

# STOCK OPTIONS

## Current Accounting Practice

No obligations or compensation expenses are recognized in the Group accounts for options to purchase existing or newly-issued shares at an agreed price.

Details of Peugeot S.A. stock option plans are disclosed in the notes to the consolidated financial statements. Details of Faurecia stock option plans are disclosed in its *document de reference*.

These disclosures are as follows:

- Date of the stockholder authorization;
- Date of the decision by the Managing Board (PSA) or Board of Directors (Faurecia) to launch the stock option plan;
- Starting date of the option exercise period;
- Option expiry date;
- Number of grantees;
- Exercise price;
- Number of options granted;
- Number of options exercised or lapsed during the year;
- Number of options outstanding at the year-end.

## IFRS

As of November 23, 2004, IFRS 2 – Share-based Payments had not yet been endorsed by the European Commission.

Under IFRS 2, the full amount of the grant-date fair value of stock options must be expensed. The Group measures the fair value of stock options using the Black-Scholes method. Changes in fair value after the grant date have no impact on the initial measurement.

The fair value of stock options depends in part on their expected life, which the Group considers as corresponding to the lock-up period for tax purposes. The compensation expense corresponding to the options' fair value is recognized in payroll costs on a straight-line basis over the period from the grant date to the starting date of the exercise period, with the offsetting credit recognized directly in retained earnings.

Under the transition rules contained in IFRS 2, all stock options granted after November 7, 2002, which are not yet vested at the effective date of IFRS 2, must be accounted for using the provisions of IFRS 2. No compensation expense is required to be recognized for stock options granted prior to November 7, 2002.

## Impact On The Group Accounts

Application of IFRS 2 has no impact on either the opening balance sheet at January 1, 2004 or consolidated stockholders' equity.

The recognition as compensation expense of the fair value of stock options increases payroll costs deducted from operating margin, with a corresponding increase in retained earnings.