

What is PayPal?

PayPal enables any business or consumer with email to send and receive online payments securely, conveniently and cost-effectively

- An account-based network which integrates with traditional payment systems
- The first global real-time payment system – available in 39 countries
- Focus on the underserved small business market, including online auctions
- Revenue derived primarily from Gross Merchant Sales (GMS)
- High variable revenue and low variable expense business model
- User-driven growth creates minimum reliance on traditional sales and marketing expenses
- Network effects which build on a large installed base – 15 million accounts

PayPal is Ready to Take the Next Step

- Cash-flow and EBITDA profitable in Q4 2001
- 50% gross margins
- \$40 million in revenue for Q4 2001, \$105 million for YR 2001
- \$3.5 billion payment volume for YR 2001
- 219% GMS growth from Q4 2000 to Q4 2001

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How Does PayPal Work?

Email Payments



PayPal



- Consumer signs up and enters credit card or bank account information
- Consumer enters email address of Merchant and dollar amount of payment

You've got money!



Web Accept Payments



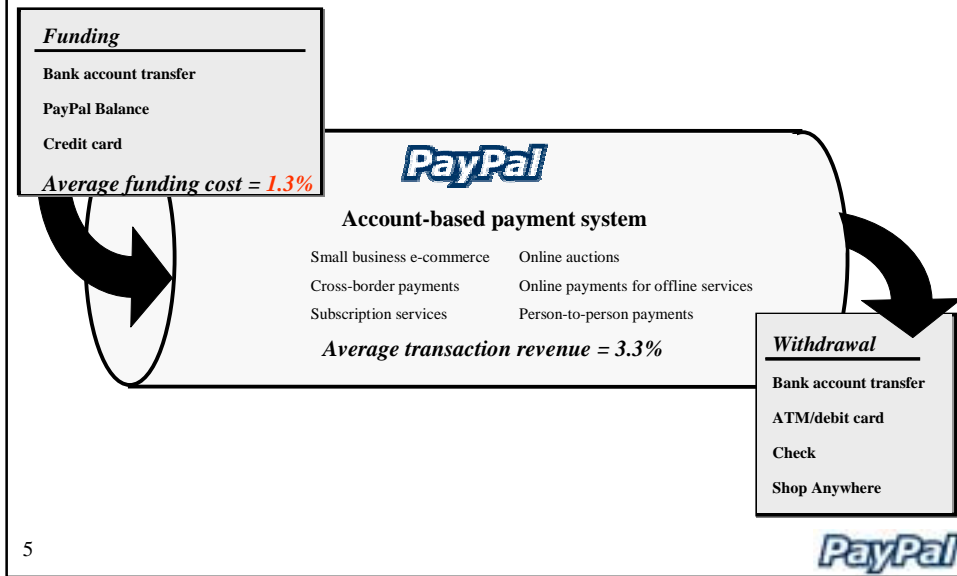
- Consumer, not yet a PayPal user, visits the website of Merchant, and selects goods or services to purchase
- From a pop-up window, Consumer opens a PayPal account and makes credit-card funded payment on one easy form

- Merchant receives an email indicating that Consumer has sent money
- Merchant may withdraw the cash, leave it in his PayPal account or send it to someone else

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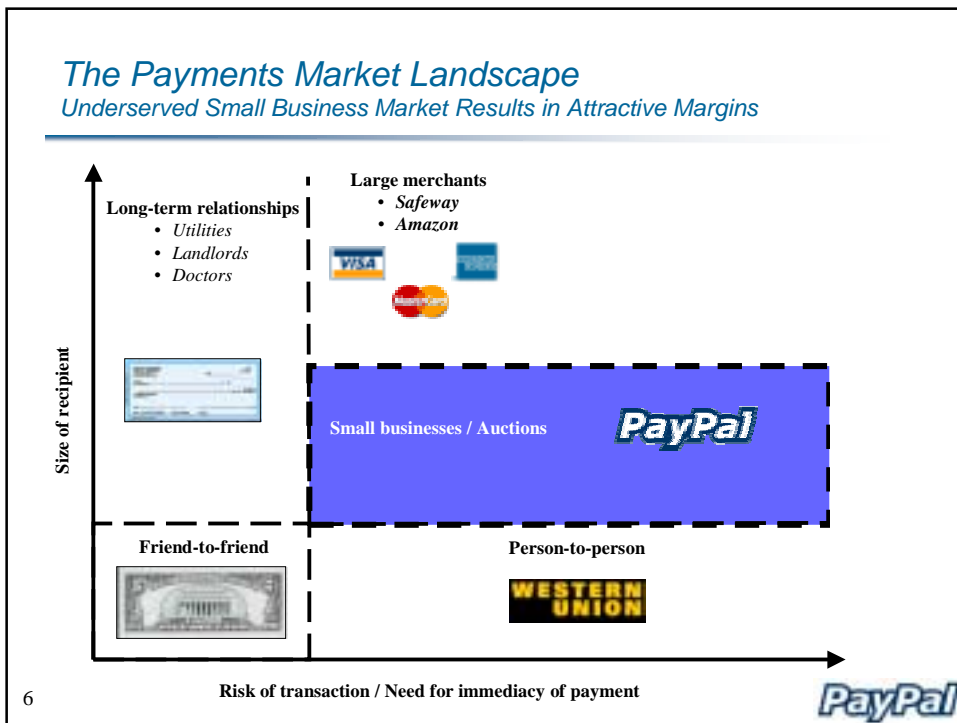


How Does PayPal Work?



The Payments Market Landscape

Underserved Small Business Market Results in Attractive Margins



Value Proposition to Small Businesses

No other payment method matches PayPal's level of convenience

- Ease of registration
- Online transaction capability
- International transaction functionality
- Seamless integration into multiple financial systems
- Security and fraud protection
- Account management
- Immediate access to funds

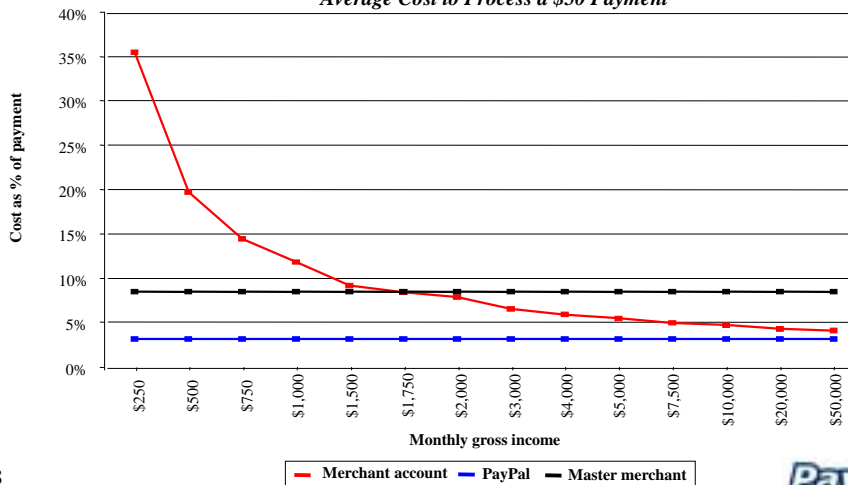
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Value Proposition to Small Businesses

PayPal is the most cost-effective payment method for small businesses

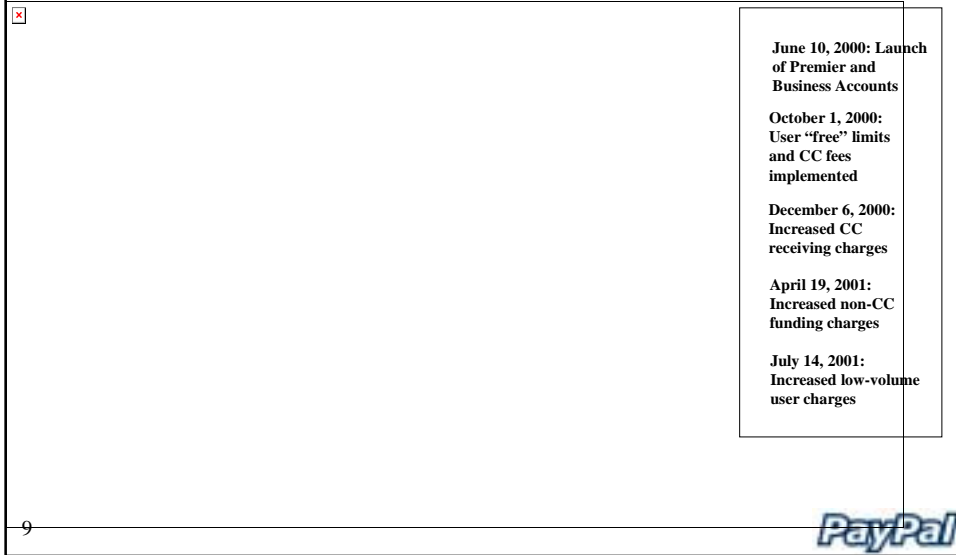
Average Cost to Process a \$50 Payment



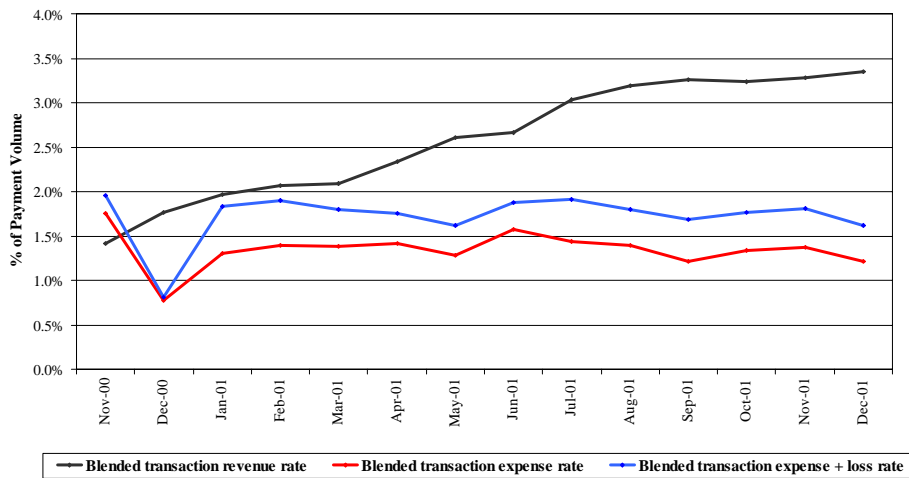
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Strong Gross Merchant Sales Growth



Expanding Transaction Margins

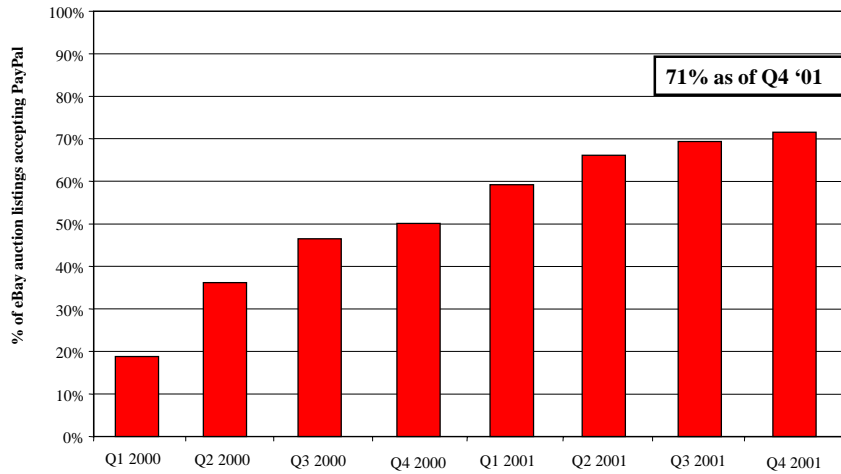


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Leading Payment Provider for Online Auctions

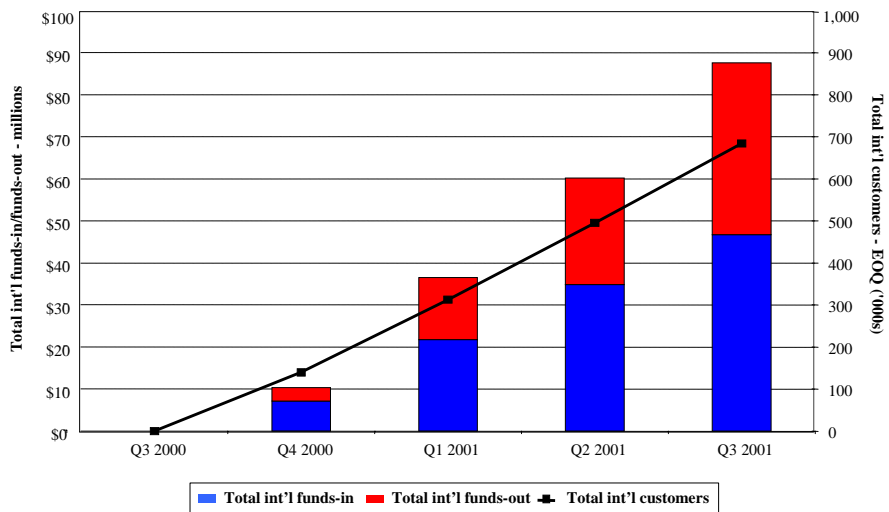
PayPal's eBay Penetration



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Growing International Presence



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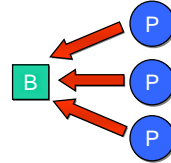


Two-Tiered Marketing Strategy



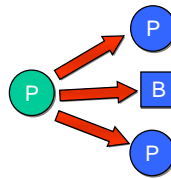
PULL-DRIVEN ACCOUNT OPENINGS

- Customer wishes to purchase product from Merchant
- Merchant only accepts PayPal
- Customer must open PayPal account to buy product



PUSH-DRIVEN ACCOUNT OPENINGS

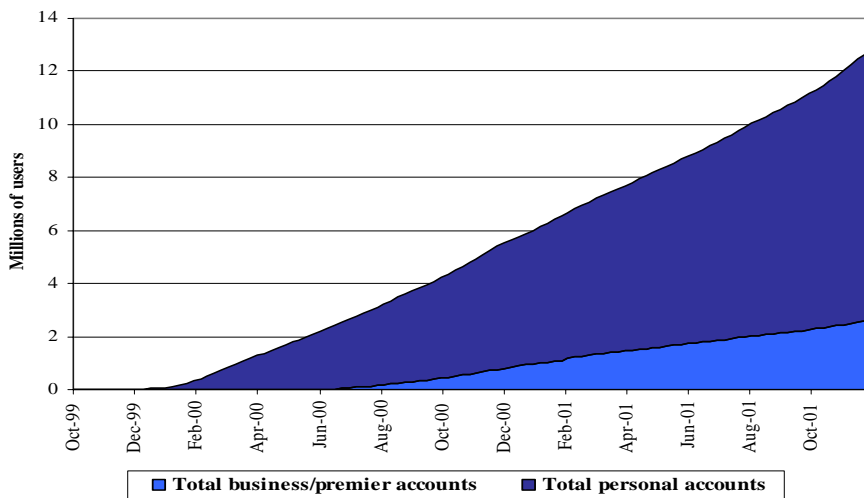
- User emails money to Person or Business
- Recipient must open PayPal account in order to access money



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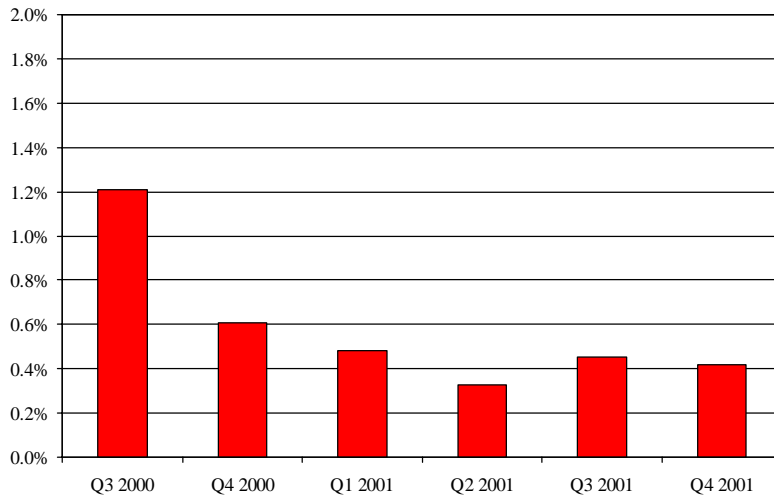
Strong Network Effects



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Fraud Loss as a Percentage of Payment Volume



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Financial Information - Quarterly

Key Driver	Q4 2000	Q1 2001	Q2 2001	Q3 2001	Q4 2001
Gross Merchant Sales	\$336 M	\$547 M	\$663 M	\$815 M	\$1071 M
Revenue	\$8.8 M	\$14.3 M	\$19.9 M	\$30.2 M	\$40.4 M
Net Income*	(\$24.4 M)	(\$10.7M)	(\$7.2M)	(\$1.2M)	\$3.2 M
Customers	5.5 M	7.2 M	8.8 M	10.6 M	12.8 M

*Excluding Cheap Stock and Goodwill Amortization

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