Laurus

PRESS RELEASE

’s-Hertogenbosch, 2 September 2005

Laurus half-year figures

RESULTS FOR THE FIRST HALF OF 2005 (weeks 1–24)
Based on IFRS

Key figures

- Consolidated net result: € 2 million (first half 2004: € 15 million negative)
- Consolidated net result excluding non-recurring items: € 46 million negative (first half 2004: € 51 million negative)
- Consolidated operating result (EBIT): € 26 million (first half 2004: € 16 million negative)
- Consolidated operating result and net result positively affected in 2005 by release of € 47 million (after tax) from pension provision
- Consolidated net sales down to € 1.463 billion (first half 2004: € 1.653 billion)
- Further expansion of Lekker & Laag Superstore pilot with four stores

Harry Bruijniks, chairman of Laurus NV’s Group Management Board:

‘The Laurus organisation has undergone a structural improvement in the past three years. Significant progress has been made in many areas: the back-office problems are a thing of the past. The distribution function is performing well, as witnesses the high service level in excess of 99%. The optimisation of the logistics network has also reduced costs sharply (€ 12 million compared to the cost level of 2003). The Purchasing Department is also functioning very efficiently, thanks in part to working closely with Casino. Operation Bridge, which cut around 1,300 jobs at the stores, has achieved a substantial reduction in staff costs, with savings of around € 21 million expected in 2005. Store operation is also greatly improved: the Superfit and Komback McKinsey projects are expected to yield savings of around € 4 million this year.
Unfortunately, the lower sales and narrower margins mean that the effect of the actions we have taken has not been enough to achieve an improvement in the operating result.

‘Laurus has become *lean and mean* and the back office organisation is good. The key issue for Laurus now is the low sales per square metre, which is below the average level of other supermarkets in the Netherlands. This has negative implications for outlet rentability. The sales per square metre figure is lowest among the Edah stores, more particularly the ‘regular’ Edah outlets which have not yet been converted to the Edah Lekker & Laag format. There is, however, still much work to do on the new format which, though generating higher sales than the regular Edah format, is still not reaching sales levels commensurate with its low-price strategy. The format is therefore being fine-tuned on the basis of customer research. Five hundred items, mainly A-brands, are being added to the Edah Lekker & Laag range.

Around twenty more Edah Lekker & Laag outlets will open this year. The model for the roll-out will be the successful Edah Lekker & Laag store in the De Bus shopping centre in Helmond: a fully stocked and well designed store offering a good selection of fresh produce and very low prices. This is being reflected in higher sales per square metre, which at De Bus is an average of 60% higher than the regular Edah stores.

‘The 388 Super de Boer stores are undergoing a thorough makeover, as part of Operation Refresh Express. So far, 179 stores have been upgraded and updated in a new and modern style, with 40 more to follow by the end of the year. Further development of Super de Boer’s own brand is also part of the Refresh project. Thousands of own-brand products have been updated with fresh, modern packaging and 350 or more new items are planned this year, including many in the fresh-produce category. Super de Boer now carries a complete and innovative selection of own-brand chilled ready meals and meal components, totalling around 180 items. These products scored well in the recent survey by the *Consumentenbond*, the Dutch consumer association, with one of Super de Boer’s own-brand ready meals being judged ‘Best Buy’.
No less important are the substantial price cuts Super de Boer has implemented in the past two years, the latest being the reductions on over 600 A brand items on Tuesday of last week, which have made the Super de Boer full-service format considerably cheaper.

‘We have already made good progress at Super de Boer, but there is still work to be done. We have to raise the pace of development of the format. In terms of operational parameters such as sales and leakage rates, the affiliated retailers are performing much better than our own outlets, which are lagging behind.

‘The three Lekker & Laag Superstore pilot stores in Hoogvliet, Doetinchem and Rijswijk – the fourth is scheduled to open in Almere in the fourth quarter – are reporting significant sales growth. Average sales per square metre have doubled. It should be borne in mind, however, that each pilot store has its own individual history which has been influenced by different factors. In Hoogvliet, for example, the retail area has been reduced, whereas in Doetinchem the area has been increased but a Super de Boer store serving the same market has been closed. In Rijswijk, we swapped stores, resulting in a significant reduction in the Lekker & Laag Superstore retail area.
Encouraged by the success of the pilots with Lekker & Laag Superstores, we have decided to add two more pilot outlets, which will open early next year. Two of the larger Edah stores have also been selected for conversion to Lekker & Laag Superstore pilots and are scheduled to open early 2006.

‘Laurus has good store locations and, since the back-office reorganisation, a cost-efficient and reliable infrastructure. Our task now is to win over the customer, by placing the customer at the centre of all our activities. That’s why Laurus is working hard on its store formats in 2005. We’re expecting to invest a total of € 50 million in upgrading our formats this year, of which € 20 million is earmarked for Edah Lekker & Laag, € 15 million for Lekker & Laag Superstores and € 15 million for the Refresh project at Super de Boer. As well as investing in upgrading the stores, Laurus will be focusing more closely on improving customer-friendliness and achieving operational excellence. Once the sales volume issue is resolved, Laurus will effectively be a new business, with great market potential.’

Operating result

The consolidated operating result for the first half of 2005 amounted to € 26 million (first half 2004: € 16 million negative). The difference between 2005 and

2004 is due mainly to the release of the pension provision of € 68 million (before tax) in connection with the changes to the Laurus pension scheme, to be reduced with € 25 million included in the 2004 operating result as non-recurring items.

Net result

The consolidated net result for the first half of 2005, at € 2 million, was an improvement on the first half of 2004 (€ 15 million negative). This improvement relates to the release of pension liabilities for an amount of € 47 million (after tax). Gains on disposals, amounting to € 1 million (first half 2004: € 11 million), related to Spain and Belgium.

Sales and gross margin

Consumer sales generated by the Dutch core activities (Edah, Konmar and Super de Boer) were down 8.8% on a like-for-like basis. The gross margin for the three formats declined by 0.7 percent point to 18.0%, reflecting the sustained pressure on prices. Net sales reported by Edah, Konmar and Super de Boer were down at € 1.434 billion (first half 2004: € 1.596 billion). Total consumer sales in the Netherlands by the Laurus formats for the first half of 2005 amounted to € 1.713 billion (first half 2004: € 1.898 billion). Laurus' consolidated net sales for the first half of 2005 amounted to € 1.463 billion (first half 2004: € 1.653 billion).
As a consequence of these developments, Laurus' market share was under pressure.

Formats

Edah
Edah had 281 stores on 19 June 2005 (13 June 2004: 288), of which 54 were operated by affiliated retailers (13 June 2004: 57). So far, 62 of the 281 stores have been converted to the Edah Lekker & Laag format, of which two are operated by affiliated retailers.

Konmar
Including two Lekker & Laag Superstores, Konmar had 43 stores on 19 June 2005 (13 June 2004: 43), of which four were operated by affiliated retailers (13 June 2004: 4).

Super de Boer
Super de Boer had 388 stores on 19 June 2005 (13 June 2004: 392), of which 201 were operated by affiliated retailers (13 June 2004: 207). So far, 179 stores have been 'refreshed', of which 96 are operated by affiliated retailers.

Financial income and charges
Net financial charges decreased from € 10 million negative in the first six months of last year to € 6 million negative in the same period this year, reflecting the lower level of debt and a lower effective interest rate compared with the first half of last year.

Taxation

A tax charge of € 19 million has been recognised in the first half of 2005 (first half 2004: nil) due to movements in the deferred tax item. The principal movement relates to the release of the pension provision (see below under 'Pensions'). A deferred tax asset relating to the tax loss carry-forward which arose in the first half of 2005 has not been recognised.

Pensions

The Laurus pension plan qualifies under IFRS as a defined-benefit obligation, which means that the difference between the pension liabilities and the related investments ('plan assets') has to be carried on Laurus' balance sheet. There are differences between Dutch GAAP and IFRS. Under IFRS, for example, pension rights accruing in the future are included in the pension liabilities and the plan assets and pension liabilities are calculated at fair value. Owing to these differences, the deficit in the pension liabilities with respect to the plan assets increased from € 62 million at year-end 2004 to € 68 million on 30 June 2005.

It was announced on 17 June that the members of the Laurus pension fund had agreed to changes in the pension plan, the most important of which concerned the right of future indexation. As a result of this change, which reduced the pension liability, a sum of € 68 million (before tax) was released from the pension provision. This is accounted for in the income statement on the line general and administrative expenses.

Financial position

The balance sheet total declined in the first half of 2005 from € 932 million (balance sheet date 2 January 2005) to € 854 million. This decrease is the result of a lower non-current assets level. Cash flow before movements in working capital and provisions for the first half of 2005 amounted to € 67 million, compared with € 43 million for the same period last year. Cash flow from operating activities was € 42 million negative (first half 2004: € 67 million negative). Total cash outflow from investing activities amounted to € 46 million, compared with € 15 million in the first half of 2004. The net debt increased to € 323 million in the first half of 2005 (year-end 2004: € 234 million).

Laurus has bank borrowing facilities of € 530 million available for its Dutch operations, of which € 182 million had been drawn down as at 19 June 2005, leaving € 348 million still available. This facility will be reduced by € 50 million in 2006 and € 50 million in 2007. Future drawings under these facilities depend, among others, on the development of applicable covenants. With respect to one of the applicable covenants (Interest Coverage Ratio), it is expected that Laurus will not meet the requirement at year-end 2005. Laurus has received from the banks a waiver for this covenant till mid 2006. In the second half of 2005 further discussions will be held with respect to the applicable covenants for the remaining term of the facilities (until year-end 2007).

The balance of the back-up facility for Spain remains unchanged compared with year-end 2004 at € 185 million.
Of the cash and banks item, € 22 million is not at the company's free disposal. This sum is held on a third-party account in connection with the construction of a new distribution centre at Waddinxveen.

Shareholders' equity as at 19 June 2005 amounted to € 151 million, showing little change on the position as at 2 January 2005 (€ 150 million).

Outlook

The poor market conditions again took a heavy toll on sales and result in the first half of the year. The price war seems to continue unabated and consumer confidence, after a brief revival, has sunk again. It is imperative that we build sales by structurally improving the competitiveness of our formats, but in the present market conditions there is still work to be done. In the light of these factors, the Group Management Board is not expecting to end the year with a positive net result.

New quarter divisions

Laurus is dividing the quarters differently as from 2005. The first quarter now covers the first 12 weeks instead of the first 16. The second and third quarters also cover 12 weeks and the fourth consists of 16 weeks. The new divisions reflect the change in the reporting period covered by the half-year figures (24 weeks instead of 26), as well as making the number of weeks in each quarter more equal. To facilitate comparison with 2005, the figures for the first half of 2004 have been restated and are based on IFRS.

Annexes

* Consolidated Financial Statements
  - Consolidated interim income statement
  - Consolidated interim balance sheet
  - Consolidated interim statement of cash flow
  - Reconciliation of movement in capital and reserves
* Significant accounting policies
* Explanation of transition to IFRS

Important dates

Publication of net sales figures for third quarter of 2005
17 October 2005

Publication of net sales figures for fourth quarter of 2005
17 January 2006

The half-year figures have not been audited by the external auditors.

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CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Consolidated interim income statement for the six periods ended 19 June 2005

x € 1 million	for the six periods ended 19 June 2005	for the six periods ended 13 June 2004
Revenue	1,463	1,653
Cost of sales	(1,200)	(1,344)
Gross profit	263	309
Other operating income	1	4
Selling expenses	(250)	(271)
General and administrative expenses	12	(58)
Operating profit before financing costs	26	(16)
Financial income	4	5
Financial expenses	(10)	(15)
Net financing costs	(6)	(10)
Result on disposal of Spain and Belgium	1	11
Profit before tax	21	(15)
Income tax	(19)	-
Profit for the period	2	(15)
Attributable to:		
Equity holders of Laurus N.V.	2	(15)
Minority interest	-	-
Profit for the period	2	(15)
Basic earnings per ordinary share (in euros)	0.02	-0.03
Diluted earnings per ordinary share (in euros)	0.02	-0.03
Revenue sales of goods	1,393	1,564
Revenue services	70	89
Total Revenue	1,463	1,653

Consolidated interim balance sheet for the six periods ended 19 June 2005

x € 1 million	19 June 2005	2 January 2005
Assets		
Property, plant & equipment	390	378
Goodwill	55	56
Other intangible assets	23	23
Investment in associates	2	2
Investment property	22	31
Other investments	1	1
Loans and amounts receivable	19	17
Deferred tax assets	26	29
Total non-current assets	**538**	**537**
Inventories	137	152
Income tax receivable	6	6
Trade and other receivables	108	130
Cash and cash equivalents	59	107
Assets classified as held for sale	6	-
Total current assets	**316**	**395**
Total assets	854	932
Equity		
Issued capital	149	149
Share premium	518	518
Retained earnings	(516)	(518)
Equity attributable to equity holders of Laurus NV	**151**	**149**
Minority interest	-	1
Total equity	151	150
Liabilities		
Interest-bearing loans and borrowings	301	230
Employee benefits	17	77
Provisions	22	27
Deferred tax liabilities	18	1
Total non-current liabilities	**358**	**335**
Bank overdrafts	81	111
Current tax payables	29	17
Trade and other payables	218	286
Provisions	17	33
Total current liabilities	**345**	**447**
Total liabilities	703	782
Total equity and liabilities	854	932

Consolidated interim statement of cash flow

x € 1 million	for the six periods ended 19 June 2005	for the six periods ended 13 June 2004
Cash flows from operating activities		
Profit for the period	2	(15)
Adjustments for:		
Depreciation	39	37
Impairment losses	1	10
Investment income	(4)	(5)
Interest expense	10	16
Gain on sale of property, plant and equipment	(1)	-
Income tax expense	20	-
Operating profit before changes in working capital and provisions	**67**	**43**
Movement in trade and other receivables	21	32
Movement in inventories	15	22
Movement in trade and other payables	(68)	(151)
Movement in provisions and employee benefits	(64)	(3)
Cash generated from the operations	**(29)**	**(57)**
Interest paid	(12)	(14)
Income taxes paid	-	15
Result on disposal of Spain and Belgium	(1)	(11)
Net cash from operating activities	**(42)**	**(67)**
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	8	21
Proceeds from sale of intangible fixed assets	-	3
Redemptions loans and amounts receivable	4	13
Interest received	2	-
Acquisition of property, plant and equipment	(55)	(48)
Movement in intangible fixed assets	-	2
Granted loans and amounts receivable	(5)	(6)
Net cashfrom investing activities	**(46)**	**(15)**
Cash flows from financing activities		
Repayment of capital	(1)	-
Drawings of borrowings	72	14
Payment of finance lease liabilities	(1)	(1)
Net cash from financing activities	**70**	**13**
Net increase in cash and cash equivalents	(18)	(69)
Cash and cash equivalents at beginning of period	(4)	32
Cash and cash equivalents at end of period	**(22)**	**(37)**

Reconciliation of movement in capital and reserves

x € 1 million	Issued capital	Share premium reserve	Retained earnings	Total	Minority interest	Total equity
	Attributible to equity holders of Laurus					
Equity statement 2004						
Balance at 1 January 2004	114.8	360.4	(390.3)	84.9	2.3	87.2
Share based payments	-	-	0.3	0.3	-	0.3
Result for the period	-	-	(15.2)	(15.2)	-	(15.2)
Balance at 13 June 2004	**114.8**	**360.4**	**(405.2)**	**70.0**	**2.3**	**72.3**
Share redenomination	(40.2)	40.2	-	-	-	-
Share issue	74.5	117.5	-	192.0	-	192.0
Share based payments	-	-	0.3	0.3	-	0.3
Repayment of capital	-	-	-	-	(1.6)	(1.6)
Result for the period	-	-	(113.5)	(113.5)	-	(113.5)
Balance at 2 January 2005	**149.1**	**518.1**	**(518.4)**	**148.8**	**0.7**	**149.5**
Equity statement 2005						
Balance at 3 January 2005	149.1	518.1	(518.4)	**148.8**	0.7	**149.5**
Share based payments	-	-	0.7	0.7	-	0.7
Repayment of capital	-	-	-	-	(0.7)	(0.7)
Result for the period	-	-	2.0	2.0	-	2.0
Balance at 19 June 2005	**149.1**	**518.1**	**(515.7)**	**151.5**	**-**	**151.5**

Significant accounting policies

Laurus N.V. (the "Company") is a company domiciled in the Netherlands. The Company has 13 reporting periods in a calendar year. The consolidated interim financial statements of the Company for the six periods ended 19 June 2005 (started 2 January 2005) comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

The consolidated interim financial statements were authorised for issuance by the Supervisory Board of Directors on 1 September 2005.

a) Statement of compliance

The consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) for interim financial statements. These are the Group's first consolidated interim financial statements for part of the period covered by the first annual IFRS financial statements and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied. The consolidated interim financial statements do not include all of the information required for full annual financial statements.

An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Group is provided in this report. This explanation includes reconciliations of equity and profit or loss for comparative periods reported under Dutch GAAP (previous GAAP) to those reported for those periods under IFRSs.

b) Basis of preparation

The financial statements are presented in euro, rounded to the nearest million unless otherwise stated. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments held for trading and financial instruments classified as available-for-sale.

Non-current assets are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of interim financial statements in conformity with IAS 34 *Interim Financial Reporting* requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The next annual consolidated financial statements of the company, for the year ending 1 January 2006, will be prepared in accordance with International Financial Reporting Standards (IFRSs).

This interim financial information has been prepared in accordance with IFRSs for interim financial statements (IAS 34 *Interim Financial Reporting*). These are the Group’s consolidated interim financial statements for part of the period that will be covered by the first annual IFRS financial statements and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied. The consolidated interim financial statements do not include all of the information required for full annual financial statements.

These consolidated interim financial statements have been prepared on the basis of IFRSs in issue that are effective or available for early adoption at 1 January 2006, the Group's first annual reporting date at which IFRSs will be applied. Based on these standards, management has applied the accounting policies, as set out below, which they expect to apply when the first annual IFRS financial statements are prepared for the year ending 1 January 2006.

However, the IFRSs that will be effective (or available for early adoption) in the annual financial statements for the year ending 1 January 2006 are still subject to change and to additional interpretations and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual year will be determined finally only when the annual financial statements are prepared for the year ending 1 January 2006.

The preparation of the consolidated interim financial statements in accordance with IAS 34 resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under previous GAAP. The accounting policies set out below have been applied consistently to all periods presented in these consolidated interim financial statements. These also have been applied in preparing an opening IFRS balance sheet at 1 January 2004 for the purpose of the transition to IFRSs, as required by IFRS 1. The impact of the transition from previous GAAP to IFRSs is explained in this report.

The accounting policies have been applied consistently throughout the Group for purpose of these consolidated interim financial statements.

c) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated interim financial statements from the date that control commences until the date that control ceases.

(ii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated interim financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

(iii) Joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. Interests in joint ventures are accounted for using the equity method.

(iv) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated interim financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

d) Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to euro at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to euro at foreign exchange rates ruling at the dates the fair value was determined.

e) Derivative financial instruments

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. The group does not apply hedge accounting.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

f) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost as deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy l). The cost of self-constructed assets includes the cost of materials, direct labour, and an appropriate proportion of production overhead. The cost of self-constructed assets and acquired assets includes the initial estimate at the time of installation and during the period of use, when relevant, of the costs of dismantling and removing the items and restoring the site on which they are located.

Certain items of property, plant and equipment that had been revalued to fair value on or prior to 1 January 2004, the date of transition to IFRSs, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified as investment property.

When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment.

(ii) Leased assets

Leases in terms of which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see accounting policy l).

(iii) Subsequent costs
The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

(iv) Depreciation
Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- buildings 50 years
- plant and equipment 10 - 20 years
- fixtures and fittings 8 - 10 years
- major components 3 - 10 years

The residual value is reassessed annually.

g) Intangible assets
(i) Goodwill
All business combinations are accounted for by applying the purchase method. Goodwill has been recognised in acquisition of subsidiaries, associates and joint ventures. In respect of business acquisitions that have occurred since 1 January 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP. The classification and accounting treatment of business combinations that occurred prior to 1 January 2004 has not been reconsidered in preparing the Group's opening IFRS balance sheet at 1 January 2004.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash- generating units and is no longer amortised but is tested annually for impairment (see accounting policy l). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Negative goodwill arising on an acquisition is recognised directly in profit or loss.

(ii) Other intangible assets
Intangible assets other than goodwill that are acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy l).

Expenditure on internally generated goodwill and brands is recognised in profit or loss as an expense as incurred.

(iii) Subsequent expenditure
Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(iv) Amortisation
Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each year-end balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Right of establishment: 10 years

h) Investments

(i) Investments
Available-for-sale investments are stated at fair value, with all gains and losses being recognised directly into equity except for impairment losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit and loss.
Subsequent to initial recognition at fair value, other investments including loans and guarantee deposits are stated at amortised costs using the effective interest method, less impairment losses. All gains and losses are recognised in the income statement.

(ii) Investment property
See for the accounting policy "property, plant and equipment".

If an investment property becomes owner-occupied, then it is reclassified as property, plant and equipment.

i) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses (see accounting policy l).

j) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the first-in first-out method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

k) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

l) Impairment

The carrying amounts of the Group's assets, other than inventories (see accounting policy j) and deferred tax assets (see accounting policy t), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see accounting policy l(i)).

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each year-end balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash- generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss unless the asset is recorded at a revalued amount in which case it is treated as a revaluation decrease.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Goodwill and indefinite-lived intangible assets were tested for impairment at 1 January 2004, the date of transition to IFRSs.

(i) Calculation of recoverable amount

The recoverable amount of the Group's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available- for-sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

m) Share capital

(i) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares and presented as a deduction from total equity.

(ii) Dividends

Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss as incurred.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit post-employment plans, including pension plans, is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on AA credit rated bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

All actuarial gains and losses at 1 January 2004, the date of transition to IFRSs, were recognised. The Group recognises actuarial gains and losses that arise subsequent to 1 January 2004 using the corridor method. Under the corridor method, to the extent that any cumulative unrecognised actuarial gain or loss exceeds 10 percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in profit or loss over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

When the calculation results in plan assets exceeding liabilities to the Group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any currently available future refunds from the plan or reductions in future contributions to the plan.

(iii) Long-term service benefits
The Group's net obligation in respect of long-term service benefits, other than post-employment plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on AA credit rated bonds that have maturity dates approximating to the terms of the Group's obligations.

(iv) Share-based payment transactions
The share option programme allows Group employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a binomial lattice model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

p) Provisions
A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

(i) Restructuring
A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

(ii) Onerous contracts
A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

q) Trade and other payables
Trade and other payables are stated at cost.

r) Revenue
(i) Goods sold and services rendered
Revenue from the sale of goods is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due,

associated costs or the possible return of goods. No revenue is recognised if there is significant continuing management involvement with the goods.

(ii) Rental income
Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

(iii) Government grants
A government grant is recognised in the balance sheet initially as deferred income when there is reasonable assurance that it will be received and that the Group will comply with the conditions attaching to it. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the value of the asset.

s) Expenses

(i) Operating lease payments
Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense.

(ii) Finance lease payments
Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(iii) Net financing costs
Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, dividend income, and foreign exchange gains and losses.

Interest income is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in profit or loss on the date the entity's right to receive payments is established. The interest expense component of finance lease payments is recognised in profit or loss using the effective interest rate method.

t) Income tax

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

u) Non-current assets held for sale and discontinued operations

Immediately before classification as held for sale, the measurement of the assets is brought up to date in accordance with applicable IFRSs. Then, on initial classification as held for sale, non-current assets are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in profit or loss, even for assets measured at fair value, as are gains and losses on subsequent remeasurement.

Explanation of transition to IFRS

As stated in this report, these are the Group's first consolidated interim financial statements for part of the period covered by the first IFRS annual consolidated financial statements prepared in accordance with IFRSs.

The accounting policies as included before have been applied in preparing the consolidated interim financial statements for the six periods ended 19 June 2005, the comparative information for the six periods ended 13 June 2004, the financial statements for the year ended 2 January 2005 and the preparation of the opening IFRS balance sheet at 1 January 2004 (the date of transition).

In preparing the opening IFRS balance sheet, comparative information for the six periods ended 13 June 2004 and financial statements for the year ended 2 January 2005, Laurus has adjusted amounts reported previously in financial statements prepared in accordance with Dutch GAAP.

An explanation of how the transition from Dutch GAAP to IFRSs has affected Laurus's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Explanation of transition to IFRSs: Reconciliation of equity

In thousands of euro	Notes	Dutch GAAP	Effect of transition to IFRSs	IFRS	Dutch GAAP	Effect of transition to IFRSs	IFRS	Dutch GAAP	Effect of transition to IFRSs	IFRS
		1 January 2004			13 June 2004			2 January 2005		
Assets										
Property, plant & equipment	a, b, c, d	403,690	(17,457)	386,233	387,591	(14,195)	373,396	382,607	(4,758)	377,849
Goodwill	e, f	137,594	(2,108)	135,486	129,469	(1,910)	127,559	55,155	471	55,626
Other intangible assets	c, e	-	30,786	30,786	-	27,849	27,849	-	22,813	22,813
Investment in associates	g	-	1,662	1,662	-	2,057	2,057	-	2,518	2,518
Investment property	b	-	37,656	37,656	-	38,621	38,621	-	31,216	31,216
Other investments		602	-	602	604	-	604	659	-	659
Loans and amounts receivable	h	29,993	(1,961)	28,032	31,785	(2,561)	29,224	19,378	(2,161)	17,217
Deferred tax assets	q	30,035	2,746	32,781	30,035	2,250	32,285	26,000	2,576	28,576
Total non-current assets		**601,914**	**51,324**	**653,238**	**579,484**	**52,111**	**631,595**	**483,799**	**52,675**	**536,474**
Inventories		166,842	-	166,842	144,699	-	144,699	151,820	-	151,820
Income tax receivable		21,355	-	21,355	6,018	-	6,018	5,932	-	5,932
Trade and other receivables	i	145,362	196	145,558	115,869	1,087	116,956	129,984	-	129,984
Cash and cash equivalents	n	65,489	43,133	108,622	53,651	5,861	59,512	30,140	76,856	106,996
Total current assets		**399,048**	**43,329**	**442,377**	**320,237**	**6,948**	**327,185**	**317,876**	**76,856**	**394,732**
Total assets		**1,000,962**	**94,653**	**1,095,615**	**899,721**	**59,059**	**958,780**	**801,675**	**129,531**	**931,206**

Explanation of transition to IFRSs: Reconciliation of equity

In thousands of euro	Notes	Dutch GAAP	Effect of transition to IFRSs	IFRS	Dutch GAAP	Effect of transition to IFRSs	IFRS	Dutch GAAP	Effect of transition to IFRSs	IFRS
			1 January 2004			13 June 2004			2 January 2005	
Equity										
Issued capital		114,800	-	114,800	114,800	-	114,800	149,114	-	149,114
Share premium		360,376	-	360,376	360,376	-	360,376	518,052	-	518,052
Retained earnings	o, r	(385,084)	(5,214)	(390,298)	(400,858)	(4,272)	(405,130)	(513,506)	(4,891)	(518,397)
Equity attributable to equity holders of Laurus NV		**90,092**	**(5,214)**	**84,878**	**74,318**	**(4,272)**	**70,046**	**153,660**	**(4,891)**	**148,769**
Minority interest		2,260	-	2,260	2,260	-	2,260	681	-	681
Total equity		**92,352**	**(5,214)**	**87,138**	**76,578**	**(4,272)**	**72,306**	**154,341**	**(4,891)**	**149,450**
Liabilities										
Interest-bearing loans and borrowings		402,907	-	402,907	416,023	-	416,023	230,272	-	230,272
Employee benefits	j, k	22,533	47,927	70,460	22,346	51,210	73,556	21,733	54,994	76,727
Provisions	d, l	74,019	(36,585)	37,434	53,764	(21,985)	31,779	61,215	(34,585)	26,630
Deferred tax liabilities		2,220	-	2,220	1,530	-	1,530	840	-	840
Total non-current liabilities		**501,679**	**11,342**	**513,021**	**493,663**	**29,225**	**522,888**	**314,060**	**20,409**	**334,469**
Bank overdrafts	n	32,961	43,133	76,094	90,985	5,861	96,846	33,859	76,856	110,715
Current tax payables		30,476	-	30,476	18,823	-	18,823	17,473	-	17,473
Trade and other payables	i, m	343,494	12,092	355,586	219,672	9,245	228,917	281,942	4,357	286,299
Provisions	l	-	33,300	33,300	-	19,000	19,000	-	32,800	32,800
Total current liabilities		**406,931**	**88,525**	**495,456**	**329,480**	**34,106**	**363,586**	**333,274**	**114,013**	**447,287**
Total liabilities		**908,610**	**99,867**	**1,008,477**	**823,143**	**63,331**	**886,474**	**647,334**	**134,422**	**781,756**
Total equity and liabilities		**1,000,962**	**94,653**	**1,095,615**	**899,721**	**59,059**	**958,780**	**801,675**	**129,531**	**931,206**

Explanation of transition to IFRSs: Reconciliation of result for 2004

In thousands of euro	Notes	Dutch GAAP	Effect of transition to IFRSs	IFRS	Dutch GAAP	Effect of transition to IFRSs	IFRS
		for the six periods ended 13 June 2004			for the year ended 2 January 2005		
Revenue	p	1,646,152	6,757	1,652,909	3,497,429	6,364	3,503,793
Cost of sales	d, p	(1,336,753)	(6,825)	(1,343,578)	(2,840,418)	(6,510)	(2,846,928)
Gross profit		309,399	(68)	309,331	657,011	(146)	656,865
Other operating income		3,500	-	3,500	10,199	-	10,199
Selling expenses	a, f	(272,462)	1,556	(270,906)	(643,132)	1,011	(642,121)
General and administrative expenses	j, k, o	(54,009)	(3,883)	(57,892)	(140,285)	(9,198)	(149,483)
Operating profit before financing costs		(13,572)	(2,395)	(15,967)	(116,207)	(8,333)	(124,540)
Financial income	m	1,227	3,738	4,965	3,000	7,539	10,539
Financial expenses		(14,700)	(600)	(15,300)	(31,778)	(200)	(31,978)
Net financing costs		(13,473)	3,138	(10,335)	(28,778)	7,339	(21,439)
Share of the profit or loss of joint ventures and associates	g	-	395	395	-	857	857
Result on disposal of Spain and Belgium		10,700	-	10,700	19,356	-	19,356
Profit before tax		(16,345)	1,138	(15,207)	(125,629)	(137)	(125,766)
Income tax		571	(496)	75	(2,791)	(170)	(2,961)
Profit for the period		(15,774)	642	(15,132)	(128,420)	(307)	(128,727)
Attributable to:							
Equity holders of Laurus N.V.		(15,774)	642	(15,132)	(128,420)	(307)	(128,727)
Minority interest		-	-	-	-	-	-
Profit for the period		(15,774)	642	(15,132)	(128,420)	(307)	(128,727)
Basic earnings per ordinary share (in euros)		-0.03	0.00	-0.03	-1.66	0.00	-1.66
Diluted earnings per ordinary share (in euros)		-0.03	0.00	-0.03	-1.66	0.00	-1.66

Explanation of transition to IFRSs (continued)
Notes to the reconciliation of the balance sheet and the income statement

The presentation of the balance sheet and the income statement under IFRSs differs from the Dutch GAAP presentation. Therefore the presentation of the Dutch GAAP figures as included in this report differ to those as included in the published annual accounts of 2003 and 2004 and the interim report of 2004. The most important reclassifications are:

- The provision for unrealised gains on real estate sold has been reclassified to property, plant and equipment. The provision for unrealised gains on real estate sold amounted EUR 15,732,000 at 1 January 2004, EUR 15,388,000 at 13 June 2004 and EUR 14,629,000 at 2 January 2005. See also note a. below.
- On the face of the balance sheet under IFRSs the Dutch GAAP category financial fixed assets is separated in the following three categories: other investments (formerly non-consolidated participating interest), loans and amounts receivable (formerly other financial fixed assets) and deferred tax assets.
- The Dutch GAAP category receivables is separated under IFRSs in the two categories income tax receivable (formerly included in other receivables) and trade and other receivables (total of the former categories accounts receivable, other receivables (excluding income tax receivable) and prepayments and accrued income).
- Under IFRSs the Dutch GAAP category provisions has been separated in the three categories employee benefits (formerly pensions and early retirement commitments), provisions (total of former reorganisations and other provisions) and deferred tax liability. The provision for future long-service awards has been reclassified from other provisions to employee benefits.
- On the face of the balance sheet under IFRSs the Dutch GAAP category current liabilities is separated in the following three categories: bank overdrafts (formerly credit institutions and redemption commitments), current tax payables (formerly social security charges and taxation) and trade and other payables (formerly trade creditors, accruals and deferred income and other).
- Income from real estate has been reclassified to other operating income.

The adjustments in relation to the transition to IFRSs are:

a. Contrary to Dutch GAAP the component approach is compulsory under IFRSs and is therefore applied by Laurus as of 1 January 2004.
   Furthermore, under IFRSs certain items of property, plant and equipment have been revalued to fair value on 1 January 2004, the date of the transition to IFRSs, and measured on the basis of deemed cost, being the revalued amount at the date of the transition.
   The total effect of these changes is to increase property, plant and equipment by EUR 48,424,000 at 1 January 2004, by EUR 49,433,000 at 13 June 2004 and by EUR 48,182,000 at 2 January 2005; to decrease depreciation (presented under selling expenses) by EUR 1,009,000 for the six periods ended 13 June 2004 and increase selling expenses by EUR 242,000 for the year ended 2 January 2005.
   The provision for unrealised gains on real estate sold has been derecognised under IFRSs. The relevant amounts have already been included in the abovementioned amounts.

b. IAS 40 requires investment property to be presented separately. The valuation of investment property is similar to that of property, plant and equipment, being at cost. The effect of this reclassification in the balance sheet at 1 January 2004, amounts to EUR 37,656,000 at 13 June 2004 to EUR 38,621,000 and at 2 January 2005 to EUR 31,216,000.

c. IAS 38 requires capitalized software to be presented separately as other intangible assets. The effect of this reclassification from property, plant and equipment to other intangible assets amounts to EUR 28,678,000 at 1 January 2004, EUR 25,392,000 at 13 June 2004 and EUR 22,031,000 at 2 January 2005.

d. Under IFRSs Laurus records a provision for asset retirement obligations. The effect is to increase provisions by EUR 2,015,000 for all three balance sheet dates; to increase property, plant and equipment by EUR 453,000 at 1 January 2004, by EUR 385,000 at 13 June 2004 and by EUR 307,000 at 2 January 2005; to increase depreciation (presented under cost of sales) by EUR 68,000 for the six periods ended 13 June 2004 and by EUR 146,000 for the year ended 2 January 2005.

e. Laurus has identified the right of establishment as a separate intangible asset. The effect of this reclassification is to decrease goodwill and to increase other intangible assets by EUR 2,108,000 at 1 January 2004, by EUR 2,457,000 at 13 June 2004 and by EUR 782,000 at 2 January 2005.

f. Laurus applies IFRSs 3 to all business combinations that have occurred since 1 January 2004, the date of the transition to IFRSs. Accordingly, starting this date, goodwill is no longer amortised but tested annually for impairment. The goodwill amortisation under Dutch GAAP for 2004 has been reversed under IFRSs for an amount of EUR 1,253,000 increasing goodwill and decreasing amortisation (presented under selling expenses). Of this total amount an amount of EUR 547,000 was attributable to the first six periods of 2004.

g. Under IFRSs, based on IAS 27 and SIC 12, the entity “Stichting Rocks” classifies as joint venture. The effect of this consolidation is to increase investment in associates by EUR 1,662,000 at 1 January 2004, by EUR 2,057,000 at 13 June 2004 and by EUR 2,519,000 at 2 January 2005; to increase share of the profit or loss of joint ventures and associates by EUR 396,000 for the six periods ended 13 June 2004 and by EUR 857,000 for the year ended 2 January 2005.

h. Under Dutch GAAP certain non-interest bearing loans and amounts receivable were presented at nominal value. Under IFRSs these items are discounted. The effect is to decrease non-current loans and amounts receivable by EUR 1,961,000 at 1 January 2004, by EUR 2,561,000 at 13 June 2004 and by EUR 2,161,000 at 2 January 2005; to increase financial expenses by EUR 600,000 for the six periods ended 13 June 2004 and by EUR 200,000 for the year ended 2 January 2005.

i. Under Dutch GAAP prepaid rent expenses and deferred rental income in respect of real estate were offset. Under IFRSs the receipts in advance are reclassified to trade and other payables. The effect of this reclassification is to increase trade and other receivables as well as trade and other payables by EUR 196,000 at 1 January 2004 by EUR 1,087,000 at 13 June 2004 and by EUR 0 at 2 January 2005.

j. Under Dutch GAAP pension and early retirement commitments were recognised on an accrual basis. In accordance with IAS 19 the net liability in respect of defined benefit post-employment plans, including pension plans, early retirement and disability, is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. Furthermore the liability for early retirement as separately included in the

liabilities under Dutch GAAP is now included in the calculation of the defined benefit obligation as mentioned above.
The total effect is to increase the non-current liability for employee benefits by EUR 46,938,000 at 1 January 2004, by EUR 50,310,000 at 13 June 2004 and by EUR 54,184,000 at 2 January 2005; to increase employee benefit expenses (presented under general and administrative expenses) by EUR 3,372,000 for the six periods ended 13 June 2004 and by EUR 7,246,000 for the year ended 2 January 2005.

k. Under IFRSs the assumptions used for the calculation of the long-service awards (mortality tables and discounting percentages) have been changed. The total effect is to increase the long-service award provision at 1 January 2004 by EUR 989,000, by EUR 900,000 at 13 June 2004 and by EUR 810,000 at 2 January 2005; to decrease employee benefit expenses; presented under general and administrative expenses by EUR 89,000 for the six periods ended 13 June 2004 and by EUR 179,000 for the year ended 2 January 2005.

l. Under Dutch GAAP certain provisions were presented at nominal value. Under IFRSs these items are discounted, with separate presentation of the short-term portion under current-liabilities. The effect is to decrease provisions as included under non-current by EUR 38,600,000 at 1 January 2004, by EUR 24,000,000 at 13 June 2004 and by EUR 36,600,000 at 2 January 2005; to increase provisions as included under current liabilities by EUR 33,300,000 at 1 January 2004, by EUR 19,000,000 at 13 June 2004 and by EUR 32,800,000 at 2 January 2005; to increase general and administrative expenses by EUR 300,000 for the six periods ended 13 June 2004 and by EUR 1,500,000 for the year ended 2 January 2005.

m. Under IFRSs, the interest rate swaps are stated at fair value and therefore are recognized on the balance sheet. Under Dutch GAAP this was not required. The effect of measuring the interest rate swaps at fair value is to increase trade and other payables by EUR 11,896,000 at 1 January 2004, by EUR 8,158,000 at 13 June 2004 and by EUR 4,357,000 at 2 January 2005; to increase financial income by EUR 3,738,000 for the six periods ended 13 June 2004 and by EUR 7,539,000 for the year ended 2 January 2005.

n. Under IFRSs certain debit and credit bank balances are no longer netted. The effect of this reclassification is to increase cash and cash equivalents as well as bank overdrafts by EUR 43,133,000 at 1 January 2004, by EUR 5,861,000 at 13 June 2004 and by EUR 76,856,000 at 2 January 2005.

o. Under IFRSs transactions involving share-based payments are recognised as assets or expense during the vesting period. Equity-settled share based payments transactions are measured at the fair value at the date the share-based payment is granted and are not re-measured. In accordance with IFRS 2 the fair value of the personnel options granted in 2003 and 2004 has been calculated and spread over the vesting period of these options. The total effect is to increase the reserves at 1 January 2004 by nil, by EUR 300,000 at 13 June 2004 and by EUR 631,000 at 2 January 2005 to increase employee benefit expense; presented under general and administrative expenses by EUR 300,000 for the six periods ended 13 June 2004 and by EUR 631,000 for the year ended 2 January 2005.

p. The standard for revenue recognition under IFRSs differs from that under Dutch GAAP. As a result under IFRSs for some revenue categories only margin is allowed to be presented as revenue. Under Dutch GAAP for these categories the gross amount was presented as revenue.
Furthermore under IFRSs rental revenue in respect of real estate has to

presented gross, whereas under Dutch GAAP only the net amount was presented as revenue.
The total effect of these reclassifications is to increase revenue as well as rental expenses (presented under cost of sales) by EUR 6,757,000 for the six periods ended 13 June 2004 and by EUR 6,364,000 for the year ended 2 January 2005.

q. The above changes increased (decreased) the deferred tax asset as follows:

In thousands of euro	Note	**1 Jan 2004**	**13 June 2004**	**2 Jan 2005**
Property, plant & equipment	a, d	(16,864)	(17,187)	(16,729)
Goodwill	f	-	(189)	(432)
Investment in associates	g	(573)	(710)	(869)
Loans and amounts receivable	h	677	884	746
Employee benefits	j, k	16,535	17,667	18,973
Provisions	d, l	(1,133)	(1,030)	(616)
Trade and other payables	m	4,104	2,815	1,503
		2,746	**2,250**	**2,576**

r. The above changes increased (decreased) retained earnings as follows:

In thousands of euro	Note	**1 Jan 2004**	**13 June 2004**	**2 Jan 2005**
Property, plant & equipment	a, d	32,014	32,631	31,760
Goodwill	f	-	358	821
Investment in associates	g	1,088	1,347	1,650
Loans and amounts receivable	h	(1,284)	(1,677)	(1,416)
Employee benefits	j, k	(31,392)	(33,543)	(36,021)
Provisions	d, l	2,152	1,955	1,169
Trade and other payables	m	(7,792)	(5,343)	(2,854)
		(5,214)	**(4,272)**	**(4,891)**
Attributable to:				
Equity holders of the parent		(5,214)	(4,272)	(4,891)
Minority interest		-	-	-
		(5,214)	**(4,272)**	**(4,891)**

Explanation of transition to IFRSs (continued)

Explanation of material adjustments to the cash flow statement

Bank overdrafts of EUR 90.985.000 at 13 June 2004 and EUR 33.859.000 at 2 January 2005 that form an integral part of the Group's cash management and are classified as cash and cash equivalents under IFRSs.

Roundings

The figures in the paragraph "explanation of transition to IFRS" are presented in thousands. Due to rounding, minor reconciliation differences may exist to the figures elsewhere in the report which are stated in millions.