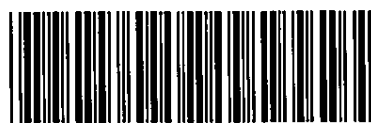


REGISTERED NUMBER 04285468 (England and Wales)

REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009
FOR
EBAY PROMOTIONS (UK) LIMITED

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EBAY PROMOTIONS (UK) LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2009

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EBAY PROMOTIONS (UK) LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2009

DIRECTORS

P Drake
C Kunz

SECRETARY:

TJG Secretaries Ltd

REGISTERED OFFICE:

5 New Street Square
London
EC4A 3TW

REGISTERED NUMBER:

04285468 (England and Wales)

AUDITORS:

PricewaterhouseCoopers LLP

EBAY PROMOTIONS (UK) LIMITED

REPORT OF THE DIRECTORS **FOR THE YEAR ENDED 31 DECEMBER 2009**

The directors present their report with the financial statements of the company for the year ended 31 December 2009

PRINCIPAL ACTIVITY

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

REVIEW OF BUSINESS

The company's loss for the financial year amounted to £166,831 (2008 profit of £93,008) The net assets at the end of the financial year increased by £707,658 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 eBay Inc has provided a Letter of Support to the directors to confirm its intention to provide sufficient ongoing financial resources to enable the Company to continue to meet its financial obligations as, and when, they fall due, until at least 12 months after the date of signing of the financial statements

There was a decline in the promotion and marketing conducted via third party marketing agencies during 2008 and 2009 During the second half of 2008 the company recruited employees for advertising sales and leadership teams

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 31 December 2009 (2008 nil)

DIRECTORS

P Drake has held office during the whole of the period from 1 January 2009 to the date of this report

Other changes in directors holding office are as follows

J Hughes - resigned 24 June 2009

S Tholen - resigned 23 July 2009

C Kunz - appointed 27 July 2009

EBAY PROMOTIONS (UK) LIMITED

REPORT OF THE DIRECTORS **FOR THE YEAR ENDED 31 DECEMBER 2009**

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's functional currency is Euros, however it conducts much of its trading activities in Pound Sterling. This leaves it exposed to foreign currency risk on translation of transactions into Euros, however this risk is not one that directly affects the business since its operating currency remains pound sterling.

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

There were no charitable donations during 2009. During 2008 the company paid a donation of €54,140 to the charitable association Telefono Azzurro, in connection with a promotion.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors and the 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself 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 31 DECEMBER 2009

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

20 MAR 2010

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

We have audited the financial statements of eBay Promotions (UK) Ltd for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Brian Henderson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Date 10 March 2010

EBAY PROMOTIONS (UK) LIMITED**PROFIT AND LOSS ACCOUNT**
FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	31 12 09 €	31 12 08 €
TURNOVER		10,331,747	14,003,802
Cost of sales		<u>10,672,139</u>	<u>13,820,197</u>
OPERATING (LOSS)/PROFIT	3	(340,392)	183,605
Interest receivable and similar income		<u>24,504</u>	<u>138,845</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(315,888)	322,450
Tax on (loss)/profit on ordinary activities	4	<u>(149,057)</u>	<u>229,442</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u>(166,831)</u>	<u>93,008</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 loss for the current year and the profit for the previous year

The notes form part of these financial statements


EBAY PROMOTIONS (UK) LIMITED**BALANCE SHEET**
31 DECEMBER 2009

	Notes	31 12.09 €	€	31 12 08 €	€
FIXED ASSETS					
Tangible assets	5		11,609		808
Deferred tax asset	6		<u>315,206</u>		<u>-</u>
			326,815		808
CURRENT ASSETS					
Debtors	6	1,912,259		1,557,409	
Cash at bank		<u>3,878,091</u>		<u>3,835,929</u>	
		5,790,350		5,393,338	
CREDITORS					
Amounts falling due within one year	7	<u>2,373,662</u>		<u>2,358,301</u>	
NET CURRENT ASSETS			<u>3,416,688</u>		<u>3,035,037</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>3,743,503</u>		<u>3,035,845</u>
CAPITAL AND RESERVES					
Called up share capital	8		1,617		1,617
Capital contribution from parent	9		1,357,132		482,643
Profit and loss account	9		<u>2,384,754</u>		<u>2,551,585</u>
SHAREHOLDERS' FUNDS	11		<u>3,743,503</u>		<u>3,035,845</u>

The financial statements were approved by the Board of Directors on its behalf by

20 MAY 2010

and were signed on


P Drake - Director
eBay Promotions (UK) Limited (Registered number 04285468)

The notes form part of these financial statements

EBAY PROMOTIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 DECEMBER 2009**

I 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 2006 and applicable United Kingdom accounting standards. The principal accounting policies which have been applied consistently are set out below.

Functional and presentation currency

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

The financial statements are presented in Euro.

The rate of exchange between Euros and Pound Sterling at the balance sheet date was €1 1195 £1 (2008 €1 022 £1).

Going concern

eBay Inc has provided a Letter of Support to the directors to confirm its intention to provide sufficient ongoing financial resources to enable the Company to continue to meet its financial obligations as, and when, they fall due, until at least 12 months after the date of signing of the financial statements.

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 entered into with fellow subsidiaries of eBay Inc, provided that the subsidiary undertaking which is a party to the transaction is a wholly owned member of the eBay group.

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 contract.

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 31 DECEMBER 2009**

I 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 31 DECEMBER 2009**2 STAFF COSTS**

	31 12 09	31 12 08
	€	€
Wages and salaries	1,648,433	595,097
Stock-based compensation	1,276,052	554,101
Social security costs	175,143	70,542
Other pension costs	42,372	29,912
	<u>3,142,000</u>	<u>1,249,652</u>

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

	31 12 09	31 12 08
Directors	3	3
Others	<u>10</u>	<u>3</u>
	<u>13</u>	<u>6</u>

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

3 OPERATING (LOSS)/PROFIT

The operating loss is stated after charging/(crediting)

	31 12 09	31 12 08
	€	€
Depreciation - owned assets	2,927	101
Foreign exchange (loss)/gain	(65,535)	33,645
Fees payable to the company's auditor for the audit of its annual accounts	<u>24,457</u>	<u>12,873</u>
Directors' remuneration	<u>-</u>	<u>-</u>

There were no company contributions to pension plans for the directors (2008 €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 (2008 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 (2008 none)

There were no shares receivable by the directors under long-term incentive schemes attributable to their services to the company (2008 none)

The auditors received no remuneration in respect of non audit services (2008 €nil)

EBAY PROMOTIONS (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued**
FOR THE YEAR ENDED 31 DECEMBER 2009**4 TAXATION****Analysis of the tax (credit)/charge**

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

	31 12 09 €	31 12 08 €
Current tax		
UK corporation tax	145,104	-
Payable to fellow subsidiary for tax saved by way of group relief	<u>21,045</u>	<u>229,442</u>
Total current tax	<u>166,149</u>	<u>229,442</u>
Deferred tax		
Arising from origination and reversal of timing differences	(180,092)	-
Adjustment to estimated recoverable deferred asset arising in earlier periods	<u>(135,114)</u>	<u>-</u>
Total deferred tax	<u>(315,206)</u>	<u>-</u>
Tax on (loss)/profit on ordinary activities	<u>(149,057)</u>	<u>229,442</u>

UK corporation tax has been charged at 28% (2008 - 28 50%)

Factors affecting the tax (credit)/charge

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 09 €	31 12 08 €
(Loss)/profit on ordinary activities before tax	<u>(315,888)</u>	<u>322,450</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008 - 28 5%)	(88,449)	91,889
Effects of		
Permanent difference on stock-based compensation	51,501	-
Other expenses not deductible for tax purposes	1,960	39
Capital allowances in excess of depreciation	-	(26)
Depreciation in excess of capital allowances	11	-
Timing difference on stock-based compensation	178,986	137,540
Other expenses not eligible for relief until future accounting period	1,095	-
Group relief for current year	-	(229,442)
Provision for consideration payable for group relief for current year	-	229,442
Adjustment to provision for consideration payable for group relief of prior year	<u>21,045</u>	<u>-</u>
Current tax (credit)/charge	<u>166,149</u>	<u>229,442</u>

EBAY PROMOTIONS (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2009****4 TAXATION - continued****Factors that may affect future tax charges**

The 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. The corporation tax provision is on the basis of no group relief allocation to the company for 2009.

Deferred tax asset:

	31 12 09 €	31 12 08 €
Provided at rate of 28%		
Balance at 1 January	-	-
Credited to profit and loss account	315,206	-
Balance at 31 December	<u>315,206</u>	<u>-</u>
The above deferred tax asset comprised		
Stock based compensation not eligible for tax relief until a future accounting period	314,126	-
Other expenses not eligible for tax relief until a future accounting period	1,095	-
Accelerated capital allowances	(15)	-
	<u>315,206</u>	<u>-</u>

The policy concerning the deferred tax asset arising from stock-based compensation is given in note 1.

5 TANGIBLE FIXED ASSETS

	Computer equipment €
COST	
At 1 January 2009	909
Additions	<u>13,728</u>
At 31 December 2009	<u>14,637</u>
DEPRECIATION	
At 1 January 2009	101
Charge for year	<u>2,927</u>
At 31 December 2009	<u>3,028</u>
NET BOOK VALUE	
At 31 December 2009	<u>11,609</u>
At 31 December 2008	<u>808</u>

EBAY PROMOTIONS (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued**
FOR THE YEAR ENDED 31 DECEMBER 2009**6 DEBTORS**

	31 12 09	31 12 08
	€	€
Amounts falling due within one year		
Trade debtors	456,669	-
Amounts owed by group undertakings	1,264,767	1,495,567
Other debtors	32,074	8,705
Prepayments and accrued income	158,749	53,137
	<u>1,912,259</u>	<u>1,557,409</u>

Amounts receivable from group undertakings are unsecured, interest free and payable on demand

Amounts falling due after more than one year		
Deferred tax asset	<u>315,206</u>	<u>-</u>
Aggregate amounts	<u>2,227,465</u>	<u>1,557,409</u>

7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 12 09	31 12 08
	€	€
Trade creditors	171,744	160,078
Amounts owed to group undertakings	657,235	316,489
Corporation tax	64,497	-
Social security and other taxes	60,593	-
Other creditors	6,322	9,588
Accruals and deferred income	<u>1,413,271</u>	<u>1,872,146</u>
	<u>2,373,662</u>	<u>2,358,301</u>

Amounts owed to group undertakings are unsecured, interest free and payable on demand Other creditors includes €6,322 employee and employer pension contributions payable (2008 €nil)

8 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid			31 12 09	31 12 08
Number	Class	Nominal value	€	€
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 31 DECEMBER 2009****9 RESERVES**

	Profit and loss account	Capital contribution from parent €	Total shareholders' funds 2009 €	Total shareholders' funds 2008 €
At 1 January	2,551,585	482,643	3,034,228	2,458,577
(Loss)/profit for the financial year	(166,831)	-	(166,831)	93,008
Capital contribution from parent	-	874,489	874,489	482,643
At 31 December	<u>2,384,754</u>	<u>1,357,132</u>	<u>3,741,886</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 09 €	31 12 08 €
(Loss)/Profit for the financial year	(166,831)	93,008
Capital contribution from eBay Inc in respect of stock-based benefit plans	874,489	482,643
Net addition to shareholders' funds	<u>707,658</u>	<u>575,651</u>
Opening shareholders' funds	<u>3,035,845</u>	<u>2,460,194</u>
Closing shareholders' funds	<u>3,743,503</u>	<u>3,035,845</u>

EBAY PROMOTIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued **FOR THE YEAR ENDED 31 DECEMBER 2009**

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.

Stock option exchange program

On 10 August 2009, the Company launched a one-time stock option exchange program (the "Program") pursuant to which eligible employees were able to exchange certain outstanding stock options with an exercise price greater than or equal to \$27.01 per share, a grant date on or before 10 August 2008 and an expiration date after 11 September 2010, for a lesser amount of new restricted stock units ("RSUs") or, under certain circumstances, for new stock options or a cash payment. All surrendered options were cancelled effective as of the expiration of the Program. The number of new stock options granted, and the amount of cash payments issued, in exchange for outstanding stock options were insignificant. In general, the new RSUs have a vesting period that is at least one year longer than the original vesting period for the corresponding exchanged option grant. The Program did not result in any significant incremental stock-based compensation expense.

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:

	2009	2008
Risk-free interest rate	1.57%	2.16%
Expected lives (in years)	3.65	3.53
Dividend yield	0%	0%
Expected volatility	46.64%	31.94%

The computation of expected volatility for the year ended 31 December 2008 and 2009 is based on a combination of historical and market-based implied volatility from traded options on the eBay Inc stock. Prior to 1 January 2007, the computation of expected volatility was based on historical volatility. The computation of expected life for the year ended 31 December 2008 and 2009 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 US 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 and 2009 was €4.64 and €2.75 respectively.

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 €1,276,052 for the year ended 31 December 2009 (2008 €554,101).

EBAY PROMOTIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2009

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 2009 and 2008

	2009			2008		
	Shares	Weighted Average Exercise Price(€)	Weighted Average Remaining Contractual Term (in years)	Shares	Weighted Average Exercise Price(€)	Weighted Average Remaining Contractual Term (in years)
Outstanding at beginning of period	567,129	20 39	4 94	-	-	-
Granted	78,456	7 08		81,575	17 49	
Transfers, net	5,416	27 03		485,554	20 88	
Option exchanged in connection with the option exchange program	(335,498)	24 49				
Outstanding at end of period	<u>315,503</u>	<u>12 89</u>	<u>4 30</u>	<u>567,129</u>	<u>20 39</u>	<u>4 94</u>
Options exercisable at end of period	206,007	13 63	3 53	440,440	20 42	4 78

The following table summarises information about stock options outstanding at 31 December 2009 and 2008

	2009			2008	
	Number of shares outstanding	Weighted average contractual remaining life		Number of shares outstanding	Weighted average contractual remaining life
€			€		
7 58 - 9 42	114,456	4 90	8 80 - 17 44	186,345	4 62
10 95 - 18 66	150,345	3 97	17 82 - 19 34	111,621	4 68
19 08 - 22 29	42,997	3 72	20 82 - 26 05	118,630	5 20
23 05 - 31 35	<u>7,705</u>	<u>4 80</u>	26 72 - 31 46	<u>150,533</u>	<u>5 33</u>
	<u>315,503</u>	<u>4 30</u>		<u>567,129</u>	<u>4 94</u>

EBAY PROMOTIONS (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued**
FOR THE YEAR ENDED 31 DECEMBER 2009**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 2009

	2009		2008	
	Shares	Weighted average grant date fair value(€)	Shares	Weighted average grant date fair value(€)
Outstanding at beginning of period	156,601	17.74	-	
Awarded	31,368	8.76	145,677	17.45
Awarded in connection with the stock option exchange program	41,726	17.01		
Transfers, net	908	20.64	14,568	16.24
Vested	(50,830)	19.01	(3,644)	21.65
Outstanding at end of period	<u>179,773</u>	<u>16.75</u>	<u>156,601</u>	<u>17.74</u>