

International Financial Reporting Standards (IFRS)

1. Basis of Preparation

From January 1, 2005, the Group is required to present its annual consolidated financial statements in accordance with accounting standards adopted for use in the European Union (EU). In preparing this preliminary interim financial information management has used its best knowledge of the expected standards and interpretations, facts and circumstances, and accounting policies that will be applied when the Group prepares its first set of financial statements in accordance with accounting standards adopted for use in the EU as of December 31, 2005.

As a result, although this financial information is based on management's best knowledge of expected standards and interpretations, and current facts and circumstances, this may change. For example, IFRS standards and IFRIC interpretations are subject to ongoing review and possible amendment or interpretative guidance and therefore are still subject to change. Therefore, until the Company prepares its first set of financial statements in accordance with accounting standards adopted for use in the EU, the possibility cannot be excluded that the accompanying financial information may have to be adjusted. It is anticipated that the amendments to IAS 19 'Employee Benefits', which has yet to be formally adopted for use in the European Union will be so adopted in time to be applicable to the next annual financial statements, so the Group has utilized the option available under the amendment and is recognizing all actuarial gains and losses directly in Equity.

As allowed, the Group has chosen not to adopt IAS 34 "Interim financial statements" in preparing its 2005 interim statements.

The accounting policies have been consistently applied to all the years presented except for those relating to IAS32 and IAS39. The Group has made use of the exemption available under IFRS 1 to only apply IAS 32 and IAS 39 as from January 1, 2005.

Condensed Consolidated Financial Statements

Condensed consolidated balance sheet (including December 31, 2004)

(in thousands of euro)

| ASSETS AS AT | June 30 2005 | December 31 2004 | June 30 2004 |
|---------------------------------------|-------------------------|-----------------------------|-------------------------|
| Fixed assets | 51.516 | 48.496 | 47.377 |
| Intangible assets | 4.327 | 4.331 | 4.722 |
| Tangible fixed assets | 32.923 | 32.231 | 30.600 |
| Investments in associates | 190 | 85 | 95 |
| Receivables after one year | 14.076 | 11.849 | 11.960 |
| Current assets | 106.257 | 95.150 | 114.636 |
| Inventories and contracts-in-progress | 52.228 | 39.498 | 49.425 |
| Receivables within one year | 44.713 | 45.772 | 50.954 |
| Investments | 0 | 172 | 143 |
| Cash at bank and in hand | 8.383 | 8.803 | 12.935 |
| Deferred charges and accrued income | 933 | 905 | 1.179 |
| TOTAL ASSETS | 157.773 | 143.646 | 162.013 |

(in thousands of euro)

| LIABILITIES AS AT | June 30 2005 | December 31 2004 | June 30 2004 |
|---|-------------------------|-----------------------------|-------------------------|
| Capital and reserves | 46.677 | 49.214 | 50.121 |
| Non Current Liabilities | 38.127 | 33.169 | 35.074 |
| Provisions and deferred taxes | 16.820 | 16.776 | 17.512 |
| A. Provisions for liabilities and charges | 15.576 | 15.434 | 16.551 |
| B. Deferred taxes | 1.244 | 1.342 | 961 |
| Payables after one year | 21.307 | 16.393 | 17.562 |
| Current Liabilities | 72.969 | 61.263 | 76.818 |
| Payables within one year | 65.873 | 57.029 | 73.496 |
| Accrued charges and deferred income | 7.096 | 4.234 | 3.322 |
| TOTAL LIABILITIES | 157.773 | 143.646 | 162.013 |

Condensed consolidated income statement

(in thousands of euro)

| SIX MONTHS ENDED | June 30 2005 | June 30 2004 |
|--|-------------------------|-------------------------|
| Revenue | 113.395 | 109.994 |
| Operatining expenses/(other income) | 107.093 | 102.539 |
| Operating profit | 6.302 | 7.455 |
| Financial result | (1.372) | (1.574) |
| Profit of the year before taxes | 4.930 | 5.881 |
| Taxes | 1.426 | 2.042 |
| Profit of the year | 3.504 | 3.839 |
| Share in result of associates accounted for using the equity method | 105 | - |
| Consolidated profit | 3.609 | 3.839 |
| Group share in the profit | 3.609 | 3.839 |
| Basic and deluted earnings per share | 0,44 | 0,46 |

Condensed consolidated cash flow statement

(in thousands of euro)

| SIX MONTHS ENDED | June 30 2005 | June 30 2004 |
|---|-------------------------|-------------------------|
| Cash flows from operating activities | 8.602 | 10.994 |
| Changes in working capital | 2.838 | -118 |
| Other cash flow | -3.112 | -2.385 |
| Operating cash flow | 8.328 | 8.491 |
| Cash flow from investments | -2.455 | -2.632 |
| Cash flow before financing | 5.873 | 5.859 |
| Cash flow from financing | -6.293 | -3.677 |
| Change in cash | -420 | 2.182 |
| Opening balances | 8.803 | 10.753 |
| Closing balances | 8.383 | 12.935 |

Consolidated statement of changes in equity

June 30, 2005

| In thousands of euro | Capital | Share premium | Retained earnings | Gains and losses on Financial Instruments | Actuarial gains and losses on Defined Benefit Plans | Goodwill | Translation Differences | Investment Grants | Total Equity |
|---|---------------|---------------|-------------------|---|---|-----------------|-------------------------|-------------------|---------------|
| December 31, 2004 | 42.715 | 71.140 | 10.442 | | - 170 | - 73.190 | - 1.731 | 8 | 49.214 |
| Impact of IAS 39 on opening January 1, 2005 | | | 228 | - 715 | | | | | - 487 |
| Result of the period | | | 3.609 | | | | | | 3.609 |
| Capital Decrease | | - 18.216 | 12.431 | | | | | | - 5.785 |
| Currency Translation Difference | | | | | | | 1.064 | | 1.064 |
| Financial Instruments | | | | - 938 | | | | | - 938 |
| Pension Plans | | | | | | | | | - |
| June 30, 2005 | 42.715 | 52.924 | 26.710 | - 1.653 | - | - 73.190 | - 667 | 8 | 46.677 |

June 30, 2004

| In thousands of euro | Capital | Share premium | Retained earnings | Gains and losses on Financial Instruments | Actuarial gains and losses on Defined Benefit Plans | Goodwill | Translation Differences | Investment Grants | Total Equity |
|---------------------------------|---------------|---------------|-------------------|---|---|-----------------|-------------------------|-------------------|---------------|
| December 31, 2003 | 42.715 | 71.140 | 6.181 | - | - | - 73.190 | - 1.013 | 10 | 45.843 |
| Result of the period | | | 3.839 | | | | | | 3.839 |
| Currency Translation Difference | | | | | | | 439 | | 439 |
| June 30, 2004 | 42.715 | 71.140 | 10.020 | - | - | - 73.190 | - 574 | 10 | 50.121 |

Non-recurring items

The operating result as per June 30, 2005 includes restructuring costs for our plant in Germany. This has a negative impact of 0,8 mio euro on our EBIT. It also includes the income from the settlement of a lawsuit for 2 mio euro.

Segment reporting

LSG is organized in two divisions: the Heavy-Duty Laundry Division (HDLD) and the Commercial Laundry Division (CLD). The sales and operating results of the different divisions are as follows:

| DIVISION | | CLD | HDLD | OTHER* | TOTAL |
|----------------|---------------|--------|--------|---------|----------------|
| Revenue | June 30, 2005 | 43.954 | 74.194 | (4.753) | 113.395 |
| | June 30, 2004 | 35.590 | 75.822 | (1.418) | 109.994 |
| EBIT | June 30, 2005 | 3.956 | 4.541 | (2.195) | 6.302 |
| | June 30, 2004 | 2.525 | 6.275 | (1.345) | 7.455 |

* "Other" consists of Corporate and interdivisional eliminations

CLD

| (in thousands of euro) | June 30, 2005 | June 30, 2004 |
|------------------------|---------------|---------------|
| Revenue | 43.954 | 35.590 |
| EBIT | 3.956 | 2.525 |

The total sales of the Commercial Laundry Division increased from 35,6 mio euro last year to 43,9 mio euro this year (+23%).

Because of the higher sales volumes, operating profit increased from 2,5 mio euro last year to 4,0 mio euro this year (+56%).

HDLD

| (in thousands of euro) | June 30, 2005 | June 30, 2004 |
|------------------------|---------------|---------------|
| Revenue | 74.194 | 75.822 |
| EBIT | 4.541 | 6.275 |

The total sales of the Heavy Duty laundry Division slightly decreased from 75,8 mio euro last year to 74,2 mio euro this year (-2%).

The operating result amounts to 4,5 mio euro compared to 6,3 mio euro last year (-27,6%). The lower operating profit is due to lower margins, projects that were shifted to 2006 by the customers and one-time restructuring costs in Germany.

Consolidation scope

During the first half year 2005, Ipso Capital Inc in the USA (a financing company for the US) and the additional sales and service centre Jensen Laundry Systems Australia Pty Ltd. were added to the consolidation scope.

Events occurring after balance sheet date

On July 6, 2005, the subordinated loan of 7,437 mio euro with maturity date on March 31, 2006, was replaced by a new subordinated loan of 7,5 mio euro with maturity date on March 31, 2008.

Capital decrease

During the extraordinary shareholders' meeting of May 17, 2005 the shareholders approved a capital decrease of 5,8 mio euro which results in a refund of 0,7 euro per share. The amount is available as from August 16, 2005 at the branches of Fortis Bank or at the corporate address of Fortis Bank, Warandeborg 3, 1000 Brussel.

Move UK Futurail

During H01 2005, LSG has decided to move its UK Futurail© manufacturing to the US and at the same time to group all its current JENSEN heavy-duty operations on one site in the US. No restructuring provisions have been recorded.

Changes in litigations

During H01 2005, LSG won one court case regarding a patent claim resulting in an income of 2 mio euro. One new product liability claim was filed against LSG.

No significant changes have occurred in relation to the status of any litigation as published in the last annual report of December 31, 2004.

Accounting policies

For an overview of our accounting policies under IFRS, we refer to our website www.lsg.be.

Auditor's report

To the Shareholders of LSG NV

REPORT ON LIMITED REVIEW OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE SIX MONTHS ENDED 30 JUNE 2005

- 1 We have reviewed the accompanying condensed consolidated balance sheet of LSG NV and its subsidiaries ('the Group') as of 30 June 2005 and the related condensed consolidated statements of income, cash flows and statement of changes in equity for the six months then ended. This condensed consolidated financial information is the responsibility of the LSG Company's management. Our responsibility is to issue a report on this condensed consolidated financial information based on our review.
- 2 We conducted our review according to the standards of the "Instituut der Bedrijfsrevisoren/Institut des Reviseurs d'Entreprises". These Standards require that we plan and perform the review to obtain moderate assurance about whether the condensed consolidated financial information is free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.
- 3 Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial statements have not been properly prepared, in all material respects, in accordance with the basis of preparation included in these statements.

- 4 We draw attention to the basis of preparation note, included in the condensed consolidated financial statements which indicates that the IFRS standards and IFRIC interpretations that will be applicable at 31 December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this interim financial information.

31 August 2005

Statutory Auditor

PricewaterhouseCoopers Reviseurs d'Entreprises/Bedrijfsrevisoren

Represented by

Raf Vander Stichele

Bedrijfsrevisor

2. Impact of transition to IFRS

Reconciliation of the equity per December 2004

Hereafter, the equity as reported according to Belgian accounting policies on December 31, 2003 is reconciled with the converted IFRS opening equity as per January 1, 2004. In addition, the reconciliation is given for the 2004 result and the equity as per December 31, 2004. A more detailed explanation of the most important differences follows.

(in thousands of euro)

| (in thousands of euro) | Equity January 1, 2004 | P&L 2004 | Translation difference ¹ | Other movements | Equity December 31, 2004 |
|---|---------------------------|--------------|-------------------------------------|-----------------|-----------------------------|
| BE GAAP | 46.900 | 3.047 | -830 | | 49.117 |
| 1.Fixed assets | 2.282 | -171 | 91 | | 2.202 |
| 2. Accounts receivable | -362 | -25 | 27 | | -360 |
| 3. Provisions pensions IAS 19 | -2.643 | 0 | -78 | -170 | -2.891 |
| 4. Provisions | -1.157 | 657 | 7 | | -493 |
| 5. Depreciation goodwill | 0 | 865 | 0 | | 865 |
| 6. Inventory | -132 | -100 | -9 | | -241 |
| 7. Deferred taxes (net of assets and liabilities) | 1.259 | -1 | -47 | 0 | 1.211 |
| 8. Other | -304 | -11 | 119 | | -196 |
| Total impact equity December 31, 2004 | -1.057 | 1.214 | 110 | -170 | 97 |
| IFRS | 45.843 | 4.261 | -720 | -170 | 49.214 |

¹ The financial statements as per January 1, 2004 and December 31, 2004 of the companies that are not based in the euro-zone, are translated to euro based on their respective closing rates. This causes translation differences.

1. The IAS relating to tangible fixed assets provide that depreciation rates of tangible fixed assets should be determined separately for each significant part of the related asset. This had an impact of -0,5 mio euro on the equity as per January 1, 2004.

At first-time adoption of IFRS, the fair value has been used as deemed cost for certain fixed assets. The application of set rule had a positive impact on the equity per January 1, 2004 of 2,7 mio euro. Therefore the net effect on fixed assets is 2,2 mio euro. The impact on the profit and loss of 2004 was 0,2 mio euro additional depreciation.

2. The impairment review of receivables based on the ageing of the receivable balances (being the measurement of the future cash flows) lead to an additional impairment of 0,4 mio euro. The impact on the result of 2004 is not material.

3. The IAS relating to pensions states that the net pension liability (or asset) should be recorded in the balance sheet based on actuarial computations in accordance with IAS 19. The net pension costs for a certain period should be recorded in the profit and loss statement. The calculation of the pension costs according to IAS 19, results in an additional provision of 2,6 mio euro per January 1, 2004 which was further increased to 2,8 mio euro per December 31, 2004. 0,2 mio euro represents the actuarial gains/losses recorded in equity as at December 31, 2004.

The following table provides the assumptions used to calculate the retirement

| | US plan | | Non - US plan | |
|--------------------------------|-----------|------------|---------------|------------|
| | 1/01/2004 | 31/12/2004 | 1/01/2004 | 31/12/2004 |
| Discount rate | 6% | 6% | 5,5% | 4,75% |
| Expected return on plan assets | 8% | 8% | N/A* | N/A* |

* relates to the German pension plan for which no assets are allocated benefit obligations as per January 1, 2004 and December 31, 2004:

4. The IAS relating to provisions states that provisions can only be recorded for "legal and constructive" obligations. An additional warranty provision of 1,2 mio was recorded per January 1, 2004.
5. The IAS standards relating to goodwill do not allow amortization of goodwill but provide a yearly impairment test of the goodwill recorded in the balance sheet. This had a positive effect of 1,3 mio euro on the result of 2004. An impairment test on the outstanding goodwill as at December 31, 2004 resulted in an impairment loss of 0,4 mio euro, reducing the net effect on the result of 2004 to 0,9 mio euro.
6. Spare parts were measured at the expected recoverable amount (-0,1 mio euro on the balance sheet as per January 1, 2004 and -0,2 mio euro on the balance sheet per December 31, 2004 and -0,1 mio euro impact on the results of 2004).
7. Deferred taxes are recognized on the temporary differences between tax based assets/liabilities and their carrying value under IFRS (1,3 mio euro tax assets on the balance sheet per January 1, 2004 and 1,2 mio euro on the balance sheet per December 31, 2004).
8. The other differences (-0,3 mio euro on the balance sheet as per January 1, 2004 and -0,2 mio euro on the balance sheet as per December 31, 2004) mainly relate to payroll accruals.

The Company calculated the impact of IAS 39 and IAS 32 relating to hedging instruments on the opening equity per January 1, 2005. The revaluation at fair value of the foreign exchange contracts resulted in an increase of 0,2 mio euro of the equity (of which 0,02 is accounted for in the equity, fair value reserve, and 0,2 on retained earnings) whereas the revaluation of the interest rate swaps at fair value resulted in a decrease of 1,0 mio euro of the equity. The gross impact resulting from the implementation of IAS 39 has been reduced with 0,3 mio euro deferred tax assets.

During the adoption of IFRS 1, LSG decided to use the following exemption:

The IAS standards relating to research and development costs state that research costs should be recorded in the income statement as expenses are incurred. Development costs should be capitalized if, and only if, all the conditions with respect to identification and evaluation of future use, are fulfilled. As the historical data with respect to development expenses is not available, no capitalization has been made.

Business combinations undertaken prior to the transition date of 1 January 2004 have not been subject to restatement; accordingly, goodwill as at the transition date is carried forward at its net book value and is subject to annual impairment testing in accordance with IAS 36 Impairment of Assets. As required under IFRS 1, goodwill was assessed for impairment as at the transition date and no impairment adjustment resulted from this exercise.

Reconciliation of the equity per June 2004

The reconciliation is given for the June 30, 2004 profit and loss statement and equity as at June 30, 2004.

| (in thousands of euro) | Equity January 1, 2004 | P&L June 2004 | Translation difference | Other movements | Equity June 30, 2004 |
|---|---------------------------|------------------|------------------------|-----------------|-------------------------|
| BE GAAP | 46.900 | 3.229 | 418 | 0 | 50.547 |
| 1. Fixed assets | 2.282 | 6 | -126 | | 2.162 |
| 2. Accounts receivable | -362 | -14 | 69 | | -307 |
| 3. Provisions pensions IAS 19 | -2.643 | 0 | -43 | | -2.686 |
| 4. Provisions | -1.157 | -42 | -68 | | -1.267 |
| 5. Depreciation goodwill | 0 | 633 | 0 | | 633 |
| 6. Inventory | -132 | 0 | 11 | | -121 |
| 7. Deferred taxes (net of assets and liabilities) | 1.259 | 19 | 29 | | 1.307 |
| 8. Other | -304 | 8 | 149 | | -147 |
| Total impact equity June 30, 2004 | -1.057 | 610 | 21 | | -426 |
| IFRS | 45.843 | 3.839 | 439 | 0 | 50.121 |