# InnoConcepts N.V.

**PRESS RELEASE** **Barendrecht, 31 August 2009**

## FIRST HALF YEAR RESULTS 2009

# InnoConcepts Experienced Difficult First Half 2009

- **Tooling and other production sales decreased by 9.5%, no sales of IP licences ( EUR 13.5m in H1'08) leading to a total sales decrease of 67.3%**
- **Normalised EBITDA* EUR 3.7m negative in H1'09 vs EUR 11.6m in H1 '08**
- **One-off write offs and exceptional costs resulting in further impairments of EUR 3.1m**
- **Further measures will be taken to strengthen balance sheet**

**Comment from the CEO**

As we commented at the Annual General Meeting of shareholders in June of this year, InnoConcepts, like many other companies in our sector, continues to feel the weight of the global recession. Many of our customers have significantly scaled back on their capital expenditure severely impacting our revenues. Within this environment we were able to limit the decline in revenues derived from the sale of tooling and other production goods to 9.5%. Licence income evaporated completely during this period as potential partners delayed projects awaiting an improvement in the general economic conditions. However, they remain enthusiastic about our technology and we are confident that demand will come back when market circumstances improve.
Further to the press release of 29 June 2009 we have entered into binding agreements with our major lender with respect to additional credit facilities and amendments on the existing documentation.
To weather this storm we will announce, in the short term, measures aimed at strengthening our balance sheet. This will, together with measures already started to refocus our business and restructure our cost base significantly, enable InnoConcepts to emerge in strength from this challenging period.

**Financial Highlights for the first half year 2009**

| | **H1 2009** | H1 2008 | |
|---|---|---|---|
| (Financial Results x EUR million) | | | |
| Sales | **7.0** | 21.2 | **-/- 67%** |
| Gross Margin | **4.7** | 19.4 | **-/- 76%** |
| Normalised EBITDA* | **-/-3.7** | 11.6 | **-/-15.3** |
| Net result | **-/-17.4** | 7.0 | **-/-24.4** |
| Earnings per shares in EUR | **-/- 0.76** | 0.33 | **-/-1.09** |
| Solvency (group equity/balance sheet total) | **50%** | 67% | **-/-17%** |

*Normalised EBITDA excludes one-off write offs and exceptional costs of EUR 3.1m (H1 2008:nil)

## NOTES TO THE FIGURES

Over the first half of 2009, tooling turnover decreased to EUR 6.7m compared to EUR 7.4m in the first half of 2008. Due to the absence of license income, as explained above, total sales declined by 67% to EUR 7.0m from EUR 21.2m in the first half year of 2008. As license income generates a near 100% gross margin, overall margin declined to EUR 4.7m in H1 2009 from EUR 19.4m in H1 2008. The cost base increase marginally compared to last year (EUR 8.4m H1 2009 compared to EUR 7.8m in H1 2008). Following the planned restructuring, the cost base is expected to decrease as a percentage of sales significantly as of 2010.

EBITDA over the first half declined to EUR 6.8m negative from EUR 11.6m in the first half of 2008 including impairments and one-off costs totalling to EUR 3.1m (H1 2008: nil). Normalised EBITDA was therefore EUR 3.7m negative in H1 2009. The impairments and one-off costs are a result primarily of further provisions on receivables due to the economic downturn. Net result was further impacted by a negative additional impairment of Proventec of EUR 4.5m included in the results of investments in associates, which took one off goodwill impairments in their own profit and loss account of March 2009.
Total Net Result ended in the first half year in a loss of EUR 17.4m (EUR 0.76 negative per share) compared to EUR 7.4m profit (EUR 0.33 per share) a year earlier.

The balance sheet total increased by 6.5% to EUR 146m whereby InnoConcepts maintains a solvency of 50% (per 31 December 2008: 59% , per 30 June 2008: 67%). The negative operational cash flow for the period of EUR 6.1m (EUR 8.0m negative H1 2008) has been financed by increasing our credit facilities and a share placement with our shareholder Staalhaven BV. With respect to this share placement a dispute has arisen regarding the applied issue price whereby Staalhaven BV has now initiated legal proceedings. As announced earlier InnoConcepts is confident about a positive outcome of this dispute .

## RISK PROFILE

Reference is made to our 2008 Annual Report (pages 7-8, 57 –61). Reassessment of earlier identified risks and the potential impact on occurrence have not resulted in required changes in our internal risk management and control systems. The current economic downturn has resulted in a number of losses on uncollectable receivables and one-off costs. As a consequence of the first half year results and in view of the continuing economic challenges and pressure on cash flow, InnoConcepts feels it is required to strengthen its balance sheet in the second half year. We are currently assessing various options.

## OUTLOOK

InnoConcepts believe that the current difficult market conditions will continue for at least the remainder of 2009 and probably into the first half of 2010. We believe, however, that as the markets recover the benefits of our technology will enable us to be amongst the first in our sector to benefit from the recovery.

## STATEMENT FROM THE MANAGEMENT BOARD

The Management Board is responsible for the preparation of the condensed consolidated interim financial statements for the six months ended June 30, 2009, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The responsibility of the Management Board includes selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Management Board is also responsible for the preparation of the interim report of the Management Board. In this interim report the Management Board endeavours to present a fair review of the situation of the business at balance sheet date and of the state of affairs in the half year under review. Such an overview contains a selection of some of the main developments in the first six months of the financial year and can never be exhaustive. This interim report also contains the current expectations of the Management Board for the second half of the financial year.

As required by section 5:25d(2)(c) of the Dutch act on financial supervision (*Wet op het financieel toezicht*) and on the basis of the foregoing, the Management Board confirms that to its knowledge:

- The condensed consolidated interim financial statements for the six months ended June 30 2009, give a true and fair view of the assets, liabilities, financial position, and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and

- The interim report of the Management Board includes a fair overview of the situation at the balance sheet date, the course of affairs during the first six months of the financial year of the company and the undertakings included in the consolidation taken as a whole, and the expected course of affairs for the second half of 2009.

Barendrecht, August 31, 2009

The Management Board

Niraj Mehra

## FOR FURTHER INFORMATION:

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InnoConcepts N.V.

# Condensed consolidated financial statements for the six months ended 30 June 2009

## Contents

## Condensed consolidated statement of financial position at 30 June 2009

| in € thousands | 30 June 2009 | 31 December 2008 |
|---|---|---|
| NON-CURRENT ASSETS: | | |
| Property, plant and equipment | 30,258 | 26,875 |
| Intellectual property rights and development costs | 25,239 | 24,468 |
| Goodwill and acquisition-related intangible assets | 5,653 | 5,893 |
| Investments in associates | 33,909 | 37,399 |
| Loans and non-current receivables | 14,643 | 19,592 |
| Deferred tax assets | 8,475 | - |
| Derivatives | 118 | 118 |
| | 118,295 | 114,345 |
| CURRENT ASSETS: | | |
| Inventories | 784 | 792 |
| Trade and other receivables | 24,489 | 17,713 |
| Tax receivable | 2,292 | 472 |
| Cash and cash equivalents | 402 | 4,015 |
| | 27,967 | 22,992 |
| TOTAL ASSETS | 146,262 | 137,337 |
| EQUITY: | | |
| Share capital | 258 | 231 |
| Reserves | 89,513 | 102,737 |
| Unappropriated result | -17,630 | -21,482 |
| Equity attributable to shareholders | 72,141 | 81,486 |
| Minority interests | 265 | 71 |
| Group equity | 72,406 | 81,557 |
| NON-CURRENT LIABILITIES AND PROVISIONS: | | |
| Long term loans and other liabilities | 36,384 | 35,484 |
| Deferred tax liabilities | 8,454 | 1,429 |
| | 44,838 | 36,913 |
| CURRENT LIABILITIES: | | |
| Trade and other payables | 26,512 | 15,144 |
| Tax payable | 2,506 | 3,723 |
| | 29,018 | 18,867 |
| TOTAL EQUITY AND LIABILITIES | 146,262 | 137,337 |

## Condensed consolidated income statement for the period ended 30 June 2009

| in € thousands | Six months ended 30th June 2009 | 30th June 2008 |
|---|---|---|
| Sales intellectual property rights | - | 13,490 |
| Sales trading activities and production | 6,723 | 7,434 |
| Total sales | 6,723 | 20,924 |
| Interest financial leases | 252 | 313 |
| Total income | 6,975 | 21,237 |
| | | |
| Cost of sales trading activities and production | -2,249 | -1,806 |
| | 4,726 | 19,431 |
| | | |
| Depreciation of property plant & equipment | -2,926 | -1,315 |
| Amortisation of intellectual property rights and development costs | -3,515 | -1,736 |
| Amortisation of acquisition-related intangible assets | -241 | -437 |
| General administrative expenses | -11,537 | -7,803 |
| | -18,219 | -11,291 |
| | | |
| Operating profit | -13,493 | 8,140 |
| Interest income | 492 | 1,030 |
| Interest expense | -2,885 | -830 |
| Share of profits of associates | -5,791 | 101 |
| Result before tax | -21,677 | 8,441 |
| Taxes | 4,232 | -1,400 |
| Net result | -17,445 | 7,041 |
| | | |
| Net result attributable to: | | |
| Shareholders | -17,630 | 7,408 |
| Minority interest | 185 | -367 |
| | -17,445 | 7,041 |
| | | |
| **Earnings per share** | | |
| Basis | € -0.76 | € 0.33 |
| Diluted | € -0.76 | € 0.33 |

## Condensed consolidated statement of comprehensive income for the period ended 30 June 2009

| in € thousands | Six months ended 30 June 2009 | 30 June 2008 |
|---|---|---|
| Net result | -17,445 | 7,041 |
| Other comprehensive income | | |
| Exchange differences arising on translation of foreign operations | 3,048 | -2,417 |
| Total comprehensive income for the period | -14,397 | 4,624 |
| Comprehensive income attributable to: | | |
| Shareholders | -14,591 | 4,950 |
| Minority interest | 194 | -326 |
| | -14,397 | 4,624 |
| **Comprehensive earnings per share** | | |
| Basis | € -0.63 | € 0.22 |
| Diluted | € -0.63 | € 0.22 |

## Condensed consolidated cash flow statement for the period ended 30 June 2009

| in € thousands | Six months ended 30 June 2009 | 30 June 2008 |
|---|---|---|
| **Net cash flow from operating activities** | -6,080 | -8,017 |
| Disposals of property, plant and equipment | - | 20 |
| Purchases of property, plant and equipment | -904 | -452 |
| Purchases of intellectual property rights | -139 | -6,154 |
| Development of intangible assets (non-current) | -339 | -5,278 |
| **Net cash flow from investing activities** | -1,382 | -11,864 |
| Redemption of long-term loans and other liabilities | -3,378 | -906 |
| Addition to loans from credit institutions | 8,296 | 7,650 |
| Loans and long-term receivables granted | -148 | -1,918 |
| Redemptions received on loans and long-term receivables | - | 3,347 |
| Interest paid | -994 | -830 |
| Interest received | - | 1,030 |
| **Net cash flow from financing activities** | 3,776 | 8,373 |
| **Net cash flow for the period** | -3,686 | -11,508 |
| Cash and cash equivalents at 1 January | 4,015 | 14,181 |
| Effect of foreign exchange rate activities | 73 | 1,762 |
| **Cash and cash equivalents at 30 June** | 402 | 4,435 |

## Condensed consolidated statement of changes in equity for the period ended June 2009

In € thousands

| | Share capital | Share premium | Reserve for translation differences | General reserve | Unappro-priated result | Equity attributable to shareholders | Minority interest | Total group equity |
|---|---|---|---|---|---|---|---|---|
| At 1 January 2008 | 227 | 42,305 | -9,926 | 54,873 | 17,918 | 105,397 | 728 | 106,125 |
| Profit for the period | | | | | 7,408 | 7,408 | -367 | 7,041 |
| Exchange rate difference on investment in foreign associates | | | -2,458 | | | -2,458 | 41 | -2,417 |
| Total profit for the period | - | - | -2,458 | - | 7,408 | 4,950 | -326 | 4,624 |
| Profit appropriation | | | | 17,918 | -17,918 | - | | - |
| 2007 cash dividend paid | | | | -2,102 | | -2,102 | | -2,102 |
| 2007 stock dividend paid | | -3,339 | | | | -3,339 | | -3,339 |
| Issue of shares for 2007 stock dividend | 4 | 3,335 | | | | 3,339 | | 3,339 |
| | 4 | -4 | - | 15,816 | -17,918 | -2,102 | - | -2,102 |
| At 30 June 2008 | 231 | 42,301 | -12,384 | 70,689 | 7,408 | 108,245 | 402 | 108,647 |
| At 1 January 2009 | 231 | 42,301 | -10,253 | 70,689 | -21,482 | 81,486 | 71 | 81,557 |
| Result for the period | | | | | -17,630 | -17,630 | 185 | -17,445 |
| Exchange rate difference on investment in foreign associates | | | 3,039 | | | 3,039 | 9 | 3,048 |
| Total result for the period | - | - | 3,039 | - | -17,630 | -14,591 | 194 | -14,397 |
| Result appropriation | | | | -21,482 | 21,482 | - | | - |
| 2008 stock dividend paid | | -4,850 | | | | -4,850 | | -4,850 |
| Issue of shares for 2008 stock dividend | 13 | 4,837 | | | | 4,850 | | 4,850 |
| Issue of shares | 14 | 5,232 | | | | 5,246 | | 5,246 |
| | 27 | 5,219 | - | -21,482 | 21,482 | 5,246 | - | 5,246 |
| At 30 June 2009 | 258 | 47,520 | -7,214 | 49,207 | -17,630 | 72,141 | 265 | 72,406 |

## Notes to the condensed consolidated financial statements

1. BASIS OF PREPARATION

The condensed financial statements have been drawn up in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting.

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed financial statements are drawn up on the basis of the historical cost convention, with the exception of derivative financial instruments, which are recognised at fair value.

The accounting policies adopted are consistent with those followed in the preparation of the group's annual financial statements for the year ended 31 December 2008, except for the impact of the Standards and Interpretations described below.

IAS 1 (revised 2007) Presentation of financial statements.
The revised standard has introduced a number of terminology changes (including revised titles for the condensed financial statements) and has resulted in a number of changes in presentation and disclosure. However, the revised Standard has had no impact on the reported result or financial position of the group.

IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2009).
IFRS 8 is a disclosure Standard that has not yet resulted in a redesignation of the Group's reportable segments, and has had also no impact on the reported results or financial position of the Group. The reportable segments might be adjusted due to the implementation of InnoConcepts' revised strategy.

3. TAXES

Interim period income tax is accrued based on the estimated average annual effective income tax rate of 20 % (6 months ended 30 June 2008: 17%).

4. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

| | Six months ended | |
|---|---|---|
| | 30 June 2009 | 30 June 2008 |
| Earnings for the purpose of basic and diluted earnings per share for the period attributable to the equity holders of the parent (in € thousands) | -17,630 | 7,408 |
| Weighted average number of shares for the purpose of basic and diluted earnings per share (in thousands) | 23.114 | 22,557 |

5. DIVIDEND

During the interim period, dividend was settled at € 0.22 per share, payable as stock dividend in ordinary shares.

6. SEGMENT INFORMATION

The following is an analysis of the revenue and results for the period, analysed by business segment, the group's primary basis of segmentation.

| In € thousands | Segment revenue Six months ended | | Segment result Six months ended | |
|---|---|---|---|---|
| Segment | 30 June 2009 | 30 June 2008 | 30 June 2009 | 30 June 2008 |
| Intellectual property | - | 13,490 | -8,932 | 9,871 |
| Trade and production | 6,975 | 7,747 | -4,561 | -772 |
| Unallocated | - | - | -5,791 | -858 |
| | 6,975 | 21,237 | -19,284 | 8,241 |
| Unallocated: | | | | |
| Financial income and expense | | | -2,393 | 200 |
| Tax | | | 4,232 | -1,400 |
| Profit for the period | | | -17,445 | 7,041 |

The following is an analysis of the assets, analysed by business segment.

| In € thousands | Segment assets | |
|---|---|---|
| Segment | 30 June 2009 | 31 December 2008 |
| Intellectual property | 72,045 | 67,073 |
| Trade and production | 36,163 | 29,301 |
| Unallocated | 38,054 | 40,963 |
| | 146,262 | 137,337 |

## 7. ACQUISITION OF SUBSIDIARIES

On 1 and 27 March 2009 the remaining 52% in the shares of I-Pac Manufacturing Services B.V. were acquired as part of the reversal of our European food packaging activities in 2008. The impact on revenue and net result is not significant.

Assets acquired and liabilities assumed at the date of the acquisition are as follows:

| | |
|---|---|
| Non-current assets: | |
| Property, plant and equipment | 2,760 |
| Intellectual property rights and development costs | 1,969 |
| Current assets: | |
| Inventories | 11 |
| Trade and other receivables | 114 |
| Non-current liabilities | -1,342 |
| Current liabilities | -3,512 |
| Net assets acquired | - |
| Consideration | - |
| Goodwill | - |

## 8. IMPAIRMENTS

In the general administrative expenses a total amount of € 3.091.000 of provisions, impairments and one-off expenses were absorbed.

## 9. BORROWINGS

InnoConcepts N.V. has renegotiated her credit facilities and bank covenants applicable per 30th of June 2009. Reference is made to page 48 and 49 of the 2008 Annual Report. The new conditions, solvency to exceed 50% and net debt/ebitda (ltm) not to exceed 4.0, result in compliance with the bank covenants per end of 30th of June 2009 and additional short term credit facilities towards the end of 2009.

## 10. ISSUED CAPITAL

| | |
|---|---|
| Balance at 1 January 2008 | 22,672,139 |
| Stock dividend issued 28 July 2008 | 397,520 |
| Balance at 31 December 2008/ 1 January 2009 | **23,069,659** |
| Issue of shares 4 February 2009 | 150,000 |
| Issue of shares 29 June 2009 | 1,243,523 |
| Balance at 30 June 2009 | **24,463,182** |

11. FINANCIAL GUARANTEE

Guarantees for the payment of interest and principal have been issued to a group of institutional investors following the sale of the convertible debenture loan originally extended to Proventec Plc. These guarantees terminate at the earliest of the following moments: (i) 30 working days after 31 December 2012, (ii) the date of the unscheduled repayment or full conversion by Proventec of the convertible debenture loan or (iii) the first moment in time on which the weighted average price of an ordinary Proventec share measured over a period of 60 days amounts to GBP 4.20 or more. The maximum guarantee at the balance sheet date amounts to € 19,134,000. As at 30 June 2009, no liability was recognized for these guarantees.

12. CONTINGENCIES AND COMMITMENTS

InnoConcepts N.V. has in the first half year redeemed an equity bridge loan of € 3,000,000 by payment in 1,243,523 shares at a price of € 3.86 per share to Staalhaven B.V.. Staalhaven B.V. and InnoConcepts N.V. have a dispute on the applied issue price for the loan redemption. Staalhaven B.V. has started legal actions towards InnoConcepts N.V. Pending this dispute the shares have been deposited at a trust office. InnoConcepts N.V. is confident for a positive outcome of these legal proceedings.

13. RELATED PARTY TRANSACTIONS

In 2009 InnoConcepts N.V. entered into an equity bridge loan with Staalhaven B.V. of € 3,000,000. This bridge loan was intended to be a short term credit facility preceding a planned equity placement. The loan was repayable in shares or in cash at the discretion of InnoConcepts N.V. before the 30th of June 2009. InnoConcepts N.V. redeemed the loan by payment in shares including the interest accrued.

Since 2008 InnoConcepts N.V. has a representative in the board of her Chinese partner for multimedia packaging. Per 30th June 2009 the total balance outstanding resulting of the license and asset use agreement is € 22,455,000. Currently it is intended that the following amendments will be made on the existing agreements: a new repayment scheme is being negotiated whereby InnoConcepts N.V. will obtain a right to convert her receivable into a majority share holding at her discretion in a event of default under this repayment scheme. This agreement may result in a waiver for future royalties which may be due under the existing agreements together with limited short term funding of working capital. For the period ending June 30th 2009 the minimum royalties have not been accounted for in anticipation of the renegotiated agreement(s).

Novem International B.V. Rotterdam, the Netherlands, is a shareholder of InnoConcepts N.V., of shares with voting rights attached. At the request of InnoConcepts N.V., Novem International B.V. occasionally makes available capacity for the occupations and tasks for which InnoConcepts N.V. does not have sufficient staff of its own. While InnoConcepts N.V. is free to end this assistance without any period of notice, the costs Novem International B.V. charges InnoConcepts N.V. are at arm's length.

14. SUBSEQUENT EVENTS

After balance sheet date InnoConcepts N.V. has acquired the remaining 43% of the shares in HTP Technologies B.V. bringing the total shareholdings to 100%. HTP Technologies B.V. is the strategic manufacturing and development facility of which we own 57% since 2007. The acquisition is completed by payment in shares for a total of € 670,000.

After balance sheet date InnoConcepts N.V. participated in an equity raise of Proventec Plc. for a total amount of € 638,000

15. APPROVAL

The interim financial statements have been approved by the Board of Directors on 31 August 2009.

REVIEW REPORT

To the Board of Management and Supervisory Board of InnoConcepts N.V.

Review report

INTRODUCTION
We have reviewed the accompanying (condensed) consolidated interim financial information for the six month period ended June 30, 2009, of InnoConcepts N.V., Rotterdam, which comprises the consolidated statement of financial position as at June 30, 2009, the consolidated statement of comprehensive income, consolidated cash flow statement, consolidated statement of changes in equity, and the selected explanatory notes for the six month period then ended. Management is responsible for the preparation and presentation of this (condensed) consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

SCOPE
We conducted our review in accordance with Dutch law including standard 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION
Based on our review, nothing has come to our attention that causes us to believe that the accompanying (condensed) consolidated interim financial information as at June 30, 2009 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Rotterdam, 31 August 2009

Deloitte Accountants B.V.
K.G. Tan RA