

**PayPal Holdings, Inc.**  
**Unaudited Condensed Combined and Consolidated Balance Sheet**  
(In Millions)

	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
<b>ASSETS</b>									
Current assets:									
Cash and cash equivalents	\$ 2,583	\$ 1,393	\$ 1,880	\$ 2,562	\$ 2,365	\$ 2,201	\$ 2,259	\$ 2,096	\$ 2,198
Short-term investments	2,184	2,018	2,419	1,846	10	29	44	18	30
Accounts receivable, net	159	137	173	81	53	65	50	51	48
Loans and interest receivable, net	4,224	4,184	3,602	3,152	3,566	3,586	3,155	2,939	2,743
Funds receivable and customer accounts	12,232	12,261	11,802	11,386	10,945	10,612	9,975	10,051	9,664
Notes and receivables from eBay	—	—	—	103	788	694	635	775	408
Prepaid expenses and other current assets	586	655	678	583	480	378	418	318	290
Total current assets	21,968	20,648	20,554	19,713	18,207	17,565	16,536	16,248	15,381
Long-term investments	1,661	2,348	2,392	2,258	31	31	29	142	145
Property and equipment, net	1,345	1,344	1,298	1,291	989	922	911	847	855
Goodwill	4,071	4,069	3,415	3,409	3,184	3,189	3,198	3,203	3,205
Intangible assets, net	320	358	174	186	138	156	172	190	208
Other assets	105	114	63	54	30	54	48	48	39
Total assets	\$ 29,470	\$ 28,881	\$ 27,896	\$ 26,911	\$ 22,579	\$ 21,917	\$ 20,894	\$ 20,678	\$ 19,833
<b>LIABILITIES AND EQUITY</b>									
Current liabilities:									
Accounts payable	\$ 158	\$ 145	\$ 114	\$ 188	\$ 125	\$ 115	\$ 101	\$ 100	\$ 84
Funds payable and amounts due to customers	13,032	12,261	11,802	11,386	10,945	10,612	9,975	10,051	9,664
Notes and payables to eBay	—	—	—	102	868	1,093	941	981	977
Accrued expenses and other current liabilities	1,145	1,179	1,089	877	1,565	1,434	1,600	1,578	1,522
Income taxes payable	27	32	67	31	46	29	34	2	5
Total current liabilities	14,362	13,617	13,072	12,584	13,549	13,283	12,651	12,712	12,252
Deferred tax liability and other long-term liabilities	1,510	1,505	1,610	1,587	390	386	338	475	461
Total liabilities	15,872	15,122	14,682	14,171	13,939	13,669	12,989	13,187	12,713
Equity:									
Net parent investment	—	—	—	12,716	8,498	8,138	7,835	7,536	7,174
Treasury stock at cost	(596)	—	—	—	—	—	—	—	—
Common stock	—	—	—	—	—	—	—	—	—
Additional paid-in-capital	13,188	13,100	12,910	—	—	—	—	—	—
Retained earnings	1,033	668	301	—	—	—	—	—	—
Accumulated other comprehensive (loss) income	(27)	(9)	3	24	142	110	70	(45)	(54)
Total equity	13,598	13,759	13,214	12,740	8,640	8,248	7,905	7,491	7,120
Total liabilities and equity	\$ 29,470	\$ 28,881	\$ 27,896	\$ 26,911	\$ 22,579	\$ 21,917	\$ 20,894	\$ 20,678	\$ 19,833

As of April 27, 2016

**PayPal Holdings, Inc.**  
**Unaudited Condensed Combined and Consolidated Statement of Income - GAAP**  
(In Millions, Except Per Share Amounts)

	Three Months Ended									Year Ended December 31,		
	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	2015	2014	2013
Net revenues	\$ 2,544	\$ 2,556	\$ 2,258	\$ 2,297	\$ 2,137	\$ 2,193	\$ 1,975	\$ 1,983	\$ 1,874	\$ 9,248	\$ 8,025	\$ 6,727
Operating expenses:												
Transaction expense	752	750	651	634	575	594	537	525	514	2,610	2,170	1,835
Transaction and loan losses	255	245	201	185	178	193	180	144	129	809	646	502
Customer support and operations <sup>(1)</sup>	296	299	284	278	249	264	244	246	237	1,110	991	896
Sales and marketing <sup>(1)</sup>	233	255	226	234	222	258	255	239	202	937	954	743
Product development <sup>(1)</sup>	195	208	197	202	185	201	192	189	165	792	747	613
General and administrative <sup>(1)</sup>	231	225	216	215	217	203	166	185	179	873	733	594
Depreciation and amortization	175	164	153	150	141	132	129	125	130	608	516	453
Restructuring	—	(1)	—	1	48	—	—	—	—	48	—	—
Total operating expenses	2,137	2,145	1,928	1,899	1,815	1,845	1,703	1,653	1,556	7,787	6,757	5,636
Operating income	407	411	330	398	322	348	272	330	318	1,461	1,268	1,091
Other income (expense), net	15	7	20	1	(1)	(1)	4	(4)	(6)	27	(7)	(7)
Income before income taxes	422	418	350	399	321	347	276	326	312	1,488	1,261	1,084
Income tax expense	57	51	49	94	66	61	42	45	694	260	842	129
Net income (loss)	\$ 365	\$ 367	\$ 301	\$ 305	\$ 255	\$ 286	\$ 234	\$ 281	\$ (382)	\$ 1,228	\$ 419	\$ 955
Net income (loss) per basic share	\$ 0.30	\$ 0.30	\$ 0.25	\$ 0.25	\$ 0.21	\$ 0.23	\$ 0.19	\$ 0.23	\$ (0.31)	\$ 1.00	\$ 0.34	\$ 0.78
Net income (loss) per diluted share	\$ 0.30	\$ 0.30	\$ 0.25	\$ 0.25	\$ 0.21	\$ 0.23	\$ 0.19	\$ 0.23	\$ (0.31)	\$ 1.00	\$ 0.34	\$ 0.78
Weighted average shares:												
Basic	1,216	1,223	1,221	1,218	1,218	1,218	1,218	1,218	1,218	1,222	1,218	1,218
Diluted	1,225	1,230	1,227	1,224	1,224	1,224	1,224	1,224	1,218	1,229	1,224	1,224
Operating Margin	16.0%	16.1%	14.6%	17.3%	15.1%	15.9%	13.8%	16.6%	17.0%	15.8%	15.8%	16.2%

<sup>(1)</sup> Amounts have been reclassified to conform to the current presentation.

**PayPal Holdings, Inc.**  
**Unaudited Condensed Combined and Consolidated Statement of Income - Non-GAAP Adjustments**  
(In Millions)

	Note	Three Months Ended									Year Ended December 31,		
		March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	2015	2014	2013
Net revenues		—	—	—	—	—	—	—	—	—	—	—	—
Operating expenses:													
Customer support and operations	(a)	\$ (18)	\$ (18)	\$ (16)	\$ (15)	\$ (13)	\$ (13)	\$ (12)	\$ (12)	\$ (15)	\$ (62)	\$ (52)	\$ (61)
	(f)	—	—	—	(2)	(1)	—	—	—	—	(3)	—	—
Sales and marketing	(a)	(16)	(10)	(18)	(11)	(13)	(19)	(14)	(14)	(12)	(52)	(59)	(48)
Product development	(a)	(33)	(35)	(33)	(35)	(29)	(28)	(28)	(28)	(24)	(132)	(108)	(84)
General and administrative	(a)	(27)	(26)	(25)	(21)	(22)	(19)	(20)	(20)	(16)	(94)	(75)	(57)
	(b)	(1)	—	(1)	(5)	(3)	(1)	(1)	(4)	(5)	(9)	(11)	(12)
	(f)	—	2	(3)	(7)	(4)	—	—	—	—	(12)	—	—
	(e)	—	—	—	—	—	(1)	—	—	—	—	(1)	4
	(j)	—	(5)	(2)	(3)	—	—	—	—	—	(10)	—	—
Depreciation and amortization	(a)	(1)	(1)	(2)	(2)	(2)	(1)	(1)	(1)	(1)	(7)	(4)	(7)
	(c)	(34)	(29)	(20)	(20)	(16)	(17)	(16)	(16)	(21)	(85)	(70)	(55)
Restructuring	(e)	—	1	—	(1)	(48)	—	—	—	—	(48)	—	—
Total operating expenses		(130)	(121)	(120)	(122)	(151)	(99)	(92)	(95)	(94)	(514)	(380)	(320)
Operating income		130	121	120	122	151	99	92	95	94	514	380	320
Other income (expense), net	(h)	—	—	—	—	—	—	1	1	2	—	4	7
	(g)	—	—	—	—	—	—	(4)	—	—	—	(4)	—
	(f)	—	—	(12)	—	—	—	—	—	—	(12)	—	—
Income before income taxes		130	121	108	122	151	99	89	96	96	502	380	327
Income tax expense	(i)	—	—	—	—	—	—	—	—	(650)	—	(650)	—
	(d)	43	45	32	19	46	27	25	27	27	142	106	96
Net income		\$ 87	\$ 76	\$ 76	\$ 103	\$ 105	\$ 72	\$ 64	\$ 69	\$ 719	\$ 360	\$ 924	\$ 231

- (a) Stock-based compensation expense
- (b) Employer payroll taxes on stock-based compensation
- (c) Amortization of acquired intangible assets
- (d) Tax effect of non-GAAP adjustments
- (e) Restructuring
- (f) Separation
- (g) Other certain gains and losses on investments
- (h) Amortization of investments
- (i) Other certain significant gains, losses, or charges
- (j) Acquisition related transaction expense

As of April 27, 2016

**PayPal Holdings, Inc.**  
**Unaudited Condensed Combined and Consolidated Statement of Income - Non-GAAP**  
(In Millions, Except Per Share Amounts)

	Three Months Ended									Year Ended December 31,		
	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	2015	2014	2013
Net revenues	\$ 2,544	\$ 2,556	\$ 2,258	\$ 2,297	\$ 2,137	\$ 2,193	\$ 1,975	\$ 1,983	\$ 1,874	\$ 9,248	\$ 8,025	\$ 6,727
Operating expenses:												
Transaction expense	752	750	651	634	575	594	537	525	514	2,610	2,170	1,835
Transaction and loan losses	255	245	201	185	178	193	180	144	129	809	646	502
Customer support and operations <sup>(1)</sup>	278	281	268	261	235	251	232	234	222	1,045	939	835
Sales and marketing <sup>(1)</sup>	217	245	208	223	209	239	241	225	190	885	895	695
Product development <sup>(1)</sup>	162	173	164	167	156	173	164	161	141	660	639	529
General and administrative <sup>(1)</sup>	203	196	185	179	188	182	145	161	158	748	646	529
Depreciation and amortization	140	134	131	128	123	114	112	108	108	516	442	391
Restructuring	—	—	—	—	—	—	—	—	—	—	—	—
Total operating expenses	2,007	2,024	1,808	1,777	1,664	1,746	1,611	1,558	1,462	7,273	6,377	5,316
Operating income	537	532	450	520	473	447	364	425	412	1,975	1,648	1,411
Other income (expense), net	15	7	8	1	(1)	(1)	1	(3)	(4)	15	(7)	—
Income before income taxes	552	539	458	521	472	446	365	422	408	1,990	1,641	1,411
Income tax expense	100	96	81	113	112	88	67	72	71	402	298	225
Net income	\$ 452	\$ 443	\$ 377	\$ 408	\$ 360	\$ 358	\$ 298	\$ 350	\$ 337	\$ 1,588	\$ 1,343	\$ 1,186
Net income per basic share	\$ 0.37	\$ 0.36	\$ 0.31	\$ 0.33	\$ 0.30	\$ 0.29	\$ 0.24	\$ 0.29	\$ 0.28	\$ 1.30	\$ 1.10	\$ 0.97
Net income per diluted share	\$ 0.37	\$ 0.36	\$ 0.31	\$ 0.33	\$ 0.29	\$ 0.29	\$ 0.24	\$ 0.29	\$ 0.28	\$ 1.29	\$ 1.10	\$ 0.97
Weighted average shares:												
Basic	1,216	1,223	1,221	1,218	1,218	1,218	1,218	1,218	1,218	1,222	1,218	1,218
Diluted	1,225	1,230	1,227	1,224	1,224	1,224	1,224	1,224	1,224	1,229	1,224	1,224
Operating Margin	21.1%	20.8%	19.9%	22.6%	22.1%	20.4%	18.4%	21.4%	22.0%	21.4%	20.5%	21.0%

<sup>(1)</sup> Amounts have been reclassified to conform to the current presentation.

**PayPal Holdings, Inc.**  
**Unaudited Condensed Combined and Consolidated Statement of Income - Pro Forma Adjustments**  
(In Millions)

	Note	Three Months Ended								Year Ended December 31,		
		March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	2015	2014
Net revenues	(a)	\$ —	\$ —	\$ —	(4)\$	(3)\$	(4)\$	(4)\$	(2)\$	(3)	\$ (7)\$	(13)
Operating expenses:												
Transaction and loan losses	(b)	—	—	—	12	10	11	10	10	12	22	43
Customer support and operations	(b)(c)(d)	—	—	—	5	3	5	4	2	2	8	13
Sales and marketing	(e)	—	—	—	(12)	(13)	(15)	(13)	(15)	(17)	(25)	(60)
General and administrative	(b)	—	—	—	2	1	2	2	1	1	3	6
Depreciation and amortization	(f)	—	—	—	4	4	4	4	4	4	8	16
Total operating expenses		—	—	—	11	5	7	7	2	2	16	18
Operating income		—	—	—	(15)	(8)	(11)	(11)	(4)	(5)	(23)	(31)
Income before income taxes		—	—	—	(15)	(8)	(11)	(11)	(4)	(5)	(23)	(31)
Income tax expense	(g)	—	—	—	(2)	(1)	(1)	(1)	—	(1)	(3)	(3)
Net income		\$ —	\$ —	\$ —	(13)\$	(7)\$	(10)\$	(10)\$	(4)\$	(4)	\$ (20)\$	(28)

(a) Reflects the impact of lower transaction revenues from payment services provided by PayPal to eBay as the result of the terms of certain commercial agreements negotiated between the parties that stipulate lower transaction fees than those historically charged to eBay.

(b) Reflects the effect of the Protection program losses and service costs that were historically reimbursed to PayPal by eBay for the administration of eBay's customer protection programs. Following the distribution, this program is no longer being administered by PayPal, and therefore these costs will not be reimbursed by eBay. PayPal's customer protection programs have been extended to its customers' purchases on eBay, and therefore PayPal expects to incur incremental costs associated with its customer protection programs.

(c) Reflects the impact of additional costs for shared data centers and information technology facilities, except for the facilities in Phoenix, Arizona, and Denver, Colorado, that will continue to be managed by eBay after the separation pursuant to the colocation services agreements.

(d) Reflects the reversal of historically allocated amounts from eBay to PayPal related to data center facilities in Phoenix, Arizona, and Denver, Colorado, pursuant to the colocation services agreements.

(e) Reflects the net reduction of costs charged to PayPal by eBay for referral services and user penetration.

(f) Reflects depreciation expense related to data center facilities in Phoenix, Arizona, and Denver, Colorado, pursuant to the colocation services agreements.

(g) Reflects the tax effect of pro forma adjustments using the statutory tax rate for the periods presented.

**PayPal Holdings, Inc.**  
**Unaudited Condensed Combined and Consolidated Statement of Income - Non-GAAP Pro Forma**  
(In Millions, Except Per Share Amounts)

	Three Months Ended									Year Ended December 31,	
	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	2015	2014
Net revenues	\$ 2,544	\$ 2,556	\$ 2,258	\$ 2,293	\$ 2,134	\$ 2,189	\$ 1,971	\$ 1,981	\$ 1,871	\$ 9,241	\$ 8,012
Operating expenses:											
Transaction expense	752	750	651	634	575	594	537	525	514	2,610	2,170
Transaction and loan losses	255	245	201	197	188	204	190	154	141	831	689
Customer support and operations <sup>(1)</sup>	278	281	268	266	238	256	236	236	224	1,053	952
Sales and marketing <sup>(1)</sup>	217	245	208	211	196	224	228	210	173	860	835
Product development <sup>(1)</sup>	162	173	164	167	156	173	164	161	141	660	639
General and administrative <sup>(1)</sup>	203	196	185	181	189	184	147	162	159	751	652
Depreciation and amortization	140	134	131	132	127	118	116	112	112	524	458
Restructuring	—	—	—	—	—	—	—	—	—	—	—
Total operating expenses	2,007	2,024	1,808	1,788	1,669	1,753	1,618	1,560	1,464	7,289	6,395
Operating income	537	532	450	505	465	436	353	421	407	1,952	1,617
Other income (expense), net	15	7	8	1	(1)	(1)	1	(3)	(4)	15	(7)
Income before income taxes	552	539	458	506	464	435	354	418	403	1,967	1,610
Income tax expense	100	96	81	111	111	87	66	72	70	399	295
Net income	\$ 452	\$ 443	\$ 377	\$ 395	\$ 353	\$ 348	\$ 288	\$ 346	\$ 333	\$ 1,568	\$ 1,315
Net income per basic share	\$ 0.37	\$ 0.36	\$ 0.31	\$ 0.32	\$ 0.29	\$ 0.29	\$ 0.24	\$ 0.28	\$ 0.27	\$ 1.28	\$ 1.08
Net income per diluted share	\$ 0.37	\$ 0.36	\$ 0.31	\$ 0.32	\$ 0.29	\$ 0.28	\$ 0.24	\$ 0.28	\$ 0.27	\$ 1.28	\$ 1.07
Weighted average shares:											
Basic	1,216	1,223	1,221	1,218	1,218	1,218	1,218	1,218	1,218	1,222	1,218
Diluted	1,225	1,230	1,227	1,224	1,224	1,224	1,224	1,224	1,224	1,229	1,224
Operating Margin	21.1%	20.8%	19.9%	22.0%	21.8%	19.9%	17.9%	21.3%	21.8%	21.1%	20.2%

<sup>(1)</sup> Amounts have been reclassified to conform to the current presentation.

**PayPal Holdings, Inc.**  
**Unaudited Condensed Combined and Consolidated Statement of Cash Flows**

(In Millions)	Three Months Ended									Year Ended December 31,		
	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	2015	2014	2013
<b>Cash flows from operating activities:</b>												
Net income (loss)	\$ 365	\$ 367	\$ 301	\$ 305	\$ 255	\$ 286	\$ 234	\$ 281	\$(382)	\$ 1,228	\$ 419	\$ 955
Adjustments:												
Transaction and loan losses	255	245	201	185	178	193	180	144	129	809	646	502
Depreciation and amortization	174	164	153	150	141	132	129	125	130	608	516	453
Stock-based compensation	95	90	94	83	79	81	75	75	68	346	299	253
Deferred income taxes	22	40	(5)	43	49	3	(18)	32	663	127	680	52
Excess tax benefits from stock-based compensation	(1)	(2)	(8)	(8)	(8)	(6)	(2)	(10)	(23)	(26)	(41)	(76)
Gain on sale of principal loans receivable held for sale	(6)	(5)	(5)	(30)	—	—	—	—	—	(40)	—	—
Changes in assets and liabilities:												
Accounts receivable	(22)	76	(85)	(25)	12	(15)	1	(3)	4	(22)	(13)	1
Receivable from eBay	—	—	79	80	(38)	(48)	111	(52)	(35)	121	(24)	79
Principal loans receivable held for sale, net	6	5	5	4	—	—	—	—	—	14	—	—
Accounts payable	13	10	(36)	25	13	14	1	16	11	12	42	(13)
Payable to eBay	—	—	(96)	(8)	(113)	114	(73)	46	(89)	(217)	(2)	43
Income taxes payable	(5)	(35)	40	(7)	42	11	17	18	(9)	40	37	41
Other assets and liabilities	(158)	(227)	14	(175)	(66)	(134)	(51)	(112)	(42)	(454)	(339)	(297)
Net cash provided by operating activities	738	728	652	622	544	631	604	560	425	2,546	2,220	1,993
<b>Cash flows from investing activities:</b>												
Purchases of property and equipment	(133)	(164)	(133)	(231)	(194)	(123)	(173)	(96)	(100)	(722)	(492)	(391)
Proceeds from sales of property and equipment	—	—	15	11	—	—	—	—	—	26	—	—
Changes in principal loans receivable, net	(120)	(673)	(554)	427	(19)	(528)	(262)	(231)	(2)	(819)	(1,023)	(793)
Purchases of investments <sup>(1)</sup>	(4,091)	(4,373)	(6,001)	(8,891)	(2,361)	(3,306)	(2,359)	(2,662)	(417)	(21,626)	(8,744)	(6,522)
Maturities and sales of investments <sup>(1)</sup>	4,196	5,145	5,362	3,071	2,570	3,282	1,830	1,610	1,044	16,148	7,766	3,262
Acquisitions, net of cash acquired	(19)	(942)	(10)	(273)	—	(1)	—	—	(1)	(1,225)	(2)	(731)
Notes and receivable from eBay	—	—	—	631	(56)	(14)	29	(313)	(64)	575	(362)	484
Funds receivable and customer accounts <sup>(1)</sup>	492	(709)	(475)	1,316	(527)	(604)	572	679	(671)	(395)	(24)	1,317
Net cash (used in) provided by investing activities	325	(1,716)	(1,796)	(3,939)	(587)	(1,294)	(363)	(1,013)	(211)	(8,038)	(2,881)	(3,374)
<b>Cash flows from financing activities:</b>												
Proceeds from issuance of common stock	6	39	36	—	—	—	—	—	—	75	—	—
Purchases of treasury stock	(596)	—	—	—	—	—	—	—	—	—	—	—
Excess tax benefits from stock-based compensation	1	2	8	8	8	6	2	10	23	26	41	76
Contribution from (to) eBay	—	—	29	3,812	17	(69)	(13)	(3)	14	3,858	(71)	(28)
Tax withholdings related to net share settlements of restricted stock units and restricted stock awards	(15)	(11)	(7)	—	—	—	—	—	—	(18)	—	—
Borrowings (repayments) under financing arrangements	(21)	15	(4)	(754)	(119)	40	26	(44)	(43)	(862)	(21)	(133)
Funds payable and amounts due to customers	738	459	416	441	333	637	(76)	387	387	1,649	1,335	1,653
Net cash provided by financing activities	113	504	478	3,507	239	614	(61)	350	381	4,728	1,284	1,568
Effect of exchange rate changes on cash and cash equivalents	14	(3)	(16)	7	(32)	(9)	(17)	1	(1)	(44)	(26)	3
Net increase (decrease) in cash and cash equivalents	1,190	(487)	(682)	197	164	(58)	163	(102)	594	(808)	597	190
Cash and cash equivalents at beginning of period	1,393	1,880	2,562	2,365	2,201	2,259	2,096	2,198	1,604	2,201	1,604	1,414
Cash and cash equivalents at end of period	\$ 2,583	\$ 1,393	\$ 1,880	\$ 2,562	\$ 2,365	\$ 2,201	\$ 2,259	\$ 2,096	\$ 2,198	\$ 1,393	\$ 2,201	\$ 1,604
<b>Supplemental cash flow disclosures:</b>												
Cash paid for interest	\$ 1	\$ 2	\$ 2	\$ 5	\$ 7	\$ 6	\$ 4	\$ 4	\$ 5	\$ 16	\$ 19	\$ 14
Cash paid for income taxes	\$ 24	\$ 160	\$ 25	\$ 26	\$ 5	\$ 14	\$ 8	\$ 14	\$ 11	\$ 216	\$ 47	\$ 28

<sup>(1)</sup>Amounts have been reclassified to conform to the current presentation.

As of April 27, 2016

## Supplemental Non-GAAP Measures - Free Cash Flow

(In Millions/Unaudited)	Three Months Ended									Year Ended December 31,		
	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	2015	2014	2013
<b>Supplemental non-GAAP Measures:</b>												
Net cash provided by operating activities	\$ 738	\$ 728	\$ 652	\$ 622	\$ 544	\$ 631	\$ 604	\$ 560	\$ 425	\$ 2,546	\$ 2,220	\$ 1,993
Less: Purchases of property and equipment, net	(133)	(164)	(133)	(231)	(194)	(123)	(173)	(96)	(100)	(722)	(492)	(391)
Free cash flow	\$ 605	\$ 564	\$ 519	\$ 391	\$ 350	\$ 508	\$ 431	\$ 464	\$ 325	\$ 1,824	\$ 1,728	\$ 1,602



**PayPal Holdings, Inc.**  
**Unaudited Summary of Combined and Consolidated Net Revenues by Type**  
(In Millions, Except Percentages)

	Three Months Ended									Year Ended December 31,	
	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	2015	2014
<b>Transaction revenues<sup>(1)</sup></b>	\$ 2,238	\$ 2,262	\$ 1,982	\$ 1,966	\$ 1,911	\$ 1,963	\$ 1,750	\$ 1,710	\$ 1,671	\$ 8,121	\$ 7,094
<i>Current quarter vs prior quarter</i>	(1)%	14%	1 %	3%	(3)%	12%	2 %	2%	N/A		
<i>Current quarter vs prior year quarter</i>	17 %	15%	13 %	15%	14 %	N/A	N/A	N/A	N/A		
<i>Percentage of total</i>	88 %	88%	88 %	86%	90 %	90%	89 %	86%	89%		
<b>Other value added services<sup>(1)</sup></b>	306	294	276	327	223	226	221	271	200	1,120	918
<i>Current quarter vs prior quarter</i>	4 %	7%	(16)%	47%	(1)%	2%	(18)%	36%	N/A		
<i>Current quarter vs prior year quarter</i>	37 %	30%	25 %	21%	12 %	N/A	N/A	N/A	N/A		
<i>Percentage of total</i>	12 %	12%	12 %	14%	10 %	10%	11 %	14%	11%		
<b>Total net revenues<sup>(1)</sup></b>	\$ 2,544	\$ 2,556	\$ 2,258	\$ 2,293	\$ 2,134	\$ 2,189	\$ 1,971	\$ 1,981	\$ 1,871	\$ 9,241	\$ 8,012
<i>Current quarter vs prior quarter</i>	— %	13%	(2)%	7%	(3)%	11%	(1)%	6%	N/A		
<i>Current quarter vs prior year quarter</i>	19 %	17%	15 %	16%	14 %	N/A	N/A	N/A	N/A		

(1) Q1'14 - Q2'15, 2014 and 2015 net revenues are presented on a non-GAAP pro forma basis to reflect the impact of lower transaction revenues from payment services provided by PayPal to eBay as the result of the terms of certain commercial agreements negotiated between the parties that stipulate lower transaction fees than those historically charged to eBay. For a reconciliation to GAAP net revenues, please see "Reconciliation of GAAP Net Revenues by Type to Non-GAAP Pro Forma Net Revenues by Type, and GAAP Net Revenues by Geography to Non-GAAP Pro Forma Net Revenues by Geography" included in the website financials.

**PayPal Holdings, Inc.**  
**Unaudited Summary of Combined and Consolidated Net Revenues by Geography**  
(In Millions, Except Percentages)

	Three Months Ended										Year Ended December 31,	
	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	2015	2014	
<b>U.S. net revenues<sup>(1)(2)</sup></b>	\$ 1,343	\$ 1,302	\$ 1,138	\$ 1,167	\$ 1,028	\$ 1,040	\$ 946	\$ 981	\$ 901	\$ 4,635	\$ 3,868	
<i>Current quarter vs prior quarter</i>	3 %	14%	(2)%	14%	(1)%	10%	(4)%	9%	N/A			
<i>Current quarter vs prior year quarter</i>	31 %	25%	20 %	19%	14 %	N/A	N/A	N/A	N/A			
<i>Percent of total</i>	53 %	51%	50 %	51%	48 %	48%	48 %	50%	48%			
<b>International net revenues<sup>(1)(2)</sup></b>	1,201	1,254	1,120	1,126	1,106	1,149	1,025	1,000	970	4,606	4,144	
<i>Current quarter vs prior quarter</i>	(4)%	12%	(1)%	2%	(4)%	12%	3 %	3%	N/A			
<i>Current quarter vs prior year quarter</i>	9 %	9%	9 %	13%	14 %	N/A	N/A	N/A	N/A			
<i>(FXN) Current quarter vs prior year quarter</i>	15 %	18%	17 %	18%	20 %	N/A	N/A	N/A	N/A			
<i>Percent of total</i>	47 %	49%	50 %	49%	52 %	52%	52 %	50%	52%			
<b>Total net revenues<sup>(1)(2)</sup></b>	\$ 2,544	\$ 2,556	\$ 2,258	\$ 2,293	\$ 2,134	\$ 2,189	\$ 1,971	\$ 1,981	\$ 1,871	\$ 9,241	\$ 8,012	
<i>Current quarter vs prior quarter</i>	— %	13%	(2)%	7%	(3)%	11%	(1)%	6%	N/A			
<i>Current quarter vs prior year quarter</i>	19 %	17%	15 %	16%	14 %	N/A	N/A	N/A	N/A			
<i>(FXN) Current quarter vs prior year quarter</i>	23 %	21%	19 %	19%	17 %	N/A	N/A	N/A	N/A			

(1) Net revenues are attributed to U.S. and international geographies primarily based upon the country in which the merchant is located, or in the case of a cross border transaction, may be earned from each of the respective countries in which the consumer and merchant reside. Net revenues earned from value added services are typically attributed to the country in which either the consumer or the merchant reside.

(2) Q1'14 - Q2'15, 2014 and 2015 net revenues are presented on a non-GAAP pro forma basis to reflect the impact of lower transaction revenues from payment services provided by PayPal to eBay as the result of the terms of certain commercial agreements negotiated between the parties that stipulate lower transaction fees than those historically charged to eBay. For a reconciliation to GAAP net revenues, please see "Reconciliation of GAAP Net Revenues by Type to Non-GAAP Pro Forma Net Revenues by Type, and GAAP Net Revenues by Geography to Non-GAAP Pro Forma Net Revenues by Geography" included in the website financials.

**PayPal Holdings, Inc.**  
**Unaudited Supplemental Operating Data**  
(In Millions, Except Percentages)

	Three Months Ended									Year Ended December 31,	
	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	2015	2014
<b>Active customer accounts<sup>(1)</sup></b>	184	179	173	169	165	162	157	152	148	179	162
<i>Current quarter vs prior quarter</i>	2 %	4 %	2 %	2%	2 %	3%	3 %	3 %	4 %		
<i>Current quarter vs prior year quarter</i>	11 %	11 %	10 %	11%	11 %	13%	14 %	15 %	16 %		
<b>Number of payment transactions<sup>(2)</sup></b>	1,414	1,428	1,216	1,161	1,123	1,144	972	930	918	4,928	3,964
<i>Current quarter vs prior quarter</i>	(1)%	17 %	5 %	3%	(2)%	18%	5 %	1 %	(1)%		
<i>Current quarter vs prior year quarter</i>	26 %	25 %	25 %	25%	22 %	23%	21 %	20 %	22 %		
<b>Payment transactions per active account<sup>(3)</sup></b>	28.4	27.5	26.9	26.1	25.2	24.5	23.9	23.5	23.1	27.5	24.5
<i>Current quarter vs prior quarter</i>	3 %	2 %	3 %	3%	3 %	3%	2 %	2 %	1 %		
<i>Current quarter vs prior year quarter</i>	12 %	12 %	12 %	11%	9 %	7%	6 %	6 %	5 %		
<b>Total Payment Volume<sup>(4)</sup></b>	\$ 81,056	\$ 81,523	\$ 69,738	\$ 67,482	\$ 63,021	\$ 66,039	\$ 58,184	\$ 56,736	\$ 53,676	\$ 281,764	\$ 234,635
<i>Current quarter vs prior quarter</i>	(1)%	17 %	3 %	7%	(5)%	14%	3 %	6 %	— %		
<i>Current quarter vs prior year quarter</i>	29 %	23 %	20 %	19%	17 %	23%	28 %	28 %	26 %		
<i>(FXN) Current quarter vs prior year</i>	31 %	29 %	27 %	27%	25 %	26%	27 %	26 %	25 %		
Transaction Expense Rate <sup>(5)</sup>	0.93 %	0.92 %	0.93 %	0.94%	0.91 %	0.90%	0.92 %	0.93 %	0.96 %	0.93%	0.92%
Transaction and Loan Loss Rate <sup>(6)</sup>	0.31 %	0.30 %	0.29 %	0.29%	0.30 %	0.31%	0.33 %	0.27 %	0.26 %	0.29%	0.29%
<b>Transaction Margin<sup>(7)</sup></b>	60.4 %	61.1 %	62.3 %	63.8%	64.2 %	63.5%	63.1 %	65.7 %	65.0 %	62.8%	64.3%

<sup>(1)</sup> An active customer account is a registered account that successfully sent or received at least one payment or payment reversal through our Payments Platform, excluding transactions processed through our gateway and Paydiant products, in the past 12 months.

<sup>(2)</sup> Payment transactions is the total number of payments, net of payment reversals, successfully completed through our Payments Platform, excluding transactions processed through our gateway and Paydiant products.

<sup>(3)</sup> Number of payment transactions per active customer account reflects the total number of payment transactions within the previous 12 month period, divided by active customer accounts at the end of the period.

<sup>(4)</sup> Total Payment Volume or “TPV” is the value of payments, net of payment reversals, successfully completed through our Payments Platform, excluding transactions processed through our gateway and Paydiant products.

<sup>(5)</sup> Transaction expense rate is calculated by dividing transaction expense by TPV.

<sup>(6)</sup> Transaction and loan loss rate is calculated by dividing transaction and loan loss by TPV.

<sup>(7)</sup> Transaction margin is total revenue less transaction expense and transaction and loan loss, divided by total revenue.

Q1'14 - Q2'15, 2014 and 2015 transaction expense rate, transaction and loan loss rate, and transaction margin include the impact of pro forma adjustments directly attributable to the separation of the company from eBay Inc. on July 17, 2015 had they existed historically.

## **PayPal Holdings, Inc.**

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

To supplement the condensed combined and consolidated financial statements of PayPal Holdings, Inc. (the “Company”) presented in accordance with generally accepted accounting principles, or GAAP, the Company uses non-GAAP measures of certain components of financial performance. These non-GAAP measures include non-GAAP net income, non-GAAP earnings per diluted share, non-GAAP operating margin, non-GAAP effective tax rate, free cash flow, non-GAAP pro forma net revenues, non-GAAP pro forma net income, non-GAAP pro forma earnings per diluted share, and non-GAAP pro forma operating margin. 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. These non-GAAP measures are provided to enhance investors' overall understanding of the Company's current financial performance and its prospects for the future. Specifically, the Company believes the non-GAAP measures provide useful information to both management and investors by excluding certain expenses, gains and losses, as the case may be, that may not be indicative of its core operating results and business outlook. In addition, because the Company has historically reported certain non-GAAP results to investors, the Company believes that the inclusion of non-GAAP measures provides consistency in the Company's financial reporting.

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

The Company has also included certain pro forma adjustments in its presentation of certain non-GAAP financial measures. These adjustments reflect items that are factually supportable, directly attributable to the separation of the Company from eBay Inc. on July 17, 2015, and expected to have a continuing impact on our results of operations. The Company has included these pro forma adjustments because management believes that they help to facilitate comparisons of the Company's operating results between periods.

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 the Company's results of operations as determined in accordance with GAAP. These measures should only be used to evaluate the Company's results of operations in conjunction with the corresponding GAAP measures. A reconciliation of the non-GAAP measures presented herein to the most directly comparable GAAP measures is provided above.

**Reconciliation of GAAP Net Revenues by Type to Non-GAAP Pro Forma Net Revenues by Type,  
and GAAP Net Revenues by Geography to Non-GAAP Pro Forma Net Revenues by Geography**

Net Revenues by Type	Three Months Ended									Year Ended December 31,	
	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	2015	2014
	(In millions/Unaudited)										
Transaction revenues	\$ 2,238	\$ 2,262	\$ 1,982	\$ 1,970	\$ 1,914	\$ 1,967	\$ 1,754	\$ 1,712	\$ 1,674	\$ 8,128	\$ 7,107
Pro forma adjustment <sup>(1)</sup>	—	—	—	(4)	(3)	(4)	(4)	(2)	(3)	(7)	(13)
Pro forma transaction revenues	2,238	2,262	1,982	1,966	1,911	1,963	1,750	1,710	1,671	8,121	7,094
Other value added services	306	294	276	327	223	226	221	271	200	1,120	918
Pro forma adjustment <sup>(1)</sup>	—	—	—	—	—	—	—	—	—	—	—
Pro forma other value added services	306	294	276	327	223	226	221	271	200	1,120	918
Total net revenues	\$ 2,544	\$ 2,556	\$ 2,258	\$ 2,297	\$ 2,137	\$ 2,193	\$ 1,975	\$ 1,983	\$ 1,874	\$ 9,248	\$ 8,025
Pro forma adjustment <sup>(1)</sup>	—	—	—	(4)	(3)	(4)	(4)	(2)	(3)	(7)	(13)
Total pro forma net revenues	2,544	2,556	2,258	2,293	2,134	2,189	1,971	1,981	1,871	9,241	8,012

<sup>(1)</sup> Reflects the impact of lower transaction revenues from payment services provided by PayPal to eBay as the result of the terms of certain commercial agreements negotiated between the parties that stipulate lower transaction fees than those historically charged to eBay.

Net Revenues by Geography	Three Months Ended									Year Ended December 31,	
	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	2015	2014
	(In millions/Unaudited)										
U.S. net revenues	\$ 1,343	\$ 1,302	\$ 1,138	\$ 1,170	\$ 1,030	\$ 1,043	\$ 949	\$ 982	\$ 903	\$ 4,640	\$ 3,877
Pro forma adjustment <sup>(1)</sup>	—	—	—	(3)	(2)	(3)	(3)	(1)	(2)	(5)	(9)
Total pro forma U.S. net revenues	1,343	1,302	1,138	1,167	1,028	1,040	946	981	901	4,635	3,868
International net revenues	\$ 1,201	\$ 1,254	\$ 1,120	\$ 1,127	\$ 1,107	\$ 1,150	\$ 1,026	\$ 1,001	\$ 971	\$ 4,608	\$ 4,148
Pro forma adjustment <sup>(1)</sup>	—	—	—	(1)	(1)	(1)	(1)	(1)	(1)	(2)	(4)
Total pro forma International net revenues	1,201	1,254	1,120	1,126	1,106	1,149	1,025	1,000	970	4,606	4,144
Total net revenues	\$ 2,544	\$ 2,556	\$ 2,258	\$ 2,297	\$ 2,137	\$ 2,193	\$ 1,975	\$ 1,983	\$ 1,874	\$ 9,248	\$ 8,025
Pro forma adjustment <sup>(1)</sup>	—	—	—	(4)	(3)	(4)	(4)	(2)	(3)	(7)	(13)
Total pro forma net revenues	2,544	2,556	2,258	2,293	2,134	2,189	1,971	1,981	1,871	9,241	8,012

<sup>(1)</sup> Reflects the impact of lower transaction revenues from payment services provided by PayPal to eBay as the result of the terms of certain commercial agreements negotiated between the parties that stipulate lower transaction fees than those historically charged to eBay.