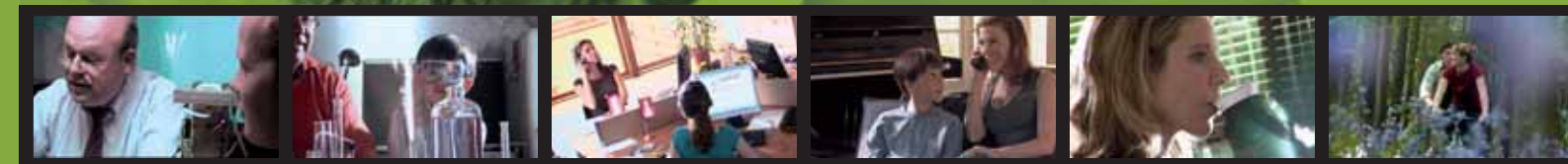


# contents

Fountain – ANNUAL REPORT 2006



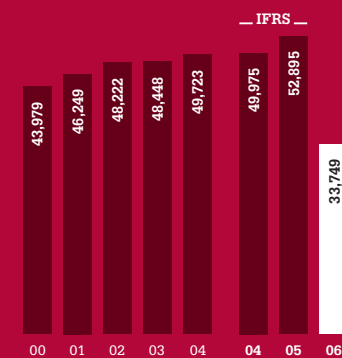
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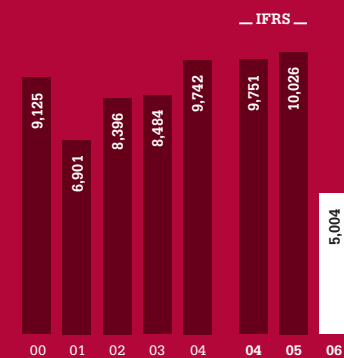
key figures	
profile	1
president's message	2
ceo's message	3
management and corporate governance	5
management report	9
products and services... a global approach	13
personnel and distributors an effective network	19
financial report	23
consolidated annual accounts	25
descriptive data and compliance report	32
appendices to the 2006 consolidated accounts	32
corporate annual accounts (abbreviated version)	54

# key figures

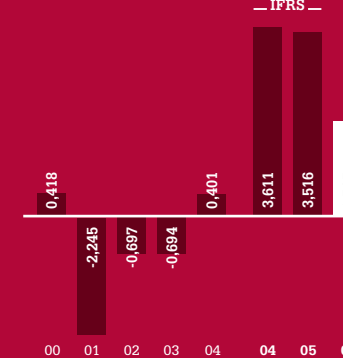
CONSOLIDATED SALES TURNOVER (in € millions)



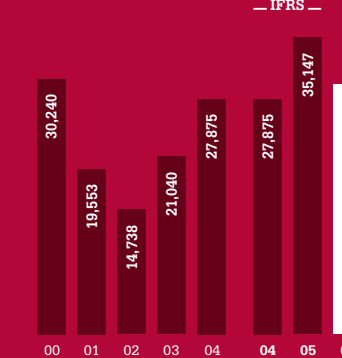
CONSOLIDATED OPERATING CASH-FLOW (in € millions)



CONSOLIDATED PROFIT AFTER TAXES (in € millions)



CAPITALISATION (in € millions)



## CONSOLIDATED MAIN FIGURES (IN EUR MILLION)

	06 IFRS	05 IFRS	04 IFRS	2004	2003	2002	2001	2000
Sales turnover	33.749	52.895	49.975	49.723	48.448	48.222	46.249	43.979
Operating cash-flow (EBITDA) <sup>(1)</sup>	5.004	10.026	9.751	9.742	8.484	8.396	6.901	9.125
Operating profit (EBIT) <sup>(2)</sup>	0.376	5.767	5.994	7.857	6.929	7.061	4.732	8.110
Financial results	-0.625	-0.635	-0.721	-0.821	-0.973	-1.052	-1.115	-1.049
Extraordinary results	0.000	0.000	0.000	-0.364	-0.311	0.870	-0.115	-0.107
Result before taxes <sup>(3)</sup>	3.396	5.132	5.273	6.672	5.645	6.879	3.502	6.954
Taxes	-1.601	-1.573	-1.655	-2.002	-2.218	-2.968	-1.407	-2.613
Goodwill depreciation <sup>(3)</sup>	-1.991	-2.035	-1.660	-4.713	-4.618	-4.608	-4.340	-3.922
Profit after taxes	1.795	3.516	3.611	0.401	-0.694	-0.697	-2.245	0.418
Net cash-flow	6.404	7.818	7.375	6.555	4.982	5.246	4.264	5.356
Capitalisation on 31 December	29.588	35.147	27.875	27.875	21.040	14.738	19.553	30.240
Equity	25.576	27.236	24.735	20.512	21.052	22.562	23.883	27.107
Net debt	7.033	2.953	8.470	8.250	8.031	12.569	13.942	11.119
Enterprise value (EV)	36.621	38.100	36.345	36.125	29.071	27.307	33.495	41.359

(1) Result before depreciation, write-downs, interest and interest expenses, exchange rate gains (or losses) and before restructurings (closings and reorganisations of + EUR 2.914 K in 2006, - EUR 476 K in 2005).  
 (2) Excluding goodwill depreciation till 2004, included from 2004 IFRS.  
 (3) Including trademarks, acquired businesses, and consolidation differences till 2004, without consolidation differences since 2004 IFRS.

## SALES TURNOVER BREAKDOWN PER MARKET (EXCLUDING ROYALTIES)

	2006	2005	2004	2003	2002	2001
France	51.9%	65.9%	62.2%	58.1%	54.3%	53.1%
Benelux	37.5%	26.8%	28.5%	29.5%	32.8%	29.6%
Scandinavia	6.1%	4.0%	3.8%	5.6%	5.6%	5.9%
United Kingdom	1.6%	1.4%	1.1%	1.3%	1.7%	2.2%
Rest of the World	2.9%	1.9%	4.3%	5.5%	5.6%	9.2%

## KEY FIGURES PER SHARE AND FINANCIAL RATIOS

	06 IFRS	05 IFRS	04 IFRS	2004	2003	2002	2001
Equity per share	15.827	16.854	15.307	12.693	13.468	13.962	14.779
Enterprise value per share	22.662	23.577	22.491	22.355	17.990	16.898	20.728
Operating cash-flow per share	3.097	6.204	6.034	6.029	5.250	5.196	4.271
Net profit per share	1.111	2.176	2.235	0.248	-0.429	-0.432	-1.389
Net cash-flow per share	3.963	4.838	4.564	4.057	3.083	3.246	2.639
Price earning ratio (PER)	x 16.48	x 10.00	x 7.72	x 69.45	-x 30.32	-x 21.13	-x 8.71
Capitalisation on Equity	115.7%	129.0%	112.7%	135.9%	99.9%	65.3%	81.9%
Capitalisation on EBITDA	x 5.91	x 3.51	x 2.86	x 2.86	x 2.48	x 1.76	x 2.83
Enterprise value on EBITDA	x 7.32	x 3.80	x 3.73	x 3.71	x 3.43	x 3.25	x 4.85

## NUMBER OF SHARES

	2006	2005	2004	2003	2002	2001
Issued shares	1 615 960	1 615 960	1 615 960	1 615 960	1 615 960	1 615 960
Alloted stock options	134 545	134 545	134 545	134 545	90 145	90 145
Warrants still available for exercise	66 485	69 865	76 625	98 965	55 085	58 205
Total	1 682 445	1 685 825	1 692 585	1 714 925	1 671 045	1 674 165

## CAPITALISATION

Year	Capitalisation
1999	52 126 776
2000	30 240 213
2001	19 553 116
2002	14 737 555
2003	21 039 799
2004	27 875 310
2005	35 147 130
2006	29 588 228

## SHAREHOLDING (IN 2006)

(number of shares)	2006	%
SG Capital Europe Fund I,LP	500 844	31.0%
Electra Partner	179 193	11.1%
Quaeroq SCRL	200 036	12.4%
Public	735 887	45.5%

Source: transparency statements received by the company.  
 SG Capital Europe Fund I, LP is a private equity fund based in London.  
 Electra Partners is a French investment fund, a subsidiary of Electra Investment Trust.  
 Quaeroq SCRL is a Belgian investment company.

## PAYMENT ON CAPITAL

	06 IFRS	05 IFRS	04 IFRS	2004	2003	2002	2001
Gross dividend	0.60	0.00	0.60	0.60	0.44	0.32	0.00
Net dividend	0.45	0.00	0.45	0.45	0.33	0.24	0.00
Total gross dividend	969 576	0.00	969 576	969 576	711 022	517 107	0
Total gross dividend on EBITDA	19.38%	0.00%	9.94%	9.95%	8.38%	6.16%	0.00%
Capital reduction		2.00					

## LISTING

Euronext Brussels  
 Primary spot market, double fixing

1.615.960 issued shares  
 134.545 warrants allocated of which 68,060 can no longer be exercised

Code: BE 000 375 2665  
 Euronext code: FOU

Fountain was listed on the Brussels spot primary market in April 1999.

## FINANCIAL AGENDA

Ordinary General Meeting of the Shareholders 2007	29 <sup>th</sup> May 2007 on 10:00
Announcement of half-year results 2007	End August 2007
Announcement of annual results 2006	Mid-March 2008
Ordinary General Meeting 2008	26 May 2008

## FOUNTAIN IMPORTING COMPANIES

**FOUNTAIN INTERNATIONAL S.A.**  
 Avenue de l'Artisanat 17 - B-1420 Braine-l'Alleud - Belgium

**FOUNTAIN 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 PRODUCTION SITE

**FOUNTAIN S.A.**  
 Avenue de l'Artisanat 17 - B-1420 Braine-l'Alleud - Belgium

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 Fax: +32 2/389 08 14  
 www.fountain-group.com

# profile

Each day, over one million regular consumers drink about two million cups of Fountain drinks.

## “DRINK” OFFER FOR BUSINESSES

The Fountain Group offers to professional settings - businesses, sales offices, professional offices, small and medium-sized businesses - a full “drink” service for their clients, visitors and associates. The Fountain offer allows the needs of groups of five to fifty people to be met in a modular manner: Fountain offers them all the necessary items for a complete service: distribution machines, drinks, accessories (cups, stirrers) and related products (individual portion control cups for milk, sugar, chocolate, etc.).

## A WIDE RANGE OF PRODUCTS

Fountain offers a wide range of hot drinks – various kinds of coffee, tea, chocolate, soup – and cold drinks. New kinds are constantly added to this product line, in response to the changes in consumers’ tastes and cravings. Today Fountain’s offer is the most complete with respect to their packaging: capsules, cartridges, packs, etc. They are very carefully packaged to preserve their entire flavour.

## A PERSONAL SERVICE

Clients benefit from the strength and personal approach of a network that offers them the comfort of optimal service. From the installation of machines to their maintenance, and including order delivery, Fountain relies on the efficiency and effectiveness of its network of distributors and subsidiaries, which meet the expectations of the most demanding clients. The quality of service is a key element in Fountain’s development strategy.

## AN INTERNATIONAL GROUP

Founded in 1972, the Fountain Group is present in 28 countries through 26 import companies and over 200 exclusive distributors.

Each day, over one million regular consumers drink about two million cups of Fountain drinks.

Fountain is listed on the Brussels stock exchange (Euronext, code FOU).

Pierre Vermaut  
President



# President's message

Should allow us to increase our operating cash flow by 30% in 2007.

## REDEPLOYMENT

The 2006 results are in line with the management's expectations and forecasts. The year was marked both by the takeoff of an "espresso" type product offer and the implementation of a strategy in response to the conclusions of the Bain firm study launched in 2006.

Launching the partnership with illycaffè, whose products benefit from a high-quality brand image, has given its first satisfactory results. The Group has an exclusive contract for distributing illy products to companies in France, Belgium and the Netherlands.

The first effects of strategy developed with the Bain firm showed in 2006. It relies on three main principles: limit the loss of clients in the Fountain traditional product line; better segment the market to target our efforts towards the clients at the top of our objective; and finally aim at improving our network of distributors in agreement with our ambitions. The goal of this strategy is to have by 2010 an operating cash flow higher than in 2005.

The Fountain added value, in its redeployment wish, lies in the quality of its distribution network and its computer system to effectively accompany sales.

Fountain's external growth, which integrated Fountain Nord in 2006, our most important distributor in France, provides the opportunity to test new market approaches, especially with respect to telesales.

At the end of December, the company was not yet completely debt-free following this acquisition. A significant machine inventory also had to be carried out due to the closure of our English plant. On the other hand, the 2006 operating cash-flow must be interpreted within the framework of this transition year, considering the significant non recurrent costs, as well as the maintenance of significant business strength with the aim of a dynamic re-launching of illy machine sales in 2007.

Let us remember that Fountain returned part of the Nespresso sales to its shareholders. An amount of €2 per share, i.e. over 10% of its value was distributed as part of a decrease in the company's shareholder's equity.

The great challenges that await us in 2007 are therefore to reconstitute a significant client level in the espresso market segment; proactively search for clients at the top of our target; and win big accounts with the new "Rhapsody" machine. Meeting these objectives should allow us to increase our operating cash flow by 30% in 2007.

The Board would like to thank all of Fountain's shareholders and partners for their support and confidence that allow us to build our future with serenity.



Pascal Wuillaume  
CEO

# CEO's message

## OFFER DEVELOPMENT

The past financial year has ended with the announced significant fall in our sales turnover related to the end of our exclusive distribution contract with Nespresso. But the year has also been rich and productive in terms of projects, bringing new dynamism to Fountain's offer.

Our ambitious business "on the road" project, which relies on the Bain firm study, mobilized many of our associates. Executives and employees worked in task groups and focus groups to improve our entire offer and our sales procedures, both with respect to our back office and front office.

The market has become very segmented and the tastes and habits of consumers have changed a lot. Therefore Fountain launched many worksites to reshape its offer, in terms of machines, drinks and service.

Today our new range of machines allows us to respond in a modular fashion to the needs of groups of 5 to 50 people. Our traditional CF4 machine (the "silver line"), which has been Fountain's success since it was launched, will give its place to the "Opera" machine, which has a more contemporary design and is easier to use. The very successful launch in 2006 of our Fountain cup, with a very current design, is part of our very desire to recreate a more dynamic image.

New kinds of drinks, coffee and soups respond to the changes in consumers' cravings. Fountain proposes the most complete product line with respect to their packaging and also meets the new habits of our clients.

The Fountain offer also provides a large, more flexible and personal service.

The successful integration of Fountain Nord is included in this reconciliation strategy.

Our business plan and the partnership with illycaffè will bear their first fruit in 2007. We will focus our efforts on business and direct marketing events.

Today Fountain provides a large and diverse offer, which meets clients' expectations more than ever before. The role of our commercial agents is to communicate their enthusiasm and their faith in our products by making them known to our clients and prospects.

The Management Committee and myself would like to offer our warmest thanks to all of Fountain's agents and distributors for their involvement in these new challenges which they faced with energy and ambition.

A new  
dynamism to  
Fountain's offer.



spirit of openness



# management and corporate governance

## BOARD OF DIRECTORS

**Pierre Vermaut**

President,  
Independent Director

Pierre Vermaut has chaired the Board of Directors of the Fountain Group since February 2000. He is also a corporate officer.

**Jean Ducroux**

Director

Jean Ducroux is President and CEO of Cognetas SA (France) and a corporate officer.

**Alain Englebert**

Independent Director

Alain Englebert is a corporate officer.

**Regnier Haegelsteen**

Independent Director

Regnier Haegelsteen is Managing Director of Banque Degroof (Belgium) and a corporate officer.

**Bruno Lambert**

Director

Bruno Lambert is Director of SG Capital Europe Fund I, LP (London) and a corporate officer.

**Paul Lippens**

Independent Director

Paul Lippens is President of Groupe Sucrier (Belgium) and a corporate officer.

**Philippe Renié**

Director

Philippe Renié is Director of SG Capital Europe Fund I, LP (London) and a corporate officer.

**Philippe Sevin**

Director

Philippe Sevin is Director of SG Capital Europe Fund I, LP (London) and a corporate officer.

The Secretariat of the Board of Directors is carried out by the ICML S.A. corporation, represented by Mr. Alain Englebert.

The Board of Directors met six times in 2006.

The start and end dates of terms are listed in the table on page 39.

Name	Sessions of Board of Directors	Sessions of Audit Committee	Sessions of Nominating/Compensation Committee
P. Vermaut	6	2	1
A. Englebert	6	2	
R. Haegelsteen	5		
P. Lippens	6	2	1
B. Lambert	6	2	1
P. Renié	6		
P. Sevin	5		
J. Ducroux	4		

From left to right:  
Jean-François Buysschaert  
Sorin Mogosan  
Pascal Wullaume  
Franck Hogie  
Michel Malschalck



#### MANAGEMENT COMMITTEE

The Management Committee is not a management entity according to Article 524 bis of the Corporate Code.

##### Pascal Wullaume

CEO, joined the Group in September, 2002

##### Michel Malschalck

CFO, joined the Group in September, 2004

##### Franck Hogie

General Manager, France, joined the Group in February 2000

##### Sorin Mogosan

Purchasing, Production and Technical Manager, joined the Group in 1985

##### Jean-François Buysschaert

Distribution network manager for Belgium and the Netherlands, joined the Group in September 2004

#### CORPORATE GOVERNANCE

The Group complies with the provisions of the Lippens Code, with the exception of divulging individual compensation. In order to respect the privacy of those concerned, individual compensation for the directors and the CEO will not be divulged.

##### Compensation Committee

A Compensation Committee, made up of Mr Pierre Vermaut, Mr Bruno Lambert and Mr Paul Lippens, directors, defines the compensation policy for the members of the Management Committee.

Compensation for the Board of Directors: € 155.943

Compensation for the Management Committee: € 938.180

##### Nominating Committee

A Nominating Committee is included in the Compensation Committee. Its task is to formulate recommendations to the Board of Directors concerning the nomination of directors and of members of the Management Committee.

The Nomination/Compensation Committee met once in 2006.

##### Audit Committee

The Audit Committee, which brings together Mr Pierre Vermaut, Mr Bruno Lambert, Mr Paul Lippens and Mr Alain



Englebert, directors, assists the Board of Directors in carrying out its role of overseeing financial matters, conducting internal and external inspections and adhering to applicable laws and regulations.

It meets at least twice per year to review the semi-annual and annual accounts. A meeting may be called by any one of its members.

The CEO, CFO, external auditors and any member of management or corporate control may be invited to participate in the Audit Committee's meetings.

The Committee met twice during the 2006 fiscal year.

During these meetings, the Audit Committee examined the semi-annual and annual accounts.

#### Internal and External Audit

The Board of Directors' desire for clarity and transparency led it, in light of the large number of subsidiaries within the Group, to implement a two-part external inspection level.

At the local level, each company within the Group is subject to an external audit every six months, to satisfy Belgian legal requirements for a group listed on Euronext. Likewise, at the Group level, the consolidated accounts are reviewed by a

group auditor, the B.S.T. Corporate Auditors, independent from local auditors.

The external inspection carried out by local auditors is completed directly with the financial directors for the countries concerned. The quality of intervention of local auditors is also appreciated by the group auditor, which, for each audit, defines the minimum inspections to be carried out.

The rules of internal control in force within the Fountain Group require the two-signature rule. These powers of signature are most often in the hands of local general directors and their financial directors.

In accordance with the Code of Corporate Governance, the need to create an internal audit position was evaluated during 2005. Given the size of the company and its risk profile, it was decided to entrust the task of internal auditing to the Corporate Finance Department, which, for these specific tasks, will report directly to the Audit Committee.

taste of discovery



# management report

management report of the board of directors to the annual meeting of shareholders, may 29, 2007

Ladies and gentlemen,

We have the honour of presenting to you our management report, including the consolidated and statutory accounts for the Group for the 2006 fiscal year, as well as the annual consolidated accounts closed on 31 December 2006. In addition, we submit for your approval the proposal for allocation of income, as well as the discharge of our mandate for the completed fiscal year.

The consolidated results presented comply with the accounting methods and evaluation criteria set forth by IAS/IFRS standards.

## I. Consolidated income 2006

The Fountain Group's consolidated net income for the 2006 fiscal year amounts, after taxes, to a net income of 1,795 K€, a decrease of 49% as compared with the previous fiscal year (3,516 K€); this income takes into account tax costs of 1.6 million €.

The income for 2006 was notably impacted by recording the capital gain on the discontinuation of Nespresso Professionnel operations in France (4.6 million €), by the expenses related to closing the machine production plant in Great Britain (0.9 million €), by the strategic study of

Bain&CO, as well as by the restructuring costs in France (0.3 million €). Exercising caution, the Group proceeded to significantly decrease the inventory value by 0.9 million €.

Tax expenses are set at 1.6 million €. A deferred tax debit was recognized for 0.6 million € following the recording of the decrease in value of the Group's interest in the machine production unit in Great Britain. In 2005 the Group had benefited from significant tax repayments in the Netherlands (0.3 million €).

The consolidated operational cash flow amounted to 5.0 million €, or 14.8% of the

2007 will be the year when the Group commercially redeploys on the French espresso market.



sales turnover as compared with 19.5% for 2005 (10 million €). The operational cash flow, a key indicator for the Group, is made up of income before depreciation, decreases in securities, interest and financial charges, income from foreign exchange, taxes and restructuring (collected benefits, closing and reorganisation for 2,914 K€ in 2006 versus - 476 K€ in 2005).

The Group's net debt at the end of 2006 amounted to 7.0 million € (2.9 million € at the end of 2005). This evolution is due to the payment of the capital decrease of 2 € per share in August 2006 (3.2 million €), to the financing of the acquisition of Fountain Nord and its subsidiaries Fountain Picardie and Comex in July 2006, as well as to the increase in inventory related to the closing of the machine production plant in Great Britain and the inventory purchase necessary for the large-scale business launch of the illycaffè offer in France.

## 2. The Group's business operations in 2006

The Group's consolidated sales turnover for 2006 is 33.75 million €, a decrease of 36.2% as compared with 2005 (52.90 million €).

The decrease in the sales turnover is related to the transfer of Nespresso Professionnel operations in France on 1 Janu-

ary 2006. The capital gain generated by the sale allows the Group to reinvest strongly in its project of developing espresso operations in partnership with illycaffè.

The 2006 accounts include, as of the second semester, the acquisition of Fountain Nord and its subsidiaries COMEX and Fountain Picardie, as well as the full consolidation of Okole following the Group's acquisition of interest at 100% of this company.

The Group continued with merger transactions and adjustment of interests in order to simplify its organization chart in France and develop significant synergies with Fountain Nord.

The Belgian, French and Dutch territories represent the basis of consolidated sales. In 2006 the Group permanently closed its machine production plant in Great Britain.

## 3. Evaluation rules

According to IFRS standards, the Group proceeded with impairment tests on its intangible assets (goodwill, brands and consolidation goodwill). They do not result in any adjustment of these assets.

A specific evaluation criterion was set up for security inventories that were created as a result of closing the production plant in the United Kingdom.

Litigation on professional tax opposes Fountain Distribution Centre and French tax authorities for a maximum amount of 0.2 million €. Based on a risk evaluation made by our lawyers, this litigation was not subject to a provision.

## 4. Development costs

Additional costs incurred during the 2006 fiscal year amounted to 0.1 million € and are related mainly to development costs of new packaging.

## 5. Absence of conflict of interest

During the 2006 fiscal year, the Board was not required to make any resolutions related to the provisions of Articles 523 and 524 of the Corporate Code, except for the Resolution to extend the validity of Class D warrants, passed on 12 May 2006, in the absence of the Chairman of the Board, as Mr. Pierre Vermaut has 16,705 Class D warrants. The copies of this Resolution and of the Board's Special Report are attached.

## 6. Items related to capital

The total number of securities representing the Fountain SA corporation's capital was 1,615,960 on 31 December 2006.

The balance of warrants in force on this date confers the right to the subscription of 66,485 new shares (of the 98,965 warrants allocated, 32,480 are no longer



exercisable due to the departures of their beneficiaries).

The exercise period of Warrants D plan (25,465 warrants) was extended by 2 fiscal year periods (2007 and 2008). In its special report dated 12 May 2006, the Board of Directors estimated that the “forfeiture of the preferred subscription right is justified with respect to the company’s interest, all its current shareholders and owners of subscription rights of B, D and E warrant plans for whom the financial impact will not be significant”.

Following the decision of the Annual General Meeting on 29 May 2006, the Group proceeded with a decrease in capital of 2 € per share (payment in August 2006).

#### 7. Perspectives on 2007

The Group does not expect to see a significant improvement in 2007 in the European economic conditions, on which it depends. 2007 will be the year when the Group will redeploy commercially in France on the espresso market.

The Group’s operational cash flow should increase by 30%.

At the time of this report, the Board of Directors did not identify any other risk or specific uncertainty, which the company may face as part of the evolution of its business, income and financial situation.

The Group partially covered its interest risk through an IRS (3 million € over 5 years), there is no forward coverage on raw material supplies.

#### 8. Allocation of statutory income

By the end of the fiscal year, the company’s statutory income amounted to 3,604,753.42 €. The deferred income of the previous fiscal year was 12,999,525.71 €, and the income to be allocated as of 31 December 2006 was 16,604,279.13 €.

Conditional upon your approval, the Board proposes to allocate the income as follows:

Dividend (0.60 € per share):	969,576.00 €
Contribution to legal reserve:	180,237.67 €
Carried forward:	15,454,465.46 €

As a reminder, no dividend had been distributed in the 2005 fiscal year.

#### 9. Mandate renewal

Since the mandate of the Consolidated Accounts Auditor (SCPRL B.S.T., Corporate Auditors represented by Mrs. Pascale Tytgat) ends at the Annual General Meeting reporting on the 2006 accounts, it will be proposed to renew this mandate for a period of 3 years ending at the Annual General Meeting reporting on the 2009 accounts.

#### 10. Miscellaneous

Additional fees of 27,900 € were paid during the 2006 fiscal year to the Statutory Auditors (SCPRL Linet & Partners). The fees are related to “due diligence” missions as part of the acquisitions, as well as to payments related to the extension of Class D warrants.

No additional fees were paid to the Auditor assigned to examine the consolidated accounts (SCPRL B.S.T., Corporate Auditors).

We kindly ask you to familiarize yourselves with the consolidated annual accounts closed on 31 December 2006, to approve the annual statutory accounts and the proposed allocation of income, to discharge us of our mandate for the 2006 fiscal year, and to do the same for the Auditors

Board of Directors  
Le 15 March 2007

NB: A complete copy of the text of the statutory management report may be obtained upon request from the company’s headquarters.

# common cravings



# products and services...

## a global approach

### CHOICE AND QUALITY

The large range of both hot and cold drinks, increasingly varied and complete, that Fountain offers its final clients, meets the needs of professional structures of five to fifty people. Small and medium-sized businesses, bank branches, networks of franchised stores, salespeople, medical offices, etc. are part of the core target benefiting from the Fountain offer. Thus they can offer their clients, visitors and staff a large range of high-quality drinks, such as coffee, tea, soups or soft drinks. Setting up the machines, their maintenance, as well as the provision of drinks, the "little bonuses" (milk, biscuits) and accessories, such as cups, stirrers, etc. are taken care of

by Fountain subsidiaries and distributors. They are particularly willing to offer first-rate service.

The Group's mission has evolved, reorienting itself in fact towards a service corporation above all. This is why Fountain is no longer producing machines and closed its English plant. The new machine models are from now on selected from the international market, then adapted for Fountain and produced by major industrial partners. Thus the clients will always benefit from the most recent technological changes.

To satisfy the varied needs of a diverse clientele, Fountain proposes three families of drinks: espresso, Fountain products and the basics.

**An increasingly varied and complete product line to meet the needs of professional groups of five to fifty people.**

## ESPRESSO

Espresso, the top of the line market segment is still growing. For clients who are seeking the very best in coffee, Fountain offers pre-packaged fresh coffee. Since the discontinuation of its collaboration with Nespresso France at the end of 2005, Fountain has been working exclusively with illycaffè, whose product flavour is unanimously recognized by coffee lovers.

The machines accommodate four types of grinds of coffee. They can be recognized by the colour of the capsules: black for a very fine Italian coffee, red for robust coffee, blue for a lighter coffee and green for decaffeinated.

To reinforce the appeal of illy's products, Fountain has focused on its line of accessories. A "Welcome Kit", given to new clients, includes coffee samples, cups, stirrers, and sugar packets. Small porcelain cups and large collectable cups with the illy insignia are also given out. And, for art lovers, boxes with limited editions of cups decorated by famous artists, such as the Belgian Jan Fabre, are proposed three to four times a year.

Today an accessory display shelf completes the offer.

Distributors have very effective promotional material for trade shows, and also

posters and vehicles decorated with the Fountain and illy logos. They also take advantage of training sessions at the "illy Academy", operating on the same principle as the "Fountain Academy".

## FOUNTAIN PRODUCTS

Fountain offers a large range of freeze-dried drinks in cartridges. Easy to use, these cartridges have the advantage of being extremely hygienic, since the product is not handled. This also allows the customers to customize their drink by adding as much water as they want.

### Coffees

Coffee consumption accounts for three out of four Fountain drinks. To satisfy the tastes of a diverse clientele, Fountain has developed a palette of approximately twenty flavours, separated into four families that can be recognized by the shade of their cartridge colour:

- full-bodied dark roast Espresso coffees (Espresso Roma, Black Gold, Café do Brazile, etc.),
- medium roast mocha-type coffees (Classic, Orena and Max Havelaar mochas, Extra Filter and Decaf),
- light, delicately flavoured coffees (Colombia, Dessert, Aroma and Gold),

- specialty coffees, especially enjoyed by young consumers (Vanilla and Caramel Cappuccino, Mochaccino, Viennese Coffee and Caffé Latte).

### Hot drinks

Four types of hot chocolate (Belgian superior, Swiss, Dutch, Luxus) and six teas (Plain, Darjeeling, Lemon, etc.) are offered to clients.

As for soups, consumers can choose from approximately ten delicious soups such as tomato, vegetable, wild mushroom, pea, chicken, etc.

Two soups - "Tomato Mushroom" and "Curry" - which had been very successful when they were introduced for a limited period, were brought into the product line in September 2006. Two new soups, responding to the changes in taste and cravings of clients were launched at the same time: "Summer Squash Basil" and "Chinese Tomato".



coffee



plus



soup



ice



tea



chocolate



espresso



plus



pads



isotonic





### Cold drinks

The decrease in hot drink consumption during the summer months is compensated by an increase in the consumption of cold drinks. This market segment continues to increase.

Exotic fruit and grapefruit isotonic drinks have been as successful as the two types of ice tea that were also offered (peach and orange). These isotonic drinks contain 4 mineral salts and 10 vitamins; they regulate the body's hydration and increase stress-resistance.

Ice Cappuccino, Ice Lemon and Ice Orange round out this offer.

### Cartridge machines

Many machines can accommodate Fountain cartridges. Distributors suggest a certain machine based on the client's needs.

The Classic (with 2, 4, or 6 cartridges) and the Premier (with 4 or 6 cartridges, as well as an electronic water spigot) use the principle of combining water with the freeze-dried beverage.

The Creamy is more automated. It offers a choice between a small or a large cup and delivers a creamy coffee that is whipped inside the machine; there is also space for four cartridges.

The Table Tops, large semi-automatic machines are recommended for large

professional settings of 15 to 50 people. They distribute up to eight different drinks packaged in large cartridges and can be hooked to a running water supply and equipped with a coin slot. They are a demonstration of Fountain's eagerness to grow with its clients. The Symfoni Table Top is specifically oriented towards the hotel, restaurant and catering industry, as well as institutional food services.

### Fresh coffee

Fresh ground coffee, packaged in single servings has been very successful with some of our clients who would like to take advantage of a professional version of this technology, which has become very attractive for families.

The Momento machine distributes fresh coffee in single servings and four Fountain cartridges of choice.

### THE BASICS

For clients who want simplicity and low cost, Fountain offers packs of loose freeze-dried drinks to be inserted into larger vending machines (for 50 people).

Four kinds of coffee (espresso, mocha, premier and decaf) are available, as well as one hot chocolate and milk. The product line was broadened in 2006 with new drinks, such as a second hot chocolate, a soup and a tea.



#### ACCESSORIES AND "LITTLE BONUSES"

For the convenience of its end clients and distributors, Fountain brings together all the necessary supplies in its logistical centre in Maubeuge, France. The supplies of milk, sugar, chocolate or biscuits, as well as cups, napkins or stirrers come from one and the same supplier.

Under its own brand name, fountain sells milk cups, fine sugar packets, creamers, sugar cubes, chocolate, biscuits, etc. The chocolate square product line includes dark chocolate, milk chocolate, chocolate with puffed rice and chocolate with cacao beans. Cookies, chocolate-covered almonds, puffed rice bars, etc. round up this product line of sweets.

Croutons, offered as a complement to soups, have become increasingly attractive. Marketing promotions, offering in particular free crouton samples for two cartons bought from the new soup product line, have been very successful.

The new cup line, launched in September, has met a lot of interest. The initial surprise of a holder without a handle gone, clients have become quickly used to its advantages: effective protection against heat and greater stability thanks to its flared bottom shape. Furthermore, the

refined and innovative design line of the cup participates in the revitalization of Fountain's image.





sharing ideas



# personnel and distributors

## an effective network

### FOUNTAIN GROUP NORD

In July 2006, the Fountain Group acquired 100% of the Fountain Nord, Fountain Picardie and Comex companies. The Okolé company, representing the Cup Express brand in North of France, was integrated in this group in September. At the end of 2006, these different companies were merged under the name Fountain Group Nord.

Fountain Group Nord operates in two different sites in Seclin, south of Lille, in new ultra-modern facilities. The first site is dedicated to storage and to preparation and shipping of telesales. The second one hosts all administrative and commercial services, as well as the call centre.

The Group employs approximately thirty people and plans to hire several additional persons in 2007 in order to strengthen the business teams. Most business asso-

ciates have an experience of over fifteen years within the company. The company built its reputation on delivering optimal and proximity service.

The installation of machines in new businesses is ensured by a team of field customer representatives. The products are sold exclusively through telesales.

### VALUABLE BUSINESS ASSOCIATES

The quality of human resources is a determining factor for the success of a service corporation. Fountain is fond both of making its business associates loyal and thus taking advantage of their experience and of recruiting young talents attracted to the light and responsive structure of the Group.

The Fountain network is made up of 200 regional distributors, whether they are members of the Group or independent; they span 28 countries.

**A personal relationship creates clients' exceptional loyalty to the Fountain concept.**



## Make it easier to manage client's orders

The distributors have a sales and customer service team. The sales team is tasked with prospecting, selecting the machine that best meets the client company's needs, and installing this machine. The customer service team handles direct contact with clients and listens to them.

Each client has a relationship with an individual customer service representative. Regular visits, every four to five weeks, allow the representative to advise the client and let them know about new products and promotions, to refresh supplies and to check the status of the machines. This personal relationship creates clients' exceptional loyalty to the Fountain concept.

### A MOBILIZING BUSINESS PROJECT

In 2006 Fountain implemented a large business project baptized "on the road", based on the conclusions of the Bain firm study. This project mobilized the skills of a large segment of our executives and employees who worked in project groups. The personnel worked on improvement projects, especially with respect to computer tools and telesales, hiring and training.

Excellence in customer service is a priority for Fountain, which builds its strategy around this mission to which both associates and distributors are committed,

the Group's first ambassadors to the end clients.

Throughout the year, many training sessions allow for awareness campaigns with machine salespeople, product salespeople and telesalespeople with respect to Fountain's business policy and Fountain products.

The Illy Academy saw the light of day in January 2006 to accompany the strategy of recapturing the espresso market with our new partner, following the breach of contract with Nespresso.

### ONLINE ORDERS

Since October 2006, the Belgian subsidiaries, Fountain-Brussels and Fountain-Frist, have been ordering through our intranet. The system operates with different levels of users (purchases, technical department, management, etc.).

The principle of online orders has many benefits: constant information updating (price, product line, etc.), centralization of information on the same site, access to purchase history, gaining time in terms of researching item references, not using forms and faxes, simplification of the ordering procedure, and finally reducing the risks of errors.

In a next step, this friendly and effective tool will be made available to independent

distributors in the Benelux. At the same time, the French subsidiary is preparing a launching project for its market.

Fountain has also launched an online ordering system for its end clients. Clients have an access code which allows them to place their orders and receive the delivery in packages within the shortest time-frame.

The chosen system was designed to be easily transposed, through few developments in other subsidiaries owning integrated management software (ERP).

This new tool should mainly make it easier for the clients in far-away or very urbanized areas to manage their orders.



statutory auditor's report	23
consolidated annual accounts	25
descriptive data and compliance report	32
appendices to the 2006 consolidated accounts	32
<b>corporate annual accounts</b> (abbreviated version)	54

## expertise networks



# financial report

## Auditor's report to the general meeting of shareholders of the company to be held on May 29<sup>th</sup>, 2007 on the consolidated financial statements for the year ended December 31<sup>st</sup>, 2006.

Ladies and Gentlemen,

In accordance with legal and statutory requirements, we report to you on the performance of the audit mandate that has been entrusted to us.

This report contains our opinion on the consolidated financial statements of the group as well as the required additional comment.

### **UNQUALIFIED OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS**

We have audited the consolidated financial statements for the year ended December 31<sup>st</sup>, 2006, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and which show total assets of 44.605 K€ and a profit for the year of 1.791 K€.

The statutory financial statements of the companies included in the consolidation have been audited either by their statutory auditors or by external certified public accountants as regards the companies situated in foreign countries. We have checked their qualification and their independence. Our opinion is based on their attestations.

The Board of directors is responsible for the preparation of the consolidated financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material

misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements

based on our audit. We conducted our audit in accordance with legal requirements, and the auditing standards applicable in Belgium, as issued by the Institute of Registered Auditors (Institut des Réviseurs d'Entreprises/Instituut der Bedrijfsrevisoren). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement, whether due to fraud or error.

In accordance with these standards, we have taken into consideration administrative and bookkeeping organization of the Group, as well as internal control procedures. We have obtained from the Board of directors and the Group's officials the explanations and information necessary for executing our audit procedures. We have performed procedures to obtain audit evidence about the amounts in the consolidated financial statements. We have evaluated the appropriateness of accounting policies used, the foundations of consolidation, the reasonableness of significant accounting estimates made by the Company and the presentation of the consolidated financial statements, taken as a whole. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements for the year ended December 31<sup>st</sup> 2006 give a true and fair view of the Group's financial position as at December 31<sup>st</sup> 2006 and of the results of its operations and its cash flows in accordance with IFRS as adopted by the European Union.

#### **ADDITIONAL COMMENT**

The preparation and the assessment of the information that should be included in the directors' report on the consolidated financial statements are the responsibility of the Board of directors.

Our responsibility is to include in our report the following additional comment, which does not modify the scope of our opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements deals with the information required by law and is consistent with the consolidated financial statements. We are, however, unable to comment on the description of the principal risks and uncertainties which the entities included in the consolidation are facing, and on their financial situation, their foreseeable evolution or the significant influence of certain facts on their future development. We can nevertheless confirm that the matters disclosed do not present any obvious inconsistencies with the information that we became aware of during the performance of our mandate.

Brussels,  
April 23<sup>rd</sup>, 2007

BST Réviseurs d'Entreprises, S.C.P.R.L. de réviseurs d'entreprises,  
represented by Pascale Tytgat, Statutory Auditor.

## consolidated annual accounts

The presented financial statements comply with all IFRS authoritative literature.

### BALANCE SHEET (BEFORE ALLOCATION)

ASSETS	note	2006	2005
<b>I. NONCURRENT ASSETS</b>		<b>27 872,09</b>	<b>26 080,82</b>
<b>1. Tangible fixed assets</b>	<b>3</b>	<b>2 134.33</b>	<b>2 096.50</b>
1.1. Tangible fixed assets in progress		325.78	15.27
1.2. Land and buildings		323.37	538.52
1.3. Plants, machinery and equipment	23	324.11	333.83
1.4. Motorized vehicles		30.72	68.08
1.5. Fixtures and incidental charges		463.04	791.46
1.6. Leasehold improvements		0	0
1.7. Other tangible fixed assets	23	667.31	349.34
<b>2. Investment property</b>		<b>0</b>	<b>0</b>
<b>3. Intangible fixed assets</b>	<b>2</b>	<b>23 400.72</b>	<b>22 210.08</b>
3.1. Goodwills		21 624.56	18 981.34
3.2. Other intangible fixed assets		1 776.15	3 228.74
<b>4. Biological assets</b>		<b>0</b>	<b>0</b>
<b>5. Investment in affiliated companies</b>		<b>0</b>	<b>0</b>
<b>6. Investment in associated companies</b>		<b>0</b>	<b>0</b>
<b>7. Investment in joint ventures</b>		<b>0</b>	<b>0</b>
<b>8. Investments at equity</b>		<b>0</b>	<b>0</b>
<b>9. Deferred tax assets</b>		<b>1 885.69</b>	<b>1 232.14</b>
<b>10. Other financial fixed assets</b>		<b>361.33</b>	<b>346.86</b>
10.1. Shares	4.6	140.30	138.96
10.2. Securities, other than shares		0	0
10.3. Loans	4.6	0	21.25
10.4. Other financial assets	6	221.03	186.65
<b>11. Noncurrent hedging assets</b>		<b>0</b>	<b>0</b>
<b>12. Trade and other receivables</b>		<b>90.03</b>	<b>195.23</b>
<b>II. CURRENT ASSETS</b>		<b>16 732.84</b>	<b>21 441.37</b>
<b>13. Noncurrent assets and assets held for sale</b>	<b>20</b>	<b>363.13</b>	<b>427.20</b>
<b>14. Inventory</b>	<b>9</b>	<b>5 125.87</b>	<b>3 988.65</b>
<b>15. Other financial current assets</b>	<b>4.6</b>	<b>101.16</b>	<b>775.74</b>
15.1. Shares		0	0
15.2. Securities, other than shares		101.11	475.46
15.3. Loans		0	0
15.4. Other financial assets		0.05	300.29
<b>16. Current hedging assets</b>		<b>0</b>	<b>0</b>
<b>17. Current tax receivables</b>		<b>1 432.72</b>	<b>842.06</b>
<b>18. Current trade and other receivables</b>		<b>6 255.10</b>	<b>8 830.07</b>
18.1. Receivables	10	4 945.94	7 994.96
18.2. Debt resulting from leasing		0	0
18.3. Other receivables		1 309.16	835.11
<b>19. Current advance payments</b>		<b>5.84</b>	<b>0</b>
<b>20. Cash and cash equivalents</b>	<b>5</b>	<b>2 955.11</b>	<b>6 095.60</b>
<b>21. Other current assets</b>		<b>493.91</b>	<b>482.05</b>
<b>TOTAL ASSETS</b>		<b>44 604.93</b>	<b>47 522.19</b>

**BALANCE SHEET (BEFORE ALLOCATION)**

<b>CAPITAL AND LIABILITIES</b>	<b>note</b>	<b>2006</b>	<b>2005</b>
<b>I. TOTAL CAPITAL</b>			
<b>A. CAPITAL AND RESERVES</b>			
1. Paid-up capital	19	22 959.86	26 191.78
1.1. Share capital		22 927.90	26 159.82
1.2. Share premium account		31.96	31.96
2. Uncalled capital		0	0
3. Reserves		2 616.52	1 044.44
3.1. Consolidated reserves		2 588.76	998.13
3.2. Revaluation reserves	23	7.40	18.85
3.3. Exchange adjustments		20.36	27.47
4. Own share (-)		0	0
5. Retained earnings (loss carry forward)		0	0
<b>TOTAL GROUP CAPITAL</b>		<b>25 576.38</b>	<b>27 236.22</b>
<b>B. MINORITY INTERESTS WITHIN NET ASSETS</b>		<b>278.48</b>	<b>143.81</b>
<b>TOTAL CAPITAL</b>		<b>25 854.86</b>	<b>27 380.03</b>
<b>II. LIABILITIES</b>			
<b>A. NON CURRENT LIABILITIES</b>		<b>4 798.04</b>	<b>4 600.85</b>
6. Noncurrent interest bearing liabilities	15	4 326.45	4 371.36
7. Noncurrent non-interest bearing liabilities		0	0
8. Noncurrent deferred income		0	0
9. Noncurrent provisions	14	71.25	11.46
10. Noncurrent obligations resulting from post employment benefits	14 bis	69.58	0
11. Noncurrent hedging instruments		0	0
12. Deferred tax liabilities		88.54	149.66
13. Suppliers and other noncurrent creditors		192.96	22.16
14. Other noncurrent liabilities		49.27	46.21
<b>B. CURRENT LIABILITIES</b>		<b>13 952.03</b>	<b>15 541.31</b>
15. Liabilities included in the groups held for sale	14 ter	19.79	0
16. Current interest bearing liabilities	15	5 763.08	4 977.58
17. Current non-interest bearing liabilities		0	0
18. Current deferred income		0	0
19. Current provisions	14	0	9.30
20. Noncurrent obligations resulting from benefits		0	0
21. Current hedging instruments		0	0
22. Receivable tax liabilities		330.33	493.86
23. Suppliers and other current creditors	15	7 610.18	9 618.11
24. Other current liabilities	23	228.65	442.45
<b>TOTAL CAPITAL AND LIABILITIES</b>		<b>44 604.93</b>	<b>47 522.19</b>

## INCOME STATEMENT BY TYPE

	note	2006	2005
<b>1. INCOME</b>		<b>33 826.86</b>	<b>53 066.68</b>
1.1. Sales of goods	11	33 748.56	52 895.54
1.2. Work in progress		0	0
1.3. Income from construction contracts		0	0
1.4. Income from fees		78.31	171.15
1.5. Building rental income		0	0
1.6. Other income		0	0
<b>2. OTHER OPERATING INCOME</b>		<b>760.12</b>	<b>1 146.07</b>
2.1. Interest		24.61	7.90
2.2. Dividends		0	0
2.3. Public subsidies		0	0
2.4. Other operating income		735.51	1 138.17
<b>3. Activation of capitalized production</b>		<b>0</b>	<b>0</b>
<b>4. OPERATING EXPENSES</b>		<b>-34 215.99</b>	<b>-48 448.49</b>
4.1. Raw materials and consumption		-12 614.98	-23 162.38
4.2. Change in finished product inventory and work in progress		1 194.45	-874.51
4.3. Personnel expenses	7	-9 909.43	-10 830.52
4.4. Depreciation contributions		-2 917.67	-3 525.09
4.5. Loss in value		-950.35	-255.27
of which inventory loss in value		-859.06	3.01
of which receivables loss in value		-4.49	-184.66
of which fixed assets loss in value		-86.80	-73.62
4.6. Fair value		0	0
4.7. Research and Development Costs		0	0
4.8. Restructuring costs		0	0
4.9. Other operating expenses	8	-9 018.02	-9 800.72
<b>5. OPERATING RESULTS</b>		<b>371.00</b>	<b>5 764.26</b>
<b>6. Gain (loss) on financial instruments designated as cash flow hedges</b>		<b>0</b>	<b>0</b>
<b>7. Gain (loss) due to the derecognition of financial assets available for sale</b>		<b>0</b>	<b>-20.73</b>
<b>8. Gain (loss) on disposal of noncurrent assets not held for sale</b>	<b>24</b>	<b>4 688.86</b>	<b>3.13</b>
<b>9. Financial charges</b>		<b>-646.12</b>	<b>-691.38</b>
of which financial fees		-528.88	-593.48
<b>10. Gain (loss) on financial instruments (other than hedging instruments)</b>		<b>21.47</b>	<b>28.15</b>
<b>11. Share in net result of investments at equity</b>		<b>18.21</b>	<b>-42.18</b>
<b>12. Other non-operating income</b>		<b>61.25</b>	<b>48.42</b>
<b>13. Other non-operating charges</b>		<b>-1 123.89</b>	<b>0</b>
<b>14. RESULTS BEFORE TAX</b>		<b>3 390.78</b>	<b>5 089.67</b>
<b>15. Income tax expense</b>	<b>13</b>	<b>-1 599.47</b>	<b>-1 573.37</b>
<b>16. RESULTS FROM CONTINUING OPERATIONS AFTER TAX</b>		<b>1 791.31</b>	<b>3 516.29</b>
<b>17. Results from discontinued operations after tax</b>		<b>0</b>	<b>0</b>
<b>18. FISCAL YEAR RESULTS</b>		<b>1 791.31</b>	<b>3 516.29</b>
18.1. Attributable to minority interests		200.67	63.59
18.2. Attributable to equity holders of the parent company		1 590.63	3 452.70

<b>I. EARNINGS PER SHARE</b>		
<b>Number of shares</b>	<b>1 615 960</b>	<b>1 615 960</b>
<b>1. Basic earnings per share</b>		
1.1. Basic earnings per share from continuing operations	1.11	2.18
1.2. Basic earnings per share from discontinued operations	0	0
<b>Number of diluted shares</b>	<b>1 682 445</b>	<b>1 685 825</b>
<b>1. Diluted earnings per share</b>		
1.1. Diluted earnings per share from continuing operations	1.06	2.09
1.2. Diluted earnings per share from discontinued operations	0	0
<b>II. OTHER DISCLOSURES</b>		
<b>1. Exchange differences included in the income statement</b>	<b>53.27</b>	<b>31.06</b>
<b>2. Lease and sub-lease payments recorded in the financial statements</b>	<b>817.10</b>	<b>898.57</b>

## STATEMENT OF CHANGES IN FINANCIAL POSITION

	2006	2005
<b>OPERATING TRANSACTIONS</b>		
Fiscal year results	1 590.63	3 558.47
Depreciation contributions	3 161.87	3 525.09
Decrease (increase) in write-offs	708.57	255.27
Increase (decrease) in provisions	198.72	55.62
Gain (loss) on disposal of assets (-)	-4 688.86	55.67
Gain (loss) on foreign exchange (-)	214.03	9.32
Capitalized production	0	0
Increase (decrease) for deferred items	-712.44	-186.17
<b>Cash flow</b>	<b>654.65</b>	<b>7 273.27</b>
Variation in receivables	217.75	-782.64
Variation in inventory	-1 893.08	696.75
Variation in deferred charges, accrued income	85.74	11.48
Variation in financial debt	896.74	-333.52
Variation in trade debt	-2 223.90	245.67
Variation in tax and social security	-652.72	-393.98
Variation in other debts	559.16	1 417.44
Variation in accruals	-66.05	-59.79
Variation in working capital needs (- increase)	-3 076.35	678.43
<b>Operating cash flow</b>	<b>-2 421.70</b>	<b>7 951.70</b>
<b>INVESTMENT TRANSACTIONS</b>		
Acquisitions of intangible fixed assets (-)	-871.12	-529.23
Acquisitions of tangible fixed assets (-)	-674.11	-500.35
Acquisitions of financial fixed assets (-)	0	0
New loans granted (-)	-439.55	-1 046.94
Transfers of intangible fixed assets (+)	2 464.24	0
Transfers of tangible fixed assets (+)	225.79	108.29
Transfers of financial fixed assets (+)	0	28.38
Repayment of loans granted (+)	259.36	215.46
<b>Investment cash flow</b>	<b>964.61</b>	<b>-1 724.39</b>
<b>FINANCING TRANSACTIONS</b>		
Capital increase (decrease)	-3 231.92	0
Net variations in loans contracted (+ increase)	104.98	-4 623.67
Dividends paid out (-)	-66.00	-1 019.58
<b>Financing cash flow</b>	<b>-3 192.94</b>	<b>-5 643.25</b>
<b>CASH FLOW VARIATION</b>	<b>-4 650.03</b>	<b>584.06</b>
<b>RECONCILIATION OF CASH ACCOUNTS</b>		
Opening balance	6 871.35	5 914.42
Cash flow variation	-4 650.03	584.06
Exchange adjustments (favorable +)	-4.24	10.27
Transfers to other headings	-216.41	165.05
Changes in reporting entity (favorable +)	1 055.60	197.54
<b>Closing balance</b> consists of	<b>3 056.27</b>	<b>6 871.35</b>
Other current financial assets	101.16	775.74
Cash and cash equivalents	2 955.11	6 095.60

**EQUITY VARIATION TABLE**

	Share capital	Share premium account
<b>2004 Closing balance</b>	<b>26 159.82</b>	<b>31.96</b>
Dividends	0	0
Fiscal year results	0	0
Gains not accounted for in results (foreign currency exchange)	0	0
Other increases (decreases)	0	0
<b>2005 Closing balance</b>	<b>26 159.82</b>	<b>31.96</b>
Capital decrease	-3 231.92	0
Dividends	0	0
Fiscal year results	0	0
Gains not accounted for in results (foreign currency exchange)	0	0
Other increases (decreases)	0	0
<b>2006 Closing balance</b>	<b>22 927.90</b>	<b>31.96</b>

The Stock Option Plan (SOP) reserve was made up according to IFRS 2 provisions. It reflects the company's commitment with respect to allocated option plans.

According to the evaluation rules, Black & Scholes' method was applied in order to determine this reserve.

Income allocation for the 2006 financial year:

At the Annual Meeting reporting on the 2006 accounts it will be proposed that a dividend of 0.60 € per share be distributed.

Exchange reserves	SOP reserves	Other reserves	Fountain Shares	Minority interests	Total capital
28.16	0	-1 485.00	24 734.94	102.93	24 837.87
0	0	-969.58	-969.58	-13.50	-983.08
0	0	3 452.70	3 452.70	63.59	3 516.29
8.33	0	0	8.33	0	8.33
-9.03	18.85	0	9.82	-9.20	0.62
<b>27.47</b>	<b>18.85</b>	<b>998.13</b>	<b>27 236.23</b>	<b>143.81</b>	<b>27 380.04</b>
0	0	0	-3 231.92	0	-3 231.92
0	0	0	0	-66.00	-66.00
0	0	1 590.63	1 590.63	200.67	1 791.31
0	0	0	0	0	0
-7.11	-11.45	0	-18.56	0	-18.56
<b>20.36</b>	<b>7.40</b>	<b>2 588.76</b>	<b>25 576.38</b>	<b>278.48</b>	<b>25 854.87</b>

## descriptive data and compliance report

Fountain (the “company”) is classified as a société anonyme and its headquarters are in Belgium, at 17 avenue de l’Artisanat, 1420 Braine l’Alleud (business registration number 0412.124.393).

The company’s consolidated annual accounts for the fiscal years ending 31 December 2005 and 31 December 2006 group together the company and its subsidiaries (the “Group”), as well the Group’s interests in joint ventures and associated companies. On 15 March 2007, the Board of Directors approved the publication of the consolidated accounts.

The consolidated annual accounts are prepared in accordance with International Financial Reporting Standards (IFRS). The Fountain Group first adopted IFRS standards in 2005.

## appendices to the 2006 consolidated accounts

### SCOPE OF CONSOLIDATION

All companies in which the Group holds a controlling interest are fully consolidated. The Group holds a controlling interest when it has more than 50% of a company’s capital or has a majority in its governing bodies. Companies in which the Group holds a significant interest without having a majority interest, are consolidated using the equity method.

Compared with the 2005 fiscal year, the scope of consolidation has been modified by various transactions:

- (i) Acquisition in the second semester of the French companies Fountain Nord SAS, Fountain Picardie SAS and COMEX SAS. The latter two companies were then absorbed by Fountain Nord SAS
- (ii) Acquisition by Fountain Nord SAS of 50% of the capital of Okole SARL, which was not yet held by the Group and acquisition of the 50% held by the Group through Cup Express SAS. After this transaction, following the holding of 100% of the shares by Fountain Nord, Okole SARL has been completely integrated since the second semester of 2006 (accounted for by the equity method before)
- (iii) Absorption of the French company Newcafé SAS by Orga Distribution SAS, the new group having taken the name of Newcafé
- (iv) Contribution of all the asset base of the French company Newcafé Importateur SAS to Fountain France SAS, the former company having been dissolved afterwards
- (v) Sale of the Group’s minority interest in the German company G.M.S. (Getränke Mit System) GmbH to majority shareholders
- (v) Shutdown of activities of Fountain Manufacturing UK in September 2006. This company will file for liquidation in 2007.

Companies in which the Group has only a marginally significant shareholding, or whose contribution to the Group is not material, are not consolidated. In 2006 these were:

- (i) **Fountain Consumer Appliances Ltd**, based in Madras, India, in which the Group has a 17.98% shareholding
- (ii) **Fountain Sud SARL**, based in southern France, not currently trading and in liquidation. The Group owns 100% of the shares
- (iii) **Fountain Coffee Systems Finland OY**, based in Helsinki, Finland, inactive since the end of 2004. The Group owns 100% of the shares
- (iv) **Covivia**, a French legal entity, in liquidation. The Group owns 45% of the shares
- (v) **Fountain USA Inc**, created in 2005 and based in Chicago, is 100% owned by the Group.

## CONSOLIDATION CRITERIA

The results are balanced before appropriations and withdrawals.

The inter-company accounts that exist 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 eliminated from the consolidated financial 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.

## VALIDATION RULES APPLIED TO THE ANNUAL CONSOLIDATED ACCOUNTS

### Consolidation principles

The consolidated accounts include the accounts of FOUNTAIN S.A. (Fountain Industries Europe S.A. or FIESA) as well as those of all the companies that it controls directly or indirectly after the elimination of inter-company transactions.

The consolidated accounts are prepared in accordance with IFRS (International Financial Reporting Standards) rules and the interpretations that are published by the IFRIC (International Financial Reporting Interpretation Committee).

When items related to assets, liabilities or results in the companies' financial statements included in the consolidation are not evaluated according to international standards, they are restated as required for consolidation.

Regarding associated companies, these restatements only take place if the information is available.

### SUBSIDIARIES

A subsidiary is a company in which the Group holds a controlling interest. The criteria used to determine whether the Group holds a controlling interest in a company is the Group's ability to direct the financial and operational policies of this company in order to gain from its activities.

### ASSOCIATED COMPANIES

Associated companies are companies in which the Group has significant influence over financial and operational decisions, without controlling them.

This is the case when the Group holds between 20 to 50% of voting rights.

When an option to purchase securities is linked to an associated company's shareholdings, and this option would potentially and unconditionally allow the Group to hold the majority of voting rights, such an associated company is considered a subsidiary and is fully consolidated.

#### Full consolidation

Subsidiaries are fully consolidated.

#### Companies at equity

Associated companies are consolidated using the equity method.

For each of these investments individually, the book value of these interests is decreased, in certain situations, to reflect all loss in value, except for temporary loss.

When the Group's portion of the associated company's loss exceeds the book value of these investments, it is listed as zero, as are long-term receivables belonging to the associated companies. Losses greater than this are not entered into the accounts, with the exception of the amount of the Group's commitments to these companies.

#### Company excluded from consolidation

A company is excluded from consolidation when a controlling interest is meant to be temporary or when a company is subject to long-lasting and strict restrictions which significantly limit its ability to transfer funds to the parent company. Also excluded are companies whose contribution to the Group is immaterial.

The list of the Group's subsidiaries and associated companies is found in the appendix.

#### FOREIGN CURRENCIES

At consolidation, all assets and liabilities of the consolidated companies (monetary as well as non-monetary) and their rights and commitments are converted to euros at the current exchange rate for each foreign currency.

Income and expenses are converted to euros using the average exchange rate for the financial year, for each foreign currency.

Resulting conversion differences, when applicable, are noted under shareholders' equity under the heading "exchange adjustments." These accumulated differences are accounted for in the results when the relevant company is transferred.

### Accounting rules

#### FIXED ASSETS

If there are events or changes in circumstances that put the intrinsic value (value in use or realizable value) of a fixed asset (tangible or intangible) at risk of being lower than its net book value, the Group systematically applies the impairment test.

In the case where the impairment test shows that the net book value of a fixed asset is higher than its economic value and there is nothing to show that this variance is temporary, the net book value is reduced to its economic value by recording a charge for the period.

#### Intangible fixed assets

Intangible fixed assets will only be listed in the accounts when two conditions are met: there is the likelihood that there will be a profitable economic gain for the company as a direct result, and that the cost of the intangible asset can be reliably determined.

Subsequent expenditures for intangible fixed assets will not be noted in the balance sheet unless they increase future economic gains for the specific asset to which they are linked. All other expenses are listed as charges.

#### FORMATION EXPENSE

In accordance with IFRS rules, formation expenses are no longer capitalized as of 1 January 2004.

#### RESEARCH COSTS

Research costs incurred with the goal of acquiring new scientific knowledge or techniques (market studies, for example) are directly accounted for as expenses for the period.

#### DEVELOPMENT COSTS

Development costs, for which the research results in an effective application of plans or concepts with the goal of producing new or noticeably improved products or processes, are only capitalized if all the conditions below are met:

- the products or processes are clearly identifiable as well as their costs isolated and accurately defined
- the technical feasibility of the product or process is demonstrated
- the product or process will be used internally or sold
- the product or process brings an economic advantage to the Group
- the resources (technical or financial, for example) necessary to successfully complete the project are available.

Development costs are subject to straight-line depreciation for the period in which they are likely to represent an economic gain, going forward from their availability date. They are depreciated over a maximum of five years.

#### PATENTS AND LICENSES

When justified, at the introduction or acquisition of a patent, trademark or license, the expenses related to the posting are applied to the asset using their cost, less cumulative depreciation. They are depreciated using the straight-line method for the shortest of the following options: either the contractual duration, or the likely period in which the immaterial asset will represent an economic interest for the Group.

Expenses related to the acquisition of multi-user technology licenses are applied to the asset if the amount justifies it, and are depreciated over a maximum of three years.

#### MEDIUM-TERM ASSETS

Medium-term assets (clientele) acquired from third parties are depreciated according to the straight-line method over ten years.

#### TRADEMARKS

Trademarks for which ownership is acquired from third parties are recorded under intangible fixed assets. Their life expectancy is determined by the customer retention period from which they would benefit, in the absence of any supporting marketing efforts, and is limited to ten (10) years.

Their acquisition value is depreciated using the straight-line method going forward, over a ten (10) year period.

Trademark registration costs are listed as expenses for the fiscal year.

#### GOODWILL

Goodwill represents the positive difference between the acquisition price of an investment and the fair value of the subsidiary's or associated business's assets, liabilities and identifiable unrealized liabilities, at the date of its acquisition.

The net book value of goodwill is its value at the date of acquisition, less losses of value that are booked following the annual impairment tests as well as less cumulative depreciation booked as of 31 December 2003.

### Tangible fixed assets

Adhering to IFRS standards, tangible fixed assets are only recorded as assets if it is likely that the future economic gains associated with this asset will belong to the company and that the cost of this asset can be reliably assessed.

Tangible fixed assets are recorded at their historic cost less cumulative depreciation and cumulative loss in value. The historical cost includes the initial purchase price or the manufacturing cost price if capitalized production is involved, increased by their direct acquisition costs.

These assets are depreciated using the straight-line method based on their estimated life expectancy, until equalling their residual value.

Land is not depreciated.

The machines marketed by the Group on consignment, on deposit and/or by subscription are removed from inventory and moved to fixed assets. They are valued at their last inventory value and are depreciated using the straight-line method for a maximum of three years.

Subsequent expenditures (repairs and maintenance) of goods are generally considered as an expense for the period. These costs will not be capitalized except in cases where they clearly increase the future economic value of the use of the good, above that of its initial value.

In this case, these expenses will be depreciated over the duration of the remaining life of the relevant asset.

Historic value of land, as well as that of buildings before depreciation, but to the exclusion of all other tangible fixed assets, will be, in certain cases, revalued every three years by recognized, independent experts if the Group is made aware of factors that could definitively and permanently alter the fair value.

A decrease in value (negative revaluation) will first be charged to the revaluation reserve and, if that is not sufficient, the revaluation will be immediately taken into account for the period, by balance or fully.

Each year the difference between the calculated depreciation of the revaluation value and that calculated on the historic value of the good will be transferred from the revaluation reserve to the reported results.

Tangible fixed assets are depreciated as follows:

- buildings: from 5% to 10% per year
- plants, machinery and equipment: from 10% to 33% per year
- rolling stock: from 25% to 33% per year
- office supplies and furniture: from 10% to 25%
- other tangible fixed assets: from 10% to 20% per year.

#### LEASE FINANCING

When the Group is responsible for almost all the risks and advantages inherent in the ownership of leasing assets, leasing is recorded in the balance sheet according to the current reimbursement value at the time the lease financing contract is entered into, and is listed as a tangible fixed asset. If the opposite is true, leasing expenses are considered operational and are taken into account for the period.

Repayments are considered as financial charges in part and in part as repayment of leasing debt; there is, therefore, a constant interest expense related to the capital to be repaid for the full duration of the contract.

Financial charges are directly recorded as an expense for the period's results.

Depreciation and expected life rules vary according to the type of asset concerned. However, when the leasing contract length is shorter than the expected life of the good being leased, and when, considering the circumstances, it is unlikely that the good will remain a fixed asset of the company until the end of the contract, it will be depreciated over the life of the contract.

Payments under the operating lease financing scheme are recorded as expenses using the straight-line method, over the life of the contract.

#### INVENTORY

The value of inventory is determined using the weighted average price method. Speedy turnover leads, in practice, to the use of the last purchase price, which results in a virtually equivalent valuation.

When items in stock have been transferred between different companies within the Group, their inventory value is brought down to their cost price, as if the transfers had taken place at cost price. The elimination of margin variation on inventory is corrected in tax charges for the fiscal year, when justified.

The value of inventory held by the distribution companies is increased by a minimum charge for distribution costs. This minimum charge is validated annually using actual data from the last completed fiscal year.

#### Raw materials

Raw materials include the entirety of materials and components used in the manufacture of finished goods.

#### Finished goods

The goods manufactured by the Group can be machines (beverage dispensers) or consumable products.

The cost of finished goods includes the cost of raw materials and direct labour as well as a standard share of direct production costs. This amount is validated annually using actual data from the last completed fiscal year.

#### Goods for resale

Goods for resale are the machines and consumable products purchased by the Group for the purpose of reselling them, as is, on the market.

#### Write-offs

So that the value of the items in inventory represents its actual economic value as accurately as possible, these items are systematically written-off using automatic values according to the relevant product's type and characteristics:

- for “dispenser” machines, progressive write-offs are applied based on the inventory's shelf-life:
  - 15% after one year
  - 50% after two years
  - 100% after three years.
- for machines used for “testing” that are returned to inventory, progressive write-offs are applied based on the service life of the machine:
  - 15% if the machine has less than one year of service life
  - 50% if the machine has more than one year of service life
  - 100% if the machine has more than two years of service life.
- for cartridges in consumable products: when their expiration date no longer allows them to be entered into the normal distribution cycle, they are destroyed and recorded as expenses for the period
- for parts: when their corresponding “dispensing” machines have not been produced for a significant amount of time and the active inventory of these distributors has been seriously reduced because these machines' have been replaced by newer machines, a depreciation of 100% will be applied
- for promotional material: this item is brought down to a zero value if it is not used within two years of its release.

#### Work in progress

Work in progress concerns only machines produced by the Group.

Work in progress is valued on the basis of production series and includes:

- actual raw material costs according to a bill of materials adapted to the series' volume
- the standard cost for direct labour
- and a standard minimum for indirect production costs.

**Security inventory created following the closure of the Group's manufacturing plant**  
As a result of FML's shutdown of activities, the machine inventory created in September 2006 will be subject to a decrease in value, by reference, calculated as follows:

- for 2006: if the inventory as at 31/12/2006 is three times higher than the quantities sold in 2006, the surplus inventory shall be depreciated at 100%
- for 2007: if the inventory as at 31/12/2007 is two times higher than the quantities sold in 2007, the surplus inventory shall be depreciated at 100%
- for 2008: if the inventory as at 31/12/2008 is one time higher than the quantities sold in 2008, the surplus inventory shall be depreciated at 100%
- as of 2009, the remaining inventory shall be depreciated at 100%

#### TRADE DEBT RECEIVABLES AND OTHER

Trade debt receivables are recorded at their face value and decreased by any write-downs. At the end of the fiscal year, bad debt is estimated using all overdue payments and all objective information showing that the Group will not be able to fully recover all recorded debt, or recover it based on the original terms.

Provision rules for trade debt receivables are:

- if payments are more than 6 months late: provision of 50%
- if payments are more than 12 months late: provision of 100%
- in the event of bankruptcy, provision of 100% of the non recoverable amount.

#### CASH AT BANK AND IN HAND AND INVESTMENTS

Cash and short-term deposits held to term are accounted for at their face value.

“Cash at bank” is defined as cash, as well as sight deposits and investments rapidly convertible to cash and exposed to an insignificant risk of depreciation.

In the cash flow tables, cash at bank is shown net of short-term debt (overdrafts) at the banking institutions. These same overdrafts are, however, shown as bank debt on the balance sheet.

#### OWN SHARES

When own shares are repurchased, the repurchased shares are deducted from equity.

#### PROVISIONS

Provisions are established when the Group must disengage from commitments resulting from previous events, when it is likely that a use of funds will be necessary to cancel the commitments, and when it is likely that their scope can be accurately estimated.

They are reviewed at closing and adjusted to reflect the best estimate of the obligation.

When the Group anticipates that a provision will be repaid (through an insurance policy, for example), the ensuing debt will be recognized when it is virtually certain.

A warranty provision is established for all products under warranty as of the balance sheet's date.

No “food-related risks” provision has been recorded.

#### BENEFITS

The Group offers a certain number of fixed-contribution retirement plans to its employees. The Group's contributions to these retirement plans are noted in the results for the relevant fiscal year.

The Group does not currently foresee any variable-contribution retirement plan and/or for which the face value would not be fully covered.

The premiums paid to certain employees and managers are based on financial or quantitative objectives and are taken as an expense, based on an estimate as of the balance sheet's date.

#### STOCK OPTIONS

The fair value of the options on shares granted is entered into the financial statement and credited under capital for the rights acquisition period. It is based on the number of options granted. This estimate is reviewed semi-annually. The fair value of the options on shares granted is assessed at the granting date using the Black & Scholes model.

#### DEFERRED TAXES

Deferred taxes are calculated according to the liability method with regards to all temporary differences between the assets and liabilities financial base and their book value, as noted in the financial reports. The deferred tax calculation is made at a standard tax rate of 34%.

Deferred tax assets are not entered into the accounts unless they are likely to produce sufficient future taxable earnings that offer a tax benefit. Deferred tax assets are reduced to the extent that a related tax benefit is unlikely.

When companies are newly acquired, provisions for deferred taxes are established with regards to the temporary difference between the asset's net acquired real value and its tax base.

#### FINANCIAL DEBT AND OTHER

Interest-bearing loans are initially valued at their face value, less related transaction costs. Then they are valued at their depreciated cost based on real interest. Any difference be-

tween the cost and the repayment value that is posted to the financial statements for the life of the loan is based on the real interest rate.

Trade or other debt is posted at its face value.

#### Subsidies received

Subsidies received are not recorded unless there is a reasonable assurance that the company will adhere to the conditions attached to the subsidies, and that they will be received.

Subsidies are recorded as income for the fiscal years in which the related costs that they are meant to reimburse appear.

#### Income tax

Income tax for the fiscal year is made up of current tax, calculated at the actual tax rate for the consolidated companies, and deferred tax, calculated at the average consolidated rate for the period.

#### REVENUE

Sales are considered realized when it is likely that the economic gains linked to the transaction will be returned to the Group and when it is possible to accurately determine the revenue. As far as products and goods for resale are concerned, sales are considered realized when the sale gains and risks are entirely the buyer's responsibility.

### Warrants and stock options

The company is committed to reinforcing the motivation and loyalty of its managers by involving them as closely as possible in value creation, as well as in sharing the risks and opportunities of its shareholders. Therefore, Fountain allocated 148,801 warrants to certain staff members holding management positions within various companies in the Group.

Each of these warrants confers the right to one share of the Fountain Corporation.

Among this total, 44,000 warrants (defined in plan E) were decided upon by the Annual Meeting of Shareholders on 26 May, 2003. The remaining 104,401 warrants come from the initial B and D plans.

Of the 148,801 warrants allocated, only 66,485 of them are still exercisable. The others are warrants rendered void by the expiration of their period of vesting or exercise.

The warrants have exercisable values that depend on their date of allocation. These values range from 14.00 € to 31.14 € per warrant. Their first exercise period was in June 2004. They are only exercisable for 15 days per year.

### LIST OF DIRECTORS AND STATUTORY AUDITORS

(in alphabetical order)		Term start date	Term end date
<b>DIRECTORS</b>			
Mr Jean DUCROUX		24-March-99	26-May-09
Mr Alain ENGLEBERT	independent	24-March-99	26-May-09
Mr Regnier HAEGELSTEEN	independent	24-March-99	26-May-09
Mr Bruno LAMBERT		24-March-99	26-May-09
Mr Paul LIPPENS	independent	24-March-99	26-May-09
Mr Philippe RENIE		24-March-99	26-May-09
Mr Philippe SEVIN		24-March-99	26-May-09
Mr Pierre VERMAUT, Président	independent	24-March-99	26-May-09
<b>AUDITORS</b>			
Linot & Partners SCPRL (for statutory accounts), represented by Mr Michel Linot		14-Apr-97	26-May-09
B.S.T. Réviseurs d'Entreprises SCPRL (for consolidated accounts), represented by Ms Pascale Tytgat		1-Apr-98	29-May-07

## I. LIST OF GROUP'S COMPANIES

### I. Companies consolidated globally

Company	Address	Country	Percentage participation	Change in % compared to 2004
Cup Express SA	Boulevard de la Libération 6, F-93200 Saint Denis (Paris)	France	100.00%	-
Fountain First NV	Eeklostraat 81, B-9971 Lembeke	Belgium	100.00%	-
FODIS SAS	Rue Joseph Le Brix, ZA de Mescoden, bte 72 F-29260 Ploudaniel	France	100.00%	-
Fountain SA	Avenue de l'Artisanat 17, B-1420 Braine-l'Alleud	Belgium	100.00%	-
Fountain Denmark A/S	Hammerholmen 18E, DK-2650 Hvidovre	Denmark	100.00%	-
Fountain Distribution Center GEIE	Boulevard de la Libération 6, F-93200 Saint Denis (Paris)	France	100.00%	-
Fountain Industries Brussels S.A.	Avenue de l'Artisanat 13, B-1420 Braine-l'Alleud	Belgium	100.00%	-
Fountain France SAS	Boulevard 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 S.A.	Avenue de l'Artisanat 17, B-1420 Braine-l'Alleud	Belgium	100.00%	-
Fountain Manufacturing Ltd, a machine manufacturing company whose activity was shut down and which will file for liquidation in 2007	Reydon Business Park, IP18 6DH Reydon Southwold, Suffolk	United Kingdom	100.00%	-
Fountain Nord SAS, absorbed its two subsidiaries Fountain Picardie SA and Comex SA after its acquisition	Avenue de la République 82, F- 59113 Seclin	France	100.00%	100.00%
Fountain Netherlands Holding BV	Baronielaan 139, NL-4818 PD Breda	Netherlands	100.00%	-
FountainBrand International NV	Kaya Richard, J. Beaujon z/n, Curaçao	Netherlands Antilles	100.00%	-
Okole SARL	Rue Charles de Gaulle 676, F-59840 Premesques	France	100.00%	50.00%
Orga Distribution SAS, absorbed NewCaffè (France) SAS in 2006 and took the name of NewCaffè	Boulevard de la Libération 6, F-93200 Saint Denis (Paris)	France	100.00%	-
NewCaffè (France) SAS, was absorbed in 2006 by Orga Distribution SAS	Boulevard de la Libération 6, F-93200 Saint Denis (Paris)	France	0%	-100.00%
Slodadis SAS <sup>(1)</sup>	Chemin de Saint Marc 51-53, F-06530 Pleymeinade	France	34.00%	-
NewCaffè Importateur SAS, brought all its asset base to Fountain France before being dissolved	Boulevard de la Libération 6, F-93200 Saint Denis (Paris)	France	0%	-100.00%
Sy-Ra International Holding NV	Kaya Richard, J. Beaujon z/n, Curaçao	Netherlands Antilles	100.00%	-

(1) The Fountain Group retains de facto control of the company through a shareholder agreement.

## 2. Companies at equity

Company	Address	Country	Percentage participation	Change in % compared to 2005
Fountain Soleil SAS	Roland Garros 165, F-34130 Mauguio	France	50.00%	-

For this company, in 2006 the balance sheet total is €474,000, sales are at €517,000 and the net result is - €10,000.

## 3. Companies not consolidated (minimally important shareholdings)

Company	Address	Country	Percentage participation	Change in % compared to 2005
Fountain Coffee Systems Finland OY ("dormant" company)	Pakilantie 61, SF-00660 Helsinki	Finland	100.00%	-
Fountain Consumer Appliances Ltd	"Belmont" Upasi Road, Coonor 643 101, India	India	17.98%	
Fountain Sud (France) SARL (in liquidation)	ZA les Ferrailles, Route de Caumont, F-84800 Isle sur la Sorgue	France	100.00%	-
Covivia SARL (en liquidation)	Avenue Gambetta 126, F-75020 Paris	France	45.00%	-
Fountain USA, Inc	5458 North Magnolia, Chicago II, USA-60640	USA	100.00%	-
Getränke Mit System GmbH	Vogesenstrasse 41, D-76461 Muggensturm	Germany	0%	-30.00%

Of these associated companies (or joint ventures), Fountain Consumer Appliances Ltd in India, of which the Group holds 17.98%, is the only one with significant business activity. This company's balance sheet shows a total of 2,846 K€ in 2005 (3,121 K€ in 2004), the net results being negative 591 K€ in 2005 (8 K€ in 2004) .

### NOTE 1: INFORMATION SECTORIELLE

The Fountain Group is basically active on the OCS (Office Coffee System) market. Therefore the Group believes there is only one primary segment.

The secondary segment is based on geographic location. The Fountain Group makes over 90% of its sales turnover on the European market, so there is only one geographic segment. When its operations outside Europe are over 10%, an additional secondary segment will be created.

## NOTE 2: STATE OF INTANGIBLE FIXED ASSETS

	Medium-term assets
<b>I. INTANGIBLE FIXED ASSET TRANSACTIONS</b>	
<b>1. Intangible fixed assets, opening balance 01/01/2005</b>	<b>4 936.85</b>
1.1. Gross value	7 545.27
1.2. Accumulated depreciation	-2 608.42
1.3. Accumulated loss in value	0.00
<b>2. Internally generated investments</b>	<b>0.00</b>
<b>3. Investments</b>	<b>0.00</b>
<b>4. Acquisitions through company mergers</b>	<b>0.00</b>
<b>5. Transfers</b>	<b>0.00</b>
<b>6. Transfers to noncurrent assets and assets to sell</b>	<b>-427.20</b>
<b>7. Transfers through company spin-offs</b>	<b>0.00</b>
<b>8. Adjustments resulting from subsequent recognition of deferred tax assets</b>	<b>0.00</b>
<b>9. Depreciation</b>	<b>-729.88</b>
<b>10. Increase (decrease) resulting from recorded revaluation of equity</b>	<b>0.00</b>
<b>12. Loss in value recorded as equity recovery</b>	<b>0.00</b>
<b>13. Loss in value recorded in the financial statement</b>	<b>0.00</b>
<b>14. Increase (decrease) resulting from exchange rate fluctuations</b>	<b>-1.82</b>
<b>15. Other increases (decreases)</b>	<b>16.66</b>
<b>16. Intangible fixed assets, closing balance 31/12/2005</b>	<b>3 794.62</b>
16.1. Gross value	6 307.32
16.2. Accumulated depreciation	-2 512.70
16.3. Accumulated loss in value	0.00
<b>17. Internally generated investments</b>	<b>0.00</b>
<b>18. Investments</b>	<b>1 020.00</b>
<b>19. Acquisitions through company mergers</b>	<b>1 101.68</b>
<b>20. Transfers</b>	<b>0.00</b>
<b>21. Transfers to noncurrent assets and assets to sell</b>	<b>0.00</b>
<b>22. Transfers through company spin-offs</b>	<b>-30.49</b>
<b>23. Adjustments resulting from subsequent recognition of deferred tax assets</b>	<b>0.00</b>
<b>24. Depreciation</b>	<b>-542.44</b>
<b>25. Increase (decrease) resulting from recorded revaluation of equity</b>	<b>0.00</b>
<b>26. Loss in value recorded as equity recovery</b>	<b>0.00</b>
<b>27. Loss in value recorded in the financial statement</b>	<b>0.00</b>
<b>28. Increase (decrease) resulting from exchange rate fluctuations</b>	<b>226.47</b>
<b>29. Other increases (decreases)</b>	<b>219.23</b>
<b>30. Intangible fixed assets, closing balance 31/12/2006</b>	<b>5 275.45</b>
30.1. Gross value	8 696.14
30.2. Accumulated depreciation	-3 420.69
30.3. Accumulated loss in value	0.00
<b>II. OTHER INFORMATION</b>	
<b>1. Net intangible fixed assets generated internally</b>	
<b>2. Loan costs included in asset costs during the fiscal year</b>	
<b>3. Mortgage loans and other commitments: Amount of intangible fixed assets used as debt collateral (including mortgages)</b>	

Every year, the Group conducts impairment tests. If these tests show that the net book value of a fixed asset is higher than its economic value and there is nothing to show that this variance is temporary, the net book value is reduced to its economic value by recording charge for this period.

The impairment tests are based on capitalization at the cost of capital (8.58% after taxes) of the free cash flows (on a 3 years basis and after this period of flow capitalization) generated by intangible assets. As they (medium term assets and goodwill) are generated at dif-

Goodwill	Development costs	Trademarks	Patents and other rights	Software	Total
15 313.87	377.37	3 539.99	143.16	170.39	24 481.63
15 313.87	833.48	11 483.52	187.04	934.71	36 297.90
0.00	-456.11	-7 943.53	-43.88	-764.32	-11 816.27
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
57.74	311.09	0.00	8.08	197.62	574.53
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	-427.20
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	-328.61	-1 148.35	-15.74	-121.01	-2 343.59
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
-184.89	0.00	0.00	0.00	0.00	-184.89
0.00	0.00	0.00	0.00	0.00	-1.82
0.00	105.43	0.00	-10.12	-0.55	-111.42
15 186.72	465.28	2 391.64	125.37	246.46	22 210.08
15 371.61	1 064.11	11 483.52	192.75	1 134.70	35 554.01
0.00	-598.83	-9 091.88	-67.38	-888.24	-13 159.03
-184.89	0.00	0.00	0.00	0.00	-184.89
0.00	0.00	0.00	0.00	0.00	0.00
1 307.26	96.11	0.00	10.16	52.60	2 486.13
0.00	0.00	0.00	0.00	8.74	1 110.43
0.00	0.00	0.00	0.00	-9.25	-9.25
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	-8.96	-39.45
0.00	0.00	0.00	0.00	0.00	0.00
0.00	-199.24	-1 148.35	-87.34	-139.62	-2 117.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
-85.95	0.00	0.00	0.00	0.00	-85.95
0.00	0.00	0.00	0.00	0.00	226.47
-58.92	0.00	0.00	-27.44	0.00	132.87
16 349.11	362.14	1 243.28	20.75	149.98	23 400.72
16 471.98	1 145.67	11 483.52	40.60	1 193.50	39 031.41
0.00	-783.53	-10 240.23	-19.85	-1 043.53	-15 507.83
-122.86	0.00	0.00	0.00	0.00	-122.86

ferent levels within the Group, they are split over the licenses and dealership following their importance. The Group bases his calculation on a 5 years period based on the fact that the assets are not intended to be sold.

Being industrially integrated, the Fountain Group, tracks each stage of free cash flow generated.

At the transition date to the IFRS norms (31/12/2003), the intangible values (medium term assets, trademarks and consolidation goodwill) represent a net book value of 41.4% of their gross book value.

## NOTE 3: STATE OF TANGIBLE FIXED ASSETS

	Work in progress inventory
<b>I . TANGIBLE FIXED ASSET TRANSACTIONS</b>	
<b>1. Tangible fixed assets, opening balance 01/01/2005</b>	<b>166.57</b>
1.1. Gross value	166.57
1.2. Accumulated depreciation	0.00
1.3. Accumulated loss in value	0.00
<b>2. Investments</b>	<b>15.27</b>
<b>3. Acquisitions through company mergers</b>	<b>0.00</b>
<b>4. Transfers</b>	<b>0.00</b>
<b>5. Transfers to noncurrent assets and assets for sale</b>	<b>0.00</b>
<b>6. Transfers to other headings</b>	<b>-166.57</b>
<b>7. Transfers through company spin-offs</b>	<b>0.00</b>
<b>8. Depreciation</b>	<b>0.00</b>
<b>9. Increase (decrease) resulting from recorded revaluation of equity</b>	<b>0.00</b>
<b>10. Loss in value recorded as equity recovery</b>	<b>0.00</b>
<b>11. Increase (decrease) resulting from recorded revaluation in the financial statement</b>	<b>0.00</b>
<b>12. Loss in value recovery recorded in the financial statement</b>	<b>0.00</b>
<b>13. Increase (decrease) resulting from exchange rate fluctuations</b>	<b>0.00</b>
<b>14. Other increases (decreases)</b>	<b>0.00</b>
<b>15. Tangible fixed assets, closing balance 31/12/2005</b>	<b>15.27</b>
15.1. Gross value	15.27
15.2. Accumulated depreciation	0.00
15.3. Accumulated loss in value	0.00
<b>16. Investments</b>	<b>310.51</b>
<b>17. Acquisitions through company mergers</b>	<b>0.00</b>
<b>18. Transfers</b>	<b>0.00</b>
<b>19. Transfers to noncurrent assets and assets for sale</b>	<b>0.00</b>
<b>20. Transfers to other headings</b>	<b>0.00</b>
<b>21. Transfers through company spin-offs</b>	<b>0.00</b>
<b>22. Depreciation</b>	<b>0.00</b>
<b>23. Increase (decrease) resulting from recorded revaluation of equity</b>	<b>0.00</b>
<b>24. Loss in value recorded as equity recovery</b>	<b>0.00</b>
<b>25. Increase (decrease) resulting from recorded revaluation in the financial statement</b>	<b>0.00</b>
<b>26. Loss in value recovery recorded in the financial statement</b>	<b>0.00</b>
<b>27. Increase (decrease) resulting from exchange rate fluctuations</b>	<b>0.00</b>
<b>28. Other increases (decreases)</b>	<b>0.00</b>
<b>29. Tangible fixed assets, closing balance 31/12/2006</b>	<b>325.78</b>
29.1. Gross value	325.78
29.2. Accumulated depreciation	0.00
29.3. Accumulated loss in value	0.00
<b>II. OTHER INFORMATION</b>	
<b>1. Leasing</b>	<b>0.00</b>
1.1. Net book value	0.00
1.2. Tangible fixed assets acquired through leasing	0.00

Finance lease agreements referred to as “lands and constructions” refer mainly to the Group’s head office building (308 K€). The purchase option is 514 K€ and is exercisable in 2009.

Land and buildings	Plants, machinery and equipment	Motorized vehicles	Fixtures and incidental charges	Other tangible fixed assets	Total
642.34	688.19	107.89	614.89	385.03	2 604.92
1 206.50	5 106.23	210.82	4 048.53	1 179.44	11 918.08
-564.15	-4 418.03	-102.93	-3 433.64	-794.41	-9 313.16
0.00	0.00	0.00	0.00	0.00	0.00
0.00	94.95	32.90	353.20	127.00	623.32
0.00	0.00	0.00	7.47	0.00	7.47
0.00	-7.66	-30.38	-32.90	-18.60	-89.54
0.00	0.00	0.00	0.00	0.00	0.00
0.00	125.25	-1.75	162.26	-129.93	-10.73
0.00	0.00	0.00	-9.44	-91.62	-101.06
-103.82	-438.84	-45.07	-299.62	-53.70	-941.05
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	7.48	0.00	0.90	-4.39	3.99
0.00	0.00	4.49	-5.31	0.00	-0.82
538.52	469.36	68.08	791.46	213.81	2 096.50
1 206.50	5 318.65	194.74	4 450.22	823.01	12 008.40
-667.98	-4 849.28	-126.66	-3 658.77	-609.21	-9 911.89
0.00	0.00	0.00	0.00	0.00	0.00
0.00	478.22	2.26	95.70	107.49	994.17
0.00	12.49	0.00	65.53	0.00	78.02
0.00	-151.67	-8.59	-32.38	-5.35	-197.99
0.00	0.00	0.00	0.00	0.00	0.00
0.00	-294.25	0.00	-230.95	524.23	-0.97
0.00	-12.49	0.00	-23.63	0.00	-36.12
-215.15	-177.31	-31.03	-204.25	-172.86	-800.60
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	-0.25	0.00	-0.05	0.00	-0.30
0.00	0.00	0.00	1.62	0.00	1.62
323.37	324.11	30.72	463.04	667.31	2 134.33
1 206.50	3 263.69	128.42	3 581.20	1 822.68	10 328.27
-883.12	-2 939.59	-97.71	-3 118.15	-1 155.37	-8 193.94
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
307.83	0.00	28.96	0.00	0.00	336.78
0.00	0.00	0.00	0.00	0.00	0.00

**NOTE 4: CURRENT AND NONCURRENT FINANCIAL ASSETS**

Other financial assets	Shares	Securities, other than shares	Loans	Total
<b>I. FINANCIAL ASSET TRANSFERS</b>				
<b>1. Financial assets, opening balance 01/01/2005</b>	<b>139.61</b>	<b>75.38</b>	<b>110.32</b>	<b>325.31</b>
1.1. Gross value	169.68	75.38	110.32	355.38
1.2. Accumulated loss in value	-30.07	0.00	0.00	-30.07
<b>2. Investments</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>3. Acquisitions through company mergers</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>4. Transfers</b>	<b>-1.24</b>	<b>0.00</b>	<b>0.00</b>	<b>-1.24</b>
<b>5. Transfers to other headings</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>6. Transfers through company spin-offs</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>7. Goodwill in associated companies</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>8. Increase (decrease) from fair value variation</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>9. Share in net result</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>10. Loss in value recovery</b>	<b>-0.24</b>	<b>0.00</b>	<b>0.00</b>	<b>-0.24</b>
<b>11. Increase (decrease) resulting from exchange rate fluctuations</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>12. Other increases (decreases)</b>	<b>0.83</b>	<b>400.08</b>	<b>-89.07</b>	<b>311.84</b>
<b>13. Financial assets, closing balance 31/12/2005</b>	<b>138.96</b>	<b>475.46</b>	<b>21.25</b>	<b>635.67</b>
13.1. Gross value	162.56	475.46	110.32	748.34
13.2. Accumulated loss in value	-23.60	0.00	0.00	-23.60
13.3. Net noncurrent financial assets	138.96	0.00	21.25	160.21
13.4. Net current financial assets	0.00	475.46	0.00	475.46
<b>14. Investments</b>	<b>0.38</b>	<b>0.00</b>	<b>436.75</b>	<b>437.13</b>
<b>15. Acquisitions through company mergers</b>	<b>1.20</b>	<b>0.00</b>	<b>0.00</b>	<b>1.20</b>
<b>16. Transfers</b>	<b>18.00</b>	<b>0.00</b>	<b>-241.79</b>	<b>-223.79</b>
<b>17. Transfers to other headings</b>	<b>0.00</b>	<b>0.00</b>	<b>-458.00</b>	<b>-458.00</b>
<b>18. Transfers through company spin-offs</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>19. Goodwill in associated companies</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>20. Increase (decrease) from fair value variation</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>21. Share in net result</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>22. Loss in value recovery</b>	<b>-0.24</b>	<b>0.00</b>	<b>241.79</b>	<b>241.55</b>
<b>23. Increase (decrease) resulting from exchange rate fluctuations</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>24. Other increases (decreases)</b>	<b>0.00</b>	<b>-374.35</b>	<b>0.00</b>	<b>-374.35</b>
<b>25. Financial assets, closing balance 31/12/2006</b>	<b>140.30</b>	<b>101.11</b>	<b>0.00</b>	<b>241.41</b>
25.1. Gross value	146.14	101.11	0.00	247.25
25.2. Accumulated loss in value	-5.84	0.00	0.00	-5.84
25.3. Net noncurrent financial assets	140.30	0.00	0.00	140.30
25.4. Net current financial assets	0.00	101.11	0.00	101.11

**NOTE 5: CASH AND CASH EQUIVALENTS**

	2006	2005
Cash on hand	6.87	7.18
Bank balance	2 948.24	6 085.65
Short-term accounts	0.00	2.76
Other cash and cash equivalents	0.00	0.00
<b>TOTAL</b>	<b>2 955.11</b>	<b>6 095.60</b>

**NOTE 6: CURRENT AND NONCURRENT FINANCIAL ASSETS**

	Historic cost valuation	
	31/12/06	31/12/05
<b>I. OTHER NONCURRENT FINANCIAL ASSETS</b>	<b>361.33</b>	<b>346.86</b>
1. Fair value financial assets through financial statement bias	140.30	138.96
1.1. Shares	140.30	138.96
1.2. Securities, other than shares		
1.3. Other Fixed financial assets		
2. Loans and receivables		21.25
3. Financial assets available for sale	221.03	186.65
3.1. Shares		
3.2. Securities, other than shares		
3.3. Other Fixed financial assets	221.03	186.65
<b>II. OTHER CURRENT FINANCIAL ASSETS</b>		
1. Financial assets available for sale	101.16	775.74
1.1. Shares		
1.2. Securities, other than shares	101.11	475.46
1.3. Other Fixed financial assets	0.05	300.29

**NOTE 7: PERSONNEL EXPENSES AND POST-EMPLOYMENT BENEFITS**

	2006	2005
Personnel expenses		
<b>TOTAL</b>	<b>-9 909.43</b>	<b>-10 830.52</b>

The Group offers a certain number of fixed-contribution retirement plans to its employees. The Group's contributions to these retirement plans are noted in the results for the relevant fiscal year. The expense for the 2006 fiscal year is 66 K€.

**NOTE 8: OTHER OPERATING EXPENSES**

	2006	2005
Rent	817.10	898.57
Transport, vehicle, and related costs	2 051.40	2 282.47
Dues	1 719.64	1 587.71
Advertising and marketing fees	788.12	1 108.04
Taxes (other than taxes on results)	257.57	403.06
Other	3 384.18	3 520.88
<b>TOTAL</b>	<b>9 018.02</b>	<b>9 800.72</b>

For 2006 the fees for the auditor's mandates amount to 19 K€ for the statutory part and 26 K€ for the consolidated part. Additional fees of the Statutory Auditor amount to 27,900 € for the 2006 fiscal year and are related to due diligence missions.

**NOTE 9: INVENTORY**

	2006	2005
<b>I. NET INVENTORY AMOUNTS</b>	<b>5 125.87</b>	<b>3 988.65</b>
<b>1. Gross book value</b>	<b>6 752.43</b>	<b>4 673.56</b>
1.1. Goods for resale	1 073.79	847.26
1.2. Production supplies	0.00	0.00
1.3. Raw materials	683.56	1 042.18
1.4. Work in progress	0.00	137.23
1.5. Finished goods	4 995.08	2 646.90
1.6. Other inventory	0.00	0.00
<b>2. Depreciation and other write-offs</b>	<b>-1 626.56</b>	<b>-684.90</b>
2.1. Goods for resale	-119.79	-69.28
2.2. Production supplies	0.00	0.00
2.3. Raw materials	-250.06	-212.47
2.4. Work in progress	0.00	0.00
2.5. Finished goods	-1 256.72	-403.15
2.6. Other inventory	0.00	0.00

A part of the machine inventory was set up due to the planned production closure in England. A part of the inventory, whose value is estimated at 293 K€ is held for over a year and aims at covering the needs for the next 3 years.

**NOTE 10: CURRENT NET ACCOUNTS RECEIVABLE**

	2006	2005
<b>I. CURRENT NET ACCOUNTS RECEIVABLE</b>	<b>4 945.94</b>	<b>7 994.96</b>
<b>1. Current gross receivables</b>	<b>6 997.20</b>	<b>9 948.12</b>
<b>2. Accumulated value corrections</b>	<b>-2 051.27</b>	<b>-1 953.15</b>

**NOTE 11: AGGREGATE NET SALES FOR BELGIAN GROUP**

	2006	2005
Addition of sales concluded in Belgium	8 959.61	9 489.96

**NOTE 12: PERSONNEL HEAD COUNT**

Average head count (full-time equivalents)	2006	2005
Average staff head count of fully consolidated companies	221.58	230.00
Executives	12.00	14.00
Employees	197.58	171.00
Workmen	12.00	45.00
Average staff head count in Belgium	67.00	72.00

**NOTE 13: INCOMETAX****Tax expense details in result accounts**

	2006	2005
Current tax related to the outstanding fiscal year	-2 311.92	-2 340.33
Current tax related to previous fiscal years	0.00	-2.49
Deferred tax related to the outstanding fiscal year	-427.22	-280.36
Deferred tax related to previous fiscal years	-30.08	583.28
Transfers to deferred tax	1 169.75	466.53
<b>TOTAL</b>	<b>-1 599.47</b>	<b>-1 573.37</b>

## Deferred tax assets – not accounted for

	2006	2005
Fountain Denmark	19.86	66.38
Fountain Brussels	105.22	
Fountain Nord	34.58	
Fountain UK	26.02	
Fountain France	120.78	
Okole	95.35	
<b>TOTAL</b>	<b>401.82</b>	<b>66.38</b>

## Deferred tax by category

	2006		2005	
<b>BALANCE SHEET</b>	<b>Actif</b>	<b>Passif</b>	<b>Actif</b>	<b>Passif</b>
Depreciation other than trademarks			13.69	71.32
Trademarks	949.77		826.20	
Provisions		15.10		11.94
Inventory	342.59	49.98	362.17	2.59
Unprofitable companies			30.08	
Statutory <sup>(1)</sup>	593.33	23.46		63.82
Other				
<b>TOTAL</b>	<b>1 885.69</b>	<b>88.54</b>	<b>1 232.14</b>	<b>149.66</b>
<b>INCOME STATEMENT</b>	<b>Charges</b>	<b>Produits</b>	<b>Charges</b>	<b>Produits</b>
Inventory	363.32	229.88	-250.36	362.24
Provisions	63.90	124.99	-11.94	-0.32
Unprofitable companies	30.08			30.08
Statutory <sup>(2)</sup>		757.24		61.15
Depreciation and other		57.64	-18.06	13.38
<b>TOTAL</b>	<b>457.30</b>	<b>1 169.75</b>	<b>-280.36</b>	<b>466.53</b>

(1) Deferred tax debit (593.33 thousand €) at Fountain Netherlands Holding, corresponding to the statutory tax resulting from the decrease in value of the financial interest of Fountain Manufacturing. This tax credit will be recovered when the liquidation of this company becomes effective.

(2) Income created at Fountain Netherlands Holding by deferred tax debit regarding the decrease in value of interest (as per item (1) above) and deferred tax debit resulting from the difference between accounting and tax depreciations of the brands held by Fountain Netherlands Holding.

Deferred tax debits are recorded for the companies in loss in year N only if the budget for year N+1 stipulates a return to a net profit. If this is not the case, no deferred tax debit is recorded.

The Group has recoverable tax losses on Fountain Denmark, Fountain UK, Fountain Brussels, Fountain France, Okole and Fountain Nord.

## Reconciliation of 2005 tax expenses

	2006	2005
<b>Profit before tax for 2005</b>	<b>3 390.78</b>	<b>5 089.67</b>
Parent company tax rate: 33.99%		
Possible taxes	-1 152.53	-1 729.98
UK tax credit		329.11
Tax refunds in Holland		326.48
Depreciation of non-deductible medium-term assets	-78.82	-177.47
Deferred tax debits over decrease in value of group interest (statutory expense only)	593.00	
Deferred tax debits over NL brand depreciation	164.00	
Unprofitable company without allocation of deferred tax assets	-651.44	-66.36
Unlisted expenditures and other differences <sup>(1)</sup>	-473.69	-255.16
<b>TAXES ACCOUNTED FOR IN 2005 RESULTS</b>	<b>-1 599.47</b>	<b>-1 573.37</b>

(1) Including non-taxable portion of the Nespresso capital gain made in consolidation only.

**NOTE 14: PROVISIONS**

	Reserve provisions	Restructuring provisions	Litigation provisions	Other provisions	Total
<b>I. PROVISIONS</b>					
1. Provisions, opening balance			9.30	11.46	20.76
2. Supplementary provisions	58.65			12.60	71.25
3. Increase (decrease) in existing provisions			-9.30	-11.46	-20.76
4. Other increases (decreases)					0.00
5. Provisions, closing balance	58.65			12.60	71.25
5.1. Noncurrent provisions, closing balance	58.65			12.60	71.25
5.2. Current provisions, closing balance					

Litigation opposes Fountain Distribution Centre and French tax authorities for a maximum amount of 0.2 million €. Based on a risk evaluation made by our lawyers, this litigation was not subject to a provision.

**NOTE 14 bis: NON-CURRENT OBLIGATIONS FROM POST EMPLOYMENT BENEFITS**

For the first time in 2006, the Fountain group valued, based on an actuarial calculation, its retirement benefit commitments. These commitments only involve the group's French companies and amount to 69.58 thousand €.

**NOTE 14 ter: LIABILITIES INCLUDED IN GROUPS TO BE TRANSFERRED, HELD FOR SALE**

The amount carried forward in 2006 (19.79 thousand €) refers to Fountain Manufacturing UK, a company that will be liquidated in 2007.

**NOTE 15: LIABILITIES AND CREDITORS**

December 2005 Situation	1 year or less	1 to 5 years	More than 5 years	Total
<b>I. LIABILITIES WITH INTEREST ACCORDING TO TERM</b>				
1. Bank loans	4 564.71	3 862.98		8 427.69
3. Leasing	247.82	485.76		733.59
4. Other loans	165.05	22.62		187.67
<b>TOTAL</b>	<b>4 977.58</b>	<b>4 371.36</b>		<b>9 348.94</b>
<b>II. SUPPLIERS AND OTHER CREDITORS ACCORDING TO TERM</b>				
1. Suppliers	5 682.41			5 682.41
2. Advances received	1 912.59			1 912.59
3. Other creditors	228.61	68.37		296.98
<b>TOTAL</b>	<b>7 823.62</b>	<b>68.37</b>		<b>7 891.99</b>
<b>December 2006 Situation</b>				
<b>I. LIABILITIES WITH INTEREST ACCORDING TO TERM</b>				
1. Bank loans	5 763.08	4 064.23		9 827.31
3. Leasing		239.61		239.61
4. Other loans		22.62		22.62
<b>TOTAL</b>	<b>5 763.08</b>	<b>4 326.45</b>		<b>10 089.53</b>
<b>II. SUPPLIERS AND OTHER CREDITORS ACCORDING TO TERM</b>				
1. Suppliers	4 100.02			4 100.02
2. Advances received				
3. Other creditors	3 510.17	242.23		3 752.39
<b>TOTAL</b>	<b>7 610.18</b>	<b>242.23</b>		<b>7 852.41</b>

**NOTE 16: RIGHTS AND COMMITMENTS OFF-BALANCE SHEET**

	2006	2005
Personnel reserves established or irrevocably promised as debt collateral	11 507.18	9 481.33
Actual reserves established or irrevocably promised by the Group on its assets	2 980.23	271.76
Assets held by third parties in their name but at the risk and profit of the Group, if they are not recorded in the balance sheet	741.36	1 837.18
Commitments for sale of fixed assets		123.87
Fixed assets acquisition commitments		
Rights resulting from corporate acquisition operations		
Interest rate swap	3 000.00	
Other commitments	39.40	
Rights resulting from transactions relating to acquisition of companies	1 335.11	4 529.08
Commitments resulting from Transactions relating to stock option plans	N/R <sup>(1)</sup> 66 485 warrants	N/R <sup>(1)</sup> 69 865 warrants

(1) N/R = non recoverable.

**NOTE 17: RELATIONS WITH AFFILIATED COMPANIES**

	2006	2005
<b>With affiliated companies</b>	<b>136.63</b>	
Long-term debt	136.63	
Short-term debt		
<b>With companies in which the Group owns shares but which are not consolidated</b>	<b>3.67</b>	<b>141.28</b>
Shares	3.67	139.96
Long-term debt		
Short-term debt		1.32

**NOTE 18: FINANCIAL RELATIONS WITH THE DIRECTORS OF THE CONSOLIDATING COMPANY**

	2006	2005
Total compensation for service	155.9	157.6
Total advances and credits granted by the consolidating company or a subsidiary		

**NOTE 19: CAPITAL AND WARRANT PLANS**

	2006	2005
Number of shares issued	1 615 960	1 615 960
Number of allotted warrants	134 545	134 545
Number of warrants exercised as of December 31	66 485	69 865
Number of diluted shares	1 682 445	1 685 825

The shares do not have face value

### Details of warrant plan assets as of December 31, 2006

Plan number	Plan duration	Last fiscal year	Number of exercisable warrants	Average price
D	5 year	June-08	22 485	27.15 €
E	5 year	June-08	44 000	15.83 €

Plan D was extended by 2 years (decision of the Annual General Meeting on 29 May 2006).

The option plan expenses for the 2006 financial year are -11.447 €.

During the 2006 fiscal year, the Board was not required to make any resolutions related to the provisions of Articles 523 and 524 of the Corporate Code, except for the Resolution to extend the validity of Class D warrants, passed on 12 May 2006, in the absence of the Chairman of the Board, as Mr. Pierre Vermaut has 16,705 Class D warrants.

### NOTE 20: NONCURRENT ASSETS INTENDED FOR SALE

	2006	2005
<b>Medium-term assets</b>		<b>427.20</b>
of which gross value		1 180.48
of which cumulative depreciation		-753.29
<b>Companies to sell</b>	<b>363.13</b>	

Non-current assets for sale in 2005 include medium-term assets acquired as part of Nespresso product development.

The amount carried forward in 2006 relates to Fountain Manufacturing UK, a company that will be liquidated in 2007.

### NOTE 21: EVENTS AFTER THE END OF THE FINANCIAL YEAR

No important event occurred after the closing of the year.

### NOTE 22: ADDITIONAL INFORMATION REGARDING THE ESPRESSO PRODUCT LINE

During 2005 the Group reached an agreement with Nestlé regarding the end of “Nespresso Professionnel” product operations in France. As a reminder, this agreement allowed the Fountain Group to reposition itself quickly on the French espresso market and reinvest in internal and external growth projects related to its basic job, i.e. corporate drink distribution.

At the same time, during the fourth quarter of 2005 the Group marketed its new espresso offer in partnership with illycaffé.

The Fountain Group only recognises OCS as a business segment. Stopping the distribution of Nespresso brand products and replacing them by illycaffé brand products is a brand change within a product line.

According to what had been publicly announced in its time, the share paid by Nespresso to the Fountain Group is approximately 5.5 million €. In 2005 “Nespresso Professionnel” products represented approximately 40% of the sales turnover and consolidated EBITDA of the Fountain Group.

The capital gain generated by the transfer of Nespresso Professionnel operations was recorded according to the assignment agreement in 2006 for 4,608 K€.

### NOTE 23: RESTATEMENT OF POSITIONS AT THE END OF 2005

The fixed assets of parked machines and machines leased to customers were restated from line “1.3. Installations, machines and tools” to line “1.7. other tangible fixed assets” for a net amount of 135.53 thousand €.

The reserves set up for stock option plans were restated, according to IFRS provisions, from line “24. Other current liabilities” to line “3.2. Stock option plan reserves” for an amount of 18.85 thousand €.

Self-constructed assets reported under item “3. Activation of self-constructed assets” in 2005 was restated under item “4.1. Raw materials and consumption” used in the 2005 presentation in 2006. Restatement impact: 122.97 thousand €.

**NOTE 24: PROFIT (LOSS) ON ASSIGNMENT OF NON-CURRENT ASSETS NOT HELD FOR SALE**

	2006	2005
<b>Profit (loss) on assignment of non-current assets not held for sale</b>	<b>4 688.86</b>	<b>3.13</b>
Assignment of Nespresso medium-term assets	4 607.70	
Assignment of interests	-18.00	
Other asset assignments	99.16	3.13

**NOTE 25: OTHER NON-OPERATIONAL EXPENSES**

	2006	2005
<b>Other non-operational expenses</b>	<b>-1 123.89</b>	
Expenses related to the reorganisation of French companies (merger, integrations, etc.)	-258.11	
Expenses related to the closure of the production site and reorganisation in England	-865.87	
Other asset assignments	0.10	

**NOTE 26: ADDITIONAL INFORMATION ON ACQUISITIONS**

The group effectively acquired Fountain Nord, Comex and Fountain Picardie on 1 July 2006. The three entities then merged. The acquisition price was not communicated

<b>The synthetic balance sheet for the group on 31/12/2006</b>			
<b>ASSETS</b>		<b>LIABILITIES</b>	
<b>Non current assets</b>	<b>971.10</b>	<b>Shareholders' equity</b>	<b>311.11</b>
		<b>Non-current liabilities</b>	<b>5.99</b>
<b>Current assets</b>	<b>560.19</b>	<b>Current liabilities</b>	<b>1 214.19</b>
Inventory	143.79	Interest bearing	132.90
Clients	358.99	Suppliers	445.28
Other	57.42	Other	636.02
<b>TOTAL ASSETS</b>	<b>1 531.29</b>	<b>TOTAL LIABILITIES</b>	<b>1 531.29</b>

The net debt of Fountain Nord at the end of December 2006 is 130 K€.

For the entire year Fountain Nord had a sales turnover of 3.8 M€ and a net income of -0.2 M€.

**NOTE 27: ADDITIONAL INFORMATION ON BUSINESS COMBINATIONS**

The purpose of different business combinations that occurred in 2006 is to simplify the organisational chart and create management term savings. The costs related to these different transactions are 0.3 M€ in 2006.

**SHAREHOLDER AGENDA**

	Date
Publication of the 2006 Annual Report	Beginning May-07
Annual General Meeting	29-May-07
Dividend payout	June-07
Announcement of 2007 semi-annual results	End August-07
Announcement of 2007 annual results	Mid-March-08

## corporate annual accounts (abbreviated version)

The annual financial statements of Fountain SA (previously Fountain Industries Europe SA) for the 2006 fiscal year are recorded in short version according to Article 105 of the Corporate Code.

Under Belgian laws on business corporations, the management report and the annual statutory accounts of the company, as well as the Statutory Auditor's report are filed with the National Bank of Belgium and kept at the head office of the company, at the disposal of its shareholders.

The Statutory Auditor certified the financial statements of Fountain SA without reserve.

### I. STATUTORY BALANCE SHEET (AFTER APPROPRIATION)

	2006	2005
<b>FIXED ASSETS</b>	<b>49 686</b>	<b>50 455</b>
I. Formation expense	0	0
II. Intangible fixed assets	610	862
III. Tangible fixed assets	1 128	807
IV. Financial fixed assets	47 948	48 786
<b>CURRENT ASSETS</b>	<b>9 896</b>	<b>8 003</b>
V. Long-term debt	1 784	2 637
VI. Stocks and orders in progress	502	558
VII. Short-term debt	7 437	4 308
VIII. Investments	0	300
IX. Cash at bank and in hand	56	106
X. Deferred charges, accrued income	117	94
<b>TOTAL ASSETS</b>	<b>59 582</b>	<b>58 458</b>

	2006	2005
<b>CAPITAL AND RESERVES</b>	<b>43 567</b>	<b>44 242</b>
I. Paid-up Capital	22 928	26 160
II. Share premium account	32	32
III. Revaluation surpluses	0	0
IV. Reserves	5 153	5 051
V. Accumulated profits	15 454	12 999
VI. Investment subsidies	0	0
<b>PROVISIONS, DEFERRED TAXES</b>	<b>139</b>	<b>110</b>
VII. A. Provisions for liabilities and charges	116	47
VII. B. Deferred Taxes	23	64
<b>CREDITORS</b>	<b>15 876</b>	<b>14 106</b>
VIII. Long-term debt	5 725	6 596
IX. Short-term debt	10 085	7 452
X. Deferred charges, accrued income	66	58
<b>TOTAL LIABILITIES</b>	<b>59 582</b>	<b>58 458</b>

**2. CORPORATE PROFIT AND LOSS ACCOUNT (AFTER ALLOCATION)**

	2006	2005
<b>I. OPERATING INCOME</b>	<b>18 578</b>	<b>16 901</b>
A. Sales	17 696	15 350
B. Increase (+), decrease (-) of goods in progress, finished good inventory and contracts in progress	18	-42
C. Non performing income	11	0
D. Other operating income	853	1 593
<b>II. OPERATING CHARGES</b>	<b>14 998</b>	<b>13 153</b>
A. Raw materials, consumables and goods for resale	9 808	7 409
B. Services and other goods	2 695	2 601
C. Compensation, social security charges and pensions	1 760	1 924
D. Depreciation and write-offs on fixed assets (+ allowance)	489	756
E. Depreciation and write-offs on inventory and receivables (+ allowance)	78	143
F. Increase (+), decrease (-) in provisions for liabilities and charges	69	-14
G. Other operating expenses	98	334
<b>III. OPERATING PROFIT (+), LOSS (-)</b>	<b>3 580</b>	<b>3 748</b>
<b>IV. Financial income</b>	<b>2 374</b>	<b>3 617</b>
<b>V. Financial charges</b>	<b>-573</b>	<b>-745</b>
<b>VI. PROFIT (+), LOSS (-) ON OPERATION</b>	<b>5 381</b>	<b>6 621</b>
<b>VII. Extraordinary income</b>	<b>394</b>	<b>17</b>
<b>VIII. Extraordinary charges</b>	<b>-812</b>	<b>-273</b>
<b>IX. PROFIT (+), LOSS (-) BEFORE TAXES</b>	<b>4 962</b>	<b>6 365</b>
<b>IX.bis Transfers to/from deferred taxes</b>	<b>40</b>	<b>61</b>
<b>X. Income tax</b>	<b>-1 476</b>	<b>-1 199</b>
<b>XI. PROFIT (+), LOSS (+) FOR THE PERIOD</b>	<b>3 526</b>	<b>5 227</b>
<b>XII. Transfers to/from immune reserves</b>	<b>78</b>	<b>119</b>
<b>XIII. PROFIT (+), LOSS (-) FOR THE PERIOD TO BE APPROPRIATED</b>	<b>3 605</b>	<b>5 346</b>
A. Transfer to legal reserve	-180	-267
B. Transfer to other reserves	0	0
C. Dividends	-970	0
D. Retained earnings	15 454	13 000

### 3. REVIEW OF CAPITAL

		Number of shares	Total number of shares	Amount of capital
<b>A. PAID-UP CAPITAL</b>				
23-March-72	Incorporation	600	600	600 000 BEF
26-Sep-80	Inclusion of reserves in capital	0	600	5 000 000 BEF
24-Dec-86	Capital increase	12	612	5 100 000 BEF
	Capital reduction	-580	32	266 675 BEF
	Inclusion of reserves in capital	0	32	1 250 000 BEF
15-Feb-95	Split of shares; 125 new for one old	0	4 000	1 250 000 BEF
19-Dec-97	Capital increase	1 328 000	1 332 000	416 250 000 BEF
24-March-99	Capital increase (exercise of warrants)	88 730	1 420 730	490 525 883 BEF
27-Apr-99	Capital increase (IPO)	250 000	1 670 730	576 842 176 BEF
	Inclusion of share premium amount in capital	0	1 670 730	1 055 284 483 €
	Capital conversion in €	0	1 670 730	26 159 819.01 €
26-Dec-01	Cancellation of shares	(54 770)	1 615 960	26 159 819.01 €
16-Aug-06	Capital decrease		1 615 960	22 927 899.01 €
<b>B. UNSUBSCRIBED AUTHORIZED CAPITAL</b>				
Extraordinary General Meeting of March 24, 1999 confirmed by the Extraordinary General Meeting of May 30, 2001 and of December 14, 2005				7 436 806 €

### 4. SECURITIES PORTFOLIO

	Number of share held	Percentage participation	Equity on December 31 2006 <sup>(1)</sup>	2006 Results
Fountain France SAS	6	0.06%	11 429.56	-355.64 €
Fountain International SA	1	0.08%	205.57	161.62 €
Fountain First NV	899	99.89%	645.34	157.31 €
Fountain Industries Brussels SA	199	99.50%	-390.94	-309.53 €
Fountain Netherlands Holding BV	60 000	100.00%	19 173.87	-1 958.37 €

(1) Any dividends with respect to 2006 are not deducted from the equity of the companies concerned.