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Europe will move to accounting rules for stock options for about 8000 listed European companies

Today, the Accounting Regulatory Committee (ARC), which advises the European Commission on the adoption of international accounting standards (IAS) in Europe, gave a positive opinion on a Commission Regulation making mandatory the international financial reporting standard (IFRS 2) on share based payments. This standard belongs to the so-called stable platform of accounting standards which all of the listed European companies adopt as they move to international accounting standards from January 2005.

IFRS 2 requires for the first time that companies reflect in their income statements the effects of share-based payment transactions, including expenses associated with transactions in which share options are granted to management and employees. In the past, those transactions were not recognized in the company's income statements but were only disclosed in the notes to the accounts. In future, expensing stock options in the income statement will impact on reported earnings.

Following the opinion of the ARC, the European Parliament has one month to consider this issue before the Commission can formally adopt IFRS 2 in January 2005.