

# ANNUAL REPORT 2003



FOUNTAIN  
—service first—<sup>®</sup>



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# Group Profil

# "Service first"

## A unique concept

Belgian Fountain Group provides a comprehensive service that enables SMEs, shopkeepers and liberal professions to offer a wide range of beverages to their employees or visitors. These drinks are of high quality, easy to serve and can be customised to the tastes of every individual.

## Over one million regular customers

Beverages (coffee, chocolate, tea, soup) represent the lion's share of a consolidated sales turnover of close on fifty million euros. Every day, more than a million regular consumers drink some two million cups of Fountain beverages.

## A vast dealer network close to its customers

Fountain is present in 28 countries with a network of 26 importing companies and over 200 regional dealers in close proximity to customers. In its market segments, Fountain is the leader in France, Belgium and the Netherlands, its main markets.

## Sustantial recurrent operating cash flow

Ever since it was founded in 1972, Fountain has been highly cash generating, enabling it to adopt a dynamic investment and development policy.

## Variety and simplicity

The totally original Fountain system consists of a wide range of quality beverages, presented in cartridge form, and a varied range of easy-to-use dispensing machines. With this simple system employees at customer companies their employees and guests a delicious cup of coffee, tea, chocolate or soup in no time at all. This range of beverages is rounded off by a series of espresso solutions that represent the nec plus ultra in today's market.

## Tailored service

The dealer network provides a complete personalised service to final customers, including installing the machine, regular restocking with consumables and machine maintenance. Dealers in turn receive full support from the Group in accordance with their specific needs.

## The pleasure of offering a drink

By enabling its customers to offer a high quality drink quickly and without fuss, Fountain helps create a genuine area for conviviality, contact and relaxation, which is essential for efficient work, workforce well-being and making visitors feel welcome.





# Prospects for 2004

The group does not expect any significant improvement in the business climate during the course of 2004. Profitability and operating cash flow are set to increase only slightly during the year.

As well as widening its range of beverages, Fountain will be seeking during the year to come even closer to its dealers and its end customers.

The Group will continue to make full use of its excellent

image, synonymous with quality and conviviality. Systematic use of the new visual identity, which will be introduced to dealers through special marketing events, will contribute to increasing dealer participation in this ambitious programme.

By launching its new range of cold beverages, Fountain is looking to offset falling consumption in the hot months of the year and further strengthen its position with its customers.

Distribution of the ily espresso solution in Belgium and the Netherlands will begin in September.

## Key figures

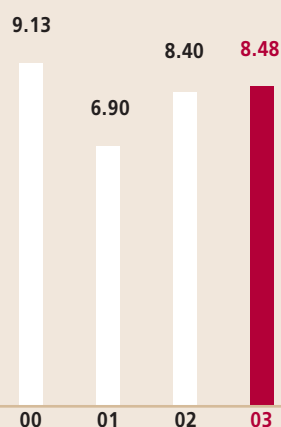
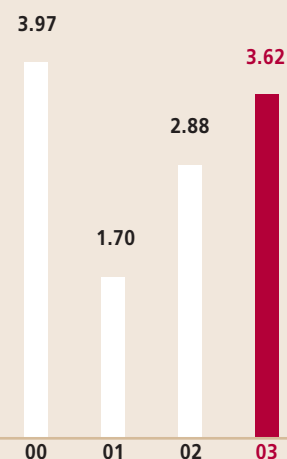
(in thousands EUR)	2003	2002	2001	2000	1999	1998
Sales turnover	48,448	48,222	46,249	43,979	38,266	34,361
Operating cash flow (EBITDA)	8,484	8,396	6,901	9,125	8,428	8,340
Operating profit (EBIT) (1)	6,929	7,061	4,732	8,110	7,299	7,280
Financial results	-0,973	-1,052	-1,115	-1,049	-0,974	-1,586
Extraordinary results	-0,311	0,870	-0,115	-0,107	-0,910	-0,077
Result before taxes (1)	5,645	6,879	3,502	6,954	5,415	5,617
Taxes	-2,218	-2,968	-1,407	-2,613	-1,967	-2,193
Goodwill depreciation (2)	-4,618	-4,608	-4,340	-3,922	-3,555	-3,338
Profit after taxes	-0,694	-0,697	-2,245	0,418	-0,107	0,086
Net current profit (1)	3,623	2,878	1,700	3,972	3,578	3,100
Net cash flow	4,982	5,246	4,264	5,356	4,578	4,791
Capitalisation at 31 December 2003	21,040	14,738	19,553	30,240	52,127	-
Equity (3)	21,052	22,562	23,883	27,107	27,408	11,890
Net debt	8,031	12,569	13,942	11,119	10,714	23,747
Enterprise value (EV)	29,071	27,307	33,495	41,359	62,841	-

(1) Excluding goodwill depreciation

(2) Including trade marks, acquired businesses and consolidation differences.

(3) After dividend. As Fountain distributes a percentage of its net current profit, despite making a negative result after taxes, this amount has to be drawn from equity.

## Annual Report Fountain | Key figures

**Consolidated turnover**  
in EUR million**Consolidated operating cash-flow**  
in EUR million**Consolidated net current profit**  
in EUR million**Key figures per share and financial ratios**

(in EUR)	2003	2002	2001	2000
Equity per share	13.468	13.962	14.779	16.225
Enterprise value per share	17.990	16.898	20.728	24.755
Operating cash flow per share	5.250	5.196	4.271	5.462
Net current profit per share	2.242	1.781	1.052	2.377
Net cash flow per share	3.083	3.246	2.639	3.206
Price on earning ratio (PER)	X 5.81	X 5.12	X 11.50	X 7.61
Capitalisation as % of equity	96.68%	65.32%	81.90%	111.60%
Capitalisation on EBITDA ratio	X 2.48	X 1.76	X 2.83	X 3.31
Enterprise value on EBITDA ratio	X 3.43	X 3.25	X 4.85	X 4.53

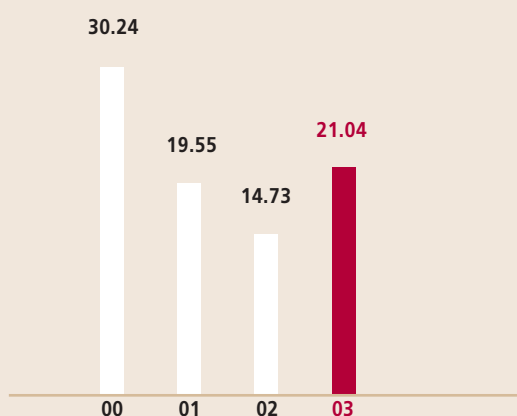
**Number of shares**

	2003	2002	2001	2000
Issued shares	1,615,960	1,615,960	1,615,960	1,670,730
Allotted warrants	134,545	90,145	103,665	104,401
New allotments of warrants	-	44,400	-	-
Total shares and warrants	1,750,505	1,750,505	1,719,625	1,775,131
Vested warrants	65,665	42,927	29,737	9,390
Warrants still to be vested	33,300	12,158	28,468	77,635
Warrants exercised	-	-	-	-
Warrants still available for exercise	98,965	55,085	58,205	87,025



## Stock Exchange capitalisation

in EUR million



## Listing

- Euronext Brussels since April 1999
- Primary spot market, double fixing
- 1,615,960 issued shares
- 134,545 warrants allotted at the end of 2003. Of these 35,580 are no longer exercisable
- Code: BE 000 375 2665
- Euronext code: FOU  
"Investor Relations" menu on [www.fountain-group.com](http://www.fountain-group.com)

## Payment on capital

	2003	2002	2001	2000
Gross dividend per share	0.44	0.32	-	0.43
Net dividend after withholding tax, per share	0.33	0.24	-	0.32
Total gross dividend	711,022	517,107	-	717,883
Total gross dividend as % of EBITDA	8.38%	6.16%	0.00%	7.87%

## Geographic breakdown of sales turnover

	2003	2002	2001	2000
France	58.1%	54.3%	53.1%	45.9%
Benelux	29.5%	32.8%	29.6%	34.1%
Scandinavia	5.6%	5.6%	5.9%	4.4%
United Kingdom	1.3%	1.7%	2.2%	2.7%
Czech Republic and Slovakia	1.9%	2.3%	2.6%	3.1%
Rest of the world	3.6%	3.3%	6.6%	9.9%

## Shareholders' agenda

Ordinary General Meeting 2004	1 June 2004 at 10h00
Extraordinary General Meeting 2004	1 June 2004 at 9h30
Dividends available for payment (Bank Degroof, Fortis, ING)	3 June 2004
Announcement of 2004 half-yearly results	mid-September 2004
Announcement of 2004 annual results	mid-March 2005
Ordinary General Meeting 2005	30 May 2005



# Message from the Chairman



## “Healthy, solid structures”

2003 turned out to be a relatively good year, despite an exceptionally hot spring and summer which affected our sales. Turnover of more than 48 million euros, an EBITDA of almost 8.5 million euros and a net current result of 3.6 million euros are all up on 2002.

Today the Group's net debt represents less than one year's operating cash flow. At this pace, Fountain will be out of debt by the end of 2006 and able to envisage new acquisitions to sustain growth. The share price reflects our good financial health better than in 2002, and the gross dividend that Fountain will be distributing this year will be up 38% on last year.

Fountain met its cost reduction objectives in 2003. We consolidated our positions, fine-tuned our earlier restructurings and strengthened confidence amongst our dealer network. Whilst overall consumption of hot beverages is down slightly, the espresso segment is growing strongly and proving the potential of the target group of management offices.

As in France with Nespresso, we have recently concluded a partnership agreement with the illycaffè group, "the" global reference for espresso, covering Belgium and the Netherlands. Even if the economic environment remains sluggish in 2004, Fountain will continue to expand its range, supported by ever healthier and more solid structures.

Let us not forget: thanks to the combined efforts of our employees, partners and shareholders, the Fountain group is today over one million regular consumers. As I survey this success, I would like to thank each and every one of you for the trust you continue to show in us.

**Pierre Vermaut, Chairman**



## Message from the CEO

Fountain is constantly looking for better ways to serve its sales network. We want to motivate our dealers by sharing with them a project that offers them the growth to which they aspire. These are no empty words: Fountain dealerships are gaining in value. In 2003 Fountain improved the support it provides to its dealers in their daily work via its Intranet site. It has also founded the "Fountain Academy" in partnership with Mercury International, to provide further training.

To strengthen its identity and increase its visibility, Fountain during 2003 brought its visual communication in line with its excellent image, which customers associate with the values of service, quality, closeness, ease-of-use and personalization. This move, motivated by a desire for clarity and simplicity, was accompanied by a change in name from "Fountain Industries Europe SA" to "Fountain SA".

Feedback from the market and our dealers led us in 2003 to make our dispensers more modular and to widen our product range. This includes the recently signed cooperation agreement with illycaffè, under which Fountain can draw on the know-how of Italy's espresso specialist, whilst giving illycaffè access to the SME-SMI market in Belgium and the Netherlands. We shall also be launching a range of cold beverages in anticipation of growing demand in this field.

In response to ethical concerns, Fountain also launched in 2003, under the Max Havelaar label, a moka coffee that meets international fair trading standards. This medium-roasted pure arabica from Colombia is harmonious, soft and balanced.

### "Serving our dealers"

Whilst international expansion remains a long-term strategic direction, we continued in 2003 to concentrate our efforts on our key French and Benelux markets. We have relocated the activities of our Fountain Scandinavia A/S subsidiary to Belgium in order to serve our Scandinavian dealers more directly. Our logistics platform in Maubeuge (North of France) is now the Group's single worldwide platform.

We are constantly optimising operating methods at our plants. At our Braine l'Alleud site in Belgium, we have invested in a new cartridge filling system which will minimize product losses. At our Reydon (UK) site we have adapted the production cycle to minimize set-up costs. As well as expanding its product range, another Group priority for 2004 is to join our dealers in getting closer to our final customers.

I hope that this 2003 Annual Report will give you a better understanding of our business plans and the values we seek to uphold.

**Pascal Guillaume, CEO**



# Management report

by the Board of Directors to the General Meeting  
of 1 June 2004

Ladies and Gentlemen,

We are pleased to present to you our combined management report on the Group's consolidated and statutory (unconsolidated) activities for 2003, together with the consolidated financial statements for the year ended on 31 December 2003. We also submit for your approval the proposal for the appropriation of earnings and for granting of discharge to ourselves in respect of our duties during the past financial year.

## 2003 consolidated results

For 2003, the Fountain Group reported a consolidated net after-tax loss of EUR 679 K, compared with a loss of EUR 697 K in 2002. The 2003 figure is after a tax charge of EUR 1.72 million and a EUR 1.18 million unfavorable reduction in extraordinary items. In 2003 we continued to expand our commercial activities, whilst at the same time paring back our cost structure.

Gross current profit, that is current profit before amortisation of trade marks, acquired businesses (fonds de commerce) and consolidation differences, fell slightly (-0.9%) to EUR 5.96 million. These amortisation charges are up 0.2% before tax to EUR 4.62 million. Trade mark amortisation charges remained stable compared with 2002.

Operating cash flow amounted to EUR 8.48 million, or 17.5% of sales turnover, compared with 17.4% in 2002. This higher operating cash flow (+ 1%) reflects a tighter cost structure.

## Group activities in 2003

Group consolidated sales turnover remained stable at EUR 48.45 million (2002: EUR 48.22 million, + 0.5%). This turnover figure was achieved in the face of a sluggish economic situation and an exceptionally hot summer. A major factor in maintaining turnover at the previous year's level was internal growth from the Nespresso Professional activity in France (turnover up 32%), offsetting a 9.1% fall in Fountain's sales. Over 87% of consolidated turnover came from the sale of consumables, the balance mainly from sales of machines. Coffee remains the dominant consumable, with 82% of sales. Belgium, France and the Netherlands accounted for 88% of consolidated sales, as against 87% in 2002.

## Valuation rules

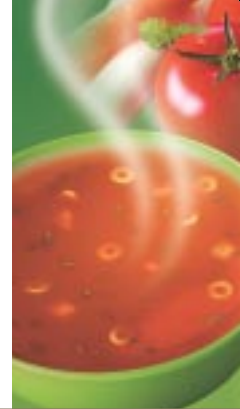
The valuation rules for depreciation have been adapted in line with the change in Belgian tax legislation. Assets acquired from 1 January 2003 onwards are depreciated pro rata temporis from the month following the date of acquisition. This change had a favourable impact of EUR 79 K on 2003 pre-tax results.

## Research and Development

Additional expenses of EUR 0.26 million were capitalised during 2003. These relate essentially to the Cremezzo machine and demonstration models.

## Absence of conflicts of interest

During the course of 2003, the Board did not adopt any resolutions covered by Articles 523 and 524 of the Belgian Companies' Code.



## Share Capital

The total number of shares representing the capital of Fountain SA was 1,615,960 at 31 December 2003.

The balance of warrants outstanding at that date entitle their holders to subscribe to 98,965 new shares, including the new warrant plan E (44,000 new warrants), for certain senior group managers, which was approved by the Extraordinary General Meeting of 26 May 2003.

We propose that you renew, within the legal limits, the authorisations given to us acquire own shares. The current authorisations expire in 2004.

## Major events since the end of the financial year

No major event has occurred since the end of the financial year.

## Prospects for 2004

The group does not expect any significant improvement in the European business climate, on which it depends, during the course of 2004. In this still sluggish context, the group will pursue the policy it initiated in 2003 of improving its product offering to its clients. In 2004 it will be launching an espresso product with illycaffè in Belgium and the Netherlands, along with a specific range of cold drinks.

Barring exceptional events, profitability and operating cash flow for 2004 should be slightly better than in 2003.

## Appropriation of the statutory (unconsolidated) profit

In the light of the results for 2003, the Board of Directors proposes to the General of Meeting of Shareholders that a gross dividend of EUR 0.44 per share be distributed in respect of 2003.

At the end of the year, the statutory (unconsolidated) profit

of Fountain SA amounted to EUR 2,399,940.42. With a profit of EUR 5,012,796.27 carried forward from the previous financial year, the profit available for distribution as at 31 December 2003 amounts to EUR 7,412,736.69.

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

Dividends:	EUR 711,022.40
Legal reserve:	EUR 119,997.02
Carried forward:	EUR 6,581,717.27

## Other matters

Additional one-off fees paid to the auditor of the statutory financial statements (*SCPRL Linet & Partners*) in 2003 amounted to EUR 2,600. No additional one-off fees were paid during 2003 to the auditor of the consolidated financial statements (*SCPRL B.S.T. Réviseurs d'Entreprises*).

We would kindly ask you to review the annual accounts for the year ended on 31 December 2003, to approve the statutory annual accounts and the proposed appropriation of earnings, to grant discharge to ourselves and to the auditors in respect of our mandates in 2003 and to renew the mandate of the auditor of the consolidated financial statements.

## The Board of Directors

9 March 2004

*PS: The full text of the management report on the statutory accounts is available in French on request from the company's registered office.*







# Corporate Governance

## BOARD OF DIRECTORS

SA Cytinvest, represented by:

### **MICHEL DELLOYE**

Director

Michel Delloye is also a director of other companies.

### **JEAN DUCROUX**

Director

Jean Ducroux is Chairman and Managing Director of *Electra Partners Europe SA* (France) and director of other companies.

### **ALAIN ENGLEBERT**

General Secretary, independent Director

Alain Englebert is a director of other companies.

### **REGNIER HAEGELSTEEN**

Director

Regnier Haegelsteen is a Managing Director of *Bank Degroof* (Belgium) and a director of other companies.

### **BRUNO LAMBERT**

Director

Bruno Lambert is a manager of *SG EPE Capital Management Limited* (London) and a director of other companies.

### **PAUL LIPPENS**

Independent Director

Paul Lippens is Chairman of *Groupe Sucrier* (Belgium) and director of other companies.

### **PHILIPPE RENIE**

Director

Philippe Renié is a manager of *SG EPE Capital Management Limited* (London) and a director of other companies.

### **PHILIPPE SEVIN**

Director

Philippe Sevin is a manager of *SG EPE Capital Management Limited* (London) and a director of other companies.

### **PIERRE VERMAUT**

Chairman, Independent Director

Pierre Vermaut has chaired the Board of Directors of the Fountain Group since February 2000. He is also a director of other companies.

The starting and ending dates of directors' mandates are shown in the table on page 41.



### MANAGEMENT COMMITTEE

The Management Committee, which meets fortnightly, regroups sales, financial and technical managers.



#### **1 Pascal Guillaume,**

CEO

(joined the Group in September 2002).

#### **2 Éric Malrain,**

CFO

(joined the Group in May 1999).

#### **3 Stéphane Bruyère,**

Sales manager for France

(joined the Group in December 1999).

#### **4 Sorin Mogosan,**

Responsible for consumables production (joined the Group in 1985).

#### **5 Michel Tulkens,**

Responsible for production of machines

(joined the Group in summer 2003).

#### **6 Paul Van Campenhout,**

Sales manager for all countries outside France (joined the Group in June 1999).

### REMUNERATION COMMITTEE

A Remuneration Committee, consisting of Messrs Pierre Vermaut, Bruno Lambert and Paul Lippens, Directors, sets the remuneration of the members of the Management Committee.

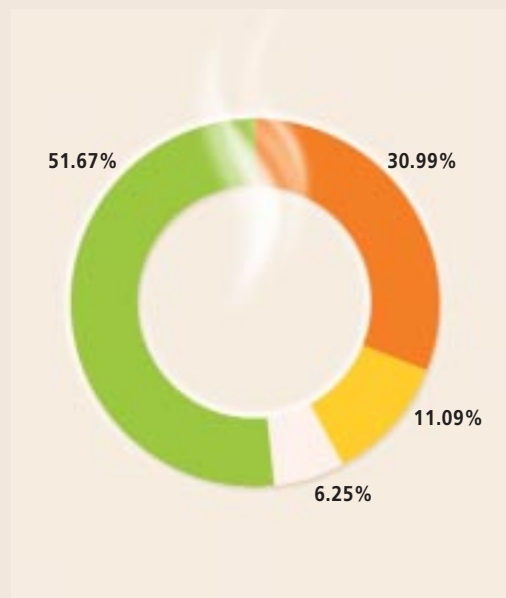
In advance of the new European regulations, Fountain will from now on be stating the amount of remuneration paid to its senior management.

In 2003, the directors together represented a charge of EUR 147,742, whilst the Management Committee together represented a charge during 2003 of EUR 920,998.



## SHAREHOLDING STRUCTURE

Shareholdings at 31 December 2003	Number of shares held
SG European Private	
Equity Partner LP Ltd	500,844
Electra Partners Europe SA	179,193
SA Cytinvest	100,942
Public	834,981
<b>Total</b>	<b>1,615,960</b>



- SG European Private Equity Partner LP Limited is a private equity fund of Société Générale (France), based in London.
- Electra Partners Europe SA is an investment fund under French law, and a subsidiary of Electra Investment Trust.
- The SA Cytinvest is an investment company under Belgian law.

## A DUAL LEVEL OF EXTERNAL CONTROL

The Audit Committee, which comprises Messrs. Pierre Vermaut, Bruno Lambert, Paul Lippens and Alain Englebert, Directors, assists the Board of Directors in fulfilling its role of supervising financial matters, internal and external auditors and adherence to prevailing laws and regulations. The committee meets at least twice a year to review the half-yearly and annual accounts. It may be convened by any of its members. The CEO, CFO, the external auditors and any member of management or Corporate Control may be invited to take part in Audit Committee meetings. The Committee met 3 times during 2003.

Given the importance of clarity and transparency, and the large number of Group subsidiaries, the Board of Directors has introduced a two-level system of external control. At local level, each Group company is audited every six

months by an external auditor, as required for Belgian law for a group listed on Euronext. At Group level, the consolidated accounts are audited by a group auditor, B.S.T. Réviseurs d'Entreprises, independently of the local auditors.

The audits performed by the local auditors are undertaken directly in collaboration with the Financial Managers of the countries concerned. The quality of the work of the local auditors is assessed by the Group auditor, who defines the minimum checks to be performed at each audit.

In order to comply with the corporate governance rules relating to the segregation of duties and powers, Fountain imposes the principle of dual signature on its companies. These signing powers are usually held by local General Managers and their Financial Managers.

# Human Resources

**In 2003 the Group attached particular importance to involving its employees in choosing its major strategic directions.**

**These have also benefited from the clarification and simplification of the legal and organisational structures.**

## **Industrial restructuring**

Production of cartridges of consumables at the group's second plant in England was transferred in its entirety to the Braine l'Alleud (Belgium) plant. In turn, the machine production plant at Reydon (Suffolk, Great Britain), managed since last summer by Michel Tulkens, a recent recruit to the Group, has continued to restructure.

The old order-based production system has been replaced with a system based on economically rational production batches, which reduces direct manufacturing costs by minimizing set-up costs.

## **Relocalisation to Belgium**

The Danish importer *Fountain Scandinavia*, which previously delivered to Scandinavian dealers, has been closed and its commercial activities transferred to Braine l'Alleud.

Like the rest of the network, dealers in Nordic countries are now served from the Maubeuge logistics platform (northern France).

The international team has been boosted by two new sales managers, one for Great Britain and Scandinavia, the second for Spanish-speaking countries, both based at Group headquarters in Braine l'Alleud.

The Benelux and International sales managements have been merged. This enables the Group to respond better to the specific needs of individual markets and ensure the fair distribution of resources. It also allows us to centralize all shared functions, including logistics.

To dynamise the dealer network with a common set of



objectives, we have made a major effort to identify the values shared across the Group (service, quality, simplicity, variety and ethics). This has led to a redefinition of the Group's visual identity, which became official in March 2004. This strategic project is part of the Group's desire to strengthen the Fountain culture.

### **Warrants and stock options**

The company wishes to boost the motivation and loyalty of managers by involving them more closely in value creation and having them sharing the risks and opportunities of the business in the same way as the shareholders. It has therefore allotted 148,801 warrants to its Chairman and to certain key employees in the various group companies.

Each of these warrants entitles its holder to subscribe to one *Fountain SA* share.

The decision to issue 44,400 of these warrants (known as the "E Plan") was made by the General Meeting of 26 May 2003. The remaining 104,401 warrants come from earlier plans ("B" and "D" plans).

Of the 148,801 originally allotted warrants, only 98,965 may still be exercised. The remaining warrants are no longer valid owing for example to the departure of their beneficiaries. 33,000 of the still exercisable warrants have still to be vested by their beneficiaries during the coming years.

These warrants have different exercise values, without premiums or discounts, ranging from EUR 14.00 to 31.14 per warrant depending on when they were allotted. The first exercise period comes up in June 2004. Warrants are exercisable for just two weeks a year.





# Serving its customers and dealers

**Over a million regular customers drink Fountain beverages every day. To ensure the tip-top quality of each of these hundreds of thousands of cups every day, customer companies are permanently served by a network of regional dealers.**

**In 2003, Fountain, more concerned than ever to listen to what its customers and consumers are saying, continued to strengthen its support to its dealers, to enable them to further improve their proximity service to their customers.**

During the year it revised its visual communication to bring it in line with the excellent image for service and quality the group has built up over the years with its clients. It continued to simplify its structures and logistics in order to increase efficiency and clarity. Finally, Fountain concluded a distribution agreement with illycaffè which enables it to offer Belgian and Dutch SMEs the espresso solution that they have lacked until now.

## **Dealers close to the final customer**

Each client SME is in contact with a Fountain dealer who is located nearby and provides all the services that customers expect.

This means that each customer is allocated to a sales team, that visits it every four or five weeks to ensure the quality and continuity of the "beverages" service in the company. These vendors help customer select products according to

their tastes and expectations. They also deliver the consumables, propose new products and seasonal promotions, and determine any maintenance requirements for the machine. In other words, they establish and guarantee a long-term, dynamic and personalised relationship with each client.

It is the individualised nature of this relationship that explains customers' exceptional loyalty to the Fountain concept.

These customer sales teams are totally independent of the prospecting teams that visit target companies. These are offered the best solution for their needs in the light of the number of potential consumers (employees, customers, visitors), their individual tastes and any special requirements concerning the installation of the machine. The same prospecting teams also install the machine on site.

Dealers receive constant support from the Fountain Group.

### Fountain fine-tunes its marketing strategy



Pr Jean-Pierre Baeyens

Faced with changing beverage consumption habits in professional environments, Fountain has set up a working group to fine-tune its strategic positioning.

Led by Pascale Wuillaume, the team works closely with Professor Jean-Pierre Baeyens, who holds the marketing chair at Solvay Business School (Brussels) and Natacha Beaumont, a consultant at the same school.

Listening closely to what its dealer network is telling it enables Fountain to fine-tune its marketing strategies.

Each dealer is linked to the Fountain Group by a distribution contract signed with the importing company, to which the Group has granted exclusive brand licence rights for the particular country. These companies are responsible for recruiting, motivating and managing their own networks of regional dealers, and for adapting Group strategies to reflect the specific needs of their national markets.

In those markets in which Fountain already has a solid presence, these importing companies take the form of subsidiaries. Elsewhere, responsibility for different countries lies with independent companies which have signed exclusive licence contracts with the Group.

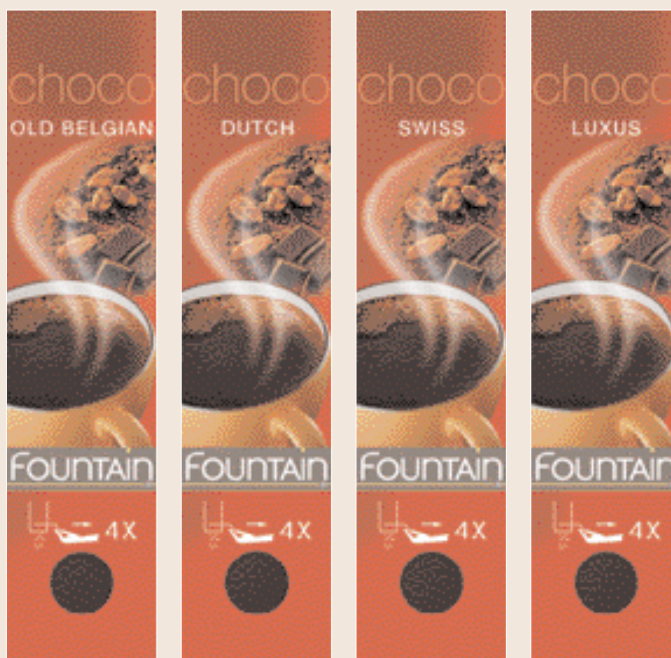
To support these dealers the Group founded, in 2003, together with the company *Mercury International*, a "Fountain

Academy" for training local dealers. Through these training modules, the Fountain Group will be looking to extend the "best practices" to every person representing Fountain to the Group's target group.

### **Stronger identity, greater visibility**

The results of a quality survey undertaken in 2003 have led Fountain to bring its visual communication in line with the excellent image it enjoys amongst its clients for service and quality. The result is a new graphics charter defined in cooperation with the "d/g" design agency belonging to the *Desgrippes Gobé* group.

Fountain's global image has been associated from the outset with the values of service, quality, closeness, ease of use and personalization. Fountain's new visual identity echoes these values by a choice of warmer, more "trendy", colours and by a stronger exposition of its trademark. The new, dynamic logo



is accompanied by the "Service First" base line. An unambiguous commitment!

In response to the very large range of beverages on offer (different types of coffee, tea, chocolate, soups, cold drinks, etc.) it was necessary to facilitate the identification of each of these drinks. This has led Fountain to totally redefine the packaging of its product cartridges. A set of simple and comprehensible colour codes, clearly tied to their ingredients, has been selected. The graphics have been simplified in order to make the product indications (type of beverage, taste, dosage) clearer and more legible.

Today the layout of the packaging is as appetising as the products themselves.

Fountain beverages distributors now have a sober, modern and ergonomic look, enabling them to be integrated as har-

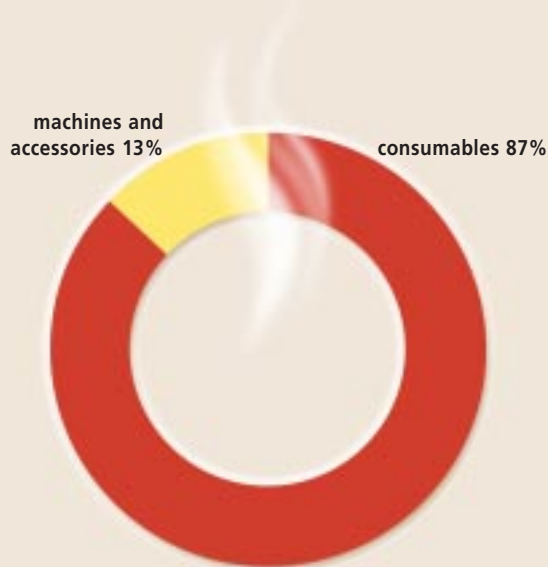
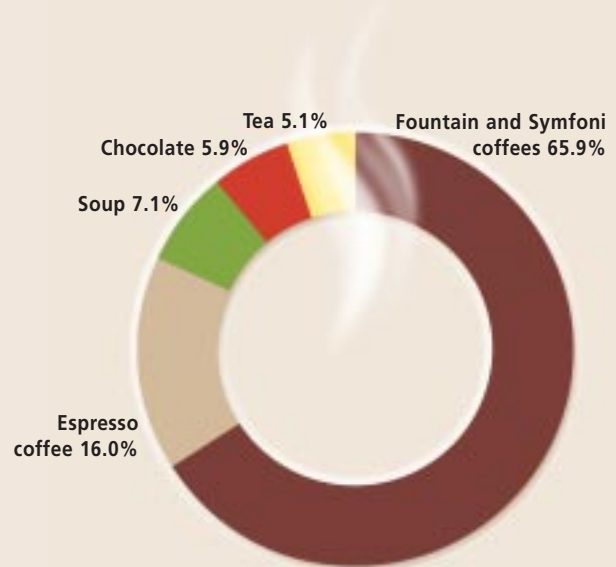
moniously as possible into the customer's environment and avoiding any confusion of image with the newly designed product cartridges.

To ensure the unity and coherence of the Group's image, the full range of visual supports, including institutional documents, product data sheets, accessories, Internet sites, exhibition stands, signing and delivery vans, will gradually be brought into line. The new specifications are available to every dealer through the Group Intranet site.

This step, based on a desire for clarity and simplicity, has also led the Group to change its name from "Fountain Industries Europe SA" to "Fountain SA".

The qualitative market study in 2003 of existing clients is being followed in 2004 by a strategic quantitative study of prospects undertaken in cooperation with *Solvay Business School* (Brussels).



Product salesConsumables products sales

### Distribution agreement between *illycaffè* and Fountain

As part of the Group's support to its dealers, Fountain also signed in March 2004 a five-year renewable cooperation contract with Italian espresso specialist *illycaffè* to launch a unique project in Belgium and the Netherlands. Together the two groups have designed the ideal machine to enable companies to enjoy a real espresso. The official launch date is September 2004.

Together the two companies are looking to respond to a new and specific need from the business world.

To further expand its range, Fountain was looking for an espresso solution that met its very high quality criteria. In turn, *illycaffè*, which is constantly looking for new opportunities and innovative solutions, is recognized as the espresso specialist. It is found in the best

restaurants and cafés, but also in the homes of aficionados of true Italian espresso. The Fountain Group is the ideal partner to extend *illy's* success into the world of business users.

An espresso is not just any old coffee. Preparing it calls for real skill. A true espresso stands out with its rich taste and strong and unique aroma, which makes drinking it always unique moment. Such coffee calls for the ideal combination of a true espresso machine and fresh, high quality coffee which has been ground and dosed in ideal conditions.

The "Fountain Espresso" machine is specially conceived to offer the quality of a true espresso in an office environment,

whilst remaining easy to use. It is designed to take individual coffee doses specifically produced by *illycaffè*. The result is an espresso prepared according to the rules of the art.

*illycaffè* produces these individual capsules of 100%





arabica coffee packed in high quality filter paper, which are particularly easy to use and guarantee a perfect espresso. They contain the precise quantity of coffee, ground just as it should be, presented in an individual freshness wrapping bearing the Fountain logo.

### **A simplified, transparent structure**

The entire network of dealers and independent licensees is now serviced from a single logistics platform in Maubeuge (North of France). This platform is managed by *Fountain Distribution Center*, a European Economic Interest Grouping (EEIG) which is a 100% subsidiary of the Group. The result is better real time stock management, a reduction in the number of articles carried and lower average stock levels.

The activities of *Fountain Scandinavia A/S*, the Danish importing company which used to service Scandinavian dealers out of Copenhagen, have been relocated to Braine l'Alleud. Each

of these dealers can now benefit from the advantages of the centralized logistics platform.

The Group continued in 2003 to review operating processes at its production plants in order to improve its economic performance. The Braine l'Alleud (Belgium) plant has been equipped with a new, high-precision automated cartridge filling system, enabling it to minimize product losses during the production. The machine manufacturing plant at Reydon (Suffolk, England) has adapted its production processes in order to minimize its set-up costs. Today it smoothes its production over larger batches, and no longer produces on a just-in-time basis based on firm orders.

Finally the Dutch companies which owned the Group's trade marks have been merged into a single entity '*Fountain Netherlands Holding BV*'.





# The Fountain range

**In 2003 Fountain set out to help its network respond even better to its customers' needs and to maximise its service, with an extended range of products and dispensers. 2004 will be marked essentially by the launch of a range of cold drinks, plus in Belgium and the Netherlands a "top-of-the-line" espresso solution.**

## **The range of hot drinks**

With the exception of its espresso solutions, Fountain has opted for soluble beverages packed in cartridges. Clean and easy to handle, they guarantee constant quality at any time of the day.

As a variety of tastes is only to be expected, the unique conception of Fountain dispensers and cartridges allow complete customization of the beverages. Each consumer can determine the exact dosage and composition of his or her beverages.

To meet the specific tastes of each of its markets, Fountain dispensers offer a range of forty different flavours of coffee, from espresso to decaffeinated, including mokas and dessert coffees. Coffee represents three out of every four cups of Fountain beverages.

These coffees are organised into four distinct families: highly

roasted coffees like Roma or Premium Blend (recognisable by their dark brown packaging), medium coffees like Moka Orena or Moka Classic (with their medium brown packaging) and finally lightly roasted coffees like the Dessert (with their light brown packaging). Each of these families offers both "Premier" and "Classic" coffees.

The range is rounded off by a number of pre-prepared coffees (identifiable by the beige packaging) like Wiener Kaffee, Cappuccino, Mokaccino or Cafe Latte.

To these Fountain coffees must be added the Nespresso Professional solution (France and Luxembourg), and starting this year, the *illycaffè* solution (Belgium and the Netherlands). In this way Fountain ready to take full advantage of the strong growth in the espresso segment.

One original feature of the Fountain concept is the way companies can enjoy various types of delicious coffee from a





unique system and a simple machine. They can also offer a cup of tea, chocolate or soup quickly and without fuss.

Hot chocolate fans will delight in a choice of four chocolates of varied provenance, Dutch, Swiss, Luxus and Old Belgian. Others will be more easily tempted by a natural tea (Nature, Saveur or Darjeeling), a lemon or mint tea or by a fruit drink (summer fruits, blackcurrant or orange).

Fountain soups, recognisable by the green packaging, can satisfy even the most difficult, including those who are concerned about their weight. Ten different recipes are available, including tomato, vegetable, chicken, minestrone, bouillon, asparagus, and mushroom. Eight of them, which meet low-fat standards, are easily identifiable by a new "low fat" symbol.

The pleasure of these special moments would be incomplete without the "Petits Plus" or little extras to go with the hot

drinks: croûtons for soup, chocolate squares, chocolate-coated almonds and biscuits for tea and coffee. For certain dealers these extras represent more than 20% of their customers' average "basket".

Every year Fountain takes advantage of the various throughout the year to increase the number of "product" events at its customers' premises. These one-off operations, which are possible only with a dealer network that is close to its clients, enliven those "Fountain moments" and instil a new dynamism into sales staffs. All such sales campaigns are dreamed up, decided and developed by the corporate marketing department in close cooperation with the national sales managers.





## Cold drinks

Fountain is launching a totally new range of cold drinks, in response to a growing demand for refreshing beverages and to offset the fall in consumption of hot beverages during the hot summer months.

This range of six drinks is aimed at customers who have cold water at their place of work in the form either of water containers, cold water distribution systems, or simply bottles of mineral water in a refrigerator.

The range is based on traditional drinks like peach juice (Ice Peach Tea), orange juice (Ice Orange) or lemon tea (Ice Lemon Tea), but also includes more original drinks like a blackcurrant-based drink (Ice Blackcurrant), a chocolate drink (Ice Chocolate) and a cappuccino frappé (Ice Cappuccino).

The cold beverages are easy recognisable in their blue packaging with a image of the product recalling the freshness of iced drinks.

These drinks are aimed in the first place at existing customers. At a later date they will be presented to SME/SMLs who are not yet Fountain customers.



# Simple, practical machines

**Fountain's dispensing machines are specially adapted to small companies with under 20 employees. The new "Fountain Espresso" anticipates changing market tastes. Dealers are regularly involved in designing the future dispenser range.**

In 2003 Fountain dispensers received a facelift to match the redesigned cartridges and the new Group visual identity. Today they present themselves as a coherent range of machines, the "Silver Line", identifiable by their metallic silver finish. This line includes, in the same metallic silver finish, the "Classic", the "Premier", and a new "Creamy" offering also a whipped coffee.

Rounding off this main range are the Tempo, the Cremezzo and the Ottimo.

The Ottimo, offering whipped coffee, cappuccino and chocolate. It is aimed primarily at clients, like our many hairdressing clients, wishing to offer their visitors a hot drink in a trendy environment.

The Cremezzo remains the solution for our largest customers who want a frothy coffee without having to forego the other Fountain beverages.

The Tempo is the entry model.

The Nespresso Professional machines distributed by the Fountain Group use individual capsules of fresh ground coffee. In 2004 this range of dispensers will be extended, for Belgian and Dutch customers, with the new "Fountain





Espresso" developed under the new agreement with *illycaffè*. This easy-to-use dispenser, in conjunction with illy's individual capsules, makes it possible to enjoy a true Italian espresso. These espresso machines are intended primarily for meeting rooms and management offices.

Over 30 years, Fountain has developed an active park of over 160,000 hot drink dispensers. It is the millions of cups dispensed daily by these machines that guarantees the profitability of the Group's activities. This is why, although machine sales represent only a small portion of turnover (13% in 2003), the Group pays them special attention.

The range of beverages dispensed responds to the evolving needs of different markets. SMEs and departments of bigger companies generally opt for manual dispensers with cartridges, whilst larger entities prefer larger, automatic machines ("Table Top"), at times with coin operating units.

The current "Table Top" range, distributed in Benelux under the Symfoni trade name, is aimed at SME/SMIs with 15 to 25

employees. It is made up of three automatic machines capable of serving up to eight different beverages (starting from coffee and chocolate).

Dealers are making sure that customers obtain maximum satisfaction from their Fountain beverage dispensers. Following on a pilot project in the Paris region, Fountain is generalizing its preventive maintenance approach in order to diminish downtime and reduce the cost of use for the client.

The dealer network, which is regularly consulted, is regularly consulted on strategic choices concerning the development of the future range of machines. What is very clear is that, apart from price and reliability, modularity is a must: end customers want to be able to grow in size without having to forego their Fountain service.



# Auditor's report

## AUDITOR'S REPORT FOR THE CONSOLIDATED FINANCIAL STATEMENT YEAR ENDED 31 DECEMBER 2003 PRESENTED TO THE ORDINARY GENERAL MEETING OF SHAREHOLDERS OF 1 JUNE 2004. FOUNTAIN SA.

Ladies and Gentlemen,

In accordance with the applicable laws and legal regulations, we have the honour of submitting you our report relating to the auditing assignment for which we were appointed.

This auditing assignment only concerns the auditing of the consolidated accounts.

We have performed an audit of the consolidated accounts year ended 31 December 2003 which were drawn up under the responsibility of the Board of Directors of the company, with a total balance amounting to EUR 43,954,390.27 on the afore-mentioned date and the statement of income showing a loss of EUR 693,659.88 EUR for the fiscal year.

The annual accounts of the companies which are included in the consolidation have been audited by other auditors and, in the case of companies with registered offices abroad, by qualified external auditors whose competence and independence were verified. We have based our audit on their statements.

We have also checked the management report concerning the consolidated accounts.

## DECLARATION WITHOUT RESERVATIONS ABOUT THE CONSOLIDATED ACCOUNTS.

Our audit was conducted in accordance with the standards of the Belgian Institut des Réviseurs d'Entreprises (Auditor's Institute). These professional standards require that we organise and perform the audit in such a manner that we have reasonable certainty that the consolidated statements do not contain any significant inaccuracies in accordance with the laws and legal regulations applicable in Belgium. In accordance with these standards, we have focused on the internal audit as well as the organisation of the consolidated entity, and this has been done from an accounting as well as from an administrative point of view.

We received the necessary explanations and information that were required to perform our audit. We performed spot checks to verify that the amounts mentioned in the consolidated statements were justified.

We assessed the validity of the valuation rules, the consolidation rules and the significant accounting estimates that the company has performed. In addition, we also verified the presentation of the consolidated statements as a whole.

We believe that our activities as well as the activities of our counterparts who have audited the accounts of the subsidiary companies, provide a reasonable basis for the expression of our opinion.

Based on our audits and the reports of our counterparts, it is our opinion that the consolidated statements year ended 31 December 2003 give a accurate presentation of the company assets, of the financial situation and of the results of the consolidated entity and that they are in accordance with the laws and legal regulations applicable in Belgium. It is also our opinion that the information included in the appendices is adequate.

## ADDITIONAL DECLARATION

The following declaration complements our certified report, however; it is without prejudice to the scope of our declaration relative to the consolidated financial statements:

The part of the management report relative to the consolidated statements includes the information required by law and is in compliance with the consolidated accounts.

Done at Ixelles (1050 Brussels) on May 14, 2004.

B.S.T. Réviseurs d'Entreprises, represented by Pascale TYTGAT, Company auditor

# Consolidated annual accounts 2003

2003

## 1. BALANCE SHEET (AFTER APPROPRIATION)

### ASSETS

(in thousands EUR)	note	2003	2002	2001
<b>FIXED ASSETS</b>		<b>25,813</b>	<b>30,967</b>	<b>33,204</b>
<b>I. Formation expenses</b>	(1)	<b>154</b>	<b>235</b>	<b>325</b>
<b>II. Intangible fixed assets</b>	(2)	<b>7,810</b>	<b>9,191</b>	<b>10,569</b>
<b>III. Positive consolidation differences</b>	(3)	<b>14,457</b>	<b>17,429</b>	<b>17,823</b>
<b>IV. Tangible fixed assets</b>		<b>2,785</b>	<b>3,497</b>	<b>4,069</b>
A. Land and buildings		105	110	445
B. Plant, machinery, equipment		859	1,264	1,340
C. Furniture, vehicles		622	791	959
D. Assets under leasing contracts		913	1,102	733
E. Other tangible assets		286	222	233
F. Fixed assets under construction, advance payments		0	8	359
<b>V. Financial fixed assets</b>		<b>606</b>	<b>614</b>	<b>419</b>
A. Companies at equity		141	143	1
1. Shares		141	143	1
2. Receivables		0	0	0
B. Other companies		465	471	418
1. Shares	(4)	150	168	150
2. Receivables		315	303	268
<b>CURRENT ASSETS</b>		<b>18,142</b>	<b>19,789</b>	<b>19,647</b>
<b>VI. Amounts receivable after one year</b>		<b>51</b>	<b>204</b>	<b>42</b>
A. Trade debtors		1	2	6
B. Other amounts receivable		50	202	36
<b>VII. Stocks and orders in progress</b>	(5)	<b>4,685</b>	<b>5,905</b>	<b>5,406</b>
A. Stocks		4,685	5,905	5,406
1. Raw material		1,139	1,447	1,288
2. Work in progress		230	453	608
3. Finished goods		1,695	2,377	2,010
4. Goods for resale		1,619	1,627	1,500
5. Real estate property for resale		0	0	0
6. Advance payments		2	1	1
B. Contracts and orders in process		0	0	0
<b>VIII. Amounts receivable within one year</b>		<b>8,083</b>	<b>8,468</b>	<b>8,810</b>
A. Trade debtors	(6)	6,370	7,002	7,191
B. Other amounts receivable		1,713	1,466	1,618
<b>IX. Investments</b>		<b>377</b>	<b>331</b>	<b>638</b>
A. Own shares	(7)	0	0	0
B. Other investments and deposits		377	331	638
<b>X. Cash at bank and in hand</b>	(8)	<b>4,501</b>	<b>4,531</b>	<b>4,475</b>
<b>XI. Deferred charges, accrued income</b>		<b>445</b>	<b>349</b>	<b>276</b>
<b>TOTAL ASSETS</b>		<b>43,954</b>	<b>50,755</b>	<b>52,851</b>

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

## LIABILITIES

(in thousands EUR)	note	2003	2002	2001
<b>CAPITAL AND RESERVES</b>		<b>21,052</b>	<b>22,562</b>	<b>23,883</b>
<b>I. Capital</b>		<b>26,160</b>	<b>26,160</b>	<b>26,160</b>
A. Issued capital	(1)	26,160	26,160	26,160
B. Uncalled capital		0	0	0
<b>II. Share premium account</b>		<b>32</b>	<b>32</b>	<b>32</b>
<b>III. Revaluation surpluses</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>IV. Consolidation reserves</b>	(2)	<b>(5,042)</b>	<b>(3,638)</b>	<b>(2,423)</b>
<b>V. Negative consolidation differences</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>VI. Translation differences</b>		<b>(98)</b>	<b>8</b>	<b>114</b>
<b>VII. Investment grants</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>MINORITY INTERESTS</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>VIII. Minority interests</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>PROVISIONS &amp; DEFERRED TAXES</b>		<b>322</b>	<b>373</b>	<b>325</b>
<b>IX.A. Provisions for liabilities and charges</b>		<b>124</b>	<b>153</b>	<b>308</b>
1. Pensions and similar obligations		24	0	0
2. Taxation		0	0	0
3. Major repairs and upkeep		0	0	0
4. Other liabilities and charges		100	153	308
<b>IX.B. Deferred taxes</b>		<b>198</b>	<b>220</b>	<b>17</b>
<b>CREDITORS</b>		<b>22,581</b>	<b>27,820</b>	<b>28,643</b>
<b>X. Amounts payable after one year</b>		<b>8,630</b>	<b>12,173</b>	<b>14,433</b>
A. Financial debts	(3)	8,581	12,173	14,381
1. Subordinated loans		0	0	0
2. Unsubordinated long-term bonds		0	0	0
3. Leasing and similar obligations		909	1 068	934
4. Credit institutions		7,592	11,098	13,416
5. Other loans		80	7	30
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		49	0	52
<b>XI. Amounts payable within one year</b>		<b>13,526</b>	<b>15,142</b>	<b>13,788</b>
A. Current portion of LT debts	(4)	3,751	4,903	3,930
B. Financial debts payable within one year		577	356	392
1. Credit institutions		577	356	392
2. Other loans		0	0	0
C. Trade debts		5,101	4,990	6,700
1. Suppliers		5,101	4,990	6,700
2. Bills of exchange payable		0	0	0
D. Advance payments on orders		0	0	0
E. Amounts payable in taxes, remuneration and social		3,261	3,928	2,360
1. Taxes		1,895	2,634	1,066
2. Remuneration and social security		1,365	1,294	1,295
F. Other amounts payable within one year	(5)	837	966	405
<b>XII. Accrued charges, deferred income</b>		<b>425</b>	<b>505</b>	<b>421</b>
<b>TOTAL LIABILITIES</b>		<b>43,954</b>	<b>50,755</b>	<b>52,851</b>

## 2. PROFIT &amp; LOSS ACCOUNT

(in thousands EUR)	note	2003	2002	2001
<b>I. OPERATING INCOME</b>	(1)	<b>48,474</b>	<b>49,175</b>	<b>47,509</b>
A. Net Sales turnover	(2)	48,448	48,222	46,249
B. Increase/(decrease) in work and orders in progress and finished goods	(3)	(426)	245	701
C. Capitalised production	(4)	196	122	208
D. Other operating income		256	587	350
<b>II. OPERATING CHARGES</b>		<b>43,107</b>	<b>43,678</b>	<b>44,281</b>
A. Supplies and goods		21,761	22,186	21,114
1. Purchases		21,179	22,444	21,871
2. Variations of stocks (increase -)		582	(258)	(757)
B. Services and other goods	(5)	8,202	7,619	8,361
C. Remunerations, social security and pensions	(6)	9,646	10,362	10,765
D. Depreciation and other amounts written off fixed assets (+ depreciation allowance)	(7)	2,877	3,198	2,933
E. Amounts written off stocks and trade debtors (+ depreciation allowance)	(8)	276	87	676
F. Provisions for liabilities and charges (+depreciation allowance)	(9)	(36)	(386)	64
G. Other operating charges		381	612	368
H. Reorganisation costs carried on the assets		0	0	0
<b>III. OPERATING PROFIT (LOSS)</b>		<b>5,367</b>	<b>5,497</b>	<b>3,228</b>
<b>IV. FINANCIAL INCOME</b>		<b>305</b>	<b>139</b>	<b>284</b>
A. Income from financial fixed assets		3	1	3
B. Income from current assets		22	43	119
C. Other financial income	(10)	280	95	163
<b>V. FINANCIAL CHARGES</b>		<b>4,333</b>	<b>4,236</b>	<b>4,192</b>
A. Interest and other debt charges		839	990	1,093
B. Amounts written off positive consolidation differences	(11)	3,056	3,045	2,793
C. Amounts written off on consolidation differences other than under II.E (+ depreciation allowance)		0	0	39
D. Other financial charges	(12)	438	201	267
<b>VI. CURRENT PROFIT (CURRENT LOSS)</b>		<b>1,339</b>	<b>1,400</b>	<b>(680)</b>
<b>VII. EXTRAORDINARY INCOME</b>		<b>186</b>	<b>1,132</b>	<b>684</b>
A. Adjustments to amounts written off intangible and tangible fixed assets		0	9	0
B. Adjustments to amounts written off consolidation differences		0	0	0
C. Adjustments to amounts written off financial fixed assets		0	69	91
D. Adjustments to provisions for extraordinary liabilities and charges		12	105	59
E. Gain on disposal of fixed assets	(13)	44	918	463
F. Other extraordinary income	(14)	130	31	72

(in thousands EUR)	note	2003	2002	2001
<b>VIII. EXTRAORDINARY CHARGES</b>		<b>498</b>	<b>262</b>	<b>799</b>
A. Extraordinary depreciation and amounts written off tangible and intangible fixed assets 3		1	143	
B. Extraordinary depreciation on positive consolidation differences		0	0	0
C. Amounts written off financial fixed assets		20	7	91
D. Provisions for extraordinary liabilities and charges		0	0	81
E. Loss on disposal of fixed assets		54	43	5
F. Other extraordinary charges		421	213	479
G. Reorganisation costs carried on the assets		0	0	0
H. Taking into account of negative consolidation differences (15)		0	0	0
<b>IX. PROFIT (LOSS) BEFORE TAXATION</b>		<b>1,027</b>	<b>2,270</b>	<b>(795)</b>
<b>X.A. TRANSFERS TO DEFERRED TAXES AND LATENT TAXATION LIABILITIES</b>		<b>718</b>	<b>46</b>	<b>62</b>
<b>X.B. TRANSFERS FROM DEFERRED TAXES AND LATENT TAXATION LIABILITIES</b>		<b>(261)</b>	<b>(201)</b>	<b>(40)</b>
<b>XI. INCOME TAXES</b>		<b>(2,181)</b>	<b>(2,813)</b>	<b>(1,429)</b>
A. Income taxes (16)		(2,186)	(2,911)	(1,433)
B. Adjustments of income taxes and write-back of tax provisions		5	98	4
<b>XII. PROFIT (LOSS) FOR THE PERIOD</b>		<b>(696)</b>	<b>(698)</b>	<b>(2,202)</b>
<b>XIII. SHARE IN RESULT OF COMPANIES AT EQUITY</b>		<b>3</b>	<b>0</b>	<b>(44)</b>
A. Profit		3	1	0
B. Loss		0	(1)	(44)
<b>XIV. CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD</b>		<b>(694)</b>	<b>(697)</b>	<b>(2,245)</b>
A. Minority interests (17)		0	0	0
B. Group		(694)	(697)	(2,245)

# General comments

## 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).

These differences arise from an economic and commercial valuation by companies acquired rather than valuation on the basis of transferred net assets alone.

The entry in the accounts of the various goodwill items, without modifying the operational profitability of the activities acquired, has an immediate adverse impact on the consolidated results through the inclusion of their depreciation. The more so because, for reasons of caution the Group has opted for their rapid straight-line depreciation over ten years.

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

The significance of these annual depreciation charges also explains the relative significance of the taxation charges for the year, as the great majority are not included in the calculation of these charges.

In preparation for the change-over to the IAS (IFRS) rules planned for the year 2005, the Group has introduced an annual procedure of assessment of the residual value of its goodwill items (a procedure called "impairment test") in order to define, within each Group company, if the recording of associated write-downs is necessary.

## COMMENTS ON THE MAIN HEADINGS OF THE CONSOLIDATED ANNUAL ACCOUNTS

### ASSET

**Note 1 :** Since 2000, "Formation expenses" include restructuring costs related to the reorganisation of the French network and the resulting acquisitions of businesses during 2000 and 2001. € 12,442 of formation expenses were recorded in 2003 and relate to the setting up of the EEIG Fountain Distribution Center.

**Note 2 :** "Intangible fixed assets" contain goodwill on trademarks and patents, businesses acquired from third parties and capitalized research and development expenses.

The first two types of intangible fixed assets are depreciated on a straight-line basis over 10 years given their permanent nature, whilst the latter are depreciated according to their expected life, for example 5 years for machines developed within the group.

At 31 December 2003, the cumulative acquisition value of goodwill on brands and trade marks was € 12,546 K and their net book value was € 5,051 K (-18.3%). The cumulative acquisition value of businesses acquired from third parties stood at € 4,097 K (+0.6%) and their net book value at € 2,415 K (-15.3%).

During 2003, the acquisition value of brands and patents increased by € 166 K and that of businesses acquired from third parties decreased by € 25 K. An additional € 246 K of R&D expenses were also capitalised.

**Note 3 :** "Positive consolidation differences" of € 14,457 K at 31 December 2003 represent the goodwill paid 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 related activities. This amount did not increase in 2003 (see note 4).

**Note 4 :** No acquisitions took place during 2003 to increase "financial fixed assets". € 18 K was written off the participation in the German distribution company G.M.S.

**Note 5 :** "Stock" items manufactured by the Group are identified in the consolidated accounts as Finished Goods, after deduction of their inter-group margin, whereas they are entered as Purchased "Goods for resale" in the unconsolidated accounts of the various Group companies.

The decrease in stocks from December 2002 to December 2003, amounting to € 1,220 K, stems essentially from the reduction of work in progress and of finished goods at the English plant (€ 905 K). The impact that the growth (+32%) of the Nespresso Professional activity ought to have had on stock levels has been offset by the favourable effect of the regrouping of logistics for Benelux on the central distribution platform.

**Note 6 :** The 9% reduction in "Trade debt receivable within one year", despite increased sales, stems essentially from stronger debt recovery measures at dealer companies.

**Note 7 :** No "Own shares" purchase plan was undertaken in 2003.

**Note 8 :** At € 4,501 K, "Cash at bank and in hand" stands at a similar level to previous year-ends.

## LIABILITIES

**Note 1 :** "Capital" is represented by 1,615,960 shares. Each share carries the same rights.

A history of the capital is presented in the section on the corporate accounts of Fountain S.A. (page 52)

In addition to these shares, the various warrant plans in force at 31 December 2003 (plans B, D and E) relate to 148,801 allotted warrants. These entitle their holders to subscribe in future to 98,965 new additional shares, the balance being no longer exercisable owing to the departure of their beneficiaries. 33,300 of these 98,965 warrants will still be definitively vested by their beneficiaries in 2004 and 2005.

**Note 2 :** "Consolidated reserves" decreased by the Group's share in the net accounting loss for 2003 (€ 694 K) and the dividends due in respect of 2003 (€ 711 K).

**Note 3 :** "Financial debts payable after one year" decreased by € 3,592 K), in line with the repayment schedule for the Group's main borrowings. The bank financing relating to the acquisition in 2001 of the French companies in the Fodis group was totally repaid in 2003.

**Note 4 :** The decrease in "Current portion of long-term debts" is explained largely by the complete repayment of the financing for the acquisition of the Fodis companies.

**Note 5 :** "Debts to suppliers" increased by 2%, essentially owing to increased production of dispensing machines during the final months of 2003.

**Note 6 :** The sharp fall in "Taxes" is explained mainly by the lowering of the tax rate in Belgium, and by the taxation in 2002 of a significant amount of extraordinary income in 2002.

**Note 7 :** "Other amounts payable within one year" remained at the same level as in previous years. This item includes the dividends payable in respect of 2003 (€ 711 K).

## INCOME STATEMENT

**Note 1 :** The consolidation of Fountain Distribution Center EEIG, which has solely an internal group function, does not affect the consolidated accounts

**Note 2 :** Despite the continuing lack of economic vitality in Fountain's SME-SMI customer market, consolidated sales turnover increased by 0.5% to EUR 48.5 million. Significant growth was achieved in the espresso segment in France (+ 32%). Sales of hot beverages suffered in 2003 from an exceptionally hot spring and summer.

**Note 3 :** "Decreases in work and contracts in progress and finished products" reflects lower stocks at the English subsidiary Fountain Manufacturing Ltd., which manufactures beverage dispensers.

**Note 4 :** "Capitalised production" relates to machines (hot beverage dispensers) produced by the company and then loaned to certain clients.

**Note 5 :** The € 583 K increase in "Services and other goods" relates essentially to the outsourcing of certain administrative and logistics functions. This item should be analysed in conjunction with the decrease in remuneration charges (see note 6).

**Note 6 :** The € 716 K reduction in "Remuneration" (- 6.9%) compared with 2002 is explained by the lower average headcount and the outsourcing of certain administrative and logistic functions.

**Note 7 :** The € 321 K reduction in "Depreciation charges" (-10%) is explained in particular by the lower depreciation charges on the new cartridge production lines at Braine l'Alleud owing to the application of the degressive (diminishing balance) method.

**Note 8 :** "Write-downs" recorded in 2003 are higher than in 2002, but are still 2.5 times less than in 2001.

**Note 9 :** "Provisions for liabilities and charges" closed on a net reversal of € 19K following the writing back of provisions for social security and technical charges which were no longer justified.

**Note 10 :** "Other financial income" corresponds to foreign exchange profits and positive translation differences.

**Note 11 :** Depreciation of "Positive consolidation differences" amounts to € 3,056 K, similar to the figure for the previous year.

**Note 12 :** "Other financial charges" corresponds to foreign exchange losses and translation differences.

**Note 13 :** "Gains on the disposal of fixed assets" consist in 2003 essentially of gains on the sale of vehicles (€ 44 K). These gains are encouraged by the policy of financing through finance leasing.

**Note 14 :** "Other extraordinary income" amounting to € 130 K consists mainly of the reversal of a provision set up for the destruction of second hand machines held by distribution subsidiaries. These should be analysed in the light of the corresponding extraordinary destruction charges recorded under "Other extraordinary charges (see note 15).

**Note 15 :** "Other extraordinary charges" amounting to € 412 K consist mainly of the actual costs of destroying second-hand machines (€ 271 K), for which provisions had previously been set up, as well as redundancy indemnities (€ 137 K).

**Note 16 :** The consolidated tax charge for 2003 amounts to € 2,186 K on a profit before taxation of € 1,027 K. This situation results from (i) the fact that goodwill depreciation charges (€ 3,056 K) do not enter into the tax calculation, (ii) the negative taxable income reported by certain group companies of € 1,151 K in 2003, and (iii) the reduction of the average tax rate for Belgian companies that has been in effect since 2003. This latter item alone represents an estimated € 250 K of taxes.

## CHANGE TO I.F.R.S. STANDARDS

Since the beginning of 2003, Fountain has been preparing to switch to the I.F.R.S. (I.A.S.) standards so as to be ready, from 2005 onwards, to publish its financial information in conformity with this new European accounting regulation.

The Group would like nonetheless to draw the attention of its shareholders and of the readers of its annual reports to what are in its view two important characteristics of these IFRS standards.

First of all the fact that the new standards are more suited to groups that are larger and more complex than Fountain.

Secondly that they can introduce a volatility into earnings that many shareholders and readers are not yet prepared or trained for.

To help these persons to an optimal understanding of the financial information presented from 2005 onwards, the Group will insert in its next year's annual report (for 2004) a summary memorandum identifying the different effects that the shift to IFRS standards has on the consolidated accounts.

In this way it will be possible to compare the financial data for 2004 presented both according to Belgian standards (which will still apply for this financial year) and according to IFRS standards.

# Appendices to the 2003 consolidated accounts

## SCOPE OF CONSOLIDATION

All companies in which the Group holds a controlling interest, which is the case when it holds more than 50% of the capital, are fully consolidated. Companies in which the Group holds a significant participation, but without having a majority interest, are proportionally consolidated.

Two companies changed name in the course of 2003. These are Fountain Industries Europe SA, which has become Fountain SA (decision of the Ordinary General Meeting of 26 May 2003) and Fountain Industries Benelux SA, which has become Fountain International SA to reflect the widening of its territorial responsibility, which now covers all countries other than France.

Compared with 2002, the scope of consolidation has been modified by various transactions:

- (i) the liquidation of Fountain Deutschland GmbH having been pronounced, the company is no longer included in the scope of consolidation;
- (ii) the merger of the Dutch companies Fountain Marketing & Research BV and Sy-Ra Netherlands Holding BV into Fountain Netherlands Holding BV, all 100% owned by the Group, became effective on 1 January 2003. This merger does not affect the consolidated data for the year;
- (iii) the formation of Fountain Distribution Center EEIG by its partners Fountain Industries France SA and Fountain International SA, effective on 1 January 2003. As all its functions are internal to the group, this new company has not had any impact on the consolidated data for the year.

Companies in which the Group has only a marginally significant shareholding or whose contribution to the Group is not material are not consolidated. In 2003 these were:

- (i) Fountain Consumer Appliances Ltd, based at Coonoor; in India, in which the Group has a 17.98% shareholding (down 4.31% since 2002);
- (ii) G.M.S. (Getränke Mit System) GmbH, based at Muggensturm, in Germany, in which the Group has taken a 30% shareholding, with an option to sell to the majority shareholders;
- (iii) Fountain Gothenburg A/S, based at Göteborg, in Sweden, in which the Group has had a 20% shareholding since 2001, with an option to sell to the majority shareholders;
- (iv) Fountain Sud SARL, based in southern France. This company is not currently trading. The Group owns 100% of the shares. The liquidation of Fountain Distribution Gulf Ltd, based in Cyprus, which was not previously consolidated and in which the Group held 50%, was pronounced during 2003.

## CONSOLIDATION CRITERIA

For 2003 and the reference years, the consolidation has been undertaken in EUR.

The results are balanced after appropriations and withdrawals.

The inter-company accounts existing between Group companies are excluded from the consolidated accounts. Any dividends between Group 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 that this method can create between supply charges (and hence the gross margin) and financial charges are corrected on consolidation, where they are of material significance.

Positive consolidation differences posted to assets are depreciated using the straight-line method over 10 years, as any goodwill appropriated to intangible fixed assets (trademarks, patents and businesses, 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 and – unless specified otherwise – consistent 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.

Under the new provisions of Belgian tax legislation, acquisitions are depreciated pro rata temporis. This is calculated as from the month following acquisition.

### Formation expense

They are depreciated over five years at most.

### Intangible fixed assets

These are valued at their acquisition cost, including their incidental costs of acquisition. Intangible fixed assets acquired from third parties are depreciated according to the straight-line method over their probable duration of use.

# Annexes aux comptes annuels consolidés de 2003

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 shown as assets, 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.

R&D costs relate by definition to development costs.

To be capitalised, R&D costs must be clearly distinguishable, must relate to an entire generation of machines or consumables and must significantly affect 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 asset**

These are valued at their acquisition cost and depreciated "pro rata temporis".

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 according to 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 shown as assets and depreciated according to the straight-line method over three years, "pro rata temporis"

## **Leasing and similar contracts**

The user's rights to which the Group is entitled by virtue of leasing or similar contracts (Royale 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, including incidental costs of acquisition, 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.

By decision of the Board of Management in 2002, the consolidation differences on new holdings are calculated taking account of the prior integration of their incidental expenses at their acquisition 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 constant price. This elimination of margins on stocks is corrected in the taxation of the financial year.

The value of stocks is written off according to 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**

This concerns 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. The latter is checked regularly and adjusted if necessary on the basis of the actual direct labour measured.

## **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 taken as costs and favourable conversion differences are considered income to be carried forward

### Review of important litigation

A judgement was pronounced in 2003 against the Group in an old commercial dispute between the Group and a former French distributor. As the Group has decided to appeal this decision, and as the estimated risk is limited, no provision has been charged against 2003 results. The Group was not involved in any other significant litigation during 2003.

### 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.

Although no problems have been experienced with the Ottimo machines requiring the Group to draw on the lump-sum additional technical reserve which was set up in 2002, this provision has been kept in the books.

### Warrants and stock option plans

The warrant plans outstanding at the end of 2003 initially entitled their holders to subscribe to 148,801 shares. 44,400 were allocated under plan B, 60,001 under plan E and 44,400 under plan D. The balance of 14,256 warrants which was not allocated by 1 January 2002 is deemed to be void. In addition, Plan C, it may be recalled, was cancelled during financial year 2000.

At 31 December 2003, 14,800 Plan B warrants and 39,765 plan D warrants had been definitively acquired by their beneficiaries. The balance of the plan B and plan D warrants cannot no longer be acquired after that date. Finally, 11,000 plan E warrants were definitively acquired at the end of 2003. Of the remaining plan E warrants, 14,800 should be acquired during 2004 and 18,500 during 2005 and 2006.

## LIST OF DIRECTORS AND AUDITORS

(in alphabetical order)		Began on	Ends on
<b>DIRECTORS</b>			
Mr Jean DUCROUX		24 March 1999	30 May 2005
Mr Alain ENGLEBERT, General Secretary	(independent)	24 March 1999	30 May 2005
Mr Regnier HAEGELSTEEN		24 March 1999	30 May 2005
Mr Bruno LAMBERT		24 March 1999	30 May 2005
Mr Paul LIPPENS	(independent)	24 March 1999	30 May 2005
Mr Philippe RENIE		24 March 1999	30 May 2005
Mr Philippe SEVIN		24 March 1999	30 May 2005
Mr Pierre VERMAUT, Chairman	(independent)	24 March 1999	30 May 2005
S.A. Cytinvest, represented by Mr Michel DELLOYE		28 March 2000	30 May 2005
<b>AUDITORS</b>			
Linnet & Partners SCPRL (corporate accounts) represented by Mr Michel LINET		14 April 1997	30 May 2005
BST, Réviseurs d'Entreprises SCPRL (consolidated accounts) represented by Mrs Pascale TYTGAT		1 April 1998	28 May 2007

## LIST OF GROUP'S COMPANIES

	Address	Country	Share in the capital	Change in % of capital compared to 2002
<b>1. Companies consolidated globally</b>				
Axxor International SA	Avenue de l'Artisanat 13, B-1420 Braine-l'Alleud	Belgium	100.00%	-
Davamat NV	Eeklostraat 81, B-9971 Lembeke	Belgium	100.00%	-
FODIS SAS	Rue Joseph Le Brix, ZA de Mescoden, F-29260 Ploudaniel	France	100.00%	-
Fountain SA (1)	Avenue de l'Artisanat 17, B-1420 Braine-l'Alleud	Belgium	100.00%	-
Fountain Coffee Systems Finland OY	Pakilantie 61, SF-00660 Helsinki	Finland	100.00%	-
Fountain CS, s.r.o.	Hudcova 78, CR-61200 Brno	Czech Republic	100.00%	-
Fountain Danmark A/S	Hammerholmen 18E, DK-2650 Hvidovre (Copenhagen)	Denmark	100.00%	-
Fountain Distribution Center EEIG	Bld de la Libération 6, F-93200 Saint Denis (Paris)	France	100.00%	+100.00%
Fountain Industries France SAS	Bld de la Libération 6, F-93200 Saint Denis (Paris)	France	100.00%	-
Fountain Industries U.K. Ltd	Reydon Business Park, IP18 6DH Reydon Southwold, Suffolk	United Kingdom	100.00%	-
Fountain International SA (2)	Avenue de l'Artisanat 17, B-1420 Braine-l'Alleud	Belgium	100.00%	-
Fountain Manufacturing Ltd	Reydon Business Park, IP18 6DH Reydon Southwold, Suffolk	United Kingdom	100.00%	-
Fountain Netherlands Holding BV	Baronielaan 139, NL-4818 PD Breda	Pays-Bas	100.00%	-
Fountain Scandinavia A/S	Hammerholmen 18E, DK-2650 Hvidovre (Copenhagen)	Denmark	100.00%	-
FountainBrand International NV	Kaya Richard, J. Beaujon z/n, Curaçao	Dutsh West Indies	100.00%	-
NewCaffè (France) SAS	Bld de la Libération 6, F-93200 Saint Denis (Paris)	France	100.00%	-
NewCaffè Importateur SAS	Bld de la Libération 6, F-93200 Saint Denis (Paris)	France	100.00%	-
Sy-Ra International Holding NV	Kaya Richard, J. Beaujon z/n, Curaçao	Dutsh West Indies	100.00%	-
Symfoni UK Ltd	Reydon Business Park, IP18 6DH Reydon Southwold, Suffolk	United Kingdom	100.00%	-
<b>2. Proportionally consolidated companies</b>				
Fountain Soleil SAS	Roland Garros 165, F-34130 Mauguio (Montpellier)	France	50.00%	-
Slodadis SAS	Chemin de Saint Marc 51-53, F-06530 Pleymeinade (Grasse)	France	50.00%	-
<b>3. Companies at equity</b>				
Davamat-Fountain BVBA	Eeklostraat 81, B-9971 Lembeke	Belgium	100.00%	-
<b>4. Companies not consolidated</b>				
Fountain Consumer Appliances Ltd	Belmont, Upashi Road, Coonoor, 643101 Nilgiris	India	17.98%	-4.31%
Fountain Gothenburg A/S	Box 15, S-43321 Partille	Sweden	20.00%	-
Fountain Sud (France) SARL	ZA les Ferrailles, Route de Caumont, F-84800 Isle sur la Sorgue	France	100.00%	-
Getränke Mit System (GMS) GmbH	Vogesenstrasse 41, D-76461 Muggensturm	Germany	30.00%	-

(1) Previously Fountain Industries Europe SA. Became Fountain SA following the decision of the Extraordinary General Meeting of 26 May 2003.

(2) Previously Fountain Industries Benelux SA. This company changed its name at the end of December 2003 in preparation of the extension of its company purpose to all territories apart from France.

## VII. BREAKDOWN OF FORMATION EXPENSES

(in EUR)	2003	2002
<b>Net book value at end of previous year</b>	<b>234,575.24</b>	<b>234,575.24</b>
New expenses incurred during the financial year	12,441.77	
Depreciation allowance	(91,186.26)	
Translation differences		
Other transfers	(1,695.05)	
<b>Book value at the end of the financial year</b>	<b>154,135.70</b>	<b>234,575.24</b>
Of which reorganisation costs	143,717.44	
Of which costs of incorporation, capital increase, note issuing costs, etc.	10,418.26	

## VIII. BREAKDOWN OF INTANGIBLE FIXED ASSETS

(in EUR)	Costs of R&D	Patents, licences etc.	Goodwill
<b>Acquisition cost</b>			
At the end of the previous financial year	406,671.39	12,380,000.72	4,121,360.76
Acquisitions in the financial year	257,014.48	188,412.13	0
Transfers and withdrawals in the financial year	(10,671.82)	(21,993.66)	(22,500.00)
Transfers of headings	0	0	0
Translation differences during the financial year	0	(148.21)	(2,356.78)
Other movements during the financial year	0	0	0.05
At the end of the financial year	653,014.05	12,546,270.98	4,096,504.03
<b>Depreciations and amounts written off</b>			
At the end of the previous financial year	249,035.45	6,197,020.22	1,270,607.06
Amortisation expenses in the financial year	60,302.53	1,320,236.43	411,572.32
Cancelled owing to sale or shutdown	0	(21,993.66)	0
Transfers of headings	0	0	0
Translation differences	0	(148.21)	(411.15)
Other movements during the financial year	0	0.31	0
At the end of the financial year	309,338.50	7,495,115.09	1,681,768.23
<b>Net book value at the end of the financial year</b>	<b>343,675.55</b>	<b>5,051,155.89</b>	<b>2,414,735.80</b>

## IX. BREAKDOWN OF TANGIBLE FIXED ASSETS

(in EUR)	Land and buildings	Plant, machinery, equipment	Furniture vehicles	Assets under leasing contracts	Others	Fixed asset course of construction
<b>Acquisition value</b>						
At the end of the previous financial year	127,516.39	5,033,443.79	4,161,782.64	2,030,223.42	694,932.05	8,418.80
Acquisitions in the financial year	13,816.65	58,405.13	137,828.69	113,711.02	117,826.77	
Transfers and withdrawals of the financial year	(4,625.40)	(365,644.80) (27.44)	(355,582.90) (43,811.22)	(100,688.70) 43,811.22		(8,418.80)
Transfers of headings		(139,323.26)	(39,518.92)	(109.39)	4,625.40 (2,378.66)	
Translation differences		0.61	(10,085.49)			
Au terme de l'exercice	136,707.66	4,586,854.03	3,850,612.79	2,086,947.57	815,005.56	0.00
<b>Plus-values</b>						
At the end of the previous financial year						
Other movements during the financial year						
At the end of the financial year						
<b>Depreciation and amounts written off</b>						
At the end of the previous financial year	17,691.90 9,177.34	3,769,449.26 422,974.92	3,370,414.05 217,369.40	928,252.21 291,329.72	473,039.40 55,367.23	0.00
Taken back as surplus						
Cancelled owing to sale or shutdown		(359,164.09)	(274,011.36)	(82,439.25)		
Transfers of headings	4,824.53	(1,078.81)	(41,936.44)	37,238.20	925.08	
Translation differences during the financial year		(104,788.70)	(33,504.28)	(43.20)	(241.11)	
Other movements during the financial year			(10,083.89)			
At the end of the financial year	31,693.77	3,727,392.58	3,228,247.48	1,174,336.98	529,091.00	0.00
<b>Net book value at the end of the financial year</b>						
	<b>105,013.89</b>	<b>859,461.45</b>	<b>622,365.31</b>	<b>912,610.59</b>	<b>285,914.56</b>	<b>0.00</b>
Of which land and buildings				535,790.73		
Of which plant, machinery, equipment				249,514.40		
Of which furniture, vehicles				127,305.46		

## X. BREAKDOWN OF FINANCIAL FIXED ASSETS

(in EUR)	Companies at equity	Other companies
<b>Participations</b>		
<b>Acquisition cost</b>		
At the end of the previous financial year	142,566.47	191,851.18
Acquisition during the financial year		17,451.00
Transfers of headings		(17,451.43)
Translation differences during the financial year		(63.67)
At the end of the financial year	142,566.47	191,787.08
<b>Write-downs</b>		
At the end of the previous financial year	0.00	23,733.56
Depreciation expenses in the financial year		18,680.99
Written back as superfluous		(422.71)
Transfers of headings		
Translation differences during the financial year		(41.24)
At the end of the financial year	0.00	41,930.66
<b>Variations in capital of companies at equity</b>		
Share in the result for financial year	2,647.18	
Autres types de variation des capitaux propres	(4,114.77)	
<b>Net book value at the end of the financial year</b>	<b>141,098.88</b>	<b>168,117.62</b>
<b>Claims and guarantees</b>		
<b>Net book value at the end of the previous financial year</b>	<b>0.00</b>	<b>303,128.70</b>
Additions during the financial year		43,679.50
Repayments during the financial year		(13,333.64)
Write-downs enacted		(899.57)
Write-downs returned		
Conversion differences		(2,603.00)
Other movements specific to the financial year		(14,631.97)
<b>Net book value at the end of the financial year</b>	<b>0.00</b>	<b>315,340.02</b>
<b>Write-downs accumulated on claims at the end of the financial year</b>	<b>0.00</b>	<b>899.57</b>

## XI. BREAKDOWN OF CONSOLIDATED RESERVES

(In EUR)	2003	2002	2001
<b>Consolidated reserves at the end of the previous financial year</b>	<b>(3,637,455.21)</b>	<b>(2,423,027.05)</b>	<b>865,551.68</b>
Results of the financial year	(693,659.88)	(697,321.26)	(2,245,239.28)
Dividends in the financial year			
Cancellation of own shares	(711,022.40)	(517,107.20)	
Cancellation of own shares			(1,043,339.45)
Other movements	(0.20)	0.30	
<b>Consolidated reserves at the end of the financial year</b>	<b>(5,042,137.69)</b>	<b>(3,637,455.21)</b>	<b>(2,423,027.05)</b>

## XII. BREAKDOWN OF CONSOLIDATED GOODWILL

(In EUR)	Positive	Negative
<b>Net book value at the end of the previous financial year</b>	<b>17,429,339.45</b>	<b>0.00</b>
Acquisition difference in the financial year		83,444.69
Transfers in the financial year		
Depreciation in the financial year	(3,055,452.89)	
Other variations during the financial year		
<b>Net book value at end of financial year</b>	<b>14,457,331.25</b>	<b>0.00</b>

## XIII. BREAKDOWN OF DEBTS

(In EUR)	Payable within 1 year	Payable between 1 and 5 years	Payable after 5 years	with real guarantees
<b>Financial debts</b>	<b>3,751,319.56</b>	<b>8,581,163.76</b>	<b>0.00</b>	<b>2,897,794.77</b>
Subordinated loans				
Unsubordinated long-term bonds				
Leasing	5,671.30	908,975.47		914,646.77
Credit institutions	3,754,648.26	7,592,377.92		1,983,148.00
Other liabilities		79,810.37		
<b>Other debts</b>	<b>0.00</b>	<b>48,560.87</b>	<b>0.00</b>	<b>0.00</b>
<b>Total</b>	<b>3,751,319.56</b>	<b>8,629,724.63</b>	<b>0.00</b>	<b>2,897,794.77</b>

## XIV.A. GROUP AGGREGATE NET SALES TURNOVER IN BELGIUM

(in EUR)	2003	2002	2001	2000
Aggregate sales turnover realised in Belgium	8,535,789.00	9,253,423.58	10,414,983.44	10,122,142.72

## XIV.B. BREAKDOWN OF AVERAGE STAFF MEMBERS AND PERSONNEL EXPENSES

	2003	2002	2001	2000
<b>Average staff members</b> (full-time equivalent)				
<b>Average staff of fully consolidated companies</b>	<b>242</b>	<b>261</b>	<b>266</b>	<b>203</b>
Executives	16	27	29	29
Employees	206	171	178	115
Workmen	20	63	59	59
<b>Average staff of proportionally consolidated companies</b>	<b>10</b>	<b>9</b>	<b>10</b>	<b>0</b>
Executives	0	0	1	0
Employees	9	8	8	0
Workmen	1	1	1	0
<b>Average staff members in Belgium</b>	<b>64</b>	<b>68</b>	<b>68</b>	<b>68</b>
<b>Personnel expenses</b> (in EUR)				
<b>Personnel expenses of fully consolidated companies</b>				
Remuneration and social security	9,197,986.96	9,951,075.21	10,301,661.60	7,635,152.29
Pensions	94,525.20	95,807.93	120,611.05	110,950.28
<b>Personnel expenses of proportionally consolidated companies</b>				
Remuneration and social security	353,379.16	315,303.62	343,118.35	0.00
Pensions	0.00	0.00	0.00	0.00

## XIV.C. EXTRAORDINARY RESULTS

(in EUR)	2003	2002	2001	2000
<b>Other extraordinary result</b>	<b>(291,137.67)</b>	<b>(181,848.52)</b>	<b>(407,293.28)</b>	<b>(100,207.48)</b>
<b>Other extraordinary income</b>	<b>130,433.14</b>	<b>30,759.00</b>	<b>71,751.64</b>	<b>279,121.96</b>
Recovery of insurance amounts			56,214.99	
Recovery of accrued charges for secondhand machine destruction	119,557.00	16,435.04		
Transfer of activities				239,513.96
Other extraordinary income	10,876.14	14,435.04	15,536.65	39,608.00
<b>Other extraordinary charges</b>	<b>421,570.81</b>	<b>212,607.52</b>	<b>479,044.92</b>	<b>379,329.44</b>
Network restructuring charges			398,198.61	273,185.61
Actual charges for secondhand machine destruction	271,189.00	101,306.52		
Other extraordinary charges	150,381.81	111,301.00	80,846.31	106,143.83

## XIV.D. TAXES ON PROFITS

(in EUR)	2003	2002	2001	2000
<b>Influence of extraordinary results on the amount of taxes on profits for the year</b>	<b>(105,872.64)</b>	<b>330,511.08</b>	<b>(43,744.11)</b>	<b>(40,611.97)</b>

## XV. CONTINGENT RIGHTS AND COMMITMENTS

(in EUR)	2003	2002	2001	2000
<b>Personal guarantees built up or irrevocably promised as debt collateral</b>	<b>4,060,187.00</b>	<b>4,209,959.00</b>	<b>1,003,152.00</b>	<b>0.00</b>
<b>Real guarantees built up or irrevocably promised by the Group on its assets</b>	<b>27,404.00</b>	<b>79,955.00</b>	<b>36,656.00</b>	<b>3,718.40</b>
for the benefit of consolidated commercial companies	12,395.00	12,395.00	12,395.00	3,718.40
for the benefit of credit institutions	15,009.00	67,560.00	24,261.00	0.00
<b>Property owned by third parties in their name but at the benefit and risk of the Group if off balance sheet</b>	<b>642,988.00</b>	<b>722,848.00</b>	<b>886,409.00</b>	<b>0.00</b>
<b>Commitments for sale of fixed assets</b>	<b>184,863.00</b>	<b>30,045.00</b>	<b>31,340.00</b>	<b>0.00</b>
<b>Commitments of fixed asset acquisitions</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>19 130.86</b>
<b>Rights resulting from transactions relating to acquisition of companies</b>	<b>1,939,848.00</b>	<b>1,982,253.00</b>	<b>2,230,205.00</b>	<b>2,230,205.00</b>
<b>Commitments resulting from transactions relating to stock option plans</b>	<b>N/V</b>	<b>N/V</b>	<b>N/V</b>	<b>N/V</b>
	98,965 warrants	106,885 warrants	103,665 warrants	104,401 warrants

## XVI. RELATIONS WITH AFFILIATED COMPANIES

(in EUR)	2003	2002	2001	2000
<b>With affiliated companies</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Receivables after one year	0.00	0.00	0.00	0.00
Receivables within one year	0.00	0.00	0.00	0.00
<b>With companies in which the Group owns a share but which are not consolidated</b>	<b>149,856.42</b>	<b>251,010.37</b>	<b>150,553.12</b>	<b>168,255.97</b>
Shares	149,856.42	168,117.59	150,398.34	143,829.41
Receivables after one year	0.00	0.00	0.00	0.00
Receivables within one year	0.00	82,892.78	154.78	24,426.56

## XVII. FINANCIAL RELATIONS WITH THE DIRECTORS OF THE CONSOLIDATING COMPANY

(in EUR)	2003	2002	2001
<b>Total remuneration for service</b>	<b>147,742.00</b>	<b>151,154.00</b>	<b>574,023.00</b>
<b>Total advances and credits granted by the consolidating company or a subsidiary</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

## CONSOLIDATED CASH-FLOW STATEMENT

(in EUR)	2003	2002	2001	2000
<b>OPERATING TRANSACTIONS</b>				
Cash flow	5,142	4,263	3,865	5,288
Variation in working capital needs (- increase)	874	(226)	(992)	(1,913)
<b>Operating cash flow</b>	<b>6,016</b>	<b>4,037</b>	<b>2,873</b>	<b>3,374</b>
<b>INVESTMENT TRANSACTIONS</b>				
Acquisitions of intangible fixed assets (-)	(458)	(302)	(1,852)	(2,876)
Acquisitions of tangible fixed assets (-)	(342)	(1,105)	(1,720)	(817)
Acquisitions of financial fixed assets (-)	(101)	(3,183)	(1,958)	(158)
New loans granted (-)	(44)	(113)	(197)	(65)
Transfers of intangible fixed assets (+)	11	164	114	0
Transfers of tangible fixed assets (+)	129	2,017	1,615	122
Transfers of financial fixed assets (+)	0	0	0	3
Repayment of loans granted (+)	13	34	1,150	11
<b>Investment cash flow</b>	<b>(792)</b>	<b>(2,488)</b>	<b>(2,848)</b>	<b>(3,781)</b>
<b>FINANCING TRANSACTIONS</b>				
Net variations in loans contracted (+ increase)	(4,191)	(2,360)	(351)	232
Dividends paid out (-)	(517)		(718)	(665)
<b>Financing cash flow</b>	<b>(4,708)</b>	<b>(2,360)</b>	<b>(1,069)</b>	<b>(433)</b>
<b>CASH FLOW VARIATION</b>	<b>516</b>	<b>(811)</b>	<b>(1,044)</b>	<b>(839)</b>
<b>CHECK WITH THE CASH ACCOUNTS</b>				
<b>Opening balance</b>	<b>4,862</b>	<b>5,113</b>	<b>7,055</b>	<b>7,624</b>
Cash flow variation	516	(811)	(1,044)	(839)
Depreciation and amounts written off investments	0	0	(114)	(39)
Translation differences (+ favourable)	(18)	(23)	24	1
Perimeter variations (+ favourable)	(514)	583	(808)	309
<b>Closing balance</b>	<b>4,878</b>	<b>4,863</b>	<b>5,113</b>	<b>7,055</b>

# Corporate annual accounts 2003 (Abbreviated)

2003

## 1. BALANCE SHEET (AFTER APPROPRIATION)

(in thousands EUR)	2003	2002	2001
<b>FIXED ASSETS</b>	<b>55,865</b>	<b>55,469</b>	<b>52,823</b>
I. Formation expenses	0	0	0
II. Intangible fixed assets	608	395	480
III. Tangible fixed assets	1,599	1,841	2,324
IV. Financial fixed assets	53,658	53,233	50,019
<b>CURRENT ASSETS</b>	<b>4,335</b>	<b>7,095</b>	<b>9,132</b>
V. Amounts receivable after one year	0	0	0
VI. Stocks and contracts in progress	795	933	1,219
VII. Amounts receivable within one year	3,310	5,872	5,944
VIII. Investments	0	0	0
IX. Cash at bank and in hand	147	225	1,933
X. Deferred charges, accrued income	83	65	36
<b>TOTAL ASSETS</b>	<b>60,200</b>	<b>62,564</b>	<b>61,955</b>

(in thousands EUR)	2003	2002	2001
<b>CAPITAL AND RESERVES</b>	<b>37,610</b>	<b>35,936</b>	<b>34,390</b>
I. Capital	26,160	26,160	26,160
II. Share premium account	32	32	32
III. Revaluation surpluses	0	0	0
IV. Reserves	4,836	4,732	4,355
V. Accumulated profits	6,582	5,013	3,843
VI. Investment grants	0	0	0
<b>PROVISIONS, DEFERRED TAXES</b>	<b>218</b>	<b>266</b>	<b>148</b>
VII.A. Provisions for liabilities and charges	64	104	131
VII.B. Deferred taxes	154	162	17
<b>CREDITORS</b>	<b>22,372</b>	<b>26,362</b>	<b>27,417</b>
VIII. Amounts payable after one year	13,259	16,699	18,005
IX. Amounts payable within one year	9,020	9,584	9,270
X. Accrued charges, deferred income	93	79	142
<b>TOTAL LIABILITIES</b>	<b>60,200</b>	<b>62,564</b>	<b>61,955</b>

The corporate annual accounts of Fountain SA for financial year 2003 are shown abbreviated 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 these corporate accounts of Fountain SA.

## 2. CORPORATE PROFIT & LOSS ACCOUNT

(in thousands EUR,)	2003	2002	2001
<b>I. OPERATING INCOME</b>	<b>15,341</b>	<b>18,017</b>	<b>19,730</b>
A. Net sales turnover	15,256	17,665	19,536
B. Increase (+), decrease (-) in stocks of finished goods and contracts in progress	(85)	151	(53)
C. Non-performing income	0	0	0
D. Other operating income	171	201	247
<b>II. OPERATING CHARGES</b>	<b>12,017</b>	<b>14,661</b>	<b>15,571</b>
A. Raw materials, consumables and goods for resale	8,077	10,222	11,167
B. Services and other goods	1,820	2,241	2,213
C. Remunerations, social security costs and pensions	1,490	1,392	1,570
D. Depreciation and write-downs on fixed assets (+ allowance)	566	763	533
E. Depreciation and write-downs on stocks and receivables (+ allowance)	58	(4)	(15)
F. Increase (+), decrease (-) in provisions for liabilities and charges	(32)	12	70
G. Other operating charges (-)	38	35	33
<b>III. OPERATING PROFIT (+), LOSS (-)</b>	<b>3,324</b>	<b>3,356</b>	<b>4,159</b>
<b>IV. Financial income</b>	<b>1,076</b>	<b>345</b>	<b>410</b>
<b>V. Financial charges</b>	<b>(1,199)</b>	<b>(1,185)</b>	<b>(1,238)</b>
<b>VI. PROFIT (+), LOSS (-) ON OPERATION</b>	<b>3,201</b>	<b>2,516</b>	<b>3,331</b>
<b>VII. Extraordinary income</b>	<b>15</b>	<b>827</b>	<b>90</b>
<b>VIII. Extraordinary charges</b>	<b>(5)</b>	<b>(101)</b>	<b>(132)</b>
<b>IX. PROFIT (+), LOSS (-) BEFORE TAXES</b>	<b>3,211</b>	<b>3,242</b>	<b>3,289</b>
<b>IX.bis Transfers to/from deferred taxes</b>	<b>8</b>	<b>(136)</b>	<b>3</b>
<b>X. Income taxes</b>	<b>(834)</b>	<b>(1,034)</b>	<b>(863)</b>
<b>XI. PROFIT (+), LOSS (-) FOR THE PERIOD</b>	<b>2,385</b>	<b>2,071</b>	<b>2,429</b>
<b>XII. Transfer from immune reserves</b>	<b>15</b>	<b>(297)</b>	<b>4</b>
<b>XIII. PROFIT (+), LOSS (-) FOR THE PERIOD TO BE APPROPRIATED</b>	<b>2,400</b>	<b>1,775</b>	<b>2,433</b>
A. Transfer to the legal reserve	(120)	(89)	(122)
B. Transfer to other reserves	0	0	0
C. Dividends	(711)	(517)	0
D. Retained earnings	(6,581)	(5,012)	(3,843)

### 3. REVIEW OF CAPITAL

		Number shares	Total number shares	Amount of capital	
<b>A. CAPITAL SOUSCRIT</b>					
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
	Split of shares; 125 new for 1 old	0	4,000	1,250,000	BEF
15 February 1995	Capital increase	1,328,000	1,332,000	416,250,000	BEF
19 December 1997	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>B. UN-SUBSCRIBED AUTHORISED CAPITAL</b>					
Extraordinary General Meeting of 24 March 1999 confirmed by the Extraordinary General Meeting on 28 May 2001				7,436,806	EUR

### 4. SECURITIES PORTFOLIO

	Number of shares held	Percentage participation	Equity on 31 December 2003(*)	2003 Results
Axxor International SA	1,249	99.92%	850,853 EUR	324,169 EUR
Davamat NV	899	99.89%	901,101 EUR	366,255 EUR
Davamat-Fountain BVBA	749	99.87%	141,806 EUR	806 EUR
Fountain CS, spol s.r.o.	Non Défini	100.00%	5,093,000 CZK	(325,000) CZK
Fountain Industries France SAS	1	0.09%	7,151,698 EUR	317,650 EUR
Fountain International SA	1	0.08%	1,583,832 EUR	436,874 EUR
Fountain Netherlands Holding BV	60,000	100.00%	22,617,958 EUR	607,699 EUR
NewCaffè (France) SAS	4,999	99.98%	113,718 EUR	200,798 EUR
NewCaffè Importateur SAS	2,997	99.90%	903,344 EUR	175,350 EUR

(\*) Any dividends in respect of 2003 are not deducted from the equity of the companies concerned.

# Notes

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# Notes

## Fountain importing companies

### Fountain International SA

(Before Fountain Industries Benelux SA)

Avenue de l'Artisanat 17,  
B-1420 Braine-l'Alleud,  
Belgium

### Fountain Industries France SAS

Boulevard de la Libération 6,  
F-93200 Saint-Denis, France

### Fountain Industries UK Ltd

Reydon Business Park,  
Reydon Southwold, Suffolk  
IP18 6DH, United Kingdom

### Fountain CS, spol s.r.o.

Hudcova 78, CR-612 00  
Brno, Tchéquie

### NewCaffè Importateur SAS

Boulevard de la Libération 6,  
F-93200 Saint-Denis, France

### Axxor International SA

Avenue de l'Artisanat 13,  
B-1420 Braine-l'Alleud,  
Belgique

## Fountain production site

### Fountain SA

(précédemment Fountain Industries Europe SA)

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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