

Effective Tax Rates on Employee Stock Options in the European Union and the USA

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INTRODUCTION

Employee stock options are rights granted by an employer to employees as a remuneration for their services. The options entitle the employees to buy stock of the employing company at a fixed price (the so-called exercise price, usually the price of the stock at the time the option is granted) within a relatively long future period (e.g. ten years). Employee stock options are an incentive for the employees to contribute to an increase in the share price of their company. After the stock price has increased the employees exercise their options and receive shares the current price of which is higher than the exercise price that they have to pay.

Effective tax rates on employee stock options represent the tax payment(s) that typified tax payers would have to make as a percentage of the total gain from their stock options and the subsequent sale of the shares. The calculations are based on the legal situation of 1 January 2002.

The majority of countries in the EU tax gains from employee stock options when the options are exercised. The tax base is the difference of the value of the acquired shares and the price that the employee actually has to pay for them. This gain is usually taxed as employment income, i.e. income taxes and social security contributions are levied. Moreover, many countries tax any subsequent gain from the sale of the shares as capital income. In some cases, however, taxes are only levied at the grant of the options or when the options vest (i.e. when they can be exercised for the first time). On the other hand there are cases where taxes are only levied at the final sale of the shares.

In order to be able to compare all these different tax regimes a standard investment scenario was chosen. It was assumed that the employee is granted stock options, exercises them after three years and sells the shares that he thus obtains after two more years. Moreover, all payments that the employee would have to make as a consequence of receiving options and all the benefits that he would receive were discounted to the date of grant in order to make them comparable. The calculations are based on certain assumptions regarding the development of the portfolios (see chapter on methodology). Naturally, for different assumptions regarding stock price development or opportunity costs different effective rates would result. For different income levels the nominal tax rates will be different since income tax schedules are usually progressive. To judge the effect of the different nominal rates on the effective rates the standard scenario was combined with different income levels, different sizes of option grants and different family situations (see chapter on methodology for details).

The effective tax rates on employee stock options presented in this paper were calculated by PricewaterhouseCoopers LLP (London) as part of a comprehensive study conducted on behalf of the Enterprise Directorate General of the European Commission. The study is entitled "Employee stock options in the EU and the USA". It gives a detailed picture of the legal and administrative framework for employee stock options in the EU Member States and – as a benchmark – in the USA. The study can be found at:

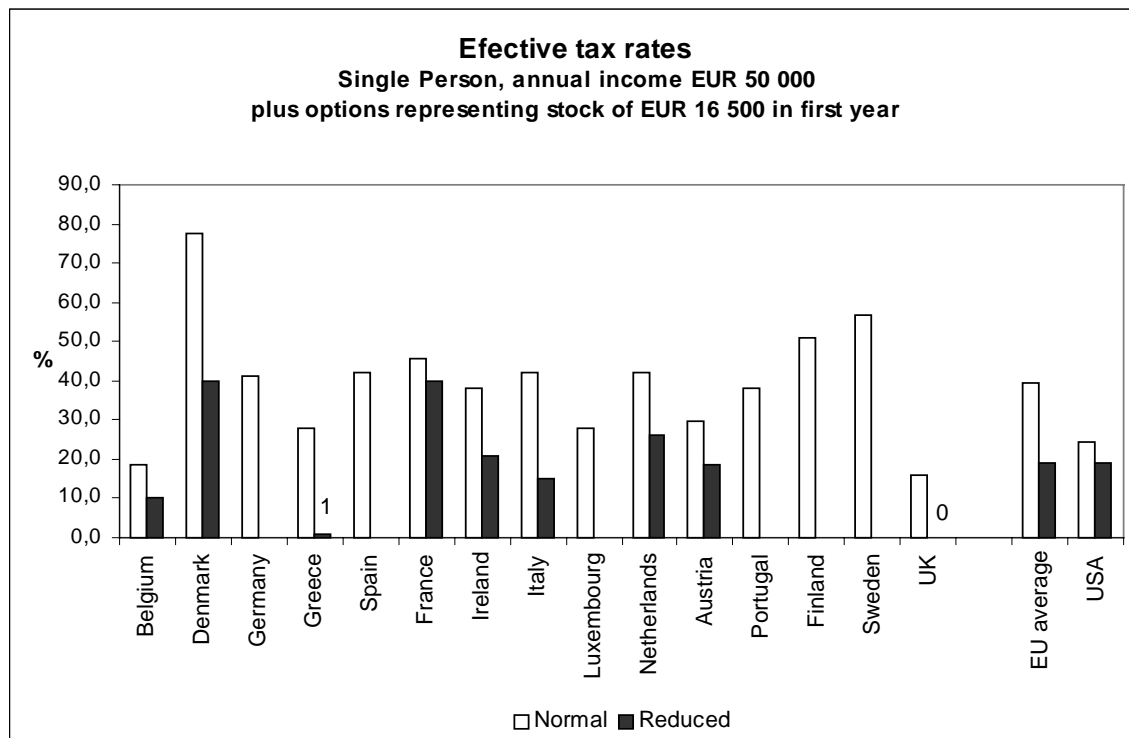
http://www.europa/comm/enterprise/entrepreneurship/support_measures/stock_options/index.htm

RESULTS

Normal taxation (no special tax incentives)

The white columns in graph 1 show the effective tax rates for an unmarried person with cash earnings of EUR 50,000 and a grant of stock options representing stock of EUR 16,500 (33% of cash earnings).

Graph 1



To a large extent the differences between countries reflect the general well-known differences between “high tax-countries” and “low tax-countries”. Effective tax rates are highest in Denmark (77.5%), Sweden (56.7%) and Finland (50.8%). Responsible for this are relatively high tax rates on employment income and also the fact that the capital gains from holding the shares are fully taxed.

On average relatively high rates can also be found for France (45.7%), Spain (42.2%), Italy (42.1%), the Netherlands (42.1%) and Germany (41.3%). A bit lower than the (not weighted) European average (39.6%) is the tax levels in Ireland (38.1%) and Portugal (38.1%). In Austria (29.5%), Luxembourg (28.0%) and Greece (27.9%) taxation is already substantially lower than the average.

Very low effective tax rates can be found for Belgium (18.7%), the United Kingdom (15.8%). In the case of Belgium this is due to the fact that in this country employee stock options are taxed at grant combined with the relatively positive assumptions regarding the development of the stock price. For higher opportunity costs the up-front tax system in Belgium would yield higher tax rates. Moreover, if the share prices developed badly the Belgium system would yield very high effective rates since the taxed paid at grant cannot be recovered if the options go underwater. The low tax rates in the UK are consistent with the general low level of income taxation.

In comparison with the US (25.5%) the average tax load on employee stock options and shares in the EU is about fifteen percentage points. Only in Belgium (see above) and the UK the effective tax rates are lower than in the USA.

As outlined above the effective tax rates take into account employment taxes on option gains and also capital taxes on gains from increased stock prices. In general however the employment taxes are more significant for the magnitude of the effective tax rates presented here for two reasons. First, employment taxes (including compulsory social security contributions) are usually higher than capital gains taxes. Second, in most cases the employment taxes have to be paid before the investment in the options generates any cash, thus there are opportunity costs.

Special regimes

Some EU countries and also the USA have special plans or provisions to alleviate the tax burden on employee stock options. In the UK and Ireland several legally defined types of plans exist. In other countries (Belgium, Greece, France, Italy, the Netherlands and Austria) the tax burden on the employee is reduced if the company's stock option plan fulfils certain criteria (such a being broad based, requiring minimum vesting periods and similar conditions). In Denmark employer and employees can opt for a 40% flat rate to be paid by the employer. For a detailed description of the various plans and conditions see the country studies by PricewaterhouseCoopers.

The dark columns in graph 1 show the effective tax rate under tax favoured conditions (again the calculations apply to a single person with an annual income of EUR 50,000 and, on top of that, a grant level of options representing stock for 16,500 EUR at grant). For Ireland and the UK it was assumed that the company's plans were so-called approved option plan (for details see country studies by PWC). For the alternative plans available in the UK (the SAYE and the EMI option plans) the results would have been the same (zero tax), for Ireland the SAYE-plan would have yielded a slightly more favourable result (18% instead of 21%).

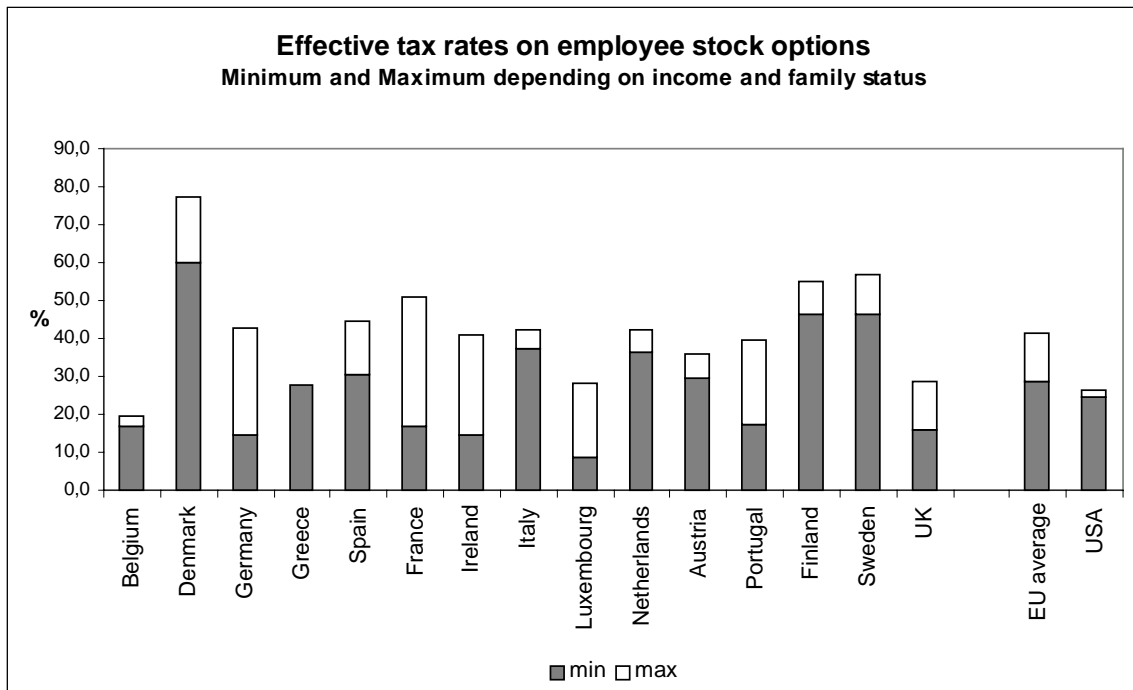
In some countries the special provisions reduce the tax burden significantly. In Greece (1%) and the UK (0%) taxation (almost) disappears completely. For the majority of countries (and also for the EU average) the tax burden for the employee is approximately 40% to 50% lower under a tax favoured scheme than in the case of normal taxation (Belgium 10% instead of 18.7%, Denmark 40% instead of 77.5%, Ireland 21% instead of 38.1%. the Netherlands 26.1% instead of 42.1%, Austria 18.7% instead of 29.5%). In Italy the tax savings are even around two thirds of the normal tax load (15% instead of 42.1%). In France the favourable regime reduces the tax burden by about 10 percent (40.1% instead of 45.7%).

As was shown above on average taxes on stock options are higher in the EU than in the USA since taxes and compulsory social contributions are higher on employment income. For the cases of reduced taxation the average situation in Europe (19.1%) is the same as in the USA (19.0%).

Variations of the results for different earnings and family situations

Taxation of employment income and taxation of capital gains (although to a lesser degree) often depend on the overall size of the income and on the family situation. Graph 2 therefore depicts the lowest and the highest effective tax rates that resulted from the different scenarios. In most cases the highest rates came out of the calculations for the single person who earns an annual cash income of EUR 100,000 and who, on top of this receives an equally high option grant. Accordingly, the low tax rates usually result from the scenario for married persons with dependent children and a relatively low income (see chapter on methodology for details).

Graph 2



In several countries the different assumptions regarding income/grant level and family situation have, according to the calculations by PWC, no or only little influence on the effective tax rates. In Greece there is no effect whatsoever, in the Scandinavian countries, in Belgium, Italy, the Netherlands and Austria the effects are relatively small. In this respect these countries resemble the USA.

On the other hand there are several countries for which the level of the tax and the position in the ranking of the EU countries depends strongly on the income and grant level and/or family situation. These countries are Germany, France, Ireland, Luxembourg, Portugal and, although to a somewhat lesser extent, the UK and Spain.

For low income/low grant levels taxation in Germany is rather high. However for higher grant levels this changes due to the fact that social contributions only have to be paid up to a certain income level. Moreover, the family situation is important due to the splitting

system.¹ For France the situation is rather extreme. For lower income levels tax rates are quite low while for higher incomes they are high. This is partly the result of progressive income taxes on labour income and also due to capital gains taxes that are only levied on higher incomes.

There are several countries in which the family situation has only little influence on the effective tax rates. Apart from the countries where the tax rates are rather stable anyway (i.e. Belgium, Denmark, Greece, Italy, the Netherlands and Austria) and also Spain and (for lower income levels) the UK. Thus for Spain and the UK the overall progressivity of tax schedules seems to be the main reason for the variations in the tax rates. In general the influence of the family situation on the effective tax rates diminishes or even disappears for increased levels of income.

The distance between the EU average and the USA depends on the income level and the family situation. In all cases taxation is lower in the USA than in the EU, the distance is between 4.2 point and 16.1 with an average of 12.1. For single persons the situation in the EU is relatively worse than for married persons and couples with children. Moreover, the situation tends to be worse for higher income/grant levels which indicates more progressive tax scales in the EU than in the USA.

¹) According to the splitting system the tax rate is determined on the basis of the average income of the married couple. Since the calculations assume that the stock options are granted to a sole earner the results are rather favourable for married couples.

METHODOLOGY

The effective rates represent tax payments that hypothetical taxpayers would have to make if certain assumptions regarding their income, family situation and portfolio development applied to them. The calculations are made according to the legal situation in 2002.

36 different scenarios were calculated on the basis of employment income, grant level and family situation. Three levels of basic cash employment income were distinguished: 30,000 Euro, 50,000 Euro and 100,000 Euro per year. These levels were combined with four grant-levels: 10%, 33%, 50% and 100%. For example an employment income of 30,000 Euro and a grant level of 10% means that apart from the normal annual employment income of 30,000 Euro the employee received a grant of stock options representing stock that, at the day of grant, was worth 3,000 Euro. The resulting twelve income/grant combinations were then combined with three different family situations: single person with no children, married person (sole earner) with no children, married person (sole earner) with two children.

The effective tax rates are calculated for a total employment/investment period of five years. At the beginning of the first year the employee is granted a certain amount of stock options. In subsequent years there are no further grants. It is assumed that the price of the stock over which the options are granted increases by 10% each year. After three years the employee exercises the options and keeps the stock for two more years and then sells it. It was assumed that the annual level of employment did not change from one year to the other during the five years period.

Receiving stock option results in different payments by the employee, i.e. tax payments either at grant, vesting or exercise of the options and later on a tax payment on capital gains. Moreover, after three years the employee has to pay the exercise price. All these payments as well as the amount that the employee receives at the final sale of the shares are discounted with an annual rate of 5% to the date of grant in order to make the different payments comparable.

The general form of the effective tax rates looks as follows.

$$t = \frac{\text{Employment gain} * t_{\text{empl}} / d_3 + \text{Capital gain} * t_{\text{cap}} / d_5}{\text{Gross gain} / d_5 - \text{Exercise price} / d_3}$$

t empl – tax rate on employment income (including social contributions)

t cap - tax rate on capital gains

d – discount rate (5%) for three years (d3) or five years (d5)

The differences in the taxation regimes are taken into account by different calculations of the gains and by using different exponents for the discount rate (depending on when the tax is paid, e.g. at grant, at vesting, at exercise or at the final sale of the stock).

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For each country and normal and special (if available) taxation scheme two tables are presented. The first table shows in detail the calculations for a single person.

The second table presents only the results for all 36 scenarios regarding income and grant level and family situation.

Belgium reduced taxable benefits (commitment not respected)

Single person

	SCENARIO 1	SCENARIO 2	SCENARIO 3
Gross salary (€)	30.000	50.000	100.000
Grant size	10%	33%	100%
Standard tax allowances (€)	2.089	2.611	2.950
Net taxable income excluding option grant	27.911	47.389	97.050
Value of stock at grant	3.000	16.500	100.000
Taxable amount on option at grant	225	1.238	7.500
Additional income tax paid on option (€)	107	658	4.173
Effective income tax rate	47,6%	53,2%	55,6%
Net payments on option	107	658	4.173
Net payments on option discounted	107	658	4.173
Value of stock at exercise	3.993	21.962	133.100
Taxable option gain at exercise	225	1.238	7.500
Additional income tax paid on option (€)	107	658	4.173
Effective income tax rate	47,6%	53,2%	55,6%
Net payments on option	107	658	4.173
Net payments on option discounted	92	568	3.605
Value of stock at sale	4.832	26.573	161.051
Taxable option gain at sale	0	0	0
Total tax paid on option discounted (€)	199	1.226	7.778
Total gain on option discounted (€)	1.194	6.567	39.804
Overall effective average tax rate	16,7%	18,7%	19,5%

The full results of all scenarios are shown in the following table:

Earnings per annum (€)	Marital Status	Face Value Grant as % of Salary			
		10%	33%	50%	100%
30,000	Single	16.7%	16.7%	16.7%	16.7%
	Married	16.7%	16.7%	16.7%	16.7%
	Married with two children	16.7%	16.7%	16.7%	16.7%
50,000	Single	18.7%	18.7%	18.7%	18.8%
	Married	18.7%	18.7%	18.7%	18.7%
	Married with two children	18.7%	18.7%	18.7%	18.7%
100,000	Single	19.5%	19.5%	19.5%	19.5%
	Married	19.5%	19.5%	19.5%	19.5%
	Married with two children	19.5%	19.5%	19.5%	19.5%

Notes

1. The additional income tax paid includes special social security tax
2. Tax paid on exercise is the same amount of tax as at grant
3. Personal deductions include professional expenses

Belgium reduced taxable benefits (commitment respected)

Single person

	SCENARIO 1	SCENARIO 2	SCENARIO 3
Gross salary (€s)	30.000	50.000	100.000
Grant size	10%	33%	100%
Standard tax allowances (€)	2.089	2.611	2.950
Net taxable income excluding option grant	27.911	47.389	97.050
Value of stock at grant	3.000	16.500	100.000
Taxable amount on option at grant	225	1.238	7.500
Additional income tax paid on option (€)	107	658	4.173
Effective income tax rate	47,6%	53,2%	55,6%
Net payments on option	107	658	4.173
Net payments on option discounted	107	658	4.173
Value of stock at exercise	3.993	21.962	133.100
Taxable option gain at exercise	0	0	0
Value of stock at sale	4.832	26.573	161.051
Taxable option gain at sale	0	0	0
Total tax paid on option discounted (€)	107	658	4.173
Total gain on option discounted (€)	1.194	6.567	39.804
Overall effective average tax rate	9,0%	10,0%	10,5%

The full results of all scenarios are shown in the following table:

Earnings per annum (€)	Marital Status	Face Value Grant as % of Salary			
		10%	33%	50%	100%
30,000	Single	9.0%	9.0%	9.0%	9.0%
	Married	9.0%	9.0%	9.0%	9.0%
	Married with two children	9.0%	9.0%	9.0%	9.0%
50,000	Single	10.0%	10.0%	10.0%	10.1%
	Married	10.0%	10.0%	10.0%	10.0%
	Married with two children	10.0%	10.0%	10.0%	10.0%
100,000	Single	10.5%	10.5%	10.5%	10.5%
	Married	10.5%	10.5%	10.5%	10.5%
	Married with two children	10.5%	10.5%	10.5%	10.5%

Notes

1. The additional income tax paid includes special social security tax
2. Personal deductions include professional expenses

Denmark option plan

Single person

	SCENARIO 1	SCENARIO 2	SCENARIO 3
Gross salary (€s)	30.000	50.000	100.000
Gross salary (DKK)	223.197	371.995	743.990
Grant size	10%	33%	100%
Standard tax allowances (DKK)	0	0	0
Net taxable income excluding option grant	223.197	371.995	743.990
Value of stock at grant	22.320	122.758	743.990
Taxable amount on option at grant	0	0	0
Value of stock at exercise	29.708	163.391	990.251
Taxable option gain at exercise for income tax	6.723	36.976	224.097
Taxable option gain at exercise for social tax	7.388	40.633	246.261
Additional income tax paid on option (DKK)	2.992	21.816	132.217
Effective income tax rate	44,5%	59,0%	59,0%
Additional e'ee social security paid on option (DKK)	665	3.657	22.163
Effective e'ee social security rate	9,0%	9,0%	9,0%
Net payments on option	3.657	25.473	154.381
Net payments on option discounted	3.159	22.004	133.360
Value of stock at sale	35.946	197.704	1.198.203
Taxable option gain at sale	6.239	34.312	207.949
Additional income tax paid on option (DKK)	2.776	20.244	122.690
Effective income tax rate	44,5%	59,0%	59,0%
Additional income tax on sale discounted	2.175	15.862	96.132
Total tax paid on option discounted (DKK)	5.334	37.866	229.492
Total gain on option discounted (DKK)	8.884	48.863	296.137
Overall effective average tax rate	60,0%	77,5%	77,5%

The full results of all scenarios are shown in the following table:

Earnings per annum (€)	Marital Status	Face Value Grant as % of Salary			
		10%	33%	50%	100%
30,000	Single	60.0%	60.0%	60.0%	60.0%
	Married	60.0%	60.0%	60.0%	60.0%
	Married with two children	60.0%	60.0%	60.0%	60.0%
50,000	Single	77.5%	77.5%	77.5%	77.5%
	Married	77.5%	77.5%	77.5%	77.5%
	Married with two children	77.5%	77.5%	77.5%	77.5%
100,000	Single	77.5%	77.5%	77.5%	77.5%
	Married	77.5%	77.5%	77.5%	77.5%
	Married with two children	77.5%	77.5%	77.5%	77.5%

Notes

1. Additional church taxes may be payable if applicable.
2. Local taxes have been incorporated into the calculations, but vary depending on the jurisdiction

Germany option plan

Single person

	SCENARIO 1	SCENARIO 2	SCENARIO 3
Gross salary (€s)	30.000	50.000	100.000
Grant size	10%	33%	100%
Personal deductions (€)	7.235	7.235	7.235
Net taxable income without options	22.765	42.765	92.765
Value of stock at grant	3.000	16.500	100.000
Taxable amount on option at grant	0	0	0
Value of stock at exercise	3.993	21.962	133.100
Taxable option gain at exercise	993	5.462	33.100
Additional income tax paid on option (€)	352	2.629	16.937
Effective income tax rate	35,4%	48,1%	51,2%
Additional e'ee social security paid on option (€)	203	512	0
Effective e'ee social security rate	20,4%	9,4%	0,0%
Net payments on option	555	3.141	16.937
Net payments on option discounted	479	2.713	14.631
Value of stock at sale	4.832	26.573	161.051
Taxable option gain at sale	0	0	0
Total tax paid on option discounted (€)	479	2.713	14.631
Total gain on option discounted (€)	1.194	6.567	39.804
Overall effective average tax rate	40,1%	41,3%	36,8%

The full results of all scenarios are shown in the following table:

Earnings per annum (€)	Marital Status	Face Value Grant as % of Salary			
		10%	33%	50%	100%
30,000	Single	40.1%	40.2%	40.6%	41.7%
	Married	36.5%	34.9%	34.6%	34.8%
	Married with two children	14.7%	24.3%	26.5%	29.2%
50,000	Single	42.9%	41.3%	39.6%	38.2%
	Married	32.5%	30.4%	28.3%	27.0%
	Married with two children	30.0%	27.6%	25.7%	24.4%
100,000	Single	36.8%	36.8%	36.8%	36.8%
	Married	36.8%	36.8%	36.8%	36.8%
	Married with two children	36.8%	36.8%	36.8%	36.8%

Greece non-qualified option plan

Single person

	SCENARIO 1	SCENARIO 2	SCENARIO 3
Gross salary (€s)	30.000	50.000	100.000
Grant size	10%	33%	100%
Standard tax allowances (€)	8.400	8.400	8.400
Net taxable income excluding option grant	21.600	41.600	91.600
Value of stock at grant	3.000	16.500	100.000
Taxable amount on option at grant	0	0	0
Value of stock at exercise	3.993	21.962	133.100
Taxable option gain at exercise	993	5.462	33.100
Additional income tax paid on option (€)	372	2.048	12.413
Effective income tax rate	37,5%	37,5%	37,5%
Additional e'ee social security paid on option (€)	0	0	0
Effective e'ee social security rate	0,0%	0,0%	0,0%
Net payments on option	372	2.048	12.413
Net payments on option discounted	322	1.769	10.722
Value of stock at sale	4.832	26.573	161.051
Taxable option gain at sale	4.832	26.573	161.051
Capital tax paid on option (€)	14	80	483
Effective capital tax rate	0,3%	0,3%	0,3%
Capital tax discounted	11	62	379
Total tax paid on option discounted (€)	333	1.832	11.101
Total gain on option discounted (€)	1.194	6.567	39.804
Overall effective average tax rate	27,9%	27,9%	27,9%

The full results of all scenarios are shown in the following table:

Earnings per annum (€)	Marital Status	Face Value Grant as % of Salary			
		10%	33%	50%	100%
30,000	Single	27.9%	27.9%	27.9%	27.9%
	Married	27.9%	27.9%	27.9%	27.9%
	Married with two children	27.9%	27.9%	27.9%	27.9%
50,000	Single	27.9%	27.9%	27.9%	27.9%
	Married	27.9%	27.9%	27.9%	27.9%
	Married with two children	27.9%	27.9%	27.9%	27.9%
100,000	Single	27.9%	27.9%	27.9%	27.9%
	Married	27.9%	27.9%	27.9%	27.9%
	Married with two children	27.9%	27.9%	27.9%	27.9%

Notes

1. Assumed members of IKA
2. Assumed tax credits apply to other income
3. Assumed Social security limit applies monthly
4. Taxable option gain at sale is equal to the full value of the underlying stock.
5. All rates involve earners in the top income band and the capital gains tax rate is constant

Greece qualified option plan

Single person

	SCENARIO 1	SCENARIO 2	SCENARIO 3
Gross salary (€s)	30.000	50.000	100.000
Grant size	10%	33%	100%
Standard tax allowances (€)	8.400	8.400	8.400
Net taxable income without options	21.600	41.600	91.600
<i>Value of stock at grant</i>	3.000	16.500	100.000
<i>Taxable amount on option at grant</i>	0	0	0
<i>Value of stock at exercise</i>	3.993	21.962	133.100
<i>Taxable option gain at exercise</i>	0	0	0
<i>Value of stock at sale</i>	4.832	26.573	161.051
<i>Taxable option gain at sale</i>	4.832	26.573	161.051
Capital tax paid on option (€)	14	80	483
Effective capital tax rate	0,3%	0,3%	0,3%
Capital tax discounted	11	62	379
Total tax paid on option discounted (€)	11	62	379
Total gain on option discounted (€)	1.194	6.567	39.804
Overall effective average tax rate	1,0%	1,0%	1,0%

The full results of all scenarios are shown in the following table:

Earnings per annum (€)	Marital Status	Face Value Grant as % of Salary			
		10%	33%	50%	100%
30,000	Single	1.0%	1.0%	1.0%	1.0%
	Married	1.0%	1.0%	1.0%	1.0%
	Married with two children	1.0%	1.0%	1.0%	1.0%
50,000	Single	1.0%	1.0%	1.0%	1.0%
	Married	1.0%	1.0%	1.0%	1.0%
	Married with two children	1.0%	1.0%	1.0%	1.0%
100,000	Single	1.0%	1.0%	1.0%	1.0%
	Married	1.0%	1.0%	1.0%	1.0%
	Married with two children	1.0%	1.0%	1.0%	1.0%

Notes

1. Assumed members of IKA
2. Assumed tax credits apply to other income

Spain non-tradeable option plan

Single person

	SCENARIO 1	SCENARIO 2	SCENARIO 3
Gross salary (€s)	30.000	50.000	100.000
Grant size	10%	33%	100%
Standard tax allowances (€)	5.559	5.559	5.559
Net taxable income excluding option grant	24.441	44.441	94.441
Value of stock at grant	3.000	16.500	100.000
Taxable amount on option at grant	0	0	0
Value of stock at exercise	3.993	21.962	133.100
Taxable option gain at exercise for income tax	988	5.462	33.100
Taxable option gain at exercise for social tax	993	5.462	
Additional income tax paid on option (€)	280	2.458	15.888
Effective income tax rate	28,3%	45,0%	48,0%
Additional e'ee social security paid on option (€)	5	0	0
Effective e'ee social security rate	0,5%	0,0%	0,0%
Net payments on option	285	2.458	15.888
Net payments on option discounted	246	2.123	13.725
Value of stock at sale	4.832	26.573	161.051
Taxable option gain at sale	839	4.612	27.951
Capital tax paid on option (€)	151	830	5.031
Effective capital tax rate	18,0%	18,0%	18,0%
Capital tax discounted	118	650	3.942
Total tax paid on option discounted (€)	364	2.773	17.667
Total gain on option discounted (€)	1.194	6.567	39.804
Overall effective average tax rate	30,5%	42,2%	44,4%

The full results of all scenarios are shown in the following table:

Earnings per annum (€)	Marital Status	Face Value Grant as % of Salary			
		10%	33%	50%	100%
30,000	Single	30.5%	31.6%	33.3%	35.0%
	Married	30.5%	31.6%	33.3%	35.0%
	Married with two children	30.5%	31.6%	33.3%	35.0%
50,000	Single	42.2%	42.2%	42.2%	42.2%
	Married	42.2%	42.2%	42.2%	42.2%
	Married with two children	42.2%	42.2%	42.2%	42.2%
100,000	Single	44.4%	44.4%	44.4%	44.4%
	Married	44.4%	44.4%	44.4%	44.4%
	Married with two children	44.4%	44.4%	44.4%	44.4%

Notes

1. The standard deductions include all social taxes which are paid in full in all of these scenarios
2. Capital gains are taxed at a fixed rate of 18%
3. The maximum monthly contribution is 2,574.90 for 2002 but this ceiling varies depending on the employees professional category.

France non qualified option plan

Single person

	SCENARIO 1	SCENARIO 2	SCENARIO 3
Gross salary (€s)	30.000	50.000	100.000
Grant size	10%	33%	100%
Standard tax allowances (€)	4.121	4.121	4.121
Net taxable income excluding option grant	25.879	45.879	95.879
Value of stock at grant	3.000	16.500	100.000
Taxable amount on option at grant	0	0	0
Value of stock at exercise	3.993	21.962	133.100
Taxable option gain at exercise for income tax	599	3.293	20.404
Taxable option gain at exercise for social tax	993	5.462	33.100
Additional income tax paid on option (€)	186	1.350	10.763
Effective income tax rate	31,1%	41,0%	52,7%
Additional e'ee social security paid on option (€)	188	1.036	5.673
Effective e'ee social security rate	18,9%	19,0%	17,1%
Net payments on option	374	2.386	16.436
Net payments on option discounted	323	2.063	14.198
Value of stock at sale	4.832	26.573	161.051
Taxable option gain at sale	839	4.612	27.951
Capital tax paid on option (€)	0	1.199	7.267
Effective capital tax rate	0,0%	26,0%	26,0%
Capital tax discounted	0	940	5.694
Total tax paid on option discounted (€)	323	3.003	19.892
Total gain on option discounted (€)	1.194	6.567	39.804
Overall effective average tax rate	27,1%	45,7%	50,0%

The full results of all scenarios are shown in the following table:

Earnings per annum (€)	Marital Status	Face Value Grant as % of Salary			
		10%	33%	50%	100%
30,000	Single	27.1%	41.4%	41.4%	41.8%
	Married	21.9%	21.9%	21.9%	36.2%
	Married with two children	16.6%	16.6%	16.6%	30.9%
50,000	Single	45.7%	45.7%	45.7%	46.3%
	Married	25.8%	25.8%	25.8%	40.1%
	Married with two children	21.9%	21.9%	21.9%	36.2%
100,000	Single	50.8%	50.8%	50.5%	50.0%
	Married	29.8%	44.1%	43.7%	43.7%
	Married with two children	29.8%	44.1%	43.7%	43.7%

France qualified option plan

Single person

	SCENARIO 1	SCENARIO 2	SCENARIO 3
Gross salary (€s)	30.000	50.000	100.000
Grant size	10%	33%	100%
Standard tax allowances (€)	4.121	4.121	4.121
Net taxable income excluding option grant	25.879	45.879	95.879
Value of stock at grant	3.000	16.500	100.000
Taxable amount on option at grant	0	0	0
Value of stock at exercise	3.993	21.962	133.100
Taxable option gain at exercise for income tax	715	3.932	33.100
Taxable option gain at exercise for social tax	993	5.462	33.100
Additional income tax paid on option (€)	0	2.158	13.240
Effective income tax rate	0,0%	54,9%	40,0%
Additional e'ee social security paid on option (€)	0	0	0
Effective e'ee social security rate	0,0%	0,0%	0,0%
Net payments on option	0	2.158	13.240
Net payments on option discounted	0	1.691	10.374
Value of stock at sale	4.832	26.573	161.051
Taxable option gain at sale	839	4.612	27.951
Capital tax paid on option (€)	0	1.199	7.267
Effective capital tax rate	0,0%	26,0%	26,0%
Capital tax discounted	0	940	5.694
Total tax paid on option discounted (€)	0	2.631	16.068
Total gain on option discounted (€)	1.194	6.567	39.804
Overall effective average tax rate	0,0%	40,1%	40,4%

The full results of all scenarios are shown in the following table:

Earnings per annum (€)	Marital Status	Face Value Grant as % of Salary			
		10%	33%	50%	100%
30,000	Single	0.0%	35.4%	35.4%	36.5%
	Married	0.0%	16.4%	16.4%	30.7%
	Married with two children	0.0%	10.0%	10.0%	24.8%
50,000	Single	40.1%	40.1%	40.1%	40.4%
	Married	21.1%	21.1%	21.1%	35.4%
	Married with two children	16.4%	16.4%	16.4%	30.7%
100,000	Single	40.4%	40.4%	40.4%	40.4%
	Married	25.7%	40.1%	40.1%	40.4%
	Married with two children	25.7%	40.1%	40.1%	40.4%

Ireland unapproved option plan

Single person

	SCENARIO 1	SCENARIO 2	SCENARIO 3
Gross salary (€s)	30.000	50.000	100.000
Grant size	10%	33%	100%
Standard tax allowances (€)	0	0	0
Net taxable income excluding option grant	30.000	50.000	100.000
Value of stock at grant	3.000	16.500	100.000
Taxable amount on option at grant	0	0	0
Value of stock at exercise	3.993	21.962	133.100
Taxable option gain at exercise	993	5.462	33.100
Additional income tax paid on option (€)	417	2.294	13.902
Effective income tax rate	42,0%	42,0%	42,0%
Net payments on option	417	2.294	13.902
Net payments on option discounted	360	1.981	12.009
Value of stock at sale	4.832	26.573	161.051
Taxable option gain at sale	0	3.342	26.681
Capital tax paid on option (€)	0	668	5.336
Effective capital tax rate	20,0%	20,0%	20,0%
Capital tax discounted	0	524	4.181
Total tax paid on option discounted (€)	360	2.505	16.190
Total gain on option discounted (€)	1.194	6.567	39.804
Overall effective average tax rate	30,2%	38,1%	40,7%

The full results of all scenarios are shown in the following table:

Earnings per annum (€)	Marital Status	Face Value Grant as % of Salary			
		10%	33%	50%	100%
30,000	Single	30.2%	36.1%	37.8%	39.5%
	Married	14.4%	20.3%	22.0%	26.3%
	Married with two children	14.4%	20.3%	22.0%	26.3%
50,000	Single	31.2%	38.1%	39.2%	40.2%
	Married	31.2%	38.1%	39.2%	40.2%
	Married with two children	31.2%	38.1%	39.2%	40.2%
100,000	Single	36.2%	39.7%	40.2%	40.7%
	Married	36.2%	39.7%	40.2%	40.7%
	Married with two children	36.2%	39.7%	40.2%	40.7%

Notes

For Married couples, it is assumed that only one spouse is working and they are filing jointly.

Grant - there is no tax at grant.

Vesting - there is no tax at vesting.

Exercise - income tax is charged on the difference between the fair market value of the shares at exercise less the exercise price.

Sale - capital gains tax on the difference between sale proceeds and the fair market value of the shares at exercise.

Ireland approved option plan

Single person

	SCENARIO 1	SCENARIO 2	SCENARIO 3
Gross salary (€s)	30.000	50.000	100.000
Grant size	10%	33%	100%
Standard tax allowances (€)	0	0	0
Net taxable income excluding option grant	30.000	50.000	100.000
Value of stock at grant	3.000	16.500	100.000
Taxable amount on option at grant	0	0	0
Value of stock at exercise	3.993	21.962	133.100
Taxable option gain at exercise	0	0	0
Value of stock at sale	4.832	26.573	161.051
Taxable option gain at sale	562	8.803	59.781
Capital tax paid on option (€)	112	1.761	11.956
Effective capital tax rate	20,0%	20,0%	20,0%
Capital tax discounted	88	1.380	9.368
Total tax paid on option discounted (€)	88	1.380	9.368
Total gain on option discounted (€)	1.194	6.567	39.804
Overall effective average tax rate	7,4%	21,0%	23,5%

The full results of all scenarios are shown in the following table:

Earnings per annum (€)	Marital Status	Face Value Grant as % of Salary			
		10%	33%	50%	100%
30,000	Single	7.4%	19.0%	20.7%	22.4%
	Married	7.4%	19.0%	20.7%	22.4%
	Married with two children	7.4%	19.0%	20.7%	22.4%
50,000	Single	14.0%	21.0%	22.0%	23.0%
	Married	14.0%	21.0%	22.0%	23.0%
	Married with two children	14.0%	21.0%	22.0%	23.0%
100,000	Single	19.0%	22.5%	23.0%	23.5%
	Married	19.0%	22.5%	23.0%	23.5%
	Married with two children	19.0%	22.5%	23.0%	23.5%

Notes

For Married couples, it is assumed that only one spouse is working and they are filing jointly.

Grant - there is no tax at grant.

Vesting - there is no tax at vesting.

Exercise - there is no tax at exercise.

Sale - capital gains tax at a flat rate of 20% on the difference between sale proceeds and the exercise price.

Ireland SAYE option plan

Single person

	SCENARIO 1	SCENARIO 2	SCENARIO 3
Gross salary (€s)	30.000	50.000	100.000
Grant size	10%	33%	100%
Standard tax allowances (€)	0	0	0
Net taxable income excluding option grant	30.000	50.000	100.000
<i>Value of stock at grant</i>	3.000	15.200	15.200
<i>Taxable amount on option at grant</i>	0	0	0
<i>Value of stock at exercise</i>	3.993	20.231	20.231
<i>Taxable option gain at exercise</i>	0	0	0
<i>Value of stock at sale</i>	4.832	24.480	24.480
<i>Taxable option gain at sale</i>	1.162	11.050	11.050
Capital tax paid on option (€)	232	2.210	2.210
Effective capital tax rate	20,0%	20,0%	20,0%
Capital tax discounted	182	1.732	1.732
Total tax paid on option discounted (€)	182	1.732	1.732
Total gain on option discounted (€)	1.894	9.596	9.596
Overall effective average tax rate	9,6%	18,0%	18,0%

The full results of all scenarios are shown in the following table:

Earnings per annum (€)	Marital Status	Face Value Grant as % of Salary			
		10%	33%	50%	100%
30,000	Single	9.6%	16.9%	18.0%	18.0%
	Married	9.6%	16.9%	18.0%	18.0%
	Married with two children	9.6%	16.9%	18.0%	18.0%
50,000	Single	13.8%	18.0%	18.0%	18.0%
	Married	13.8%	18.0%	18.0%	18.0%
	Married with two children	13.8%	18.0%	18.0%	18.0%
100,000	Single	17.0%	18.0%	18.0%	18.0%
	Married	17.0%	18.0%	18.0%	18.0%
	Married with two children	17.0%	18.0%	18.0%	18.0%

Notes

For Married couples, it is assumed that only one spouse is working and they are filing jointly.

Grant - there is no tax at grant.

Vesting - there is no tax at vesting.

Exercise - there is no tax at exercise.

Sale - capital gains tax at a flat rate of 20% on the difference between sale proceeds and the exercise price.

Italy non-tradeable option plan

Single person

	SCENARIO 1	SCENARIO 2	SCENARIO 3
Gross salary (€s)	30.000	50.000	100.000
Grant size	10%	33%	100%
Standard tax allowances (€)	0	0	0
Net taxable income excluding option grant	30.000	50.000	100.000
Value of stock at grant	3.000	16.500	100.000
Taxable amount on option at grant	0	0	0
Value of stock at exercise	3.993	21.962	133.100
Taxable option gain at exercise	993	5.462	33.100
Additional income tax paid on option (€)	318	2.130	14.895
Effective income tax rate	32,0%	39,0%	45,0%
Additional e'ee social security paid on option (€)	99	546	0
Effective e'ee social tax rate	10,0%	10,0%	0,0%
Net payments on option	417	2.676	14.895
Net payments on option discounted	361	2.312	12.867
Value of stock at sale	4.832	26.573	161.051
Taxable option gain at sale	839	4.612	27.951
Capital tax paid on option (€)	105	576	3.494
Effective capital tax rate	12,5%	12,5%	12,5%
Capital tax discounted	82	452	2.738
Total tax paid on option discounted (€)	443	2.764	15.605
Total gain on option discounted (€)	1.194	6.567	39.804
Overall effective average tax rate	37,1%	42,1%	39,2%

The full results of all scenarios are shown in the following table:

Earnings per annum (€)	Marital Status	Face Value Grant as % of Salary			
		10%	33%	50%	100%
30,000	Single	37.1%	40.6%	41.1%	41.6%
	Married	37.1%	40.6%	41.1%	41.6%
	Married with two children	37.1%	40.6%	41.1%	41.6%
50,000	Single	42.1%	42.1%	42.1%	42.1%
	Married	42.1%	42.1%	42.1%	42.1%
	Married with two children	42.1%	42.1%	42.1%	42.1%
100,000	Single	39.2%	39.2%	39.2%	39.2%
	Married	39.2%	39.2%	39.2%	39.2%
	Married with two children	39.2%	39.2%	39.2%	39.2%

Notes

1. Tax deductions apply to other income and therefore there is no impact on effective tax rates on options

Italy non-tradeable favourable option plan

Single person

	SCENARIO 1	SCENARIO 2	SCENARIO 3
Gross salary (€s)	30.000	50.000	100.000
Grant size	10%	33%	100%
Standard tax allowances (€)	0	0	0
Net taxable income excluding option grant	30.000	50.000	100.000
<i>Value of stock at grant</i>	3.000	16.500	100.000
<i>Taxable amount on option at grant</i>	0	0	0
<i>Value of stock at exercise</i>	3.993	21.962	133.100
<i>Taxable option gain at exercise</i>	0	0	0
<i>Value of stock at sale</i>	4.832	26.573	161.051
<i>Taxable option gain at sale</i>	1.832	10.073	61.051
Capital tax paid on option (€)	229	1.259	7.631
Effective capital tax rate	12,5%	12,5%	12,5%
Capital tax discounted	179	987	5.979
Total tax paid on option discounted (€)	179	987	5.979
Total gain on option discounted (€)	1.194	6.567	39.804
Overall effective average tax rate	15,0%	15,0%	15,0%

The full results of all scenarios are shown in the following table:

Earnings per annum (€)	Marital Status	Face Value Grant as % of Salary			
		10%	33%	50%	100%
30,000	Single	15.0%	15.0%	15.0%	15.0%
	Married	15.0%	15.0%	15.0%	15.0%
	Married with two children	15.0%	15.0%	15.0%	15.0%
50,000	Single	15.0%	15.0%	15.0%	15.0%
	Married	15.0%	15.0%	15.0%	15.0%
	Married with two children	15.0%	15.0%	15.0%	15.0%
100,000	Single	15.0%	15.0%	15.0%	15.0%
	Married	15.0%	15.0%	15.0%	15.0%
	Married with two children	15.0%	15.0%	15.0%	15.0%

Notes

1. Tax deductions apply to other income and therefore there is no impact on effective tax rates on options

Luxembourg potential option plan

Single person

	SCENARIO 1	SCENARIO 2	SCENARIO 3
Gross salary (€s)	30.000	50.000	100.000
Grant size	10%	33%	100%
Standard tax allowances (€)	11.766	11.766	11.766
Net taxable income excluding option grant	18.234	38.234	88.234
<i>Value of stock at grant</i>	3.000	16.500	100.000
<i>Taxable amount on option at grant</i>	0	0	0
<i>Value of stock at exercise</i>	3.993	21.962	133.100
<i>Taxable option gain at exercise</i>	993	5.462	33.100
Additional income tax paid on option (€)	306	2.127	12.892
Effective income tax rate	30,8%	39,0%	39,0%
Net payments on option	306	2.127	12.892
Net payments on option discounted	264	1.838	11.137
<i>Value of stock at sale</i>	4.832	26.573	161.051
<i>Taxable option gain at sale</i>	0	0	0
Total tax paid on option discounted (€)	264	1.838	11.137
Total gain on option discounted (€)	1.194	6.567	39.804
Overall effective average tax rate	22,1%	28,0%	28,0%

The full results of all scenarios are shown in the following table:

Earnings per annum (€)	Marital Status	Face Value Grant as % of Salary			
		10%	33%	50%	100%
30,000	Single	22.1%	22.9%	23.6%	25.6%
	Married	8.8%	9.6%	9.9%	11.1%
	Married with two children	8.8%	9.6%	9.9%	11.1%
50,000	Single	28.0%	28.0%	28.0%	28.0%
	Married	18.0%	19.0%	19.6%	21.4%
	Married with two children	18.0%	19.0%	19.6%	21.4%
100,000	Single	28.0%	28.0%	28.0%	28.0%
	Married	28.0%	28.0%	28.0%	28.0%
	Married with two children	28.0%	28.0%	28.0%	28.0%

Netherlands unconditional option plan

Single person

	SCENARIO 1	SCENARIO 2	SCENARIO 3
Gross salary (€s)	30.000	50.000	100.000
Grant size	10%	33%	100%
Standard tax allowances (€)	0	0	0
Net taxable income excluding option grant	30.000	50.000	100.000
<i>Value of stock at grant</i>	3.000	16.500	100.000
<i>Taxable amount on option at grant for income tax</i>	570	3.300	20.000
<i>Taxable amount on option at grant for social tax</i>	600	3.300	20.000
Additional income tax paid on option (€)	239	1.716	10.400
Effective income tax rate	42,0%	52,0%	52,0%
Additional e'ee social security paid on option (€)	30	0	0
Effective e'ee social security rate	5,0%	0,0%	0,0%
Net payments on option	269	1.716	10.400
Net payments on option discounted	269	1.716	10.400
<i>Value of stock at vesting</i>	3.993	21.962	133.100
<i>Taxable option gain at vesting</i>	0	0	0
<i>Value of stock at sale</i>	4.832	26.573	161.051
<i>Taxable option gain at sale</i>	0	0	0
Total tax paid on option discounted (€)	269	1.716	10.400
Total gain on option discounted (€)	1.194	6.567	39.804
Overall effective average tax rate	22,5%	26,1%	26,1%

The full results of all scenarios are shown in the following table:

Earnings per annum (€)	Marital Status	Face Value Grant as % of Salary			
		10%	33%	50%	100%
30,000	Single	22.5%	22.5%	22.5%	22.5%
	Married	22.5%	22.5%	22.5%	22.5%
	Married with two children	22.5%	22.5%	22.5%	22.5%
50,000	Single	26.1%	26.1%	26.1%	26.1%
	Married	26.1%	26.1%	26.1%	26.1%
	Married with two children	26.1%	26.1%	26.1%	26.1%
100,000	Single	26.1%	26.1%	26.1%	26.1%
	Married	26.1%	26.1%	26.1%	26.1%
	Married with two children	26.1%	26.1%	26.1%	26.1%

Netherlands conditional option plan

Single person

	SCENARIO 1	SCENARIO 2	SCENARIO 3
Gross salary (€s)	30.000	50.000	100.000
Grant size	10%	33%	100%
Standard tax allowances (€)	0	0	0
Net taxable income excluding option grant	30.000	50.000	100.000
<i>Value of stock at grant</i>	3.000	16.500	100.000
<i>Taxable amount on option at grant</i>	0	0	0
<i>Value of stock at exercise</i>	3.993	21.962	133.100
<i>Taxable option gain on vesting for income tax</i>	1.063	6.149	37.268
<i>Taxable option gain on vesting for social tax</i>	1.118	6.149	37.628
Additional income tax paid on option (€)	446	3.197	19.379
Effective income tax rate	42,0%	52,0%	52,0%
Additional e'ee social security paid on option (€)	56	0	0
Effective e'ee social security rate	5,0%	0,0%	0,0%
Net payments on option	502	3.197	19.379
Net payments on option discounted	433	2.762	16.741
<i>Value of stock at sale</i>	4.832	26.573	161.051
<i>Taxable option gain at sale</i>	0	0	0
Total tax paid on option discounted (€)	433	2.762	16.741
Total gain on option discounted (€)	1.194	6.567	39.804
Overall effective average tax rate	36,3%	42,1%	42,1%

The full results of all scenarios are shown in the following table:

Earnings per annum (€)	Marital Status	Face Value Grant as % of Salary			
		10%	33%	50%	100%
30,000	Single	36.3%	36.3%	36.3%	36.3%
	Married	36.3%	36.3%	36.3%	36.3%
	Married with two children	36.3%	36.3%	36.3%	36.3%
50,000	Single	42.1%	42.1%	42.1%	42.1%
	Married	42.1%	42.1%	42.1%	42.1%
	Married with two children	42.1%	42.1%	42.1%	42.1%
100,000	Single	42.1%	42.1%	42.1%	42.1%
	Married	42.1%	42.1%	42.1%	42.1%
	Married with two children	42.1%	42.1%	42.1%	42.1%

Austria non-tradeable option plan

Single person

	SCENARIO 1	SCENARIO 2	SCENARIO 3
Gross salary (€s)	30.000	50.000	100.000
Grant size	10%	33%	100%
Standard tax allowances (€)	3.640	3.640	3.640
Net taxable income excluding option grant	26.360	46.360	96.360
Value of stock at grant	3.000	16.500	100.000
Taxable option gain at grant	0	0	0
Taxable amount on option at grant for income tax	857	5.462	33.100
Taxable amount on option at grant for social tax	993	5.462	33.100
Additional income tax paid on option (€)	351	2.239	16.550
Effective income tax rate	41,0%	41,0%	50,0%
Additional e'ee social security paid on option (€)	136	0	0
Effective e'ee social security rate	13,7%	0,0%	0,0%
Net payments on option	487	2.239	16.550
Net payments on option discounted	421	1.934	14.297
Value of stock at sale	4.832	26.573	161.051
Taxable option gain at sale	0	0	0
Total tax paid on option discounted (€)	421	1.934	14.297
Total gain on option discounted (€)	1.194	6.567	39.804
Overall effective average tax rate	35,3%	29,5%	35,9%

The full results of all scenarios are shown in the following table:

Earnings per annum (€)	Marital Status	Face Value Grant as % of Salary			
		10%	33%	50%	100%
30,000	Single	35.3%	31.2%	30.6%	30.0%
	Married	35.3%	31.2%	30.6%	30.0%
	Married with two children	35.3%	31.2%	30.6%	30.0%
50,000	Single	29.5%	29.5%	29.8%	32.9%
	Married	29.5%	29.5%	29.8%	32.9%
	Married with two children	29.5%	29.5%	29.8%	32.9%
100,000	Single	35.9%	35.9%	35.9%	35.9%
	Married	35.9%	35.9%	35.9%	35.9%
	Married with two children	35.9%	35.9%	35.9%	35.9%

Notes

Income tax is payable net of social taxes

For small grants, tax rates are higher for €30,000 earners than €50,000 earners due to the social tax ceiling

Austria preferential option plan

Single person

	SCENARIO 1	SCENARIO 2	SCENARIO 3
Gross salary (€s)	30.000	50.000	100.000
Grant size	10%	33%	100%
Personal deductions (€)	3.640	3.640	3.640
Net taxable income without options	26.360	46.360	96.360
Value of stock at grant	3.000	16.500	100.000
Taxable amount on option at grant	0	0	0
Value of stock at exercise	3.993	21.962	133.100
Taxable option gain at exercise for income tax	0	0	21.052
Taxable option gain at exercise for social tax	0	0	21.052
Additional income tax paid on option (€)			10.526
Effective income tax rate			50,0%
Additional e'ee social security paid on option (€)			0
Effective e'ee social security rate			0,0%
Net payments on option at exercise			
Net payments on option at exercise discounted	0	0	9.093
Value of stock at sale	4.832	26.573	161.051
Taxable option gain at sale for income tax	572	3.823	8.434
Taxable option gain at sale for social tax	695	3.823	8.434
Additional income tax paid on option (€)	235	1.567	4.217
Effective income tax rate	41,0%	41,0%	50,0%
Additional e'ee social security paid on option (€)	123	0	0
Effective e'ee social security rate	17,7%	0,0%	0,0%
Net payments on option at sale	358	1.567	4.217
Net payments on option at sale discounted	280	1.228	3.304
Total tax paid on option discounted (€)	280	1.228	12.397
Total gain on option discounted (€)	1.194	6.567	39.804
Overall effective average tax rate	23,4%	18,7%	31,1%

The full results of all scenarios are shown in the following table:

Earnings per annum (€)	Marital Status	Face Value Grant as % of Salary			
		10%	33%	50%	100%
30,000	Single	23.4%	20.3%	19.8%	19.2%
	Married	23.4%	20.3%	19.8%	19.2%
	Married with two children	23.4%	20.3%	19.8%	19.2%
50,000	Single	18.7%	18.7%	18.7%	21.9%
	Married	18.7%	18.7%	18.7%	21.9%
	Married with two children	18.7%	18.7%	18.7%	21.9%
100,000	Single	22.8%	22.8%	26.4%	31.1%
	Married	22.8%	22.8%	26.4%	31.1%
	Married with two children	22.8%	22.8%	26.4%	31.1%

Notes

This plan contains a preferential element and a non-preferential element

The maximum grant size that can receive 100% preferential treatment is €36,400

On the preferential element, tax is calculated as a proportion of the exercise gain but is not payable until the point of sale.

On the non-preferential element, tax is calculated and paid at exercise

Income tax is payable net of social taxes

For small grants, tax rates are higher for €30,000 earners than €50,000 earners due to the social tax ceiling

Effective tax rates are significantly higher for high earners with large grants due to the smaller proportion of the grant being treated as preferential

Portugal option plan

Single person

	SCENARIO 1	SCENARIO 2	SCENARIO 3
Gross salary (€s)	30.000	50.000	100.000
Grant size	10%	33%	100%
Standard tax allowances (€)	3.007	3.007	3.007
Net taxable income excluding option grant	26.993	46.993	96.993
Value of stock at grant	3.000	16.500	100.000
Taxable amount on option at grant	0	0	0
Value of stock at exercise	3.993	21.962	133.100
Taxable option gain at exercise	993	5.462	33.100
Additional income tax paid on option (€)	338	2.097	13.240
Effective income tax rate	34,0%	38,4%	40,0%
Net payments on option	338	2.097	13.240
Net payments on option discounted	292	1.814	11.437
Value of stock at sale	4.832	26.573	161.051
Taxable option gain at sale	0	2.306	13.976
Capital tax paid on option (€)	0	876	5.590
Effective capital tax rate	0,0%	38,0%	40,0%
Capital tax discounted	0	687	4.380
Total tax paid on option discounted (€)	292	2.500	15.817
Total gain on option discounted (€)	1.194	6.567	39.804
Overall effective average tax rate	24,4%	38,1%	39,7%

The full results of all scenarios are shown in the following table:

Earnings per annum (€)	Marital Status	Face Value Grant as % of Salary			
		10%	33%	50%	100%
30,000	Single	24.4%	33.8%	33.8%	34.2%
	Married	17.2%	23.8%	25.6%	28.6%
	Married with two children	17.2%	23.8%	25.6%	28.6%
50,000	Single	27.3%	38.1%	38.4%	39.0%
	Married	24.4%	33.8%	33.8%	33.8%
	Married with two children	24.4%	33.8%	33.8%	33.8%
100,000	Single	39.7%	39.7%	39.7%	39.7%
	Married	37.8%	38.5%	38.8%	39.3%
	Married with two children	37.8%	38.5%	38.8%	39.3%

Finland option plan

Single person

	SCENARIO 1	SCENARIO 2	SCENARIO 3
Gross salary (€s)	30.000	50.000	100.000
Grant size	10%	33%	100%
Standard tax allowances (€)	0	0	0
Net taxable income excluding option grant	30.000	50.000	100.000
Value of stock at grant	3.000	16.500	100.000
Taxable amount on option at grant	0	0	0
Value of stock at exercise	3.993	21.962	133.100
Taxable option gain at exercise	993	5.462	33.100
Additional income tax paid on option (€)	403	2.567	17.543
Effective income tax rate	40,6%	47,0%	53,0%
Additional e'ee social security paid on option (€)	15	82	497
Effective e'ee social security rate	1,5%	1,5%	1,5%
Net payments on option	418	2.649	18.040
Net payments on option discounted	361	2.287	15.583
Value of stock at sale	4.832	26.573	161.051
Taxable option gain at sale	839	4.612	27.951
Capital tax paid on option (€)	243	1.337	8.106
Effective capital tax rate	29,0%	29,0%	29,0%
Capital tax discounted	191	1.048	6.351
Total tax paid on option discounted (€)	552	3.335	21.934
Total gain on option discounted (€)	1.194	6.567	39.804
Overall effective average tax rate	46,2%	50,8%	55,1%

The full results of all scenarios are shown in the following table:

Earnings per annum (€)	Marital Status	Face Value Grant as % of Salary			
		10%	33%	50%	100%
30,000	Single	46.2%	48.9%	49.3%	49.7%
	Married	46.2%	48.9%	49.3%	49.7%
	Married with two children	46.2%	48.9%	49.3%	49.7%
50,000	Single	50.1%	50.8%	52.2%	53.7%
	Married	50.1%	50.8%	52.2%	53.7%
	Married with two children	50.1%	50.8%	52.2%	53.7%
100,000	Single	55.1%	55.1%	55.1%	55.1%
	Married	55.1%	55.1%	55.1%	55.1%
	Married with two children	55.1%	55.1%	55.1%	55.1%

Sweden option plan

Single person

	SCENARIO 1	SCENARIO 2	SCENARIO 3
Gross salary (€s)	30.000	50.000	100.000
Gross salary (SEK)	271.605	452.675	905.350
Grant size	10%	33%	100%
Standard tax allowances (SEK)	0	0	0
Net taxable income excluding option grant	271.605	452.675	905.350
Value of stock at grant	27.161	149.383	905.350
Taxable amount on option at grant	0	0	0
Value of stock at exercise	36.151	198.828	1.205.021
Taxable option gain at exercise for income tax	8.833	49.446	299.671
Taxable option gain at exercise for social tax	8.990	49.446	299.671
Additional income tax paid on option (SEK)	3.115	27.690	167.816
Effective income tax rate	35,3%	56,0%	56,0%
Additional e'ee social security paid on option (SEK)	629	0	0
Effective e'ee social security rate	7,0%	0,0%	0,0%
Net payments on option	3.744	27.690	167.816
Net payments on option discounted	3.235	23.919	144.965
Value of stock at sale	43.742	240.582	1.458.075
Taxable option gain at sale	7.592	41.754	253.054
Capital tax paid on option (SEK)	2.277	12.526	75.916
Effective capital tax rate	30,0%	30,0%	30,0%
Capital tax discounted	1.784	9.815	59.482
Total tax paid on option discounted (SEK)	5.019	33.734	204.447
Total gain on option discounted (SEK)	10.811	59.460	360.365
Overall effective average tax rate	46,4%	56,7%	56,7%

The full results of all scenarios are shown in the following table:

Earnings per annum (€)	Marital Status	Face Value Grant as % of Salary			
		10%	33%	50%	100%
30,000	Single	46.4%	54.2%	55.0%	54.1%
	Married	46.4%	54.2%	55.0%	54.1%
	Married with two children	46.4%	54.2%	55.0%	54.1%
50,000	Single	56.7%	56.7%	56.7%	56.7%
	Married	56.7%	56.7%	56.7%	56.7%
	Married with two children	56.7%	56.7%	56.7%	56.7%
100,000	Single	56.7%	56.7%	56.7%	56.7%
	Married	56.7%	56.7%	56.7%	56.7%
	Married with two children	56.7%	56.7%	56.7%	56.7%

UK unapproved option plan

Single person

	SCENARIO 1	SCENARIO 2	SCENARIO 3
Gross salary (€s)	30.000	50.000	100.000
Gross salary (£s)	18.523	30.872	61.744
Grant size	10%	33%	100%
Standard tax allowances (£)	4.615	4.615	4.615
Net taxable income excluding option grant	13.908	26.257	57.129
Value of stock at grant	1.852	10.188	61.744
Taxable amount on option at grant	0	0	0
Value of stock at exercise	2.465	13.560	82.181
Taxable option gain at exercise	613	3.372	20.437
Additional income tax paid on option (£)	135	742	8.175
Effective marginal income tax rate	22,0%	22,0%	40,0%
Additional social tax paid on option (£)	61	0	0
Effective marginal social tax rate	10,0%	0,0%	0,0%
Net payments on option	196	742	8.175
Net payments on option discounted	169	641	7.062
Value of stock at sale	2.983	16.407	99.439
Taxable option gain at sale	0	0	0
Capital tax paid on option (£)	0	0	0
Effective capital tax rate	20,0%	20,0%	40,0%
Capital tax discounted	0	0	0
Total tax paid on option discounted (£)	169	641	7.062
Total gain on option discounted (£)	737	4.055	24.576
Overall effective average tax rate	23,0%	15,8%	28,7%

The full results of all scenarios are shown in the following table:

Earnings per annum (€)	Marital Status	Face Value Grant as % of Salary			
		10%	33%	50%	100%
30,000	Single	23.0%	19.3%	18.1%	17.0%
	Married	23.0%	19.3%	18.1%	17.0%
	Married with two children	23.0%	19.3%	18.1%	17.0%
50,000	Single	15.8%	15.8%	19.5%	24.1%
	Married	15.8%	15.8%	19.5%	24.1%
	Married with two children	15.8%	15.8%	20.9%	27.2%
100,000	Single	28.7%	28.7%	28.7%	28.7%
	Married	28.7%	28.7%	28.7%	28.7%
	Married with two children	28.7%	28.7%	28.7%	28.7%

Notes

- 1 Effective tax rates decrease with grant size for low earners due to the cap on social taxes.
- 2 Effective tax rates are lower for middle earners as no additional social tax is payable on the option.
- 3 Effective tax rates are highest for high earners as the highest marginal income tax rate applies.
- 4 There is little difference between single, married and married with two children due to the lack of income dependent allowances or tax credits.
- 5 No capital gains tax is payable due to a combination of taper relief and personal allowances.
- 6 ERNIC is not transferred to the employee

UK approved option plan

Single person

	SCENARIO 1	SCENARIO 2	SCENARIO 3
Gross salary (€s)	30.000	50.000	100.000
Gross salary (£s)	18.523	30.872	61.744
Grant size	10%	33%	100%
Standard tax allowances (£)	4.615	4.615	4.615
Net taxable income excluding option grant	13.908	26.257	57.129
Value of stock at grant	1.852	10.188	30.000
Taxable amount on option at grant	0	0	0
Value of stock at exercise	2.465	13.560	39.930
Taxable option gain at exercise	0	0	0
Value of stock at sale	2.983	16.407	48.315
Taxable option gain at sale	0	0	0
Capital tax paid on option	0	0	0
Effective capital tax rate	0%	0%	40%
Capital tax discounted	0	0	0
Total tax paid on option discounted (£)	0	0	0
Total gain on option discounted (£)	737	4.055	24.576
Overall effective average tax rate	0,0%	0,0%	0,0%

The full results of all scenarios are shown in the following table:

Earnings per annum (€)	Marital Status	Face Value Grant as % of Salary			
		10%	33%	50%	100%
30,000	Single	0.0%	0.0%	0.0%	0.0%
	Married	0.0%	0.0%	0.0%	0.0%
	Married with two children	0.0%	0.0%	0.0%	0.0%
50,000	Single	0.0%	0.0%	0.0%	0.0%
	Married	0.0%	0.0%	0.0%	0.0%
	Married with two children	0.0%	0.0%	0.0%	0.0%
100,000	Single	0.0%	0.0%	0.0%	0.0%
	Married	0.0%	0.0%	0.0%	0.0%
	Married with two children	0.0%	0.0%	0.0%	0.0%

Notes

- Options are approved
- The total gain on options from grant to sale is taxed as a capital gain.
- Salaries, tax bands and allowances remain constant.
- The only tax payable arises from a reduction in the childrens tax credit for €50,000 earners with 100% grant size

UK SAYE option plan

Single person

	SCENARIO 1	SCENARIO 2	SCENARIO 3
Gross salary (€s)	30.000	50.000	100.000
Gross salary (£s)	18.523	30.872	61.744
Grant size	10%	33%	100%
Standard tax allowances (£)	4.615	4.615	4.615
Net taxable income excluding option grant	13.908	26.257	57.129
Value of stock at grant	1.852	10.188	12.188
Taxable amount on option at grant	0	0	0
Value of stock at exercise	2.465	13.560	16.222
Taxable option gain at exercise	0	0	0
Value of stock at sale	2.983	16.408	19.629
Taxable option gain at sale	0	0	0
Capital tax paid on option (£)	0	0	0
Effective capital tax rate	20,0%	20,0%	40,0%
Capital tax discounted	0	0	0
Total tax paid on option discounted (£)	0	0	0
Total gain on option discounted (£)	989	5.442	6.511
Overall effective average tax rate	0,0%	0,0%	0,0%

The full results of all scenarios are shown in the following table:

Earnings per annum (€)	Marital Status	Face Value Grant as % of Salary			
		10%	33%	50%	100%
30,000	Single	0.0%	0.0%	0.0%	0.0%
	Married	0.0%	0.0%	0.0%	0.0%
	Married with two children	0.0%	0.0%	0.0%	0.0%
50,000	Single	0.0%	0.0%	0.0%	0.0%
	Married	0.0%	0.0%	0.0%	0.0%
	Married with two children	0.0%	0.0%	0.0%	0.0%
100,000	Single	0.0%	0.0%	0.0%	0.0%
	Married	0.0%	0.0%	0.0%	0.0%
	Married with two children	0.0%	0.0%	0.0%	0.0%

Notes

- Options are approved
- The total gain on options from grant to sale is taxed as a capital gain.
- Salaries, tax bands and allowances remain constant.
- Additional tax is paid in three scenarios due to partial loss of the childrens' tax credit
- Grant size is capped at the maximum of 39 x £250 = £9,750
- Grants are made with a 20% discount to the market price

UK EMI plan

Single person

	SCENARIO 1	SCENARIO 2	SCENARIO 3
Gross salary (€s)	30.000	50.000	100.000
Gross salary (£s)	18.523	30.872	61.744
Grant size	10%	33%	100%
Standard tax allowances (£)	4.615	4.615	4.615
Net taxable income excluding option grant	13.908	26.257	57.129
Value of stock at grant	1.852	10.188	61.744
Taxable amount on option at grant	0	0	0
Value of stock at exercise	2.465	13.560	82.181
Taxable option gain at exercise	0	0	0
Value of stock at sale	2.983	16.407	99.439
Taxable option gain at sale	0	0	0
Capital tax paid on option	0	0	690
Effective capital tax rate	0%	0%	40%
Capital tax discounted	0	0	540
Total tax paid on option discounted (£)	0	0	540
Total gain on option discounted (£)	737	4.055	24.576
Overall effective average tax rate	0,0%	0,0%	2,2%

The full results of all scenarios are shown in the following table:

Earnings per annum (€)	Marital Status	Face Value Grant as % of Salary			
		10%	33%	50%	100%
30,000	Single	0.0%	0.0%	0.0%	0.0%
	Married	0.0%	0.0%	0.0%	0.0%
	Married with two children	0.0%	0.0%	0.0%	0.0%
50,000	Single	0.0%	0.0%	0.0%	0.0%
	Married	0.0%	0.0%	0.0%	0.0%
	Married with two children	0.0%	0.0%	0.0%	0.0%
100,000	Single	0.0%	0.0%	0.0%	2.2%
	Married	0.0%	0.0%	0.0%	2.2%
	Married with two children	0.0%	0.0%	0.0%	2.2%

Notes

- Options are approved
- The total gain on options from grant to sale is taxed as a capital gain.
- Salaries, tax bands and allowances remain constant.
- The only tax payable arises from a reduction in the childrens tax credit for €50,000 earners with 100% grant size

USA non-qualified option plan

Single person

	SCENARIO 1	SCENARIO 2	SCENARIO 3
Gross salary (€s)	30.000	50.000	100.000
Gross salary (\$)	26.303	43.838	87.676
Grant size	10%	33%	100%
Standard tax allowances (\$)	4.550	4.550	4.550
Net taxable income excluding option grant	21.753	39.288	83.126
Value of stock at grant	2.630	14.467	87.676
Taxable amount on option at grant	0	0	0
Value of stock at exercise	3.501	19.255	116.697
Taxable option gain at exercise	871	4.788	29.021
Additional income tax paid on option (\$)	131	718	5.804
Effective income tax rate	15,0%	15,0%	20,0%
Additional social security paid on option (\$)	67	369	421
Effective social security rate	7,7%	7,7%	1,5%
Net payments on option	197	1.087	6.225
Net payments on option discounted	170	937	5.377
Value of stock at sale	4.236	23.298	141.203
Taxable option gain at sale	735	4.044	24.506
Capital tax paid on option (\$)	110	607	4.901
Effective capital tax rate	15,0%	15,0%	20,0%
Capital tax discounted	86	475	3.840
Total tax paid on option discounted(\$)	256	1.412	9.218
Total gain on option discounted(\$)	1.047	5.759	34.899
Overall effective average tax rate	24,5%	24,5%	26,4%

The full results of all scenarios are shown in the following table:

Earnings per annum (€)	Marital Status	Face Value Grant as % of Salary			
		10%	33%	50%	100%
30,000	Single	24.5%	24.5%	24.5%	24.5%
	Married	24.5%	24.5%	24.5%	24.5%
	Married with two children	24.5%	24.5%	24.5%	24.5%
50,000	Single	24.5%	24.5%	24.5%	29.8%
	Married	24.5%	24.5%	24.5%	27.3%
	Married with two children	24.5%	24.5%	24.5%	25.2%
100,000	Single	26.4%	26.4%	26.4%	26.4%
	Married	26.4%	26.4%	26.4%	26.4%
	Married with two children	26.4%	26.4%	26.4%	26.4%

USA qualified option plan

Single person

	SCENARIO 1	SCENARIO 2	SCENARIO 3
Gross salary (€s)	30.000	50.000	100.000
Gross salary (\$s)	26.303	43.838	87.676
Grant size	10%	33%	100%
Standard tax allowances (\$)	4.550	4.550	4.550
Net taxable income excluding option grant	21.753	39.288	83.126
<i>Value of stock at grant</i>	2.630	14.467	87.676
<i>Taxable amount on option at grant</i>	0	0	0
<i>Value of stock at exercise</i>	3.501	19.255	116.697
<i>Taxable option gain at exercise</i>	0	0	0
<i>Value of stock at sale</i>	4.236	23.298	141.203
<i>Taxable option gain at sale</i>	1.606	8.832	53.527
Capital tax paid on option (\$)	241	1.396	10.705
Effective capital tax rate	15,0%	15,8%	20,0%
Capital tax discounted	189	1.094	8.388
Total tax paid on option discounted (\$)	189	1.094	8.388
Total gain on option discounted (\$)	1.047	5.759	34.899
Overall effective average tax rate	18,0%	19,0%	24,0%

The full results of all scenarios are shown in the following table:

Earnings per annum (€)	Marital Status	Face Value Grant as % of Salary			
		10%	33%	50%	100%
30,000	Single	18.0%	18.0%	18.0%	18.0%
	Married	18.0%	18.0%	18.0%	18.0%
	Married with two children	18.0%	18.0%	18.0%	18.0%
50,000	Single	18.0%	19.0%	20.7%	22.4%
	Married	18.0%	18.0%	19.8%	21.9%
	Married with two children	18.0%	18.0%	18.5%	21.2%
100,000	Single	24.0%	24.0%	24.0%	24.0%
	Married	24.0%	24.0%	24.0%	24.0%
	Married with two children	24.0%	24.0%	24.0%	24.0%