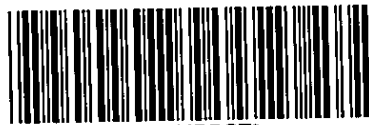


**ANNUAL REPORT AND**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST DECEMBER 2008**  
**FOR**  
**EBAY PROMOTIONS (UK) LIMITED**

TUESDAY



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**EBAY PROMOTIONS (UK) LIMITED**

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**FOR THE YEAR ENDED 31ST DECEMBER 2008**

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**EBAY PROMOTIONS (UK) LIMITED**

**COMPANY INFORMATION**  
**FOR THE YEAR ENDED 31ST DECEMBER 2008**

<b>DIRECTORS:</b>	P Drake S Tholen
<b>SECRETARY:</b>	TJG Secretaries Ltd
<b>REGISTERED OFFICE:</b>	5 New Street Square London EC4A 3TW
<b>REGISTERED NUMBER:</b>	04285468 (England and Wales)
<b>AUDITORS:</b>	PricewaterhouseCoopers LLP

## **EBAY PROMOTIONS (UK) LIMITED**

### **DIRECTORS' REPORT** **FOR THE YEAR ENDED 31ST DECEMBER 2008**

The directors present their report with the audited financial statements of the company for the year ended 31st December 2008.

#### **PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of online internet advertising and promotions.

#### **REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS**

The company's profit for the financial year amounted to £93,008 (2007: £874,270). The net assets at the end of the financial year increased by £575,651 however, as a result of the net capital contribution from the ultimate parent company eBay Inc in connection with the employee stock-based benefit plans.

There was a decline in the promotion and marketing conducted via third party marketing agencies during the year and during the second half of the financial year the company recruited employees for advertising sales and leadership teams which affected the results for 2008.

Taking into account the above the directors are satisfied with the performance of the company.

As the Company's income was principally generated from the parent company on a cost plus basis the principal risks and uncertainties faced by operating the business are assumed by the parent company.

The development and performance of the company is closely linked to the business plans and strategies set by eBay Inc for the 'Marketplaces' business segment of the Group.

Details of the principal risks affecting the eBay Group operations, the business review and forward looking statements are detailed the eBay Inc Annual Report and other eBay Inc public announcements. A copy of the eBay Inc Annual Report may be obtained from the address given in note 10.

The company will continue to provide services to the parent company in pursuance of the eBay Group strategy.

#### **Key performance indicators**

The directors of eBay Inc manage the group's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of eBay Promotions (UK) Ltd. As a means of understanding of the global key performance indicators of the eBay Marketplaces business refer to the analysis of the results of operations within the eBay Inc Annual Report.

#### **DIVIDENDS**

No dividends will be distributed for the year ended 31st December 2008 (2007 nil).

#### **DIRECTORS**

The directors shown below have held office during the whole of the period from 1st January 2008 to the date of this report.

P Drake  
S Tholen

Other changes in directors holding office are as follows:

J Hughes ceased to be a director after 31st December 2008 but prior to the date of this report.

## **EBAY PROMOTIONS (UK) LIMITED**

### **DIRECTORS' REPORT** **FOR THE YEAR ENDED 31ST DECEMBER 2008**

#### **FINANCIAL RISK MANAGEMENT**

##### **Credit risk:**

Financial assets that potentially subject the company to concentrations of credit risk consist principally of cash at bank and debtors. The company's cash is placed with quality financial institutions. The company's exposure to debtor risk is principally concentrated in the intra-group debt with the immediate parent company arising from the charges due under the services agreement.

##### **Foreign currency and interest rate risk:**

The company is not exposed to significant foreign exchange risk.

The company's operating income and cash flows are substantially independent of changes in market interest rates.

Due to the limited risk exposure the company does not have a specific hedging policy with respect to foreign currency exchange and interest rate risk.

#### **CHARITABLE CONTRIBUTIONS**

During the year the company paid a donation of €54,140 (2007 nil) to the charitable association Telefono Azzurro, in connection with a promotion.

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there will be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.


**EBAY PROMOTIONS (UK) LIMITED**

**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31ST DECEMBER 2008**

**AUDITORS**

The auditors, PricewaterhouseCoopers LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**

  
.....

P Drake - Director

Date: ..... 1 July 2009 .....

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF  
EBAY PROMOTIONS (UK) LIMITED**

We have audited the financial statements of eBay Promotions (UK) for the year ended 31st December 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, and all of the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31st December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London

Date: 2 July 2009

**EBAY PROMOTIONS (UK) LIMITED****PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31ST DECEMBER 2008**

	Notes	31.12.08 €	31.12.07 €
<b>TURNOVER</b>		14,003,802	15,981,063
Operating costs		<u>(13,820,197)</u>	<u>(15,201,862)</u>
<b>OPERATING PROFIT</b>	3	183,605	779,201
Interest receivable and similar income		<u>138,845</u>	<u>95,069</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		322,450	874,270
Tax on profit on ordinary activities	4	<u>(229,442)</u>	<u>(242,019)</u>
<b>PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION</b>		<u>93,008</u>	<u>1,116,289</u>

**CONTINUING OPERATIONS**

All turnover and operating losses arise from continuing operations.

**TOTAL RECOGNISED GAINS AND LOSSES**

The company has no recognised gains or losses other than the profits for the current year or previous year and accordingly no separate statement of total recognised gains and losses has been presented.


The notes form part of these financial statements



**EBAY PROMOTIONS (UK) LIMITED****BALANCE SHEET**  
**31ST DECEMBER 2008**

	Notes	31.12.08 €	€	31.12.07 €	€
<b>FIXED ASSETS</b>					
Tangible assets	5		808		-
<b>CURRENT ASSETS</b>					
Debtors	6	1,557,409		1,580,871	
Cash at bank		<u>3,835,929</u>		<u>3,133,034</u>	
		5,393,338		4,713,905	
<b>CREDITORS</b>					
Amounts falling due within one year	7	<u>(2,358,301)</u>		<u>(2,253,711)</u>	
<b>NET CURRENT ASSETS</b>			<u>3,035,037</u>		<u>2,460,194</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>3,035,845</u>		<u>2,460,194</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	8		1,617		1,617
Capital contribution from parent	9		482,643		-
Profit and loss account	9		<u>2,551,585</u>		<u>2,458,577</u>
<b>SHAREHOLDERS' FUNDS</b>	11		<u>3,035,845</u>		<u>2,460,194</u>

The financial statements were approved by the Board of Directors on ..... 1/7/2009 ..... and were signed on its behalf by:

  
.....  
P Drake - Director

The notes form part of these financial statements

## **EBAY PROMOTIONS (UK) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31ST DECEMBER 2008**

#### **1. ACCOUNTING POLICIES**

##### **Accounting convention**

The financial statements are prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 1985 and applicable United Kingdom accounting standards. The principal accounting policies which have been applied consistently are set out below.

##### **Functional currency**

The company's trading is predominantly in Europe and the company uses the Euro as its functional currency.

##### **Cash flow statement**

The company is a wholly owned subsidiary included in consolidated financial statements of eBay Inc, which are available to the public. Consequently, the company has taken advantage of the exemption from the requirement to prepare a cash flow statement, permitted within Financial Reporting Standard 1 "Cash flow Statements (revised 1996)".

##### **Transactions with fellow group undertakings**

The company takes advantage of exemptions within the Financial Reporting Standard 8 "Related Party Disclosures", in respect of disclosure of transactions with group undertakings, on the grounds that no less than 90% of the voting rights in the company are controlled within the group and the consolidated financial statements of the group in which the company is included are publicly available.

##### **Turnover**

Turnover represents net invoiced sales of services, excluding value added tax. Turnover derives from the principal activity of the company and consists exclusively of sales made to European destinations. Revenue is recognised in line with performance of the underlying contracts.

##### **Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Computer equipment      - Straight line over 3 years

##### **Foreign currencies**

Assets and liabilities in currencies other than euros are translated into euros at the rates of exchange ruling at the balance sheet date. Transactions in currencies other than euros are translated into euros at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

##### **Pension costs and other post-retirement benefits**

The company operates a defined contribution stakeholder pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The employer contributions charged to profit and loss account represents the amounts contracted as due in respect of the year.

## **EBAY PROMOTIONS (UK) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS - continued** **FOR THE YEAR ENDED 31ST DECEMBER 2008**

#### **1. ACCOUNTING POLICIES - continued**

##### **Taxation**

The charge for taxation is based upon the profit or loss for the period as adjusted for disallowable items and timing differences.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Deferred tax assets may arise in respect of share-based remuneration. For accounting purposes, the value of share options granted to employees is charged to the profit and loss account over the vesting period of the options. For taxation purposes, a deduction against taxable profit is only allowable when the options are exercised by the employees. It is the time difference that creates the potential deferred tax asset.

In determining whether a potential deferred tax asset in respect of share options should be recognised or not, the directors examine, on an annual basis, the likelihood of a future taxable deduction being available to the company in relation to the share options outstanding at the end of the year. This examination takes into consideration a range of factors, including the current eBay Inc. share price and the range of exercise prices on the outstanding share options. Where a future tax deduction is considered likely, the directors also examine whether it is possible to accurately measure the value of such a deduction.

Where the directors consider that it would be imprudent to recognise a deferred tax asset in respect of share options, either because a future tax deduction is considered unlikely, or because it is considered impracticable to value accurately, no such asset will be recognised. Instead, the best estimate of the potential tax asset will be disclosed in the notes to the financial statements.

##### **Share-based remuneration**

The company employees participate in the share-based benefit plans of the ultimate parent eBay Inc. To be consistent with eBay Inc terminology hereafter share-based remuneration is referred to as stock-based compensation.

The company accounts for stock-based compensation under Financial Reporting Standard 20 ("FRS 20"), "Share-based Payment", which addresses the accounting for share-based payment transactions in which an enterprise receives employee services in exchange for either equity instruments of the enterprise or liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments.

Stock-based compensation expense recognised during the period is based on the value of the portion of stock-based payment awards that is ultimately expected to vest. As stock-based compensation recognised in the consolidated statement of operations is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. FRS 20 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

The difference between the fair value of the stock-based compensation calculated in accordance with the above and the amount actually payable to the ultimate parent company eBay Inc, for participation in their stock-based benefit plans, is credited to equity as a capital contribution.

**EBAY PROMOTIONS (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31ST DECEMBER 2008****2. STAFF COSTS**

	31.12.08	31.12.07
	€	€
Wages and salaries	595,097	-
Stock-based compensation	554,101	-
Social security costs	70,542	-
Other pension costs	29,912	-
	<u>1,249,652</u>	<u>-</u>

The average monthly number of employees during the year was as follows:

	31.12.08	31.12.07
Directors and Management	<u>6</u>	<u>3</u>

Employees participate in the Group stock-based benefit plans. Details are given in note 12.

**3. OPERATING PROFIT**

The operating profit is stated after charging:

	31.12.08	31.12.07
	€	€
Depreciation - owned assets	101	-
Foreign exchange differences	33,645	5,403
Fees payable to the company's auditor for the audit of its annual accounts	12,873	12,187
Operating lease rentals - buildings	<u>-</u>	<u>248,035</u>
Directors' emoluments	<u>-</u>	<u>390,310</u>

There were no company contributions to pension plans for the directors (2007: £nil). Retirement benefits accruing to directors under the eBay stakeholder pension plan are by virtue of contributions made by other group companies in respect of their services to those companies. Three directors (2007: three) participated in the eBay stakeholder pension plan.

None of the directors exercised any share options granted in connection with their services to the company (2007: none).

There were no shares receivable by the directors under long-term incentive schemes attributable to their services to the company (2007: none).

The emoluments of the highest paid director in 2007 was €261,698.

The auditors received no remuneration in respect of non audit services (2007: £nil).

**EBAY PROMOTIONS (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31ST DECEMBER 2008****4. TAXATION****Analysis of the tax charge/(credit)**

The tax charge/(credit) on the profit on ordinary activities for the year was as follows:

	31.12.08 €	31.12.07 €
Current tax:		
Corporation tax adjustment in respect of prior years	-	(242,019)
Payable to fellow subsidiary for tax saved by way of group relief	<u>229,442</u>	<u>-</u>
Tax on profit on ordinary activities	<u>229,442</u>	<u>(242,019)</u>

UK corporation tax has been charged at 28.50% (2007 - 30%).

**Factors affecting the tax charge/(credit)**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	31.12.08 €	31.12.07 €
Profit on ordinary activities before tax	<u>322,450</u>	<u>874,270</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28.5% (2007 - 30%)	91,889	262,281
Effects of:		
Expenses not deductible for tax purposes	39	-
Capital allowances in excess of depreciation	(26)	-
Timing difference on stock-based compensation	137,540	-
Group relief for current year	(229,442)	(262,281)
Group relief for previous year	-	(242,019)
Provision for consideration payable for group relief	<u>229,442</u>	<u>-</u>
Current tax charge/(credit)	<u>229,442</u>	<u>(242,019)</u>

**Factors that may affect future tax charges**

The unprovided deferred tax asset will only be recovered to the extent a gain is realised by the employees when and if they exercise their outstanding stock options. The employees' decision to exercise their options will be dependent on many factors outside the company's control and dependent on the eBay Inc stock price.

The amount of group relief available each year is dependent on many factors. If group relief is insufficient to cover all the company's taxable profit, the company shall be required to pay corporation tax instalments to the tax authorities. The standard rate of corporation tax is currently 28%.

**Deferred tax asset:**

The policy concerning the deferred tax asset arising from stock-based compensation is given in note 1. The potential deferred tax asset for stock-based compensation is not included as an asset in the Balance Sheet at 31 December 2008 or 2007. The potential deferred tax asset based on the fair values debited to profit and loss account relating to outstanding options amounted to approximately €135,000 using a tax rate of 28%. (2007 £nil).

The deferred tax arising from other timing differences is insignificant so has not been provided.

**EBAY PROMOTIONS (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31ST DECEMBER 2008**

**5. TANGIBLE FIXED ASSETS**

		Computer equipment €
<b>COST</b>		
Additions		<u>909</u>
At 31st December 2008		<u>909</u>
<b>DEPRECIATION</b>		
Charge for year		<u>101</u>
At 31st December 2008		<u>101</u>
<b>NET BOOK VALUE</b>		
At 31st December 2008		<u>808</u>

**6. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31.12.08	31.12.07
	€	€
Trade debtors	-	133,333
Amounts owed by group undertakings	1,495,567	1,428,377
Other debtors	8,705	19,161
Prepayments and accrued income	<u>53,137</u>	<u>-</u>
	<u>1,557,409</u>	<u>1,580,871</u>

**7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31.12.08	31.12.07
	€	€
Trade creditors	160,078	-
Amounts owed to group undertakings	316,489	8,181
Social security and other taxes	-	14,237
Other creditors	9,588	-
Accruals and deferred income	<u>1,872,146</u>	<u>2,231,293</u>
	<u>2,358,301</u>	<u>2,253,711</u>

**8. CALLED UP SHARE CAPITAL**

Authorised:				
Number:	Class:	Nominal value:	31.12.08	31.12.07
			£	£
1,000	Ordinary	£1	<u>1,000</u>	<u>1,000</u>
Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	31.12.08	31.12.07
			€	€
1,000	Ordinary	£1	<u>1,617</u>	<u>1,617</u>

**EBAY PROMOTIONS (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31ST DECEMBER 2008****9. RESERVES**

	Profit and loss account €	Capital contribu- tion from parent €	Totals €
At 1st January 2008	2,458,577	-	2,458,577
Profit for the financial year	93,008		93,008
Capital contribution from parent	-	482,643	482,643
At 31st December 2008	<u>2,551,585</u>	<u>482,643</u>	<u>3,034,228</u>

The capital contribution represents the excess of the aggregate fair values for stock-based compensation charged to the profit and loss account in accordance with Financial Reporting Standard 20 over the aggregate amounts charged to the company by eBay Inc. for the relevant stock.

**10. ULTIMATE PARENT COMPANY**

Throughout the year the company has been controlled by its immediate parent company, eBay International AG, incorporated in Switzerland.

The ultimate parent company and controlling party is eBay Inc., a company incorporated and registered in the United States of America.

eBay Inc. is the parent undertaking of the smallest and largest group to consolidate these financial statements.

Copies of the group financial statements of eBay Inc. can be obtained from eBay Inc., 2145 Hamilton Avenue, San Jose, California, USA 95125.

**11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	31.12.08 €	31.12.07 €
Profit for the financial year	93,008	1,116,289
Capital contribution from eBay Inc in respect of stock-based benefit plans	482,643	-
<b>Net addition to shareholders' funds</b>	<u>575,651</u>	<u>1,116,289</u>
Opening shareholders' funds	<u>2,460,194</u>	<u>1,343,905</u>
<b>Closing shareholders' funds</b>	<u>3,035,845</u>	<u>2,460,194</u>

## **EBAY PROMOTIONS (UK) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS - continued** **FOR THE YEAR ENDED 31ST DECEMBER 2008**

#### **12. STOCK-BASED BENEFIT PLANS**

##### **Employee stock purchase plan**

The company participates in an employee stock purchase plan offered by eBay Inc. ("eBay"), the ultimate parent company, for all eligible employees. Under the plan, shares of eBay's common stock may be purchased over an offering period with a maximum duration of two years at 85% of the lower of the fair market value on the first day of the applicable offering period or on the last day of the six-month purchase period. Employees may purchase shares having a value not exceeding 10% of their gross compensation during an offering period. eBay's employee stock purchase plan contains an "evergreen" provision that automatically increases, on 1 January, the number of shares reserved for issuance under the employee stock purchase plan by the number of shares purchased under this plan in the preceding calendar year.

##### **Other equity incentive plans**

The company participates in eBay's equity incentive plans for directors, officers, employee and non-employees. Stock options granted under these plans generally vest 25% one year from the date of grant (or 12.5% six months from the date of grant for grants to existing employees) and the remainder vest at a rate of 2.08% per month thereafter, and generally expire 7 - 10 years from the date of grant.

##### **Valuation assumptions**

The fair value of each option award on the date of grant was calculated using the Black-Scholes option pricing model. The following assumptions were used:

	2008
Risk-free interest rate	2.16%
Expected lives (in years)	3.53
Dividend yield	0%
Expected volatility	31.94%

The computation of expected volatility for the year ended 31 December 2008 is based on a combination of historical and market-based implied volatility from traded options on the company's stock. Prior to 1 January 2006, the computation of expected volatility was based on historical volatility. The computation of expected life for the year ended 31 December 2008 was determined based on historical experience of similar awards, giving consideration to the contractual terms of the stock-based awards, vesting schedules and expectations of future employee behaviour. The range provided above results from the behaviour patterns of separate groups of employees that have similar historical experience. The interest rate for periods within the contractual life of the award is based on the U.S. Treasury yield curve in effect at the time of grant. Weighted average fair value of the options granted during the year ended 31 December 2008 was €4.64.

The company amortises the stock-based compensation charge in accordance with the accelerated method over the vesting period of the related options, which is generally four years. The impact of recognising the fair value of the option grants and stock grants under our employee stock purchase plan as an expense under FRS 20 is £554,101 for the year ended 31 December 2008 (2007 €nil).



**EBAY PROMOTIONS (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31ST DECEMBER 2008****12. STOCK-BASED BENEFIT PLANS (continued)**

## Stock-based Payment Award Activity

The following table summarises activity under our equity incentive plans for the years ended 31 December 2008:

	2008		
	Shares	Weighted Average Exercise Price(€)	Weighted Average Remaining Contractual Term (in years)
Outstanding at beginning of period	-		
Granted	81,575	17.49	
Transfers, net	485,554	20.88	
Outstanding at end of period	567,129	20.39	4.94
Options exercisable at end of period	440,440	20.42	4.78

The following table summarises information about stock options outstanding at 31 December 2008:

	2008	
€	Number of shares outstanding	Weighted average contractual remaining life
8.80 - 17.44	186,345	4.62
17.82 - 19.34	111,621	4.68
20.82 - 26.05	118,630	5.20
26.72 - 31.46	150,533	5.33
	567,129	4.94

**EBAY PROMOTIONS (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31ST DECEMBER 2008****12. STOCK-BASED BENEFIT PLANS (continued)**

## Restricted Stock Units Activity

The following table summarises activity for restricted stock units granted under equity incentive plans for the year ended 31 December 2008:

	2008 Shares	Weighted average grant date fair value(€)
Outstanding at beginning of period	-	
Awarded	145,677	17.45
Transfers, net	14,568	16.24
Vested	<u>(3,644)</u>	21.65
Outstanding at end of period	<u>156,601</u>	<u>17.74</u>