



Envipco Holding NV

Interim Financial Report

2011 First Half Year Results

Unaudited

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FIRST SIX MONTHS RESULTS TO 30 JUNE 2011

Highlights

	6 months to		%
	30/6/2011	30/6/2010	Change
Revenues (in euro millions)	27.1	22.3	+ 21.5
Gross profit margin	25.8%	22.9%	+ 2.9
Net profit/(loss) after taxes (in euro millions)	0.2	(0.6)	+ 133.0
EBITDA (in euro millions)	2.3	0.8	+ 87.5
(Earnings before interest, tax, depreciation and amortisation)			
Earnings/(loss) per share (in euro)	0.002	(0.005)	+ 140.0
Cash and cash equivalents (in euro millions)	2.1	0.1	+ 2000.0
Shareholders equity (in euro millions)	16.4	16.2	+ 1.23

- Revenues for first half of 2011 increased by 21% to €27.1 million
- Plastics recycling segment revenues up by 53% to €16.9 million
- Plastics recycling segment gross margin 21.8% up from 16.3%
- RVM revenues down by 6.2% in USD terms to \$13.8m
- Net profit €0.2 million up by €0.8 million from a 2010 loss of €0.6 million
- New credit facility for US based subsidiaries for \$7.5 million from TD Bank N.A.
- Phase I plant upgrade for Sorepla completed
- Successful OEM compactor tests with major German retail groups expected to provide significant market opportunities in Europe
- Satisfactory resolution of anti-trust complaint against Tomra
- Acquisition of CBSI RVMs in Michigan doubling our market placements

Business Review

Group revenues are up by 21% from €22.3 million to €27.1 million for the first half of 2011 when compared to the first half of 2010. Net Profit after taxes, during the first half of 2011 stands at €225,000 compare to a loss of €558,000 for the similar period last year. EBITDA also improved significantly to €2.3 million when compared to €0.8 million of last year's six month period. The net profit is arrived at after charging €0.3 million of research and development expenses and €0.2 million of non deposit market development costs.

The Plastics recycling segment of our business continues to show improvements. It shows an increase of 53.6% in revenues to €16.8 million when compared to revenues of €11.0 million for last year's similar period. Gross margin also improved to 21.8% from 16.3% mainly resulting from better market prices for recycled plastics. The first phase of the plant upgrade to produce food contact approved recycled PET has been completed with the second phase coming online by end of 2011.

The revenues of Reverse Vending segment were down 11.2% to €9.8 million. In US Dollar terms, 2011 revenues decreased by 6.2% to \$13.8 million from \$14.7 million in 2010. This decrease is largely attributable to reduced machines sales in non-deposit markets outside the US.

Environmental Products Corporation, a subsidiary of Envipco Holding N.V., has agreed to settle its antitrust lawsuit filed in November 2010 in federal court in Connecticut against Tomra Systems ASA, a Norwegian publicly listed company and its subsidiary, Tomra of North America, Inc. (Tomra). As part of the settlement, Tomra has agreed to remove or disclaim all existing exclusive vendor provisions in agreements with its retailer customers and to refrain from entering into designated exclusive agreements in the future. Envipco is satisfied with the settlement agreement and remains committed to providing superior customer service in a free and open market.

Effective July 1, 2011, Environmental Products Corporation, a subsidiary of Envipco Holding N.V., entered into a distribution agreement with TOMRA/CBSI LLC in the State of Michigan. The agreement is through December 31, 2014 and provides Envipco with the exclusive distribution rights to the CBSI reverse vending platforms designed for retail locations. Envipco will take over existing sales contracts and assume all service responsibilities and agreements. Combining the CBSI placements with Envipco's existing placements will double Envipco's Michigan market presence and result in greater leverage of its current Michigan sales and service organizations. Envipco has recently launched a new HDS product line designed for large Michigan retail accounts. Combining the CBSI platform with Envipco's existing and new platforms will provide Envipco with a strong and diverse competitive offering. With the large installed Michigan RVM base, Envipco is well positioned for significant market share gains.

Outlook:

We are generally satisfied with the results of the first six months showing consistent and significant improvements in line with management expectations. We continue with our market development initiatives in the non deposit markets under the pilot agreement with Coca Cola Recycling. We have 3 units of our Reimagine recycling centers (www.reimaginerecycling.com) currently under test in Texas. The initial results are encouraging and we anticipate additional three units to be installed before year's end. Commercial roll out of Reimagine will depend upon the overall evaluation of the pilot program which is scheduled to be concluded in the first half of 2012.

We are also on target to launch our first phase of our new Reverse Vending technology platform by year end. With our aggressive sales and marketing campaign, we expect significant sales opportunities during 2012 based on a superior price / performance offering for the retailers.

The recent order from one major German retail chain of 500 compactors, the most significant part of an RVM, also provides us with an endorsement of our reputation as new innovators in this industry. We expect additional European business as an OEM supplier of compaction technology.

We also intend to expand our non-deposit European RVM market footprint, using our new technology during 2012.

The general economic and financial situation has slowed down the recovery of our plastics recycling business. The second half of 2011 may only show a modest gain.

As previously announced during our annual general meeting of the shareholders on 27 June 2011 we plan to have a reverse stock split of 50:1 and have all shares listed in the NYSE Euronext Brussels by the third quarter of 2011. A prospectus to this effect will be published shortly after its approval by the AFM (Authority for Financial Markets), the Dutch regulatory body. Management shall be actively promoting the company shares and demonstrating the company's commitments to growth and success.

Risks and Uncertainties

- Legislation driven growth: about 36% 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 36% 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.
- Major customers going out of business may also have a significant negative impact, although unlikely due to the diversity of our customer base.

Capital & Shareholding:

Authorized and Issued Share Capital

The Company's outstanding share capital currently consists of 135,630,350 shares, divided into 69,200,000 class A shares and 66,430,350 class B shares, each with a nominal value of €0.01. 4,295,378 of the class B shares are owned by Stichting Envipco Trust, a foundation (*Stichting*), incorporated under the laws of the Netherlands (the "Foundation"). The Foundation has issued depositary receipts ("DRs") for those class B shares, which are currently admitted to trading on the regulated market of Euronext Brussels.

On June 27, 2011 the annual general assembly of the shareholders approved a reverse stock split of 50:1, the effective date being the date when all the shares of the company being admitted to the Euronext Brussels stock exchange. Applications have been made for such requests to the AFM (Authority for Financial Markets), the Dutch regulatory body for listed companies. The numbers shown below reflect such stock split.

Prior to the Admission to Trading, the DRs will be delisted and the DRs in book-entry form will be cancelled and exchanged (*geroyeerd*) for the underlying class B shares. The holders of DRs in bearer form must deliver their DRs to the Listing Agent in order for their DRs to be cancelled and exchanged for the underlying class B shares.

On the date of the Admission to Trading, the class A shares and the class B shares will be converted into one class of ordinary shares. At the same time, a reversed stock split will be effected, pursuant to which 50 shares will be converted into one share, increasing the nominal value of the shares to €0.50 per share.

The Company's authorized capital shall become € 4,000,000 and shall be divided into 8,000,000 Shares, each having a nominal value of € 0.50. The issued share capital of the Company currently shall then amount to € 1,356,303.50 and shall be divided into 2,712,607 Shares, each having a nominal value of €0.50.

Shareholders:

	<u>Number of Shares</u>	<u>%</u>
Alexandre Bouri	1,422,423.16	52.44
Megatrade International SA (beneficially owned by Alexandre Bouri)	386,144.50	14.23
EV Knot LLC	402,027.34	14.82
Stichting Employees Envipco Holding	240,000.28	8.85
Other shareholders	260,684.74	9.64
Treasury stock	<u>1362.26</u>	<u>0.0005</u>
TOTAL	<u>2,712,607.00</u>	<u>100.00</u>

Post balance sheet events:

Please refer to Note 8 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 2011 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 2011 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 22 August 2011.

Envipco Holding N.V.

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Interim Financial Statements

**Half Year 2011
Unaudited**

Consolidated statement of comprehensive income

(all amounts in thousands of euros)

	Note	1HY-2011 Unaudited	1HY-2010* Unaudited	Full Year 2010 Audited
Revenue	3	27,105	22,364	47,566
Cost of revenue		(19,577)	(16,655)	(34,543)
Leasing depreciation		(522)	(580)	(1,143)
Gross profit		7,006	5,129	11,880
Selling expenses		(354)	(267)	(621)
General and administrative expenses		(6,282)	(5,492)	(10,901)
Other income/(expenses)		(7)	(18)	31
Operating result		363	(648)	389
Financial expense		(236)	(155)	(297)
Financial income		50	69	128
Exchange gains/(losses)		29	118	101
Result before taxes		206	(616)	321
Income taxes		35	60	(24)
Net results		241	(556)	297
Other comprehensive income				
Exchange differences on translating foreign operations		(692)	1,046	430
Share options: value of employee services		189	189	378
Other movements/treasury shares		-	-	(1)
Cash flow hedges: gains / (losses) recognised on hedging instrument		(6)	(7)	(16)
Total other comprehensive income		(509)	1,228	791
Total comprehensive income/(loss)		(268)	672	1,088
Profit attributable to:				
Owners of the parent		225	(558)	309
Non-controlling interests		16	2	(12)
		241	(556)	(297)
Total comprehensive income attributable to:				
Owners of the parent		(284)	670	1,100
Non-controlling interests		16	2	(12)
		(268)	672	1,088
Earnings/(loss) per share for profit attributable to the ordinary equity holders of the parent during the period				
► Basic (euro)				
Continuing and total operations		0.002	(0.005)	0.002
► Fully diluted (euro)				
Continuing and total operations		0.002	(0.005)	0.002

*Certain figures have been restated for comparison purposes

Consolidated balance sheet

(in thousands of euros)

	Note	At 30 June 2011 Unaudited	At 30 June 2010 Unaudited	At 31 December 2010 Audited
Assets				
Non-current assets				
Intangible assets		3,335	1,953	2,829
Property, plant and equipment		15,980	12,071	14,629
Long term deposits		622	764	393
Deferred tax asset		166	175	167
Total non-current assets		20,103	14,963	18,018
Current assets				
Inventory		10,266	7,779	10,406
Trade and other receivables		10,310	13,967	11,211
Cash and cash equivalent		3,049	1,159	1,037
Total current		23,625	22,905	22,654
Total assets		43,728	37,868	40,672
Equity				
Share capital		1,236	1,236	1,236
Share premium		48,916	48,916	48,916
Retained earnings		(35,311)	(36,766)	(35,720)
Translation reserves		1,528	2,836	2,220
Equity attributable to owners of the parent		16,369	16,222	16,652
Non-controlling interest		116	66	92
Total equity		16,485	16,288	16,744
Liabilities				
Non-current liabilities				
Borrowings	6	8,503	3,121	4,534
Other liabilities		198	256	60
Deferred tax liability		-	-	66
Derivative financial instruments		-	-	175
Total non-current liabilities		8,701	3,377	4,835
Current liabilities				
Borrowings	6	2,075	973	1,227
Bank overdraft		965	1,059	1,619
Trade creditors		12,936	13,935	13,672
Accrued expenses		2,150	1,376	1,547
Tax and social security		249	744	943
Other current liabilities		167	116	85
Total current liabilities		18,542	18,203	19,093
Total liabilities		27,243	21,580	23,928
Total equity and liabilities		43,728	37,868	40,672

Consolidated cash flow statement

(in thousands of euros)

	1HY-2011 Unaudited	1HY-2010* Unaudited	Full Year 2010 Audited
Cash flow (used in) / provided by operating activities			
Operating result	363	(648)	389
Interest received	50	69	128
Interest paid	(236)	(155)	(297)
Income taxes paid	35	60	(46)
Depreciation and amortisation	1,873	1,372	2,814
Employee share option	189	189	378
Other income/(loss)	29	118	102
	2,303	1,005	3,468
Changes in trade and other receivables	344	(1,519)	1,015
Changes in inventories	(258)	(2,390)	(5,220)
Changes in deferred income	(24)	-	(48)
Changes in trade and other payables	245	5,023	6,323
	307	1,114	2,070
Cash flow (used in)/ provided by operating activities	2,610	2,119	5,538
Cash flow (used in)/provided by investing activities			
Net investment in intangible fixed assets	(620)	(14)	(992)
Net investment in tangible fixed assets	(4,028)	(1,705)	(6,502)
Net investment in other financial fixed assets	(340)	-	23
Proceeds from sale of assets	-	30	362
	(4,988)	(1,689)	(7,109)
Cash flow (used in)/provided by financing Activities			
Changes in borrowings and capital lease obligations	5,070	(279)	1,131
Change in equity for share premium	-	-	4
	5,070	(279)	1,135
Cash flow (used in)/ provided by financing activities			
	2,692	151	(436)
Foreign currency differences and other changes	(26)	160	65
	(26)	160	65
Changes in cash and cash equivalents, including bank overdrafts for the period	2,666	311	(371)
Opening balance cash and cash equivalents	(582)	(211)	(211)
Closing balance cash and cash equivalents	2,084	100	(582)
The closing position consists of:			
Cash and cash equivalents	3,049	1,159	1,037
Bank overdraft	965	1,059	1,619
	2084	100	(582)

*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
Balance at 1 January 2010	1,236	48,916	(36,390)	1,790	15,552	104	15,656
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 year Ended 30 June 2010	-	-	(376)	1,046	670	(38)	632
Balance at 30 June 2010	1,236	48,916	(36,766)	2,836	16,222	66	16,288
Balance at 1 January 2011	1,236	48,916	(35,720)	2,220	16,652	92	16,744
Net result	-	-	225	-	225	-	225
Currency translation adjustment	-	-	-	(692)	(692)	24	(668)
Other comprehensive income							
-Share options : value of employee services			189		189		189
Other movements	-	-	(5)	-	(5)	-	(5)
Total recognised movements for the period Ended 30 June 2011	-	-	409	(692)	(283)	24	(259)
Balance at 30 June 2011	1,236	48,916	(35,311)	1,528	16,369	116	16,485

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 Herengracht 458, 1017 CA 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 2011 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 2010, 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 2010.

- 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 2011.
- These unaudited statements have not been reviewed by our auditors.

The following improvements and clarifications to standards and interpretations are mandatory for the first time for the year beginning 1 January 2011 are not applicable or do not have a material impact on the financial information of the group:

- Improvements to IFRSs as published in May 2010
- Amendment to IAS 24 'Related Party Disclosures'
- Amendment to IAS 32 'Classification of Rights Issues'
- Amendment to IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'

2. Accounting policies (continued)

The following new/amendments to standards and interpretations have been issued by the IASB which are not yet effective for the fiscal year 2011:

- Amendments to IFRS 7 'Financial Instruments: Disclosures'
- IFRS 9 'Financial Instruments'
- IFRS 10 'Consolidated Financial Statements'
- IFRS 11 'Joint Arrangements'
- IFRS 12 'Disclosure of Interests in Other Entities'
- IFRS 13 'Fair Value Measurement'
- Amendments to IAS 1: 'Presentation of Items of Other Comprehensive Income'
- Amendments to IAS 12 'Deferred Tax: Recovery of Underlying Assets'
- Amendments to IAS 19 'Employee Benefits'
- Amendments to IAS 27 and IAS 28 in conjunction with IFRS 10, 11 and 12

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 – 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)

(Figures in euro thousands)						
	RVM Deposit Markets	RVM Non- Deposit Markets	Plastics Recycling	Research & Development	Corporate/ Head office	Total
Six Months Ended 30 June 2011						
Segment Results						
Revenue from external customers	10,208	-	16,897	-	-	27,105
Depreciation & amortisation	712	-	1,067	15	93	1,887
Net profit attributable to owners of the parent	383	33	728	(481)	(438)	225
Segment Assets - 30 June 2011	16,958	1,043	19,548	438	5,741	43,728
Six Months Ended 30 June 2010						
Segment Results						
Revenue from external customers	10,377	990	10,997	-	-	22,364
Depreciation & amortisation	710	-	621	15	26	1,372
Net profit attributable to owners of the parent	640	194	(46)	(976)	(370)	(558)
Segment Assets - 30 June 2010	18,806	471	12,570	279	5,742	37,868

4. Transactions with Related Parties

As of 1 January 2011, Mr. Alexander Bouri, the majority shareholder owed the Company €3.8 million, arising mainly from a share subscription agreement dated 8 December 2008. During the six month period to 30 June 2011, Mr. Bouri repaid €1.6 million leaving a balance of €2.2 million. This amount is due for repayment by 30 September 2011. This balance accrues interest at Euribor plus margins of 1% - 2%.

5. Dividend

No dividend has been declared or paid.

6. Borrowings

	6 months to 30 June 2011	6 months to 30 June 2010	12 months to 31 December 2010
	€000	€000	€000
At beginning of period	5,761	4,252	4,252
Increase	5,070	53	1,409
Translation effect	(253)	(211)	100
At end of period	10,578	4,094	5,761

The increase in borrowing comprises of €2.9 million in the US used mainly for working capital €1.4 million, CLRS investment €0.5 million and RVM lease placements €1.0 million and €2.1 million for the new plastic equipment upgrade in France.

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. €0.2 million of costs were incurred during the first six months.

8. Consolidated cash flow

Group generated €2.6 million cash from its operating activities in the first half of 2011 versus €2.1 million during the same period last year. During the first half, €4.4 million investment in tangible assets mainly relate to €2.5 million for Sorepla equipment upgrade, and in the US, €0.5 million was invested in non-deposit market development project and €1.0 million in RVM lease placements and other assets. The €0.6 million investment in intangible assets mainly relate to R&D. To fund various investments and working capital needs during the first half of 2011 Group used additional borrowing of €2.9 million in the US and €2.1 million in France.

9. Post balance events

On 19 July 2011 and 25 July 2011 respectively, the Company issued 12,000,014 Class B shares (equal to 240,000.28 Shares) to the Stichting Employees Envipco Holding. The Class B shares issued on 19 July 2011 have been issued following the assignment of 12,000,000 stock options of Greg Garvey to the Stichting Employees Envipco Holding on the same date. The shares issued to the Stichting Employees Envipco Holding are fully paid up.

Greg Garvey has transferred his 12,000,000 options to the Stichting Employees Envipco Holding on 19 July 2011. The Stichting Employees Envipco Holding has granted at the same date options to Greg Garvey to acquire 12,000,000 B shares in Envipco. The terms and conditions of the options granted to Greg Garvey are the same as the terms and conditions of the options granted by Envipco to Greg Garvey on 8 December 2008.

Upon acquisition of the options from Greg Garvey the Stichting Employees Envipco Holding has exercised the options and Envipco has issued 12,000,000 B shares to the Stichting Employees Envipco Holding. The Stichting employees Envipco Holding has fully paid up the shares. After the execution of the Deed of Amendment, the Stichting Employees Envipco Holding owns 240,000.28 shares.