How to streamline your IFRS 2/ASC 817 valuations?

Employee stock option (ESO) valuation and business modeling services
Convenience and reduced cost of compensation

Based on our broad experience in ESO valuation, we will translate your specific ESO plan & term sheet into financial accounting entries. We will build on existing modules to customize our valuation tool to your needs. If you select EY, you will get a user-friendly tool to value new option grants whenever you need it, producing the relevant accounting information.

Our Excel tool will be tailored to your needs to provide you with audit compliant valuations at each grant date. ||

Maximilian Franke, Senior Consultant

Cost reduction: IFRS2/ASC 817 allows for some flexibility in the valuation of ESO plans. Depending on the applied valuation method, your cost of compensation can be significantly reduced. Compared to simply applying the Black-Scholes formula, ESO valuations have to incorporate i) early exercise to capture risk-aversion, ii) hedging restrictions and non-transferability, and iii) concentrated single asset positions. This implies on average a lower exercise price and lower cost of compensation (up to -30% based on our experience when compared to simple Black-Scholes valuations).
Why choosing us?

1. We do not apply the same method across all engagements. Our target is to value your specific term sheet with reasonable effort.

2. The output you receive is not only a simple valuation print-out but a plug-n-play Excel tool tailored to your needs and re-usable at every option grant.

3. Our solution comes with ongoing support and advice.

4. Our approach and tool is IFRS 2/ASC 817 compliant and will facilitate the audit review process.

5. We can leverage on a broad range of ESO valuation projects to allow for a fair budget.

Our framework offers flexibility to minimize your cost of compensation within the rules of IFRS/US GAAP.

Hannes Schobinger, Senior Manager
Examples of tailor-made solutions

Our ESO valuation tools offer:

- A state-of-the-art valuation algorithm close to academic research
- Full flexibility to capture your specific term sheet components accurately
- Highly convenient interface for the end-user

Increasing complexity

<table>
<thead>
<tr>
<th>“Plain vanilla” equity settled ESO plan/call option</th>
<th>Straight forward risk-free world valuation (lattice models, bi/trinomial trees, Black/Scholes in rare cases)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash settled phantom stock ESO plan</td>
<td>ESO tool adjusted to capture revaluation effects as of each reporting date (liability component)</td>
</tr>
<tr>
<td>Complex ESO plan with several vesting, performance, market and service conditions</td>
<td>Real-world Monte Carlo simulation to capture relevant variables adequately</td>
</tr>
</tbody>
</table>
Recent ESO credentials

**EY developed an IFRS 2/ASC 817 compliant valuation and reporting tool**

- **2015** Deutsche Wohnen – Performance-based ESO tool
- **2012-2015** Songwon – Cash-settled phantom stock valuation & reporting tool
- **2013** Dufry – Barrier option valuation tool

**EY reviewed IFRS 2/ASC 817 valuations**

- **2009-2015** ABB – Performance-based ESO valuation review
- **2015** Straumann – Performance-based ESO valuation review
- **2009-2015** Evolva – Equity-settled ESO valuation review
- **2014** GlycoVaxyn – Performance-based ESO valuation review
- **2014** Santhera – Performance-based ESO valuation review
- **2013** Hybris – Performance-based ESO valuation review
- **2012** Acino – Restricted stock unit valuation review
- **2012** Anergis – Start-up company ESO valuation review
Your IFRS 2/ASC 817 specialists in Switzerland and Germany

Hannes Schobinger, CFA
Senior Manager
EY Zurich
Phone +41 58 286 4291
hannes.schobinger@ch.ey.com

Maximilian Franke, CFA
Senior Consultant
EY Berlin
Phone +49 160 939 23085
maximilian.franke@de.ey.com

EY | Assurance | Tax | Transactions | Advisory

© 2015 Ernst & Young Ltd
All Rights Reserved.

BKL 1506-037
ED None

This publication contains information in summary form and is therefore intended for general guidance only. Although prepared with utmost care this publication is not intended to be a substitute for detailed research or professional advice. Therefore, by reading this publication, you agree that no liability for correctness, completeness and/or currentness will be assumed. It is solely the responsibility of the readers to decide whether and in what form the information made available is relevant for their purposes. Neither Ernst & Young Ltd nor any other member of the global EY organization accepts any responsibility. On any specific matter, reference should be made to the appropriate advisor.

www.ey.com/ch