

Transition note - Impact of the transition to the new accounting standards on the consolidated balance sheet at 1 January 2004

The purpose of this note is to explain the effects of the transition from Belgian accounting standards to international accounting standards (IFRS standards) as defined by (EC) Regulation No. 1725/2003 of the Commission of 29 September 2000 May.

I. Application of IFRS 1

1. Treatment of rights and commitments not recognised by IFRS standards, but recognised by Belgian standards:

a. Intangible fixed assets.

The Research & Development expenses recognised under assets on the Fountain group's balance sheet only consist of development expenses according to the meaning of IFRS standards. These can be activated and depreciated.

Start-up expenses (primarily expenses to restructure the French distribution network) activated in accordance with Belgian standards were restated (see Note 1 below).

The other fixed intangible assets (see Note 2 below) are comprised of goodwill acquired from third parties (allocated goodwill) and from first consolidation differentials (goodwill not allocated). Goodwill continues to be depreciated over 10 years using the straight-line method, in accordance with IFRS standards. The first consolidation differentials will no longer be depreciated as of the year 2004. Both are assigned a value at the initial date, at their net value at 1 January 2004. A test of the depreciation of goodwill and first consolidation differentials was applied to net figures at 1 January 2004. No additional write-downs were needed after said test.

b. General provisions:

The provisions recognised in accordance with Belgian standards were analysed individually. Some of them were cancelled, as they could no longer be recognised in accordance with IFRS standards (see Note 11 below).

2. Treatment of rights and commitments recognised by IFRS standards, but not recognised by Belgian standards:

- a. The Fountain group does not have any derivative financial instruments nor any benefit-type pension plan that could be recognised under IFRS standards.
- b. Deferred taxes on assets and liabilities were recognised following several restatements as described below (see Note 12).

No deferred taxes on assets were posted to take account of tax losses deferred on the grounds that it would not be reasonable to expect future taxable results in the companies carrying tax losses forward.

In addition, given that the goodwill acquired from third parties and depreciated using the consolidation method is not intended to be assigned, no deferred tax on assets was calculated on the differentials between local and consolidated depreciation.



- c. In accordance with IFRS2, an annual evaluation is carried out of the plan of warrants granted to certain staff members.

3. Reclassifications:

The dividend to be paid has been reclassified from "debts within one year" to consolidated reserves and indicated on a separate line of reserves. We should note that the balance sheet presented in accordance with Belgian accounting standards is a post-allocation balance sheet.

The group did not hold any treasury shares at 1 January 2004.

4. Optional exceptions:

a. Mergers of companies prior to 1 January 2004

No change was made to the valuation or classification of goodwill. However, the consolidation methods were modified for two of the group's companies: Slodadis and Fountain Soleil. In accordance with Belgian accounting standards and pursuant to the original joint control contracts, Slodadis and Fountain Soleil are consolidated using the proportional method.

i. Slodadis

Pursuant to an amendment to the original contract, the Fountain group holds an option to acquire shares in the event of an impediment to decision-making on the Board of Directors. Accordingly, the group controls the company in accordance with the IFRS definition of "control". As a result, in accordance with IAS 27, Slodadis must be considered as an affiliated company and its financial statements must be consolidated using the full consolidation method.

ii. Fountain Soleil

Fountain Soleil is an associated company in which the Fountain group exercises significant influence, but does not possess control. This company's financial statements must therefore be consolidated using the equity method. We should note that it was possible, up to 2005, for Fountain Soleil to continue to be consolidated using the proportional integration method. The decision was made to consolidate it using the equity method as of 1 January 2004, so as to avoid "accordion" effects following successive changes of consolidation methods.

The effects of these consolidation method changes will be seen on the balance sheet's various accounts at 1 January 2004.

b. Valuation of tangible and intangible fixed assets

After an examination of the Group's assets, the acquisition prices affected by any accumulated depreciation at the initial date may be considered as the fair value of the fixed assets. There was no need to record any additional write-downs. The residual value of fixed assets at the end of their lifetime is estimated at zero based on the nature of the assets held, the group's policy, and its business object.

c. Benefits to personnel

N/A.



d. Accumulated conversion reserves

The accumulated conversion differentials were allocated to accumulated results and on the initial date (see Note 10, point 5))

e. Compound instruments:

N/A.

f. Different introduction dates

N/A.

5. Obligatory exceptions

g. Derecognition of financial instruments

N/A.

h. Administrative treatment of hedging transactions

N/A.

i. Information to be used for retroactive IFRS estimates

The data and assumptions used to convert the consolidated accounts to IFRS standards are identical to those used to prepare the consolidated accounts in accordance with Belgian standards in effect for the period preceding 1 January 2004. These data and assumptions are consistent with the IFRS philosophy.

6. Appendices

The appendices required by IFRS 1 are presented below: namely, the reconciliation of shareholders equity and results (Note 10) and the expiry of the various transactions affecting the consolidated accounts following the transition from Belgian standards to IFRS standards (point II).



II. Initial balance sheet at 1 January 2004 in accordance with IFRS standards

Comparative balance sheet at 1 January 2004 (post-appropriation)

in '000 EUR		01/01/04 Belgian standards	01/01/04 IFRS standards
ASSETS		43,954	44,348
<u>Fixed assets</u>		<u>25,813</u>	<u>25,903</u>
Start-up expenses	Note 1	154	0
Fixed intangible assets	Note 2	7,810	7,858
Consolidation differentials		14,457	14,457
Fixed tangible assets	Note 3	2,785	2,983
Fixed financial assets	Note 4	606	605
<u>Current assets</u>		<u>18,142</u>	<u>18,445</u>
Receivables due more than 1 year		755	809
Stocks and orders in process	Note 5	4,685	4,714
Receivables due more than 1 year	Note 6	7,378	7,505
Treasury funds	Note 7	377	415
Liquid assets	Note 8	4,501	4,556
Adjustment accounts	Note 9	445	446
LIABILITIES		43.954	44.348
<u>Shareholders' equity</u>	Note 10	<u>21,763</u>	<u>21,866</u>
Capital		26.160	26.160
Issue premiums		32	32
Revaluation gains		0	0
Reserves		-4.331	-5.085
Dividends		0	711
Consolidation differentials		0	0
Conversion differentials		-98	0
Capital subsidies		0	0
Third party interests		0	47
<u>Debts</u>		<u>22,191</u>	<u>22,483</u>
Provisions and deferred taxes (1)	Notes 11, 12	285	450
Debts due more than 1 year	Note 13	8,630	8.651
Debts due within 1 year (1)	Note 14	12,852	12.914
Adjustment accounts	Note 9	425	467

(¹) Compared to the data published in accordance with Belgian accounting standards, amounts previously classified under provisions were reclassified under remunerations and Social Security charges (EUR 28 K) and taxes (EUR 23 K). This reclassification is consistent with IFRS standards.



Note 1 : Start-up expenses (-EUR 154 K) (primarily restructuring expenses)

The net impact of the change of consolidation method of Slodadis and Fountain Soleil is – EUR 2 K. Slodadis’s transition to the full consolidation method increases the amount of next start-up expenses by EUR 1 K and accounting for Fountain Soleil’s results using the equity method reduces them by EUR 3 K.

In accordance with IAS 38, start-up/restructuring expenses cannot be activated but must be posted under expenses if this is incurred. The impact is – EUR 152 K. For additional information, see Note 10 below.

Note 2 : Fixed intangible assets (+EUR 49 K)

The net impact of the change of consolidation method of Slodadis and Fountain Soleil on the valuation of goodwill acquired from third parties.

Note 3 : Fixed tangible assets (+EUR 197 K)

Revaluation of the net value of fixed tangible assets by applying only the straight-line depreciation method. With respect to Belgian accounting standards, certain assets were depreciated using the accelerated depreciation method, which is inconsistent with IAS 16. The restatement effects are as follows

- Installations, machines and tools : +EUR 2 K
- Furniture and rolling stock : +EUR 27 K
- Rental financing: +EUR 166 K. This is the correction of depreciation of a cartridge production line based in Braine-l’Alleud.
- Other fixed tangible assets: +EUR 2 K

No write-downs were booked on fixed tangible assets on the transition date.

Note 4 : Fixed financial assets (-EUR 128 K)

Receivables on “other companies” are posted using the full consolidation of Slodadis (+ EUR 3 K) and the equity method for Fountain Soleil (- EUR 4 K).

On the other hand, long term receivable on Fountain Soleil has been impacted by a write off equivalent to the negative value of the equity method due to the change in consolidation method (- EUR 128 K). The writing has no impact on reserves.

Note 5 : Stocks and orders in the process of being filled (+EUR 30 K)

The impact of Slodadis’s transition to full consolidation is a + EUR 34 K increase in consolidated stocks. The impact of Fountains Soleils’s transition to the equity method is – EUR 16 K. The net impact of the change of consolidation method is therefore + EUR 18 K.

In accordance with IAS 2, stocks are assigned a value by integrating acquisition and processing costs and other costs incurred to bring stocks to the place where they are, in the condition in which they are in. In concrete terms, this is reflected for the Fountain Group in the integration of approach costs manufacturing and license (+ EUR 11 K)

Breakdown by type of good:

- Supplies : + EUR 6 K
- Finished products: +EUR 7 K
 - o Change of consolidation method: +EUR 2 K
 - o Integration of approach costs: + EUR 5 K



- Goods for resale: +EUR 16 K
 - o Change of consolidation method: +EUR 16 K
 - o Integration of approach costs: + EUR 0.2 K

For more information concerning the calculation of approach costs we refer you to Note 10, point (6) below.

Note 6 : Receivables due within one year (+EUR 128 K) (primarily commercial receivables)

This amount represents the net effect of Slodadis's full consolidation (+ EUR 105 K) and the consolidation of Fountain Soleil using the equity method (+ EUR 22 K).

Note 7 : Treasury funds (+EUR 38 K)

The only source is Slodadis's full consolidation.

Note 8 : Liquid assets (+EUR 55 K)

The impact of the changes of method used to consolidate Slodadis (+ EUR 76 K) and Fountain Soleil (- EUR 21 K).

Note 9 : accruals and deferrals

The impact of the change of consolidation method

- Asset adjustment account: + EUR 1 K
- Liability adjustment account: + EUR 17 K

Note 10 : Shareholders' equity (+ EUR 127 K)

Impact on the consolidated accounts of the transition to the new accounting rules

in '000 EUR

	Capital	Issue premiums	Reserves	Dividends	Conversion differential	Third party interests	Total
Balance at 1 January 2004 based on former accounting standards	26.160	32	(5.042)	0	(98)	0	21.052
Change of accounting rules							0
(1) Change of consolidation method						47	47
(2) Provisions			39				39
(3) Fixed tangible assets			134				134
(4) Restructuring expenses			(100)				(100)
(5) Conversion differentials			(98)		98		(0)
(6) Stockq			8				8
(7) Dividends				711			711
(8) Warrants plan			(25)				(25)
Balance restated at 1 January 2004	26.160	32	(5.085)	711	0	47	21.866

(1) Consolidation method

The change of consolidation method (transition from proportional consolidation to full consolidation for Slodadis) generated third party interest of + EUR 47 K.

(2) Provisions

Pursuant to IAS 37, certain provisions had to be cancelled, which led to a EUR 39 K increase in shareholders' equity. This adjustment is mainly the result of the cancellation of the provision for food risk set aside by the company in proportion to the number of cartridges sold by the plant.



(3) Fixed tangible assets

In accordance with IAS 16, fixed tangible assets depreciated using the accelerated depreciation method pursuant to Belgian accounting rules were restated in order to depreciate them using the straight-line method. This restatement resulted in a EUR 134 K increase in shareholders' equity.

(4) Start-up expenses (primarily restructuring expenses)

In accordance with IAS 38, start-up expenses must be cancelled out by shareholders' equity. The impact of this adjustment is a EUR 100 K reduction in shareholders' equity.

(5) Conversion differentials

In accordance with IFRS 1 provisions, accumulated conversion differentials in the liabilities of consolidated accounts were reclassified in initial consolidated reserves.

(6) Stocks

The valuation of stocks was altered to take account of approach costs, using the "complete cost" method, compared to the valuation rules commonly applied in accordance with Belgian standards. Fixed market access cost percentages were calculated for the entities (plants and licenses) bearing said expenses. We should point out that dealer market access costs are borne (directly or indirectly) by the licensees. These percentages will undergo a critical analysis each year (or more frequently, if justified), and, if applicable, they shall be altered to reflect economic reality.

(7) Dividend

The dividend paid to shareholders in 2004 for the results of the year 2003 (EUR 711 K), was presented in debts within one year in consolidated reserves in the consolidated accounts, according to Belgian standards. It was posted on a separate line, in accordance with IFRS standards.

(8) Warrant plan

The calculation model used is based on the Black & Scholes model and only reflects active plans after 7 November 2002 and for which the exercise prices are below Fountain's share price at 31 December of the year in question. 2003 impact: EUR 25 K.

Note 11 : Provision (- EUR 53 K)

The net impact results from The cancellation of sundry provisions that were booked in accordance with Belgian accounting standards, but cannot be kept in accordance with IFRS standards (- EUR 53 K).

Note 12 : Deferred taxes (+EUR 40 K)

Following the adjustments made and pursuant to IAS 12, deferred taxes on assets and liabilities resulting from timing differences between the application of Belgian standards and IFRS were posted.

Net deferred taxes (difference between assets, EUR 52 K and liabilities, EUR 91 K) came in at EUR 40 K.

Based on the various tax rates borne by the various entities belonging to the Fountain group, the average rate of 34% was used to calculate deferred taxes.



This estimate of an average rate is inconsistent with the provisions of IFRS standards, which require the application of the individual statutory rates of the various companies in question. Given the convergence of European tax rates and the concentration of the group's companies in Belgium and France, the impact of the use of an average tax rate in lieu of the statutory rate is immaterial.

- Deferred taxes on assets (+ EUR 52 K) generated by the cancellation of activated entity restructuring expenses.
- Deferred taxes on liabilities (+ EUR 91 K) are broken down as follows:
 - o Cancellation of provisions : + EUR 18 K
 - o Restatement of accelerated depreciation on fixed handle assets using the straight-line method: + EUR 69 K
 - o Revaluation of stocks for integration of market access costs: + EUR 4 K.
- Net equity: net deferred taxes on liabilities of +EUR 40 K

Note 13 : Debts due more than one year (+ EUR 21K)

The only impact is the change of method used to consolidate Slodadis and Fountain Soleil.

Breakdown:

- Credit institutions: + EUR 29 K
- Other loans: - EUR 8 K

Note 14 : Debts due within the next year (+ EUR 649 K)

Impact of the change of methods used to consolidate Slodadis and Fountain Soleil, in the full consolidation and equity methods, respectively (previously consolidated using the proportional method).

Breakdown :

- Long-term liabilities due this year: +EUR 16 K
- Commercial debts, suppliers: - EUR 5 K
- Tax debts: + EUR 23 K

Wage debts and social liabilities: + EUR 28 K

On the other hand, dividends related to 2004 accounting year are no more kept in "other debts within one year" but integrated in reserves (- EUR 711 K).

