



## FOUNTAIN SA

# THE BOARD OF DIRECTOR'S MANAGEMENT REPORT TO THE ANNUAL ORDINARY GENERAL MEETING OF 30 MAY 2005 (STATUTORY ACCOUNTS)

Ladies and Gentlemen,

It is my pleasure to present to you our statutory management report for the 2004 fiscal year and to submit for your approval the company's accounts closed at 31 December 2004. Said accounts reflect total assets (prior to distribution) of EUR 63,356,930.54 and a net result after taxes of EUR 2,430,446.81. We further submit for your approval our proposal for the appropriation of the year's net income and we ask that you give us discharge for our work for the year ended.

### YEAR'S FINANCIAL INFORMATION

The company's accounts may be summarised as follows:

#### 1.1. Structure of the balance sheet (after appropriation).

(in EUR)	2003	2004	VAR
Total assets	60.200.368	63.356.931	5,24%
Fixed assets	55.865.472	59.603.253	6,69%
Current assets	4.334.896	3.667.028	-15,41%
Shareholders' equity	37.609.911	39.015.131	3,74%
Deferred provisions and taxes	217.935	186.854	-14,26%
Debts	22.372.522	24.154.945	7,97%

#### 1.2. Profit and Loss Account

(in EUR)	2003	2004	VAR
Sales and services	15.341.294	15.448.798	0,70%
Cost of sales and services	-12.017.794	-11.717.138	-2,50%
<b>Operating income</b>	<b>3.323.499</b>	<b>3.731.659</b>	<b>12,28%</b>
Net interest income	-122.503	-128.131	-4,59%
<b>Operating profit</b>	<b>3.200.996</b>	<b>3.603.529</b>	<b>12,58%</b>
Extraordinary income	10.299	-273.030	-2751,12%
Pre-tax profit	3.211.295	3.330.498	3,71%
<b>Net profit after taxes</b>	<b>2.384.539</b>	<b>2.374.796</b>	<b>-0,41%</b>
Year's profit to be allocated	2.399.940	2.430.447	1,27%

## **COMMENTS**

### **2.1. Share capital**

The total number of shares representing Fountain SA's share capital was 1,615,960 at 31 December 2004, unchanged from the previous year.

At 31 December 2004, there were 148,801 warrants from plans B, D and E. Each of these warrants entitles its holder, potentially, to a new share. Of these, 98,965 warrants were duly allocated to the chairman of the Board and to members of the management of the company or its subsidiaries, of which 80,465 warrants became the permanent property of their beneficiaries. The remaining 18,500 warrants will become the permanent property of the beneficiaries in 2005 and 2006.

Of these 98,965 warrants, 76,625 were still exercisable at the end of 2004.

### **2.2. Financial debts**

At the end of 2004, financial debts totalled EUR 14,140,251.44, an increase of EUR 580,978.19 over 31 December 2003. This rise is explained by the financing of the acquisitions made during the second half of 2004.

### **2.3. Profit and loss account.**

- A. Turnover for the year 2004 came in at EUR 15.45 million, compared to EUR 15.34 million in 2003, an increase of 0.7 %.
- B. Operating income ended the year at EUR 3.73 million, an increase of 12.3 % following the diversification of procurement sources and the improvement of raw materials purchase prices.
- C. Financial results were stable and ended the year with a net charge of EUR 128,000.
- D. Tax expenses came in at EUR 984,000, compared to EUR 834,000 the previous year.

## **RESEARCH AND DEVELOPMENT**

Third party development expenses amounted to EUR 180,000 in 2004. The largest share of these expenses came from new cartridge design.

## **VALUATION RULES**

In 2004 Fountain SA replaced the reducing balance depreciation method with the straight-line method. The impact on the 2004 accounts was valued at EUR 9,979.

## **APPROPRIATION OF NET INCOME**

Based on the results under review, the Board of Directors proposes to the General Meeting of the Shareholders to distribute, for the year 2004, a gross dividend per share of EUR 0.60, an increase of 36 % (EUR 0.44 in 2003).

During the year, the company's statutory profits amounted to EUR 2,430,446.81. As the previous year's profits of EUR 6,581,717.27 were carried forward, the profits to be allocated at 31 December total EUR 9,012,164.08.

Subject to your approval, the Board proposes allocating this profit as follows:

Dividend:	EUR 969,576.00
Allocation to the legal reserve:	EUR 121,522.34
Retained earnings:	EUR 7,921,065.74

### **NO CONFLICT OF INTEREST**

During the course of the year 2004 the Board was not referred any resolution that could violate the provisions of Articles 523 and 524 of the Companies Code.

### **SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE YEAR**

No significant event occurred after the closing of the year's accounts.

### **PROSPECTS FOR THE YEAR 2005**

The Group does not expect the European economy to improve significantly in 2005.

Save for an exceptional event, profitability and operational cash flow are expected to rise slightly in 2005.

### **SUNDRY MATTERS**

For the year 2004, additional fees of EUR 12,000 were paid to the statutory auditor (SCPRL Linet & Partners) as part of a due diligence procedure for the acquisition of a company.

No additional fee was paid for 2004 to the auditor responsible for auditing the consolidated accounts (SCPRL B.S.T., company auditors).

Please approve the annual accounts closed on 31 December 2004, as well as the proposed appropriation of net income and give us and the auditors discharge for our work for the year 2004.

*Braine-l'Alleud, 10 March 2005,*

*For the Board of Directors,*