Fountain Industries Europe S.A.

ANNUAL REPORT 2001

More than **a drink**

Table of contents

PART ONE

PART TWO

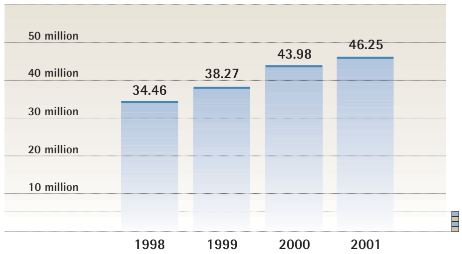
PART THREE

Scoreboard

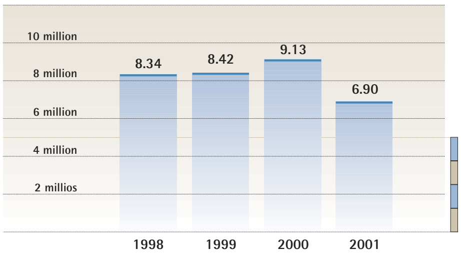
Summary

29 years in business
160,000 machines installed worldwide
730,0000 consumers a day
2.1 million cups a day
46 million EUR in sales in 2001
276 persons employed (full-time equivalent) in year 2001

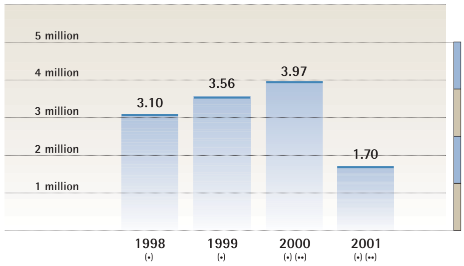
Consolidated turnover



Operating cash flow

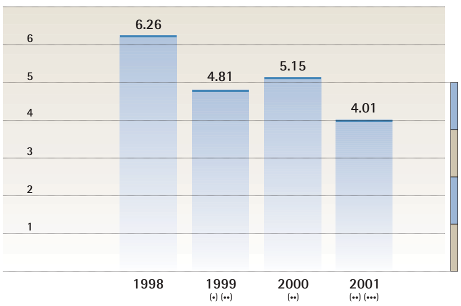


Consolidated net current profit



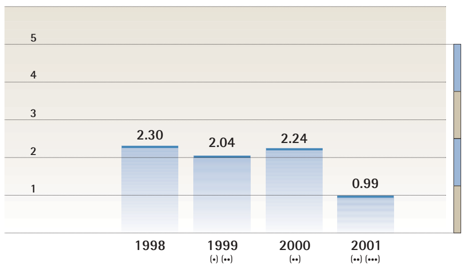
(•) Exclusive of depreciation of goodwill acquisitions and trademarks.
(••) Exclusive of depreciation of business acquisitions and extraordinary results.

Operating cash flow per share



(•) Takes account of the increase in the number of shares.
(••) Takes account of the number of warrants allotted
(•••) Takes account of the number of shares cancelled in December 2001.

Current profit per share



(•) Takes account of the increase in the number of shares.
(••) Takes account of the warrants allotted.
(•••) Takes account of the number of shares cancelled in December 2001.

Payment on Capital

Dividend

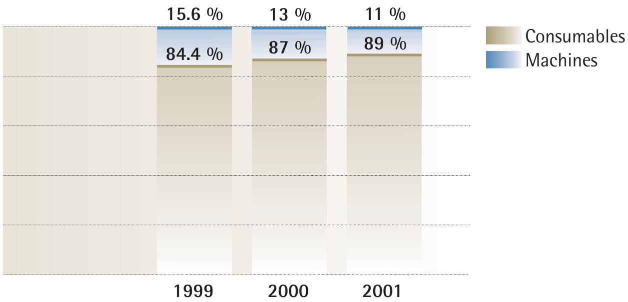
Our pay-out policy is usually based on the consolidated net current result, less depreciation of goodwill acquisitions and consolidation differences.

However, in view of the earnings for 2001 and the ongoing projects for 2002, it has been decided not to turn out the payment of a dividend for the financial year 2001.

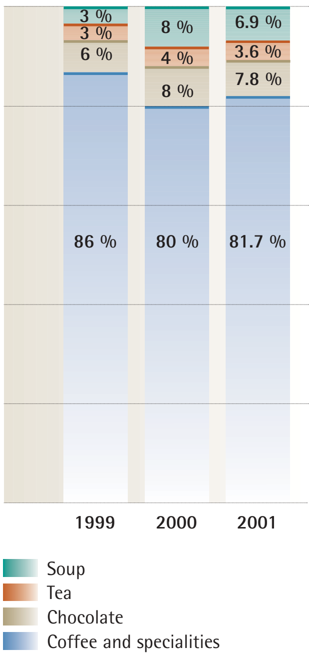
	Gross dividend	Net dividend	Total gross dividend
1999	16 BEF	12 BEF	662 661.03 EUR
2000	17.33 BEF	13 BEF	717 882.79 EUR
2001	0.00 EUR	0.00 EUR	0.00 EUR

Breakdown of turnover by

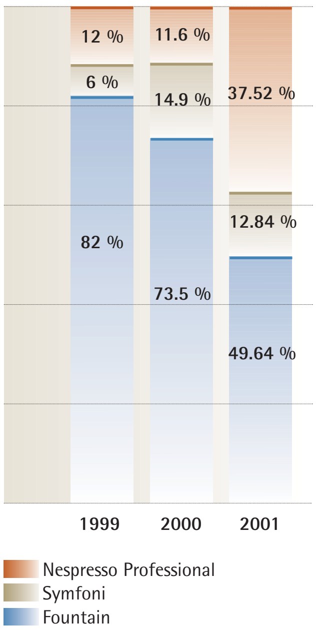
Sector



Product | Consumables



Product | Machines



Country

1999

France	45.7 %
Benelux	37.8 %
Scandinavia	4.3 %
United Kingdom	3.8 %
Germany	1.9 %
Rest of Europe and the world	6.5 %

2000

France	45.5 %
Benelux	39.0 %
Scandinavia	4.4 %
Czech Republic	3.1 %
Rest of Europe and the world	8.0 %

2001

France	52.60 %
Belgium, Luxembourg	24.90 %
Netherlands	9.98 %
Scandinavia	5.90 %
United Kingdom	3.40 %
Czech Republic	2.60 %
Rest of Europe and the world	0.62 %

Stock market quotation

Fountain was listed on the Brussels spot primary market in April 1999. The initial offer included the issue of 250,000 new shares, bringing the total number of shares up to 1,670,730. Following a decision taken by the Shareholders Extraordinary General Meeting held on the 26th December 2001 54,770 shares were cancelled.

Listing:

Brussels Stock Market (Euronext Brussels)
Primary spot market (continuous fixing)

1,615,960 shares representing the capital

54,770 shares cancelled in 2001

103,665 warrants allotted (not listed)

Code: BE000 375 2665
Code Euronext: FOU

Number of shares	Total	Shares issued	Warrants
1998	1,420,730	1,332,000	88,730
1999	1,715,130	1,670,730	44,400
2000	1,775,131	1,670,730	104,401
2001	1,719,625	1,615,960	103,665

Pierre Vermaut
Chairman

Message from the Chairman

The year 2001 will not go down in Fountain's history as one of our best, but instead as an "annus horribilis" or horrible year, best forgotten as quickly as possible. The year was characterized by a marked decline in the operating cash-flow and by net losses, in spite of rising turnover. Even though operating cash flow remained mostly positive, these results are still a far cry from the goals that had been set a year ago. There are several explanations for this result.

First of all, the postponement of the launching of Ottimo. We put the machine on the market too early, without sufficient testing and it fell victim to its own technical flaws, forcing us to recall it after a few weeks. The important development investments did not yield the return expected for 2001. This delay also blocked our network of dealers, who had mobilised en masse to support the kick-off of this revolutionary new machine. Many had recruited new sales people whom they had to let go, which of course had a cost and a negative impact on the distribution of other machines from existing lines. Our turnover therefore could not progress as we had hoped.

Several other one-off events occurred on top of this failing. We had to make changes in top management positions within the Group. On other fronts, we centralised the administrative services of our French subsidiary companies at the Saint-Denis site, which led to certain disruptions and added costs, in particular because some staff members did not wish to make the move. Finally, the outsourcing of our entire logistics system for France to a single centre located near Maubeuge was also a source of expense. This strategic decision has nonetheless allowed us to sell some storage space that had become unnecessary and will help us to reduce our stock in the future and thus the cash locked up in the logistics chain.

We have learned a very important lesson from this year's failings: the Ottimo failure was due solely to technical problems that have now been solved. The concept in itself was never in doubt. Quite the contrary, it was perfectly adapted to the market's expectations and we even took advantage of the situation to add a few more improvements. So with its new unveiling in spring 2002, we can speak of a new generation of Ottimo, which has undergone a lengthy period of testing under normal conditions of use. And we will not stop moving ahead after such a good start. Along with Ottimo, we will also launch a new machine this year, a mid-range machine, Cremezzo. This machine targets our usual market segment and delivers a rich brewed coffee, very similar to the traditional espresso. In November we will introduce a "Table Top" model with the Fountain brand name, for larger SMEs, and which aims to follow our clients in their growth. We have also drawn conclusions from this experience in terms of sales. We initiated a rationalization process in our distribution subsidiaries. The objective is to optimise the profitability of sales staff while broadening their line of products.

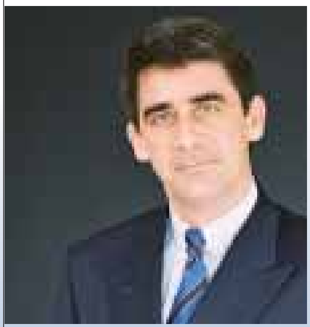
We are convinced that these steps will guarantee growth in the Group's turnover and profitability in the years to come. In 2002, we should be reaching the earning levels projected for 2001, which implies two-figure growth in our operating cash flow.

I would like to take the time now to thank our entire staff, our partners and our shareholders for their efforts throughout this difficult year and for their never-failing trust.

Pierre Vermaut

Eric Malrain

Vincent Nys



Message from the Management Committee

Even though 2001 was not up to our expectations, it was nonetheless rich with accomplishments.

On the operating side, a number of new territories were integrated into the Group's structure in 2001. Fountain acquired three new companies, a 50% interest in two distributors in France, founded a distribution company in Helsinki and bought five businesses in Denmark. These acquisitions accounted for EUR 5.6 million of the Group's turnover for 2001. From the standpoint of operations, they were integrated mostly during the second half of the year. At the same time, implementation got under way on the first phase of Fountain's project to outsource logistics, aimed at centralising direct distribution to dealers in France and Benelux in the long term. The Group also began standardizing the different computer systems used at French sites with the ERP system already successfully implemented in Belgium.

In terms of organisation, the Group decided to consolidate the administration of all French activities at the Saint-Denis site, North of Paris, leading to the transfer of some staff members and the sale of the Cambrai buildings and warehouses. Also with the aim of improving efficiency, the registered office of our Dutch subsidiaries was moved from Haarlem to Breda to facilitate the role of the parent-company as Board Member.

The year 2001 was also important for production. A new strategy was developed for the machine production plant, which will henceforth spend time on non-Group projects as a means of stimulating creativity and boosting profits. The plant has three skills areas that will be crucial to attracting outside clients: hot-beverage technology, refrigeration technology and recognized capabilities in industrialising third-party R&D projects. The objective for the longer term is to strike a balance between activities for the Group and those for third parties. In addition, last year Fountain invested in the development of two new cartridge production chains at its Belgian site of Braine-l'Alleud. They have been operating since 2002 and allow the production of the four different kinds of cartridges made today.

In sales, experience has shown that it is important to rely more heavily on the distribution network. The appointment of Jean Dilasser, founder of the Fodis dealership bought in 2001, to head the French network, reflects the will to appoint professionals with experience as licence holders and who are tuned in to the network as operations managers. In this same vein, Ottimo's second kick-off and the launch of the Cremezzo project benefited from greater participation by the network in both decision-making and the choice of technical solutions. This will be standard practice from now on. It should be noted that, thanks to its development in 2002, Fountain has become the only producer on the market in a position to offer global solutions adapted to clients' needs, from the small manual machines to the automatic "Table Top" model.

After a year geared to reorganisation and revitalisation, this year's introduction of several new machines meeting the expectations of markets and of our distribution channels is expected to enable the Group to reach in 2002 the activity and profit levels projected for 2001 and to return to growth levels prior to 2001. Our prime objective is to prove that we can satisfy simultaneously our end clients with our quality products, and our partners and licence holders with a more intense spirit of cooperation and dialogue.

Eric Malrain

Vincent Nys

Management Report from the Board of Directors to the General Meeting of 27 May 2002

Ladies and Gentlemen,

It is our pleasure to present our combined Management Report 2001 for Fountain Group, along with the consolidated annual accounts for the fiscal year ended 31 December 2001. We also submit for your approval the proposal for the treatment of the result and the discharge to be granted to the Directors for the year in question.

1. Consolidated result 2001

Fountain Group's consolidated result for 2001, after taxes, amounts to losses of EUR 2.25 million, as against a profit of EUR 0.42 million for 2000; the result takes into account taxes of EUR 1.43 million. This outcome, well below projections, is primarily due to the delayed introduction of Ottimo and high non-recurrent charges related to the departure of members of management and staff who had become redundant due to reorganisation of the British factory and the outsourcing of logistics.

Gross current earnings, calculated after deducting from the operating result the depreciation of trademarks, medium-term assets and consolidation differences declined 48.8% to EUR 3.62 million. Pre-tax depreciation charges amounted to EUR 4.30 million, up nearly 10% from the previous financial year as a result of acquisitions made in 2001. Trademark depreciation charges rose 2.8% net with the acquisition at end 2000 of the Fountain trademark on North American markets while those of medium-term assets rose 100% due to Danish and French acquisitions. The cost of depreciation of goodwill rose 6.3% with the acquisition of 100% of the new subsidiaries in Brittany and the acquisition of 50% shares in licences in the south of France.

Consolidated operating cash-flow totalled EUR 6.90 million, or 14.9% of turnover. The 24.4% decline in operating cash flow is essentially due to the effect of Ottimo's delayed introduction on sales, to integration costs of new acquisitions, and to non-recurring charges of nearly EUR 1 million.

2. Group activities in 2001

The Group's consolidated turnover expanded 5.2% from EUR 43.98 million to EUR 46.25 million. This growth is the outcome of both the acquisition of medium-term assets and subsidiaries and from internal growth due to Nespresso Professional activity in France (+31%). For the same scope of consolidation, Fountain activity alone registered a 12% decline due to the wait-and-see attitude created by the delayed introduction of Ottimo, initially foreseen for end of first half 2001.

As for the breakdown of turnover, more than 89% (versus 87% in 2000) stemmed from sales of consumables and the remainder from sales of machines. Coffee is still the number-one selling consumable, accounting for 82% of sales.

The Belgian, French and Dutch markets account for 88% of consolidated sales, up 9.5% over the previous year.

The net contribution to turnover of companies or medium-term assets acquired in 2001 was EUR 5.6 million for the financial year.

3. Research and Development

The bulk of research and development charges related to Ottimo were activated and booked into the accounts for 2000. Additional activated charges for 2001 totalled EUR 0.24 million. These concern the Ottimo and Cremezzo projects (the new mid-range machine).

4. No conflicts of interest

For financial year 2001, the Board of Directors adopted no resolutions relating to Articles 523 and 524 of the Company Code.

5. Share capital

By a decision of the Extraordinary General Meeting of 26 December 2001, 54,770 Fountain shares, acquired by the Group in 2000 and 2001, were cancelled. The total number of shares making up the capital of Fountain Industries Europe SA was consequently reduced from 1,670,730 to 1,615,960. The value added by this operation amounts to 3.4% per share.

As of 31 December 2001, 736 D warrants were not issued, as a result of which all valid warrants as of that date represent subscription rights to 103,665 new shares.

6. Important events since the end of the financial year

By a decision of the Board of Directors, meeting on 22 March 2002, day-to-day management was assigned to Mr Pierre Vermaut, who also remains Chairman of the Board of Directors.

7. Outlook for 2002

At least two new hot-beverage machines will be introduced in 2002. The first, Ottimo, is an automatic modular dispenser of brewed coffee, brewed chocolate, real capuccino, soups and tea. The second, baptised Cremezzo, is in keeping with the traditional Fountain concept (manual multiple-choice machines), while extending it to brewed coffee.

Barring exceptional events, profitability for financial year 2002 is expected to return to its 2000 level, i.e. EBITDA of some EUR 9 million.

8. Treatment of the statutory result

Given the results for 2001 and projects under way, the Board of Directors shall put a proposal to the General Meeting of Shareholders not to pay a dividend for financial year 2001.

At the close of the financial year, Fountain Industries Europe SA posted statutory profits of EUR 2,433,424.22. With profits of EUR 1,531,840.76 carried forward from the previous financial year, profits to be appropriated as of 31 December 2001 amounted to EUR 3,965,264.98.

Subject to your approval, the Board proposes the following appropriation:

Legal reserve: EUR 121,671.21
Amount carried forward: EUR 3,843,593.77

9. Other business

For 2001, additional one-off fees paid to the Auditor (SCPRL Linet & Partners) amounted to EUR 5,956; no additional one-off fees were paid to the Auditor of the consolidated financial statement (SCPRL B.S.T., Réviseurs d'Entreprises).

We kindly ask you to review the annual accounts for the financial year ended 31 December 2001, to approve the financial statement and to issue a discharge for our mandate and the mandate of the Auditors for financial year 2001.

The Board of Directors
22 March 2002.

PS: Copy of the whole text of the Management report on the statutory accounts is available on simple request at the registered address of the company

Corporate governance

Management structures

The Board of Directors

Pierre VERMAUT
Chairman, Independent member of the Board

Pierre Vermaut (54) has chaired the Board of Directors of the Fountain Group since February 2000. He is also member of the boards of different companies.

Alain ENGLEBERT
General Secretary, Independent member of the Board

Alain Englebert (48) is a member of the boards of different companies.

Jean DUCROUX
Member of the Board

Jean Ducroux (59) is Chief Executive Officer of Electra Partners Euros SA (France – formerly Electra Flemming & Associés) and a member of the boards of several different companies.

Regnier HAEGELSTEEN
Member of the Board

Regnier Haegelsteen (52) is Managing Director of Banque Degroof (Belgium) and a member of the boards of several other companies.

Bruno LAMBERT
Member of the Board

Bruno Lambert (43) is Director of SG EPE Capital Management Limited (London) and serves on the boards of various companies.

Paul LIPPENS
Independent Member of the Board

Paul Lippens (48) is Chairman of Groupe Sucrier (Belgium) and serves on the boards of several companies.

Philippe RENIE
Member of the Board

Philippe Renie (41) is Director of SG EPE Capital Management Limited (London) and serves on the boards of several companies.

Philippe SEVIN
Member of the Board

Philippe Sevin (54) is Director of SG EPE Capital Management Limited (London) and serves on the boards of various companies.

S.A. Cytinvest, represented by:

Michel DELLOYE
Director

Michel Delloye (45) serves on the boards of several companies.

In its subsidiary companies, Fountain has implemented a policy of appointing the Financial Manager of the country concerned and a Sales Manager of the parent company as directors, as often as possible.

The Executive Committee

In September 2001, the Board of Directors decided to put in place an Executive Committee comprising: Pierre Vermaut, Chairman of the Board; Eric Malrain, CFO; and Vincent Nys, Sales Manager.

In this committee, the Chairman acts as an intermediary between Fountain's day-to-day management and the Board of Directors, thus helping to speed up decision-making. He is also responsible for certain strategic projects, specifically relating to new acquisitions by the Group. The Chairman's function will be combined with that of Group Managing Director in the course of 2002.

The Management Committee

The Management Committee is composed of executives with experience in business, finance and production.

Pierre VERMAUT
Chairman of the Board and of the Executive Committee
(Braine-l'Alleud)

Eric MALRAIN
Member of the Executive Committee
(Braine-l'Alleud)

Eric Malrain (45) joined the Fountain Group in May 1999 as Chief Financial Officer.

Vincent NYS
Member of the Executive Committee
(Braine-l'Alleud)

Vincent Nys (42) has managed NewCaffe France within the Fountain Group since May 1998 and Fountain Industries France since April 1999, before being appointed to the Executive Committee to head up sales and marketing.

Stéphane BRUYERE
International Marketing Manager
(Braine-l'Alleud)

Stéphane Bruyère (35) joined the Fountain Group in December 2000 as Manager of the French network. He is now responsible for marketing for the Group as a whole.

Jean DILASSER
Sales Manager, France (Saint-Denis)

After creating, directing and developing Fodis in Brittany, Jean Dilasser (52) joined the Fountain Group after his company was bought in March 2001. He is responsible for general management of the French companies.

Paul VAN CAMPENHOUT
Sales Manager, Benelux
and International Sales (Braine-l'Alleud)

Paul Van Campenhout (42) joined the group in June 1999 with the task of developing activity in the Czech Republic and the activity of independent dealers. In 2001 he was placed in charge of sales and marketing outside of France.

Sorin MOGOSAN
Production and Supply Chain Manager
(Braine-l'Alleud)

Sorin Mogoson (43) joined the Fountain group in 1985 and is responsible for logistics and cartridge production.

Steven John MORRIS
Manager Fountain Manufacturing Ltd.
(Southwold)

Steven John Morris (44) joined the group in September 1999 and is responsible for machine production and development.

The Audit and Remuneration Committees

The Board of Directors appointed a Remuneration Committee charged with developing policy for the remuneration of members of the Management Committee, and an Audit Committee responsible for supervising control of the Group.

The Remuneration Committee is composed of Messrs Pierre Vermaut, Bruno Lambert, and Paul Lippens, Members of the Board.

The Audit Committee is composed of Messrs Pierre Vermaut, Bruno Lambert, Alain Englebert and Paul Lippens, Members of the Board, Eric Malrain, Chief Financial Officer, Member of the Executive Committee, and, as consultants, Auditors Mrs Pascale Tytgat (consolidated accounts) and Mr Michel Linet (Belgian statutory accounts).

A Dual Level of External Control

Considering the importance of clarity and transparency for the Group, management introduced a dual level of auditing for all Group company accounts. At the local level, each company is controlled by an outside auditor, in accordance with Belgian law for groups listed on Euronext in Brussels.

At Group level, another independent auditor audits the consolidated accounts. Fountain Industries Europe S.A. thus undergoes a local audit of its statutory accounts by its auditor (Mr Michel Linet, Linet & Partners) and a separate audit of its consolidated accounts as the consolidating company by B.S.T., Certified Public Accountants (represented by Mrs Pascale Tytgat).

In keeping with the rules of corporate governance relating to the separation of functions, contact between subsidiaries and local auditors takes place under the authority of the Financial Manager of the country concerned, rather than with the Sales or Operating Manager.

Shareholding structure

Shareholders On 31 December 2001	Number of shares	Shares held (% of total)
SG European Private Equity Partner LP Ltd	500,844	30.99%
Electra Partners Europe S.A.	179,193	11.09%
S.A. Cytinvest	100,942	6.25%
E.I.A.	94,905	5.87%
Public	740,076	45.80%
Total (*)	1,615,960	100.00%

** Includes the cancellation of 54,770 shares in 2001.*

- **SG European Private Equity Partner LP Limited** *is a London-based private equity fund of Société Générale (France).*
- **Electra Partners Europe S.A.** *is an investment fund under French law, a subsidiary of Electra Investment Trust.*
- **S.A. Cytinvest** *is an investment company under Belgian law.*
- **E.I.A.** *is a Luxembourg-based holding company.*

Human resources

2001, a turning point

The Fountain Group's overall workforce increased (+36%) in 2001, mainly as a result of the acquisition of the French and Danish dealerships. 2001 was also a turning point in terms of Human Resources with the departure of a number of staff members due to internal reorganization and geographical regrouping of certain activities in France. The group's administrative services and management teams are now all in one place, Saint-Denis, in the Paris region.

The Fountain system has historically been based on an integrated locally-based distribution network made up of independent regional licence holders. The latter employ the vast majority of sales and technical staff on whom the Group's development is based and who represent the strength of its product distribution and the full service offered to clients. Fountain encourages and directly supports the recruitment, motivation and training of these teams, which count several hundred sales people in the different countries where the Group is present. In the past two years, this support was bolstered. A large-scale programme of structured training was initiated in 2000 for licence holders and their sales teams. It continued in 2001, while all the licence holders engaged in considerable recruitment early in the year to support the kick-off of the Ottimo machine in the spring. Unfortunately, the delay in this launching and the economic downturn in the latter half of the year prevented them taking full advantage of their reinforced sales teams. Recruitment practices had to be revised in the course of the year.

The same situation prevailed in the Group's subsidiary dealerships, which were mainly acquired over the past couple of years. The investment strategy for pilot sites and the acquisition of the businesses of independent licence holders in certain strategic regions (France, Benelux, Denmark, Czech Republic) had led the Group and its subsidiaries to maintain their own sales, distribution and maintenance teams. The workforce therefore increased considerably in the first months of the year, only to be reduced subsequently because of the circumstances. At constant scope of consolidation, the workforce expressed in "full-time equivalent"(FTE) returned at end 2001 to its level at end 2000.

It is nevertheless important to mention that in France, Fountain's leading market, the acquisition of different licences and the steady increase in employees and sales personnel justification of the recruitment of a human resources manager. This person's job description also includes assisting the main independent licence holders on matters like recruitment and training.

Warrants and Stock Options

As in previous financial years, Fountain Industries Europe issued 60,001 new warrants last year (D Plan) earmarked for some Board Members, members of the Management Committee and executives, and which may give right to rise to the creation of new shares from 2004 on. The remaining warrants were allotted to executives of the Group's new subsidiaries.

736 warrants from this D plan were not offered by 31st December 2002. The total amount of active warrants is therefore 103,665 giving right to rise 103,665 new shares.

1

The Fountain Group, leader on its market

In 2002 Fountain will celebrate its 30th anniversary. This Belgian company specialised in distributing hot beverages on business premises has undergone profound changes in the past years, evolving into a multinational group. Leader in the slot of SMEs and SMIs with fewer than 15 employees, the Fountain Group is concentrating its energy on strengthening this leadership.

Over the past two years, and especially last year, Fountain concentrated on expanding and updating its product line (machines and cartridges of consumable products), making its distribution network and sales force more dynamic, and exploring new markets and identifying new niches in existing ones. The Group thus pursued a policy of external growth, acquiring dealerships on strategic markets, such as France and Denmark.

Sizeable investments were made to develop a logistics platform that will centralise services for France and Benelux. Moreover, two new lines of cartridges were introduced and will be produced on the Belgian site of Braine-l'Alleud.

The highly integrated structure of the Fountain Group, which was reinforced in 2001, ensures the control over trademarks, the production of machines and consumables, and their distribution.

Group organisation

Historically comprised of a chain of separate companies – depending on the geographical location and the product lines marketed, the Fountain Group is now engaged in a process of structural simplification motivated by efficiency, clarity and transparency. This process is meant to result in a considerable reduction of the number of companies consolidated within Fountain Industries Europe S.A., the parent company with head offices in Braine-l'Alleud (Belgium), listed on the stock market since April 1999.

In sales (distribution), markets were structured into two separate zones: one for France and another for Benelux and international sales. The goal is to set up two territories with approximately the same turnover potential, so as to guarantee equivalent support and resources for both, regardless of the predominance of the French market. Activities have progressively been concentrated within this new structure, through the regrouping (merger in some cases and winding-up in others) of the companies making up the Group. For example, Symfoni France was merged with Fountain Industries France in 2001, and Fountain Industries Deutschland was wound up following the signature of a licensing contract with a German independent company. This process will continue in 2002, specifically in France, Belgium and in Holland.

The structure of the Fountain Group can be compared to a pyramid of three different levels defined according to territorial size and residing on the three pillars of the main activities: industrial production, sales and distribution, and brand management.

At the top of the pyramid is the international level, represented by Fountain Industries Europe S.A., the holding company that determines the Group strategy and assumes functions related to general strategy, production, financial management, marketing and sales management.

The national level is made up of companies which are responsible for the operational management of networks and markets. These are called the licensees. They are wholly-owned subsidiaries for the main markets. Their job is to adapt the strategies defined at international level to the realities of their local market, and to develop and manage their own distribution networks – largely made up of independent licence holders and sometimes of franchised dealers. The licensees have exclusive rights on the Fountain and Symfoni (Rapsody on some markets) trademarks on their national territory. In addition, since 1998 the Fountain Group has exclusive distribution rights for Nespresso Professional machines and products in France.

Finally, the regional level is the base of the pyramid. At this level, licence holders handle (also called dealers) sales and physical distribution of the machines and products on a given territory. They also manage sales teams and organize customer service.

The distribution pole (machines and consumables) is made up of both dependent (subsidiaries) and independent (licence agreements) national licensees. The industrial pole is in charge of machine and cartridge (consumables) production. Fountain Industries Europe S. A. (Belgium) develops and produces cartridges, while Fountain Manufacturing Limited (United Kingdom) manufactures Fountain and Symfoni machines. This plant has production capacity which the Group has decided to partly dedicate to local sub-contracting. These industrial capacities available for third-party clients, are used for the development and manufacture of "hot" equipment, like hot beverage dispensers, and "cold" equipment. Lastly, the third pole owns and manages the Fountain Group's trademarks.

Fountain Group (simplified diagram)

PRODUCTION | DISTRIBUTION | TRADEMARKS

Fountain Industries Europe S.A.

PRODUCTION

CARTRIDGES

Fountain Industries Europe S.A.
(Belgium)

MACHINES

Fountain Manufacturing Limited
(United Kingdom)

DISTRIBUTION

FRANCE

Fountain Industries France S.A.S.
(Saint-Denis)

NewCaffè Importateur S.A.S.
(Saint-Denis)

NewCaffè France S.A.S.
(Paris and Lyon)

Fodis S.A.S. and subsidiaries
(Brittany)

Slodadis s.a.r.l. [50%]
(Nice – Marseille)

Fountain Soleil S.A.S. [50%]
(Montpellier)

BENELUX AND INTERNATIONAL

Fountain Industries Benelux S.A.
(Belgium)

Fountain Scandinavie A/S
(Denmark)

Fountain CS spol s.r.o.
(Czech Republic)

Fountain Industries UK Ltd
(United Kingdom)

Davamat S.A.
(North of Belgium)

TRADEMARKS

Fountain Netherlands Holding B.V.
(Netherlands)

Fountain Marketing
& Research B.V.
(Netherlands)

Sy-Ra Netherlands Holding B.V.
(Netherlands)

Fountainbrand International N.V.
(West Indies)

Sy-Ra International Holding N.V.
(West Indies)

Pursuing an acquisition policy

Over the past two years, the Fountain Group has been involved in the strategic reorganization of its distribution network, which is being made more uniform so that each dealer, the licence holder, can reach the critical size needed to finance further development. Fountain has specifically tried to consolidate smaller dealers and offer greater structural support. The result is a lower total number of bigger licence holders, notably in France.

Moreover, the Group also continued implementing its policy of acquiring licences on certain markets or strategic regions.

In France, which accounted for 48% of last year's turnover and where pilot-sites set up in 2000 in the Paris and Lyon regions (Rhône-Alpes) have been consolidated, Fountain reinforced its presence in the southern and western regions. These areas offer promising prospects for the new machines that deliver brewed coffee. In 2001, the Group acquired 100% of Fodis Group, a licence holder for western France (Brittany) and its two subsidiaries: Fountain Distribution Brittany and Nespresso Iroise.

This acquisition made a positive contribution to the Group's operating cash flow last year. These firms will be merged into one company, Fodis in 2002 , making up a single company that will distribute all Fountain, Symfoni and Nepresso Professional products (machines and consumables). In addition, the Fountain Group has acquired 50% of Slodadis and Fountain Soleil, licence holders that are very active in the South of France (Provence-Côte d'Azur and Midi-Pyrénées).

In Scandinavia, the establishment of a pilot site in Copenhagen (Denmark) and the acquisition at the end of 2000 of two licences enabled Fountain to reinforce this market's role in the Group. Fountain pursued its strategy by taking control last year of five independent licence holders on Danish territory which it did not yet wholly own. A new subsidiary was also created in Helsinki (Finland).

Finally, another very promising market is Eastern Europe. All sales to independent licensees are managed from the Czech Republic now that Fountain has finalised the acquisition of the Czech licence, consolidated in the Group since last year. A new independent licensee has just started distributing Fountain products in Moscow.

International expansion remains a pillar of the Fountain Group's strategic development. Opportunities for external growth by means of acquisitions will be actively sought on European markets.

Centralised logistics

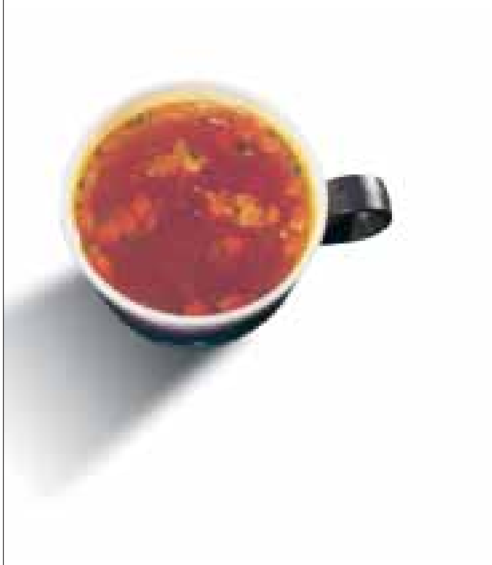
September 2001 marked the first phase of an ambitious strategy aimed at centralising all logistics (stock management and merchandise flow) for France and Benelux at a single storage platform situated near Maubeuge, in northern France. It will be operated by an external partner, ITS-Fabry. This decision reflects the Group's determination to provide better real-time stock management, while freeing financial resources through the reduction of buffer stocks. Fountain will divest itself of storage space in Belgium and in France that is no longer used. The resources thus freed are and will continue to be invested in ongoing machine development and placed at the service of the policy of expansion through the acquisition of new licences.

Concretely, the Maubeuge logistics platorm is designed to become a unique distribution centre supplying Fountain's two main markets: France and Benelux, (together they account for 86% of total sales in 2001). Stock flow is managed by a modern system of computerised information exchange (CIE) developed for this purpose. The idea is to transfer all merchandise flows from internal and external suppliers and flows earmarked for dealers to this platform. Since the launch of phase one in September 2001, all deliveries to French licence holders from this platform can be guaranteed. The Benelux network will also be supplied once phase two is implemented in the course of 2002.

The establishment of such a unique distribution system marks a profound change in the Fountain Group's work methods and its relations with its network of licence holders. It reflects Fountain's wish to modernise and optimise stock management, to the advantage of the Group itself, its subsidiaries, independent distributors and clients.

"It all happened very fast, but our staff reacted quite well to the acquisition of Fodis and its subsidiaries by the Fountain Group. We saw it as recognition of our experience and of a job well done over a 30-year period. Finding ourselves part of such a big group has turned out to be an additional motivating factor, especially for sales teams, which hope to prove their worth within the Group. And becoming part of Fountain has brought us much more: we now benefit from the entire Group structure and permanent support in marketing and technical areas. This creates a great sense of belonging."

Laurence Balier
Executive Vice-President,
Fountain Brittany (Fodis)



2

A much fuller product line

Fountain has managed to become a leading distributor of instant hot beverages on business premises thanks to its complete, reliable and personalised service to its clients. Particularly suited to SMEs and SMIs, the service aims more than ever to meet all the needs expressed by Fountain's clientele. And by adjusting continually to changing demand, Fountain continues to improve its original concept.

The Group also spends considerable energy and resources on modernising its products. In addition to a sizeable expansion of the range of beverages on offer thanks to the introduction of new flavours and the partnership established in 2001 with Lipton, the last two years have also seen noteworthy improvements in consumables and their packaging, optimising the quality and aroma of the beverages to the very last cup dispensed from each machine. Advanced research has also resulted in the development of a new cartridge system that guarantees flawless flavour and tailor-made dosage.

These new cartridges were introduced in spring 2001, along with the first model of the new range of Ottimo machines, the result of two years of research and development. An improved Ottimo will be released in spring 2002. But not wanting to stop in full flow, Fountain has also developed a new mid-range machine, Cremezzo. It has a reinterpreted design, makes a rich brewed coffee and will be launched in parallel with Ottimo.

From brewed coffee to “Petits Plus”: ongoing evolution

The heart of the Group’s activity, the sale of consumables (beverages and accessories) accounted for some 89% of total consolidated turnover in 2001, breaking down as follows: 70.7% for Fountain beverages, 8.6% for Symfoni beverages and 20.7% for Nespresso beverages (France and Luxembourg). the Fountain Group distributes in all more than forty different flavours and a range of related products. This wide variety of tastes is one of the Group’s major competitive strengths. All Fountain and Symfoni consumables are packaged by the Fountain Group in different-sized cartridges, whereas Nespresso Professional coffees, packaged in capsule form, are provided by the outside supplier Nespresso France (Nestlé Group).

Launched in 2000 as part of the Group’s new development strategy, the more dynamic product range – new flavours, new packaging, new cartridge system, and more related products – continued in 2001. This diversity partly explains why, in spite of the delay in launching Ottimo, both end consumers’ average buying behaviour and the productivity of each machine in service rose again in 2001.

Fountain beverages account for about 70% of the Group’s sales of consumables. Coffee takes the lion’s share of this total, with some 75.7% of overall volume in 2001, followed by soups (9.8 chocolate (9.5%) and tea (5%). Fountain coffees are made up of a combination of carefully selected Arabica and Robusta varieties, freeze-dried using the latest technologies and methods, and packaged in hermetically sealed cartridges to protect their aroma. The brewed coffee technique makes it possible to release the full aroma at the time of consumption.

Beverages for Symfoni and Rapsody machines (some 7.6% of sales of consumables), designed for clients needing higher capacity, are packaged in extra large cartridges (over three times as big as a standard cartridge).

Distributed by the Group in France and Luxembourg, Nespresso Professional beverages come in individual capsules and include 6 varieties of fresh coffee. Nespresso Professional’s related products include a selection of tea (in bags) and instant chocolates in individual servings.

The espresso trend

Coffee accounts year in and year out for three fourths of Fountain’s beverage sales. The product range has been reinterpreted from top to bottom in response to market demand, which is notably showing a pronounced “espresso trend”, originating in southern Europe but now increasingly spreading to the North. Innovations for this product range include the machines now manufactured by Fountain, which can prepare a rich and creamy-textured brewed coffee that can stand up to comparison with the coffee made by more traditional espresso machines.

With this in mind, the line of Fountain coffees has been split into four types of varieties: three for existing machines, including the new “PF5” model being marketed since 2000 and already making brewed coffee, and a fourth type, packaged in smaller cartridges, for the new Ottimo machine. This variety is in direct response to consumers’ preference for different kinds of coffee at different times during the day: a strong and full-flavoured coffee in the morning, a cappuccino or more “exotic” coffee after a meal, a light or decaffeinated coffee in the afternoon.

Partnership with Lipton

In 2001 a good deal of energy went into updating Fountain’s line of teas, research having shown that there is tremendous potential waiting to be exploited in this sector. A partnership was thus concluded with Lipton, leader on the European tea market, to produce three new varieties. Their introduction was prepared during the summer with major marketing actions on the French market. The impact on tea sales proved to be significant, with a 6.5% increase registered. Similar marketing schemes were implemented in early 2002 for clients who had not been targeted by the first wave of promotional actions.

Henceforth, the range of teas distributed by the Group includes 4 Fountain varieties (Natural, Darjeeling, Lemon and Summer Fruit) and 3 new Lipton flavours: Yellow Label (natural), Lemon Suntea and Tchaé (green tea).

Two new flavours were added to the existing line of soups and the range was split into two types of specialities: “Traditional” soups consumed most often and richer and thicker “Snacks”. The latter zero in on a new market trend: with little time for lunch, more and more consumers turn to soups as a snack during the workday. Their preferences in this context turn without doubt to more consistent soups. More exotic tastes have also been introduced, in response to clients’ demand, along with others more specifically targeted to certain markets, like goulash for Eastern European countries.

"Fountain's development in 2002 will include an ambitious marketing strategy based on two priorities: a return to the dynamic of attracting new clients and the consolidation of our existing clientele. In trying to attract new clients, we will concentrate on the introduction of the Cremezzo machine (code name PX3) on our core segment and, naturally, on the second launching of the revised and improved Ottimo. We will spare no effort to guarantee confidence in our network.
As far as consolidating existing clientele is concerned, we will be conducting actions all year long. Our clients will thus have a chance to discover and assess all the innovations
of our product line, which has expanded greatly over the past two years."

Stéphane Bruyère
Manager for International Marketing, Fountain

The huge success of the "Petits Plus"

On the accessories side, Fountain has also expanded its product line, introducing a full range of accompanying products developed under its trademark with first-rate partners. Sachets of sugar and milk, chocolate Neapolitans (8 varieties), biscuits and chocolate-coated almonds, all in newly designed packaging with the Group's colours and adapted to clients' needs, on top of which Fountain also offers a range of personalised cups. These are the "Petits Plus" (little extras) that complete Fountain's product line and help boost its turnover. Indeed, these accessories are anything but secondary, as they account for up to 20% of turnover registered by licence holders. Moreover, last year they were highly successful: in France, the Group's leading market, sales of Little Extras expanded 147% in 2001 over the previous year, making a significant contribution to boosting volume per client.

Packaging is reinterpreted

In keeping with its time, Fountain could not simply modernise its range of beverages without updating the cartridges that hold them. So it took on a huge job of reinterpreting its packaging, giving it a modern and more aesthetically pleasing design. Fountain's evolving corporate image is thus reflected in its packaging. Following on from soups in 2000, new packaging was introduced last year for all other products. Going beyond changes in lay-out and improved visual consistency, packaging design also had to take account of the new technical constraints of the Ottimo machine, which uses much smaller cartridges that are partially hidden by the machine's body.

In the same spirit, Fountain adapted the design of all its accessory products, particularly cups and their supports, even to the cupboards that hold the machines and consumables.

In parallel with this aesthetic evolution, the Fountain Group invested last year in the installation of two new cartridge production lines at its Belgian site of Braine-l'Alleud, where all consumable production well be centralised. The two new lines, fitted with the latest technological advances, add greatly to the flexibility of production, allowing for the manufacture of different-sized cartridges. Production thus keeps up with real-time orders more flexibly and more reliably.

Modern machines serving everyone's tastes

Fountain's line includes several types of hot beverage distributors. Generally speaking, machine size is proportional to the number of consumers, i.e. the client company's employees, clients and visitors. Modest-sized firms – and more and more often, departments within bigger companies – primarily use small machines that dispense free beverages, while bigger companies prefer larger and automatic vending machines.

The number of the Group's machines in service, i.e. machines for which clients regularly order consumables, stands at over 160.000 units. The great majority are Fountain product dispensers. The number of Symfoni machines in service amounts to 4.250 and Nespresso Professional machines, whose growth stepped up again in 2001, now exceed 15.000 units. During the past year, the sale of new machines accounted for 11% of Group turnover. It is nonetheless important to recognise that the problems encountered with the kick-off of the new Ottimo machine, which was eagerly awaited on the market, prevented the Group attaining its target for machine sales, because a number of dealers preferred to await its second launch rather than continue to market existing models.

All Fountain and Symfoni machines are manufactured within the Group by the subsidiary Fountain Manufacturing Limited (United Kingdom). Nespresso Professional machines are bought from Nestlé Group. It is important to keep in mind that the machines represent first and foremost Fountain's means of developing its real core business: the distribution of consumables, beverages and accessories.

Major innovations

Thanks to Fountain, for the past 30 years, small businesses – retailers, professional people, garage owners, small manufacturing plants, etc. – have considerably improved the service they provide to their own clientele. Being able to offer a hot beverage helps establish friendly and warm relations in the SME and consequently boosts its attractiveness.

In recent years, with evolving technology, changing needs and a growing "hot-beverage culture", the Group has sought to make its range of machines more dynamic. Considerable investments in research and development reflect its determination to maintain its pioneering role while optimally exploiting a concept that has yet to be matched. The latest technological improvements made to the machines make them more aesthetically pleasing and more precise and thus capable of responding ever more closely to consumers' demands for variety, quality and consistency. And still other developments occurred with the new machines. The brewing of coffee, a technique that produces a creamier beverage, is becoming the general rule throughout the range.

Expansion of the Symfoni line will also make it possible to stay with clients whose staff and activities are on the rise. A new "Table Top" machine to be unveiled in the coming months will be well suited to the needs of growing SMEs wishing to move up to a machine with greater capacity in response to their growth in size and staff numbers.

Fountain machines

Fountain beverage distributors are low-cost, entirely autonomous machines that have the advantage of offering a wide variety of products (through an extensive line and the consumer's possibility of switching products) to suit the tastes of all consumers. The machines come in different models adapted to clients' diverse needs. With their built-in reservoirs, they need no special fitting when filled manually. Certain models can be connected to a water inlet.

Ottimo

With its modern and customisable design – in terms of functions, modularity, settings, measurements and colours, including the possibility of adding the client's logo – the new Ottimo machine makes a brewed coffee that is as rich and creamy as a real Italian espresso, a first-rate whipped hot chocolate, a "house" cappuccino, and most of Fountain's other beverages (such as soups and teas). In terms of modularity, it can hold from 2 to 5 cartridges that are easily interchangeable. In 2001, it was commended on numerous occasions at trade fairs and by the general public from every corner of Europe.

Tempo

A simple and colourful machine, with capacity of 36 cups and a choice of four hot beverages. A matching cartridge stand can be added to give users a wider choice of beverages.

Classic

The traditional and adaptable machine of the line. It exists in different models of either 2, 4 or 6 cartridges and has a reservoir holding 66 cups.

Premier

Premier machines are fitted with an electromagnetic valve and a water gauge. They come in models of 4 or 6 cartridges with capacity of 48 to 68 cups. This range also includes two paying models. A major innovation in this line occurred with the introduction of a new machine, the "PF5", which dispenses a brewed coffee closer to a traditional espresso and which is the origin of the Cremezzo model introduced in 2002.

Table Top machines

"Table Top" dispensers are designed for larger SMEs, of around 20 to 25 people. The range comprises three automatic dispensers that can serve up to 8 varieties of different beverages. These machines offer a choice of small and large cups and the possibility of serving pitchers of hot beverages. As optional equipment, the line can be fitted with a payment system and a connection to a water inlet. They are distributed in Benelux under the Symfoni trademark.

Nespresso Professional machines

Nespresso Professional models, distributed by the Fountain Group in France and Luxembourg, are particularly well suited to management offices, conference rooms and executive environments. Fitted with a pump system, they dispense espresso made from freshly-ground coffee packaged in capsules. Water is contained in a three-litre reservoir and heated by the cup.

The basic model is an automatic machine. A manual model has now been added to this line. It is smaller and particularly well adapted to small businesses and home offices and was thus baptised SOHO, for "Small Office, Home Office".

Ottimo: a new start

Historically, Fountain's success has always relied on the difference between its products and those of other market players, the originality of its concept, and the simplicity and flexibility with which its beverages can be prepared. While still highly appreciated and never equalled, this concept has remained static for some time. It was therefore decided to put the concept back on the drawing board and improve it by optimising its strengths, thus enabling the Group to take a bold new initiative on a market faced with growing competition. An intense research and development programme was undertaken to develop what is not simply just another Fountain machine, but a real evolution in the historic concept. Every aspect of its design and technology was refined: aesthetics, functions, the interchangeability of beverages, ease of use and maintenance, the precision of measurement, water quality and quality of the beverages. This is the new Ottimo, a resolutely top-of-the-line Fountain machine, but whose many innovative features are already being extended to the entire product range.

The first phase of Ottimo's marketing got under way in May 2001 and was quite successful, proving the extent to which this new concept meets market expectations. Unfortunately, the first machines put to intensive use by clients experienced technical problems due partially to certain manufacturing flaws on the part of subcontractors, but also to an insufficient test

"After the introduction of Ottimo, which is a totally innovative machine technologically, aesthetically and in terms of being customisable, we also wanted to rejuvenate the existing range in response to clients' demand, given the increasing popularity of coffee as creamy and frothy as a real espresso. But we had to move quickly and could not take on sizeable investments. So we worked on the basis of an existing model, the "Executive", which we updated in record time. The new machine, which will be labelled Cremezzo, serves a brewed coffee while using the same cartridges as machines in the traditional Fountain range and has a more contemporary design with its brushed aluminium finish. It is not meant to compete with Ottimo, which is designed for a higher market segment, but to serve as a prelude to the phased-in modernisation of the entire existing range of machines."

Philippe Keij
General Manager Davamat
and head of the Cremezzo project

"We made a point of ensuring that the Benelux distribution network was in the front line when it came to defining the features of the new Cremezzo, because we have high expectations for this new machine on markets like Benelux, where it will allow us to offer a much higher quality coffee to our current clients and will help pave the way to new business. Great Britain is also expected to benefit fully from the introduction of our new machines, which correspond more closely to the expectations of local businesses. More generally, other markets like Scandinavia, the Czech Republic and Germany appear to be particularly promising and will have more weight, along with our independent licensees, in the establishment of priorities and the allocation of resources and available business support."

Paul Van Campenhout
Sales Manager, Benelux and International

phase at client companies to identify imperfections. The Fountain Group therefore voluntarily decided to recall all the machines being distributed in its network and to seize this opportunity to make several additional improvements to the new concept, in addition to correcting the "errors of its youth". These improvements included significant noise reduction, greater programming and maintenance facility, more flexibility in dosage measurement to adapt to the tastes of consumers in Southern and Northern Europe alike, better protection of the cartridges from steam, and so on. So the new version of Ottimo now being tested on a large scale and due to be marketed in the spring can truly be compared to a second generation model.

Cremezzo: relaunch of the "mid-range" machine

As announced by Fountain, development of the new Ottimo machines was intended to be a prelude to modernisation of the entire line of beverage dispensers. A new important phase was begun in late 2001 with the development of a new "mid-range" machine in response to market demand. Developed under the code name "PX3", and based on the "PF5" model introduced a year earlier, this new machine, less sophisticated than Ottimo, is targeted for businesses of fewer than 10 people. It offers both an attractive modern design and brewed coffee. In the test phase early in 2002, the new model, a natural extension of the existing line, will begin being distributed in May under the label Cremezzo.

3

New ambitions for tomorrow

While not all the strategic initiatives and investments undertaken by the Group in the last three years produced their full effects in 2001 for the reasons already explained, 2002 will be the year of making a new start. With the new Ottimo, Cremezzo and, in November, "Table Top" machines, a revitalised distribution network backed up by optimal production tools and stock management, and products that respond perfectly to consumers' expectations, Fountain is expected to take full advantage of the economic recovery and to return to growing sales and operating results.

But this will not be growth at any price: it must be both sustainable and profitable, supported by structures and an organisation better adapted to the Group's core businesses and to the increasingly competitive environment in which it operates. Thanks to the new machines that are already eagerly awaited by the market, Fountain intends first and foremost to increase the number of its machines in service by consolidating its presence on its traditional markets. And by expanding the evolving range of flavours of its different categories of beverages and accessories, Fountain also intends to boost average end client buying behaviour. This will rely on a vigorous and ambitious marketing strategy throughout 2002.

Attaching importance to attracting new clients

Fountain's main target sector, the root of its success, is that of SMEs, in which the market segment of very small businesses, with 5 people or fewer, has become increasingly important. Over time, Fountain has developed new models of machines for other market segments, like the Symfoni line for bigger companies (20 to 25 people), and the acquisition of distribution rights in France and Luxembourg for Nespresso Professional machines, targeted primarily at management offices, a growth market with high added value. But a void had to be filled, that of intermediate SMEs, with 6 to 15 staff members. Ottimo was specially designed, as a top-of-the-line model, to respond to the needs of this segment, on which Fountain intends to concentrate its development. With an obvious objective of boosting profitability in the process: increasing the number of users of each machine, and thus boosting average monthly consumption of each machine. This segment, moreover, is not made up solely of potential new clients. A number of existing Fountain clients, smaller in size, have been calling for machines with greater capacity to keep up with their own growth. It is particularly with these clients in mind that Fountain will soon launch a large-scale promotion on "Table Top" and "Ottimo" models.

But the effort will not stop there, nor will it neglect the Group's key segment, which still offers considerable room for growth. While Ottimo will be generally thought of as Fountain's top-of-the-line in the coming years, the bulk of its aesthetic and technological innovations will be adapted and extended to the entire range, even to the smallest and least expensive machines, so as to meet the needs of all target clients. This will begin this spring, with the unveiling, along with Ottimo, of the new Cremezzo machine, designed for the more traditional segment of small SMEs of fewer than 10 people. To say nothing of the introduction this year of the new "Table Top" model (a bigger machine with greater capacity), meant for the opposite end of the market segment, SMEs of more than 20 people.

With such a wide range of innovative machines and products and a strategically consolidated network, Fountain need make no secret of its clear and reasonable ambition of achieving in time a market penetration of some 20% on its existing and future markets, with continually rising profits. To attain this goal, the Group will base its marketing priorities for the year on the successful introduction of the new machines, while multiplying various initiatives designed to restore the dynamism of its network.

Consolidating the existing client base

While the sale of machines accounts for a large part of the Fountain Group's activity, the bulk of its turnover nevertheless derives from the sale of beverages dispensed by the machines. The marketing strategy for 2002 therefore also aims to consolidate existing clientele (which slipped last year due to the delayed introduction of Ottimo and the economic downturn). Growing competition on Fountain's market segment, with the massive entry of players previously limited to big businesses, is thus pushing the group to place client loyalty among its top priorities.

This strategy will be implemented through promotional actions throughout the year for all machines in service, while making the range of beverages and accessories better known and better appreciated.

The new marketing strategy will also be matched with a rethinking of all existing business documents, as well as the start-up of a Fountain Newsletter for all Group staff, licence holders and clients, the first issue of which came out in March of this year. The year 2002 is also expected to see the launch of a Fountain Internet site aimed at sales, to complete the arsenal of new sales techniques tested and disseminated by Fountain throughout its network.

All these initiatives should enable the Group to improve its cost-to-service ratio, step up its presence on existing markets, accelerate its penetration of new markets and increase average client consumption. They will therefore underpin growth in the volume of Fountain's sales and profits.

Annual accounts and financial comments

Auditor's report

Report by the auditor on the consolidated accounts of FOUNTAIN INDUSTRIES EUROPE S.A. for the financial year ending on 31 December 2001 and presented to the Ordinary General Shareholders' Meeting on 27 May 2002.

Ladies and Gentlemen,

In accordance with the applicable laws and regulations, it is our pleasure to submit our report on performance of the tasks entrusted to us.

Our task consisted of auditing solely the consolidated accounts.

We proceeded with the audit of the consolidated accounts established under the responsibility of the Board of Directors of Fountain Group, for the financial year ending on 31 December 2001, whose balance sheet total amounted to 52,851,121.28 EUR and whose income statement showed a loss for the financial year of 2,245,239.28 EUR.

The annual accounts of companies included in the consolidation were audited by other auditors and, for foreign companies, by qualified external auditors whose competence and independence we verified. We operated on the basis of their attestation.

We also checked the part of the Management Report concerning the consolidated accounts.

Unreserved certification of the annual consolidated accounts

Our audit was conducted in accordance with the principles of the Institut des Réviseurs d'Entreprises (Auditors' Institute). These professional standards require that our audit be organised and implemented in such a way as to obtain a reasonable assurance that the consolidated accounts contain no significant inaccuracies, in accordance with the laws and regulations applicable in Belgium.

In accordance with these standards, we took into account the organisation of the consolidated entity in administrative and accounting matters and its internal auditing system. We obtained the explanations and information required for our audit. We examined by sampling the justification of the amounts appearing in the consolidated accounts. We assessed the validity of the auditing rules, the consolidation rules and the significant accounting estimates made by the company and the presentation of the consolidated accounts as a whole. We are of the view that our work and the work of our counterparts who audited the accounts of the subsidiaries provide a reasonable basis for the expression of our opinion.

It is our opinion, based on our audit and the reports of our counterparts, that the consolidated accounts closed on 31 December 2001 accurately reflect the assets, the financial situation and the results of the consolidated entity, in accordance with the laws and regulations applicable in Belgium, and that the information provided in appendices is correct.

Supplementary certification

We add to our report the following supplementary certification, which is not of a nature to change the scope of the statement for the consolidated accounts:

The section of the management report concerning the consolidated accounts contains the information required by law and is in compliance with the consolidated accounts.

Done at Ixelles (1050 Brussels), 8 May 2002. B.S.T. Réviseurs d'Entreprises S.C.P.R.L, represented by Pascale TYTGAT, Auditor.

Consolidated Annual Accounts 2001

The Group's consolidated accounts are presented alongside those of the previous two financial years. They are presented in EUR thousand after conversion.

Balance Sheet

(In thousands EUR)	*Notes*	2001	2000	1999
FIXED ASSETS		**33 204**	**34 361**	**35 202**
I. Formation expenses	*(1)*	**325**	**156**	**24**
II. Intangible fixed assets	*(2)*	**10 569**	**10 954**	**9 551**
III. Positive consolidation differences	*(3)*	**17 823**	**19 181**	**21 479**
IV. Tangible fixed assets	*(4i)*	**4 069**	**3 926**	**3 857**
A. Land and buildings		445	860	959
B. Plant, machinery, equipment	*(4ii)*	1 340	919	800
C. Furniture, vehicles		959	1 136	1 109
D. Assets under leasing contracts		733	786	915
E. Other tangible assets		233	224	74
F. Fixed assets under construction	*(4iii)*	359	0	0
V. Financial fixed assets		**419**	**144**	**291**
A. Companies at equity		1	0	0
1. Shares	*(5i)*	*1*	*0*	*0*
2. Receivables		*0*	*0*	*0*
B. Other companies		418	144	291
1. Shares	*(5ii)*	*150*	*144*	*291*
2. Receivables	*(5iii)*	*268*	*0*	*0*
CURRENT ASSETS		**19 647**	**20 439**	**18 935**
VI. Amounts receivable after one year		**42**	**158**	**120**
A. Trade debtors	*(6)*	6	60	0
B. Other amounts receivable		36	98	120
VII. Stocks		**5 406**	**3 937**	**3 554**
A. Stocks	*(7)*	5 406	3 937	3 554
1. Raw material		*1 288*	*1 023*	*726*
2. Work in progress		*608*	*270*	*243*
3. Finished goods		*2 010*	*1 570*	*1 877*
4. Goods for resale		*1 500*	*1 074*	*708*
5. Real estate property for resale		*0*	*0*	*0*
6. Advance payments		*1*	*1*	*0*
B. Contracts and orders in process		0	0	0
VIII. Amounts receivable within one year		**8 810**	**8 353**	**7 333**
A. Trade debtors	*(8)*	7 191	6 992	6 181
B. Other amounts receivable		1 618	1 361	1 153
IX. Investments		**638**	**736**	**2 226**
A. Own shares	*(9)*	0	457	25
B. Other investments and deposits		638	280	2 202
X. Cash at bank and in hand	*(10)*	**4 475**	**6 319**	**5 397**
XI. Deferred charges, accrued income		**276**	**936**	**305**
TOTAL ASSETS		**52 851**	**54 801**	**54 138**

Balance Sheet

(In thousands EUR)	*Notes*	2001	2000	1999
CAPITAL AND RESERVES		**23 883**	**27 107**	**27 408**
I. Capital		26 160	26 160	26 160
A. Issued capital	*(1)*	26 160	26 160	26 160
B. Uncalled capital		0	0	0
II. Share premium account		32	32	32
III. Revaluation surpluses		0	0	0
IV. Consolidation reserves	*(2)*	(2 423)	866	1 168
V. Negative consolidation differences		0	0	0
VI. Translation differences		114	49	48
VII. Investment grants		0	0	0
MINORITY INTERESTS		**0**	**9**	**8**
VIII. minority interests	*(10)*	0	9	8
PROVISIONS & DEFERRED TAXES		**325**	**332**	**431**
IX.A. Provisions for liabilities and charges		308	231	314
1. Pensions and similar obligations		0	0	0
2. Taxation	*(3)*	0	9	9
3. Major repairs and upkeep		0	0	0
4. Other liabilities and charges	*(3)*	308	223	305
IX.B. Deferred taxes		17	100	118
CREDITORS		**28 643**	**27 353**	**26 290**
X. Amounts payable after one year		14 433	15 079	14 846
A. Financial debts		14 381	15 059	14 804
1. Subordinated loans		*0*	*0*	*0*
2. Unsubordinated long-term bonds		*0*	*0*	*0*
3. Leasing and similar obligations	*(4)*	*934*	*682*	*782*
4. Credit institutions		*13 416*	*14 311*	*13 994*
5. Other loans		*30*	*66*	*28*
B. Trade debts		0	0	0
1. Suppliers		*0*	*0*	*0*
2. Bills of exchange payable		*0*	*0*	*0*
C. Advance payments on orders		0	0	0
D. Other amounts payable after one year		52	20	42
XI. Amounts payable within one year		13 788	11 780	11 051
A. Current portion of LT debts	*(5)*	3 930	3 067	3 110
B. Financial debts payable within one year		392	28	381
1. Credit institutions		*392*	*28*	*381*
2. Other loans		*0*	*0*	*0*
C. Trade debts		6 700	5 957	4 785
1. Suppliers	*(7)*	*6 700*	*5 957*	*4 785*
2. Bills of exchange payable		*0*	*0*	*0*
D. Advance payments on orders		0	0	0
E. Amounts payable in taxes, remuneration and social security		2 360	1 821	2 034
1. Taxes		*1 066*	*996*	*1 282*
2. Remuneration and social security	*(8)*	*1 295*	*825*	*752*
F. Other amounts payable within one year	*(9)*	405	907	741
XII. Accrued charges, deferred income		421	494	393
TOTAL LIABILITIES		**52 851**	**54 801**	**54 138**

Financial statement

(In thousands EUR, after appropriation)	*Notes*	2001	2000	1999
I. OPERATING INCOME	*(1)*	**47 509**	**44 716**	**38 899**
A. Net Sales turnover		46 249	43 979	38 266
B. Increase (+), in stocks of work in progress, finished goods		701	(208)	(263)
C. Fixed own production		208	192	0
D. Other operating income		350	752	897
II. OPERATING CHARGES		**44 281**	**37 901**	**32 752**
A. Supplies and goods		21 114	20 049	17 766
1. Purchases		*21 871*	*20 415*	*18 235*
2. Variation of stocks (increase -)		*(757)*	*(366)*	*(470)*
B. Services and other goods	*(2)*	8 361	7 578	6 429
C. Remuneration, social security and pensions	*(3)*	10 765	7 746	6 082
D. Depreciation and other amounts written off fixed assets (+ depreciation allowance)	*(4)*	2 933	2 479	2 236
E. Amounts written off stocks and trade debtors (+ depreciation allowance)	*(5)*	676	(88)	191
F. Provisions for liabilities and charges (+ depreciation allowance)		64	(81)	(147)
G. Other operating charges		368	286	195
H. Reorganisation costs carried on the assets		0	(68)	0
III. OPERATING PROFIT (LOSS)		**3 228**	**6 815**	**6 148**
IV. FINANCIAL INCOME		**284**	**378**	**516**
A. Income from financial fixed assets		3	0	0
B. Income from current assets		119	249	259
C. Other financial income		163	128	258
V. FINANCIAL CHARGES		**4 192**	**4 055**	**3 895**
A. Interests and other debt charges		1 093	1 049	1 182
B. Amounts written off positive consolidation differences	*(6)*	2 793	2 628	2 405
C. Amounts written off on consolidation differences		39	69	24
D. Other financial charges		267	309	283
VI. CURRENT PROFIT (CURRENT LOSS)		**(680)**	**3 138**	**2 769**
VII. EXTRAORDINARY INCOME		**684**	**321**	**426**
A. Adjustments to amounts written off intangible and tangible fixed assets		0	0	0
B. Adjustments to amounts written off consolidation differences		0	0	0
C. Adjustments to amounts written off financial fixed assets	*(7)*	91	0	0
D. Adjustments to provisions for extraordinary liabilities and charges		59	26	1
E. Gain on disposal of fixed assets	*(8)*	463	15	0
F. Other extraordinary income		72	279	425
VIII. EXTRAORDINARY CHARGES		**799**	**428**	**1 335**
A. Extraordinary depreciation and amounts written off tangible and intangible fixed assets	*(9)*	143	0	0
B. Extraordinary depreciation on positive consolidation differences		0	0	0
C. Amounts written off financial fixed assets	*(7)*	91	0	32
D. Provisions for extraordinary liabilities and charges	*(10)*	81	16	0
E. Loss on disposal of fixed assets		5	32	0
F. Other extraordinary charges		479	379	1 303
G. Reorganisation costs carried on the assets		0	0	0
H. Taking into account of negative consolidation differences		0	0	0

Financial statement

(In thousands EUR, after appropriation)	*Notes*	2001	2000	1999
IX. PROFIT (LOSS) BEFORE TAXATION		**(795)**	**3 031**	**1 860**
X A. TRANSFERS TO DEFERRED TAXES AND LATENT TAXATION LIABILITIES		**62**	**94**	**131**
X B. TRANSFERS FROM DEFERRED TAXES AND LATENT TAXATION LIABILITIES		**(40)**	**(23)**	**0**
XI. INCOME TAXES		**(1 429)**	**(2 683)**	**(2 098)**
A. Income taxes		(1 433)	(2 688)	(2 115)
B. Adjustments of income taxes and write-back of tax provisions		4	5	18
XII. PROFIT (LOSS) OF THE PERIOD		**(2 202)**	**418**	**(107)**
XIII. SHARE IN RESULT OF COMPANIES AT EQUITY		**(44)**	**0**	**0**
A. Profit		0	0	0
B. Loss	*(11)*	(44)	0	0
XIV. PROFIT (LOSS) OF THE PERIOD		**(2 245)**	**418**	**(107)**
A. Minority interests	*(12)*	0	3	2
B. Group		(2 245)	415	(110)

General comments

The Group posts considerable goodwill in intangible fixed assets (trademarks and medium-term assets acquired) and in positive consolidation differences (acquired companies or share acquisitions).

The posting in the accounts of such goodwill, while not changing the profitability of the companies or activities acquired, has a direct unfavourable impact on the consolidated results via the resulting depreciation charges. Taking a cautious approach, the Group opted for straight-line depreciation over 10 years.

These differences occur, when dealing with service and distribution companies or activities, from an economic and commercial valuation rather than valuation on the basis of transferred net assets alone.

To determine the Group's real profitability, it is necessary to deduct the related depreciation charges listed in headings II.D. (differences allocated to fixed assets) and V.B. (differences not allocated) of the financial statement.

Moreover, these sizeable annual goodwill depreciation charges also explain the relatively high level of taxation for the year, as the vast majority of these charges are not taken into account in calculation of the tax basis.

The Group is adding to its statutes provisions for an annual procedure for the adjustment of its goodwill, so as to determine whether the entry of write-downs is actually necessary

Comments on the main headings of the consolidated annual accounts

ASSETS

Note 1: Since 2000, "Formation Expenses" include restructuring costs related to the reorganisation of the French network and resulting acquisitions of medium-term investments for financial years 2000 and 2001.

Note 2: "Intangible fixed assets" include goodwill on trademarks and patents, medium-term assets acquired from third parties and research and development expenses.

The first two types of intangible fixed assets are subject to straight-line depreciation over 10 years given their permanent nature, while the latter are depreciated over their normal life expectancy, for example, 5 years for machines.

As of 31 December 2001, the cumulative acquisition value of goodwill on trademarks amounted to € 11,484 K and its net book value amounted to € 6,985; the cumulative acquisition value of medium-term assets acquired from third parties stood at € 3,718 K and its book value at € 3,069 K.

During 2001, these fixed assets increased by € 422 K for acquired trademarks and patents, € 1128 K for medium-term investments acquired from third parties, and € 246 K in R&D spending.

Note 3: "Positive consolidation differences" are the expression of goodwill registered by the Group on the acquisition of shares in subsidiaries. This goodwill is depreciated on a straight- line basis over 10 years given the permanent, stable and recurrent nature of the activity it concerns. This goodwill rose in 2001 by € 1,525 K from the consolidation differences on companies acquired in France (in Brittany, FODIS and its two subsidiaries) and on 50% shares in two licences in southern France (Slodadis and Fountain Soleil).

Note 4: "Tangible fixed assets" rose in 2001:

(i) assets of the Group's new companies (€ 628 K) ;

(ii) expansion of the cartridge manufacturing plant in Braine-l'Alleud (€ 747 K), Belgium;

(iii) and, in fixed assets under construction, from the first phase of investment in new cartridge production lines (€ 320 K).

The latter allow the manufacture of cartridges in the four sizes that exist following introduction of the Ottimo concept.

Note 5: "Financial fixed assets" increased in 2001, mainly through:

(i) the acquisition of a 20% stake in the capital of the Swedish distributor (€ 10 K) ; and

(ii) 50% of the debts on the two licences in southern France, in which the Group owns a 50% share (€ 152 K).

Note 6: "Amounts payable after one year" declined significantly after being transferred to amounts payable within one year and due to certain write-downs.

Note 7: Consolidated "Stocks" refer to items manufactured by the Group as finished goods, after deduction of their intergroup margin, while they are entered as Goods in the statutory accounts of the Group's different member companies.

The increase in stocks from December 2000 to December 2001 stems from:

(i) the stocks of companies acquired in 2001 (€ 180 K),

(ii) the effect on stocks of the delayed introduction of Ottimo, which led to an increase in component stocks (halt of production) worth € 395 K and finished machines (decision to improve the machines already manufactured) in the amount of € 134 K, and

(iii) the impact on stocks of expansion (+31%) of Nespresso Professional activity in France (€ 337 K).

Note 8: The rise in "Trade debts receivable within one year" is due to the inclusion of trade debts of new companies now included in the scope of consolidation.

Note 9: The "Own shares" heading was returned to zero further to the cancellation of 54,770 shares decided by the Extraordinary General Meeting of 26 December 2001. This cancellation added 3.4% to the value of each of the remaining 1,615,960 shares.

Note 10: The decrease of "Cash at bank and in hand" results from the self-financing of certain acquisitions and development projects.

LIABILITIES

Note 1: "Capital" is composed of 1,615,960 shares, as against 1,670,730 on 31 December 2000, following the cancellation of 54,770 shares in December 2001. All shares entitle their holders to the same rights.

In addition to these shares, the different warrant plans in force as of 31 December 2001 entitle their holders to the future subscription of a further 103,665 new shares.

Note 2: "Consolidated reserves" also decreased, in accordance with law, by the amount of the reserve (€ 1,043 K) built up at the time of the acquisition of the own shares cancelled in December 2001.

Note 3: "Provisions for liabilities and charges" essentially increased with provisions for:

(i) social security charges related to redundancies (€ 74 K) foreseen for the early weeks of 2002; and

(ii) risk on the sale of the Group's activity in Helsinki, Finland (€ 24 K). The "Provision for tax due" existing on 31 December 2000 (€ 9 K) was cancelled for financial year 2001 given the elimination of the risk.

Note 4: "Leasing-financing amounts payable" after one year increased, in particular in the amount of the first instalment of the investment in two new cartridge production lines (€ 320 K).

Note 5: Acquisition of the Fodis Group companies is being financed over two years. The instalment due in 2002 accounts for the bulk of the increase in "Amounts payable after one year due this year".

Note 6: "Financial debts payable within one year" increased by the additional debt needed for the partial financing of acquisitions of medium-term assets in Denmark.

Note 7: "Supplier" liabilities increased as a result of the supplier accounts of companies acquired in 2001.

Note 8: The increase in "Remuneration and social security charges" is due primarily to the increase in staff numbers in the course of the year following the acquisition of licences which by definition are companies having a larger staff (sales teams for machines and product sales representatives) than other group companies.

Note 9: "Other amounts payable within one year" declined in comparison to the amount on 31 December 2000, which showed gross dividends to be paid in the amount of € 718 K.

Note 10: The disappearance of the "Minority share", representing 5 shares in Fountain Industries France held by third parties, results from the transformation of this public limited liability company (S.A.) into a simplified public limited liability company (S.A.S.) no longer subject to the obligation of having seven shareholders. The shares are owned fully by Fountain Netherlands Holding and Fountain Industries Europe.

FINANCIAL STATEMENT

Note 1: The Profit and loss headings rose further to the integration of the operating costs of the new acquisitions.

Note 2: The "Remuneration" charges include a amount of € 802 K, non recurrent, corresponding to lay-off charges and indemnities as result of the Group management reorganisation and the restructuration of some subsidiaries.

Note 3: "Miscellaneous services and goods" include a non-recurring amount of € 131 K corresponding to interim management charges during the summer of 2001 further to the departure of two members of management..

Note 4: "Depreciation charges" also include the depreciation of trademarks and patents in the amount of € 1,504 K. As investments and expenses required to maintain the value of these trademarks and patents recur every year, the depreciation does not correspond to a real loss of value of the intangible assets concerned.

Note 5: "Write-downs" were registered on old stocks of machines whose obsolescence was accelerated by the announcement of the launch of the Ottimo and Cremezzo machines in 2002.

Note 6: Depreciation of "Positive consolidation differences" increased over financial year 2000 due to the difference registered on the French acquisitions in 2001.

Note 7: "Carrying forward of write-downs on financial fixed assets" and "Exceptional write-downs on financial fixed assets", which compensate each other, are related to the treatment of the cancellation of the debt, with better fortunes clause, impaired in 2000, for the subsidiary NewCaffè France SAS.

Note 8: "Capital gains on realisation of assets" essentially concern the buildings in Cambrai (€ 55 K) and Haarlem (€ 347 K) which the Group decided to realize following the outsourcing of logistics operations for France and the move to Breda of the offices of subsidiaries under Dutch law.

Note 9: "Exceptional depreciations" essentially concern the accelerated depreciations (€ 90 K) imposed by move of the offices of NewCaffè France SAS from Clichy to the new centralised offices in Saint-Denis, north of Paris.

Note 10: "Exceptional reserves" include the provision for risk on the sale of the activity in Helsinki, Finland (€ 24 K) and the social risk in France (€ 25 K).

Note 11: The "Share in result of companies at equity" corresponds to the placing at equity of Fountain Industries Deutschland GmbH further to its deconsolidation and winding up. It will be recalled that the Group transferred its distribution in Germany to a third company.

Note 12: The disappearance of the "Minority share", representing 5 shares in Fountain Industries France held by third parties, results from the transformation of this public limited liability company (S.A.) into a simplified public limited liability company (S.A.S.) no longer subject to the obligation of having seven shareholders. The shares are owned fully by Fountain Netherlands Holding and Fountain Industries Europe.

Appendices to the Consolidated Annual Accounts 2001

The scope of consolidation

All the companies of which Fountain is at least 50% owner are consolidated according to the global method.

Companies in which the Group has a substantial share, without having total control, are proportionally consolidated.

Compared to financial year 2000, the scope of consolidation was modified by various transactions:

(i) the placing at equity on 1 July 2001 of Fountain Industries Deutschland GmbH (winding up), previously fully consolidated;

(ii) the full consolidation from 1 January 2001 of the new companies FODIS SAS, Fountain Distribution Bretagne SAS and Nespresso Iroise SAS, all three wholly acquired in 2001;

(iii) the proportional consolidation from 1 January of 50% shareholdings acquired in 2001 in the French companies Slodadis SARL and Fountain Soleil SAS (ex-Little Kawa);

(iv) the full consolidation from 1 February 2001 of the Helsinki-based Finnish subsidiary Fountain Coffee Systems Finland OY, constituted in 2001;

(v) the integration from 1 January 2001 of Symfoni France SARL in Fountain Industries France SAS.

The companies in which the Group owns a non-significant share or whose contribution to the Group is non-material are not consolidated. These include:

(i) Fountain Consumer Appliances Ltd based in Madras, India, in which the Group owns a share of 26.96%;

(ii) Fountain Distribution Gulf Ltd based in Cyprus, not operational and being wound up, in which the Group owns 50%;

(iii) Fountain Sud SARL based in southern France, not operational and being wound up, wholly owned by the Group;

(iv) Fountain Gothenburg A/S, based in Gothenburg, Sweden, in which the Group owns a 20% share with option to sell to the majority shareholders;

Consolidation criteria

Consolidation in 2001 was calculated in BEF and then converted into EUR. It will be recalled that the figures for 2000 and 1999 were calculated using the same method.

The results are balanced after appropriations and withdrawals.

The inter-company accounts existing between the Group's firms are excluded from the consolidated accounts. Any dividends between the Group's companies are eliminated from the consolidated financial statement. Charges and income between Group companies are also excluded from the consolidated income statement.

To accelerate the elimination of transactions between companies, Fountain Group companies post their transactions at a fixed budgetary currency exchange rate.

The distortions this method may create between raw material charges and financial charges are not corrected by consolidation. However, they are estimated to be insignificant for financial year 2001.

Positive consolidation differences posted to assets are depreciated using the straight-line method over 10 years, as is goodwill appropriated to intangible fixed assets (trademarks, patents and medium-term assets, among others).

Valuation rules applied to the consolidated annual accounts

Valuation rules

The assets and liabilities as well as the rights and commitments included in the consolidated annual accounts are valued in accordance with the Royal Decree of 30 January 2001 and the specific provisions of the Company Code. They are valued on the basis of uniform rules.

The complete text providing details on these valuation rules is available in the Consolidated Accounts as submitted to the National Bank of Belgium. It is available at the company's head office upon request.

Formation expenses

They are depreciated over five years at most.

Intangible fixed assets

These are valued at acquisition cost.

Intangible fixed assets acquired from third parties are depreciated according to the straight-line method over their probable duration of use.

Costs related to the acquisition, registration and conservation of trademarks and patents are depreciated according to the straight-line method over 10 years.

Businesses acquired from third parties are depreciated according to the straight-line method over 10 years, along with accessory costs when these are significant. To be activated, R&D costs must be able to be isolated, must be related to a whole generation of machines or cartridges and must be significant in proportion to the consolidated operating result. They are then depreciated under the straight-line method over five years, per half-year on the date of their acquisition.

Tangible fixed assets

These are entered at their acquisition cost. The depreciation plans used in the corporate accounts of consolidated companies are also used in the consolidated accounts provided they do not significantly distort the Group's real image.

The modes and methods of depreciation used are selected in terms of the nature of the assets and their estimated life expectancy.

The machines marketed by Fountain Group in the form of a loan, whether free or remunerated, are activated and depreciated according to the straight-line method over three years.

Leasing and similar contracts

The user's rights to which the Group is entitled by virtue of leasing or similar contracts (Royal Decree of 3 December 1993) are entered under assets for tangible fixed assets and under liabilities for related commitments, when the amounts concerned are significant in proportion to the structure of the consolidated balance sheet.

Financial fixed assets

Shares which are not consolidated, irrespective of method, are entered into the accounts at their acquisition price or contribution value, less any write-downs registered in terms of their intrinsic value, profitability and future prospects. Receivables and Related securities paid in cash are entered at their face value.

Stocks

The value of stocks is determined using the weighted average price method. However, in practice, speedy turnover of certain items leads to the use, in the distribution companies, of the last purchase price, resulting in a virtually equivalent valuation. The cost of finished manufactured goods includes the costs of raw materials and direct labour but excludes all indirect costs.

When items in stock have been transferred between different companies within the Group, their inventory value is brought down to their cost price, as if the transfers had taken place at cost price. This elimination of margins on stocks is corrected in the taxation of the financial year.

The value of stocks is written off in terms of the nature and characteristics of the products concerned.

A distinction is thus made between machines for sale and those earmarked for testing by clients.

Work in progress

These concern only the machines produced by the Group. Manufacturing is initiated on the basis of grouped orders. Work in progress is valued on the basis of placing into manufacture integrating the real costs of the raw materials and the standard cost of direct labour.

Cash at bank and in hand and investments

Cash is posted at its face value and investments in foreign currencies are converted at the closing exchange rate.

To present the most accurate image possible of the Group, own shares are posted at their acquisition cost, possibly less amounts written off. These can be entered, if necessary, if justified by the closing exchange price, on the eve of the final meeting of the Audit Committee preceding the release of the annual report.

Amounts payable and receivable in foreign currencies

Amounts payable and receivable in foreign currencies are converted at the closing exchange rate. Unfavourable conversion differences are assumed and favourable conversion differences are considered income to be carried forward.

Review of important litigation

A commercial dispute has been in existence for several years, pitting Fountain Industries France and Fountain Industries Europe against a French former distributor owing to the latter's unfair and parasitic practices. Decisions against this distributor have been handed down by the Paris Court of First Instance and the Paris Appeals Court. The distributor has also brought proceedings against Fountain Industries France for abusive termination of his distribution contract before the Cambrai Court of First Instance. Allowance has not been made for these proceedings, which are still in progress, given the favourable opinion of the lawyers handling the case.

The Colmar County Court also issued a decision against the distributor in October 2000. Fountain Group has lodged a limited appeal against this judgement in reference to the findings against its interests.

Technical reserve

An amount equivalent to 0.25% of the turnover of the parent company is placed into reserve to cover any food-related risks of the products sold.

A lump-sum additional technical reserve is entered for the new Ottimo machines.

Warrants and stock option plans

The warrant plans in force entitle their holders to subscribe 103,665 shares. Of these warrants, 44,400 were allocated under plan B and 59,265 under plan D. Plan C was cancelled during financial year 2000.

List of Directors and Auditors

(in alphabetical order)		*began on*	*ends on*
Mr Jean DUCROUX		24 March 1999	28 May 2005
Mr Alain ENGLEBERT, General Secretary	independent	24 March 1999	28 May 2005
Mr Regnier HAEGELSTEEN		24 March 1999	28 May 2005
Mr Bruno LAMBERT		24 March 1999	28 May 2005
Mr Paul LIPPENS	independent	24 March 1999	28 May 2005
Mr Philippe RENIE		24 March 1999	28 May 2005
Mr Philippe SEVIN		24 March 1999	28 May 2005
Mr Pierre VERMAUT, Chairman	independent	24 March 1999	28 May 2005
"S.A. Industrielle des Cytises", represented by Mr Michel DELLOYE		28 March 2000	28 May 2001
"S.A. Cytinvest", represented by Mr Michel DELLOYE		28 May 2001	28 May 2005
"Linet & Partners", represented by Mr Michel LINET (Auditor, corporate accounts)		14 April 1997	28 May 2003
"B.S.T. Réviseurs d'Entreprises", represented by Mrs Pascale TYTGAT (Auditor, consolidated accounts)		28 May 2001	28 May 2004

I. List of holdings

			Share in the capital	*Change in % of capital compared to 2000*
Companies consolidated globally				
Davamat N.V.	Eeklostraat 81, B-9971 Lembeke	Belgium	100.00%	-
Davamat-Fountain B.V.B.A.	Eeklostraat 81, B-9971 Lembeke	Belgium	100.00%	-
FODIS S.A.S.	Rue Joseph Le Brix, ZA de Mescoden, F-29260 Ploudaniel	France	100.00%	100.00%
Fountain Coffee Systems Finland OY	Pokilantie 61, SF-00660 Helsinki	Finland	100.00%	100.00%
Fountain CS, spol s.r.o.	Hudcova 78, CR-61200 Brno	Czech Republik	100.00%	-
Fountain Danmark A/S	Hammerholmen 18E, DK-2650 Hvidovre	Denmark	100.00%	-
Fountain Distribution Bretagne S.A.S.	ZI de la Perrière, rue Ampère, F-35340 Liffre	France	100.00%	100.00%
Fountain Industries Benelux S.A.	Avenue de l'Artisanat 17, B-1420 Braine-l'Alleud	Belgium	100.00%	-
Fountain Industries Europe S.A.	Avenue de l'Artisanat 17, B-1420 Braine-l'Alleud	Belgium	100.00%	-
Fountain Industries France S.A.S.	Boulevard de la Libération 6, F-93200 Saint Denis	France	100.00%	0.47%
Fountain Industries U.K. Ltd	Reydon Business Park, IP18 6DH Reydon Southwold, Suffolk	United Kingdom	100.00%	-
Fountain Manufacturing Ltd	Reydon Business Park, IP18 6DH Reydon Southwold, Suffolk	United Kingdom	100.00%	-
Fountain Marketing & Research B.V.	Baronielaan 139, NL-4818 Breda	Netherlands	100.00%	-
Fountain Netherlands Holding B.V.	Baronielaan 139, NL-4818 Breda	Netherlands	100.00%	-
Fountain Scandinavia A/S	Hammerholmen 18E, DK-2650 Hvidovre	Denmark	100.00%	-
FountainBrand International N.V.	Penstraat 254, Beau Rivage 1 Curaçao	Dutch West Indies	100.00%	-
Nespresso Iroise S.A.S.	Rue Joseph Le Brix, ZA de Mescoden, F-29260 Ploudaniel	France	100.00%	100.00%
NewCaffè (France) S.A.S.	Boulevard de la Libération 6, F-93200 Saint Denis	France	100.00%	-
NewCaffè Benelux S.P.R.L. (liquidated in March 2002)	Avenue de l'Artisanat 17, B-1420 Braine-l'Alleud	Belgium	100.00%	-
NewCaffè Importateur S.A.S.	Boulevard de la Libération 6, F-93200 Saint Denis	France	100.00%	-
Sy-Ra International Holding N.V.	Penstraat 254, Beau Rivage 1 Curaçao	Dutch West Indies	100.00%	-
Sy-Ra Netherlands Holding B.V.	Baronielaan 139, NL-4818 Breda	Netherlands	100.00%	-
Symfoni UK Ltd	Reydon Business Park, IP18 6DH Reydon Southwold, Suffolk	United Kingdom	100.00%	-
Proportionally consolidated companies				
Fountain Soleil S.A.S.	Roland Garros 165, F-34130 Mauguio	France	50.00%	50.00%
Slodadis S.A.R.L.	Chemin de Saint Marc 51-53, F-06530 Pleymeinade	France	50.00%	50.00%
Companies at equity				
Fountain Industries Deutschland GmbH	Am Sonnenblik 3, D-65207 Wiesbaden-Medenbach	Germany	100.00%	-
Companies not consolidated				
Fountain Consumer Appliances Ltd	Ashiana App. Sims Park, Club Road, Nilgiris Tamid Nadu	India	26.96%	-
Fountain Distribution Gulf Ltd	Kipranoros Street 24-26, Nicosie	Cyprus	50.00%	-
Fountain Gothenburg A/S	Box 15, S-43321 Partille	Sweden	20.00%	20.00%
Fountain Sud (France) S.A.R.L.	ZA les Ferrailles, Route de Caumont, F-84800 Isle sur la Sorgue	France	100.00%	-

VII. Breakdown of formation expenses

(in EUR)	
Net book value at end of previous year	**156 376.24**
New expenses incurred during the financial year	**266 170.14**
Depreciation allowance	**(97 534.18)**
Translation differences	**69.43**
Other transfers	**1.85**
Book value at the end of the financial year 2001	**325 083.48**
Of which costs of incorporation, capital increase, note issuing costs, etc.	12 084.26
and Reorganisation costs	312 999.22

VIII. Breakdown of intangible fixed assets

(in EUR)	*Costs of R&D*	*Patents, licences, etc*	*Goodwill*
Acquisition cost			
At the end of the previous financial year	723 946.76	12 129 680.19	2 219 741.74
Acquisitions of the financial year	245 673.79	421 717.51	1 128 045.46
Transfers and withdrawals of the financial year		(188 588.74)	(160 994.55)
Transfers of headings	(557 862.66)	(291 545.89)	181 471.35
Translation differences during the financial year	1 854.54	260.36	2 231.31
Other movements during the financial year	(0.03)	22 382.45	347 777.81
At the end of the financial year	413 612.40	12 093 905.88	3 718 273.12
Depreciations and amounts written off			
At the end of the previous financial year	84 929.64	3 837 020.12	197 277.51
Amortisation expenses of the financial year	77 266.55	1 341 513.81	369 749.83
Cancelled owing to sale or shutdown		(33 998.42)	(0.00)
Transfers of headings	(11 353.97)	(298 002.90)	82 214.26
Translation differences	90.38	260.36	172.68
Other movements during the financial year	0.00	9 851.74	(0.10)
At the end of the financial year	150 932.60	4 856 644.71	649 414.18
Net book value at the end of the financial year	**262 679.80**	**7 237 261.17**	**3 068 858.94**

IX. Breakdown of tangible fixed assets

(in EUR)	*Land and buildings*	*Plant, machinery, equipment*	*Furniture, vehicles*	*Assets-under leasing contracts*	*Other*	*Fixed assets in course of construction*
Acquisition value						
At the end of the previous financial year	2 635 504.25	4 093 546.98	4 306 532.27	1 310 263.78	654 057.62	
Acquisitions of the financial year	31 452.46	1 092 593.59	281 533.84	49 526.25	90 019.29	359 207.61
Transfers and withdrawals of the financial year	(988 576.25)	(775 909.78)	(411 989.47)	(10 868.62)	(10 226.38)	
Transfers of headings		484 234.17	(80 391.40)	10 868.62	(10 868.62)	
Translation differences		47 493.13	22 611.61	3 350.41	9 147.25	
Other movements during the financial year	7 627.64	43 910.12	67 780.28			
At the end of the financial year 2001	1 686 008.10	4 985 868.21	4 186 077.13	1 363 140.44	732 129.16	359 207.61
Plus-values						
At the end of the previous financial year			2 567.93			
Other movements during the financial year			(2 567.93)			
At the end of the financial year 2001			0.00			
Depreciation and amounts written off						
At the end of the previous financial year	1 775 985.07	3 174 047.63	3 172 934.27	523 832.98	429 786.12	
Depreciation and amounts written off of the financial year	97 200.76	533 151.69	367 570.27	102 271.10	89 497.20	
Cancelled owing to sale or shutdown	(632 782.95)	(109 713.31)	(283 354.32)	(9 456.91)	(10 226.38)	
Transfers of headings	4.26	0.00	(83 038.70)	10 868.62	(10 868.62)	
Translation differences during the financial year	0.00	36 894.49	19 134.78	2 749.51	729.33	
Other movements during the financial year	1 053.65	11 488.78	34 164.45		0.02	
At the end of the financial year 2001	1 241 460.79	3 645 869.28	3 227 410.75	630 265.30	498 917.67	0.00
Net book value at the end of the financial year 2001	**444 547.31**	**1 339 998.93**	**958 666.38**	**732 875.14**	**233 211.49**	**359 207.61**
Of which land and buildings				687 623.70		
Of which plant, machinery, equipment				27 805.38		
Of which furniture, vehicles				17 446.06		

X. Breakdown of financial fixed assets

(in EUR)	*Companies at equity*	*Other companies*
Shareholding		
Acquisition cost		
At the end of the previous financial year		152 337.09
Acquisition during the financial year		12 827.99
Transfers of headings	44 181.79	6 750.12
Translation differences during the financial year		60.44
At the end of the financial year 2001	44 181.79	171 975.64
Write-downs		
At the end of the previous financial year		8 507.68
Depreciation expenses of the financial year		90 580.86
Written back as superfluous		(90 573.87)
Transfers of headings		12 570.14
Translation differences during the financial year		492.49
At the end of the financial year	0.00	21 577.30
Variations in capital of companies at equity		
Share in the result for financial year 2001	(43 653.58)	
Net book value at the end of the financial year	528.21	150 398.34
Claims and guarantees		
Net book value at the end of the previous financial year		
Aggregates specific to the financial year		197 255.00
Amounts receivable specific to the financial year		(79 617.95)
Other movements specific to the financial year		0
Net book value at the end of the financial year	0.00	267 943.81
Write-downs accumulated on claims at the end of the financial year	0.00	154.78

XI. Breakdown of consolidated reserves

(in EUR)	2001	2000	1999	1998
Consolidated reserves at the end of the previous financial year	865 551.68	1 168 133.09	1 777 527.76	1 693 892.37
Results of the financial year	(2 245 239.28)	415 301.38	(109 793.33)	83 892.00
Recording of tax deferrals			167 996.33	
Dividends of the financial year		(717 882.79)	(662 661.04)	
Cancellation of own shares	(1 043 339.45)			
Other movements			(4 936.63)	(256.62)
Consolidated reserves at the end of the financial year	**(2 423 027.05)**	**865 551.68**	**1 168 133.09**	**1 777 527.76**

XII. Breakdown of consolidated goodwill

(in EUR)	Positive	Negative
Net book value at the end of the previous financial year	19 181 234.24	
Acquisition difference of the financial year	1 524 530.40	
Depreciation of the financial year	(2 792 686.28)	
Other variations during the financial year	(90 411.50)	
Consolidated Reserves at end of financial year	17 822 666.86	0.00

XIII. Breakdown of liabilities

(in EUR)	Payable within 1 year	Payable between 1 and 5 years	Payable after 5 years	Debts secured by real guarantees
Financial debts	**3 930 403.77**	**14 058 356.17**	**322 471.00**	**1 001 097.25**
Subordinated loans				
Unsubordinated long-term bonds				
Leasing	66 684.50	611 941.75	322 471.00	1 001 097.25
Credit institutions	3 863 719.27	13 416 056.78		
Other liabilities		30 357.64		
Other debts		**52 186.40**		
Total	**3 930 403.77**	**14 110 542.57**	**322 471.00**	**1 001 097.25**

XIV.A. Group aggregate net turnover in Belgium

(in EUR)	2001	2000	1999	1998
Aggregate sales turnover realised in Belgium	10 414 983.44	10 122 142.72	8 378 578.00	4 194 600.80

XIV.B. Breakdown of average staff members and personnel expenses

Average staff members

(full-time equivalent)	2001	2000	1999	1998
Average staff of fully consolidated companies	**266**	**203**	**163**	**137**
Executives	29	29	22	26
Employees	178	115	89	63
Workmen	59	59	52	48
Average staff of proportionally consolidated companies	**10**	**0**	**0**	**0**
Executives	1			
Employees	8			
Workmen	1			
Average staff members in Belgium	**68**	**68**	**64**	**29**

Personnel expenses

(in EUR)	2001	2000	1999	1998
Personnel expenses of fully consolidated companies (en EUR)				
Remuneration and social security	10 301 661.60	7 635 152.29	5 833 790.70	4 768 857.00
Pensions	120 611.05	110 950.28	103 466.74	0.00
Personnel expenses of proportionally consolidated companies (in EUR)				
Remuneration and social security	343 118.35			
Pensions	0.00			

XIV.C. Extraordinary results

(in EUR)	2001	2000	1999	1998
Other extraordinary income	**71 751.64**	**279 121.96**	**424 614.54**	**1 936.69**
Recovery of insurance and other	56 214.99			
Adjustment of suppliers' rebate on previous year			318 212.39	
Disposal of Nespressso Professional activity in Belgium		239 513.96		
Other extraordinary income	15 536.65	39 608.00	106 402.15	1 936.69
Other extraordinary charges	**479 044.92**	**379 329.44**	**1 303 011.62**	**22 453.80**
Network restructuring charges (France, Germany, United Kingdom)	398 198.61	273 185.61		
Charges related to stock exchange flotation			1 150 436.60	
Other extraordinary charges	80 846.31	106 143.83	152 575.02	22 453.80

XIV.D. Taxes on profits

(in EUR)	2001	2000
Influence of extraordinary earnings on the amount of taxes on profits for 2001	**(43 744.11)**	**(40 611.97)**

XV. Contingent rights and Commitments

(in EUR)	2001	2000	1999
Personal guarantees built up or irrevocably promised as debt collateral	1 003 152.00	0.00	0.00
Real guarantees built up or irrevocably promised by the Group on its assets for	36 656.00	3 718.40	208 787.50
consolidated commercial companies	12 395.00	3 718.40	22 867.36
credit institutions	24 261.00	0.00	185 920.14
Property owned by third parties in their name but at the benefit and risk of the Group if off balance sheet	886 409.00	0.00	0.00
Commitments for sale of fixed assets	31 340.00	0.00	0.00
Commitments of fixed asset acquisitions	319 557.00	19 130.86	33 019.42
Rights resulting from transactions relating to acquisition of companies	2 230 205.00	1 239 467.00	1 239 467.00
Commitments resulting from transactions relating to stock option plans	N/V 103 665 warrants	N/V 104 401 warrants	N/V 44 400 warrants

XVI. Relations with affiliated companies

(in EUR)	2001	2000	1999
With affiliated companies	0.00	0.00	154.78
Receivables after one year	0.00	0.00	154.78
Receivables within one year	0.00	0.00	0.00
With companies in which the Group owns a share but which are not consolidated	150 553.12	168 255.97	439 918.96
Shares	150 398.34	143 829.41	290 832.03
Receivables after one year	0.00	0.00	0.00
Receivables within one year	154.78	24 426.56	149 086.93

XVII. Financial relations with the directors of the consolidating company

(in EUR)	2001
Total remuneration for service	**159 589.63**
Total advances and credits granted by the consolidating company or a subsidiary	**0.00**

Table of consolidated uses and resources

(in thousands of EUR)	2001	2000
OPERATING TRANSACTIONS		
Cash flow	3 865	5 288
Variation in working capital needs (– increase)	(992)	(1 913)
Operating cash flow	2 873	3 374
INVESTMENT TRANSACTIONS		
Acquisitions of intangible fixed assets (-)	(1 852)	(2 876)
Acquisitions of tangible fixed assets (-)	(1 720)	(817)
Acquisitions of financial fixed assets (-)	(1 958)	(158)
New loans granted (-)	(197)	(65)
Transfers of intangible fixed assets (+)	114	0
Transfers of tangible fixed assets (+)	1 615	122
Transfers of financial fixed assets (+)	0	3
Repayment of loans granted (+)	1 150	11
Investment cash flow	(2 848)	(3 781)
FINANCING TRANSACTIONS		
Net variations in loans contracted (+ increase)	(351)	232
Dividends paid out (-)	(718)	(665)
Financing cash flow	(1 069)	(433)
CASH FLOW VARIATION	(1 044)	(839)
CHECK WITH THE CASH ACCOUNTS		
Opening balance	7 055	7 624
Cash flow variation	(1 044)	(839)
Depreciation and amounts written off investments	(114)	(39)
Translation differences (+ favourable)	24	1
Perimeter variations (+ favourable)	(808)	309
Closing balance	5 113	7 055

Shareholders' agenda

	date
Publication of Annual Report 2000	**13 May 2002**
Ordinary General Meeting	**27 May 2002**
Announcement of half-yearly results 2001	**mid-September 2002**
Announcement of commercial annual results 2002	**mid-February 2003**
Announcement of annual results 2002	**mid-March 2003**

Corporate annual accounts 2001

(abbreviated)

The annual social accounts of Fountain Industries Europe SA for financial year 2001 are shown in summary form in accordance with Article 105 of the Company Code.

In accordance with Belgian law on commercial companies, the management report and the company's statutory annual accounts, as well as the Auditor's report are filed with the National Bank of Belgium and kept on hand at the company head office, available for consultation by its shareholders.

The Auditor approved without reserve the social accounts of Fountain Industries Europe SA.

1. Balance sheet

(in thousands of EUR)	2001	2000	1999	1998
FIXED ASSETS	**52 823**	**51 992**	**51 485**	**46 156**
I Formation expenses	0	0	0	18
II Intangible fixed assets	480	213	0	0
III Tangible fixed assets	2 324	1 541	1 776	1 961
IV Financial fixed assets	50 019	50 238	49 709	44 177
CURRENT ASSETS	**9 132**	**6 615**	**5 444**	**4 269**
V Amounts receivable after one year	0	0	0	0
VI Stocks and contracts in progress	1 219	737	407	711
VII Amounts receivable within one year	5 944	4 653	3 530	2 729
VIII Investments	0	459	1 088	521
IX Cash at bank and in hand	1 933	562	347	273
X Deferred charges, accrued income	36	205	71	36
TOTAL ASSETS	**61 955**	**58 607**	**56 929**	**50 425**
CAPITAL AND RESERVES	**34 390**	**33 005**	**32 244**	**15 617**
I Issued capital	26 160	26 160	26 160	10 319
II Share premium account	32	32	32	32
III Revaluation surpluses	0	0	0	0
IV Reserves	4 355	5 281	5 212	5 144
V Accumulated profits	3 843	1 532	841	124
VI Investment grants	0	0	0	0
PROVISIONS, DEFERRED TAXES	**148**	**81**	**113**	**135**
VII. A. Provisions for liabilities and charges	131	61	90	108
VII. B. Deferred taxes	17	20	23	27
CREDITORS	**27 417**	**25 521**	**24 572**	**34 673**
VIII.Amounts payable after one year	18 005	17 708	17 430	26 264
IX Amounts payable within one year	9 270	7 584	6 997	8 313
X Accrued charges, deferred income	142	229	145	96
TOTAL LIABILITIES	**61 955**	**58 607**	**56 929**	**50 425**

2. Corporate Financial statement

(In thousands of EUR, after appropriation)	2001	2000	1999	1998
I. OPERATING INCOME	**19 730**	**19 438**	**20 025**	**20 029**
A. Net sales turnover	19 536	19 121	19 758	19 688
B. Increase (+), decrease (–) in stocks of finished goods and contracts in progress	(53)	0	0	0
C. Non-performing income	0	0	0	0
D. Other operating income	247	317	267	341
II. OPERATING CHARGES	**15 571**	**14 956**	**15 553**	**15 851**
A. Raw materials, consumables and goods for resale	11 167	11 114	12 132	12 671
B. Services and other goods	2 213	2 066	1 710	1 318
C. Remunerations, social security costs and pensions	1 570	1 370	1 316	1 212
D. Depreciation and write-downs on fixed assets (decrease +, increase -)	533	388	389	411
E. Depreciation and write-downs on stocks and receivables (decrease +, increase -)	(15)	(20)	(15)	114
F. Increase (+), decrease (–) in provisions for liabilities and charges	70	(5)	(19)	60
G. Other operating charges (–)	33	43	41	64
III. OPERATING PROFIT (+), LOSS (–)	**4 159**	**4 482**	**4 472**	**4 178**
IV. Financial income	**410**	**662**	**143**	**2 256**
V. Financial charges	**(1 237)**	**(2 077)**	**(1 207)**	**(1 837)**
VI. PROFIT (+), LOSS (–) ON OPERATION	**3 332**	**3 068**	**3 408**	**4 597**
VII. Extraordinary income	**91**	**0**	**318**	**0**
VIII. Extraordinary charges	**(133)**	**(153)**	**(1 257)**	**(5)**
IX. PROFIT (+), LOSS (–) BEFORE TAXES	**3 290**	**2 914**	**2 469**	**4 593**
IX.bis Transfers on deferred taxes	**3**	**3**	**3**	**4**
X. Income taxes	**(864)**	**(1 440)**	**(1 025)**	**(1 113)**
XI. PROFIT (+), LOSS (–) FOR THE PERIOD	**2 429**	**1 479**	**1 447**	**3 484**
XII. Transfer from immune reserves	**4**	**5**	**5**	**7**
XIII. PROFIT (+), LOSS (–) FOR THE PERIOD TO BE APPROPRIATED	**2 433**	**1 483**	**1 452**	**3 490**
A. Transfer to the legal reserve	(122)	(74)	(73)	(175)
B Transfer to other reserves	0	0	0	(3 247)
C Dividends	0	(718)	(663)	0
D Retained earnings	(3 843)	(1 532)	(841)	(124)

3. Review of capital

		Number of shares	Total number of shares	Amount of capital in BEF
A. SUBSCRIBED CAPITAL				
23 March 1972	Incorporation	600	600	600 000 BEF
26 September 1980	Inclusion of reserves in capital	0	600	5 000 000 BEF
24 December 1986	Capital increase	12	612	5 100 000 BEF
	Capital reduction	(580)	32	266 675 BEF
	Inclusion of reserves in capital	0	32	1 250 000 BEF
15 February 1995	Split of shares; 125 new for 1 old	0	4 000	1 250 000 BEF
19 December 1997	Capital increase	1 328 000	1 332 000	416 250 000 BEF
24 March 1999	Capital increase (exercise of warrants)	88 730	1 420 730	490 525 883 BEF
27 April 1999	Capital increase (IPO)	250 000	1 670 730	576 842 176 BEF
	Inclusion of share premium account in capital	0	1 670 730	1 055 284 483 BEF
	Capital conversion in euros	0	1 670 730	26 159 819,01 EUR
26 December 2001	Cancellation of shares	(54 770)	1 615 960	26 159 819,01 EUR
B. UN-SUBSCRIBED AUTHORISED CAPITAL				
Extraordinary General Meeting of 24-03-1999 (valid for 5 years)				300 000 000 BEF [7 436 806 EUR]

4. Securities portfolio

	Number of shares held	Percentage participation	Equity on 31 December 2001	2001 Results
Davamat N.V. (Lembeke, Belgium)	899	99.89%	744 667.00 EUR	315 111.00 EUR
Davamat-Fountain B.V.B.A. (Lembeke, Belgium)	749	99.87%	141 718.00 EUR	(716.00) EUR
Fountain CS, spol s.r.o. (Brno, Czech Republic)	Non Défini	100.00%	5 246 000.00 CZK	2 813 000.00 CZK
NewCaffè (France) S.A.S. (St Denis, France)	4999	99.98%	115 550.00 EUR	275 357.00 EUR
NewCaffè Benelux S.P.R.L. (liquidated in March 2002)	500	100.00%	(29 636.00) EUR	(2 820.00) EUR
NewCaffè Importateur S.A.S. (St Denis, France)	2997	99.90%	469 246.00 EUR	44 840.00 EUR
Fountain Industries France S.A.S. (St Denis, France)	1	0.09%	6 648 553.00 EUR	8 043.00 EUR
Fountain Industries Benelux S.A. (Braine-l'Alleud, Belgium)	1	0.08%	1 348 171.00 EUR	(3 225.00) EUR
Fountain Netherlands Holding B.V. (Breda, Netherlands)	60 000	100.00%	2 437 722.92 EUR	262 838.85 EUR

Notes

Fountain Licenses

Fountain Industries Benelux S.A.	Avenue de l'Artisanat 17 B-1420 Braine-l'Alleud, Belgium
Fountain Industries France S.A.S.	Boulevard de la Libération 6-8 F-93200 Saint Denis, France
Fountain Industries UK Ltd	Reydon Business Park, Reydon Southwold Suffolk IP18 6DH, United Kingdom
Fountain Scandinavia A/S	Hammerholmen 18E DK-2650 Hvidovre, Denmark
Fountain CS, spol s.r.o.	Hudcova 78 CR-612 00 Brno, Czech Republic
NewCaffè Importateur S.A.S.	Boulevard de la Libération 6-8 F-93200 Saint Denis, France

Fountain production Sites

Fountain Industries Europe S.A.	Avenue de l'Artisanat 17 B-1420 Braine-l'Alleud, Belgium
Fountain Manufacturing Ltd.	Reydon Business Park, Reydon Southwold Suffolk IP18 6DH, United Kingdom

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