

## **INTERIM REPORT**

### **as at and for the six month period ended 30 June 2005**

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## 1. GIMV GROUP – Consolidated balance sheet (IFRS – limited and statutory consolidation)

GIMV GROUP - Consolidated balance sheet (in EUR 000)	IFRS Limited consolidation		IFRS Statutory consolidation	
	30/06/2005	31/12/2004	30/06/2005	31/12/2004
<b>ASSETS</b>				
<b>I. NON -CURRENT ASSETS</b>	742.938	727.076	767.427	732.995
1. Goodwill and other intangible assets	218	256	11.634	12.003
2. Property, plant and equipment	5.241	5.410	32.821	34.043
3. Participation in non-consolidated subsidiaries	0	0	0	0
4. Investments in associates	0	0	163	0
5. Participations in joint ventures	0	0	0	0
6. Financial assets at fair value through P&L	669.536	668.876	649.348	614.656
7. Loans to investee companies	67.905	52.490	67.237	66.018
8. Other financial assets	39	44	39	44
9. Deferred taxes	0	0	5.047	5.157
10. Pension assets	0	0	0	0
11. Other non-current assets	0	0	1.138	1.074
<b>II. CURRENT ASSETS</b>	305.086	372.706	356.567	412.882
12. Inventories	0	0	23.044	18.497
13. Current income tax receivables	0	7.296	0	7.659
14. Trade and other receivables	1.646	20.661	29.613	39.292
15. Loans to investee companies	3.007	17.259	3.007	17.259
16. Cash and cash equivalents	297.289	322.628	297.668	327.689
17. Other current assets	3.144	4.862	3.235	2.486
<b>TOTAL ASSETS</b>	<b>1.048.025</b>	<b>1.099.782</b>	<b>1.123.994</b>	<b>1.145.877</b>

GIMV GROUP - Consolidated balance sheet (in EUR 000)	IFRS Limited consolidation		IFRS Statutory consolidation	
	30/06/2005	31/12/2004	30/06/2005	31/12/2004
<b>LIABILITIES</b>				
<b>I. EQUITY</b>	1.020.039	1.008.328	1.007.161	983.472
<i>A. Equity attributable to equity holders of the parent</i>	1.019.242	1.008.310	1.004.250	982.173
1. Issued capital	220.000	220.000	220.000	220.000
2. Share premium account	1	1	1	1
3. Retained earnings	799.236	788.304	784.214	762.130
Of which net unrealised gains (losses) on fin. assets at fair value through P&L	140.443	132.864	108.239	110.070
4. Translation differences	5	5	35	42
<i>B. Minority interest</i>	798	18	2.911	1.299
<b>II. LIABILITIES</b>	27.985	91.454	116.833	162.405
<i>A. Non-current liabilities</i>	11.779	49.747	71.785	97.308
5. Pension liabilities	1.688	1.093	12.779	12.184
6. Provisions	10.090	11.154	18.217	19.241
7. Deferred tax liabilities	0	0	7.054	7.250
8. Financial liabilities	0	37.500	25.025	49.410
9. Other liabilities	0	0	8.711	9.223
<i>B. Current liabilities</i>	16.207	41.707	45.048	65.097
10. Financial liabilities	0	12.500	11.358	19.765
11. Trade and other payables	6.734	19.388	24.217	28.282
12. Income tax payables	36	200	36	200
13. Other liabilities	9.437	9.619	9.437	16.850
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1.048.025</b>	<b>1.099.782</b>	<b>1.123.994</b>	<b>1.145.877</b>

## 2. GIMV GROUP – Consolidated income statement (IFRS – limited and statutory consolidation)

GIMV GROUP - Consolidated income statement (in EUR 000)	IFRS Limited consolidation		IFRS Statutory consolidation	
	30/06/2005	30/06/2004	30/06/2005	30/06/2004
<b>1. Operating income</b>	<b>100.910</b>	<b>102.443</b>	<b>169.897</b>	<b>237.554</b>
1.1. Dividend income	10.103	6.311	10.166	6.314
1.2. Interest income	3.077	2.747	3.077	2.444
1.3. Gain on disposal of investments	12.306	25.921	12.306	25.921
1.4. Unrealised gains on financial assets at fair value through P&L	70.571	64.543	70.571	59.943
1.5. Management fees	2.750	0	2.750	0
1.6. Turnover	1.315	2.877	68.915	134.480
1.7. Other operating income	788	44	2.111	8.452
<b>2. Operating expenses (-)</b>	<b>-55.293</b>	<b>-53.119</b>	<b>-110.275</b>	<b>-193.280</b>
2.1. Realised losses on disposal of investments	-71	-7.561	-71	-7.561
2.2. Unrealised losses on financial assets at fair value through P&L	-45.739	-31.794	-36.253	-44.238
2.3. Impairment losses	-165	-226	-165	-226
2.4. Purchase of goods and services	-3.698	-3.776	-3.698	-44.225
2.5. Personnel expenses	-3.921	-5.770	-23.309	-36.500
2.6. Depreciation of intangible assets	-47	0	-47	-1.096
2.7. Depreciation of property, plant and equipment	-323	-452	-3.212	-6.094
2.8. Other operating expenses	-1.329	-3.540	-43.519	-53.340
<b>3. Operating result, profit (loss)</b>	<b>45.617</b>	<b>49.324</b>	<b>59.622</b>	<b>44.274</b>
<b>4. Finance income</b>	<b>4.894</b>	<b>1.095</b>	<b>5.046</b>	<b>1.095</b>
<b>5. Finance cost (-)</b>	<b>-661</b>	<b>-1.327</b>	<b>-1.830</b>	<b>-3.862</b>
<b>6. Share of profit (loss) of associates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>7. Result before tax, profit (loss)</b>	<b>49.850</b>	<b>49.092</b>	<b>62.838</b>	<b>41.507</b>
<b>8. Tax expenses (-)</b>	<b>-34</b>	<b>-48</b>	<b>-1.307</b>	<b>-3.744</b>
<b>9. Net profit (loss) of the period</b>	<b>49.816</b>	<b>49.044</b>	<b>61.531</b>	<b>37.763</b>
9.1 Minority interests	644	4	1.126	936
9.2 Attributable to equity holders of the parent	49.172	49.040	60.405	36.827
<b>EARNINGS PER SHARE (in EUR)</b>				
<b>1. Basic earnings per share</b>	<b>2,12</b>	<b>2,12</b>	<b>2,61</b>	<b>1,59</b>
<b>2. Diluted gains earnings per share (*)</b>	<b>2,12</b>	<b>2,12</b>	<b>2,61</b>	<b>1,59</b>

(\*) Assumed that all stock options/warrants which were in the money as at the end of the period would be exercised



#### 4. GIMV GROUP – Consolidated cash flow statement for 30 June 2005 (IFRS – statutory consolidation)

GIMV GROUP - Consolidated cash flow statement (in EUR 000)	IFRS Statutory consolidation	
	30/06/2005	30/06/2004
<b>I. NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (1 + 2)</b>	<b>228</b>	<b>-18.482</b>
<b>1. Cash generated from operations (1.1. + 1.2. + 1.3.)</b>	<b>-5.874</b>	<b>-16.588</b>
<b>1.1. Operating result</b>	<b>59.622</b>	<b>44.274</b>
<b>1.2. Adjustment for</b>	<b>-58.404</b>	<b>-34.217</b>
1.2.1. Interest income ( - )	-3.077	-2.444
1.2.2. Dividend income ( - )	-10.166	-6.314
1.2.3. Gain on disposal of investments	-12.306	-25.921
1.2.4. Losses on disposal of investments	71	7.561
1.2.5. Depreciation and amortisation	3.259	7.190
1.2.6. Impairment losses	165	226
1.2.7. Translation differences	0	0
1.2.8. Unrealised gains (losses) on financial assets at fair value through P&L	-34.318	-15.705
1.2.9. Increase (decrease) in provisions	-1.024	817
1.2.10. Increase (decrease) pension liabilities (assets)	595	41
1.2.11. Other adjustments	-1.603	332
<b>1.3. Change in working capital</b>	<b>-7.092</b>	<b>-26.645</b>
1.3.1. Increase (decrease) in inventories	-4.547	-12.481
1.3.2. Increase (decrease) in trade and other receivables	9.679	-11.263
1.3.3. Increase (decrease) in trade and other payables ( - )	-4.065	-1.489
1.3.4. Other changes in working capital	-8.159	-1.412
<b>2. Income taxes paid (received)</b>	<b>6.101</b>	<b>-1.894</b>
<b>II. NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b> (1 + 2 + 3 + 4 + 5 + 6 + 7 + 8 + 9 + 10 + 11 + 12 + 13 + 14)	<b>42.617</b>	<b>189.097</b>
1. Purchase of property, plant and equipment ( - )	-1.990	-89
2. Purchase of investment property ( - )	0	0
3. Purchase of intangible assets ( - )	0	-499
4. Proceeds from disposal of property, plant and equipment ( + )	0	-9.904
5. Proceeds from disposal of investment property ( + )	0	0
6. Proceeds from disposal of intangible assets ( + )	322	0
7. Proceeds from disposal of financial assets at fair value through P&L ( + )	62.268	232.784
8. Proceeds from repayment of loans granted to investee companies ( + )	16.232	12.245
9. Investment in financial assets at fair value through P&L ( - )	-34.598	-38.797
10. Loans granted to investee companies ( - )	-17.213	-15.671
11. Net investment in other financial assets	5	-342
12. Acquisitions of subsidiaries, associates or joint ventures, net of cash acquired ( - )	0	0
13. Interest received	2.378	3.056
14. Dividends received	10.166	6.314
15. Government grants received	0	0
16. Other cash flows from investing activities	5.046	0
<b>III. NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b> (1 + 2 + 3 + 4 + 5 + 6 + 7 + 8 + 9 + 10 + 11)	<b>-72.866</b>	<b>-19.776</b>
1. Proceeds from capital increase	0	0
2. Proceeds from borrowings	17.205	5.010
3. Proceeds from finance leases	0	0
4. Proceeds from the sale of treasury shares	0	0
5. Capital repayment	0	0
6. Repayment of borrowings ( - )	-50.000	-4.464
7. Repayment of finance lease liabilities ( - )	0	0
8. Purchase of treasury shares ( - )	0	0
9. Interest paid ( - )	-1.830	-3.763
10. Dividends paid ( - )	-38.240	-16.559
11. Other cash flows from financing activities	0	0
<b>IV. NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (II + III + IV)</b>	<b>-30.021</b>	<b>150.839</b>
<b>V. CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>327.689</b>	<b>31.153</b>
<b>VI. EFFECT OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS</b>	<b>0</b>	<b>0</b>
<b>VII. CASH AND CASH EQUIVALENTS, END OF PERIOD (I + V + VI)</b>	<b>297.668</b>	<b>181.992</b>

## 5. GIMV GROUP – Notes

### NOTE 1 : BASIS OF PREPARATION

Following Regulation 1606/2002 of the European Commission, GIMV is required to prepare its annual consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union, for the first time as at December 31, 2005. The Group’s date of transition to IFRS is 1 January 2004.

This June 2005 interim financial report of GIMV Group has been prepared in accordance with the accounting policies that the Group intends to apply in its first IFRS annual financial statements for the year 2005. These accounting policies are set out in note 3 below. They have been determined in accordance with those IFRS standards and IFRIC interpretations issued and effective at the time of preparing these statements (August 2005). 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 subject to ongoing review and endorsement by the EU or possible amendment by interpretative guidance from the International Accounting Standards Board (IASB) and are therefore still subject to change.

The consolidated financial statements have been prepared on an historical cost basis, except for the measurement at fair value of derivatives and financial assets at fair value through profit and loss.

The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand (€000) except when otherwise indicated.

### NOTE 2 : EXPLANATION OF TRANSITION TO IFRS

As a first-time adopter of IFRS, the Group applied IFRS 1 (“*IFRS 1, First-time adoption of IFRS*”). This standard sets out the procedures that the Group must follow when it adopts IFRS for the first time as the basis for preparing its consolidated financial statements. The Group is required to establish its IFRS accounting policies as at 31 December 2005 and, in general, apply these retrospectively to determine the IFRS opening balance sheet at its date of transition: 1 January 2004.

The standard provides however a number of optional exemptions to this general principle. The exemptions that the Group has decided to use, are:

1. Business Combinations. (IFRS 3, *Business Combinations*)  
The Group has elected not to apply IFRS 3 retrospectively to business combinations that took place before the date of transition. As a result in the opening balance sheet, goodwill arising from past business combinations remains as stated under Belgian GAAP, subject to an impairment review.
2. Share-based payment transactions (IFRS 2, *Share-based Payment*)  
IFRS 2 has not been applied to equity instruments that were granted before 7 November 2002 nor to equity instruments granted after that date when the instruments have vested before the date of transition to IFRS.
3. Employee Benefits – actuarial gains and losses (IAS 19, *Employee Benefits*)  
The Group has elected to recognize all cumulative actuarial gains and losses in relation to employee benefit schemes at the date of transition

**1.Reconciliation of equity at December 31, 2003 and 2004 and at June 30, 2004**

	31/12/2003	31/12/2004	30/06/2004	
<b>Equity attributable to equity holders of the parent - statutory consolidation Belgian GAAP</b>	<b>706.896</b>	<b>866.810</b>	<b>834.466</b>	
<i>IFRS restatements</i>	<i>246.178</i>	<i>115.363</i>	<i>138.299</i>	
Dividends	17.150	38.240	0	(1)
Fair value adjustments investment portfolio	304.175	110.070	169.022	(2)
Carried interest schemes	-7.844	-4.423	-8.159	(3)
Post-employment benefits	-645	-645	-645	(4)
Derivative financial instruments	-22	0	0	(5)
Provisions	3.500	0	3.500	(6)
Impairment of goodwill	-4.781	-4.781	-4.781	(7)
Reversal of amortisation of goodwill	0	3.074	1.346	(8)
IFRS adjustments Hornschuch	-4.929	-4.423	-4.781	(9)
IFRS adjustments Gealan	1.607	-391	2.323	(9)
Change in scope : deconsolidation Barco	-62.034	-21.360	-19.526	(11)
<b>Equity attributable to equity holders of the parent - statutory consolidation IFRS</b>	<b>953.074</b>	<b>982.172</b>	<b>972.765</b>	

**2.Reconciliation of net result at December 31, 2004 and June 30, 2004**

	31/12/2004	30/06/2004	
<b>Net result attributable to equity holders of the parent - statutory consolidation Belgian GAAP</b>	<b>222.022</b>	<b>123.161</b>	
<i>IFRS restatements</i>	<i>-158.595</i>	<i>-86.336</i>	
Fair value adjustments investment portfolio	-194.768	-135.152	(2)
Carried interest schemes	3.421	-315	(3)
Derivative financial instruments	22	22	(5)
Provisions	-3.500	0	(6)
Reversal of amortisation of goodwill	3.074	1.346	(8)
IFRS adjustments Hornschuch	465	148	(9)
IFRS adjustments Gealan	2.165	344	(9)
Deconsolidation Gealan	-14.306		(10)
Change in scope : deconsolidation Barco	44.832	47.272	(11)
<b>Net result attributable to equity holders of the parent - statutory consolidation IFRS</b>	<b>63.427</b>	<b>36.826</b>	

### 3. Comments on the nature of the main IFRS adjustments

#### (1) dividends

Dividends payable are accounted for in the period in which they are declared (i.e. the dividends are appropriately authorized and no longer at the discretion of the entity) as opposed to under current Belgian Gaap where they are accounted for in the period in which they are proposed.

#### (2) fair value adjustments investment portfolio

GIMV's business is investing in private equity and venture capital business. The majority of the investments in investee companies are equity investments that are classified as financial assets at fair value through profit or loss under IFRS and are measured in the financial statements at fair value.

Under local accounting principles these investments are recorded at amortized cost.

#### (3) carried interest schemes

GIMV operates within the private equity and venture capital sector. As is quite common in the industry, the group has a number of carried-interest and co-investment schemes which allow its executives to share directly in the future profits on investments subject to specific performance conditions of these investments. As most of the investments are measured at fair value under IFRS, the proportionate part that is expected to flow to the executives under the existing schemes needs to be provided for. A provision is made only when it is deemed probable that the performance conditions will be met. Under Belgian Gaap a provision is set up when the performance conditions have actually been met.

#### (4) post-employment benefits

Under Belgian Gaap the liability in the balance sheet relating to defined benefit pension schemes is limited to short term liabilities from premiums payable. The income statement reflects the premiums charged by insurance companies. IFRS requires that actuarial calculations be used to estimate the present value of the defined benefit obligation, using the "projected-unit-credit" method.

#### (5) derivative financial instruments :

At the end of 2003 GIMV had a number of derivatives that had been entered into to hedge against foreign currency risk and interest rate risk. Under IFRS these need to be measured at fair value while under Belgian Gaap they were accounted for off-balance unless they had a negative value. By March 2005 all these derivative instruments have terminated.

#### (6) provisions

Provisions can only be recognized pursuant to IAS 37 when an enterprise has a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Belgian GAAP rules do not require a present obligation to recognize provisions: they can be recognized to cover clearly described future losses or costs that are probable or certain at balance sheet date but for which the amount cannot be exactly determined.

Therefore, certain provisions recognized under Belgian GAAP could not be maintained under IFRS.

#### (7) impairment of goodwill :

The goodwill recognised in the Belgian Gaap accounts relates mainly to the investment in Fincon, a 100% subsidiary of the Group. At the time of acquisition this goodwill had been allocated to the investments of Fincon. Under IFRS these investments are valued at fair value leading to an increase in the carrying amount of

the subsidiary in the consolidated accounts. Following the impairment review the full amount of goodwill was written down at transition date.

(8) Reversal of amortization of goodwill :

In the Belgian consolidated accounts goodwill is amortised on a straight line basis. Under IFRS 3 *Business Combinations*, amortisation of goodwill is no longer allowed. Instead goodwill must be tested for impairment annually or more frequently if there is an indication of possible impairment.

(9) IFRS adjustments Hornschuch & Gealan :

One of the major impacts of the transition to IFRS is that some of the Group's investee companies in which the Group is deemed to have control according to IAS 27 *Consolidated and Separate Financial Statements*, have to be consolidated in full. In the Belgian statutory consolidation these are accounted for using the equity method, because their activities are so diverse that their inclusion would conflict with the true and fair view of the consolidated annual accounts. IAS 27, as it is currently written does not allow for this exemption.

IAS 27 further requires that all subsidiaries included in the consolidated financial statements apply uniform accounting policies. Consequently these investee companies have had to make the transition to IFRS together with GIMV.

The impact of the inclusion of these investee companies on the consolidated net result and on the consolidated equity has been fairly limited up till now. (in comparison to the statutory consolidation). The impact on the presentation of the balance sheet and income statement however is huge, as these now include items such as turnover, operating profit, personnel costs, stocks, debtors, etc of some of our investee companies.

Because these investments are made with the express intention of capital appreciation and receipt of income , we believe that consolidating investments that are part of our investment portfolio is not a relevant measure of the performance of the Group and might possibly be misleading. Therefore GIMV has decided to continue to present two sets of consolidated accounts :

- the "statutory" consolidation in which all IFRSs will be followed, including IAS 27; and
- a "limited" consolidation in which all investee companies will be valued at fair value.

The limited consolidation will provide a more realistic view of the results and value of the group and will allow investors and other stakeholders to understand and follow up the financial performance of the group.

(10) deconsolidation Gealan : the investment in Gealan was almost completely sold at the end of 2004. The results of Gealan have been included in both the Belgian GAAP and IFRS reports until the end of December 2004. The adjustment made in the IFRS figures upon deconsolidation is due to the adjustments that were carried out to bring the Gealan reporting in conformity with the IFRS accounting policies on the one hand and also because negative goodwill recognised in the Belgian Gaap accounts was recycled to profit and loss upon realization of the investment. For IFRS purposes this negative goodwill had been transferred to retained earnings at transition date, in accordance with IFRS 3, *Business Combinations*, and could therefore no longer impact the income statement.

(11) deconsolidation Barco : in the Belgian statutory consolidation Barco is accounted for using the equity method because the Group has significant influence over this entity. In the IFRS reporting the investment in Barco is measured at fair value through profit or loss, based on par 1 of IAS 28, *Investments in Associates*, by which venture capital organizations do not have to apply the standard to investments in associates provided they are measured at fair value in accordance with IAS 39 with changes in fair value recognised in profit or loss in the period of the change. Therefore the impact of applying the equity method is reversed in the IFRS figures.

## NOTE 3 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Consolidation principles

#### **Consolidation scope**

The consolidated financial statements comprise the financial statements of GIMV NV and its subsidiaries drawn up to 31 December each year.

#### **Subsidiaries**

Subsidiaries are those companies in which GIMV owns directly or indirectly more than 50% of the voting rights or otherwise has the power, directly or indirectly to govern the financial and operation policies so as to obtain benefits from its activities.

The financial statements of subsidiaries are included in the consolidated financial statements as from the date that control commences until the date control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany transactions, balances and unrealized gains and losses on transactions between group companies are eliminated.

#### **Associates**

Associates are undertakings in which GIMV has significant influence over the financial and operating policies, but which it does not control. As GIMV is an investment company, associated companies that belong to the investment portfolio of the group are measured at fair value in accordance with IAS 39, following the scope exclusion foreseen by IAS 28, par 1. They are presented as "Investments at fair value through profit or loss" in the balance sheet. Changes in fair value are included in profit or loss in the period of the change.

Investments in associates held by buy-out investments that are consolidated, are accounted for under the equity method of accounting and are carried in the balance sheet at the lower of the equity-accounted amount and the recoverable amount, and the pro rata share of income (loss) of these associates is included in income.

#### **Foreign currencies**

##### **Transactions in foreign currencies**

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the dates of the individual transactions.

At the end of the accounting period the unsettled balance of monetary and liabilities denominated in foreign currencies are retranslated at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses resulting from currency transactions and from the translation of monetary assets and liabilities are recognized in the income statement.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

### **Foreign Group companies**

In the consolidated accounts, all items of the income statement of foreign subsidiaries are translated into euro at the average rates of the accounting period.

The balance sheets of foreign group companies are translated into euro at the rates of exchange ruling at the balance sheet date with the exception of the components of shareholders' equity which are translated to euro at historical rates. Differences resulting from the translation of the income statement items at the average rate and the balance sheet at the closing rate are taken directly to equity under the heading "Foreign currency translation." On disposal of a foreign entity, accumulated exchange differences are recognized in the income statement as a component of the gain or the loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the acquiring company and are translated to euro at the rate of exchange ruling at balance sheet date.

### **Intangible assets**

Acquired intangible assets other than goodwill are recognized at cost and depreciated on a straight line basis over a period of five years.

The depreciation period and method are reviewed annually. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

### **Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share in the identifiable assets, liabilities and contingent liabilities of the subsidiary. Goodwill is not amortised but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, in accordance with IAS 36.

If the company's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the combination, the excess is recognized immediately in profit or loss.

Goodwill is expressed in the currency of the subsidiary to which it relates.

### **Property, Plant & equipment**

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

Depreciation is provided over the estimated useful lives of the assets using the straight line method.

Estimated useful life is :

• Buildings	20-30 years
• Installations	10 years
• Production machinery	5 years
• Measurement equipment	4 years
• Tools and models	3 years
• Furniture	10 years
• Office equipment	5 years
• Computer equipment	3 years
• Vehicles	5 years
• Leasehold improvement (cfr. Underlying asset, limited tot outstanding period of lease contract)	
• Demo material	1 to 3 years

Depreciation is calculated from the date the asset is available for use.

### **Recoverable amount of non-current assets**

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

The recoverable amount of an asset is the greater of fair value less costs to sell 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.

Impairment losses are recognized in the income statement.

### **Investments at fair value through profit or loss**

Investments at fair value through profit or loss are equity instruments that belong to the investment portfolio of the Group, including investments in associated companies. They are initially recognized at cost being the fair value of the consideration given.

After initial recognition, these investments are measured at fair value, with unrealized gains and losses included in the income statement.

Realized gains and losses on investments are calculated as the difference between the selling price and the carrying amount of the investment at the date of disposal.

All regular way purchases and sales of financial assets are recognized on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace

#### Determination of Fair value

##### 1. General

- Movements in rates of exchange that may impact the value of the investments are taken into account.
- Where the reporting currency is different from the currency in which the Investment is denominated, the translation into reporting currency is done using the exchange rate at reporting date.
- The fair value takes into account the assumption that options and warrants are exercised, where the Fair Value is in excess of the exercise price.
- Other rights such as conversion options and ratchets, which may impact the Fair Value, are reviewed on a regular basis to assess whether these are likely to be exercised and the extent of any impact on value of the investment.
- Differential allocation of proceeds may have an impact on the valuation, such as liquidation preferences. If these exist, they are reviewed to assess whether they give a benefit to the Group or to a third party.
- Loans granted pending on a new round of financing that is provided in anticipation of an initial investment (bridge loans) are valued at cost.
- If the bridge finance is provided to an existing investment in anticipation of a follow on investment, the bridge finance is included, together with the original investment and valued as a package.
- Warrants attached to Mezzanine loans are considered separately from the loan. If the Group is able to significantly influence the realization process a large marketability discount will be appropriate. In the event that the mezzanine loan is one of a number of instruments held by the Group in the underlying business, then the mezzanine loan and any attached warrants are included as a part of the overall package of investment being valued.

##### 2. Investments quoted in an active market

For investments that are actively traded in organized financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

##### 3. Instruments for which there is no quoted market price

In accordance with IAS 39, fair value is determined as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. In the absence of an active market for a financial instrument, GIMV Group uses one of the valuation methodologies that is appropriate in light of the nature, facts and

circumstances of the investment. The methodologies are applied consistently from period to period, except where a change would result in a better estimate of Fair Value.

### 3.a. Valuation methodologies

- Price of Recent Investment

This method will be applied

- Where the Investment being valued was itself made recently : its cost generally will provide a good indication of Fair Value, if the price was representative of the Fair Value at the time;
- in case of a recent Investments in the Investee Company.

Where there has been any recent investment in the Investee company, the price of that Investment will usually provide a basis of the valuation. However, in case of an internal round that involves only existing investors in the same proportion to their existing investments, the round is unlikely to be an appropriate basis for a change in valuation. Nevertheless a financing with existing investors at a lower price than the valuation at the previous reporting date may indicate a decrease in value and is taken into consideration. The objectives of the existing investors in making an internal down round may vary. Although a down round evidences the company was unable to raise funds from investors at a higher valuation, the purpose of the down round may be, among others, the dilution of the founders or the dilution of investors not participating in the round of financing. Similarly when a financing is made at a higher valuation (internal up round), in the absence of new investors or other significant factors which indicate that value has been enhanced, the transaction alone is unlikely to be a reliable indicator of Fair Value

In applying the Price of Recent Investment methodology, GIMV uses the cost of the Investment itself or the price at which a significant amount of new Investment into the company was made to estimate the Fair Value of the Investment, but only for a limited period following the date of the relevant transaction with a maximum of one year. During the limited period following the date of the relevant transaction, GIMV assesses whether changes or events subsequent to the relevant transaction would imply a change in the Investment's Fair Value.

- Earnings Multiple

This method will be applied to investments in an established business with an identifiable stream of continuing earnings that can be considered to be maintainable.

In using the Earnings Multiple methodology to estimate the fair value of an investment

- (i) a multiple is applied that is appropriate and reasonable (given the risk profile and earnings growth prospects of the underlying company) to the maintainable earnings of the company;
- (ii) the amount derived in (i) is adjusted for any surplus assets or excess liabilities and other relevant factors, to derive an **enterprise value** for the company;

- (iii) from the *enterprise value* all amounts are deducted relating to financial instruments ranking ahead of the highest ranking instrument of the Group in a liquidation and taking into account the effect of any instrument that may dilute the Group's investment in order to derive the *gross attributable enterprise value*;
- (iv) an appropriate marketability discount is applied to the gross attributable enterprise value derived in (iii) to derive the *net attributable enterprise value*; and
- (v) the net attributable enterprise value is appropriately apportioned between the relevant financial instruments

The market-based multiples chosen as reference, are derived from the market valuation of quoted companies that are similar in terms of risk attributes and earnings growth prospects, to the company being valued. Recent transactions involving the sale of similar companies may also be used as a basis to determine an appropriate multiple.

Depending on the circumstances the multiple will be determined by reference to a single comparator company or a number of companies or the earnings multiple of a quoted stock market sector of sub-sector.

The maintainable earnings are based on the most recent available information GIMV can rely on (historical, current or forecast), which will be adjusted for exceptional or non-recurring items, the impact of discontinued operations and acquisitions and forecast downturns in profits

The following methods are in use at GIMV:

- Comparable multiples of price/earnings, price/cash flow, enterprise value/earnings before interest (and tax and amortization)
- Reference to relevant and applicable sub-sector average multiples
- Actual entry multiples paid for an investment to the investment's last trading figures

An appropriate marketability discount is determined not from the perspective of the current holder of the investment but from the perspective of market participants to an investment. A discount in the range of 10% to 30% (in steps of 5%) is used depending upon the particular circumstances.

- Investments in funds not managed by GIMV Group

For investments in funds not managed by GIMV Group fair value of the investment is derived from the value of the net assets of the fund.

- Discounted Cash Flows or earnings

This methodology involves deriving the value by calculating the present value of the expected future cash of the underlying business.

Due to the high level of subjectivity of the inputs, DCF is only used as a cross-check of values estimated under market-based methodologies.

### 3.b. Specific considerations

- Indicative offers

Indicative offers received from a third party may provide a good indication of fair value. However they may be set deliberately high or deliberately low depending on the motivations of the party making the offer. Therefore, indicative offers are not used in isolation but need to be corroborated by one of the valuation methodologies.

- Impacts from structuring

GIMV takes into account the impact of future changes in the structure if there is material impact on the fair value, such as

- Stock options
- Anti-dilution shares
- Ratchet clauses
- Convertible debt instruments
- Liquid preferences
- Commitments to take up follow-on investments

- Enterprises without either significant profits or significant positive cash flows

For these enterprises, typically in a seed, start-up or an early stage situation, there are usually no current and no short-term future earnings or positive cash-flows. It is difficult to gauge the probability and financial impact of the success or failure of development or research activities and to make reliable cash flow forecasts. Consequently the most appropriate approach to determine fair value is a methodology that is based on market data, that being the price of a recent investment.

The length of period for which it would remain appropriate to use this methodology for a particular investment will depend on the specific circumstances of the case, but will in general not be longer than one year.

After the appropriate limited period, the Group considers whether either the circumstances of the investment have changed, such that one of the other methodologies would be more appropriate or whether there is any evidence of deterioration in value. As part of this consideration industry benchmarks may provide appropriate support.

### Leases

**Finance leases**, which effectively transfer to the Group substantially all risks and benefits incidental to ownership to the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

### **Operating leases**

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operation leases. Rental payments under operating leases are charged to the income statement on a straight-line basis over the lease term.

### Inventories

Inventories are valued at the lower of cost and net realizable value.

Cost is determined on a first in first out (FIFO) basis or cost is determined by the weighted average method.

Net realizable value is the estimated selling price in the ordinary course of business, less the cost of completion and the estimated costs necessary to make the sale.

For processed inventories, cost means full cost including all direct and indirect production costs required to bring the inventory items to the stage of completion at the balance sheet date.

### Other non-current and current assets

Other non-current and current assets are carried at amortized cost.

### Income taxes

Current taxes are based on the results of the Group Companies and are calculated according to the local tax rules.

Deferred income tax is provided, using the liability method, on all temporary differences existing at balance sheet date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences :

- except where the deferred income tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associated and interests in joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized for deductible temporary differences and carry-forward of unused tax credits and tax losses, to the extent that it is probable that tax profit will be available in the foreseeable future

against which the deductible temporary differences and carry forward of unused tax credits and unused tax losses can be utilized. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted at the balance sheet rate.

### **Cash or cash equivalents**

Cash and cash equivalents includes cash on hand, cash with banks and short-term deposits.. They are carried at nominal value in the financial statements.

### **Treasury shares**

Consideration paid or received in relation to the acquisition or sale of the Company's own equity instruments are recognised directly in equity attributable to the Company's equity holders. No gain or loss is recognized in profit or loss on the purchase, sale, issue, or cancellation of treasury shares. Any directly attributable incremental costs (net of taxes) are also deducted from equity attributable to the equity holders of the Company.

Own shares are classified as treasury shares and presented as a deduction from the total equity.

### **Minority interests**

Minority interests is that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned, directly or indirectly through subsidiaries, by the Group.

### **Provisions**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where the group expects a provision to be reimbursed, the reimbursement is recognized as an asset, but only when the reimbursement is virtually certain.

### **Revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Concerning sale of goods, revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed and determinable, and collectibility is probable.

Concerning contract revenue, the percentage of completion method is used, provided that the outcome of the contract can be assessed with reasonable certainty.

Concerning rendering of services, revenue is recognized by reference to the stage of completion. Concerning government grants, revenue is recognized as income in proportion to the depreciation of the underlying fixed assets.

### **Employee benefits**

Post employment benefits comprise pensions, post employment life insurance and medical care.

Retirement benefits under defined contribution and defined benefit plans are provided through separate funds or insurance plans.

#### *Defined contribution plans :*

Contributions to defined contribution pension plans are recognized as an expense in the income statement as incurred.

#### *Defined benefit plans :*

For defined benefit plans, the amount recognized in the balance sheet is determined as the present value of the defined benefit obligation less any past service costs not yet recognized and the fair value of any plan assets. Where the calculation results in a net surplus the recognized asset does not exceed the total of any cumulative unrecognized past service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The recognition of actuarial gains and losses is determined separately for each defined benefit plan. Actuarial gains and losses are recognized in the income statement in the period in which they occur.

### **Financial liabilities**

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

### **Dividends**

Dividends proposed by the Board of Directors are not recorded in the financial statement until they have been approved by the shareholders at the Annual General Meeting.

### **Earnings per share**

The Group calculates both basic and diluted earnings per share in accordance with IAS 33, a basic earnings per share is computed using the weighted average number of shares outstanding during the period. Diluted earnings per share is computed using the average number of shares outstanding during the period plus the dilutive effect of warrants and stock options outstanding during the period.