Envipco Holding NV

Interim Financial Report

Unaudited

2010 First Half Year Results

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Highlights

	6 months to 30/6/2010	30/6/2009
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) (Earning before interest, tax, depreciation and amortisation)	0.8	(0.8)
Earnings/(loss) per share	€(0.005)	€(0.016)

	30/6/2010	31/12/2009
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 Stated 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

	Shares/DRs	Options	Total
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	-	13,500,000	13,500,000
Total	123,630,336	25,500,000	149,130,336

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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)

Alexandre Bouri
(Non-Executive Board Member)

Dick Stalenhoef
(Non-Executive Board Member)

David D'Addario
(Non-Executive Board Member)

Guy Lefebvre
(Non-Executive Board Member)

Christian Crepet
(Executive Board Member)

Bhajun G. Santchurn
(CEO and Executive Board Member)

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

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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)	
Gross profit			**5,129**		**2,151**
Selling expenses		(267)		(224)	
General and administrative expenses		(5,492)		(4,695)	
Operating result			**(630)**		**(2,768)**
Other income		(18)		386	
Financial expense		(155)		(205)	
Financial income		69		17	
Exchange gains/(losses)		118		61	
Result before taxes			**(616)**		**(2,509)**
Income taxes			60		552
Net results			**(556)**		**(1,957)**
Other comprehensive income					
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)
Profit attributable to:					
Owners of the parent			(558)		(1,928)
Non-controlling interests			2		(29)
			(556)		(1,957)
Total comprehensive income attributable to:					
Owners of the parent			670		(1,968)
Non-controlling interests			2		(28)
			672		(1,996)
Earnings/(loss) per share for profit attributable to the ordinary equity holders of the parent during the period					
▶ Basic (euro)					
Continuing and total operations			(0.005)		(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	
Assets					
Non-current assets					
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
Current assets					
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
Total assets			**37,868**		**31,080**
Equity					
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
Liabilities					
Non-current liabilities					
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
Current liabilities					
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
Total equity and liabilities			**37,868**		**31,080**

Consolidated cash flow statement for the six months ended 30 June

(in thousands of euros)

	2010		2009*	
Cash flow (used in) / provided by operating activities				
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
Cash flow (used in)/ provided by operating activities		1,682		996
Cash flow (used in)/provided by investing activities				
Net investment in intangible fixed assets	(14)		(633)	
Net investment in tangible fixed assets	(1,705)		(719)	
Proceeds from sale of assets	30		7	
Cash flow (used in)/ provided by investing activities		(1,689)		(1,345)
Cash flow (used in)/provided by financing Activities				
Change in equity	189		189	
Changes in borrowings and capital lease obligations	(279)		(787)	
Cash flow (used in)/ provided by financing activities		(90)		(598)
Net cash flow for the period		(97)		(947)
Foreign currency differences and other changes	160		98	
		160		98
Changes in cash and cash equivalents, net of bank overdrafts for the period		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
Balance at 1 January 2009	**1,236**	**48,916**	**(31,773)**	**(380)**	**17,999**	**141**	**18,140**
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)
Balance at 30 June 2009	**1,236**	**48,916**	**(33,519)**	**(221)**	**16,412**	**103**	**16,515**
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 period 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**

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)

(Figures in euro thousands)	RVM Deposit Markets	RVM Non-Deposit Markets	Plastics Recycling	Research & Development	Corporate/ Head office	Total
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**
Six Months Ended 30 June 2009						
Segment Results						
Revenue from external customers	7,122	501	6,878	-	-	**14,501**
Depreciation & amortisation	773	-	703	7	-	**1,483**
Net profit attributable to owners of the parent	(183)	(47)	(1,035)	(333)	(330)	**(1,928)**
Segment Assets - 31 December 2009	12,503	328	10,538	409	7,302	**31,080**

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

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.