

# **Envipco Holding NV**

**Interim Financial Report**  
**Unaudited**  
**2010 First Half Year Results**

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## Highlights

	<b>6 months to</b>	
	<b>30/6/2010</b>	<b>30/6/2009</b>
Revenues (in euro millions)	22.3	14.5
Gross profit margin	22.9%	14.8%
Net loss after taxes (in euro millions)	(0.6)	(2.0)
EBITDA (in euro millions)	0.8	(0.8)
(Earning before interest, tax, depreciation and amortisation)		
Earnings/(loss) per share	€(0.005)	€(0.016)
	<b>30/6/2010</b>	<b>31/12/2009</b>
Shareholders equity (in euro millions)	16.2	15.6

- Revenues of €22.3 million (2009 first half - €14.5 million) up 54% of which plastic recycling contributed 28% increase and the balance 26% was from Reverse Vending Machine (RVM) operations.
- Gross margin of 22.9%, up from 14.8% in first half of 2009.
- The 17% increase in operating expenses consists of 13% increase in research and development (R & D) expenses and 4% in other costs.
- Net loss after tax of €0.6 million (2009 - €2.0 million) is after charging R & D expense of €1.0 million (2009 - €0.3 million).
- EBITDA improvement of €1.6 million.
- RVM operation total revenues improved to €11.3 million (2009 - €7.6 million) due to strong machine sales and higher redemption volume of about 20% over same period last year.
- Plastic recycling revenue recovered to €11 million from €6.9 million in first half of 2009.
- The investment program of the plastic recycling segment is on target, completion expected by end of this year.
- Successful integration of compaction technology developed by our German subsidiary.
- Successful launch of a new line of equipment for both deposit and non-deposit markets.

## Business operations

- RVM operations:
  - Deposit markets - Revenues during the first half of 2010 for this segment increased by 46% to €10.4 million (2009 - €7.1 million). This increase is mainly attributable to increased machine sales and higher redemption volumes during the first half of 2010 as compared to same period last year. The higher redemption volumes resulted mainly due to the expansion of the deposit laws to include the PET water bottles in the states of Connecticut and New York. This expansion also positively impacted the materials handling operations.
  - Non-deposit markets – Nearly 100% increase in revenues to €1.0 million (2009 - €0.5 million) of this segment related to strong machine sales in non-deposit markets during the first half of 2010.
- Plastics recycling:
  - The market for PET improved considerably resulting in an increase in revenues by 59% to €11 million from €6.9 million in the same period last year. Gross margin also improved by 16% with an increase in EBITDA of €1.3 million for this segment. With the higher demand and recovery of the PET market this segment is expected to return to profitability by end of 2010.
  - The investment program in the new bottle to bottle technology announced earlier is progressing as expected. The new line should be operational by end of the year.

## Outlook

As a result of new innovative RVM technologies recently launched, we expect to show stronger and more profitable results during 2010 and years ahead. We have successfully introduced a more cost effective combi RVM (Can/PET) to serve the smaller retail market segment. This market has shown increased interest in RVM with the recent expansion of water bottles to deposit markets. Our new compactor technology is being tested by certain large retail groups in Germany. The results are encouraging and we see the potential for significant orders. These compactors incorporate new innovative designs which provide for longer life and reduced maintenance. The compactors can be retrofitted into competitor RVMs' and this represents an opportunity for Envipco to profitably participate in the large German market. We are planning to introduce additional new technologies to the market within the next twelve months, both in deposit and non-deposit markets.

Our non-deposit initiatives are showing positive momentum. We expect to make new announcements before the end of the year that will confirm the viability of our innovative technology and strategies for non-deposit markets.

Our plastics division has returned to profitability and Sorepla's expansion to incorporate bottle to bottle technology is on target for completion by December 2010. This new investment will also provide the group with further growth possibilities and higher returns.

We remain optimistic on our success.

## Risks and Uncertainties

- Legislation driven growth: about 46% of our group revenues is generated from our RVM business, mainly dependent on deposit laws that can be repealed or curtailed significantly. None is expected, as has been the case during the last 20 years, and such scenario is very unlikely. To the contrary, there are even more initiatives to expand and extend these laws to other states and countries due to environmental concerns which can positively impact our business.
- About 50% of the group revenues are generated in United States Dollar, which can be subject to significant fluctuations that may have a negative or positive impact on the group results depending upon whether it is a favorable or unfavorable change.
- Volatility in the PET pricing can materially impact the recycling business in France, as had been the case in 2009.
- Major customers going out of business may also have a significant negative impact, although unlikely due to the diversity of our customer base.

## Shareholding

At 30 June 2010

	<u>Shares/DRs</u>	<u>Options</u>	<u>Total</u>
Alexandre Bouri	90,428,383	-	90,428,383
G. Garvey/EV Knot LLC	20,101,367	12,000,000	32,101,367
GD Env LLC	6,000,000	-	6,000,000
Univest Portfolio Inc	2,304,006	-	2,304,006
Public	4,796,580	-	4,796,580
Reserved for stock options	<u>-</u>	<u>13,500,000</u>	<u>13,500,000</u>
Total	<u>123,630,336</u>	<u>25,500,000</u>	<u>149,130,336</u>

## **Interim financial statements**

**Half-year 2010**

## Statement by the CEO and the Board of Directors

To the best of our knowledge, We hereby certify that the condensed interim financial statements of Envipco Holding N.V and its consolidated subsidiaries for the 6 months ending 30 June 2010 has been prepared in accordance with the provisions of applicable accounting standards in general and in particular those of IAS 34 Interim Financial Reporting. Such statements give a true and fair view of the assets, liabilities and financial position, profit and loss of the Group. We further confirm that the interim management report included herein provides (i) a review of important events and transactions of the Group during the reporting period and their related impacts, (ii) review and impact of risks and uncertainties during the subsequent 6 months period (iii) transactions with related parties (iv) subsequent post balance sheet events

Amsterdam  
30 August 2010

Gregory Garvey  
(Chairman of the Board and Non-Executive Board Member)

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Alexandre Bouri  
(Non-Executive Board Member)

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Dick Stalenhoef  
(Non-Executive Board Member)

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David D'Addario  
(Non-Executive Board Member)

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Guy Lefebvre  
(Non-Executive Board Member)

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Christian Crepet  
(Executive Board Member)

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Bhajun G. Santchurn  
(CEO and Executive Board Member)

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The report was approved by the Board of Directors on 30 August 2010.

### Envipco Holding N.V.

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**Consolidated statement of comprehensive income  
for six months ended June 30**

(all amounts in thousands of euros)

	Note	2010	2009*
Revenue	3	22,364	14,501
Cost of revenue		(16,655)	(11,723)
Leasing depreciation		(580)	(627)
<b>Gross profit</b>		<b>5,129</b>	<b>2,151</b>
Selling expenses		(267)	(224)
General and administrative expenses		(5,492)	(4,695)
<b>Operating result</b>		<b>(630)</b>	<b>(2,768)</b>
Other income		(18)	386
Financial expense		(155)	(205)
Financial income		69	17
Exchange gains/(losses)		118	61
<b>Result before taxes</b>		<b>(616)</b>	<b>(2,509)</b>
Income taxes		60	552
<b>Net results</b>		<b>(556)</b>	<b>(1,957)</b>
<b>Other comprehensive income</b>			
Exchange differences on translating foreign operations		1,046	(221)
Share options: value of employee services		189	189
Other movements/treasury shares		(7)	(7)
Total other comprehensive income		1,228	(39)
Total comprehensive income		672	(1,996)
<b>Profit attributable to:</b>			
Owners of the parent		(558)	(1,928)
Non-controlling interests		2	(29)
		(556)	(1,957)
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		670	(1,968)
Non-controlling interests		2	(28)
		672	(1,996)
<b>Earnings/(loss) per share for profit attributable to the ordinary equity holders of the parent during the period</b>			
▶ Basic (euro)			
Continuing and total operations		(0.005)	(0.016)
▶ Fully diluted (euro)			
Continuing and total operations		(0.005)	(0.016)

\*Certain figures have been restated for comparison purposes



## Consolidated balance sheet

(in thousands of euros)

	Note	At 30 June 2010	At 31 December 2009
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets		1,953	1,957
Property, plant and equipment		12,071	10,744
Long term deposits		764	326
Deferred tax asset		175	135
Total non-current assets		14,963	13,162
<b>Current assets</b>			
Inventory		7,779	4,972
Trade and other receivables		13,967	11,850
Cash and cash equivalents		1,159	1,096
Total current assets		22,905	17,918
<b>Total assets</b>		<b>37,868</b>	<b>31,080</b>
<b>Equity</b>			
Share capital		1,236	1,236
Share premium		48,916	48,916
Retained earnings		(36,766)	(36,390)
Translation reserves		2,836	1,790
Equity attributable to owners of the parent		16,222	15,552
Non-controlling interest		66	104
Total equity		16,288	15,656
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	6	3,121	3,247
Other liabilities		256	109
Deferred tax liability		-	38
Derivative financial instruments		-	146
Total non-current liabilities		3,377	3,540
<b>Current liabilities</b>			
Borrowings	6	973	1,005
Bank overdraft		1,059	1,307
Trade creditors		13,935	7,291
Accrued expenses		1,376	1,623
Tax and social security		744	633
Other current liabilities		116	25
Total current liabilities		18,203	11,884
Total liabilities		21,580	15,424
<b>Total equity and liabilities</b>		<b>37,868</b>	<b>31,080</b>

## Consolidated cash flow statement for the six months ended 30 June

(in thousands of euros)

	2010	2009*
<b>Cash flow (used in) / provided by operating activities</b>		
Operating result	(630)	(2,768)
Results of minority interest	(2)	28
Interest received	69	17
Interest paid	(155)	(127)
Income taxes paid	60	552
Depreciation and amortisation	1,372	1,483
Other income	(18)	386
	696	(429)
Changes in trade and other receivables	(1,519)	613
Changes in inventories	(2,390)	2,344
Changes in provisions	-	51
Changes in trade and other payables	4,895	(1,583)
	986	1,425
<b>Cash flow (used in)/ provided by operating activities</b>	1,682	996
<b>Cash flow (used in)/provided by investing activities</b>		
Net investment in intangible fixed assets	(14)	(633)
Net investment in tangible fixed assets	(1,705)	(719)
Proceeds from sale of assets	30	7
<b>Cash flow (used in)/ provided by investing activities</b>	(1,689)	(1,345)
<b>Cash flow (used in)/provided by financing Activities</b>		
Change in equity	189	189
Changes in borrowings and capital lease obligations	(279)	(787)
<b>Cash flow (used in)/ provided by financing activities</b>	(90)	(598)
<b>Net cash flow for the period</b>	(97)	(947)
Foreign currency differences and other changes	160	98
	160	98
<b>Changes in cash and cash equivalents, net of bank overdrafts for the period</b>	63	(849)
Opening balance cash and cash equivalents	1,096	1,444
Closing balance cash and cash equivalents	1,159	595

\*Certain figures have been restated for comparison purposes

## Consolidated statement of changes in equity

(in thousands of euros)

	Share capital	Share premium	Retained earnings	Translation reserve	Total	Non-controlling interests	Total
<b>Balance at 1 January 2009</b>	<b>1,236</b>	<b>48,916</b>	<b>(31,773)</b>	<b>(380)</b>	<b>17,999</b>	<b>141</b>	<b>18,140</b>
Net result	-	-	(1,928)	-	(1,928)	-	(1,928)
Currency translation adjustment	-	-	-	159	159	(38)	121
Other comprehensive income							
-Share options : value of employee services			189		189		189
Other movements	-	-	(7)	-	(7)	-	(7)
Total recognised movements for the year							
Ended 30 June 2009	-	-	(1,746)	159	(1,587)	(38)	(1,625)
<b>Balance at 30 June 2009</b>	<b>1,236</b>	<b>48,916</b>	<b>(33,519)</b>	<b>(221)</b>	<b>16,412</b>	<b>103</b>	<b>16,515</b>
<b>Balance at 1 January 2010</b>	<b>1,236</b>	<b>48,916</b>	<b>(36,390)</b>	<b>1,790</b>	<b>15,552</b>	<b>104</b>	<b>15,656</b>
Net result	-	-	(558)	-	(558)	-	(558)
Currency translation adjustment	-	-	-	1,046	1,046	(38)	1,008
Other comprehensive income							
-Share options : value of employee services			189		189		189
Other movements	-	-	(7)	-	(7)	-	(7)
Total recognised movements for the period							
Ended 30 June 2010	-	-	(376)	1,046	670	(38)	632
<b>Balance at 30 June 2010</b>	<b>1,236</b>	<b>48,916</b>	<b>(36,766)</b>	<b>2,836</b>	<b>16,222</b>	<b>66</b>	<b>16,288</b>

## Selected Explanatory Notes

### 1. General

#### *Activities*

Envipco Holding N.V. is a public limited liability company incorporated in accordance with the laws of The Netherlands, with its registered address at Leliegracht 10, 1015 DE Amsterdam, The Netherlands.

Envipco Holding N.V. and Subsidiaries (“the Company” or “Envipco”) are engaged principally in Recycling in which it:

- develops, manufactures, assembles, leases, sells, markets and services a line of “reverse vending machines” (RVMs) in the USA, Europe, Australia, South America and the Far East; and
- collects or acquires, cleans, processes and resells recycled plastic and derivative products

#### *Basis of preparation*

This consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with IAS 34 “interim financial reporting”. The consolidated interim financial information should always be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with IFRS as endorsed by the European Union.

All financial information is reported in thousands of euros unless stated otherwise.

### 2. Accounting policies

Except as set out below, the accounting policies of these interim financial statements are consistent with the annual financial statements for the year ended 31 December 2009.

- Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.
- The annual impairment test on goodwill and intangible assets with indefinite life will be carried out in second six-month period of this year. Consequently, any impairment losses will only be recognised in the annual financial statements over the fiscal year 2010.
- These unaudited statements have not been reviewed by our auditors.

The following improvements and clarifications to standards are mandatory for the first time for the financial year beginning 1 January 2010 have an impact on the financial information of the group:

- *IFRS 8, ‘Operating segments’*. – segment financial reporting of the total assets is only mandatory if assets are divided into segments in internal reporting. This improvement/clarification does not result in change of the number and composition of the segments reported by the group.

The following improvements and clarifications to standards and interpretations are mandatory for the first time for the year beginning 1 January 2010 are not applicable or do not have an impact on the financial information of the group:

- IAS 1 ‘Presentation of Financial Statements’.
- IAS 17 ‘Leases’.
- IAS 18 ‘Revenue’.
- IFRIC 17 ‘Distributions of non-cash assets to owners’.
- IFRIC 18 ‘Transfers of assets from customers’.
- IAS 36 ‘Impairment of Assets’.
- IAS 39 ‘Financial instruments: Recognition and measurement’.

The following new/amendments to standards and interpretations have been issued by the IASB which have taken effect for financial years starting on or after 1 July 2009:

IFRS 3 (2008 revision), 'Business combinations' and amendments to IAS 27 (2008 revision), 'Consolidated and separate financial statements' stipulate different treatment on certain aspects of accounting for acquisitions and investments in subsidiaries. Transaction costs are no longer included in the purchase price of the acquisition. Goodwill is no longer adjusted after the initial valuation for changes in estimates regarding conditional subsequent payments that are part of the purchase price. The same applies to differences regarding the realisation of tax loss compensation possibilities which the acquired company had on the acquisition date. An existing non-controlling interest in an acquired company is valued at the fair value on the acquisition date, whereby the difference from the existing book value is included in the profit and loss account. In case of non-controlling interests, profits or losses and each component of unrealised results, are attributed to the group equity and to the non-controlling interests in equity. Even if this means that the non-controlling interests show a negative balance. These changes have been applied prospectively in accordance with the applicable transitional provisions. The comparative figures have therefore not been restated. These changes have no significant consequences for the 2010 financial statements.

In addition to the changes to IFRS 3 and IAS 27, the changes in the context of the 2008 improvements project have been applied for the first time. These changes have no significant consequences for the financial statements.

### **3. Segment reporting**

In accordance with the provisions of IFRS 8, the segments are identified based on internal reporting. The senior management board has been identified as the chief operating decision-maker. The senior management board reviews internal reporting on a periodical basis. Management has reclassified the operating segments based on these reports which are different from those reported at the end of 2009. These operating segments are:

- RVM – deposit markets: The activities under this segment include operation of systems to redeem, collect, account for and processing of post consumer beverage containers in the legislated environment. Other related activities are sale and lease of RVMs, container data handling, management and deposit clearing functions.
- RVM – non-deposit markets: This segment includes the sales and market development activities for the automated recovery of used beverage containers in non-legislated environments.
- Plastic Recycling: This segment comprises the industrial cleaning, grinding, sorting, washing, flaking, and pelletising of post consumer PET and HDPE bottles.
- Research and development (R & D): All of the group's R & D activities are included under this segment.
- Corporate/Head office: This comprises of all holding company activities.

### 3. Segment reporting (continued)

<i>(Figures in euro thousands)</i>	RVM Deposit Markets	RVM Non- Deposit Markets	Plastics Recycling	Research & Development	Corporate/ Head office	Total
<b>Six Months Ended 30 June 2010</b>						
<b>Segment Results</b>						
Revenue from external customers	10,377	990	10,997	-	-	<b>22,364</b>
Depreciation & amortisation	710	-	621	15	26	<b>1,372</b>
Net profit attributable to owners of the parent	640	194	(46)	(976)	(370)	<b>(558)</b>
<b>Segment Assets - 30 June 2010</b>	<b>18,806</b>	<b>471</b>	<b>12,570</b>	<b>279</b>	<b>5,742</b>	<b>37,868</b>
<b>Six Months Ended 30 June 2009</b>						
<b>Segment Results</b>						
Revenue from external customers	7,122	501	6,878	-	-	<b>14,501</b>
Depreciation & amortisation	773	-	703	7	-	<b>1,483</b>
Net profit attributable to owners of the parent	(183)	(47)	(1,035)	(333)	(330)	<b>(1,928)</b>
<b>Segment Assets - 31 December 2009</b>	<b>12,503</b>	<b>328</b>	<b>10,538</b>	<b>409</b>	<b>7,302</b>	<b>31,080</b>

### 4. Transactions with Related Parties

On 30 December 2009, Alexandre Bouri's instalment plan was restructured as follows:

30 September 2010	€1,500,000
31 December 2010	€1,463,600

Additionally, a receivable of €676,149 from Alex Bouri is now due on 31 December 2010.

### 5. Dividend

No dividend has been declared or paid.

## 6. Borrowings

Schedule of movement	6 months to	12 months to
	30 June 2010	31 December 2009
	€000	€000
At beginning of period	4,252	5,117
Reclassification	-	-
Increase	53	209
(Decrease)	-	(1,054)
Translation effect	(211)	(20)
At end of period	<u>4,094</u>	<u>4,252</u>

## 7. Jointly controlled assets

We are continuing with the developmental activities for the evaluation and pilot of innovative recycling concepts in selected US non-deposit markets. The group's share of expenses for the period amounted to €134,000 (2009 - €0).

## 8. Post balance events

There are no material events which require disclosure or explanation at the date of this report.