PRESS RELEASE

EVCA welcomes the increased awareness of the impact on EU business of International Accounting Standards.
But warns of the dangers for the private financing of EU companies

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EVCA, the European Private Equity and Venture Capital Association, warmly welcomes the recent attention given to International Accounting Standards (IAS) by Europe's business and political leaders at this critical stage in their development, notably during the EU ECOFIN meeting of 15-16 July 2003. EVCA welcomes the introduction of IAS, but shares the concerns about their impact on EU business and particularly their potential to negatively affect private equity and venture capital investments in EU companies.

In addition to the issues raised in respect of IAS 32 and 39, EVCA highlights that the International Accounting Standard IAS 27 (on Consolidated Financial Statements and Accounting for Investments in Subsidiaries) ***urgently needs to be addressed*** as it poses a serious threat to the financing of EU companies through the private equity and venture capital industry.

If adopted as currently proposed, IAS 27 would force private equity and venture capital funds to produce consolidated accounts. Because private equity and venture capital houses operate through General and Limited Partnerships that manage the relationship between the fund manager, the investors and the portfolio companies, the application of the notions 'group' and 'control' as used in IAS 27 for consolidated accounts would result in misleading financial statements. These statements would not take into account the business realities of neither the industry nor the private equity and venture capital funding mechanisms of companies.

As drafted, IAS standards are primarily aimed at the 7,000 publicly listed companies in the EU but contain an option to extend their scope to include all private, non-listed companies, and so have a far broader, and more substantial impact. Jean-Bernard Schmidt, EVCA Chairman and Chairman and Managing Partner at Sofinnova Partners noted that for the private equity and venture capital industry, *"the adoption of IAS and IAS 27 in particular as currently proposed will result in the complete opposite of what the IASB aims to achieve: more transparent, reliable statements for investors. EVCA strongly supports efforts to ensure that IAS are based on European business realities that fully take into account the different methods for business financing in the EU today."*

Private equity and venture capital works to support the growth and development of businesses by providing financing and support to their management and growth. Last year alone, over 8,000 European businesses benefited from private equity and venture capital funding, creating many thousands of jobs. Mr. Schmidt continued; *"In order to address this key issue of concern for the private equity and venture capital industry and the EU economy as a whole, EVCA is actively engaged in an open and constructive dialogue with policymakers and stakeholders. This opportunity for all involved to ensure that IAS correctly correspond to the realities of European business cannot be missed."*

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Notes for editors:

1. **The European Private Equity and Venture Capital Association (EVCA)** – www.evca.com - represents the European private equity and venture capital industry. It supports a wide range of initiatives designed to encourage an entrepreneurial environment in Europe and establish high standards of business conduct and professional competence.
2. **Further information** produced by EVCA is available on the EVCA web site at the following link http://www.evca.com/images/attachments/tmpl_16_art_6_att_165.pdf or by contacting:
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