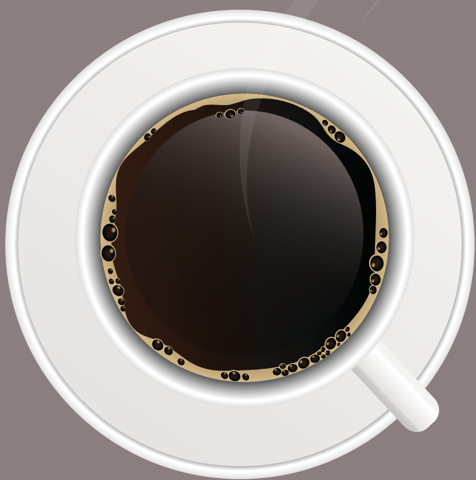
Half year financial report on 30 June 2013

Fountain®

Half year financial report



2013

Interim Management Report
of the Board of Directors following the publication of the financial information for the six months to 30 June 2013

Ladies and Gentlemen,

We are pleased to present our interim management report covering the first half of 2013.

1. Declaration

Pierre Vermaut Mgt sprl, Chairman, represented by Mr Pierre Vermaut, and BluePack Consulting bvba, CEO, represented by Mr Paul Baeck, certify, pursuant to Article 12 of the Royal Decree of 14 November 2007, that, to their knowledge, the financial statements prepared in accordance with the «International Financial Reporting Standards» (IFRS) comply with the accounting methods and valuation criteria set by IAS/IFRS and give a true and fair picture of the net assets, financial position and results of Fountain SA and the companies included in the consolidation scope. They also certify that, to their knowledge, the management report contains a true and fair review of the information that is legally required of issuers of financial instruments admitted to trading on a regulated market, including that relating to the development of the business, the results and the financial position of the issuer and the undertakings included in the consolidation, together with a description of the principal risks and uncertainties that they face.

2. Activities and consolidated income statement for the period to 30 June 2013

For the six months to 30 June 2013, the consolidated turnover amounted to € 17.0 million, down 9.5% compared with the six months to end-June 2012. This decrease reflects the economic crisis, with companies paring costs, cutting staff and even closing. This has reduced sales volumes, particularly in our Fountain range. This negative turnover trend at our subsidiaries is also mirrored, though to a lesser extent, in the evolution of our business with our independent distributors. On the other hand, the Group has strengthened its sales team by hiring two new national sales managers and six sales persons. These new sales persons have already exceeded their targets in terms of number and value of new contracts signed, including some with a potential annual turnover running into tens of thousands of euros, well above Fountain's historical average. In addition, the taking in hand of the existing sales teams by the new management has imparted a new dynamism in terms of new contract signings. Even if, at this level, we are still behind our objective, constant progress is being made month after month and the increase in the average turnover by contract is significant. These new signings, mainly in the second quarter of 2013, have not yet significantly impacted the revenue recognized up to 30 June 2013. The gradual accumulation of these new contracts should begin to positively affect the turnover, but without immediately counteracting the downward trend in the turnover with existing customers. With respect to existing customers, an action plan has been introduced to reduce the turnover attrition, including developing and professionalizing our telesale team, which is being coached by a new manager with extensive experience in this area, ensuring the consistency of our product offerings and services, strengthening our customer marketing efforts and improving our technical service. Finally, involving our independent distributors in the development of our marketing and sales approaches should permit a stabilization, or even a new increase of our sales with our partners.

Recurring cash flow from operations (REBITDA) for H1 2013 is EUR 1.5 million (8.8% of the turnover) compared with € 3.3 million (17.7% of the turnover) for H1 2012. This recurring cash flow from operations is calculated before depreciation, amortization, provisions, debt service charges, taxes and K€ 736 of non-recurring expenses (internal reorganization, including staff reduction, mainly in the financial organization, centralization of financial activities and recruitment of new commercial staff, ongoing legal regrouping of our French activities in a single company, and litigation and other costs following on the 2008 fraud as detailed in note 9 to the consolidated financial statements), but after write-downs on current assets. This decrease in recurring cash flow from operations is the direct result of the turnover decrease. With the sales margin remaining almost stable in percentage terms, the reduction in turnover of some € 1.8 million resulted in a contraction of the margin in absolute terms, on top of which comes an increase in operating costs of around € 0.5 million reflecting mainly to the recruitment of the additional sales staff mentioned above.

The operational result for the period to 30 June 2013 is K€ -1,974, compared with K€ 508 for the period to 30 June 2012. The operational result to 30 June 2013 is negatively impacted by non-recurring items of K€ -1,864 as detailed in note 9 to the consolidated financial statements. In addition to the non-recurring operating expenses of K€ 736 cited above, this figure includes an impairment charge of K€ 1,129 on the Group's intangible assets. These impairments are the direct result of the decline in turnover of the Fountain Benelux unit and the Fountain East unit in Lyon. Excluding non-recurring items, the operational result is to K€ -109.

The result before tax at 30 June 2013 is K€ 2,141. Excluding the non-recurring items mentioned above, the result before tax is K€ -276 as against K€ 985 in June 2012.

Income tax for the first half of 2013 is K€ a profit of k€ 401 compared with a charge of K€ 210 to 30 June 2012. This result reflects, firstly, a positive taxable base   in certain subsidiaries, excluding the non-deductibility of certain expenses, in the first place the impairments of K€ 1,129 mentioned above, and secondly, the recognition of deferred tax assets in subsidiaries having accounting losses

The consolidated net result for the 1st half of 2013 is a loss of K€ 1,741, as against a profit of K€ 40 at 30 June 2012.

3. Valuation rules

3.1. The valuation rules applied at the end of June 2013 are identical to those adopted at the end of December 2012, other than the debt reclassifications for 2012 and 2013. mentioned in note 3 of the consolidated financial statements.

3.2. Further information on the valuation rules and their application is given in Note 3 to the consolidated financial statements.

4. Significant events in the first half of 2013

In June, the Group acquired 100% of the shares of Côte d'Argent Distribution s.a.s., its independent distributor in the Bordeaux region, with an annual turnover of approximately € 1 million. In the consolidated accounts at 30 June 2013, only the balance sheet of this company has been fully consolidated. The results will be included in the consolidated group accounts from 1 July 2013.

Detailed additional information is provided in note 11 to the consolidated financial statements.

5. Material events subsequent to 30 June 2013

Given that existing financing arrangements have not yet been adapted to the company's present and future financial needs, the company is working actively with all its financial partners to put in place a solution for refinancing the company in the medium and long term. It has brought in a specialist consultancy to support it in these efforts, with the objective of the refinancing, aligned with the Kaffa plan, being finalized by the end of November 2013. With this in view, new structural financing was already introduced in the course of June 2013. The Board of Directors confirms unanimously that it will participate actively in the company's efforts to define and implement, in close cooperation with the present banking partners, the other potential financial partners and the shareholders, all solutions that are necessary, useful and sustainable to cover the medium and long-term financial needs, including, if necessary, a strengthening of the permanent capital. Various proposals have already been received from financial institutions. These elements together give the Board of Directors objective and reasonable assurance that the medium and long-term financing needs will be covered. The Board will communicate further on this once the refinancing is in place.

The proposed simplification of the administrative structure is under way and will be finalized by the end of the year. This simplification will include terminating the administrative and financial directors in France.

No other material event has occurred after 30 June 2013.

6. Development expenses

During the first half of 2013, no additional charges were capitalized for developing new products and machines.

7. Absence of conflicts of interest

The Board of Directors meeting on 30 August 2013 took decisions on remunerated advances from shareholders and/or directors. Several directors declared themselves to be in a position of conflict of interest. Following the conflict of interests procedure as described in Articles 523 and 524 of the Belgian Companies' Code, a report was drawn up by the company's Board of Directors. Despite the efforts made in this direction, the company does not yet have 3 independent directors as provided for in the Companies' Code. The two independent directors, assisted by Alain Englebert and an expert in the person of Robert Pierce gave a favourable opinion in conclusion of the report provided for by Article 524 of the Companies' Code on the operation envisaged on 24 August 2013 by the Board of Directors.

The Board did not adopt any other resolutions covered by Articles 523 and524 of the Companies' Code.

8. Capital

The total number of shares representing the capital of Fountain SA was unchanged at 1,660,360 at 30 June 2013. At the same date, shareholders' equity amounted to K€ 20,916, which is down compared to K€ 22,640 at 31 December 2012.

9. Outlook for 2013

Taking into account the evolution of existing customers turnover to 30 June, which is down 9% compared to the same period in 2012, and based on the estimated revenue from new customer signings, we estimate that full-year turnover for 2013 will be down 8% from 2012 and below the original target.

REBITDA will also be down, as this figure includes not only the gross margin impact from the decrease in activity, but also investments to launch the Kaffa plan.

The introduction of the new organization, at both the commercial and the operational levels, is now complete, in accordance with phase 1 of the plan. The proposed simplification of the administrative structure is under way and will be finalized by the end of the year.

The initial results of the growth strategy, based on the signing of new, larger customers, are very positive, despite the relative difficulty in finding the right salesperson profiles. We are behind schedule in recruiting of new business managers, but the performance of the team in place since April is well above the initial plan, despite its being only 50% staffed. This tends to demonstrate that the strategy is the right one. With respect to the existing sales team, despite behind on signings for the first 6 months of 2013, progress compared with 2012 is significant and confirms our strategy of developing customers in the 20 to 50 employee segment. The Board will decide on the launch of phase 2 before the end of the year.

10. Risk exposure and risk management policy

The Group has defined a method for identifying and evaluating risks, for determining measures to reduce these risks, and for assessing the residual risks. This analysis is subject to periodic review and adjustment of risk reduction measures. This risk analysis was examined by the Audit Committee on 13 December 2011 It was reviewed in the Board of Directors on 18 December 2012 and will be re-examined by the Audit Committee in the second half of 2013. On 26 June 2013, the Committee concerned itself with covering the Group's short, medium and long-term financing needs.

Given its activity of distributing, leasing and making available machines for dispensing hot and cold beverages based on freeze-dried or grain products, the group is exposed to food risks. In this respect, the group acquires products only from certified producers and does not process itself, other than in some cases repackaging them in compliance with applicable standards. Moreover, the group sells only distributing machines manufactured by specialist suppliers in compliance with the standards required by the countries in which these machines are sold.

In certain cases, prices for products and machinery are fixed with our suppliers for periods not exceeding one year.

The group leases and makes available to its customers dispensing machines that remain its own assets. The risk of loss and damage to the machines is limited by the regular monitoring of the contracts for machines placed with our customers and regular customer visits by the product vendors and technical staff.

Given that the group's turnover comes from a very large number of customers in limited amounts, the risk of non-recovery of debts can be kept within reasonable limits by the application of regular monitoring procedures for the collection of these receivables. Accordingly, the Group does not cover its receivables against the risk of customer default.

The group uses external financing from financial institutions such as banks. The Group's debt ratio is reasonable in relation to its balance sheet structure, even if the net debt/REBITDA ratio has worsened compared with previous years owing to the reduction of REBITDA, owing to turnover decrease.

This financing is contracted at either fixed or floating interest rates. For floating rate financing, the group covers most of the risk with IRS contracts. In this context, the group has partially hedged its interest rate risk through an IRS contract in a nominal amount of € 1.9 million maturing in June 2017.

Under its loan contacts with banks, the group is contractually obliged to respect certain ratios and other limits. These are detailed in note 23 to the 2012 consolidated financial statements. On defaulting under two of these covenants, the company nonetheless obtained ad hoc waivers. Moreover, on 29 August 2013, the Group received confirmation of the support of its bankers and its new financial partners. Even if absolute certainty is not possible at this stage, the Group is confident in its ability to meet all the conditions, between now and 30 November 2013, for financing its Business Plan in the medium and long term.

As the group operates primarily in Eurozone countries, the only significant exception being its subsidiary in Denmark, exposure to exchange rate risks is not significant and remains unhedged.

The concentration of all subsidiaries in one centralised IT system makes the group more dependent on the correct functioning and security of this system and the availability of the data recorded in it. As a consequence, systems to back-up, copy and restore the system in the event of serious failure are currently being redefined and upgraded.

11. Internal control and risk management systems for consolidated companies

The internal control system established for companies included in the consolidated financial statements features :

- an annual month-by-month budget for each group entity,
- a double signature system for documents committing the group, within authority limits defined by the Group's Board of Directors and delegated primarily to local managing directors and finance directors,
- a system of internal procedures designed to ensure the proper functioning of the Group,
- periodic analyses (weekly, monthly depending on information availability) of the development of the various Group entities by the Management Control Team and Management Committee,
- reports to the quarterly Audit Committee meetings..

12. Related party transactions

In accordance with the recommendations of the Belgian Corporate Governance Code, the company has adopted a code of conduct relating to related party transactions. This contains requirements applicable to members of the Board and the Management Committee, as well as requirements covering conflicts of interest.

The Remuneration Committee, meeting on 25 Junes 2013, revised directors' remuneration as follows:

- Board Members:
  - € 5,000 per year per director (subject to attendance at a majority of board meetings)
  - € 1,000 attendance fee per meeting
- Members of sub-committees (audit / remuneration / appointments)
  - € 1,000 attendance fee
  - € 2,000 for the chairman
- Chair of the Board of Directors: € 60,000 per year
- General Secretary : € 4,000 per year

As indicated in item 7, remunerated advances from shareholders and/or directors were put in place on 30 August 2013 in an amount of € 600,000.

13. Audit Committee

The Audit Committee meets at least four times a year.
The composition of the Audit Committee has been changed as follows compared to that described in the 2012 annual report:

- Appointment of OL2EF SPRL, represented by Ms Anne Sophie Pijcke as an independent director. Her independence has been verified against the independence criteria of Article 526ter of the Companies' Code.

During the first half of 2013, the Audit Committee met two times, on 12 March and 18 June. A third meeting was held on 26 August 2013. The auditors responsible for the statutory and consolidated financial statements were present at these three meetings.

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The Board of Directors
31 August 2013

Consolidated financial statements for the six months to 30 June 2013

Statement of financial position (before allocation, in K€)

	Notes	30/06/13	31/12/12 - restated
ASSETS			
I. NON-CURRENT ASSETS		**32,744**	**33,189**
1. Tangible fixed assets	**11**	**4,651**	**4,387**
1.1 Tangible fixed assets in progress			
1.2 Land and buildings		714	740
1.3 Plant. machinery and equipment		54	49
1.4. Furnishing. fittings and accessories		349	353
1.5 Other tangible fixed assets		3,535	3,244
of which machines in deposit		3,289	3,113
2. Intangible fixed assets		**26,029**	**27,136**
2.1 Goodwill	8	18,065	19,194
2.2 Business premises	11	7,298	7,341
2.3 Other intangible fixed assets		666	601
of which SAP software		477	246
3. Participating interests in affiliated undertakings			
4. Participating interests in joint ventures			
5, Participating interests at equity			
6. Deferred tax assets	**11**	**1,806**	**1,432**
7. Other financial fixed assets		**258**	**234**
7.1 Shares		7	8
7.2 Securities other than shares			
7.3 Loans			
7.4 Other financial assets		251	226
8. Trade and other receivables			
II. CURRENT ASSETS		**10,299**	**10,665**
9. Non-current assets and groups of assets held for sale			
10. Inventory	**11**	**3,441**	**3,872**
11. Other current financial assets		**0**	**0**
12. Hedging assets (current)			
13. Current tax receivables		**401**	**724**
14. Current trade and other receivables		**5,372**	**3,933**
14.1 Trade receivables	11	4,265	3,432
14.2 Other receivables		1,107	501
9. Cash and cash equivalents	**11**	**773**	**1,885**
10. Other current assets	**11**	**313**	**252**
TOTAL ASSETS		**43,044**	**43,854**

Statement of financial position - capital and liabilities (before allocation, in K€)

	Notes	30/06/13	31/12/12 - restated
CAPITAL AND LIABILITIES			
I. TOTAL CAPITAL			
A. Equity			
1 Paid-up capital		23,663	23,663
1.1. Share capital		23,556	23,556
1.2. Share premium account		107	107
2 Subscribed, uncalled capital			
3 Reserves		-2,746	-1,023
3.1. Consolidated reserves	3.1	-2,710	-969
3.2. IRS reserves	7	-36	-53
3.3. Exchange adjustments		-1	-1
TOTAL GROUP CAPITAL		**20,917**	**22,640**
B. Non-controlling interests			**0**
TOTAL CAPITAL		**20,917**	**22,640**
II. LIABILITIES			
A. Non-current liabilities		**3,896**	**4,636**
4. Non-current interest-bearing liabilities (bank debts)		3,370	4,102
5. Non-current. non-interest-bearing provisions			
6. Non-current provisions		91	192
7. Non-current obligations resulting from post-employment benefits	11	289	227
8. Non-current hedging instruments		54	80
9. Deferred tax liabilities	11	28	32
10. Suppliers and other non-current creditors		39	
11.Other non-current lialities		26	2
B. CURRENT LIABILITIES		**18,231**	**16,578**
12. Liabilities included in groups for disposal held for sale			
13. Interest-bearing current liabilities	4.2 - 7 - 11	8,969	7,809
14. Non-interest-bearing current liabilities			
15. Current deferred income			
16. Current provisions			
17. Current obligations from benefits			
18. Current hedging instruments			
19. Current tax liabilities		1,321	1,637
20. Suppliers and other current creditors	4.2	7,506	6,782
21. Other current liabilities	11	435	351
TOTAL CAPITAL AND LIABILITIES		**43,044**	**43,854**

Detailed information on the financial position is given in notes 3.2, 4.2, 7, 8, and 11 to the consolidated financial statements.

Statement of comprehensive income (in K€)

	Notes	30/06/13	30/06/12
1 INCOME FROM ORDINARY ACTIVITIES		**16,988**	**18,767**
1.1. sales of goods and income from machines in service		16,969	18,743
1.2. income from fees		18	24
2 OTHER OPERATING INCOME		**289**	**224**
2.1. interest			
2.2. Other Operating income		289	224
3 OPERATING EXPENSES		**-19,251**	**-18,483**
3.1. Raw materials and consumption		-4,980	-5,379
3.2. Change in finished products inventory and work in progress		0	0
3.3. Personnel expenses	9	-6,778	-5,782
3.4. Depreciations		-1,702	-2,145
3.5. Loss in value	8, 9	-1,021	-540
3.6. Other operating costsd	9	-4,770	-4,637
4. OPERATIONAL RESULT		**-1,974**	**508**
5. PROFIT (LOSS) ON FINANCIAL INSTRUMENTS HELD FOR CASH FLOW HEDGING			
6. PROFIT (LOSS) ON DERECOGNITION OF AVAILABLE-FOR-SALE FINANCIAL ASSETS			
7. PROFIT (LOSS) ON DISPOSALS OF NON-CURRENT ASSETS NOT HELD FOR SALE		**0**	**0**
8. FINANCIAL EXPENSES		**-169**	**-263**
of which financial costs (debt costs)	**7**	**-169**	**-263**
9. PROFIT (LOSS) ON INVESTMENTS (FINANCIAL INSTRUMENTS OTHER THAN HEDGING INSTRUMENTS)		**1**	**5**
10. SHARE IN NET RESULT OF INVESTMENTS AT EQUITY			
11. OTHER NON-OPERATING INCOME		**0**	**0**
12. OTHER NON-OPERATING EXPENSES		**0**	**0**
13. RESULT BEFORE TAX		**-2,141**	**250**
14. TAX EXPENSES (INCOME) ON RESULT		**401**	**-210**
15. RESULT FROM CONTINUING OPERATIONS AFTER TAX		**-1,741**	**40**
16. RESULT FROM DISCONTINUED OPERATIONS AFTER TAX			
17. RESULT FOR THE PERIOD		**-1,741**	**40**
17.1. Attributable to non-controlling interests			
17.2. Attributable to holders of parent company's equity		-1,741	40
18. COMPREHENSIVE RESULT		**-1,741**	**40**
18.1 Result for the period		-1,741	40
18.2. IRS reserves	7		
18.3. exchange adjustments			

I. EARNINGS PER SHARE in €		
NUMBER OF SHARES	**1,660,360**	**1,660,360**
1. Basic earnings per share		
1.1. Basic earnings per share from continuing operations	-1.05	0.02
1.2. Basic earnings per share from discontinued operations	0.00	0.00
NUMBER OF DILUTED SHARES	**1,660,360**	**1,660,360**
1. Diluted earnings per share		
1.1. Diluted earnings per share resulting from continuing operations	-1.05	0.02
1.2. Diluted earnings per share from discontinued operations	0.00	0.00

Detailed information on the comprehensive income is given in notes 7, 8, and 9 to the consolidated financial statements.

Consolidated cash flow statement (in K€)

		Notes	30/06/13	30/06/12 - restated
OPERATING TRANSACTIONS				
FINANCIAL YEAR RESULT, OF WHICH			**-1,741**	**40**
- taxes on the result for the period			401	-210
- interest charges			-169	-263
- interest income				
- dividends received				
Earnings on non-controlling interests				
Earnings on companies at equity				
Depreciation			1,702	2,145
Decrease (increase) in write-offs			1,130	597
Increase (decrease) in provisions			-103	-120
Profit (loss) on disposal of assets (-)			-53	-11
Profit (loss) on foreign exchange (-)			1	-3
Intangible production				
Increase (decrease) in deferred items			-561	-90
Cash flow			**375**	**2,557**
Change in receivables			-428	218
Change in inventory			485	-467
Change in prepaid expenses			-50	81
Change in financial debt		4.2	-621	-542
Change in trade debt			233	-15
Change in tax and social security debts		**4.3**	-24	118
of which tax on the result for the period			58	-9
Change in other debts			-1	-6
Change in prepaid income			**-349**	**-622**
Change in working capital needs (increase -)			**26**	**1,935**
INVESTING TRANSACTIONS				
Acquisitions of intangible fixed assets (-)			-122	-221
Acquisitions of tangible fixed assets (-)			-1,255	-752
Acquisitions of financial fixed assets (-)			-710	-903
- of which the acquisition of companies (*)			-710	-903
	Total price	3.2	-829	-583
	Earnout (liability)	3.2 - 4.3	119	
	Earnout (paid)	4.3		-320
New loans granted (-)			-26	-40
Transfers of intangible fixed assets (+)			115	
Transfers of tangible fixed assets (+)			354	25
Transfers of financial fixed assets (+)				
repayment of loans granted (+)			2	
Investment cash flow			**-1,643**	**-1,891**

FINANCING TRANSACTIONS			
Capital increase (decrease)			
Net change in loans contracted (increase +)	4.2 - 7	349	-1,180
Dividends paid out (-)	10		
Financing cash flow		**349**	**-1,180**
CHANGE IN CASH FLOW		**-1,268**	**-1,136**
RECONCILIATION OF CASH ACCOUNTS			
Opening balance		**1,885**	**3,343**
Change in cash flow		-1,268	-1,136
Exchange adjustments (favourable +)			
Transfers to other headings			
Changes in scope of consolidation (favourable +)		156	
Closing balance (*)		**773**	**2,207**
(*) composed of			
- Other financial current assets		0	0
- Cash and cash equivalents		773	2,207

Detailed information on the consolidated cash flow statement is given in notes 3.2, 4.2, 4.3, 7, and 10 to the consolidated financial statements.

Statement of changes in shareholders' equity (in K€)

	Notes	Share capital	Share premium account	Other reserves	Fountain sharehold-ers	Noncontrol-ling interest	Total equity
Closing balance at 31/12/2011		**23,556**	**107**	**1,480**	**25,143**	**-562**	**24,581**
Capital increase							
Dividends	10			-1,461	-1,461		-1,461
Net result for period				40	40		40
Profit not entered in profit and loss account (foreign currency exchanges)				0	0		0
Other increases (decreases)	3.1 - 7			-1,142	-1,142	562	-580
Closing balance at 30/06/2012		**23,556**	**107**	**-1,083**	**22,580**	**0**	**22,580**
Closing balance at 31/12/2012		**23,556**	**107**	**-1,023**	**22,640**		**22,640**
Capital increase							
Dividends	10				0		0
Net result for period				-1,741	-1,741		-1,741
Profit not entered in profit and loss account (foreign currency exchanges)				0	0		0
Other increases (decreases)	7			17	17		17
Closing balance at 30/06/2013		**23,556**	**107**	**-2,746**	**20,917**	**0**	**20,917**

Detailed information on the statement of changes in shareholders' equity is given in notes 3.1, 7 and 10 to the consolidated financial statements

Notes to the consolidated accounts

1. Declaration

Pierre Vermaut Mgt sprl, Chairman, represented by Mr Pierre Vermaut, and BluePack Consulting bvba, CEO, represented by Mr Paul Baeck, certify that the set of condensed financial statements prepared in accordance with applicable accounting standards (IAS 34), presents a true and fair view of the net assets, the financial situation and results of Fountain SA and the undertakings included in the consolidation. The interim management report contains a true and fair review of the information that is required by virtue of Article 12, §§ 5 and 6 of the Royal Decree of 14.11.2007 concerning the obligations of issuers of financial instruments admitted to trading on a regulated market.

2. Principles of consolidation

The consolidated financial statements include the accounts of FOUNTAIN S.A. (Fountain Industries Europe S.A. or FIESA) as well as those of all undertakings controlled directly or indirectly by it, after elimination of intercompany transactions. The consolidated financial statements are prepared in accordance with the IFRS (International Financial Reporting Standards) and the interpretations issued by IFRIC (International Financial Reporting Interpretations Committee). Where assets, liabilities or results of the financial statements of the undertakings included in the consolidation are not accounted for in accordance with international standards, the necessary restatements are undertaken for the purpose of consolidation.

3. Consolidation scope

3.1. During the first half of 2012, there was no change in the consolidation scope. On 19 April 2012, Fountain France s.a.s. acquired 50% of shares of Fountain Soleil that were not yet held by the Group, giving it full control over the subsidiary. This company was already consolidated in full. In this way the non-controlled interests of K€ -562.2 at 31/12/2011 were acquired for an amount of K€ 582.5 K. The impact of this acquisition, viz. K€ 1,144.7, was deducted from the consolidated reserves in accordance with IFRS 3. Other than this, this acquisition has no effect on the consolidated financial statements.

3.2. On 20 June 2013, the Group acquired 100% of the shares of Côte d'Argent Distribution s.a.s., its independent distributor in the Bordeaux region, with an annual turnover of approximately € 1 million. In the consolidated accounts at 30 June 2013, only the balance sheet of this company has been fully consolidated. The results of this company will be included from 1 July 2013.

4. Valuation rules

The valuation rules applied at the end of June 2013 are identical to those adopted at the end of December 2012.

Trade payables older than 60 days have been reclassified as financial debt. The application of this restatement on the statement of financial position and the cash flow statement represents an increase in financial debt s of K€ 278 in December 2012 and a further K€ 286 (giving a total of K€ 564) in June 2013.

The change in earn-out debts in respect of the company acquisition has also been reclassified from cash flow from operating activities to cash flow from investing activities. The impact on the cash flow situation is a decrease in operating cash flow of K€ 119 in 2013 and an increase of operating cash flow in 2012 of K€ 320.

5. Segment information

The Fountain Group is active essentially on the OCS (Office Coffee System) market. The Group considers that, in accordance with IFRS 8, there is only one operating segment.

6. Seasonality

The activity of the Fountain Group is distributed around 55% in the first half of the year and 45% in the second half.

7. Financial instruments

The Group has partially hedged its interest rate risk through an IRS contract in a nominal amount of € 1.9 million at 20 June 2013, maturing in June 2017. An audit in accordance with IAS 39 has confirmed the effectiveness of this contact. Accordingly, changes in market value of the IRS are recognized in equity.

To finance structurally its Kaffa 2017 strategic development plan, the group has introduced factoring in its companies. This funding, implemented during June, permitted an initial financing of € 1.7 million at the end of June 2013. Based on the evolution of billing and of trade receivables, this financing is expected to increase to approximately € 2.8 million in the second half of 2013.

In addition to this initial financing, the Group has also begun negotiations with its bankers and reference shareholders to set in place a solid and sustainable financial structure to support the deployment of the Kaffa structural plan. The company has commissioned a specialist consultant to assist it with a view to having this in place by the end of November 2013. In the light of the latest decisions of its present banking partners and those of new financial partners, the Group, while having no absolute certainty as yet, is confident in its ability to achieve this objective in good time.

The stock options granted to the CEO and CFO have to date not required, under IFRS, special recognition in the financial statements at 30 June 2013.

8. Impairments

The Group undertakes annual tests to ascertain whether impairment losses need to be recognized on the assets of its various cash-generating units. Where these tests show that the net carrying amount of the asset exceeds its economic value, the net carrying amount is reduced to the economic value by recording an impairment charge in the period. These tests are also performed for interim consolidated financial statements where there is evidence of impairment.

At 30 June 2013, the observed decline in revenue motivated the application of these tests. These were undertaken using the same methodology and the same criteria as those applied at 31 December 2012. For the free cash flow projections, the projections for 2013 were established on the basis of turnover by CGU at 30.06. 2013 extrapolated to 31 December 2013. Operating costs were maintained as budgeted. Projections of subsequent free cash flows were calculated using the same assumptions as those used at 31 December 2012.

Based on these tests, goodwill impairment was recognized in the following CGUs:

- Fountain Benelux K€ 787
- Fountain Centre-Est K€ 342

9. Non-recurring items

During the first half of 2013, the Group recorded the following non-recurring items.

Non-recurring items in k€

	30/06/13	30/06/12
Turnover		
Cost of goods sold		
Gross margin	**0**	**0**
Operating charges - cash	-736	-192
Write-downs on inventories	0	0
Write-downs on receivables	0	0
EBITDA	**-736**	**-192**
Other write-downs and impairments	0	0
Provisions/reversals of provisions		55
EBITA	**-736**	**-137**
Write-downs of goodwill and customers	-1,129	-597
EBIT	**-1,865**	**-735**
Other non-operating items	0	0
Result before tax	**-1,865**	**-735**
Income tax		30
Result after tax	**-1,865**	**-704**

In 2013, these elements consist of:

- -K€ 471 employment contract severance indemnities (under Kaffa 2017)
- - K€ 159 recruitment fees (under Kaffa 2017)
- -K€ 104 legal fees (Kaffa new group structure - F. Soleil litigation - acquisition of Fountain Côte d'Argent
- - K€ 1,129 goodwill impairments

10. Dividends paid

In 2013, the Fountain Group did not declare a dividend in respect of the 2012 financial year.

11. Material events in the first half of 2013

As indicated above, the Group has acquired 100% of the shares of Côte d'Argent Distribution s.a.s., its independent distributor in the Bordeaux region, with an annual turnover of approximately € 1 million. In the consolidated accounts at 30 June 2013, only the balance sheet of this company has been fully consolidated. The results will be included from 1 July 2013.

The estimated fair values of acquired assets and liabilities are as follows.

In k€	
ASSETS	**1.276**
Goodwill	0
Business (fonds de commerce)	739
Tangible assets	175
Financial assets	0
Inventory	58
Receivables	137
Cash and equivalent	156
Deferred charges & accr. income	10
LIABILITIES	**447**
Provisions	25
Deferred tax liabilities	202
LT & ST debts	195
Accr. charges & deferred income	24
NET ASSETS	**829**
Badwill	0
Acquisition price	829

12. Material events subsequent to 30 June 2013

Given that existing financing arrangements have not yet been adapted to the company's present and future financial needs, the company is working actively with all its financial partners to put in place a solution for refinancing the company in the medium and long term, with the objective of the refinancing, aligned with the Kaffa plan, being finalized by the end of November 2013. With this in view, new structural financing was already introduced in the course of June 2013. This permitted an initial financing of € 1.7 million at the end of June 2013. The Board of Directors confirms unanimously that it will participate actively in the company's efforts to define and implement, in close cooperation with the present banking partners, the other potential financial partners and the shareholders, all solutions that are necessary, useful and sustainable to cover the medium and long-term financial needs, including, if necessary, a strengthening of the permanent capital. Various proposals have already been received from financial institutions. These elements together give the Board of Directors objective and reasonable assurance that the medium and long-term financing needs will be covered. The Board will communicate further on this once the refinancing is in place.

The proposed simplification of the administrative structure is under way and will be finalized by the end of the year. This simplification will include terminating the administrative and financial directors in France.

No other material event has occurred after 30 June 2013.

13. Related party transactions

In accordance with the recommendations of the Belgian Corporate Governance Code, the company has adopted a code of conduct relating to related party transactions. This contains requirements applicable to members of the Board and the Management Committee, as well as requirements covering conflicts of interest.

The Remuneration Committee, meeting on 25 June 2013, revised directors' remuneration as follows:

- Board Members:
  - € 5,000 per year per director (subject to attendance at a majority of board meetings)
  - € 1,000 attendance fee per meeting
- Members of sub-committees (audit / remuneration / appointments)
  - € 1,000 attendance fee
  - € 2,000 for the chairman
- Chair of the Board of Directors: € 60, 000 per year
- General Secretary : € 4,000 per year

Remunerated advances from shareholders and/or directors were put in place on 30 August 2013 in an amount of € 600,000.

Report on review of the half-yearly consolidated information as per june 30th, 2013

Introduction

We have conducted a limited review of the consolidated financial information of the company FOUNTAIN S.A. for the six months ended 30 June 2013. This financial information comprises the consolidated statement of financial position (with total assets amounting to KEUR 43,044), the consolidated statement of comprehensive income (with a global result for the first half of 2013 of KEUR -1741), the consolidated cash flow statement, the consolidated statement of changes in equity and selective notes (jointly the "interim financial information") for the six months ended 30 June 2013.

Management is responsible for the preparation and fair presentation of the consolidated interim financial information in accordance with IAS 34 - "Interim Financial Reporting", as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our limited review.

Scope of the limited review

We conducted our review in accordance with ISRE Standard 2410 "Review of Interim Financial Information by the Entity's Independent Auditor".

A limited review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and the implementation of analytical procedures and other limited review procedures. The scope of a limited examination is much less than that of an audit conducted in accordance with ISA Standards and consequently does not enable us to obtain assurance that we have identified all the significant facts that an audit would identify. Accordingly, we do not express an audit opinion.

Conclusion

Based on our limited review, no facts have come to our attention that would cause us to believe that the consolidated interim financial information does not present fairly the financial position of the entity at 30 June 2013, and its financial performance and cash flows for the six months ended on that date in accordance with IAS 34 -"Interim Financial Reporting", as adopted by the European Union.

Done in Brussels, 31 August 2013.

BST Réviseurs d'Entreprises, represented byreprésentée par **Vincent DUMONT,** Companies Auditor comfi.be

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