



Envipco Holding NV

Interim Financial Report

2013 First Half Year Results

Unaudited

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FIRST SIX MONTHS RESULTS TO 30 JUNE 2013

Highlights

	6 months to		%	Full Year to
	30/6/2013	30/6/2012	Change	31/12/2012
Revenues (in euro millions)	22.91	27.77	- 17.50	51.84
Gross profit margin	14.18%	14.64%	-3.14	16.77%
Net profit/(loss) before taxes (in euro millions)	(2.96)	(2.61)	-13.41	(4.45)
EBITDA (in euro millions) (Earnings before interest, tax, depreciation and amortisation)	(0.61)	(0.48)	- 27.08	0.28
Earnings/(loss) per share (in euro) – after stock split	(1.17)	(0.67)	-74.63	(1.66)
Cash and cash equivalents (in euro millions)	(0.67)	(0.40)	-67.50	(1.56)
Shareholders' equity (in euro millions)	8.82	14.34	- 38.49	11.46

- Group revenues for first half of 2013 showed a decrease of 17.50%
- RVM segment revenue was down 16.29% to €10.91m
- Plastics Recycling segment revenue decreased by 18.87% to €12.00m
- Group net results before tax reflect a loss of €2.96m versus a loss of €2.61m in the corresponding period last year
- The RVM segment results show a loss before tax of €0.18m compared to a profit of €0.55m for the same period last year
- The plastics recycling segment shows a loss before tax of €2.05m compared to a loss before tax of €2.53m for the same period last year
- Successful launch of our new RVM platform, the Ultra 48. First deliveries started in April 2013 as part of a major contract awarded in early 2013
- Based on Shareholders' approval at the Annual Meeting held 26 June 2013, the Management Board and senior executives subscribed for 1,125,000 new shares at a share price of €4.00 each. The subscription was completed 28 August 2013 with a capital increase of €4.50m

Business Review

Group revenues declined by 17.50% to €22.91m during the first half of 2013. Both the RVM segment and Plastics Recycling segment experienced revenue declines. The Group result before tax reflected an increased loss to €2.96m from a loss of €2.61m in the first half of 2012. The Group EBITDA was negative €0.61m during the first half of 2013 compared to a negative EBITDA of €0.48m for the same period in 2012. The Plastics segment continued to be the principal contributor to these losses and negative EBITDA performance. The plastics segment operating entity, Sorepla Industrie S.A., is operating under “Procedure de Sauvegarde” while extensive restructuring activities are ongoing.

RVM segment

The RVM segment revenues declined 16.29% to €10.91m in the first six months of 2013 compared to €12.97m in 2012. Of this decline, €1.21m is related to lower RVM operating revenues in our established USA deposit markets. This reduction is directly tied to unusual weather and the resulting decreased beverage consumption in the first half of 2013. The reduction has moderated as the summer months have commenced, but we are still experiencing year on year volume declines. A decline of € 0.82m is related to reduced activities in our German OEM compactor business as court proceedings on patent matters continue. Machine sales were essentially flat the first six months, as the impact of the manufacturing cutover to the new RVM line Ultra 48 and shipments on major contracts only commenced in late April 2013.

The RVM segment generated a loss of €0.18m for the first six months of 2013 compared to a profit of €0.55m in 2012. Additional cost has been incurred in the RVM segment related to transitioning R&D activities from Germany to the USA, along with preparations and cutover to production of the Ultra 48 line and an overall increase in marketing and sales activities in deposit and non-deposit markets.

Our Joint Venture pilot agreement with Coca-Cola Recycling LLC for operation of the Reimagine Recycling centers in Dallas, Texas has been extended into 2014. The volume trends and consumer loyalty continues to develop positively such that we are confident in achieving the pro-forma volume assumptions. The parties are continuing to work together to secure a sustainable business model that addresses the increased cost of PET container collection. Our Closed Loop Recycling System (CLRS) provides the best demonstrated concept to recover the highest volume of beverage containers at the lowest possible cost. Resolution of a sustainable business model will lead to meaningful expansion of this innovative concept.

Plastics Recycling segment

The Plastics Recycling segment revenues declined 18.87% to €12.00m during the first half of 2013 compared to 2012. The segment incurred a loss before tax of €2.05m for the first six months of 2013 compared to a loss of €2.53m in 2012 for the same period. The business has been operating under court procedures since late 2012. The ongoing market challenges of high raw material prices and weak finished good demand persists. The court renewed the “Procedure de Sauvegarde” in late April for an additional six months. An aggressive restructuring plan has been prepared and presented to the court. Management is executing against this plan and expects to emerge from the court proceedings in late October 2013. The Shareholder approved equity increase was largely used to stabilise and support this business segment.

Other

Cash and cash equivalents was a negative €0.67m at 30 June 2013 versus €0.40m at 30 June 2012. These positions are arrived at after netting bank overdraft facilities drawn and outstanding as of these dates. Excluding bank overdraft position the cash and cash equivalents are €1.02m at 30 June 2013 versus €1.26m at 30 June 2012.

Outlook:

We expect the RVM segment to return to year on year growth for the second half of 2013. This expectation is tied to contracted RVM sales in both deposit and non-deposit markets. Our new Ultra 48 RVM line has been extremely well received and we are optimistic on increasing our machine sales and overall market share. A number of activities are underway in several non-deposit markets to explore CLRS programs in cooperation with industry and quasi-governmental partners. Continued success of our RVM products in established deposit markets along with breakthroughs of our innovative non-deposit platforms will lead to long term sustained growth in the RVM segment.

The Plastics Recycling segment has performed poorly over the past two years. The necessity to operate under court procedures has further stressed the business and negatively impacted performance. Restructuring plans are being executed and necessary capital to stabilise the business has been injected. We expect to emerge from “Procédure de Sauvegarde” by 31 October 2013.

We remain optimistic that our investments and initiatives will provide sustainable growth and profitability in the medium to long term. We have adequate bank facilities/credit lines negotiated, along with shareholders’ support, to fund our ongoing activities and development projects.

Risks and Uncertainties

- Legislation driven growth: about 48% 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.
- Major RVM customers going out of business may also have a significant negative impact, although unlikely due to the diversity of our customer base.
- The Plastics Recycling segment is exposed to significant performance volatility tied to fluctuations in prices for raw materials and demand for finished products.

- About 47% 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 an unfavorable change.

Capital & Shareholding:

Authorized and Issued Share Capital

The Company's authorized capital is € 4,000,000 divided into 8,000,000 shares, each having a nominal value of € 0.50. The issued share capital of the Company currently amounts to € 1,356,303.50 divided into 2,712,607 Shares, each having a nominal value of €0.50.

Substantial Shareholders:

The Group has been notified of, or is aware of the following 3% or more interest as at 30 June 2013.

	<u>Number of Shares</u>	<u>Shareholding</u> %	<u>Voting Rights</u> %
Alexandre Bouri/Megatrade International SA (beneficially owned by Mr. Alexandre Bouri)	1,808,568	66.67	66.67
Gregory Garvey/EV Knot LLC	213,054	7.85	7.85
Douglas Poling/GD Env LLC	120,000	4.42	4.42
Stichting Employees Envipco Holding	240,000	8.85	8.85

Directors' interest in the share capital of the Group is shown below:

	<u>Number of Shares</u>	<u>Shareholding</u> %	<u>Voting Rights</u> %
Alexandre Bouri/Megatrade International SA	1,808,568	66.67	66.67
Gregory Garvey/EV Knot LLC	213,054	7.85	7.85
B.Santchurn/Univest Portfolio Inc	40,480	1.49	1.49
C.Crepet	6,456	0.24	0.24
David D'Addario	80,451	2.97	2.97

Post balance sheet events:

Please refer to Note 10 of the Interim Financial Statements for further details.

Executive Board Responsibility Statement

The company's members of the Executive Board hereby declare that, to the best of their knowledge:

1. The mid-year financial statements for the first half of the financial year ending 31 December 2013 give a true and fair view of the assets, liabilities, financial position and the profit / loss of the company and its consolidated entities;
2. The mid-year directors' report for the first half of the financial year ending 31 December 2013 gives a true picture of:
 - a) the most important events which have occurred in the first six months of the financial year in question and of the effect of those on the mid-year financial statements,
 - b) the most important transactions with related parties which were entered into during this period
 - c) the main risks and uncertainties for the remaining six months of the financial year in question.

Bhajun G. Santchurn W.S.
CEO and Executive Board Member

Christian Crepet W.S.
Executive Board Member

The report was approved by the Board of Directors on 29 August 2013.

Envipco Holding N.V.

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Interim Financial Statements

**Half Year 2013
Unaudited**

Consolidated Statement of comprehensive income

(all amounts in thousands of euros)

	Note	1HY-2013 Unaudited	*1HY-2012 Unaudited	Full Year 2012 Audited
Revenue	3	22,914	27,765	51,841
Cost of revenue		(19,037)	(23,102)	(41,914)
Leasing depreciation		(628)	(597)	(1,231)
Gross profit		3,249	4,066	8,696
Selling expenses		(267)	(371)	(600)
General and administrative expenses		(5,476)	(5,909)	(12,164)
Other income/(expenses)		(12)	14	82
Operating result		(2,506)	(2,200)	(3,986)
Financial expense		(396)	(377)	(597)
Financial income		1	7	2
Exchange gains/(losses)		(59)	(35)	134
Result before taxes		(2,960)	(2,605)	(4,447)
Income taxes		1	851	319
Net results before minority		(2,959)	(1,754)	(4,128)
Minority		72	104	36
Net results		(2,887)	(1,650)	(4,092)
Other comprehensive income				
Exchange differences on translating foreign operations		257	352	(283)
Other movements/treasury shares		(62)	85	16
Cash flow hedges:				
gains / (losses) recognised on hedging instrument		(7)	(12)	97
Total other comprehensive income		188	425	(170)
Total comprehensive income/(loss)		(2,699)	(1,225)	(4,298)
Profit attributable to:				
Owners of the parent		(2,887)	(1,650)	(4,092)
Non-controlling interests		(72)	(104)	(36)
		(2,959)	(1,754)	(4,128)
Total comprehensive income attributable to:				
Owners of the parent		(2,638)	(1,310)	(4,262)
Non-controlling interests		(61)	85	(36)
		(2,699)	(1,225)	(4,298)
Earnings/(loss) per share for profit attributable to ordinary equity holders of the parent during the period				
► Basic (euro)				
Continuing and total operations		(1.17)	(0.67)	(1.66)
► Fully diluted (euro)				
Continuing and total operations		(1.17)	(0.67)	(1.66)

*Certain figures have been restated for comparative purposes.

Consolidated balance sheet

(in thousands of euros)

Note	At 30 June 2013 Unaudited	*At 30 June 2012 Unaudited	At 31 December 2012 Audited
Assets			
Non-current assets			
Intangible assets	5,252	4,256	4,829
Property, plant and equipment	17,467	18,373	18,012
Long term deposits	873	542	697
Deferred tax asset	615	654	606
Total non-current assets	24,207	23,825	24,144
Current assets			
Inventory	7,705	10,790	8,452
Trade and other receivables	9,315	10,172	7,221
Cash and cash equivalent	1,020	1,258	714
Total current assets	18,040	22,220	16,387
Total assets	42,247	46,045	40,531
Equity			
Share capital	1,356	1,356	1,356
Share premium	48,916	48,916	48,916
Retained earnings	(44,059)	(38,917)	(41,164)
Translation reserves	2,611	2,989	2,354
Equity attributable to owners of the parent	8,824	14,344	11,462
Non-controlling interest	95	163	156
Total equity	8,919	14,507	11,618
Liabilities			
Non-current liabilities			
Borrowings	8,996	9,148	7,786
Other liabilities	3,310	702	956
Deferred tax liability	-	163	311
Derivative financial instruments	57	124	88
Total non-current liabilities	12,363	10,137	9,141
Current liabilities			
Borrowings	2,853	2,099	1,678
Bank overdraft	1,685	1,658	2,275
Trade creditors	13,434	14,903	12,054
Accrued expenses	1,115	1,587	2,273
Tax and social security	1,421	1,050	1,245
Provisions	457	104	247
Total current liabilities	20,965	21,401	19,772
Total liabilities	33,328	31,538	28,913
Total equity and liabilities	42,247	46,045	40,531

*Certain figures have been restated for comparative purposes.

Consolidated cash flow statement

(in thousands of euros)

	1HY-2013 Unaudited	1HY-2012 Unaudited	Full Year 2012 Audited
Cash flow (used in) / provided by operating activities			
Operating result	(2,506)	(2,200)	(3,986)
Interest received	1	7	2
Interest paid	(396)	(377)	(597)
Income taxes paid	1	(20)	(56)
Depreciation and amortisation	1,882	1,651	4,131
Other income/(loss)	9	(36)	-
	(1,009)	(975)	(506)
Changes in trade and other receivables	(1,794)	(1,183)	1,366
Changes in inventories	829	1,645	3,721
Changes in deferred income	(4)	79	76
Changes in provisions	-	-	91
Changes in trade and other payables	(31)	1,861	832
	(1,000)	2,402	6,086
Cash flow (used in)/ provided by operating activities	(2,009)	1,427	5,580
Cash flow (used in)/provided by investing activities			
Net investment in intangible fixed assets	(646)	(475)	(1,366)
Net investment in tangible fixed assets	(794)	(2,115)	(4,650)
Net investment in other financial fixed assets	(234)	13	(138)
Proceeds from sale of assets	-	285	186
Cash flow (used in)/ provided by investing activities	(1,674)	(2,292)	(5,968)
Cash flow (used in)/provided by financing Activities			
Proceeds from share issue	-	500	184
Changes in borrowings and capital lease obligations	4,587	1238	(100)
Cash flow (used in)/ provided by financing activities	4,587	1,738	84
Net cash flow for the period	904	873	(304)
Foreign currency differences and other changes	(8)	5	21
	(8)	5	21
Changes in cash and cash equivalents, including bank overdrafts for the period	896	878	(283)
Opening balance cash and cash equivalents	(1,561)	(1,278)	(1,278)
Closing balance cash and cash equivalents	(665)	(400)	(1,561)
The closing position consists of:			
Cash and cash equivalents	1,020	1,258	714
Bank overdraft	1,685	1,658	2,275
	(665)	(400)	(1,561)

Consolidated statement of changes in equity

(Figures in euro thousands)							
	Share capital	Share premium	Retained earnings	Translation reserve	Total	Non-controlling interests	Total
Balanace at 1 January 2012	1,356	48,916	(37,255)	2,637	15,654	78	15,732
Net result	-	-	(1,650)	-	(1,650)	(104)	(1,754)
Currency translation adjustment	-	-	-	352	352	-	352
Other movements	-	-	(12)	-	(12)	189	177
Total recognised movements for the period ended 30 June 2012	-	-	(1,662)	352	(1,310)	85	(1,225)
Balance at 30 June 2012	1,356	48,916	(38,917)	2,989	14,344	163	14,507
Balanace at 1 January 2013	1,356	48,916	(41,164)	2,354	11,462	156	11,618
Net result	-	-	(2,887)	-	(2,887)	(72)	(2,959)
Currency translation adjustment	-	-	-	257	257	-	257
Other movements	-	-	(8)	-	(8)	11	3
Total recognised movements for the period ended 30 June 2013	-	-	(2,895)	257	(2,638)	(61)	(2,699)
Balance at 30 June 2013	1,356	48,916	(44,059)	2,611	8,824	95	8,919

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 Utrechtseweg 102, 3818 EP Amersfoort, 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, Middle East 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 2013 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 2012, 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 2012.

- 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 2013.
- These unaudited statements have not been reviewed by our auditors.

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. These operating segments are:

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

<i>(Figures in euro thousands)</i>				
	RVM Markets	Plastics Recycling	*Corporate/Head office	Total
Six Months Ended 30 June 2013				
Segment Results				
Revenue from external customers	10,910	12,004	-	22,914
Depreciation & amortisation	871	708	303	1,882
Net profit attributable to owners of the parent	(179)	(2,046)	(662)	(2,887)
Segment Assets - 30 June 2013	21,497	15,134	5,616	42,247
Six Months Ended 30 June 2012				
Segment Results				
Revenue from external customers	12,969	14,796	-	27,765
Depreciation & amortisation	875	620	156	1,651
Net profit attributable to owners of the parent	545	(1,551)	(644)	(1,650)
Segment Assets - 30 June 2012	21,315	20,395	4,335	46,045

*Certain figures have been restated for comparison purposes

4. Transactions with Related Parties

Mr. Alexander Bouri, the majority shareholder provided a loan of \$3.00m in February 2013 bearing interest at 10% and repayable as a balloon payment by 15 February 2015. Mr. Bouri has agreed to subscribe for new ordinary shares of €3.00m in Envipco Holding N.V. , as a set-off against his outstanding loan balances. This set-off represents €3.00m of capital increase described in Note 10 – Post Balance Sheet Events.

5. Dividend

No dividend has been declared or paid.

6. Borrowings – Third Parties

	6 months to 30 June 2013	6 months to 30 June 2012	12 months to 31 December 2012
	€'000	€'000	€'000
At beginning of period	9,464	10,115	10,115
New borrowings	5,506	2,717	10,104
Repayments	(3,126)	(1,733)	(10,670)
Translation effect	5	148	(85)
At end of period	11,849	11,247	9,464

7. Borrowings - Shareholder

	6 months to 30 June 2013	6 months to 30 June 2012	12 months to 31 December 2012
	€'000	€'000	€'000
At beginning of period	677	76	76
New borrowings	2,358	506	601
Repayments	-	-	-
Translation effect	-	-	-
At end of period	3,035	582	677

8. 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. Net costs of €0.10m were incurred during the first six months (same period 2012 - €0.09m) have been included in our profit and loss accounts for those periods.

9. Consolidated cash flow

Group generated €2.01m negative cash from its operating activities in the first half of 2013 versus a positive €1.43m during the same period last year. Investments in tangible and intangible assets were €1.67m for the first half of 2013. These outflows were funded by additional borrowing of €2.61m in the US and the balance from the shareholder loans.

10. Post balance sheet events

Based on Shareholders' approval at the Annual Meeting held 26 June 2013, the Management Board and senior executives subscribed for 1,125,000 new shares at a share price of €4.00 each. The subscription was completed 28 August 2013 with a capital increase of €4.50m.