# annual report '08

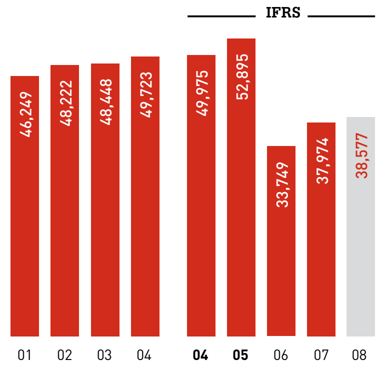
FOUNTAIN
service first ®

# contents



# key figures

## CONSOLIDATED SALES TURNOVER
(in € millions)




## CONSOLIDATED MAIN FIGURES (in EUR million)

| | 2008 | 2007 | 2006 | 05 IFRS | 04 IFRS | 2004 | 2003 | 2002 | 2001 |
|---|---|---|---|---|---|---|---|---|---|
| Sales turnover | 38.577 | 37.974 | 33.749 | 52.895 | 49.975 | 49.723 | 48.448 | 48.222 | 46.249 |
| Operating cash-flow (EBITDA)[1] | 8.246 | 7.143 | 5.004 | 10.026 | 9.751 | 9.742 | 8.484 | 8.396 | 6.901 |
| Operating profit (EBIT)[2] | 2.503 | 3.318 | 0.376 | 5.767 | 5.994 | 7.857 | 6.929 | 7.061 | 4.732 |
| Financial results | -1.119 | -1.034 | -0.625 | -0.635 | -0.721 | -0.821 | -0.973 | -1.052 | -1.115 |
| Extraordinary results | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | -0.364 | -0.311 | 0.870 | -0.115 |
| Result before taxes[1] | 1.326 | 1.645 | 3.396 | 5.132 | 5.273 | 6.672 | 5.645 | 6.879 | 3.502 |
| Taxes | -0.308 | -0.801 | -1.601 | -1.573 | -1.655 | -2.002 | -2.218 | -2.968 | -1.407 |
| Goodwill depreciation[3] | -1.292 | -2.122 | -1.991 | -2.035 | -1.660 | -4.713 | -4.618 | -4.608 | -4.340 |
| Profit after taxes | 1.018 | 0.804 | 1.795 | 3.516 | 3.611 | 0.401 | -0.694 | -0.697 | -2.245 |
| Net cash-flow | 6.820 | 5.308 | 6.404 | 7.818 | 7.375 | 6.555 | 4.982 | 5.246 | 4.264 |
| Capitalisation on 31 December | 19.924 | 31.899 | 29.588 | 35.147 | 27.875 | 27.875 | 21.040 | 14.738 | 19.553 |
| Equity | 25.972 | 24.775 | 25.576 | 27.236 | 24.735 | 20.512 | 21.052 | 22.562 | 23.883 |
| Net debt | 11.346 | 10.779 | 7.033 | 2.953 | 8.470 | 8.250 | 8.031 | 12.569 | 13.942 |
| Enterprise value (EV) | 31.270 | 42.678 | 36.621 | 38.100 | 36.345 | 36.125 | 29.071 | 27.307 | 33.495 |

(1) Result before depreciation, write-downs, interest of the debt and before restructurings (closings and reorganisations of - 119 K€ in 2008, - 1.601 in 2007) en 1,1 M€ for non recurring charges on cash misappropriation.
(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.

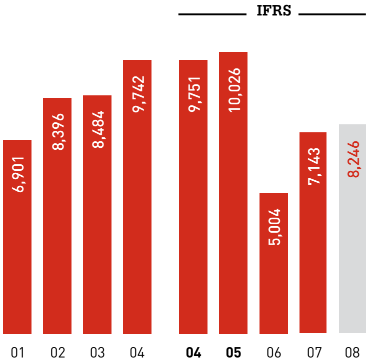
## SALES TURNOVER BREAKDOWN PER MARKET (excluding royalties)

| | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|---|---|---|---|
| France | 61.3% | 54.1% | 51.9% | 65.9% | 62.2% | 58.1% | 54.3% |
| Benelux | 31.2% | 37.6% | 37.5% | 26.8% | 28.5% | 29.5% | 32.8% |
| Scandinavia | 4.0% | 4.9% | 6.1% | 4.0% | 3.8% | 5.6% | 5.6% |
| United Kingdom | 0.5% | 1.1% | 1.6% | 1.4% | 1.1% | 1.3% | 1.7% |
| Rest of the World | 2.9% | 2.3% | 2.9% | 1.9% | 4.3% | 5.5% | 5.6% |

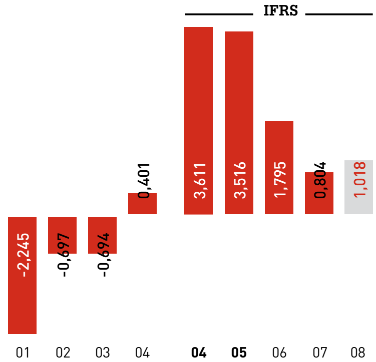
## KEY FIGURES PER SHARE AND FINANCIAL RATIOS (in EUR)

| | 2008 | 2007 | 2006 | 05 IFRS | 04 IFRS | 2004 | 2003 | 2002 |
|---|---|---|---|---|---|---|---|---|
| Equity per share | 16.072 | 15.331 | 15.827 | 16.854 | 15.307 | 12.693 | 13.468 | 13.962 |
| Enterprise value per share | 19.351 | 26.410 | 22.662 | 23.577 | 22.491 | 22.355 | 17.990 | 16.898 |
| Operating cash-flow per share | 5.103 | 4.420 | 3.097 | 6.204 | 6.034 | 6.029 | 5.250 | 5.196 |
| Net profit per share | 0.630 | 0.498 | 1.111 | 2.176 | 2.235 | 0.248 | -0.429 | -0.432 |
| Net cash-flow per share | 4.220 | 3.285 | 3.963 | 4.838 | 4.564 | 4.057 | 3.083 | 3.246 |
| Price earning ratio (PER) | x 19.57 | x 39.67 | x 16.48 | x 10.00 | x 7.72 | x 69.45 | -x 30.32 | -x 21.13 |
| Capitalisation on Equity | 76.7% | 128.8% | 115.7% | 129.0% | 112.7% | 135.9% | 99.9% | 65.3% |
| Capitalisation on EBITDA | x 2.42 | x 4.47 | x 5.91 | x 3.51 | x 2.86 | x 2.86 | x 2.48 | x 1.76 |
| Enterprise value on EBITDA | x 3.79 | x 5.97 | x 7.32 | x 3.80 | x 3.73 | x 3.71 | x 3.43 | x 3.25 |

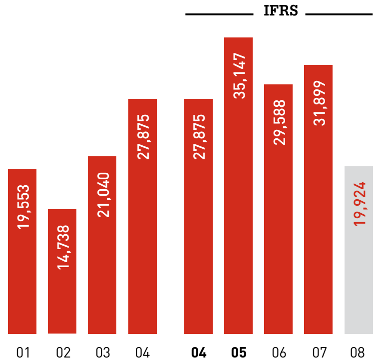
**CONSOLIDATED OPERATING CASH-FLOW** (in € millions)




**CONSOLIDATED PROFIT AFTER TAXES** (in € millions)




**CAPITALISATION** (in € millions)




## NUMBER OF SHARES

| | 2008 | juin 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|---|---|
| Issued shares | 1 660 360 | 1 660 360 | 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 | 134 545 | 134 545 | 134 545 |
| Warrants still available for exercise | 0 | 22 085 | 66 485 | 66 485 | 69 865 | 76 625 | 98 965 |
| Total | 1 660 360 | 1 682 445 | 1 682 445 | 1 682 445 | 1 685 825 | 1 692 585 | 1 714 925 |

## CAPITALISATION (in EUR)

| | |
|---|---|
| 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 |
| 2007 | 31 899 050 |
| 2008 | 19 924 320 |

## LISTING

Euronext Brussels
Primary spot market, double fixing

1.660.360 issued shares
134.545 warrants allocated of which 134.545 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.

## SHAREHOLDING (in 2008)

| (number of shares) | 2008 | |
|---|---|---|
| SG Capital Europe Fund I,LP | 500 844 | 30,2% |
| Electra Partner | 179 193 | 10,8% |
| Quaerocq SCRL | 200 036 | 12,0% |
| Public | 780 287 | 47,0% |

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.
Quaerocq SCRL is a Belgian investment company.

## FINANCIAL AGENDA

| | |
|---|---|
| Ordinary General Meeting of the Shareholders 2009 | 25th May 2009 on 10:00 |
| Announcement of half-year results 2009 | 27th August 2009 |
| Announcement of annual results 2009 | Mid-March 2010 |
| Ordinary General Meeting 2010 | 24th May 2010 |

## PAYMENT ON CAPITAL (in EUR)

| | 2008 | 2007 | 2006 | 05 IFRS | 04 IFRS | 2004 | 2003 | 2002 |
|---|---|---|---|---|---|---|---|---|
| Gross dividend | 0.80 | 0.80 | 0.60 | 0.00 | 0.60 | 0.60 | 0.44 | 0.32 |
| Net dividend | 0.60 | 0.60 | 0.45 | 0.00 | 0.45 | 0.45 | 0.33 | 0.24 |
| Total gross dividend | 1 328 288 | 1 292 768 | 969 576 | 0.00 | 969 576 | 969 576 | 711 022 | 517 107 |
| Total gross dividend on EBITDA | 16.11% | 18.10% | 19.38% | 0.00% | 9.94% | 9.95% | 8.38% | 6.16% |
| Capital reduction | | | | 2.00 | | | | |

# 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).

# chairman's message

## CONTINUITY

In spite of the crisis that has dealt such a hard blow to our economies, and in particular large enterprises, Fountain has so far been relatively spared. Small and medium-sized companies, the main target of our activity, seem to be more resistant to the effects of the ongoing recession.

Table Top sales have continued to rise, impacting positively our turnover in freeze-dried products. Espresso sales, on the other hand, stagnated somewhat.

Growth in turnover of the Table Top product line reinforces our strategy of keeping control over the entire production and distribution chain of our products. The idea is to ensure Fountain's independence and stability in terms of external events and decisions. Maintenance and service contracts for the Table Top line are our greatest asset for ensuring long-term collaboration with our customers.

The company's EBITDA of €8.2 million for 2008 represented 15 % growth over the previous year, in line with our projections. Our objective for 2010-2011 is to return to the historic level achieved when we were Nespresso distributors.

Our balance sheet structure is sound and our debt limited. This is a source of security for the company considering today's credit squeeze due to the crisis.

We are particularly proud, given the current economic circumstances, to propose to the General Meeting a dividend payout of €0.80 per share, identical to the previous year's level.

We remain optimistic about Fountain's future even though it is difficult to predict the impact of the crisis on the consumption of hot beverages in professional settings. Our risk is spread evenly among our customers and we think that our cash flow in 2009 will be at least comparable to its 2008 level.

We will of course keep a close eye during the year on any acquisition opportunities that may occur, in particular on the Dutch market, where we have long been present. Our goal is to draw closer to the end consumer and to optimise synergy at operating level.

The Board of Directors would like once again to thank all of Fountain's shareholders and partners for their confidence.

**>> The company's EBITDA represented 15 % growth over the previous year.**

Pierre Vermaut
Chairman

# CEO's message

>> **Our particularly wide and diversified portfolio of clients enables us to view the future optimistically.**

## STAYING TUNED IN TO OUR CLIENTELE

The year 2008 was in keeping with the strategy implemented by Fountain for the last few years, namely developing a wider offer aimed at a diversified clientele and more targeted canvassing of medium-sized companies.

Our range of machines expanded in different segments. The basic range was completed with Opera Creamy. Symfoni, our cartridge Table Top series that primarily targets the Belgian and Dutch markets, was completely renewed with two new models. Fountain also introduced a new range of water fountains connected to the water piping system, baptised "ICE", offering a more ecological alternative to our customers using water dispensers.

Our Rapsody tabletop range, adapted to the needs of offices, was expanded with two machines that accommodate grain coffee.

With our constantly growing product line we are able to satisfy the diverse needs of our clients with five to fifty employees, as well as large enterprises, and to offer tailor-made solutions.

In terms of organisation, 2008 saw the merger of Fountain Océan (Nantes), acquired in 2007, and Fodis (Brest) into a new venture named Fountain Ouest. It has become the group's biggest distributor and employs around fifty people.

A great deal of effort went into the SAP project in 2008 both within Fountain SA and Fountain France. The start-up at our subsidiary Fountain Belgium became effective last October. A launching plan for all the subsidiaries, including Paris and Lyon, was implemented on 1 February 2009 and all of the group's distributors and subsidiaries will be on SAP by the start of 2010.

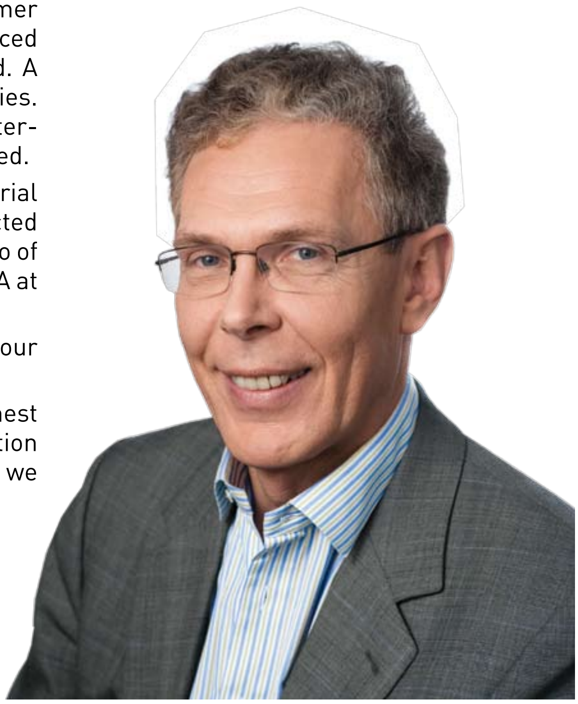
In our determination to continue to move closer to the end consumer and to stay tuned in to their needs, we have implemented a periodic review of customer satisfaction. Every quarter, a questionnaire is submitted to a sampling of our customers to get their views on the quality of our products and services (reception, follow-up, etc.).

Recent audits brought to light the misappropriation of funds by a former employee of our Lyon subsidiary between 2006 and 2008. This fraud reduced our cash balance by a total of €1.1 million over the period concerned. A detailed investigation is being conducted by the French judicial authorities. We have made all the necessary arrangements to enforce our rights. Internal and external monitoring measures have been considerably reinforced.

The global crisis that is dealing a particularly hard blow to the industrial world and to certain segments of our economy has not significantly affected the Fountain Group to date. Our particularly wide and diversified portfolio of clients enables us to view the future optimistically. We anticipate EBITDA at least equal to its 2008 level for the year in progress.

We remain attentive to all investment opportunities that may occur on our markets.

The Management Committee and I would like to express our warmest thanks to our employees and distributors for their invaluable contribution to Fountain's performance and their support as we meet the challenges we have set for ourselves.



Pascal Wuillaume
CEO

# management and corporate governance

## BOARD OF DIRECTORS

### PIERRE VERMAUT
Chairman
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.

### 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.

### PHILIP PERCIVAL
Director
Philip Percival is a manager of SG Capital Europe Fund I, LP (London) and a corporate officer. He was co-opted by the Board of Directors to take over the directorship of Philippe Renié.

### PHILIPPE RENIÉ
Director
Philippe Renié is Director of SG Capital Europe Fund I, LP (London) and a corporate officer. Philippe Renié resigned in October 2008.

### 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., represented by Mr. Alain Englebert.

The Board of Directors met six times in 2008.

The start and end dates of terms are listed in the table on page 38.

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

## MANAGEMENT COMMITTEE

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

#### PASCAL WUILLAUME

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 Corporate Governance Code , with the exception of divulging individual compensation. In order to respect confidentiality, 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: €150,017.

Compensation for the Management Committee: €883,723 including social security contributions.

## 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 Nominating/Compensation Committee met once in 2008

## 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 2008 financial 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 periodically by the group auditor, which also determines, for each audit, the scope of 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 Corporate Governance Code, the necessity of setting up an internal audit function was first debated in 2005 and reviewed in March 2009.

At its meeting in March 2009, the Board of Directors decided to set up a permanent Internal Audit programme. It will be implemented by the Corporate Finance Unit, which will report on these specific tasks directly to the Audit Committee.

From left to right:
Pascal Wuillaume
Michel Malschalck
Sorin Mogosan
Jean-François Buysschaert


illy

# management report

**Ladies and Gentlemen,**

**We are pleased to present our management report, which includes the Group's statutory consolidated financial statement for 2008 and the consolidated accounts for the financial year ended 31 December 2008. We also submit for your approval the proposal for allocation of profit as well as the discharge for our mandate for the completed financial year.**

**The results presented here comply with IAS/IFRS accounting methods and valuation criteria.**

## 1. CONSOLIDATED RESULTS 2008

Fountain Group's after-tax net consolidated profit for 2008 amounted to €1,018,000, a 26.6 % expansion over the previous year (€804,000).

Taxes for 2008 and 2007 (corrected in accordance with IAS 8) were entered pursuant to IAS 12 and IFRS 3 taking into account the retrospective application of these standards. These concern on the one hand the entry of deferred tax liabilities further to entry at their fair value of intangible assets (goodwill) acquired in the context of groupings of companies (allocation of first consolidation differences), and on the other the entry of deferred tax assets on intangible fixed assets (French goodwill) acquired from third parties, due to depreciations.

The modified net result for 2007 amounted to €804,000 compared with €529,000 previously, since taxes declined from €1,076,000 to €801,000.

Results for 2008 were impacted by the integration for the full 12 months of Fountain Océan, acquired in July 2007, and by the synergy resulting from the merger between Fountain Océan and FODIS.

Recent audits brought to light a misappropriation of funds by a former employee of our Lyon subsidiary between 2006 and 2008. This fraud reduced our cash balance by a total of €1.1 million over the period concerned. A detailed investigation is being conducted by the French judicial authorities. We have made all the necessary arrangements to enforce our rights. Internal and external monitoring measures have been considerably reinforced as a result.

The financial consequences of this misappropriation (€1.1 million before taxes) were entirely underwritten at 31 December 2008 (notwithstanding the existence of possibilities for legal proceedings). The results for the previous financial years were not recalculated.

Taxes amounted to €0.4 million.


>> **The growth in turnover resulted from the successful expansion of the Table Top line of products and the integration of acquisitions.**

Consolidated operating cash flow (EBIDTA) amounted to €8.2 million, i.e. 21 % of turnover, compared with 18.8 % for 2007 (€7.1 million). Operating cash flow, the Group's key indicator, is composed of earnings before amortisation, write-offs, impairment tests, debt, taxes and restructuring costs, in the amount of €–119,000 in 2008, compared with €-1,601,000 in 2007, and non-recurring expenses in the amount of €1.1 million resulting from the misappropriation of funds in France.

The Group's net debt amounted to €11.3 million at end 2008 (€10.8 million at end 2007).

## 2. THE GROUP'S BUSINESS OPERATIONS IN 2008

The Group's consolidated turnover in 2008 amounted to €38.6 million, an increase of 1.6 % over 2007 (€37.97 million).

The growth in turnover resulted from the successful expansion of the Table Top line of products and the integration of acquisitions. The second half of 2008 was more difficult in terms of sales than the first six months of the year.

The Table Top machines, which are highly successful, are generally leased, resulting in a staggered formation of turnover over time. The impact is estimated at €0.6 million for 2008 (i.e. 1.6 % of turnover).

The Group continued to carry out merger transactions and to revamp shareholdings in order to simplify its organisation chart.

Belgium, France and the Netherlands accounted for the greater part of consolidated sales.

## 3. VALUATION RULES

In accordance with IFRS rules, the Group carried out impairment tests on its intangible assets (business capital, brands and consolidation goodwill). The tests resulted in asset adjustment expenses of €255,000.

Fountain Distribution Center is in litigation with the French tax authorities over trade tax for the years 2003 to 2007, for an amount of €0.4 million at most. Based on a risk evaluation by our lawyers, no provision was made for the litigation.

## 4. DEVELOPMENT COSTS

Additional costs incurred in 2008 amounted to €66,000 and concerned development of new products and machines.

## 5. ABSENCE OF CONFLICTS OF INTEREST

During the financial year 2008, the Board did not have to adopt any resolutions related to Articles 523 and 524 of the Company Code.

## 6. SHARE CAPITAL

At 31 December 2008, Fountain SA's share capital was made up of a total of 1,660,360 shares. Following the capital increase of 16 May 2008 (issue of 44,400 shares as a result of the exercise of 44,400 warrants by Syren SPRL, represented by Mr Pascal Wuillaume, C.E.O. of Groupe Fountain), the total number of shares making up the capital of Fountain SA rose from 1,615,960 to 1,660,360. The subscription periods for the different warrant plans were all closed on 30 June 2008. No warrant plans have been active since 1 July 2008.

## 7. OUTLOOK FOR 2009

The Board remains confident for 2009, although it is difficult to predict the impact of the economic crisis on the consumption of hot beverages in professional settings. The Group has a very wide clientele which makes it possible to spread risk.

The Group's operating cash flow in 2009 is expected to be comparable with its 2008 level.

The Group remains attentive to all acquisition opportunities on its traditional markets.

Apart from the general slump in the economy, the Board of Directors has not identified any other specific risk or uncertainty that the company may have to face as part of the evolution of its business, earnings or financial situation.

The Group partially covered its interest risk through two interest rate swaps (€3 million and €4.2 million over five years). There is no hedging on raw material supplies.

## 8. ALLOCATION OF PROFIT

At the end of the financial year, the Group's profits amounted to €1,541,414.23. Profits carried forward from the previous year amounted to €16,035,028.35, giving a total of €17,576,442.58 to be allocated at 31 December 2008.

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

| | |
|---|---|
| Dividend (€0.80 per share): | 1,328,288.00 € |
| Contribution to legal reserve: | 77,070.71 € |
| Carried forward: | 16,171,083.87 € |


## 9. MISCELLANEOUS

Additional fees were paid for 2008 to the Statutory Auditors (SCPRL Linet & Partners) in the amount of €900. These fees corresponded to the exercise of warrant subscription rights in connection with the capital increase in May 2008 (Art 591 of the Company Code).

We kindly ask you to review the consolidated annual accounts for the year ended 31 December 2008, to approve the statutory accounts and the proposed allocation of profits and to issue a discharge to the Board and the Auditors for their mandates for financial year 2008.

The Board of Directors.
17 March 2009.

PS: A copy of the complete text of the management report may be obtained from the Group's registered office upon request.

# products and services

## a renewed offer

The range of coffees and other hot and cold drinks that Fountain makes available to companies and organisations is the widest and most complete ever since the group's founding. Our range of machines and products meets the needs of a diversified clientele in professional structures of five to fifty people as well as larger structures. Small and medium-sized businesses, banks, retailers, networks of franchised shops, sport clubs, medical centres and more can offer their staff, customers or visitors a wide range of quality beverages: coffee, tea, soups and soft drinks. Fountain's distributors and subsidiaries take charge of installing the machines, maintaining them and supplying the drinks, biscuits, chocolates, milk, sugar and accessories (cups, stirrers, etc.).

Fountain offers a tailor-made solution to all its clients, no matter how small or large. We remain particularly attentive to their needs. During the last year, we set up a new tool allowing us to measure customer satisfaction on a regular basis. On a quarterly basis, we submit to a representative sample of our customers a questionnaire on the quality of our products and services (reception, follow-up, etc.). This tool enables us to adapt the Group's functioning on an ongoing basis to our customers' specific expectations.

Our range of machines has expanded in different segments, with the addition of Opera Creamy and two new Symfoni models in the cartridge table top range, primarily targeting the Belgian and Dutch markets. The Rapsody table top series, which is particularly well suited to the office market, has been extended to include two machines that use grain coffee. The Rapsody range is increasingly successful among our customers.

In April 2008, Fountain launched a range of water fountains connected to the water piping system, baptised ICE, to offer a more ecological alternative to our customers using water dispensers.

Fountain offers different families of coffee and beverages that meet the expectations of a wide clientele with diverse needs.

**>> Fountain offers different families of coffee and beverages that meet the expectations of a wide clientele with diverse needs.**


## ESPRESSO

Fountain's partnership with illycaffè, established in 2006, gives it a privileged position in the top-of-the-range espresso market segment, targeting a very demanding clientele.

The new espresso machines, Forza Uno and Forza Due, available since the start of March 2009, meet the needs of bigger structures that require larger quantities.

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

To enhance the appeal of illy's products, Fountain focuses on its line of accessories. A welcome kit is graciously offered to new customers. It includes coffee samples, cups, stirrers and sugar packets. Small porcelain cups and large collectible cups with the illy insignia are also distributed.

Distributors have very effective promotional material for trade shows, as well as posters and vehicles decorated with the Fountain and illy logos. The reputation of illy and its six million cups of coffee served daily worldwide remains the strongest selling point for our distributors.

In June and July 2008, two Fiat 500s decorated with the Fountain logo and equipped with an illy Cube LX machine travelled to every corner of Belgium. They visited around 40 companies per day and per car, enabling our customers and future customers to become familiar with Fountain's espresso offer. Since April 2009, a «Fountain» Fiat 500 continues to travel across Belgium.


## FOUNTAIN PRODUCTS

Fountain offers a wide range of freeze-dried beverages, presented in the form of cartridges. These easy-to-use cartridges offer the advantage of being very hygienic, since the product is not handled directly. They also allow consumers to mix the strength of the beverage to their own taste by adding the exact amount of water they like.

## COFFEES

Coffee accounts for three of every four Fountain beverages consumed. To cater to the tastes of a public with diverse expectations, Fountain has developed a range of around 20 flavours, grouped into four families that can be recognised by the colour of the cartridge:

- full-bodied dark roast espresso coffees (Espresso Roma, Black Gold, Premium Blend),
- medium roast mocha-type coffees (Mocha Classic, Mocha Orena, Decaf, etc.),
- light, delicately flavoured coffees (Colombia, Dessert, Aroma and Gold),
- specialty coffees, especially enjoyed by young consumers (Cappuccino Vanilla and Caramel, Mochaccino, Wiener Kaffee and Caffé Latte),
- Fountain also offers a Max Havelaar coffee.

### Hot beverages

Five types of hot chocolate (Dutch, Belgian superior, Swiss, Luxus and Cocoa Punch) and eight teas (Nature, Darjeeling, Lemon, green mint tea, etc.) are available.

As for soups, consumers can choose from approximately ten delicious varieties such as tomato, vegetable, wild mushrooms, pea, chicken, onion, etc. A new "in/out" soup completes the product line once or twice a year.

>> **We set up a new tool allowing us to measure customer satisfaction on a regular basis.**

### Cold drinks

The decline in consumption of hot beverages during the summer months is offset by higher consumption of cold drinks.

Ice Cappuccino, Ice Lemon and Ice Orange are available in this drink category.

### Cartridge machines

The Opera range operates on a new patented and very practical "push and go" system (four cartridges). Available in the Classic or Creamy version, it provides a creamy espresso-type coffee. The more automated Opera Creamy lets consumers choose between a small or large cup. It also provides space for three cartridges.

The Silverline range also exists in a Classic or Creamy version and provides space for four cartridges. Easy to use and very sturdy, these machines are an economic solution for small and medium-sized companies.

The Table Top range of large semi-automatic machines is recommended for large professional settings of 15 to 50 people. These machines distribute up to eight different beverages packaged in large cartridges and can be connected to a running water system and equipped with a coin slot. They are flexible enough to accommodate the growth of Fountain's customers. The Table Top Symfoni specifically targets the hotel, restaurant and catering industry, as well as institutional food services. Our range recently expanded with the addition of the Symfoni 3000 and Symfoni 3000 Maxi.


## Accessories and extras

For the convenience of its end customers and distributors, Fountain provides all the necessary accessories in its logistics centre in Maubeuge, France. Milk, sugar, chocolates and biscuits, as well as cups, napkins and stirrers are all provided by one and the same supplier.

Fountain sells under its own brand name milk packets, fine sugar packets, creamers, sugar cubes, chocolates and biscuits. The range of chocolate squares includes dark chocolate, milk chocolate, chocolate with puffed rice and chocolate with cocoa beans. Biscuits, chocolate-covered almonds, puffed rice bars and more complete this line of sweets.


FOUNTAIN
service first

# personnel and distributors:
## closer to clients

The merger of Fountain Océan (Nantes), acquired in 2007, and Fodis (Brest) into a new venture named Fountain Ouest was in keeping with the group's strategy of setting up big groups covering all its regions so as to better serve its 50,000 end customers. Fountain Ouest has become the group's biggest distributor.

The quality of human resources is a particularly decisive factor of success for a service company. Fountain strives to develop loyalty among its staff and thus to benefit from their experience and to recruit talented young people attracted by the group's light and adaptive structure.

Fountain also attaches great importance to continuing training for its staff. In 2009, all our technical employees will be given specific training related to the renewal of our product line.

The Fountain network includes several dozen regional distributors, both group members and self-employed, spanning 28 countries.

The distributors have a sales team and a separate team of customer service representatives. The sales team is in charge of market canvassing, as well as selection and installation of the machine best suited to the client's profile. The second team is assigned the task of maintaining direct contacts with clients and ensuring that their needs are met.

**>> The quality of human resources is a particularly decisive factor of success for a service company.**

Every client has a relationship with an individual customer service representative. Regular visits or calls, every four to five weeks, allow the representative to advise clients and inform them about new products and promotions, to replenish supplies and to check the status of the machines. This personal relationship contributes to clients' exceptional loyalty to the Fountain concept.

### THE SAP PROJECT

A great deal of effort was invested in the launch of the SAP project at Fountain SA, Fountain Belgium and Fountain France in 2008. Baptised "Best of", the project concerns the implementation of a SAP management tool adapted to the specific needs of the entire Fountain Group (subsidiaries, licensed distributors and Fountain SA). It covers the different processes related to sales, accounting and reporting, from orders to invoicing, replenishment of stocks and production at Fountain SA.

A launching plan for all the subsidiaries, including Paris and Lyon, was implemented on 1 February 2009 and all the group's distributors and subsidiaries will be on SAP by the start of 2010.


**>> Excellent customer service is a priority for Fountain and a pillar of its strategy. The group's staff and distributors, who serve as its ambassadors to the end clients, are committed to excellence.**


Excellent customer service is a priority for Fountain and a pillar of its strategy. The group's staff and distributors, who serve as its ambassadors to the end clients, are committed to excellence.

## ONLINE ORDERS

Our online ordering system is up and running with different levels of users (purchases, technical service, management, etc.) and allows some of the group's subsidiaries to order via the intranet.

The online order form offers a number of advantages: constant updating of information (prices, range, etc.), centralisation of information on a single site, access to buying history and quick searches for item references. It also does away with the need for forms and faxes, simplifies ordering and limits the risk of error.

Fountain also makes available an online ordering system for its end users. Clients are given an access code that enables them to place orders and receive delivery within very brief time periods.

The system was designed to be easy to transpose, by means of only a few adaptations, to other subsidiaries using integrated management software (ERP).

This tool primarily facilitates order management for clients in peripheral or large urban areas.

# financial report

**Auditor's report to the general meeting of shareholders of the company to be held on May 26th, 2008 on the consolidated financial statements for the year ended december 31st, 2008**

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 31st, 2007, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and which show total assets of 49.385 K€ and a profit for the year of 529 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 31st 2007 give a true and fair view of the Group's financial position as at December 31st 2007 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 1st, 2008

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

# consolidated annual accounts 2008

The Group's annual accounts are presented together with those of the previous year. The figures are shown in EUR thousand.
The presented financial statements comply with all IFRS authoritative literature.

## BALANCE SHEET (before allocation)

| ASSETS | note | 2008 | 2007 |
|---|---|---|---|
| **I. NON CURRENT ASSETS** | | **33 563.31** | **34 898.08** |
| **1. Tangible fixed assets** | **2** | **3 078.58** | **2 537.51** |
| 1.1 Tangible fixed assets in progress | | 11.24 | 31.16 |
| 1.2 Land and buildings | | 201.48 | 247.36 |
| 1.3 Plants, machinery and equipment | | 430.68 | 535.64 |
| 1.4 Motorized vehicles | | | 5.47 |
| 1.5 Fixtures and incidental charges | | 1 100.48 | 441.04 |
| 1.6 Other tangible fixed assets | | 1 334.70 | 1 276.83 |
| **2. Intangible fixed assets** | **3** | **27 774.53** | **29 076.63** |
| 2.1. Goodwills | | 27 773.02 | 29 075.06 |
| 2.2 Other intangible fixed assets | | 1.52 | 1.57 |
| **3. Deferred tax assets** | | **2 477.29** | **2 958.03** |
| **4. Other financial fixed assets** | | **232.91** | **325.91** |
| 4.1 Shares | 4,5 | 4.51 | 3.50 |
| 4.2 Securities, other than shares | | | 8.19 |
| 4.3 Loans | 4,5 | 14.23 | 84.04 |
| 4.4 Other financial assets | 5 | 214.17 | 230.18 |
| **II. CURRENT ASSETS** | | **15 075.69** | **16 699.94** |
| **5. Inventory** | **7** | **3 952.58** | **4 476.42** |
| **6. Other financial current assets** | **4,5** | **0.05** | **0.05** |
| 6.1 Securities, other than shares | | 0.05 | 0.05 |
| **7. Current tax receivables** | | **1 010.40** | **1 739.48** |
| **8. Current trade and other receivables** | | **5 938.90** | **6 338.87** |
| 8.1 Receivables | 8 | 5 520.27 | 6 211.28 |
| 8.2 Other receivables | | 418.64 | 127.60 |
| **9. Cash and cash equivalents** | **9** | **3 538.71** | **3 233.82** |
| **10. Other current assets** | | **635.05** | **911.30** |
| **TOTAL ASSETS** | | **48 639.00** | **51 598.02** |

## BALANCE SHEET (before allocation)

| CAPITAL AND LIABILITIES | note | 2008 | 2007 |
|---|---|---|---|
| **I. TOTAL CAPITAL** | | | |
| **A. CAPITAL AND RESERVES** | | | |
| **1. Paid-up capital** | **10** | **23 662.82** | **22 959.86** |
| 1.1 Share capital | | 23 555.77 | 22 927.90 |
| 1.2 Share premium account | | 107.05 | 31.96 |
| **2. Reserves** | | **2 272.89** | **2 810.89** |
| 2.1 Consolidated reserves | | 2 488.82 | 2 795.83 |
| 2.2 Revaluation reserves | | -214.53 | 11.96 |
| 2.3 Exchange adjustments | | -1.40 | 3.10 |
| **TOTAL GROUP CAPITAL** | | **25 935.71** | **25 770.75** |
| **B. MINORITY INTERESTS WITHIN NET ASSETS** | | **36.22** | **3.99** |
| **TOTAL CAPITAL** | | **25 971.94** | **25 774.74** |
| **II. LIABILITIES** | | | |
| **A. NON CURRENT LIABILITIES** | | **10 149.40** | **10 644.89** |
| **3. Non current interest bearing liabilities** | **11** | **8 193.80** | **8 650.77** |
| **4. Non current provisions** | **12** | **121.78** | **37.50** |
| **5. Non current obligations resulting from benefits** | **13** | **479.12** | **314.85** |
| **6. Non current hedging instruments** | | **214.53** | |
| **7. Deferred tax liabilities** | | **353.56** | **1 566.74** |
| **8. Suppliers and other non current creditors** | | **735.28** | **22.16** |
| **9. Other non current liabilities** | | **51.33** | **52.87** |
| **B. CURRENT LIABILITIES** | | **12 517.67** | **15 178.39** |
| **10. Current interest bearing liabilities** | **11** | **6 690.72** | **5 362.49** |
| **11. Current provisions** | **12** | | **200.00** |
| **12. Receivable tax liabilities** | | **377.51** | **983.31** |
| **13. Suppliers and other current creditors** | **11** | **4 890.93** | **8 005.62** |
| **14. Other current liabilities** | | **558.51** | **626.97** |
| **TOTAL CAPITAL AND LIABILITIES** | | **48 639.00** | **51 598.02** |

## INCOME STATEMENT BY TYPE

| | | note | 2008 | 2007 |
|---|---|---|---|---|
| **1.** | **INCOME** | | **38 654.48** | **38 026.24** |
| | 1.1 Sales of goods | 15 | 38 577.21 | 37 973.79 |
| | 1.2 Income from fees | | 77.27 | 52.45 |
| **2.** | **OTHER OPERATING INCOME** | | **724.65** | **1 718.88** |
| | 2.1 Interest | | 54.29 | 7.76 |
| | 2.2 Other operating income | | 670.35 | 1 711.12 |
| **3.** | **OPERATING EXPENSES** | | **-36 876.16** | **-36 427.22** |
| | 3.1 Raw materials and consumption | | -15 442.93 | -12 244.03 |
| | 3.2 Change in finished product inventory and work in progress | | 2 098.27 | -2 633.48 |
| | 3.3 Personnel expenses | 16, 17 | -9 910.64 | -9 842.94 |
| | 3.4 Depreciation contributions | | -2 754.12 | -3 207.42 |
| | 3.5 Loss in value | | -1 255.99 | 201.26 |
| | of which inventory loss in value | | -508.02 | 413.40 |
| | of which receivables loss in value | | -358.45 | -76.34 |
| | of which fixed assets loss in value | | -389.52 | -135.80 |
| | 3.6 Other operating expenses | 18 | -9 610.75 | -8 700.61 |
| | 3.6.1 allocation to/release of provision | | -557.98 | -71.56 |
| | 3.6.2 exceptional impairment due to a misappropriation of funds | | -1 126.51 | 0 |
| **4.** | **OPERATING RESULTS** | | **2 502.96** | **3 317.90** |
| **5.** | **Gain (loss) due to the derecognition of financial assets available for sale** | | | **21.46** |
| **6.** | **Gain (loss) on disposal of non current assets not held for sale** | **19** | **-20.57** | **341.35** |
| **7.** | **Financial charges** | | **-1 151.44** | **-1 047.18** |
| | of which financial fees | | -1 048.00 | -884.51 |
| **8.** | **Gain (loss) on financial instruments (other than hedging instruments)** | | **32.79** | **13.34** |
| **9.** | **Share in net result of investments at equity** | | **-58.14** | **-45.90** |
| **10.** | **Other non-operating income** | | **41.45** | **216.68** |
| **11.** | **Other non-operating charges** | **20** | **-21.34** | **-1 172.71** |
| **12.** | **RESULTS BEFORE TAX** | | **1 325.72** | **1 644.94** |
| **13.** | **Income tax expense** | **21** | **-307.72** | **-801.16** |
| **14.** | **RESULTS FROM CONTINUING OPERATIONS AFTER TAX** | | **1 018.00** | **843.78** |
| **15.** | **Results from discontinued operations after tax** | | | **-39.74** |
| **16.** | **FISCAL YEAR RESULTS** | | **1 018.00** | **804.04** |
| | 16.1 Attributable to minority interests | | 32.23 | -3.67 |
| | 16.2 Attributable to equity holders of the parent company | | 985.77 | 807.71 |

| | | |
|---|---|---|
| **I. EARNINGS PER SHARE** | | |
| **NUMBER OF SHARES** | **1 660 360** | **1 615 960** |
| **1. Basic earnings per share** | | |
| 1.1 Basic earnings per share from continuing operations | 0.61 | 0.50 |
| **NUMBER OF DILUTED SHARES** | **1 660 360** | **1 682 445** |
| **1. Diluted earnings per share** | | |
| 1.1 Diluted earnings per share from continuing operations | 0.61 | 0.48 |
| **II. OTHER DISCLOSURES** | | |
| **1. Exchange differences included in the income statement** | **-32.88** | **-9.44** |
| **2. Lease and sub-lease payments recorded in the financial statements** | **909.81** | **803.61** |

## CONSOLIDATED CASH FLOW STATEMENT

| | 2008 | 2007 |
|---|---|---|
| **OPERATING TRANSACTIONS** | | |
| Fiscal year results | 985.77 | 807.71 |
| Earnings on minority interests | 32.23 | -12.29 |
| Earnings on companies placed at equity | 58.14 | 45.90 |
| Depreciation contributions | 2 959.12 | 3 207.42 |
| Decrease (increase) in write-offs | 129.49 | -201.26 |
| Exceptional impairment due to a misappropriation of funds | 1 126.51 | |
| Increase (decrease) in provisions | 1 479.49 | 65.90 |
| Gain (loss) on disposal of assets (-) | 20.57 | -362.82 |
| Gain (loss) on foreign exchange (-) | | 5.66 |
| Increase (decrease) for deferred items | -417.90 | -522.05 |
| **Cash flow** | **6 373.41** | **3 034.18** |
| Variation in receivables | -898.30 | 58.77 |
| Variation in inventory | 46.21 | 1 036.60 |
| Variation in deferred charges, accrued income | 276.22 | -403.26 |
| Variation in financial debt | 1 180.29 | -400.59 |
| Variation in trade debt | -1 795.26 | 566.80 |
| Variation in tax and social security | -429.13 | 513.85 |
| Variation in other debts | -812.69 | -32.24 |
| Variation in accruals | -18.86 | 391.47 |
| Variation in working capital needs (- increase) | -2 451.52 | 1 731.40 |
| **Operating cash flow** | **3 921.89** | **4 765.59** |
| **INVESTMENT TRANSACTIONS** | | |
| Acquisitions of intangible fixed assets (-) | -467.88 | -718.96 |
| Acquisitions of tangible fixed assets (-) | -1 831.94 | -2 031.80 |
| Acquisitions of financial fixed assets (-) | -332.82 | -4 726.24 |
| New loans granted (-) | -35.54 | -1 323.67 |
| Transfers of intangible fixed assets (+) | 26.93 | 11.38 |
| Transfers of tangible fixed assets (+) | 17.61 | 50.10 |
| Transfers of financial fixed assets (+) | 0.24 | 1.22 |
| Repayment of loans granted (+) | 34.94 | 1 205.42 |
| **Investment cash flow** | **-2 588.45** | **-7 532.56** |
| **FINANCING TRANSACTIONS** | | |
| Capital increase (decrease) | 703.33 | |
| Net variations in loans contracted (+ increase) | -332.76 | 4 157.12 |
| Dividends paid out (-) | -1 279.15 | -969.58 |
| Financing cash flow | **-908.58** | **3 187.54** |
| **CASH FLOW VARIATION** | **424.86** | **420.57** |
| **RECONCILIATION OF CASH ACCOUNTS** | | |
| Opening balance | 3 233.87 | 3 056.27 |
| Cash flow variation | 424.86 | 420.57 |
| Exchange adjustments (favorable +) | 0.13 | -5.50 |
| Transfers to other headings | | -89.52 |
| Changes in reporting entity (favorable +) | -120.10 | 118.34 |
| Closing balance consists of | **3 538.76** | **3 500.16** |
| Other current financial assets | 0.05 | 0.05 |
| Cash and cash equivalents | 3 538.71 | 3 233.82 |

## EQUITY VARIATION TABLE

| | Share capital | Share premium account |
|---|---|---|
| **2006 Closing balance** | **22 927.90** | **31.96** |
| Capital increase | | |
| Dividends | | |
| Fiscal year results | | |
| Gains not accounted for in results (foreign currency exchange) | | |
| Other increases (decreases) | | |
| **2007 Closing balance** | **22 927.90** | **31.96** |
| Capital increase | 627.87 | 75.09 |
| Dividends | | |
| Fiscal year results | | |
| Gains not accounted for in results (foreign currency exchange) | | |
| Other increases (decreases) | | |
| **2008 Closing balance** | **23 555.77** | **107.05** |

The periods of the different warrant plans were all closed on 30 June 2008. There are consequently no warrant plans active since 1 July 2008.

In 2007, two IRS (interest rate swaps) contracts were concluded to cover the interest rates of the loans contracted for the acquisition of different companies, in the amount of € 3 million and € 4.2 million.

The counterpart of this entry on the liabilities side of the fair value of these IRS amounts to € -214.5 K and is entered separately under shareholders' equity.

The fair value of the financial instruments is based on the update of future cash flows, for the options the fair value is the market value.

The valuation of these instruments was performed by the issuer (ING).

### ALLOCATION OF PROFIT FOR 2008:

The Board of Directors will propose to the General Meeting approving the accounts for 2008 to distribute a dividend of € 0.80 per share.

# 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 annual consolidated accounts for the financial years ending on 31 December 2007 and 31 December 2008 cover the company and its subsidiaries (the «Group») as well as the Group's interests in joint ventures and associated companies. The Board of Directors approved the consolidated accounts for publication on 17 March 2009.

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

| Exchange reserves | SOP reserves | Reserve for IRS | Other reserves | Fountain Shares | Minority interests | Total capital |
|---|---|---|---|---|---|---|
| **20.36** | **7.40** | **0.00** | **2 588.76** | **25 576.38** | **278.48** | **25 854.87** |
| | | | | 0.00 | | 0.00 |
| | | | -969.58 | -969.58 | | -969.58 |
| | | | 807.71 | 807.71 | -12.29 | 795.42 |
| | | | | | | 0.00 |
| -17.26 | -3.63 | 8.19 | 368.934 | 356.23 | -262.21 | 94.03 |
| **3.10** | **3.77** | **8.19** | **2 795.83** | **25 770.75** | **3.99** | **25 774.74** |
| | | | | 702.96 | | 702.96 |
| | | | -1 292.77 | -1 292.77 | | -1 292.77 |
| | | | 985.77 | 985.77 | 32.23 | 1 018.00 |
| | | | | | | 0.00 |
| -4.50 | -3.77 | -222.72 | | -230.99 | | -230.99 |
| **-1.40** | **0.00** | **-214.53** | **2 488.83** | **25 935.72** | **36.22** | **25 971.94** |

# appendices to the 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 2007, the scope of consolidation was altered through various transactions:

(i) removal from consolidation of **Fountain Industries UK** following its winding-up

The companies in which the Group owns an insignificant share or whose contribution to the Group is non-material are not consolidated. In 2008 these included:

(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) **Fountain USA Inc**, set up in 2005 and based in Chicago, wholly 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, revaluated 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.

Debt receivables within the group do not concern provisions for bad debts.

### 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.

Pursuant to IFRS 3 and IAS 12, deferred tax liabilities are entered on the timing differences resulting from intangible fixed assets valued at fair value at the time of the different corporate groupings effected since December 2004.

Pursuant to the same standards, the Group enters deferred tax assets on the deductible timing differences resulting from the entry in the consolidated accounts of depreciation of French goodwill acquired from third parties.

### 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 between 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.

## LIST OF DIRECTORS AND STATUTORY AUDITORS

| (in alphabetical order) | | Term start date | Term end date |
|---|---|---|---|
| **DIRECTORS** | | | |
| Mr Jean DUCROUX | | 25-may-09 | 28-may-12 |
| Mr Alain ENGLEBERT | independent | 25-may-09 | 28-may-12 |
| Mr Bruno LAMBERT | | 25-may-09 | 28-may-12 |
| Mr Paul LIPPENS | independent | 25-may-09 | 28-may-12 |
| Mr Philippe RENIE | | | resigned in October 2009 |
| Mr Philip PERCIVAL | took over the directorship of Philippe Renié | 25-may-09 | 28-may-12 |
| Mr Philippe SEVIN | | 25-may-09 | 28-may-12 |
| Mr Pierre VERMAUT, Président | independent | 25-may-09 | 28-may-12 |
| **STATUTORY AUDITORS** | | | |
| Linet & Partners SCPRL (for statutory accounts), represented by Mr Frédéric LEPOUTRE | | 25-may-09 | 28-may-12 |
| B.S.T. Réviseurs d'Entreprises SCPRL (for consolidated accounts), represented by Ms Pascale TYTGAT | | 1-apr-98 | 28-may-12 |

## LIST OF HELD PARTICIPATIONS

### 1. COMPANIES CONSOLIDATED GLOBALLY

| Company | Address | Country | Percentage participation | Change in % compared to 2007 |
|---|---|---|---|---|
| Fountain Belgium SA (formerly Fountain First NV) | Avenue de l'Artisanat 13, B 1420 Braine l'Alleud anciennement: Eeklostraat 81 à 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, activity discontinued in September 2007; to be wound up in 2008 | Reydon Business Park, IP18 6DH Reydon Southwold, Suffolk | United Kingdom | 0.00 % | -100.00 % |
| Fountain International SA , | Avenue de l'Artisanat 17, B-1420 Braine-l'Alleud | Belgium | 100.00 % | |
| Fountain Nord SAS (absorbed its two subsidiaries Fountain Alsace SAS and Caracoli, which were acquired at start of 2007) | Avenue de la République 82, F- 59113 Seclin | France | 100.00 % | |
| Fountain Netherlands Holding BV | Baronielaan 139, NL-4818 PD Breda | Netherlands | 100.00 % | |
| Fountain Océan SAS acquired on 1 July 2007 | Rue de l'Atlantique, Z.A. Pôle Sud F- 44115 Basse Goulaine | France | 100.00 % | |
| Fountain Soleil SAS [1] | Roland Garros 165, F-34130 Mauguio | France | 50.00 % | |
| Okole SARL | Rue Charles de Gaulle 676, F-59840 Premesques | France | 100.00 % | |
| NewCaffé SAS | Avenue du Plateau 18, F-93340 Le Raincy | France | 100.00 % | |

(1) Fountain Group retains de facto control of the company by means of a shareholders' pact and a firm buyer's option on the shares.

### 2. COMPANIES AT EQUITY

| Company | Address | Country | Percentage participation | Change in % compared to 2007 |
|---|---|---|---|---|
| Slodadis SAS [2] | Chemin de Saint Marc 51-53, F-06530 Pleymeinade | France | 34.00 % | |

(2) As the result of various events related to effective control, Slodadis SAS has been consolidated under the equity method since 1 July 2007 (previously consolidated globally)

### 3. COMPANIES NOT CONSOLIDATED (MINIMALLY IMPORTANT SHAREHOLDINGS)

| Company | Address | Country | Percentage participation | Change in % compared to 2007 |
|---|---|---|---|---|
| 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 (wound up) | ZA les Ferrailles, Route de Caumont, F-84800 Isle sur la Sorgue | France | 100.00 % | |
| Fountain USA, Inc | 5458 North Magnolia, chicago Il, USA-60640 | USA | 100.00 % | |

The only one of these associated companies (or joint ventures) with significant activity is Fountain Consumer Appliances Ltd in India, in which the Group owns 17.98 %. This company's balance sheet total was 2,237.6 K€ in 2008 (3,072.4 K€ in 2007), the net result amounting to - 73.4 K€ in 2008 (462.4 K€ in 2007). Given the limited visibility of this shareholding, its value was depreciated at 100 % at 31 December 2007.

## NOTE 1: SECTOR INFORMATION

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

## NOTE 2: STATE OF TANGIBLE FIXED ASSETS

| | | Work in progress inventory |
|---|---|---|
| **I . TANGIBLE FIXED ASSET TRANSACTIONS** | | |
| **1.** | **Tangible fixed assets, opening balance 01/01/2007** | **325.78** |
| | 1.1 Gross value | 325.78 |
| | 1.2 Accumulated depreciation | |
| | 1.3 Accumulated loss in value | |
| **2.** | **Investments** | |
| **3.** | **Acquisitions through company mergers** | |
| **4.** | **Transfers** | |
| **5.** | **Transfers to non current assets and assets for sale** | |
| **6.** | **Transfers to other headings** | **0.00** |
| **7.** | **Transfers through company spin-offs** | |
| **8.** | **Depreciation** | |
| **9.** | **Increase (decrease) resulting from recorded revaluation of equity** | |
| **10.** | **Loss in value recorded as equity recovery** | |
| **11.** | **Increase (decrease) resulting from recorded revaluation in the financial statement** | |
| **12.** | **Loss in value recovery recorded in the financial statement** | |
| **13.** | **Increase (decrease) resulting from exchange rate fluctuations** | |
| **14.** | **Other increases (decreases)** | **-294.62** |
| **15.** | **Tangible fixed assets, closing balance 31/12/2007** | **31.16** |
| | 15.1 Gross value | 31.16 |
| | 15.2 Accumulated depreciation | |
| | 15.3 Cumul des pertes de valeur | |
| **1.** | **Tangible fixed assets, opening balance 01/01/2008** | **31.16** |
| | 1.1 Gross value | 31.16 |
| | 1.2 Accumulated depreciation | |
| | 1.3 Accumulated loss in value | |
| **2.** | **Investments** | **11.24** |
| **3.** | **Acquisitions through company mergers** | |
| **4.** | **Transfers** | |
| **5.** | **Transfers to non current assets and assets for sale** | |
| **6.** | **Transfers to other headings** | **-31.16** |
| **7.** | **Transfers through company spin-offs** | |
| **8.** | **Depreciation** | |
| **9.** | **Increase (decrease) resulting from recorded revaluation of equity** | |
| **10.** | **Loss in value recorded as equity recovery** | |
| **11.** | **Increase (decrease) resulting from recorded revaluation in the financial statement** | |
| **12.** | **Loss in value recovery recorded in the financial statement** | |
| **13.** | **Increase (decrease) resulting from exchange rate fluctuations** | |
| **14.** | **Other increases (decreases)** | |
| **15.** | **Tangible fixed assets, closing balance 31/12/2008** | **11.24** |
| | 15.1 Gross value | 11.24 |
| | 15.2 Accumulated depreciation | |
| | 15.3 Accumulated loss in value | |
| **II. OTHER INFORMATION** | | |
| **1.** | **Leasing** | **0.00** |
| | 1.1 Net book value | 0.00 |
| | 1.2 Tangible fixed assets acquired under a leasing contract | 0.00 |

Leasing contracts under the heading «land and buildings» concern the building that is the Group's registered office (€ 232,000).

The purchase option is 514 K€ and is exercisable in 2009.

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.

| Land and buildings | Plants, machinery and equipment | Motorized vehicles | Fixtures and incidental charges | Other tangible fixed assets | Total |
|---|---|---|---|---|---|
| | | | | | |
| **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 |
| | | | | | |
| | **888.28** | **5.73** | **106.76** | **246.14** | **1 246.92** |
| **0.52** | **183.77** | | **72.59** | **3.07** | **259.95** |
| | **-0.41** | **-15.70** | **-30.02** | **-6.13** | **-52.25** |
| | | | | | |
| | **-550.68** | | | **550.68** | **0.00** |
| | **12.82** | | | | **12.82** |
| **-76.53** | **-368.13** | **-13.52** | **-172.66** | **-182.17** | **-813.00** |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | **-0.01** | | **-0.01** |
| | **45.88** | **-1.76** | **1.35** | **-2.09** | **-251.25** |
| **247.36** | **535.64** | **5.47** | **441.04** | **1 276.83** | **2 537.51** |
| 1 207.01 | 3 552.37 | 27.49 | 3 581.21 | 3 095.57 | 11 494.82 |
| -959.65 | -3 016.73 | -22.02 | -3 140.17 | -1 818.74 | -8 957.31 |
| | | | | | |
| **247.36** | **535.64** | **5.47** | **441.04** | **1 276.83** | **2 537.51** |
| 1 207.01 | 3 552.37 | 27.49 | 3 581.21 | 3 095.57 | 11 494.82 |
| -959.65 | -3 016.73 | -22.02 | -3 140.17 | -1 818.74 | -8 957.31 |
| | | | | | |
| | **563.88** | | **1 028.64** | **228.17** | **1 831.94** |
| | **-13.64** | | **14.08** | | **0.44** |
| | **-14.22** | **-2.71** | **-21.25** | | **-38.18** |
| | | | | | |
| **-0.52** | **-193.66** | | **159.92** | **65.42** | **0.00** |
| | **-0.20** | | **-0.24** | | **-0.44** |
| **-45.37** | **-447.12** | **-2.76** | **-523.99** | **-235.72** | **-1 254.96** |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | **0.01** | | **0.01** |
| | | | **2.26** | | **2.26** |
| **201.48** | **430.68** | **0.00** | **1 100.48** | **1 334.70** | **3 078.58** |
| 1 206.50 | 3 626.61 | 1.30 | 4 254.91 | 3 612.16 | 12 712.72 |
| -1 005.02 | -3 195.94 | -1.30 | -3 154.43 | -2 277.45 | -9 634.14 |
| | | | | | |
| | | | | | |
| **201.48** | **387.24** | **0.00** | **0.00** | **0.00** | **588.72** |
| 201.48 | 387.24 | 0.00 | 0.00 | 0.00 | 588.72 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

Leasing contracts under the heading «machinery and tools» concern automatic distribution machines. The contracts are valid for 36 months and contain a purchase option equal to 1 % of the value financed.

## NOTE 3: STATE OF INTANGIBLE FIXED ASSETS

| | | Medium-term assets |
|---|---|---|
| **I . INTANGIBLE FIXED ASSET TRANSACTIONS** | | |
| **1.** | **Intangible fixed assets, opening balance 01/01/2007** | **5 275.45** |
| | 1.1 Gross value | 8 696.14 |
| | 1.2 Accumulated depreciation | -3 420.69 |
| | 1.3 Accumulated loss in value | 0.00 |
| **2.** | **Internally generated investments** | |
| **3.** | **Investments** | **580.12** |
| **4.** | **Acquisitions through company mergers** | **2 112.06** |
| **5.** | **Transfers** | |
| **6.** | **Transfers to non current assets and assets to sell** | |
| **7.** | **Transfers through company spin-offs** | |
| **8.** | **Adjustments resulting from subsequent recognition of deferred tax assets** | |
| **9.** | **Depreciation** | **-972.83** |
| **10.** | **Increase (decrease) resulting from recorded revaluation of equity** | |
| **12.** | **Loss in value recorded as equity recovery** | |
| **13.** | **Loss in value recorded in the financial statement** | |
| **14.** | **Increase (decrease) resulting from exchange rate fluctuations** | |
| **15.** | **Other increases (decreases)** | |
| **16.** | **Intangible fixed assets, closing balance 31/12/2007** | **6 994.79** |
| | 16.1 Gross value | 10 806.07 |
| | 16.2 Accumulated depreciation | -3 811.13 |
| | 16.3 Accumulated loss in value | |
| **1.** | **Intangible fixed assets, closing balance 01/01/2008** | **6 994.94** |
| | 1.1 Gross value | 10 806.07 |
| | 1.2 Accumulated depreciation | -3 811.13 |
| | 1.3 Accumulated loss in value | 0.00 |
| **2.** | **Internally generated investments** | |
| **3.** | **Investments** | **7.25** |
| **4.** | **Acquisitions through company mergers** | |
| **5.** | **Transfers** | |
| **6.** | **Transfers to non current assets and assets to sell** | |
| **7.** | **Transfers through company spin-offs** | |
| **8.** | **Adjustments resulting from subsequent recognition of deferred tax assets** | |
| **9.** | **Depreciation** | **-1 022.67** |
| **10.** | **Increase (decrease) resulting from recorded revaluation of equity** | |
| **12.** | **Loss in value recorded as equity recovery** | |
| **13.** | **Loss in value recorded in the financial statement** | |
| **14.** | **Increase (decrease) resulting from exchange rate fluctuations** | **0.37** |
| **15.** | **Other increases (decreases)** | **-15.25** |
| **16.** | **Intangible fixed assets, closing balance 31/12/2008** | **5 964.64** |
| | 16.1 Gross value | 10 701.39 |
| | 16.2 Accumulated depreciation | -4 736.75 |
| | 16.3 Accumulated loss in value | |

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.

Impairment tests are based on updates of the capital cost (9.37 % after taxes) of free cash flows over five years generated by intangible assets, taking account of the asset's estimated withdrawal value. Since these (consolidation goodwill and business capital) are generated at different Group levels, they are brought back down to licences and the distribution companies in proportion to their percentage of the whole. The net book value of the machines provided under leasing arrangements are also taken into account at the level of the distribution companies.

| Goodwill | Development costs | Trademarks | Patents and other rights | Software | Total |
|---|---|---|---|---|---|
| **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 |
| | | | | **1 082.89** | **1 082.89** |
| **4 076.06** | **92.36** | | **23.25** | **23.24** | **4 795.03** |
| **-1 627.49** | | | | **1.12** | **485.68** |
| | | | | **-11.38** | **-11.38** |
| | | | | | **0.00** |
| | | | | | **0.00** |
| **1 714.67** | | | | | **1 714.67** |
| | **-150.81** | **-1 148.35** | **-4.22** | **-114.90** | **-2 391.12** |
| | | | | | **0.00** |
| | | | | | **0.00** |
| | | | | | **0.00** |
| | | | | | **0.00** |
| | | | | | **0.00** |
| **20 512.35** | **303.69** | **94.93** | **39.77** | **1 130.95** | **29 076.49** |
| 20 594.47 | 1 238.03 | 11 483.52 | 63.84 | 2 353.81 | 46 539.74 |
| | -934.34 | -11 388.59 | -24.07 | -1 222.86 | -17 380.98 |
| -82.12 | | | | | -82.12 |
| **20 512.35** | **303.69** | **94.93** | **39.77** | **1 130.95** | **29 076.63** |
| 20 594.47 | 1 238.03 | 11 483.52 | 63.84 | 2 353.81 | 46 539.74 |
| 0.00 | -934.34 | -11 388.59 | -24.07 | -1 222.86 | -17 380.98 |
| -82.12 | 0.00 | 0.00 | 0.00 | 0.00 | -82.12 |
| | | | | | **0.00** |
| **112.48** | **65.58** | | | **395.05** | **580.36** |
| | | | | | **0.00** |
| | | | | **-26.67** | **-26.67** |
| | | | | | **0.00** |
| | | | | | **0.00** |
| | | | | | **0.00** |
| | **-139.05** | **-31.64** | **-5.23** | **-327.57** | **-1 526.16** |
| | | | | | **0.00** |
| | | | | | **0.00** |
| **-330.00** | | | | | **-330.00** |
| | | | | | **0.37** |
| | | | **-24.39** | **39.63** | **0.00** |
| **20 294.83** | **230.23** | **63.29** | **10.16** | **1 211.39** | **27 774.53** |
| 20 706.95 | 1 303.61 | 11 483.52 | 63.84 | 2 664.28 | 46 923.59 |
| | -1 073.39 | -11 420.23 | -24.07 | -1 452.89 | -18 707.32 |
| -412.12 | | | | | -412.12 |

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

The Group entered an impairment of € 330,000 in 2008 on goodwill (€ 255,000 on Fountain Soleil and Slodadis and € 75,000 for the partial disposal of the Hygolet activity in the Netherlands).

Trademarks are tested on the basis of the royalties collected.

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.

Software: the SAP project launched in 2007 was amortised from its production start-up date (May 2008)

## NOTE 4: CURRENT AND NON CURRENT FINANCIAL ASSETS

| Other financial assets | Shares | Securities, other than shares | Loans | Total |
|---|---|---|---|---|
| **I. FINANCIAL ASSET TRANSFERS** | | | | |
| **1. Financial assets, opening balance 01/01/2007** | **140.30** | **101.11** | **0.00** | **241.41** |
| **2. Investments** | | **1.24** | **84.04** | **85.27** |
| **3. Acquisitions through company mergers** | | | | **0.00** |
| **4. Transfers** | **-0.76** | **-1.24** | | **-2.00** |
| **5. Transfers to other headings** | | **8.19** | | **8.19** |
| **6. Transfers through company spin-offs** | | | | **0.00** |
| **7. Goodwill in associated companies** | | | | **0.00** |
| **8. Increase (decrease) from fair value variation** | | | | **0.00** |
| **9. Share in net result** | | | | **0.00** |
| **10. Losses of value** | **-136.04** | | | **-136.04** |
| **11. Increase (decrease) resulting from exchange rate fluctuations** | | | | **0.00** |
| **12. Other increases (decreases)** | | **-101.11** | | **-101.11** |
| **13. Financial assets, closing balance 31/12/2007** | **3.50** | **8.19** | **84.04** | **95.73** |
| 13.1.1 Gross value | 139.54 | 8.19 | 84.04 | 231.77 |
| 13.1.2 Accumulated loss in value | -136.04 | | | -136.04 |
| **1. Financial assets, opening balance 01/01/2008** | **3.50** | **8.19** | **84.04** | **95.73** |
| **2. Investments** | **202.45** | | **16.61** | **219.05** |
| **3. Acquisitions through company mergers** | **-2.74** | | | **-2.74** |
| **4. Transfers** | **-197.39** | | | **-197.39** |
| **5. Transfers to other headings** | | **-8.19** | | **-8.19** |
| **6. Transfers through company spin-offs** | | | | **0.00** |
| **7. Goodwill in associated companies** | | | | **0.00** |
| **8. Increase (decrease) from fair value variation** | | | | **0.00** |
| **9. Share in net result** | | | | **0.00** |
| **10. Loss in value recovery** | | | **-168.17** | **-168.17** |
| **11. Increase (decrease) resulting from exchange rate fluctuations** | | | | **0.00** |
| **12. Other increases (decreases)** | **1.21** | | **81.76** | **82.97** |
| **13. Financial assets, closing balance 31/12/2008** | **7.02** | **0.00** | **14.23** | **21.25** |
| 13.1.1 Gross value | 143.06 | 0.00 | 182.40 | 325.46 |
| 13.1.2 Accumulated loss in value | -136.04 | 0.00 | -168.17 | -304.21 |
| 13.2.1 Net non current financial assets | 7.02 | | 14.23 | 21.25 |
| 13.2.2 Net current financial assets | | | | |

## NOTE 5: CURRENT AND NON CURRENT FINANCIAL ASSETS

| | | Historic cost valuation |
|---|---|---|
| | 31/12/08 | 31/12/07 |
| **I. OTHER NON CURRENT FINANCIAL ASSETS** | **232.91** | **325.91** |
| **1. Financial assets at historic cost** | **4.51** | **12.15** |
| 1.1 Shares | 4.51 | 3.96 |
| 1.2 Securities, other than shares | 0.00 | 8.19 |
| 1.3 Other Fixed financial assets | | |
| **2. Loans and receivables** | **14.23** | **83.58** |
| **3. Financial assets available for sale** | **214.17** | **230.18** |
| 3.1 Shares | | |
| 3.2 Securities, other than shares | | |
| 3.3 Other Fixed financial assets | 214.17 | 230.18 |
| **II. OTHER CURRENT FINANCIAL ASSETS** | | |
| **1. Financial assets available for sale** | **0.05** | **0.05** |
| 1.1 Shares | | |
| 1.2 Securities, other than shares | 0.00 | 0.00 |
| 1.3 Other Fixed financial assets | 0.05 | 0.05 |

## NOTE 6: NON CURRENT ASSETS INTENDED FOR SALE

| | 2008 | 2007 |
|---|---|---|
| **Medium-term assets** | **0.00** | **0.00** |
| of which gross value | 0.00 | 0.00 |
| of which cumulative depreciation | 0.00 | 0.00 |
| **Companies to sell** | **0.00** | **0.00** |

## NOTE 7: INVENTORY

| | 2008 | 2007 |
|---|---|---|
| **I. STOCKS MONTANTS NETS** | **3 952.58** | **4 476.42** |
| **1. Gross book value** | **5 764.87** | **5 715.83** |
| 1.1 Goods for resale | 2 719.74 | 2 574.37 |
| 1.2 Production supplies | | |
| 1.3 Raw materials | 421.21 | 563.79 |
| 1.4 Work in progress | | |
| 1.5 Finished goods | 2 623.92 | 2 577.67 |
| 1.6 Other inventory | | |
| **2. Write-downs** | **-1 812.29** | **-1 239.42** |
| 2.1 Goods for resale | -488.61 | -465.47 |
| 2.2 Production supplies | | |
| 2.3 Raw materials | -87.80 | -183.61 |
| 2.4 Work in progress | | |
| 2.5 Finished goods | -1 235.88 | -590.35 |
| 2.6 Other inventory | | |

## NOTE 8: CURRENT NET ACCOUNTS RECEIVABLE

| | 2008 | 2007 |
|---|---|---|
| **I. CURRENT NET ACCOUNTS RECEIVABLE** | **5 519.97** | **6 211.28** |
| **1. Current gross receivables** | **7 705.61** | **7 909.11** |
| **2. Accumulated value corrections** | **-2 185.64** | **-1 697.83** |

## NOTE 9: CASH AND CASH EQUIVALENTS

| | 2008 | 2007 |
|---|---|---|
| Cash on hand | 10.09 | 9.64 |
| Bank balance | 3 528.62 | 3 224.18 |
| Short-term accounts | | |
| Other cash and cash equivalents | | |
| TOTAL | 3 538.71 | 3 233.82 |

## NOTE 10: CAPITAL AND WARRANT PLANS

| (in EUR) | 2008 | 2007 |
|---|---|---|
| Number of shares issued | 1 660 360 | 1 615 960 |
| Number of allotted warrants | 134 545 | 134 545 |
| Number of warrants exercised as of December 31 | 0 | 66 485 |
| Number of diluted shares | 1 660 360 | 1 682 445 |

The shares do not have face value.

### DETAILS OF WARRANT PLAN ASSETS AS OF DECEMBER 31, 2007

| Plan number | Plan duration | Last fiscal year | Number of exercisable warrants | Average price |
|---|---|---|---|---|
| D | 5 year | june-08 | 22 485 | 27.33 € |
| E | 5 year | june-08 | 44 400 | 15.83 € |

The beneficiaries of plan E have exercised their 44.400 warrants in May 2008, the beneficiaries of plan D have not exercised their 22.485 warrants. There are no more active warrant plans as from 31/12/2008.

During the financial year 2008, the board was not informed about decisions questioning the stipulations of articles 523 and 524 of the Company Law.

## NOTE 11 : LIABILITIES AND CREDITORS

| December 2008 Situation | 1 year or less | 1 to 5 years | More than 5 years | Total |
|---|---|---|---|---|
| **I. LIABILITIES WITH INTEREST ACCORDING TO TERM** | | | | |
| **1. Bank loans** | **6 246.43** | **6 831.60** | | **13 078.03** |
| **3. Leasing** | **147.94** | **266.80** | | **414.74** |
| **4. Other loans** | **296.34** | **1 095.40** | | **1 391.74** |
| TOTAL | 6 690.72 | 8 193.80 | 0.00 | 14 884.52 |
| **II. SUPPLIERS AND OTHER CREDITORS ACCCORDING TO TERM** | | | | |
| **1. Suppliers** | **2 871.56** | | | **2 871.56** |
| **2. Advances received** | | **51.33** | | **51.33** |
| **3. Other creditors** | **2 019.37** | **735.28** | | **2 754.65** |
| TOTAL | 4 890.93 | 786.61 | 0.00 | 5 677.54 |

| December 2007 Situation | 1 year or less | 1 to 5 years | More than 5 years | Total |
|---|---|---|---|---|
| I. LIABILITIES WITH INTEREST ACCORDING TO TERM | | | | |
| 1. Bank loans | 5362.49 | 7 617.07 | | 12 979.56 |
| 3. Leasing | | 108.05 | | 108.05 |
| 4. Other loans | | 925.65 | | 925.65 |
| TOTAL | 5 362.49 | 8 650.77 | 0.00 | 14 013.26 |
| II. SUPPLIERS AND OTHER CREDITORS ACCCORDING TO TERM | | | | |
| 1. Suppliers | 4 666.82 | | | 4 666.82 |
| 2. Advances received | | 52.87 | | 52.87 |
| 3. Other creditors | 3338.80 | 22.16 | | 3 360.96 |
| TOTAL | 8 005.62 | 75.03 | 0.00 | 8 080.65 |

| December 2006 Situation | 1 year or less | 1 to 5 years | More than 5 years | Total |
|---|---|---|---|---|
| I. LIABILITIES WITH INTEREST ACCORDING TO TERM | | | | |
| 1. Bank loans | 5 763.08 | 4 064.23 | 0.00 | 9 827.31 |
| 3. Leasing | 0.00 | 239.61 | 0.00 | 239.61 |
| 4. Other loans | 0.00 | 22.62 | 0.00 | 22.62 |
| TOTAL | 5 763.08 | 4 326.45 | 0.00 | 10 089.53 |
| II. SUPPLIERS AND OTHER CREDITORS ACCCORDING TO TERM | | | | |
| 1. Suppliers | 4 100.02 | 0.00 | 0.00 | 4 100.02 |
| 2. Advances received | 0.00 | 0.00 | 0.00 | 0.00 |
| 3. Other creditors | 3 510.17 | 242.23 | 0.00 | 3 752.39 |
| TOTAL | 7 610.18 | 242.23 | 0.00 | 7 852.41 |

## NOTE 12: PROVISIONS

| | Reserve provisions | Restructuring provisions | Litigation provisions | Other provisions | Total |
|---|---|---|---|---|---|
| I. PROVISIONS | | | | | |
| 1. Provisions, opening balance | 37.50 | 200.00 | | | 237.50 |
| 2. Supplementary provisions | 64.21 | 61.22 | | | 125.43 |
| 3. Increase (decrease) in existing provisions | -18.06 | -234.31 | | | -252.36 |
| 4. Other increases (decreases) | -23.09 | 34.31 | | | 11.22 |
| 5. Provisions, closing balance | 60.57 | 61.22 | 0.00 | 0.00 | 121.78 |
| 5.1 Non current provisions, closing balance | 60.57 | 61.22 | | | 121.78 |
| 5.2 Current provisions, closing balance | | | | | 0.00 |

The EEIG Fountain Distribution Center is in litigation with the French tax authorities over an amount of € 0.2 million at most for financial years 2003 and 2004. This amount was entered as debt and tax claims.

The litigation concerns the business tax. According to the reasoned opinion drawn up by the company's counsel, which presents a set of arguments, the corrections proposed by the French tax authorities are ill-founded. The estimated risk for the years 2003 to 2008 is € 400,000.

## NOTE 13: NON-CURRENT OBLIGATIONS FROM BENEFITS

For the first time in 2006, Fountain Group estimated the value of its pension commitments, based on an actuarial calculation. In 2008, these commitments only concerned the Group's French companies and amounted to € 479,000.

The impact on the results for 2008 comes to € 164 000.

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

not applicable in 2008

## NOTE 15: AGGREGATE NET SALES FOR BELGIAN GROUP

| | 2008 | 2007 |
|---|---|---|
| Addition of sales concluded in Belgium | 8 816.61 | 9 012.18 |

## NOTE 16: PERSONNEL EXPENSES AND POST-EMPLOYMENT BENEFITS

| Personnel expenses | 2008 | 2007 |
|---|---|---|
| **TOTAL** | **-9 910.64** | **-9 842.94** |

The Group is implementing a certain number of fixed contribution pension plans for its employees. The Group's mandatory contributions to these pension plans are entered in the profit and loss accounts of the related financial year. The expenses under this heading for financial year 2008 amounted to € 269,810.

## NOTE 17: PERSONNEL HEAD COUNT

| Average personnel head count (in fulltime equivalents) | 2008 | 2007 |
|---|---|---|
| Average personnel head count of fully consolidated companies | 228.68 | 227.42 |
| Management staff | 10.00 | 11.00 |
| Employees | 205.95 | 204.42 |
| Workmen | 12.73 | 12.00 |
| **Average personnel head count in Belgium** | **76.63** | **70.72** |

## NOTE 18: OTHER OPERATING EXPENSES

| | 2008 | 2007 |
|---|---:|---:|
| Rent | 909.81 | 803.61 |
| Transport, vehicle, and related costs | 2 528.48 | 2 517.38 |
| Dues | 954.57 | 951.49 |
| Advertising and marketing fees | 669.65 | 1 339.52 |
| Taxes (other than taxes on results) | 283.61 | 328.43 |
| Allocation to/release of provision | 557.98 | 71.56 |
| Exceptional impairment due to a misappropriation of funds (see above) | 1 126.51 | 0.00 |
| Other | 2 580.13 | 2 688.63 |
| TOTAL | 9 610.75 | 8 700.61 |

For 2008, the fees paid to the Belgian auditors amounted to around € 43,100 for the Belgian part of the accounts and around € 26,000 for the consolidated part.

Additional fees were paid in 2008 to the Statutory Auditor responsible for auditing the accounts (SCPRL Linet & Partners) in the amount of € 900. These fees were related to the exercise of warrant subscription rights in connection with the capital increase of May 2008 (Art 591 of the Company Code).

### EXCEPTIONAL IMPAIRMENT AS A RESULT OF A MISAPPROPRIATION OF FUNDS (SEE ABOVE)

Recent audits brought to light a misappropriation of funds by a former employee of our Lyon subsidiary between 2006 and 2008. This fraud reduced our cash balance by a total of €1.1 million over the period concerned. A detailed investigation is being conducted by the French judicial authorities. The company has made all the necessary arrangements to enforce our rights. Internal and external monitoring measures have been considerably reinforced as a result.

The financial consequences of this misappropriation (€1.1 million before taxes) were entirely underwritten at 31 December 2008 (notwithstanding the existence of possibilities for legal proceedings). Accordingly, the results for the previous financial years were not recalculated.

## NOTE 19: PROFIT (LOSS) ON ASSIGNMENT OF NON-CURRENT ASSETS NOT HELD FOR SALE

| | 2008 | 2007 |
|---|---:|---:|
| **Profit (loss) on assignment of non-current assets not held for sale** | **-20.57** | **341.35** |
| Assignment of Nespresso medium-term assets | 0.00 | 337.89 |
| Assignment of interests | | |
| Other asset assignments | -20.57 | 3.46 |

### ADDITIONAL INFORMATION REGARDING THE ESPRESSO PRODUCT LINE

In 2007, based on the final detailed account of the cessation of the Nespresso Professionnal activity, proceeds of € 338,000 were earned by the Group's subsidiaries.

In 2008, the Group entered a loss of € 20,600 on disposals of assets, related primarily to the merger of Fountain Océan and FODIS.

## NOTE 20: OTHER NON-OPERATIONAL EXPENSES

| | 2008 | 2007 |
|---|---:|---:|
| **Other non-operational expenses** | **-21.34** | **-1 172.99** |
| Expenses related to the reorganisation of French companies (merger, integrations, etc.) | -21.34 | -936.59 |
| Discontinuation of a line of machines | | -102.40 |
| Other asset assignments | | -134.00 |

Company reorganisation expenses include merger costs, winding-up costs (lawyers, registrations, etc.) and social expenses (dismissals, temporary work) incurred as a result of the reorganisation process.

## NOTE 21: INCOME TAX

### TAX EXPENSE DETAILS IN RESULT ACCOUNTS

| | 2008 | 2007 |
|---|---|---|
| Current tax related to the outstanding fiscal year | -1 210.43 | -1 621.40 |
| Current tax related to previous fiscal years | 484.81 | 23.34 |
| Deferred tax related to the outstanding fiscal year | -1 150.18 | -390.80 |
| Deferred tax related to previous fiscal years | | |
| Transfers to deferred tax | 1 568.08 | 1 187.69 |
| TOTAL | -307.72 | -801.16 |

### DEFERRED TAX ASSETS – NOT ACCOUNTED FOR

| | 2008 | 2007 |
|---|---|---|
| Fountain Denmark | 31.94 | 38.97 |
| Fountain UK | 0.00 | 35.40 |
| Fountain Soleil | 50.22 | 37.29 |
| Slodadis | 0.00 | 95.98 |
| TOTAL | 82.17 | 207.65 |

### DETAILS ON DEFERRED TAXES BY KIND

| | 2008 | | 2007 | |
|---|---|---|---|---|
| **BALANCE SHEET** | **Assets** | **Liabilities** | **Assets** | **Liabilities** |
| Provisions | 630.56 | | 83.24 | 15.10 |
| Inventory | 215.25 | | 408.87 | 1.18 |
| Unprofitable companies | 869.10 | | 469.81 | |
| Statutory[1] | 1 154.02 | | 1 497.55 | |
| Medium-term assets (clientele) | 612.09 | 1 357.29 | 498.56 | 1 550.47 |
| Other | | | | |
| TOTAL | 3 481.02 | 1 357.29 | 2 958.03 | 1 566.74 |
| **INCOME STATEMENT** | **Charges** | **Incomes** | **Charges** | **Incomes** |
| Inventory | 408.88 | 215.25 | 329.57 | 336.33 |
| Provisions[2] | 83.24 | 157.12 | | 83.24 |
| Unprofitable companies | | 395.19 | | 469.81 |
| Statutory | 658.01 | 0.00 | 61.23 | 23.46 |
| NCF litigation | | 382.00 | | |
| Depreciation and other | | 418.52 | | 274.85 |
| TOTAL | 1 150.13 | 1 568.08 | 390.80 | 1 187.70 |

(1) Deferred tax credits for Fountain Netherlands Holding, corresponding on the one hand to taxes resulting from the reduction of value of the Fountain Manufacturing financial shareholding (€ 532,100), which will be recoverable once winding up of this company has been completed, and on the other, from the difference between amortization and tax depreciation of brands.

(2) Deferred taxes calculated on provisions for pension commitments.

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.

Fountain Group applies the integrated profits system in France, which has given rise to a deferred tax asset amounting at end 2008 to € 0.7 million.

On the basis of the favourable opinion of our counsel in France, a deferred tax asset of 33 % (€ 0.4 million) has been calculated on the impairment resulting from the misappropriation of funds.

The Group has recoverable tax losses on Fountain Danmark, Fountain UK, Fountain Brussels and Fountain France.

## RECONCILIATION OF 2005 TAX EXPENSES

| | 2008 | 2007 |
|---|---|---|
| **Profit before tax:** | **1 325.72** | **1 644.94** |
| Parent company tax rate: 33.99 % | | |
| Possible taxes | -450.61 | -559.11 |
| UK tax credit | 0.00 | 0.00 |
| Tax refunds in Holland | 53.97 | 0.00 |
| Statutory deferred taxes | 0.00 | 23.46 |
| France: Carry back | 98.50 | 0.00 |
| Unprofitable company without allocation of deferred tax assets | -82.17 | -207.65 |
| Depreciations of goodwill | -112.20 | 0.00 |
| Unlisted expenditures and other differences | 184.79 | -57.86 |
| **TAXES ACCOUNTED FOR RESULTS** | **-307.72** | **-801.16** |

## DEFERRED TAX ASSETS AND LIABILITIES - IMPLEMENTATION OF IAS 8

In accordance with IAS 8, retrospective application of IFRS 3 and IAS 12 concerning on the one hand the entry of deferred tax liabilities further to the entry in the accounts at their fair value of intangible assets (goodwill) acquired in the context of business combinations (allocation of first consolidation differences) and on the other, the entry of deferred tax assets on intangible fixed assets (French goodwill) acquired from third parties, due to depreciations.

## DEFERRED TAX LIABILITIES

IAS 12.19 states that:

"the cost of a business combination is affected by entering the assets acquired and the identifiable liabilities assumed at their fair value on the acquisition date.

(...)

When the carrying amount of an asset is increased to fair value but the tax base of the asset remains at cost to the previous owner, a taxable temporary difference arises which results in a deferred tax liability".

With the different business combinations implemented between December 2004 and December 2007, the goodwill (clientele) acquired was carried in the consolidated accounts (allocation of first consolidation differences) at fair value, giving rise to taxable temporary differences within the meaning of the abovementioned standard (net book value of the goodwillgreater than the statutory tax base).

The Board of Directors previously concluded that the deferred tax liabilities on these temporary differences should not be entered given the absence of intention of transfer of the assets concerned and therefore the unlikelihood of actual taxation of this temporary difference.

However, it would seem under IFRS 3 and IAS 12 that this interpretation is considered inaccurate: the absence of intention to transfer an asset carried at its fair value is not a valid argument for not carrying deferred tax liabilities on a temporary difference (IAS 12.20).

In accordance with IAS 8, the Board of Directors consequently decided to modify the accounts published previously by entering the deferred tax liabilities on the temporary differences resulting from intangible fixed assets valued at their fair value at the time of the different business combinations implemented between December 2004 and December 2007.

The impact of this correction on the consolidated accounts for the financial years ended 31 December 2007 and 31 December 2008 is as follows (impact on the income statement):

- € 165,000 (for 2007)
- € 194,000 (for 2008)

### DEFERRED TAX ASSETS

The corollary to application of IFRS 3 and IAS 12 on deferred tax liabilities is the entry of deferred tax assets on the deductible temporary differences resulting from the entry in the consolidated accounts of depreciation allowances on the French goodwill acquired from third parties.

The French goodwill acquired from third parties is not entered as a depreciation in the accounts but is depreciated on a straight-line basis over ten years in the consolidated accounts.

This being the case, the allowances carried in the consolidated accounts theoretically give rise to deferred tax assets as deductible temporary differences (IAS 12).

The Board of Directors previously decided not to enter deferred tax assets for the same reasons discussed above for deferred tax liabilities. Indeed, it would have been neither prudent nor coherent to enter deferred tax assets on depreciations of the French goodwill while not entering deferred tax liabilities on the revaluation at fair value of the goodwill acquired in connection with business combinations.

In accordance with IAS 8, the Board of Directors therefore decided to modify the accounts published previously by entering deferred tax assets on the deductible temporary differences resulting from intangible fixed assets consisting of the French goodwill.

The impact of this correction on the consolidated accounts for the periods ended 31 December 2007 and 31 December 2008 is as follows (impact on the income statement):

- € 110,000 (for 2007)
- € 112,000 (for 2008)

## NOTE 22: RIGHTS AND COMITTMENTS OFF-BALANCE SHEET

| (in EUR) | 2008 | 2007 |
|---|---|---|
| Personnel reserves established or irrevocably promised as debt collateral | 13 664.18 | 11 469.68 |
| Actual reserves established or irrevocably promised by the Group on its assets | 4 095.64 | 4 292.17 |
| 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 | 1 747.46 | 900.57 |
| Commitments for the transfer of fixed assets | | |
| Commitments for the acquisition of fixed assets | | |
| Rights resulting from transactions relating to the acquisition of companies | | |
| Interest rate swap | 7 200.00 | 7 200.00 |
| Other commitments | 142.33 | 103.63 |
| Rights resulting from transactions relating to acquisition of companies | 0.00 | 192.83 |
| Commitments resulting from Transactions relating to stock option plans | 0<br>0 warrants | N/R<br>66 485 warrants |

N/R = non recoverable

## NOTE 23: RELATIONS WITH AFFILIATED COMPANIES

| | 2008 | 2007 |
|---|---|---|
| **With affiliated companies** | **561.98** | **85.18** |
| Long-term debt | 0.00 | 0.00 |
| Short-term debt | 561.98 | 85.18 |
| **With companies in which the Group owns shares but which are not consolidated** | **1.19** | **1.44** |
| Shares | 1.19 | 1.44 |
| Long-term debt | 0.00 | 0.00 |
| Short-term debt | 0.00 | 0.00 |

## NOTE 24: FINANCIAL RELATIONS WITH THE DIRECTORS OF THE CONSOLIDATING COMPANY

| (en EUR) | 2008 | 2007 |
|---|---|---|
| Total compensation for service | 150.0 | 150.3 |
| Total advances and credits granted by the consolidating company or a subsidiary | | |

Further to the capital increase of Ð0.7 million on 16 May 2008 (issue of 44,400 shares further to the exercise of 44,400 warrants by Syren SPRL, represented by Mr Pascal Wuillaume, CEO of Fountain Group), the total number of shares making up the capital of Fountain SA rose to 1,660,360.

## NOTE 25: EVENTS AFTER THE END OF THE FINANCIAL YEAR

No important event occurred after the closing of the year.

## NOTE 26: ADDITIONAL INFORMATION ON ACQUISITIONS

N/R in 2008

## NOTE 27: ADDITIONAL INFORMATION ON BUSINESS COMBINATIONS

The different business combinations implemented in 2008 are intended to simplify organisation and to allow management savings over the longer term.

The following combinations were implemented:

- FODIS was merged with Fountain Océan, and the new venture was named Fountain Ouest
- Fountain Océan was acquired in 2007.
- Price supplement for Fountain Océan paid to the sellers (€ 130,000, entered as an increase in Fountain Océan's consolidation goodwill).
- Cessation of the activity of Fountain Distibution Center G.E.I.E. effective 1 May 2008, and takeover by Fountain S.A.

The merger fees related to these different transactions amounted to around € 52,000 in 2008.

## NOTE 28: RESTATEMENT OF POSITIONS AT THE END OF 2006

See Note 21

## SHAREHOLDER AGENDA

| | Date |
|---|---|
| Publication of the 2008 Annual Report | 1-May-09 |
| Annual General Meeting | 25-May-09 |
| Dividend payout | June-09 |
| Announcement of 2009 semi-annual results | 27-Augustus-09 |
| Announcement of 2009 annual results | mid-March 2010 |

# corporate annual accounts (abbreviated version)

The annual financial statements of Fountain SA (previously Fountain Industries Europe SA) for the 2008 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.

## 1. STATUTORY BALANCE SHEET (after appropriation )

| (EUR thousand) | 2008 | 2007 | 2006 |
|---|---|---|---|
| FIXED ASSETS | 45 257 | 50 121 | 49 686 |
| I. Formation expense | 0 | 0 | 0 |
| II. Intangible fixed assets | 1 475 | 437 | 610 |
| III. Tangible fixed assets | 1 058 | 2 064 | 1 128 |
| IV. Financial fixed assets | 42 724 | 47 620 | 47 948 |
| CURRENT ASSETS | 12 856 | 14 092 | 9 896 |
| V. Long-term debt | 1 920 | 5 169 | 1 784 |
| VI. Stocks and orders in progress | 2 530 | 494 | 502 |
| VII. Short-term debt | 8 090 | 8 338 | 7 437 |
| VIII. Investments | 0 | 0 | 0 |
| IX. Cash at bank and in hand | 214 | 9 | 56 |
| X. Deferred charges, accrued income | 102 | 82 | 117 |
| TOTAL ASSETS | 58 113 | 64 213 | 59 582 |

| (EUR thousand) | 2008 | 2007 | 2006 |
|---|---|---|---|
| CAPITAL AND RESERVES | 46 441 | 44 201 | 43 567 |
| I. Paid-up Capital | 23 556 | 22 928 | 22 928 |
| II. Share premium account | 107 | 32 | 32 |
| III. Revaluation surpluses | | | |
| IV. Reserves | 5 206 | 5 206 | 5 153 |
| V. Accumulated profits | 17 572 | 16 035 | 15 454 |
| VI. Investment subsidies | | | |
| PROVISIONS, DEFERRED TAXES | 58 | 82 | 139 |
| VII. A. Provisions for liabilities and charges | 58 | 82 | 116 |
| VII. B. Deferred Taxes | 0 | 0 | 23 |
| CREDITORS | 11 614 | 19 930 | 15 876 |
| VIII. Long-term debt | 4 365 | 8 670 | 5 725 |
| IX. Short-term debt | 7 163 | 11 145 | 10 085 |
| X. Deferred charges, accrued income | 86 | 115 | 66 |
| TOTAL LIABILITIES | 58 113 | 64 213 | 59 582 |

## 2. CORPORATE PROFIT AND LOSS ACCOUNT (after allocation)

| | (EUR thousand) | 2008 | 2007 | 2006 |
|---|---|---|---|---|
| **I.** | **OPERATING INCOME** | **20 427** | **19 359** | **18 578** |
| | A. Sales | 17 889 | 17 671 | 17 696 |
| | B. Increase (+), decrease (-) of goods in progress, finished good inventory and contracts in progress | 1 577 | -7 | 18 |
| | C. Non performing income | 101 | 105 | 11 |
| | D. Other operating income | 860 | 1 590 | 853 |
| **II.** | **OPERATING CHARGES** | **17 562** | **15 083** | **14 998** |
| | A. Raw materials, consumables and goods for resale | 12 108 | 10 223 | 9 808 |
| | B. Services and other goods | 2 154 | 2 670 | 2 695 |
| | C. Compensation, social security charges and pensions | 1 727 | 1 864 | 1 760 |
| | D. Depreciation and write-offs on fixed assets (+ allowance) | 743 | 456 | 489 |
| | E. Depreciation and write-offs on inventory and receivables (+ allowance) | 772 | -126 | 78 |
| | F. Increase (+), decrease (-) in provisions for liabilities and charges | -24 | -34 | 69 |
| | G. Other operating expenses | 81 | 29 | 98 |
| **III.** | **OPERATING PROFIT (+), LOSS (-)** | **2 865** | **4 276** | **3 580** |
| **IV.** | **Financial income** | **340** | **404** | **2 374** |
| **V.** | **Financial charges** | **-792** | **-886** | **-573** |
| **VI.** | **PROFIT (+), LOSS (-) ON OPERATION** | **2 414** | **3 795** | **5 381** |
| **VII.** | **Extraordinary income** | **149** | **204** | **394** |
| **VIII.** | **Extraordinary charges** | **-190** | **-1 024** | **-812** |
| **IX.** | **PROFIT (+), LOSS (-) BEFORE TAXES** | **2 373** | **2 974** | **4 962** |
| **IX.bis** | **Transfers to/from deferred taxes** | | **23** | **40** |
| **X.** | **Income tax** | **-836** | **-1 071** | **-1 476** |
| **XI.** | **PROFIT (+), LOSS (+) FOR THE PERIOD** | **1 537** | **1 926** | **3 526** |
| **XII.** | **Transfers to/from immune reserves** | | **46** | **78** |
| **XIII.** | **PROFIT (+), LOSS (-) FOR THE PERIOD TO BE APPROPRIATED** | **1 537** | **1 972** | **3 605** |
| | A. Transfer to legal reserve | -77 | -99 | -180 |
| | B. Transfer to other reserves | | | |
| | C. Dividends | | -1 293 | -970 |
| | D. Retained earnings | 17 495 | 16 035 | 15 454 |

## 3. REVIEW OF CAPITAL

| | | Number of shares | Total number of shares | Amount of capital |
|---|---|---|---|---|
| **A. PAID-UP CAPITAL** | | | | |
| 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 BEF |
| | 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 € |
| 16-May-08 | Capital increase (exercise of warrants) | 44 400 | 1 660 360 | 23 355 772.98 € |
| **B. UNSUBSCRIBED AUTHORIZED CAPITAL** | | | | |
| 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 2008[1] | 2008 Results |
|---|---|---|---|---|
| Fountain France SAS | 6 | 0.06 % | 10 223.19 K€ | 760.93 K€ |
| Fountain International SA | 1 | 0.08 % | 811.26 K€ | 271.08 K€ |
| Fountain Industries Brussels SA | 199 | 99.50 % | 105.25 K€ | -4.94 K€ |
| Fountain Netherlands Holding BV | 60 000 | 100.00 % | 17 438.86 K€ | 683.40 K€ |

(1) Any dividends with respect to 2008 are not deducted from the equity of the companies concerned.

## FOUNTAIN IMPORTING COMPANIES


FOUNTAIN INTERNATIONAL S.A.

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

FOUNTAIN FRANCE SAS

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The management sincerely thanks the members of the staff who enthusiastically contributed to the photo casting to illustrate the 2008 report.

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