



Renewed growth translates into higher profitability



26 August 2004

Highlights First half year 2004

- Turnover for the first half year of 2004 amounts to 109,3 mio euro, a 14,3% increase compared to last year. In constant currency, excluding the effect of the dollar depreciation, turnover would be 113,3 mio euro, up 18,4% versus last year. Operating profit (EBIT) for the first six months reaches 7,5 mio euro, which is a 74% improvement over last year. Excluding the effect of the lower dollar, EBIT would be 7,9 mio euro, up 84% compared to last year.
- Operating cash flow (EBITDA) for the half year amounts to 10,6mio euro, a 43% increase compared last year
- The net profit amounts to 3,2 mio euro (Earnings Per Share of 0,47 euro) versus a net profit of 0,9 mio euro last year.
- The 2nd quarter accounts for a turnover of 56,9 mio euro and EBIT of 3,4 mio euro
- Operations:
 - Commercial Laundry Division experienced a turnover decrease in the US. Total turnover is down from 40,5 mio euro last year to 36,3 mio euro this year. Operating profit decreased from 2,6 mio euro last year to 2,2 mio euro this year.
 - Heavy-Duty Laundry Division recorded increased activity after strong order intake. Turnover rose from 55,1 mio euro last year to 73,0 mio euro this year. Operating result amounts to 5,3 mio euro compared to 1,7 mio in 2003.

Summary overview

P&L-account as of 30/06/2004 - 30/06/2003			
Consolidated key figures			
(Mio euro)	30/06/2004	30/06/2003	Change
	6M	6M	
Turnover	109.3	95.6	14.33%
EBIT	7.5	4.3	74.42%
Cash flow from operations (EBITDA) ¹	10.6	7.4	43.24%
Financial result	-2.2	-2.7	-18.52%
Current profit before taxes	5.3	1.6	231.25%
Exceptional result	0.0	-0.1	-100.00%
Result of the year before taxes	5.3	1.5	253.33%
Taxes	2.1	0.6	250.00%
Net income	3.2	0.9	255.56%
Current profit after taxes ²	3.9	1.6	143.75%
Net cash flow ³	7.0	4.7	48.94%

¹ EBITDA = earnings before interest, taxes, depreciation and amortization; This is operating profit plus

plus depreciation and amounts written down on stocks, trade debtors and provisions for liabilities and taxes

² The current profit after tax is the net profit excluding extraordinary gains and losses (both

adjusted for taxes) and excluding goodwill amortization

³ The net cash flow is the current profit after taxes excluding depreciation, amounts written down on stocks,

trade debtors and provisions for liabilities and taxes, and excluding goodwill depreciation

Operating activities

• Turnover

- Regained turnover growth from heavy-duty activity in the US
- The weakening of the USD versus the euro (on average 10%) had a negative impact of 3,9 mio euro on the turnover (effect of 3,5%)
- Commercial laundry Division realized a turnover of 36,3 mio euro compared to 40,5 mio euro last year
- Heavy-Duty Laundry Division had a turnover of 73,0 mio euro compared to 55,1 mio euro last year
- Turnover of 2nd quarter amounts to 56,9 mio euro compared to 51,1 mio euro last year

• EBIT

- Consolidated EBIT improved 74% from 4,3 mio euro to 7,5 mio euro, thanks to higher activity in the Heavy-Duty Laundry Division, also in the US and continued cost monitoring of overheads.
- Overall EBIT was negatively influenced by the weak USD-rate (effect of 0,4 mio euro)
- Commercial laundry Division realized an EBIT of 2,2 mio euro
- Heavy-Duty Laundry Division realized an EBIT of 5,3 mio euro
- EBIT of 2nd quarter amounts to 3,4 mio euro compared to 2,9 mio euro last year

Other activities

- Total financing charges amount to 2,2 mio euro. This primarily relates to charges on interest bearing debts (0,9 mio euro) and goodwill amortization (0,6 mio euro).
- The net tax charge amounts to 2,1 mio euro.
- Net financial debt decreased by 18,3 mio euro to 27,2 mio euro, compared to the first half year of 2003.

Outlook

For the full year 2004, LSG expects to exceed turnover and operating profitability of 2003, excluding any extraordinary events and adverse changes in the business climate or adverse currency changes.

Implementation of International Financial Reporting Standards (IFRS)

LSG complies with the requirements of circular FMI/2004-01 issued by the Banking, Finance and Insurance Commission and recommendation CESR/03-32e published by the Committee of European Securities Regulators, in particular concerning the content of financial information to be provided in the annual report 2004, regular interim information in 2005 and the 2005 annual accounts.

LSG's consolidated accounts (interim and annual) of the 2005 financial year will be prepared in accordance with Regulation EEC 1606/2002 and the Royal Decree of 4 December 2003, and in accordance with the IFRS 1 standard with a comparison for 2004 restated for the application of IFRS. Before publishing that comparative information, LSG will have to prepare an opening balance sheet as of 1 January 2004, the starting point for application of the IFRS standards and the date when the impacts of the transition will be recording on the retained earnings.

In this context, LSG has been focussing on the following main objectives:

- to identify the main differences in accounting treatment between the Belgian standards and IFRS;
- to prepare an opening balance sheet as of 1 January 2004 according to the IFRS standards, reconciled with the balance sheet in accordance with the Belgian accounting rules on that date;
- to identify and measure the impact of various transitional arrangements provided for in the IFRS 1 standard with regard to first-time adoption of IFRS standards.

The main differences in accounting treatment between the IFRS standards and Belgian standards that are applicable to LSG and their estimated impact on the retained earnings of LSG on 1 January 2004 and the profit and loss statement on 30 June 2004 are as follows:

- 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.
- The IAS standard relating to research and development costs states 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 are fulfilled. As the historical data with respect to development expenses is not available, LSG is using the exemption foreseen in the IFRS1 – standard.
- The IAS standards relating to tangible fixed assets provide that depreciation rates of tangible fixed assets should be determined separately for each significant part of an item. No provisions for repair and maintenance are allowed and the cost to restore leased premises should be capitalized against a provision. At first-time adoption of IFRS, in case insufficient historical data is available with respect to the value of the fixed assets, the fair value will be used as deemed cost
- The IAS standards relating to accounts receivable state that accounts receivable should be recorded at nominal value less provision made for impairment of these receivables. As IAS 39 relating to hedging is not yet endorsed, the financial instruments are still valued based on the current valuation rule. As a consequence, outstanding receivables and payables that are hedged at balance sheet date are valued at hedging rate and not at spot rate. The results of the financial instruments are recorded at the moment the designated transaction occurs.
- The IAS standard 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 IAS standard relating to provisions states that provisions can only be recorded for legal and constructive obligations.

The total impact of the IFRS conversion relating to the above mentioned differences is expected to be in the range of 1 mio euro negative on the opening equity and 0.5 mio euro positive on the result of June 2004. These impacts are still subject to a final approval by the Board on certain valuation rules, further analysis by senior management and final audit by the statutory auditors. The amounts could be subject to further changes when the first IFRS consolidated financial statements are published in 2005.

Profile

Laundry Systems Group is one of the major suppliers for the laundry industry. Customers include coin laundries, commercial laundries, on-premise laundries (hotels, hospitals, cruise ships) and textile rental companies. The product range varies from stand-alone washer extractors, dryers, ironers over transportation and handling systems, tunnel washers, separators, feeders, folders to the complete project management for fully-equipped and professionally managed industrial laundries. LSG has operations in 11 countries, serves customers in more than 80 countries and employs some 1300 employees worldwide. Since 1997 the company has been quoted on Euronext.

This press release is also available on the corporate website (www.lsg.be).

(End of press release)

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