In certain cases, we have agreed to provide indemnification for intellectual property infringement. It is not possible to determine the maximum potential loss under these indemnification provisions due to our limited history of prior indemnification claims and the unique facts and circumstances involved in each particular provision. To date, losses recorded in our condensed consolidated statement of income in connection with our indemnification provisions have not been significant, either individually or collectively.

**Note 12 — Stockholders' Equity**

***Stock Repurchase Program***

Our stock repurchase programs are intended to programmatically offset the impact of dilution from our equity compensation programs and, subject to market conditions and other factors, to make opportunistic and programmatic repurchases of our common stock to reduce our outstanding share count. Any share repurchases under our stock repurchase programs may be made through open market transactions, block trades, privately negotiated transactions (including accelerated share repurchase transactions) or other means at times and in such amounts as management deems appropriate and will be funded from our working capital or other financing alternatives. Our stock repurchase programs may be limited or terminated at any time without prior notice. The timing and actual number of shares repurchased will depend on a variety of factors, including corporate and regulatory requirements, price and other market conditions and management's determination as to the appropriate use of our cash.

In January 2020, our Board authorized an additional $5.0 billion stock repurchase program and in February 2021, our Board authorized an additional $4.0 billion stock repurchase program. These stock repurchase programs have no expiration from the date of authorization.

The stock repurchase activity under our stock repurchase programs during the six months ended June 30, 2021 is summarized as follows (in millions, except per share amounts):

| | Shares Repurchased [1] | Average Price per Share [2] | Value of Shares Repurchased [2] | Remaining Amount Authorized |
|---|---|---|---|---|
| Balance as of January 1, 2021 | | | | $ 2,033 |
| Authorization of additional plan in February 2021 | | | | 4,000 |
| Repurchase of shares of common stock | 29 | $ 61.36 | $ 1,792 | (1,792) |
| Balance as of June 30, 2021 | | | | $ 4,241 |

[1] These repurchased shares of common stock were recorded as treasury stock and were accounted for under the cost method. None of the repurchased shares of common stock have been retired.

[2] Excludes broker commissions.

In August 2021, our Board authorized an additional $3.0 billion stock repurchase program, with no expiration from the date of authorization.

***Dividends***

The Company paid a total of $121 million and $243 million in cash dividends during the three and six months ended June 30, 2021 and $112 million and $226 million during the three and six June 30, 2020, respectively. In August 2021, our Board of Directors declared a cash dividend of $0.18 per share of common stock to be paid on September 17, 2021 to stockholders of record as of September 1, 2021.

**Note 13 — Employee Benefit Plans**

***Restricted Stock Unit Activity***

The following table presents restricted stock unit (“RSU”) activity under our equity incentive plans as of and for the six months ended June 30, 2021 (in millions):

| | Units [1] |
|---|---|
| Outstanding as of January 1, 2021 | 25 |
| Awarded | 11 |
| Vested | (7) |
| Forfeited | (3) |
| Outstanding as of June 30, 2021 | 26 |

[1] Activity presented is inclusive of units granted to employees of our eBay Korea business

The weighted average grant date fair value for RSUs awarded during the six months ended June 30, 2021 was $62.95 per share.

***Stock-Based Compensation Expense***

The impact on our results of continuing operations of recording stock-based compensation expense was as follows (in millions):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Cost of net revenues | $ 13 | $ 11 | $ 23 | $ 20 |
| Sales and marketing | 25 | 19 | 45 | 34 |
| Product development | 55 | 41 | 97 | 76 |
| General and administrative | 42 | 32 | 73 | 61 |
| Total stock-based compensation expense | $ 135 | $ 103 | $ 238 | $ 191 |
| Capitalized in product development | $ 3 | $ 4 | $ 6 | $ 8 |

**Note 14 — Income Taxes**

We are subject to both direct and indirect taxation in the U.S. and various states and foreign jurisdictions. We are under examination by certain tax authorities for the 2010 to 2019 tax years. We believe that adequate amounts have been reserved for any adjustments that may ultimately result from these or other examinations. The material jurisdictions where we are subject to potential examination by tax authorities for tax years after 2009 include, among others, the U.S. (Federal and California), Germany, Israel, Switzerland and the United Kingdom.

Although the timing of the resolution and/or closure of audits is highly uncertain, it is reasonably possible that the balance of gross unrecognized tax benefits could significantly change in the next 12 months. However, given the number of years remaining subject to examination and the number of matters being examined, we are unable to estimate the full range of possible adjustments to the balance of gross unrecognized tax benefits.

We have recognized the tax consequences of all foreign unremitted earnings and management has no specific plans to indefinitely reinvest the unremitted earnings of our foreign subsidiaries as of the balance sheet date. We have not provided for deferred taxes on outside basis differences in our investments in our foreign subsidiaries that are unrelated to unremitted earnings. With the exception of eBay Korea recognized in discontinued operations, these basis differences will be indefinitely reinvested. A determination of the unrecognized deferred taxes related to these other components of our outside basis difference is not practicable. In connection with the intent to sell the eBay Korea business as discussed in “Note 1 – The Company and Summary of Significant Accounting Policies”, we assessed the outside basis differences relating to eBay Korea and determined that no material deferred taxes need to be provided on the difference as of June 30, 2021.

**Note 15 — Accumulated Other Comprehensive Income**

The following tables summarize the changes in AOCI for the three and six months ended June 30, 2021 and 2020 (in millions):

| | Unrealized Gains (Losses) on Derivative Instruments | Unrealized Gains (Losses) on Investments | Foreign Currency Translation | Estimated Tax (Expense) Benefit | Total |
|---|---|---|---|---|---|
| Balance as of March 31, 2021 | $ (11) | $ 2 | $ 537 | $ 25 | $ 553 |
| Other comprehensive income (loss) before reclassifications | (20) | (1) | 10 | 6 | (5) |
| Less: Amount of gain (loss) reclassified from AOCI | (16) | — | — | 4 | (12) |
| Net current period other comprehensive income (loss) | (4) | (1) | 10 | 2 | 7 |
| Balance as of June 30, 2021 | $ (15) | $ 1 | $ 547 | $ 27 | $ 560 |

| | Unrealized Gains (Losses) on Derivative Instruments | Unrealized Gains (Losses) on Investments | Foreign Currency Translation | Estimated Tax (Expense) Benefit | Total |
|---|---|---|---|---|---|
| Balance as of March 31, 2020 | $ 38 | $ (26) | $ 250 | $ 23 | $ 285 |
| Other comprehensive income (loss) before reclassifications | (30) | 32 | 49 | (2) | 49 |
| Less: Amount of gain (loss) reclassified from AOCI | 17 | — | — | (4) | 13 |
| Net current period other comprehensive income (loss) | (47) | 32 | 49 | 2 | 36 |
| Balance as of June 30, 2020 | $ (9) | $ 6 | $ 299 | $ 25 | $ 321 |

| | Unrealized Gains (Losses) on Derivative Instruments | Unrealized Gains (Losses) on Investments | Foreign Currency Translation | Estimated Tax (Expense) Benefit | Total |
|---|---|---|---|---|---|
| Balance as of December 31, 2020 | $ (85) | $ 5 | $ 654 | $ 42 | $ 616 |
| Other comprehensive income (loss) before reclassifications | 26 | (4) | (107) | (5) | (90) |
| Less: Amount of gain (loss) reclassified from AOCI | (44) | — | — | 10 | (34) |
| Net current period other comprehensive income (loss) | 70 | (4) | (107) | (15) | (56) |
| Balance as of June 30, 2021 | $ (15) | $ 1 | $ 547 | $ 27 | $ 560 |

| | Unrealized Gains (Losses) on Derivative Instruments | Unrealized Gains (Losses) on Investments | Foreign Currency Translation | Estimated Tax (Expense) Benefit | Total |
|---|---|---|---|---|---|
| Balance as of December 31, 2019 | $ (9) | $ 5 | $ 363 | $ 25 | $ 384 |
| Other comprehensive income (loss) before reclassifications | 17 | 1 | (64) | (4) | (50) |
| Less: Amount of gain (loss) reclassified from AOCI | 17 | — | — | (4) | 13 |
| Net current period other comprehensive income (loss) | — | 1 | (64) | — | (63) |
| Balance as of June 30, 2020 | $ (9) | $ 6 | $ 299 | $ 25 | $ 321 |

The following table provides a summary of reclassifications out of AOCI (in millions):

| Details about AOCI Components | Affected Line Item in the Statement of Income | Amount of Gain (Loss) Reclassified From AOCI | | | |
|---|---|---|---|---|---|
| | | Three Months Ended June 30, | | Six Months Ended June 30, | |
| | | 2021 | 2020 | 2021 | 2020 |
| Gains (losses) on cash flow hedges | | | | | |
| Foreign exchange contracts | Net Revenues | $ (18) | $ 17 | $ (46) | $ 17 |
| Foreign exchange contracts | Cost of net revenues | 1 | — | 2 | — |
| Interest rate contracts | Interest and other, net | 1 | — | — | — |
| | Total, from continuing operations before income taxes | (16) | 17 | (44) | 17 |
| | Provision for income taxes | 4 | (4) | 10 | (4) |
| | Total, net of income taxes | (12) | 13 | (34) | 13 |
| Total reclassifications for the period | Total, net of income taxes | $ (12) | $ 13 | $ (34) | $ 13 |

**Note 16 — Restructuring**

The following table summarizes restructuring reserve activity during the six months ended June 30, 2021 (in millions):

| | Employee Severance and Benefits |
|---|---|
| Accrued liability as of January 1, 2021 | $ — |
| Charges | 35 |
| Payments | (29) |
| Accrued liability as of June 30, 2021 | $ 6 |

During the first quarter of 2021, management approved plans that included the reduction in workforce and other exit costs. The reduction was substantially completed in the first quarter of 2021 and resulted in a pre-tax charge of $35 million.

During the first quarter of 2020 we substantially completed the reduction in workforce that was approved by management during the fourth quarter of 2019. We incurred pre-tax restructuring charges of approximately $7 million primarily during the first quarter of 2020 in connection with the action taken in the fourth quarter of 2019.

Restructuring charges are included in general and administrative expenses in the condensed consolidated statement of income.

## ITEM 2: *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

### FORWARD-LOOKING STATEMENTS

*This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including statements that involve expectations, plans or intentions (such as those relating to future business, future results of operations or financial condition, including with respect to the ongoing effects of COVID-19, new or planned features or services, or management strategies, including our portfolio review). You can identify these forward-looking statements by words such as "may," "will," "would," "should," "could," "expect," "anticipate," "believe," "estimate," "intend," "plan" and other similar expressions. These forward-looking statements involve risks and uncertainties that could cause our actual results to differ materially from those expressed or implied in our forward-looking statements. Such risks and uncertainties include, among others, those discussed in "Part I - Item 1A: Risk Factors" of the company's Annual Report on Form 10-K for the year ended December 31 2020 (the "2020 Form 10-K"), as well as in our unaudited condensed consolidated financial statements, related notes, and the other information appearing elsewhere in this report and our other filings with the Securities and Exchange Commission ("SEC"). We do not intend, and undertake no obligation, to update any of our forward-looking statements after the date of this report to reflect actual results or future events or circumstances. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. You should read the following Management's Discussion and Analysis of Financial Condition and Results of Operations in conjunction with the unaudited condensed consolidated financial statements and the related notes included in this report.*

When we refer to "we," "our," "us" or "eBay" in this Quarterly Report on Form 10-Q, we mean the current Delaware corporation (eBay Inc.) and its consolidated subsidiaries, unless otherwise expressly stated or the context otherwise requires.

### OVERVIEW

#### Business

eBay Inc. is a global commerce leader, which includes our Marketplace platforms. Founded in 1995 in San Jose, California, eBay is one of the world's largest and most vibrant marketplaces for discovering great value and unique selection. Collectively, we connect millions of buyers and sellers around the world, empowering people and creating opportunity. Our technologies and services are designed to provide buyers choice and a breadth of relevant inventory and to enable sellers worldwide to organize and offer their inventory for sale, virtually anytime and anywhere.

In 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic and continues to be widespread with uncertainty around its duration. As a result of COVID-19 mobility restrictions globally, there have been changes in consumer behavior that have resulted in more online shopping. We expect these changes in behavior to continue to evolve as the pandemic progresses. During the pandemic our Marketplace platforms experienced improved traffic and buyer acquisition due to the ongoing impact of measures taken globally to contain the spread of COVID-19. The Marketplace platforms also experienced improved acquisition of small business sellers. While the impact of COVID-19 has had a positive impact on our reported results during the pandemic, as mobility restrictions are lifted in various markets we have experienced lower traffic in certain markets primarily in the U.K., Germany and the U.S. It's uncertain how consumer behaviors will trend as mobility restrictions continue to be eased or lifted or the impact of new COVID-19 variants which may lead to tightening of mobility restrictions. The impacts seen to date may continue to create volatility in our results and a wider range of outcomes as consumer behaviors and mobility restrictions continue to evolve. See "Results of Operations" below for impacts of COVID-19 on our results for the three and six months ended June 30, 2021. For additional information, see "– Liquidity and Capital Resource Requirements" below and "Item 1A: Risk Factors" under the caption "The global COVID-19 pandemic could harm our business and results of operations" in the 2020 Form 10-K.

On June 24 2021, we completed the previously announced transfer our Classifieds business to Adevinta ASA ("Adevinta") for $2.5 billion in cash, subject to certain adjustments, and approximately 540 million shares in Adevinta

which represent equity interest of 44%, comprised of approximately 33% of voting shares and 11% non-voting shares. Together, the total consideration received under the definitive agreement was valued at approximately $13.3 billion, based on the closing trading price of Adevinta's outstanding shares on the Oslo Stock Exchange on June 24, 2021. The equity interest received is accounted for under the fair value option. We have classified the results of our Classifieds business as discontinued operations in our condensed consolidated statement of income for the periods presented. Additionally, the related assets and liabilities associated with the discontinued operations are classified as discontinued operations in our condensed consolidated balance sheet. See "Note 3 – Discontinued Operations" in our condensed consolidated financial statements for additional information.

On June 30, 2021, we entered into a securities purchase agreement with E-mart Inc. and one of its wholly owned subsidiaries (together, "Emart"), to sell 80.01% of the outstanding equity interests of eBay Korea LLC, a limited liability company incorporated under the laws of Korea and a wholly owned subsidiary of eBay KTA ("eBay Korea"), pursuant to the terms and conditions of the securities purchase agreement, in exchange for KRW 3.44 trillion, or approximately $3.0 billion as of the agreement date, subject to certain adjustments specified for indebtedness, cash, working capital, transaction expenses and certain taxes. We will retain 19.99% of the outstanding equity interests of eBay Korea. The transaction is expected to close within one year, subject to certain conditions, including receipt of regulatory approvals. As of the second quarter of 2021, we have classified the related assets and liabilities associated with our eBay Korea business as held for sale in our condensed consolidated balance sheet. The results of our eBay Korea business have been presented as discontinued operations in our condensed consolidated statement of income for all periods presented as the transfer represents a strategic shift in our business that has a major effect on our operations and financial results. See "Note 3 – Discontinued Operations" for additional information.

On July 14, 2021, we entered into a share purchase agreement with Astinlux Finco S.à r.l. ("Permira") to sell approximately 125 million of our voting shares in Adevinta for total consideration of $2.25 billion. The price represents an approximate 7% discount to the 10-day volume weighted average price ("VWAP") of Adevinta shares as of July 12, 2021 and a 5% discount to the 30-day VWAP as of July 12, 2021. In addition, we granted Permira an option, exercisable within 30 days after the date of the purchase agreement, to purchase approximately 10 million additional voting shares for $180 million in consideration. On July 29, 2021, Permira exercised the option. At the close of both transactions, our ownership in Adevinta will be reduced to 33%, which satisfies our commitment to regulators. The transactions are expected to close in the fourth quarter of 2021, subject to the receipt of required regulatory approvals.

**Presentation**

In addition to the corresponding measures under generally accepted accounting principles ("GAAP"), management uses non-GAAP measures in reviewing our financial results. The foreign exchange neutral ("FX-Neutral"), or constant currency, net revenue amounts discussed below are non-GAAP financial measures and are not in accordance with, or an alternative to, measures prepared in accordance with GAAP. Accordingly, the FX-Neutral information appearing in the following discussion of our results of operations should be read in conjunction with the information provided below in "*Non-GAAP Measures of Financial Performance*," which includes reconciliations of FX-Neutral financial measures to the most directly comparable GAAP measures. We calculate the year-over-year impact of foreign currency movements using prior period foreign currency rates applied to current year transactional currency amounts.

**Quarter Highlights**

Net revenues increased 14% to $2.7 billion during the three months ended June 30, 2021 compared to the same period in 2020. FX-Neutral net revenue increased 11% during the three months ended June 30, 2021 compared to the same period in 2020. Operating margin decreased to 27.4% for the three months ended June 30, 2021 compared to 32.7% for the same period in 2020. Diluted earnings per share from continuing operations decreased to $0.43 during the three months ended June 30, 2021 compared to $0.97 in the same period in 2020. The transfer of our Classifieds business was completed for $13.3 billion of consideration which comprised of $2.5 billion in proceeds and shares of Adevinta valued at $10.8 billion based on the closing trading price of

Adevinta's outstanding shares on the Oslo Stock Exchange on June 24, 2021, which was recorded within discontinued operations.

We generated cash flow from continuing operating activities of $1.0 billion during the three months ended June 30, 2021 compared to $951 million in the same period in 2020.

During the three months ended June 30, 2021, we issued $2.5 billion of debt, repurchased $1.5 billion of common stock, repaid $400 million of commercial paper borrowing and paid $121 million in cash dividends.

## RESULTS OF OPERATIONS

We have one reportable segment to reflect the way management and our chief operating decision maker ("CODM") review and assess performance of the business. Our reportable segment is Marketplace, which includes our online marketplace located at www.ebay.com, its localized counterparts and the eBay suite of mobile apps. The accounting policies of our segment are the same as those described in "Note 1 – The Company and Summary of Significant Accounting Policies" in our condensed consolidated financial statements included elsewhere in this report. Prior period segment information has been reclassified to conform to the current period segment presentation.

### Net Revenues

#### Seasonality

We expect transaction activity patterns on our platforms to mirror general consumer buying patterns and expect that these trends will continue. As we introduce new products and platforms, such as managed payments, we expect net revenues to fluctuate. In addition, macroeconomic conditions, such as the ongoing COVID-19 pandemic, may also contribute to fluctuations in revenues and margins. The following table sets forth sequential quarterly movements of our total net revenues for the periods presented (in millions, except percentages):

| | Quarter Ended | | | |
|---|---|---|---|---|
| | March 31 | June 30 | September 30 | December 31 |
| **2019** | | | | |
| Net revenues | $ 1,867 | $ 1,859 | $ 1,799 | $ 1,904 |
| *% change from prior quarter* | ** | *— %* | *(3)%* | *6 %* |
| **2020** | | | | |
| Net revenues | $ 1,821 | $ 2,337 | $ 2,258 | $ 2,478 |
| *% change from prior quarter* | *(4)%* | *28 %* | *(3)%* | *10 %* |
| **2021** | | | | |
| Net revenues | $ 2,638 | $ 2,668 | $ — | $ — |
| *% change from prior quarter* | *6 %* | *1 %* | | |

** Growth for the period excluded as 2018 revenue numbers have not yet been re-casted and provided

#### Net Revenues by Geography

Revenues are attributed to U.S. and international geographies primarily based upon the country in which the seller, platform that displays advertising, other service provider or customer, as the case may be, is located. The following table presents net revenues by geography for the periods presented (in millions, except percentages):

| | Three Months Ended June 30, | | % Change | Six Months Ended June 30, | | % Change |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | As Reported | 2021 | 2020 | As Reported |
| U.S. | $ 1,304 | $ 1,086 | 20 % | $ 2,600 | $ 1,908 | 36 % |
| *Percentage of net revenues* | *49 %* | *46 %* | | *49 %* | *46 %* | |
| International | 1,364 | 1,251 | 9 % | 2,706 | 2,250 | 20 % |
| *Percentage of net revenues* | *51 %* | *54 %* | | *51 %* | *54 %* | |
| Total net revenues | $ 2,668 | $ 2,337 | 14 % | $ 5,306 | $ 4,158 | 28 % |

Our commerce platforms operate globally, resulting in certain revenues that are denominated in foreign currencies, including the British pound and euro. In addition, as shown in the table above, we generate a majority of our net revenues internationally. Because of these factors, we are subject to the risks related to doing business in foreign countries as discussed in "Part I - Item 1A: Risk Factors" of the 2020 Form 10-K.

Net revenues included $18 million and $46 million of hedging losses during the three and six months ended June 30, 2021, as compared to $17 million of hedging gains during the same periods in 2020. The hedging activity in net revenues specifically relates to hedges of net transaction revenues. Foreign currency movements relative to the U.S. dollar had a favorable impact of $95 million on net revenues during the three months ended June 30, 2021 compared to an unfavorable impact of $23 million during the same period in 2020, and a favorable impact of $149 million on net revenues during the six months ended June 30, 2021 compared to an unfavorable impact of $39 million on net revenues during the same period in 2020.

The effect of foreign currency exchange rate movements during the three months ended June 30, 2021 compared to the same period in 2020 was primarily attributable to the weakening of the U.S. dollar against the British pound and euro. The effect of foreign currency exchange rate movements during the six months ended June 30, 2021 compared to the same period in 2020 was primarily attributable to the weakening of the U.S. dollar against the British pound and euro.

**Net Revenues by Type**

We generate two types of net revenues:

**Net transaction revenues** primarily include final value fees, feature fees, including fees to promote listings, and listing fees from sellers on our platforms. Our net transaction revenues also include store subscription and other fees, often from large enterprise sellers. Our net transaction revenues are reduced by incentives, including discounts, coupons and rewards, provided to our customers.

**Marketing services and other ("MS&O") revenues** consist of revenues principally from the sale of advertisements and revenue sharing arrangements.

The following table presents net revenues by type (in millions, except percentages):

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | % Change | 2021 | 2020 | % Change |
| Net transaction revenue | $ 2,496 | $ 2,185 | 14 % | $ 4,972 | $ 3,837 | 30 % |
| Marketing services and other revenues | 172 | 152 | 13 % | 334 | 321 | 4 % |
| Total net revenues | $ 2,668 | $ 2,337 | 14 % | $ 5,306 | $ 4,158 | 28 % |

***Net Transaction Revenues***

*Key Operating Metrics*

Gross Merchandise Volume ("GMV") and take rate are significant factors that we believe affect our net transaction revenues.

**GMV** consists of the total value of all successfully closed transactions between users on our platforms during the applicable period, regardless of whether the buyer and seller actually consummated the transaction. Despite GMV's divergence from revenue, we still believe that GMV provides a useful measure of the overall volume of closed transactions that flow through our platforms in a given period, notwithstanding the inclusion in GMV of closed transactions that are not ultimately consummated.

**Take rate** is defined as net transaction revenues divided by GMV and represents net transaction revenue as a percentage of overall volume on our platforms. We believe that take rate provides a useful measure of our ability to monetize volume through marketplace services on our platforms in a given period. We use take rate to identify key revenue drivers on our marketplace.

*Net Transaction Revenues*

| | Three Months Ended June 30, | | Change | | Six Months Ended June 30, | | Change | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | 2020 | As Reported | FX-Neutral | 2021 | 2020 | As Reported | FX-Neutral |
| | (In millions, except percentages) | | | | | | | |
| Net transaction revenues [1] | $ 2,496 | $ 2,185 | 14 % | 11 % | $ 4,972 | $ 3,837 | 30 % | 26 % |
| Supplemental data: | | | | | | | | |
| GMV | $ 22,107 | $ 23,653 | (7) % | (11) % | $ 45,725 | $ 41,474 | 10 % | 6 % |
| Take rate | 11.29 % | 9.24 % | 2.05 % | | 10.88 % | 9.25 % | 1.63 % | |

(1) Net transaction revenues were net of $18 million and $46 million hedging activity during the three and six months ended June 30, 2021 and $17 million hedging activity during the three and six months ended June 30, 2020, respectively.

Net transaction revenues increased $311 million during the three months ended June 30, 2021 compared to the same period in 2020 primarily due to the migration of managed payments on a global basis and the associated higher take rate. GMV decline during the three months ended June 30, 2021 compared to the same period in 2020 was primarily due to a decline in traffic experienced as mobility restrictions eased or lifted around the world.

Net transaction revenues increased $1.1 billion during the six months ended June 30, 2021 compared to the same period in 2020. This growth corresponds with the increase in GMV and take rate during the same period. Net transaction revenues increased at a faster rate than GMV primarily due to the migration of managed payments on a global basis as well as the growth of promoted listings. GMV growth during the six months ended was due to improved traffic and buyer acquisition due to global restrictions implemented to contain the spread of COVID-19 which resulted in consumers engaging in more online shopping during the pandemic.

Transaction take rate was higher during the three and six months ended June 30, 2021 compared to the same periods in 2020, as a result of revenue initiatives such as global payments which resulted in over 71% share of global on-platform volume processed through managed payments and promoted listings which along with final value fees are calculated as a percentage of an item's sale price and category mix. Through June 30, 2021, over 80% of the managed payments migration was completed. The take rate for the three months ended June 30, 2021 also increased as a result of lower credit reserves taken compared to the same period in 2020. The increase in take rate for the three and six months ended June 30, 2021 was partially offset by category mix and hedging activities.

***Marketing Services and Other Revenues***

| | Three Months Ended June 30, | | % Change | | Six Months Ended June 30, | | % Change | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | 2020 | As Reported | FX-Neutral | 2021 | 2020 | As Reported | FX-Neutral |
| | (In millions, except percentages) | | | | | | | |
| MS&O | $ 172 | $ 152 | 13 % | 11 % | $ 334 | $ 321 | 4 % | 2 % |

The increase in MS&O revenues during the three and six months ended June 30, 2021 compared to the same periods in 2020 was primarily attributable to an increase in revenues from revenue sharing agreements for shipping arrangements. The increase for the six months ended June 30, 2021 compared to the same periods in 2020 was partially offset by a decrease in advertising revenues.

***Cost of Net Revenues***

Cost of net revenues primarily consists of costs associated with customer support, site operations, costs of goods sold and payment processing. Significant components of these costs include employee compensation, contractor costs, facilities costs, depreciation of equipment and amortization expense, bank transaction fees, credit card interchange and assessment fees and digital services tax. The following table presents cost of net revenues (in millions, except percentages):

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | % Change | 2021 | 2020 | % Change |
| Cost of net revenues | $ 672 | $ 417 | 61 % | $ 1,278 | $ 771 | 66 % |
| *Percentage of net revenues* | *25.2 %* | *17.9 %* | | *24.1 %* | *18.5 %* | |

Cost of net revenues, net of immaterial hedging activities, was unfavorably impacted by $16 million attributable to foreign currency movements relative to the U.S. dollar during the three months ended June 30, 2021 compared to the same period in 2020. Cost of net revenues, net of immaterial hedging activities, was unfavorably impacted by $27 million attributable to foreign currency movements relative to the U.S. dollar during the six months ended June 30, 2021 compared to the same period in 2020.

The increase in cost of net revenues during the three and six months ended June 30, 2021 compared to the same periods in 2020 was primarily due to an increase in payment processing costs as we continue to transition customers to our payments platform and an unfavorable impact from foreign currency movements relative to the U.S. dollar.

***Operating Expenses***

The following table presents operating expenses (in millions, except percentages):

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | % Change | 2021 | 2020 | % Change |
| Sales and marketing | $ 559 | $ 523 | 7 % | $ 1,105 | $ 917 | 21 % |
| *Percentage of net revenues* | *21 %* | *22 %* | | *21 %* | *22 %* | |
| Product development | 350 | 256 | 37 % | 654 | 474 | 38 % |
| *Percentage of net revenues* | *13 %* | *11 %* | | *12 %* | *11 %* | |
| General and administrative | 250 | 281 | (11) % | 496 | 484 | 2 % |
| *Percentage of net revenues* | *9 %* | *12 %* | | *9 %* | *12 %* | |
| Provision for transaction losses | 103 | 89 | 16 % | 191 | 185 | 3 % |
| *Percentage of net revenues* | *4 %* | *4 %* | | *4 %* | *4 %* | |
| Amortization of acquired intangible assets | 2 | 7 | (71) % | 9 | 14 | (36) % |
| Total operating expenses | $ 1,264 | $ 1,156 | 9 % | $ 2,455 | $ 2,074 | 18 % |

Foreign currency movements relative to the U.S. dollar had an unfavorable impact of $40 million on operating expenses during the three months ended June 30, 2021 compared to the same period in 2020, and an unfavorable impact of $68 million on operating expenses during the six months ended June 30, 2021 compared to the same period in 2020. There was no hedging activity within operating expenses during the three and six months ended June 30, 2021.

***Sales and Marketing***

Sales and marketing expenses primarily consist of advertising and marketing program costs (both online and offline), employee compensation, certain user coupons and rewards, contractor costs, facilities costs and depreciation on equipment. Online marketing expenses represent traffic acquisition costs in various channels such as paid search, affiliates marketing and display advertising. Offline advertising primarily includes brand campaigns and buyer/seller communications.

The increase in sales and marketing expense during the three months ended June 30, 2021 compared to the same period in 2020 was primarily due to an increase in online advertising expenses of approximately $35 million.

The increase in sales and marketing expense during the six months ended June 30, 2021 compared to the same period in 2020 was primarily due to an increase in online and offline advertising expenses of approximately $150 million.

***Product Development***

Product development expenses primarily consist of employee compensation, contractor costs, facilities costs and depreciation on equipment. Product development expenses are net of required capitalization of major platform and other product development efforts, including the development and maintenance of our technology platform. Our top technology priorities include payment intermediation capabilities and improved seller tools and buyer experiences built on a foundation of structured data.

The increase in product development expenses during the three and six months ended June 30, 2021 compared to the same periods in 2020 was primarily due to an increase in employee-related costs of approximately $90 million and $175 million, respectively.

Capitalized internal use and platform development costs were $32 million and $63 million in the three and six months ended June 30, 2021 compared to $33 million and $64 million in the three and six months ended June 30, 2020. These costs are primarily reflected as a cost of net revenues when amortized in future periods.

***General and Administrative***

General and administrative expenses primarily consist of employee compensation, contractor costs, facilities costs, depreciation of equipment, employer payroll taxes on stock-based compensation, legal expenses, restructuring, insurance premiums and professional fees. Our legal expenses, including those related to various ongoing legal proceedings, may fluctuate substantially from period to period.

The decrease in general and administrative expenses during the three months ended June 30, 2021 compared to the same period in 2020 was primarily due to the absence of costs related to our CEO transition that were incurred in 2020 of $33 million.

The increase in general and administrative expenses during the six months ended June 30, 2021 compared to the same period in 2020 was primarily due to employee related costs of approximately $45 million partially offset by the absence of costs related to our CEO transition in 2020 of $33 million.

***Provision for Transaction Losses***

Provision for transaction losses primarily consists of transaction loss expense associated with our buyer protection programs, losses from our managed payments services, fraud and bad debt expense associated with our accounts receivable balance. We expect our provision for transaction losses to fluctuate depending on many factors, including changes to our protection programs and the impact of regulatory changes.

The increase in provision for transaction losses during the three months ended June 30, 2021 compared to the same period in 2020 was primarily due to higher chargeback losses of $15 million incurred for managed payments as we scale the platform and higher customer protection program costs of $15 million, partially offset by

lower bad debt expense of $16 million primarily as a result of fees collected through the managed payments platform.

The increase in provision for transaction losses during the six months ended June 30, 2021 compared to the same period in 2020 was primarily due to higher chargeback losses of $28 million incurred for managed payments as we scale the platform and higher customer protection program costs of $21 million. These increases were partially offset by lower bad debt expense as a result of fees collected through the managed payments platform and lapping of provisions recognized in 2020 related to COVID-19 of $41 million.

***Interest and Other, Net***

Interest and other, net primarily consists of interest earned on cash, cash equivalents and investments, as well as foreign exchange transaction gains and losses, gains and losses due to changes in fair value of the warrant received from Adyen, gains and losses due to changes in fair value of our equity investment in Adevinta, our portion of operating results from investments accounted for under the equity method of accounting, investment gain/loss on acquisitions or disposals and interest expense, consisting of interest charges on any amounts borrowed and commitment fees on unborrowed amounts under our credit agreement and interest expense on our outstanding debt securities and commercial paper, if any. The following table presents interest and other, net (in millions, except percentages):

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | % Change | 2021 | 2020 | % Change |
| Total interest and other, net | $ (331) | $ 181 | ** | $ (448) | $ 182 | ** |
| *Percentage of net revenues* | *(12)%* | *8 %* | | *(8)%* | *4 %* | |

** Not meaningful

The decrease in interest and other, net during the three months ended June 30, 2021 compared to the same period in 2020 was primarily attributable the change in fair value of the equity investment in Adevinta of $422 million, change in the fair value of the Adyen warrant of $185 million, partially offset by the change in the fair value of an equity investment of $41 million and the absence of an impairment recorded on an investment in 2020 of $40 million.

The decrease in interest and other, net during the six months ended June 30, 2021 compared to the same period in 2020 was primarily attributable primarily attributable the change in fair value of the equity investment in Adevinta of $422 million, change in the fair value of the Adyen warrant of $233 million and a gain of $37 million recorded in 2020 related to the receipt of proceeds that were held in escrow related to a long-term investment that was sold in 2018. These decreases were partially offset by the change in the fair value of an equity investment of $41 million and the absence of an impairment recorded on an investment in 2020 of $40 million.

***Income Tax Provision***

The following table presents provision for income taxes (in millions, except percentages):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Income tax provision | $ 107 | $ 256 | $ 263 | $ 385 |
| *Effective tax rate* | *26.6 %* | *27.0 %* | *23.4 %* | *25.7 %* |

The decrease in our effective tax rate for the three months and six months ended June 30, 2021 compared to the same periods in 2020 was primarily due to lapping prior year one-time items and an increased tax benefit from stock based compensation partially offset by non-deductible unrealized losses. The three and six months ended June 30, 2020 included the effects of a retroactive California law change including incremental taxes on the gain on the sale of StubHub.

We are regularly under examination by tax authorities both domestically and internationally. We believe that adequate amounts have been reserved for any adjustments that may ultimately result from these examinations, although we cannot assure you that this will be the case given the inherent uncertainties in these examinations. Due to the ongoing tax examinations, we believe it is impractical to determine the amount and timing of these adjustments.

***Discontinued Operations***

On June 24, 2021, we completed the previously announced transfer of our Classifieds business to Adevinta. We have classified the results of our Classifieds business as discontinued operations in our condensed consolidated statement of income for the periods presented. Additionally, the related assets and liabilities associated with the discontinued operations are classified as discontinued operations in our condensed consolidated balance sheet. See "Note 3 – Discontinued Operations" in our condensed consolidated financial statements included elsewhere in this report for additional information.

On June 30, 2021, we entered into a securities purchase agreement with Emart to sell 80.01% of the outstanding equity interests of eBay Korea, pursuant to the terms and conditions of the securities purchase agreement, in exchange for KRW 3.44 trillion, or approximately $3.0 billion as of the agreement date, subject to certain adjustments specified for indebtedness, cash, working capital, transaction expenses and certain taxes. We will retain 19.99% of the outstanding equity interests of eBay Korea. The transaction is expected to close within one year, subject to certain conditions, including receipt of regulatory approvals. As of the second quarter of 2021, the results of the eBay Korea business have been presented as discontinued operations in our condensed consolidated statement of income for all periods presented. Additionally, we have classified the related assets and liabilities associated with the eBay Korea business as held for sale in our condensed consolidated balance sheet. See "Note 3 – Discontinued Operations" in our condensed consolidated financial statements included elsewhere in this report for additional information.

***Non-GAAP Measures of Financial Performance***

To supplement our condensed consolidated financial statements presented in accordance with generally accepted accounting principles, we use FX-Neutral net revenues, which are non-GAAP financial measures. Management uses the foregoing non-GAAP measures in reviewing our financial results. We define FX-Neutral net revenues as net revenues minus the exchange rate effect. We define exchange rate effect as the year-over-year impact of foreign currency movements using prior period foreign currency rates applied to current year transactional currency amounts, excluding hedging activity.

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 our results of operations as determined in accordance with GAAP. These measures should only be used to evaluate our results of operations in conjunction with the corresponding GAAP measures.

These non-GAAP measures are provided to enhance investors' overall understanding of our current financial performance and its prospects for the future. Specifically, we believe these non-GAAP measures provide useful information to both management and investors by excluding the foreign currency exchange rate impact that may not be indicative of our core operating results and business outlook. In addition, because we have historically reported certain non-GAAP results to investors, we believe that the inclusion of these non-GAAP measures provide consistency in our financial reporting.

The following tables set forth a reconciliation of FX-Neutral GMV and FX-Neutral net revenues (each as defined below) to our reported GMV and net revenues for the periods presented (in millions, except percentages):

| | Three Months Ended June 30, 2021 | | | Three Months Ended June 30, 2020 | | |
|---|---|---|---|---|---|---|
| | As Reported | Exchange Rate Effect[1][3] | FX-Neutral[2] | As Reported | As Reported % Change | FX-Neutral % Change |
| **GMV** | $ 22,107 | $ 1,060 | $ 21,047 | $ 23,653 | (7) % | (11) % |
| **Net Revenues:** | | | | | | |
| Net transaction revenues | $ 2,496 | $ 91 | $ 2,405 | $ 2,185 | 14 % | 11 % |
| Marketing services and other revenues | 172 | 4 | 168 | 152 | 13 % | 11 % |
| Total net revenues | $ 2,668 | $ 95 | $ 2,573 | $ 2,337 | 14 % | 11 % |

| | Six Months Ended June 30, 2021 | | | Six Months Ended June 30, 2020 | | |
|---|---|---|---|---|---|---|
| | As Reported | Exchange Rate Effect[1][3] | FX-Neutral[2] | As Reported | As Reported % Change | FX-Neutral % Change |
| **GMV** | $ 45,725 | $ 1,939 | $ 43,786 | $ 41,474 | 10 % | 6 % |
| **Net Revenues:** | | | | | | |
| Net transaction revenues | $ 4,972 | $ 143 | $ 4,829 | $ 3,837 | 30 % | 26 % |
| Marketing services and other revenues | 334 | 6 | 328 | 321 | 4 % | 2 % |
| Total net revenues | $ 5,306 | $ 149 | $ 5,157 | $ 4,158 | 28 % | 25 % |

(1) We define exchange rate effect as the year-over-year impact of foreign currency movements using prior period foreign currency rates applied to current year transactional currency amounts excluding hedging activity.

(2) We define FX-Neutral GMV as GMV minus the exchange rate effect. We define the non-GAAP financial measures of FX-Neutral net revenues as net revenues minus the exchange rate effect.

(3) Net transaction revenues were net of $18 million and $46 million of hedging activity during the three and six months ended June 30, 2021, and net of $17 million hedging activity during the three and six months ended June 30, 2020, respectively.

### *Liquidity and Capital Resources*

### *Cash Flows*

| | Six Months Ended June 30, | |
|---|---|---|
| | 2021 | 2020 |
| | (In millions) | |
| Net cash provided by (used in): | | |
| Continuing operating activities | $ 1,957 | $ 1,528 |
| Continuing investing activities | (3,089) | (2,152) |
| Continuing financing activities | (685) | (3,363) |
| Effect of exchange rates on cash, cash equivalents and restricted cash | (5) | (26) |
| Net increase in cash, cash equivalents and restricted cash - discontinued operations | 2,534 | 4,042 |
| Net increase (decrease) in cash, cash equivalents and restricted cash | $ 712 | $ 29 |

*Continuing Operating Activities*

Cash provided by continuing operating activities of $2.0 billion in the six months ended June 30, 2021 compared to cash provided by continuing operating activities of $1.5 billion in the six months ended June 30, 2020 was primarily attributable to an increase in operating income from continuing operations of $260 million. The increase in operating income from continuing operations was primarily due to an increase in revenues, primarily as

a result of higher GMV due to improved traffic and buyer acquisition as noted in our comments on “Net Transaction Revenues” during the pandemic. The remaining changes in continuing operating cash flows are attributable to changes in non-cash items and working capital movements. Net income from discontinued operations, net of income taxes in the six months ended June 30, 2021 was primarily related to the gain on the sale of the Classifieds business in the second quarter of 2021. Net income from discontinued operations, net of income taxes in the six months ended June 30, 2020 was primarily related to the gain on the sale of the StubHub business in the first quarter of 2020. Our operating cash flows arise primarily from cash received from our customers on our platforms offset by cash payments for sales and marketing, employee compensation and payment processing expenses.

*Continuing Investing Activities*

Cash used in continuing investing activities of $3.1 billion in the six months ended June 30, 2021 was primarily attributable to cash paid for investments of $9.7 billion and property and equipment of $182 million, partially offset by proceeds of $6.8 billion from the maturities and sales of investments.

*Continuing Financing Activities*

Cash used in continuing financing activities of $685 million in the six months ended June 30, 2021 was primarily attributable to debt repayments of $1.2 billion, which was comprised of $750 million related to our 6.000% senior fixed rate notes due 2056 that were redeemed and $405 million related to our 2.600% senior fixed rate notes due 2022 that were repurchased pursuant to a tender offer, cash paid to repurchase $1.7 billion of common stock and $243 million paid in cash dividends, partially offset by proceeds from debt issuances of $2.5 billion and net funds receivable and payable activity of $30 million.

The negative effect of exchange rate movements on cash, cash equivalents and restricted cash was due to the strengthening of the U.S. dollar against other currencies, primarily the Korean won during the six months ended June 30, 2021 compared to the 2020 year-end rate.

***Stock Repurchases***

In January 2020, our Board authorized a $5.0 billion stock repurchase program and in February 2021, our Board authorized an additional $4.0 billion stock repurchase program. These stock repurchase programs have no expiration from the date of authorization.

Our stock repurchase programs are intended to programmatically offset the impact of dilution from our equity compensation programs and, subject to market conditions and other factors, to make opportunistic and programmatic repurchases of our common stock to reduce our outstanding share count. Any share repurchases under our stock repurchase programs may be made through open market transactions, block trades, privately negotiated transactions (including accelerated share repurchase transactions) or other means at times and in such amounts as management deems appropriate and will be funded from our working capital or other financing alternatives.

During the six months ended June 30, 2021, we repurchased approximately $1.8 billion of our common stock under our stock repurchase programs. As of June 30, 2021, a total of approximately $4.2 billion remained available for future repurchases of our common stock under our stock repurchase programs. In August 2021, our Board authorized an additional $3.0 billion stock repurchase program, with no expiration from the date of authorization.

We expect, subject to market conditions and other uncertainties, to continue making opportunistic and programmatic repurchases of our common stock. However, our stock repurchase programs may be limited or terminated at any time without prior notice. The timing and actual number of shares repurchased will depend on a variety of factors, including corporate and regulatory requirements, the impacts of the COVID-19 pandemic, price and other market conditions and management’s determination as to the appropriate use of our cash.

***Dividends***

The Company paid a total of $121 million and $243 million in cash dividends during the three and six months ended June 30, 2021 and $112 million and $226 million during the three and six June 30, 2020, respectively. In August 2021, our Board of Directors declared a cash dividend of $0.18 per share of common stock to be paid on September 17, 2021 to stockholders of record as of September 1, 2021.

***Debt***

*Senior Notes*

As of June 30, 2021, we had floating- and fixed-rate senior notes outstanding for an aggregate principal amount of $9.1 billion. The net proceeds from the issuances of these senior notes are used for general corporate purposes, including, among other things, capital expenditures, share repurchases, repayment of indebtedness and possible acquisitions. The floating rate notes are not redeemable prior to maturity. We may redeem some or all of the other fixed rate notes of each series at any time and from time to time prior to their maturity, generally at a make-whole redemption price plus accrued and unpaid interest. If a change of control triggering event (as defined in the applicable senior notes) occurs with respect to the 3.800% fixed rate notes due 2022, the floating rate notes due 2023, the 2.750% fixed rate notes due 2023, the 1.900% fixed rate notes due 2025, the 1.400% fixed rate notes due 2026, the 3.600% fixed rate notes due 2027, the 2.700% fixed rate notes due 2030, the 2.600% fixed rate notes due 2031 or the 3.650% fixed rate notes due 2051, we must, subject to certain exceptions, offer to repurchase all of the notes of the applicable series at a price equal to 101% of the principal amount plus accrued and unpaid interest. For additional details related to our senior notes, please see “Note 9 – Debt” to the condensed consolidated financial statements included in this report.

During 2020, we began to hedge the variability of the cash flows in interest payments associated with our floating-rate debt using interest rate swaps. These interest rate swap agreements effectively convert our LIBOR-based floating-rate debt to a fixed-rate basis, reducing the impact of interest-rate changes on future interest expense. The total notional amount of these interest swaps was $400 million as of June 30, 2021 with terms calling for us to receive interest at a variable rate and to pay interest at a fixed rate. Our interest rate swap contracts have maturity dates in 2023.

The indenture pursuant to which the senior notes were issued includes customary covenants that, among other things and subject to exceptions, limit our ability to incur, assume or guarantee debt secured by liens on specified assets or enter into sale and lease-back transactions with respect to specified properties, and also includes customary events of default with customary grace periods in certain circumstances, including payment defaults and bankruptcy-related defaults.

*Commercial Paper*

We have a commercial paper program pursuant to which we may issue commercial paper notes in an aggregate principal amount at maturity of up to $1.5 billion outstanding at any time with maturities of up to 397 days from the date of issue. As of June 30, 2021, there were no commercial paper notes outstanding.

*Credit Agreement*

In March 2020, we entered into a credit agreement that provides for an unsecured $2 billion five-year credit facility. We may also, subject to the agreement of the applicable lenders, increase commitments under the revolving credit facility by up to $1 billion. Funds borrowed under the credit agreement may be used for working capital, capital expenditures, acquisitions and other general corporate purposes. The credit agreement replaced our prior $2 billion unsecured revolving credit agreement dated November 2015, which was terminated effective March 2020.

As of June 30, 2021, no borrowings were outstanding under our $2 billion credit agreement. However, as described above, we have an up to $1.5 billion commercial paper program and are required to maintain available borrowing capacity under our credit agreement in order to repay commercial paper borrowings in the event we are unable to repay those borrowings from other sources when they become due, in an aggregate amount of $1.5 billion. As of June 30, 2021, no borrowings were outstanding under our commercial paper program; therefore,

$2.0 billion of borrowing capacity was available for other purposes permitted by the credit agreement. The credit agreement includes a covenant limiting our consolidated leverage ratio to no more than 4.0:1.0, subject to, upon the occurrence of a qualified material acquisition, if so elected by us, a step-up to 4.5:1.0 for the four fiscal quarters completed following such qualified material acquisition. The credit agreement includes customary events of default, with corresponding grace periods in certain circumstances, including payment defaults, cross-defaults and bankruptcy-related defaults. In addition, the credit agreement contains customary affirmative and negative covenants, including restrictions regarding the incurrence of liens and subsidiary indebtedness, in each case, subject to customary exceptions. The credit agreement also contains customary representations and warranties.

We were in compliance with all financial covenants in our outstanding debt instruments for the six months ended June 30, 2021.

*Credit Ratings*

As of June 30, 2021, we were rated investment grade by Standard and Poor's Financial Services, LLC (long-term rated BBB+, short-term rated A-2, with a stable outlook) and Moody's Investor Service (long-term rated Baa1, short-term rated P-2, with a stable outlook). We disclose these ratings to enhance the understanding of our sources of liquidity and the effects of our ratings on our costs of funds. Our borrowing costs depend, in part, on our credit ratings and any actions taken by these credit rating agencies to lower our credit ratings, as described above, will likely increase our borrowing costs.

***Liquidity and Capital Resource Requirements***

As of June 30, 2021 and December 31, 2020, we had assets classified as cash and cash equivalents, as well as short-term and long-term non-equity investments from continuing operations, in an aggregate amount of $7.6 billion and $3.8 billion, respectively. As of June 30, 2021, this amount included assets held in certain of our foreign operations totaling approximately $5.1 billion. As we repatriate these funds to the U.S., we will be required to pay income taxes in certain U.S. states and applicable foreign withholding taxes on those amounts during the period when such repatriation occurs. We have accrued deferred taxes for the tax effect of repatriating the funds to the U.S.

We actively monitor all counterparties that hold our cash and cash equivalents and non-equity investments, focusing primarily on the safety of principal and secondarily on improving yield on these assets. We diversify our cash and cash equivalents and investments among various counterparties in order to reduce our exposure should any one of these counterparties fail or encounter difficulties. To date, we have not experienced any material loss or lack of access to our invested cash, cash equivalents or short-term investments; however, we can provide no assurances that access to our invested cash, cash equivalents or short-term investments will not be impacted by adverse conditions in the financial markets, including, without limitation, as a result of the impact of the COVID-19 pandemic. At any point in time we have funds in our operating accounts and customer accounts that are deposited and invested with third party financial institutions.

We believe that our existing cash, cash equivalents and short-term and long-term investments, together with cash expected to be generated from operations, borrowings available under our credit agreement and commercial paper program, and our access to capital markets, will be sufficient to fund our operating activities, anticipated capital expenditures, repayment of debt and stock repurchases for the foreseeable future. However, COVID-19 and related measures to contain its impact have caused material disruptions in both national and global financial markets and economies. The future impact of COVID-19 and these containment measures cannot be predicted with certainty and may increase our borrowing costs and other costs of capital and otherwise adversely affect our business, results of operations, financial condition and liquidity, and we cannot assure that we will have access to external financing at times and on terms we consider acceptable, or at all, or that we will not experience other liquidity issues going forward.

***Off-Balance Sheet Arrangements***

As of June 30, 2021, we had no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our consolidated financial condition, results of operations, liquidity, capital expenditures or capital resources.

We have a cash pooling arrangement with a financial institution for cash management purposes. This arrangement allows for cash withdrawals from the financial institution based upon our aggregate operating cash balances held within the same financial institution ("Aggregate Cash Deposits"). This arrangement also allows us to withdraw amounts exceeding the Aggregate Cash Deposits up to an agreed-upon limit. The net balance of the withdrawals and the Aggregate Cash Deposits are used by the financial institution as a basis for calculating our net interest expense or income under the arrangement. As of June 30, 2021, we had a total of $2.1 billion in aggregate cash deposits, partially offset by $1.9 billion in cash withdrawals, held within the financial institution under the cash pooling arrangement.

***Indemnification Provisions***

We entered into a separation and distribution agreement and various other agreements with PayPal to govern the separation and relationship of the two companies. These agreements provide for specific indemnity and liability obligations and could lead to disputes between us and PayPal, which may be significant. In addition, the indemnity rights we have against PayPal under the agreements may not be sufficient to protect us and our indemnity obligations to PayPal may be significant.

In addition, we have entered into indemnification agreements with each of our directors, executive officers and certain other officers. These agreements require us to indemnify such individuals, to the fullest extent permitted by Delaware law, for certain liabilities to which they may become subject as a result of their affiliation with us.

In the ordinary course of business, we have included limited indemnification provisions in certain of our agreements with parties with which we have commercial relations, including our standard marketing, promotions and application programming interface license agreements. Under these contracts, we generally indemnify, hold harmless and agree to reimburse the indemnified party for losses suffered or incurred by the indemnified party in connection with claims by a third party with respect to our domain names, trademarks, logos and other branding elements to the extent that such marks are applicable to our performance under the subject agreement. In certain cases, we have agreed to provide indemnification for intellectual property infringement. It is not possible to determine the maximum potential loss under these indemnification provisions due to our limited history of prior indemnification claims and the unique facts and circumstances involved in each particular provision. To date, losses recorded in our condensed consolidated statement of income in connection with our indemnification provisions have not been significant, either individually or collectively.

**Item 3: Quantitative and Qualitative Disclosures About Market Risk**

***Interest Rate Risk***

We are exposed to interest rate risk relating to our investments and outstanding debt. In addition, adverse economic conditions and events (including volatility or distress in the equity and/or debt or credit markets) may impact regional and global financial markets. These events and conditions could cause us to write down our assets or investments. We seek to reduce earnings volatility that may result from adverse economic conditions and events or changes in interest rates.

The primary objective of our investment activities is to preserve principal while at the same time improving yields without significantly increasing risk. To achieve this objective, we maintain our cash equivalents and short-term and long-term investments in a variety of asset types, including bank deposits, government bonds and corporate debt securities. As of June 30, 2021, approximately 11% of our total cash and investments was held in cash and cash equivalents. As such, changes in interest rates will impact interest income. As discussed below, the fair market values of our fixed rate securities may be adversely affected due to a rise in interest rates, and we may suffer losses in principal if we are forced to sell securities that have declined in market value due to changes in interest rates.

As of June 30, 2021, the balance of our corporate debt and government bond securities was $5.5 billion, which represented approximately 29% of our total cash and investments. Investments in both fixed-rate and floating-rate interest-earning instruments carry varying degrees of interest rate risk. The fair market value of our fixed-rate investment securities may be adversely impacted due to a rise in interest rates. In general, fixed-rate securities with longer maturities are subject to greater interest rate risk than those with shorter maturities. While floating rate securities generally are subject to less interest rate risk than fixed-rate securities, floating-rate securities may produce less income than expected if interest rates decrease and may also suffer a decline in market value if interest rates increase. Due in part to these factors, our investment income may fall short of expectations or we may suffer losses in principal if we sell securities that have declined in market value due to changes in interest rates. A hypothetical 100 basis point increase in interest rates would have resulted in a decrease in the fair value of our investments of $25 million and $5 million as of June 30, 2021 and December 31, 2020, respectively.

As of June 30, 2021, we had an aggregate principal amount of $9.1 billion of outstanding senior notes, of which 96% bore interest at fixed rates. During 2020, we began to hedge the variability of the cash flows in interest payments associated with our floating-rate debt using interest rate swaps. These interest rate swap agreements effectively convert our LIBOR-based floating-rate debt to a fixed-rate basis, reducing the impact of interest-rate changes on future interest expense. The total notional amount of these interest swaps was $400 million as of June 30, 2021 with terms calling for us to receive interest at a variable rate and to pay interest at a fixed rate. Our interest rate swap contracts have maturity dates in 2023. At June 30, 2021, we did not have an unhedged balance on our floating-rate debt. We considered the historical volatility of short-term interest rates and determined that it was reasonably possible that an adverse change of 100 basis points could be experienced in the near term. A hypothetical 1% (100 basis points) decrease in interest rates would have resulted in a decrease in the fair values of our floating to fixed rate interest swaps of approximately $6 million at June 30, 2021.

Further changes in interest rates will impact interest expense on any borrowings under our revolving credit facility, which bear interest at floating rates, and the interest rate on any commercial paper borrowings we make and any debt securities we may issue in the future and, accordingly, will impact interest expense. For additional details related to our debt, see “Note 9 – Debt” to the condensed consolidated financial statements included in this report.

***Equity Price Risk***

*Equity investments*

On June 24, 2021, we completed the transfer of our Classifieds business to Adevinta. Upon completion of the transfer we received an equity interest in Adevinta. The equity investment is accounted for under the fair value option and changes in Adevinta’s stock price and equity volatility may have a significant impact on the value of our equity investment in Adevinta. As of June 30, 2021, a one dollar change in Adevinta’s common stock, would increase or decrease the fair value of the investment by approximately $540 million. For additional details related to the investment, please see “Note 6 – Investments” to our condensed consolidated financial statements included in this report.

Our remaining equity investments are primarily investments in privately-held companies. Our consolidated results of operations include, as a component of interest and other, net, our share of the net income or loss of the equity investments accounted for under the equity method of accounting. Equity investments without readily determinable fair values are accounted for at cost, less impairment and adjusted for subsequent observable price changes obtained from orderly transactions for identical or similar investments issued by the same investee. Such changes in the basis of the equity investment are recognized in interest and other, net.

As of June 30, 2021, our equity investments totaled $10.9 billion, which represented approximately 59% of our total cash and investments, and primarily related to our equity investment in Adevinta.

*Warrant*

We entered into a warrant agreement in conjunction with a commercial agreement with Adyen that, subject to meeting certain conditions, entitles us to acquire a fixed number of shares up to 5% of Adyen’s fully diluted issued and outstanding share capital at a specific date. The warrant is accounted for as a derivative instrument under ASC Topic 815, *Derivatives and Hedging*. Changes in Adyen’s common stock price and equity volatility may have a

significant impact on the value of the warrant. As of June 30, 2021, a one dollar change in Adyen's common stock, holding other factors constant, would increase or decrease the fair value of the warrant by approximately $1 million. For additional details related to the warrant, please see "Note 7 – Derivative Instruments" to our condensed consolidated financial statements included in this report.

***Foreign Currency Risk***

Our commerce platforms operate globally, resulting in certain revenues and costs that are denominated in foreign currencies, primarily the British pound, euro and Australian dollar, subjecting us to foreign currency risk, which may adversely impact our financial results. We transact business in various foreign currencies and have significant international revenues as well as costs. In addition, we charge our international subsidiaries for their use of intellectual property and technology and for certain corporate services we provide. Our cash flow and results of operations that are exposed to foreign exchange rate fluctuations may differ materially from expectations and we may record significant gains or losses due to foreign currency fluctuations and related hedging activities.

We have a foreign exchange exposure management program designed to identify material foreign currency exposures, manage these exposures and reduce the potential effects of currency fluctuations on our reported condensed consolidated cash flows and results of operations through the purchase of foreign currency exchange contracts. The effectiveness of the program and resulting usage of foreign exchange derivative contracts is at times limited by our ability to achieve cash flow hedge accounting. For additional details related to our derivative instruments, please see "Note 7 – Derivative Instruments" to our condensed consolidated financial statements included in this report.

We use foreign exchange derivative contracts to help protect our forecasted U.S. dollar-equivalent earnings from adverse changes in foreign currency exchange rates. These hedging contracts reduce, but do not entirely eliminate, the impact of adverse currency exchange rate movements. Most of these contracts are designated as cash flow hedges for accounting purposes. For qualifying cash flow hedges, the derivative's gain or loss is initially reported as a component of accumulated other comprehensive income and subsequently reclassified into earnings in the same period the forecasted transaction affects earnings. For contracts not designated as cash flow hedges for accounting purposes, the derivative's gain or loss is recognized immediately in earnings in our condensed consolidated statement of income. However, only certain revenue and costs are eligible for cash flow hedge accounting.

The following table illustrates the fair values of outstanding foreign exchange contracts designated as cash flow hedges and the before-tax effect on fair values of a hypothetical adverse change in the foreign exchange rates that existed as of June 30, 2021. The sensitivity for foreign currency contracts is based on a 20% adverse change in foreign exchange rates, against relevant functional currencies.

| | Fair Value Asset/(Liability) | Fair Value Sensitivity |
|---|---|---|
| | (In millions) | |
| Foreign exchange contracts - Cash flow hedges | $ 35 | $ (185) |

Since our risk management programs are highly effective, the potential loss in value described above would be largely offset by changes in the value of the underlying exposure.

We also use foreign exchange contracts to offset the foreign exchange risk on our assets and liabilities denominated in currencies other than the functional currency of our subsidiaries. These contracts reduce, but do not entirely eliminate, the impact of currency exchange rate movements on our assets and liabilities. The foreign currency gains and losses on the assets and liabilities are recorded in interest and other, net, which are offset by the gains and losses on the foreign exchange contracts.

We considered the historical trends in currency exchange rates and determined that it was reasonably possible that adverse changes in exchange rates of 20% for all currencies could be experienced in the near term. These changes would have resulted in an adverse impact on income before income taxes of approximately $84 million as of June 30, 2021 taking into consideration the offsetting effect of foreign exchange forwards in place as of June 30, 2021.

**Item 4: Controls and Procedures**

(a) *Evaluation of disclosure controls and procedures.* Based on the evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act) required by Exchange Act Rules 13a-15(b) or 15d-15(b), our principal executive officer and our principal financial officer have concluded that our disclosure controls and procedures were effective as of June 30, 2021.

(b) *Changes in internal controls.* There were no changes in our internal control over financial reporting as defined in Exchange Act Rules 13a-15(f) that occurred during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II: OTHER INFORMATION

### Item 1: Legal Proceedings

The information set forth under "Note 11 – Commitments and Contingencies – Litigation and Other Legal Matters" to the condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q is incorporated herein by reference.

### Item 1A: Risk Factors

***Risk Factors:***

We are subject to various risks and uncertainties that may affect our business, results of operations and financial condition including not limited to, those described in Part I, Item 1A, Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2020 ("2020 Form 10-K"). Current global economic events and conditions may amplify many of these risks. These risks are not the only risks that may affect us. Additional risks that we are not aware of or do not believe are material at the time of this filing may also become important factors that adversely affect our business. Except as set forth below, there have been no material changes to the Company's risk factors since the 2020 Form 10-K.

***Transactional Risk***

*The closing of the proposed sale of our eBay Korea business is subject to various risks and uncertainties, may not be completed in accordance with expected plans or on the currently contemplated terms or timeline, or at all, and may not generate the anticipated returns to eBay, and the pending sale may be disruptive to our eBay Korea business.*

We believe the transaction will close by the end of 2021 or in early 2022. However, the completion of the transaction is subject to receipt of certain regulatory approvals and other customary closing conditions. We cannot assure you that the conditions to the closing of the transaction will be satisfied and, if those conditions are neither satisfied nor, where permissible, waived on a timely basis or at all, we may be unable to complete the sale of the Korea business, or such completion may be delayed or completed on terms that are less favorable, perhaps materially, to us than the terms currently contemplated.

If the proposed sale of the Korea business is delayed or not completed for any reason, including due to inability to satisfy the closing conditions set forth in the transaction agreement or industry or economic conditions outside of our control, including those related to the ongoing COVID-19 pandemic, investor confidence could decline and we could face negative publicity and possible litigation. In addition, in the event of a failed transaction, we will have expended significant management resources in an effort to complete the transaction and, although in some circumstances we may be entitled to a termination fee, we will have incurred significant transaction costs. Accordingly, if the proposed sale of the Korea business is not completed on the timeline or terms currently contemplated, or at all, our business, results of operations, financial condition, cash flows and stock price may be adversely affected.

## Item 2: Unregistered Sales of Equity Securities and Use of Proceeds

Stock repurchase activity during the three months ended June 30, 2021 was as follows:

| Period Ended | Total Number of Shares Purchased | Average Price Paid per Share [2] | Total Number of Shares Purchased as Part of Publicly Announced Programs | Maximum Dollar Value that May Yet be Purchased Under the Programs [1] |
|---|---|---|---|---|
| April 30, 2021 | 1,155,902 | $ 55.85 | 1,155,902 | $ 5,676,711,777 |
| May 31, 2021 | 11,242,900 | $ 60.06 | 11,242,900 | $ 5,001,444,046 |
| June 30, 2021 | 11,565,000 | $ 65.73 | 11,565,000 | $ 4,241,249,572 |
| | 23,963,802 | | 23,963,802 | |

[1] In January 2020 our Board authorized a $5.0 billion stock repurchase program and in February 2021 our Board authorized an additional $4.0 billion stock repurchase program. These stock repurchase programs have no expiration from the date of authorization.

Our stock repurchase programs are intended to programmatically offset the impact of dilution from our equity compensation programs and, subject to market conditions and other factors, to make opportunistic and programmatic repurchases of our common stock to reduce our outstanding share count. Any share repurchases under our stock repurchase programs may be made through open market transactions, block trades, privately negotiated transactions (including accelerated share repurchase transactions) or other means at times and in such amounts as management deems appropriate and will be funded from our working capital or other financing alternatives.

During the three months ended June 30, 2021, we repurchased approximately $1.5 billion of our common stock under our stock repurchase programs. As of June 30, 2021, a total of approximately $4.2 billion remained available for future repurchases of our common stock under our stock repurchase programs. In August 2021, our Board authorized an additional $3.0 billion stock repurchase program, with no expiration from the date of authorization.

We expect, subject to market conditions and other uncertainties, to continue making opportunistic and programmatic repurchases of our common stock. However, our stock repurchase programs may be limited or terminated at any time without prior notice. The timing and actual number of shares repurchased will depend on a variety of factors, including corporate and regulatory requirements, price and other market conditions and management's determination as to the appropriate use of our cash.

[2] Excludes broker commissions.

## Item 3: Defaults Upon Senior Securities

Not applicable.

## Item 4: Mine Safety Disclosures

Not applicable.

## Item 5: Other Information

Not applicable.

## Item 6: Exhibits

The information required by this Item is set forth in the Index to Exhibits of this Quarterly Report.

## INDEX TO EXHIBITS

| Exhibit Number | Filed or furnished with this 10-Q | Description |
|---|---|---|
| 2.01 | | Securities Purchase Agreement, dated as of June 30, 2021, by and among eBay Inc., eBay KTA (UK) Ltd., Emerald SPV Co., Ltd., and, solely for the purposes set forth therein, E-mart Inc.[1] |
| 4.01 | | Form of 1.400% Note due 2026[2] |
| 4.02 | | Form of 2.600% Note due 2031[2] |
| 4.03 | | Form of 3.650% Note due 2051[2] |
| 4.04 | | Officers' Certificate dated May 10, 2021 establishing the terms of the 1.400% Notes due 2026, 2.600% Notes due 2031 and the 3.650% Notes due 2051[2] |
| 10.01+ | X | Offer Letter dated May 7, 2021 between Registrant and Stephen Priest |
| 31.01 | X | Certification of Registrant's Chief Executive Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.02 | X | Certification of Registrant's Chief Financial Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.01 | X | Certification of Registrant's Chief Executive Officer, as required by Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.02 | X | Certification of Registrant's Chief Financial Officer, as required by Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS | X | Inline XBRL Instance Document (the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document) |
| 101.SCH | X | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL | X | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | X | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | X | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | X | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104 | X | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) |

+ Indicates a management contract or compensatory plan or arrangement

[1] Filed as an exhibit to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 30, 2021.

[2] Filed as an exhibit to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 10, 2021.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

eBay Inc.
Principal Executive Officer:

By: /s/ Jamie Iannone

**Jamie Iannone**
**Chief Executive Officer**

Date: August 12, 2021

Principal Financial Officer:

By: /s/ Steve Priest

**Steve Priest**
**Chief Financial Officer**

Date: August 12, 2021

Principal Accounting Officer:

By: /s/ Brian J. Doerger

**Brian J. Doerger**
**Vice President, Chief Accounting Officer**

Date: August 12, 2021

May 7, 2021

Stephen Priest
c/o eBay
2065 Hamilton Avenue
San Jose, CA 95125

Dear Steve:

eBay Inc. (the "Company" or "eBay") is pleased to offer you, on the terms and conditions set forth in this offer letter (the "Offer Letter"), the exempt position of Senior Vice President, Chief Financial Officer, reporting directly to the Chief Executive Officer. The terms and conditions of this Offer Letter have been approved by the Compensation Committee of the eBay Board of Directors.

*Cash Compensation*

Your salary shall be set at a bi-weekly rate of $28,846.16, which is equivalent to an annual base salary of $750,000.16.

You will be eligible to participate in the eBay Incentive Plan (eIP) with an annual bonus based on individual achievement as well as company performance. The annual bonus period is from January 1 through December 31. Your target bonus for the eIP is 100% of your annual base salary, pro-rated based on the eligible earnings paid while you are employed in an eIP eligible position during the annual bonus period. There is no guarantee any eIP bonus will be paid and any actual bonus will be determined after the end of the annual bonus period based on your eligible earnings as defined in the eIP. To be eligible to receive any eIP bonus, you must be employed on or before the first business day of the fourth quarter and you must be employed on the date the bonus is paid. The payment of any bonus is at eBay's sole and absolute discretion and subject to the terms and conditions of the eIP. eBay reserves the right, in its sole discretion, to amend, change or cancel the eIP at any time.

*Equity Compensation*

You will be granted two awards of restricted stock units ("RSUs") and an award of performance-based restricted stock units ("PBRSUs"), as described in the following paragraphs. The grants of RSUs and PBRSUs will be made on the 15th of the month following the month you start work. The grants are described as a U.S. dollar value. For the RSU awards, the number of shares to be granted will be determined by dividing the U.S. dollar value of the RSU awards by the Average eBay Closing Price (as described below) and rounding up to the nearest whole number of shares of eBay common stock. For the PBRSU award, the number of shares subject to the target award will be determined by dividing the U.S. dollar value of the award by the Average eBay Closing Price, rounded up to the nearest whole number of shares of eBay common stock. The "Average eBay Closing Price" shall be calculated based on the average of the closing prices of eBay common stock in U.S. dollars for the period of 10 consecutive trading days ending on (and including) the last trading day prior to the date of grant.

In accordance with the methodology above, you will be granted an award of RSUs valued at USD $2,800,000 to be granted under the terms and conditions of eBay's current stock plans (the "Plans") as well as the terms and conditions of the RSU agreement (which will be provided to you as soon as practicable after the grant date). The RSUs will vest and become non-forfeitable (assuming your continued employment with an eBay company on each vesting date) over four years as follows: 25% on the first anniversary of the date of grant and an additional 1/16th of the shares subject to the award each three-month period thereafter.

You will also be granted an award of PBRSUs valued at USD $4,200,000 to be granted under the terms and conditions of the Plans as well as the terms and conditions of the PBRSU agreement (which will be provided to you as soon as practicable after the grant date). The PBRSUs will be subject to performance over the period January 1, 2021 through December 31, 2022 under the 2021-2022 PBRSU cycle and will have the same performance goals and modifiers set for other similarly situated officers in the 2021-2022 PBRSU cycle. The actual amount of the award that is earned will be determined based on Company performance and will be subject to the terms and conditions of the performance plan

approved by the Compensation Committee. Any PBRSUs earned for this cycle will vest as to 100% of the earned shares in March 2024, subject to your continued employment with an eBay company on the vesting date.

You will also be granted a supplemental equity award of RSUs valued at USD $3,000,000 to be granted under the terms and conditions of the Plans as well as the terms and conditions of the RSU agreement (which will be provided to you as soon as practicable after the grant date). The RSUs will vest and become non-forfeitable (assuming your continued employment with an eBay company on each vesting date) over two years as follows: 50% on the first anniversary of the date of grant and 50% on the second anniversary of the date of grant.

You will be eligible to receive annual grants under eBay's annual review process beginning in 2022.
We commit to you that the aggregate target grant value of your annual equity award in 2022 will be a minimum of $5,500,000.

All employees are subject to eBay's Insider Trading Agreement, which outlines the procedures and guidelines governing securities trades by company personnel. You will be provided with a copy of eBay's Insider Trading Agreement. Please review the Agreement carefully. You will be asked to execute the certification as part of your new hire onboarding process.

*Supplemental Payments*

You will be eligible to receive a one-time Equity Transition Payment 1 of $2,250,000. This payment will be paid within two pay periods of your start date, subject to your continued employment on the date of payment. In the event that your employment ceases for reasons of Cause (as this term is defined in the Repayment Requirement Agreement) or resignation prior to completion of one year of service from your start date, the net portion of the Equity Transition Payment 1 that was paid to you (net of deductions or applicable taxes) is fully refundable to the Company. If your employment ceases for reasons of Cause or resignation after one year, but prior to the second anniversary from your start date, your repayment obligation will be reduced by 1/24th for every full month of active employment. No repayment of the Equity Transition Payment 1 would be required for termination after two years of employment with the Company. A Repayment Requirement Agreement is attached.

You will be eligible to receive a one-time Equity Transition Payment 2 of $1,750,000. This payment will be made on or around the first anniversary of your start date, subject to your continued employment on the date of payment. In the event that your employment ceases for reasons of Cause (as this term is defined in the Repayment Requirement Agreement) or resignation within two years from the date of payment, the net portion of the Equity Transition Payment 2 that was paid to you (net of deductions or applicable taxes) is refundable to the Company provided that your repayment obligation will be reduced by 1/24th for every full month of active employment following the date of payment. No repayment of the Equity Transition Payment 2 would be required for termination after two years of employment with the Company following the date of payment. A Repayment Requirement Agreement is attached.

The Equity Transition Payment 1 and Equity Transition Payment 2 will be considered Make-good Payments under the terms of the SVP & Above Standard Severance Plan and the eBay Change in Control Severance Plan for Key Employees.

*Employee Benefits*

You will be also entitled to the benefits that eBay customarily makes available to employees in positions comparable to yours. Please refer to the benefit plan documents for more details, including eligibility. eBay reserves the right, in its sole discretion, to amend, change or cancel the benefits at any time.

You will be eligible to accrue 20 days of Paid Time Off ("PTO") per year.

eBay will provide you with relocation assistance under our executive relocation program, including temporary housing in the San Jose area for up to 6 months.

*Work Location*

Your work location will be at the eBay Inc. offices located at 2025 Hamilton Avenue, San Jose, CA, 95125. It is expected that you will work at this location, subject to our COVID-19 return to work plan.

*Severance and Change in Control Protections*

Although your employment with the Company shall be "at-will" as set forth below, you will be entitled to severance protection in certain circumstances, as described below.

*Termination Outside of a Change in Control Period*. You will be eligible to participate in the eBay Inc. SVP & Above Standard Severance Plan, subject to the terms and conditions of the plan as in effect from time to time. Please review the enclosed eBay Inc. SVP and Above Standard Severance Plan and Summary Plan Description for the details on the plan.

*Termination During a Change in Control Period.* You will be eligible to participate in the eBay Change in Control Severance Plan for Key Employees, subject to the terms and conditions of the plan as in effect from time to time, at Tier 1. Please review the enclosed Change in Control Severance Plan for Key Employees and Summary Plan Description for the details on the plan.

*Other terms; Required Employee Documents and Agreements*

All payments and benefits set forth in this letter are subject to, and will be paid net of, all applicable taxes, deductions, and withholdings.

Under federal immigration laws, the Company is required to verify each new employee's identity and legal authority to work in the United States. Accordingly, please be prepared to furnish appropriate documents satisfying those requirements; this offer of employment is conditioned on submission of satisfactory documentation. You will be provided with a list of the required documents.

Other terms, conditions, job responsibilities, compensation and benefits may be adjusted by the Company from time to time in its sole discretion.

All of us at eBay are very excited about you joining our team and look forward to a beneficial and fruitful relationship. However, should any dispute arise with respect to your employment or the termination of that employment, we both agree that such dispute shall be conclusively resolved by final, binding and confidential arbitration rather than by a jury court or administrative agency. The Company will bear those expenses unique to arbitration. Please review the enclosed Mutual Arbitration Agreement carefully.

As a condition of your employment, you must complete both the Mutual Arbitration Agreement and the enclosed Employee Proprietary Information and Inventions Agreement prior to commencing employment. These agreements address important obligations to the Company, both during and after your employment; therefore, please read both agreements carefully. You will be asked to execute the agreements as part of your new hire onboarding process. If you should have any questions about either agreement, please contact me.

This Offer Letter, the Mutual Arbitration Agreement, the Employee Proprietary Information and Inventions Agreement as well as all other enclosed required documents, contain the entire agreement with respect to your employment. For the avoidance of doubt, nothing in this Offer Letter is intended to modify the SVP & Above Standard Severance Plan or the eBay Change in Control Severance Plan for Key Employees, and in any circumstance where either plan may be applicable to awards described in this Offer Letter the provisions of the applicable plan shall control. Should you have any questions with regard to any of the items indicated above, please call me. Kindly indicate your consent to this Offer Letter by signing and returning a copy of this Offer Letter. All other documents requiring your signature must be submitted either in hard copy or electronically prior to your start date, including but not limited to the Mutual Arbitration Agreement, the Employee Proprietary Information and Inventions Agreement, and the Insider Trading Agreement certification.

This Offer Letter and your commencement of employment with eBay is contingent upon the results of your background verification, your legal authorization to work for eBay in the United States, and your resignation from your current employer. Upon your signature below, this will become our binding agreement with respect to your employment and its terms merging and superseding in their entirety all other or prior offers, agreements and communications, whether written or oral, by you and the Company as to the specific subjects of this Offer Letter.

We are excited at the prospect of you joining our team. We look forward to having you on board!

Very truly yours,

/s/ Jamie Iannone
Chief Executive Officer

Accepted:

/s/ Stephen Priest
Stephen Priest

Anticipated Start Date: June 21, 2021

May 17, 2021
Date

**Repayment Requirement Agreement**

In the event that your employment ceases for reasons of Cause (as defined below) or resignation prior to completion of one year of service from your start date, the net portion of the Equity Transition Payment 1 of $2,250,000 that was paid to you (net of deductions or applicable taxes) is fully refundable to the Company. If your employment ceases for reasons of Cause or resignation after one year, but prior to the second anniversary from your start date, your repayment obligation will be reduced by 1/24th for every full month of active employment. No repayment of the Equity Transition Payment 1 would be required for termination after two years of employment with the Company.

In the event that your employment ceases for reasons of Cause (as defined below) or resignation within two years of the date of payment, the net portion of the Equity Transition Payment 2 of $1,750,000 that was paid to you (net of deductions or applicable taxes) is refundable to the Company provided that your repayment obligation will be reduced by 1/24th for every full month of active employment following the date of payment. No repayment of the Equity Transition Payment 2 would be required for termination after two years of employment with the Company following the date of payment.

You authorize the Company to withhold from any compensation otherwise owed to you at the time of termination any amounts necessary to satisfy your repayment obligations, other than those exempt from attachment under federal and state laws.

For purposes of this Repayment Requirement Agreement, “Cause” shall mean any of the following: (i) your failure to attempt in good faith to substantially perform your assigned duties, other than failure resulting from your death or incapacity due to physical or mental illness or impairment; which is not remedied within thirty (30) days after receipt of written notice from the Company specifying such failure; (ii) your indictment for, conviction of or plea of *nolo contendere* to any felony (or any other crime involving fraud, dishonesty or moral turpitude); or (iii) your commission of an act of fraud, embezzlement, misappropriation, willful misconduct, or breach of fiduciary duty against the Company, except good faith expense account disputes.

ACCEPTED:

/s/ Stephen Priest
Stephen Priest

May 17, 2021
Date

**Exhibit 31.01**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER,**
**AS REQUIRED BY SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.**

I, Jamie Iannone, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of eBay Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

*/s/* Jamie Iannone
Jamie Iannone
*Chief Executive Officer*
*(Principal Executive Officer)*

Date: August 12, 2021

**Exhibit 31.02**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER,**
**AS REQUIRED BY SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.**

I, Steve Priest, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of eBay Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

*/s/* Steve Priest
Steve Priest
*Chief Financial Officer*
*(Principal Financial Officer)*

Date: August 12, 2021

**Exhibit 32.01**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER,**
**AS REQUIRED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.**

I, Jamie Iannone, hereby certify pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

(i) The accompanying Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

(ii) The information contained in such report fairly presents, in all material respects, the financial condition and results of operations of eBay Inc.

*/s/* Jamie Iannone
Jamie Iannone
*Chief Executive Officer*
*(Principal Executive Officer)*

Date: August 12, 2021

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of this report.

**Exhibit 32.02**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER,**
**AS REQUIRED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.**

I, Steve Priest, hereby certify pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

(i) The accompanying Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

(ii) The information contained in such report fairly presents, in all material respects, the financial condition and results of operations of eBay Inc.

*/s/* Steve Priest
Steve Priest
*Chief Financial Officer*
*(Principal Financial Officer)*

Date: August 12, 2021

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of this report.