

Press Release

CONTACT PERSON: Yves Vandenplas, Partner
PricewaterhouseCoopers
Tel.: 02/710.40.29, E-mail: yves.vandenplas@pwc.be

OR: Patrice Schumesch, Director
PricewaterhouseCoopers
Tel.: 02/710.40.28, E-mail: patrice.schumesch@pwc.be

OR: Sakia Rademakers, Marketing & Communication
PricewaterhouseCoopers
Tel.: 02/710.72.48, E-mail: saskia.rademakers@pwc.be

IFRS is already influencing investment decisions in Europe, reveals fund managers survey

Brussels, 09 February 2006 – Information provided in accordance with International Financial Reporting Standards (IFRS) is already influencing the investment decisions of more than half of fund managers in Europe, according to a ground-breaking report. The PricewaterhouseCoopers/Ipsos MORI survey, ***IFRS – The European investors' view***, reveals that conversion to the new standards is having a real impact on the way fund managers perceive companies and consequently the investment decisions they make.

The PricewaterhouseCoopers/Ipsos MORI survey of 187 fund managers in seven European countries shows that the overwhelming majority (79 per cent) regard the change to IFRS as significant.

Even before the year-end financial statements have been distributed, more than half (52 per cent) said the IFRS information reported in 2005 had directly influenced their investment decisions. 21 per cent said that when looking at potential investments, IFRS information had influenced decisions to buy, and another 17 per cent said that it was a factor in their decision to walk away from an investment. IFRS had a similar impact on decisions about existing investments – 22 per cent said it had influenced them to sell a company's shares, and for 11 per cent of fund managers it was a factor in holding onto shares.

Three-quarters believed that IFRS has been helpful in showing the financial risks that companies assume and 66 per cent believe that they provide a clear picture of companies' operational risks. This is one of the reasons, perhaps, that nearly three-quarters (73 per cent) of the fund managers reported that IFRS has had at least some

impact on their perception of a company's value, with 27 per cent saying it has had "a great deal" or "a fair amount". This proportion is higher than might be expected, particularly at this stage, before the first year-end financial statements under IFRS have been reported.

Yves Vandenplas, chairman of the European IFRS Transition Group at PricewaterhouseCoopers said:

"We have been waiting to see what effect IFRS will have on the market. The European vision is that it will lead to a better understanding of companies and thus keener valuation decisions by investors. Certainly there needs to be some benefit from the cost and effort involved in the change."

"Clearly most fund managers - who are at the sharp end of investment decision making - seem to welcome the new data. Although it is early days, the improved transparency of IFRS information appears to be giving them better insight into corporate performance, which is affecting their perceptions of value and is having an unmistakable impact on their investment decisions."

According to the survey the majority of fund managers said they understood the implications of IFRS - 73 per cent said they know a great deal or a fair amount about the new standards and 76 per cent also felt very or fairly confident in their understanding of the impact of IFRS on the companies they invest in. However, only 12 per cent are 'very confident', so there is clearly still some way to go.

Whatever their levels of understanding, fund managers do appear to appreciate companies' efforts to present information under IFRS and are positive in their feedback. 81 per cent said management teams had coped effectively and 79 per cent found the information presented in financial statements prepared under IFRS useful.

Ian Wright, global IFRS leader at PricewaterhouseCoopers said:

"Companies have worked hard to implement IFRS, so they can take encouragement from fund managers' confidence in their handling of the change so far. There are positive indications that investors think IFRS is making progress towards the goal of greater clarity and comparability in financial statements.

As companies report their first annual IFRS financial statements for 2005, and move to make IFRS part of their everyday business rather than a 'project', management must continue the efforts they have made so far to tell their story and ensure there are no unexpected surprises."

ENDS

Notes to Editor:

1. PricewaterhouseCoopers commissioned MORI research agency to conduct a survey of 187 Europe-based fund managers in the last quarter of 2005 in the following countries: Belgium, Germany, Italy, the Netherlands, Norway, Portugal and the UK. The survey was conducted by telephone and covered various issues in relation to IFRS.
2. To download a copy of the report from 9 February 2006, go to <http://www.pwc.com/ifrs>. To receive a copy of the survey, please contact Isabelle Jacobs at PwC, (isabelle.jacobs@pwc.be, tel 02/ 710 71 40).
3. PricewaterhouseCoopers (www.pwc.com) provides industry-focused assurance, tax and advisory services to build public trust and enhance value for its clients and their stakeholders. More than 130,000 people in 148 countries work collaboratively using Connected Thinking to develop fresh perspectives and practical advice.
4. "PricewaterhouseCoopers" refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.