# Envipco Holding N.V.
# Annual Report 2013

## Financial Highlights

| | 2013 | 2012 |
|---|---|---|
| **Continuing operations** | | |
| Revenues | €23.15m | €25.87m |
| Gross profit margin | 31.28% | 32.31% |
| Net profit (loss) before taxes | €(3.47m) | €0.40m |
| Net profit (loss) after taxes after minority | €(3.33m) | €0.72m |
| EBITDA | €2.24m | €2.80m |
| Earnings (loss) per share | €(1.170) | €0.289 |
| **Discontinued operations** | | |
| Net profit (loss) before taxes | €(3.50m) | €(4.85m) |
| Net profit (loss) after taxes after minority | €(3.31m) | €(4.81m) |
| EBITDA | €(1.96m) | €(2.52m) |
| Earnings (loss) per share | €(1.162) | €(1.944) |
| **Equity** | | |
| Shareholder’s equity | €8.95m | €11.46m |
| Liquidity ratio (current assets / current liabilities) | 1.18 | 0.83 |
| Total assets (including Held for Sale) | €34.96m | €40.53m |

## General

Envipco Holding N.V. is a public limited liability company incorporated in accordance with the laws of The Netherlands. For the Group structure, please see page 23.

Mission statement
Our mission is to become the most respected global company to recover, manage, operate and recycle post consumer beverage containers, using innovative technologies, while creating high value for our shareholders, customers, partners and employees.

Principal activities
The Group’s principal activities during the year changed significantly with the Board’s decision to exit the plastics recycling business in France (Sorepla). The Sorepla business was put under “procedure de sauveguarde” in October 2012. The court accepted a restructuring plan in December 2013 and the company is now operating accordingly. Management is currently actively working on a sale of Sorepla and an outside advisor has been retained to oversee this process. Accordingly, for 2013 and for the results of 2012, the Sorepla recycling business is being reported as discontinued operations.

The Group’s principal activity is focused on the recycling of used beverage containers which includes:

- The design, development, manufacture and sale or lease of Reverse Vending Machines (RVM) as the foundation of recycling systems for the collection and processing of used beverage containers.
- The provision of technical support, RVM maintenance and accounting services to the retail stores, bottlers and distributors for containers redeemed through these machines.
- Provision of materials handling services, primarily in the Northeastern part of the United States of America (USA), for containers that are subject to deposits mandated by law.

**Results**

The results for 2013 are presented for the RVM segment “continuing operations” and separately for the plastics recycling segment as “discontinued operations”. The 2012 results have also been presented to reflect this classification.

Continuing operations

The RVM segment 2013 revenue declined 10.5% to €23,145,000 from €25,865,000 in 2012. The decline was impacted by strengthening of the Euro in 2013. In local currency, the decline was 6.2% in 2013 from 2012. The 2013 net profit/(loss) before tax was €(3,467,000) compared to a profit of €398,000 in 2012. The 2013 results were significantly impacted by several additional write–offs. These write-offs included €1,700,000 of incremental charge for capitalised Development cost at the Group level and a €827,000 charge for capitalised Closed Loop Recycling System (CLRS) cost. Without these charges, the RVM loss would have been €(940,000) for 2013 compared to a profit of €398,000 in 2012. The reduced profitability is attributable to increased R&D expenses of €100,000, increased SG&A of €500,000 associated with market expansion activities and a reduction of €700,000 in RVM machine throughput revenues tied to lower beverage consumption and unusually poor weather in early 2013. The results also include ongoing CLRS development cost of €395,000 in 2013 and €449,000 in 2012.

In local currency, our US machine sales increased 11.0% over 2012 to $3,700,000. Our service revenue declined 9.0% to $17,200,000 from $18,900,000 in 2012. Of this decline, $1,400,000 was attributable to reduced commodity management services and lower commodity prices. The remaining decline of $300,000 was tied to an overall container volume reduction of 6.0% which was somewhat offset by an increase of $400,000 in machine service agreements. The machine leasing revenue declined 5.9% to $9,060,000 from $9,630,000 in 2012. This reduction is entirely attributable to the overall reduced container volumes for the year.

Our European RVM revenue declined to €860,000 in 2013 from €1,400,000 in 2012. This 2013 decline is tied to reduced sales of our OEM compactor in the German market. Compactor sales in Germany were stopped due to an unfavorable intellectual property ruling on an action filed by a German competitor. Envipco appealed this ruling and received a favorable non-infringement ruling in October 2013. The company is currently evaluating how to best re-establish the OEM business in Germany.

EBITDA for the RVM business declined to €2,241,000 from €2,797,000 in 2012. This reduction is tied to increased organisational investments and reduced profitability for the year.

Discontinued operations

As previously discussed, the plastic recycling business in France (Sorepla) is being reported as discontinued operations. Accordingly, it is reflected as “Held for Sale” in 2013 as further described in note 28. The net profit (loss) before taxes is €(3,498,000) in 2013 compared to a loss of €(4,845,000) in 2012. Included in the loss for 2013 was a €3,642,000 gain tied to the current fair value of €6,900,000 in restructured debt and an impaired valuation of €2,013,000. Without these adjustments, the Sorepla loss for 2013 would have been €(5,127,000). At the Group level, all provisions related to the discontinued operations have been provided for.

Equity

No dividend is proposed. The results of 2013 shall be carried forward to the retained earnings, subject to the approval and adoption of the 2013 Annual Report by the shareholders at the next annual general meeting of the shareholders.

The Group has a net equity of €8,950,000 at 31 December 2013 (2012: €11,462,000) with debt to equity ratio of 0.77 for the current year and 0.81 for 2012. The Group has adequate working capital with current ratio of 1.18

(2012: 0.83) as at the balance sheet date. A capital injection of €4,500,000 from Executives and the Management Board during the year provided funding for operations and strengthening of the balance sheet.

**Outlook**

**RVM Segment**

With our launch of the Ultra 48 (U48) product line in early 2013, we now have a compelling and complete technology platform. The U48 is particularly important due to the adoption of federal guidelines under the American Disabilities Act (ADA) that requires the RVM be consumer accessible at 48 inches or lower. Envipco has delivered a breakthrough platform that sets the new market standard for user convenience, recognition speed, container compaction, storage capacity and industrial reliability. The U48 line now includes an HDS configuration targeted to the Michigan market and also a combi format. We are continuing development of our Flex platform for small stores and non-deposit markets. The clearest statement of the potential of the new platform was confirmed by selection of Envipco as the RVM provider of choice in all USA deposit markets for a major retailer at the end of 2012. While 2013 sales have been below expectations, the relationship is developing positively with an expected significant increase in RVM replacements during 2014.

Michigan: In 2012 Envipco entered into a three year exclusive RVM Distributor Agreement with Tomra/CBSI for the State of Michigan. This agreement expanded our market placements and included certain contracts. A number of customers have opted to adopt Envipco's new Ultra product line. For the most part, the Michigan retailers have elected to purchase their RVM technology. The Michigan machine population of over 5,000 RVMs will undergo a significant replacement cycle over the coming years and we expect meaningful market share gains.

Northeast: The Company has maintained the existing RVM customer base and continues to make incremental gains in the New York, Connecticut and Massachusetts markets. RVM throughput volumes have decreased due to overall decreased beverage consumption and unusual weather in early 2013. In addition, the increased number of redemption centers, especially in New York City is impacting the number of containers available for redemption through RVMs. Envipco's Sort-After program is an attractive service offering to retail accounts outside the traditional RVM. The Sort-After program continues to experience year on year growth.

California: The California market has undergone consolidation among the existing retail buyback center operators. The status and sustainability of the financial support mechanisms under the current California deposit system to support the retail buyback centers are under review. Potential changes to the California system may increase the potential for RVM deployments. Envipco is monitoring market developments and is well positioned should a shift to more RVM services result.

Closed Loop Recycling System (CLRS): Envipco's joint venture pilot program with Coca-Cola Recycling LLC continues in operation in Dallas, Texas, USA. This innovative concept www.reimaginerecycling.com is designed for non-deposit markets and geared to attract large volume recyclers. All five centers have now been in operation for over two years. The consumer experience and acceptance remains overwhelmingly positive. The high percentage of PET containers combined with the light weight water bottles has created a commodity revenue shortfall. Both Envipco and Coca-Cola Recycling believe the concept has significant potential to attract large beverage container volumes in the non-deposit markets. The parties continue to explore a number of different concepts and strategies to mitigate the PET revenue shortfall. Resolution of a sustainable business model is required to support a meaningful expansion of the Reimagine concept.

OEM Compactor: Envipco ceased compactor sales activities in the German market in early 2013 due to an unfavorable intellectual property ruling on an action filed by the German competitor. Envipco appealed this ruling and received a favorable non-infringement ruling in October 2013. The company is currently evaluating how to best re-establish the OEM business in Germany. We continue to see a significant market opportunity with over 10,000 replacement compactors per year in this market.

On 24 January 2014, Environmental Products Corporation, our USA subsidiary, renewed and increased the term of its credit facilities with TD Bank N.A., which continues to assist our expansion plan.

**Overall outlook**

We continue to believe that we have exciting expansion and growth potential in our RVM business. We have significantly increased our technical resources and most recently we have added the market's most knowledgeable technical leader as our CTO. Through product innovation, we see clear opportunities to gain market share in the USA and also to enter the established European deposit markets to accelerate growth in the future.

**Research and Development**

The Group's Research and Development facilities in Germany and the USA, continue to make progress in product development and innovation for both deposit and non-deposit markets. The recent launch of the U48 combined with the Ultra HDS and the Flex provides a very competitive RVM offering. Development of bulk feed technology for the CLRS pilot provides an important concept with potential application in next generation platforms. The capitalised development costs are periodically reviewed by the management and if it appears that a new project will fail to generate revenues, the associated costs are charged to the profit and loss account. During our 2013 review, management made the decision to write-off several of our capitalised development projects. This write-off amounted to €2,121,000 for 2013 compared to a zero write-off in 2012.

**Liquidity**

The Group's liquidity position is satisfactory with a steady current ratio of 1.18 in 2013 and 0.83 in 2012. The Group also has committed credit facilities with various lenders and is adequately prepared to meet its short and long term working capital needs. In January 2014, in the USA, we have renewed and increased our USA credit facility with TD Bank NA. Net cash outflow from operations during 2013 was €7,722,000 (€1,280,000 from continuing operations and €6,442,000 from discontinued operations) versus net inflow of €5,850,000 for 2012 (€3,182,000 from continuing operations and €2,668,000 from discontinued operations). The majority shareholder provided an additional loan of $3,000,000 on 15 February 2013, which was subsequently capitalised as part of the capital increase in August 2013 (note 26). This together with the discounted Sorepla creditors of €3,642,000 also positively impacted the current ratio.

### Managing Risks

A majority of our current RVM business is dependent upon legislation. The Company may be at risk if such legislation was cancelled, although we have seen no such cancellations in the area where we have operated over the last 20 years. Theoretically this can happen, but we see that even in such an unlikely scenario there will be a notice period which will help the Company plan for any transition. Equally the reverse can also happen as new legislation is implemented in more states and countries. Customers with whom we have long term contracts can go out of business which would have an impact on our costs due to lower volumes. Sharp fluctuation in foreign exchange risk can impact the cash situation of the Company but is mitigated by proper cash management. Non availability of lines of credit or cash to continue to fund projects under a development stage may impact the long term viability of the Company.

For details on financial risk management, refer to note 5 in the notes to the consolidated financial statements.

### Stichting Employees Envipco Holding ('the New Foundation')

A new Foundation, Stichting Employees Envipco Holding was formed in 2011 with following Board members:

- Mr Dick Stalenhoef
- Mr Guy Lefebvre

| Summary as of 31 December 2013 of Issued Share Capital | 2013 | 2012 |
|---|---|---|
| Common stock of €0.50 nominal value per share: | | |
| Opening balance | 2,712,607 | 2,712,607 |
| Shares issued during the year | 1,125,000 | - |
| Closing balance | 3, 837,607 | 2,712,607 |

In 2013 a total of 1,125,000 new ordinary shares were issued for the capital increase.

The New Foundation holds 240,000 treasury shares of the Company as of 31 December 2013 and 2012.

**Substantial Shareholding**

The Group has been notified of, or is aware of the following 3% or more interests at 31 December 2013 and 2012.

| | 31 December | | | |
|---|---|---|---|---|
| | 2013 | | 2012 | |
| | Number of Shares | Percentage | Number of Shares | Percentage |
| A Bouri/Megatrade International SA | *2,558,568 | 66.67% | 1,208,568 | 44.55% |
| G Garvey/EV Knot LLC | 259,013 | 6.75% | 213,054 | 7.85% |
| Douglas Poling/GD Env LLC | *200,000 | 5.21% | 720,000 | 26.54% |
| Stichting Employees Envipco Holding | 240,000 | 6.25% | 240,000 | 8.85% |

*Mr. Alexandre Bouri exercised his right to buy back 600,000 of Mr. Douglas Poling's shares on 8 January 2013.

**Directors and their Interests**

As per Articles of Association of the Company, the Board comprises of executive and non-executive board members. The Board includes five non-executive and two executive board members:

Non-executive:
Mr Gregory Garvey (Chairman)
Mr Alexandre Bouri
Mr Dick Stalenhoef
Mr Guy Lefebvre
Mr David D'Addario

Executive:
Mr Bhajun Santchurn
Mr Christian Crépet

The Directors' interests in the share capital of the Group are shown below:

| | 31 December | | | |
|---|---|---|---|---|
| | 2013 | | 2012 | |
| | Number of Shares | Percentage | Number of Shares | Percentage |
| A Bouri/Megatrade International SA | 2,558,568 | 66.67% | 1,208,568 | 44.55% |
| G Garvey/EV Knot LLC | 259,013 | 6.75% | 213,054 | 7.85% |
| B Santchurn/Univest Portfolio Inc | 140,480 | 3.66% | 40,480 | 1.49% |
| C Crepet | 6,456 | 0.17% | 6,456 | 0.24% |
| D D'Addario | 80,451 | 2.10% | 80,451 | 2.97% |
| T.J.M. Stalenhoef | 600 | 0.02% | - | 0.00% |

**Remuneration of the Members of the Management Board**

The Board of Directors is comprised of five non-executive and two executive directors. The total remuneration was €900,000 in 2013, as compared to 2012 of €648,000 for the prior year (See note 9).

There are employment contracts in place for Mr. Bhajun Santchurn and Mr. Christian Crepet. A loan was granted to a director in 2012 for €20,000 repayable by 2014 (See note 26).

Remuneration Policy of the Board of Directors and Senior Executives:

According to the Dutch Civil Code, our General Meeting of Shareholders has adopted a remuneration policy in respect of the remuneration of our Board of Directors, which is published on our website. Our non-executive directors propose the remuneration of the individual executive members of our Board of Directors to the General Meeting of Shareholders.

Senior executives apply to the CEO and other senior management executives for their respective performance appraisals as part of the remuneration policy. Salary and other employment terms for the senior executives shall be competitive with local markets to retain the best talents. Salary includes both fixed and variable factors which are dependent upon the area of individual responsibility, expertise, position experience, conduct and performance. The variable component is dependent upon specific performance criteria. The Chairman of the Board appointed the CEO whose goals and remuneration package and any changes are proposed to the Board for approval. The remuneration of other senior executives including any changes is agreed by the CEO and the respective executive.

**Capital Increase**

The shareholders approved a plan for Executives and the Management Board to subscribe 1,125,000 shares @ €4.00 per share as part of a new capital increase of €4,500,000. The majority shareholder who is a member of the Management Board subscribed for 750,000 of these shares in August 2013 by converting his long term debt (on 26 June 2013) to equity.

**Corporate Governance**

Dutch Corporate Governance Code

On 9 December 2003, the Dutch Corporate Governance Committee released the Dutch Corporate Governance Code which was subsequently updated effective as per 1 January 2009 (the “Code”). The Code contains 21 principles and 128 best practice provisions for a managing board, supervisory boards, shareholders and general meetings of shareholders, financial reporting, auditing, disclosure, compliance with and enforcement of the Code.

The corporate governance code can be accessed at http://commissiecorporategovernance.nl/information-in-english

Dutch companies admitted to trading on a registered stock exchange or, under certain circumstances, registered on a multilateral trading facility, whether in the Netherlands or elsewhere, are required under Dutch law to disclose in their annual reports whether or not they apply the provisions of the Code and, if and to the extent they do not apply, to explain the reasons why.

The Company acknowledges the importance of good corporate governance. Since 2011 the Company supports the Code (www.envipco.com) and has started to implement the relevant provisions of the Code subject to the exceptions set out below:

The Company does not comply with the following provisions of the Dutch corporate governance code:

II.2 The Company does not have in place a formal risk management system. In view of the size of the Company this is not necessary in view of the Board of Directors of the Company. In the view of the Board of Directors, the Company has adequate measures in place to monitor risks.

II.2.14 The Company has not published on its website the main elements of the service agreements with the executive directors. In view of the size of the Company the Board of Directors, takes the view that this is not necessary. The Company publishes in its financial statements the elements of the salary of the executive directors.

III.3.1 The Company has not prepared a profile for the non-executive members of the Board of Directors. In view of the size of the Board of Directors, the Board of Directors is of the opinion that this is not necessary.

III.3.6 The Board of Directors has not made a schedule of retirement by rotation. In view of the size of the Company, the Board of Directors is of the opinion that this is not necessary.

III.4.3 The Company has no secretary. Due to the size of the Company, the Company believes this is not necessary.

III.5 The Company does not have a remuneration committee or a selection and nomination committee. The tasks to be performed by these committees are performed by the non-executive members of the Board of Directors. In view of the size of the Company, there is no need to have a separate remuneration committee and a nomination and selection committee.

V.3 The Company has no internal audit function. In view of the size of the Company, the Company believes this is not necessary. The internal risks are in the view of the Board of Directors adequately monitored.

General Meetings of Shareholders and Voting Rights

The Annual General Meeting of Shareholders must be held within six months after the end of each financial year. The notice convening any General Meeting of Shareholders shall contain an agenda indicating the items for discussion included therein. The notice for convening the General Meeting of Shareholders shall mention the registration date and the manner in which the persons with meeting rights at the General Meeting of Shareholders may procure their registration and the way they may exercise their rights. The registration date is the twenty-eighth day prior to the date of the General Meeting of Shareholders.

Decisions of the General Meeting of Shareholders are taken by a majority of three/fourth of the votes validly cast, except where Dutch law or the Company's Articles of Association provide for a special or greater majority.

**Explanatory notes on article 10 of the takeover directive**

Pursuant to the Implementing Decree of 5 April 2006 relating to Article 10 of Directive 2004/25/EC on takeover bids of 21 April 2004 of the European Parliament and the Council of the European Union, Envipco includes the following explanatory notes:

As at 31 December 2013 Envipco had issued 3,837,607 ordinary shares. During the year the Company had issued 1,125,000 shares at €4.00 per share as part of a capital increase. Stichting Employees Envipco Holding holds 240,000 shares of the Company at a nominal value of €0.50, which are treated as treasury shares in consolidation. There are no physical share certificates issued, except for entries in the shareholders register. The Articles of Association do not provide for any limitation on the transferability of the ordinary shares.

Significant direct and indirect shareholdings are set out in this report under the section 'Substantial Shareholdings'.

Envipco currently does not hold any employee share scheme in which the control rights are not exercised directly by the employees.

The voting right is not subject to any limitation. All shares entitle the holder to one vote per share. No securities with special control rights have been issued. No agreement has been entered with any shareholder that could give rise to any limitation on the transfer of shares and/or voting rights except for an agreement whereby Mr. Alexandre Bouri bought back 600,000 shares from Mr. Douglas Poling as explained on page 7 under Substantial Shareholding.
Unless otherwise specified by the Articles, all resolutions at the general meeting shall be passed by a majority of three/fourth the votes cast.

The appointment, suspension and discharge of the members of the Board of Managing Directors and their remuneration are decided at the General Meeting of Shareholders as per Article 8 of the Articles of Association.

The issue of new shares shall be by a resolution of the General Meeting of Shareholders and subject to the provisions of Article 5 of the Articles of Association. The General Meeting of Shareholders on 26 June 2013 approved the Management Board to issue 1,125,000 shares to directors and executives.

The Enterprise Chamber may at the request of the Company, any shareholder of the Company, for shares issued with the cooperation of the Company or a foundation or association with full legal capacity which articles promote the interests of such company, shareholder, order a shareholder who has obtained 30% or more of the Company's voting rights or more to make a public offer in respect of all shares.

The above mentioned obligation for a person acting solely or together with others to make a public offer does not apply according to the Exemption Decree on Public Offers (*Vrijstellingbesluit overnamebiedingen Wft*) in cases where prior to, but no more than three months prior to, the acquisition of 30% or more of the Company's shares or voting rights, the General Meeting of the Shareholders has approved such acquisition with 95% of the votes cast by others than the acquirer and the person(s) acting with him/her.

Dutch Squeeze-out Proceedings

After a public offer, pursuant to Section 2:359c of the Dutch Civil Code, a holder of at least 95% of the outstanding shares and voting rights, which has been acquired as a result of a public offer, has the right to require the minority shareholders to sell their shares to him/her.

**Corporate Social Responsibility**

As a Company dedicated to improving the rates at which the world recycles, Envipco works closely to help all of our clients reach their environmental goals. By helping beverage companies recover significant percentages of their bottles and cans, we have developed customised programs that promote sustainability. Envipco also proactively promotes its comprehensive recycling program and constantly explores new opportunities for greener operations.

Within the communities in which we operate, Envipco is an active and engaged citizen. We recognise our potential role as educators, regularly inviting school groups to tour our manufacturing facility to learn more about the process of recycling. We offer scholarships and internship programs to students interested in pursuing environmentally focused careers.

For years, Envipco has also participated in a program designed to give workers a second chance. The Company hires individuals from halfway houses and shelters, providing employment and training to help them secure stable housing and rebuild their lives. Often starting as temporary workers, many of the participants in the program have gone on to successful careers at Envipco and other area companies.

As a relatively small Company we have begun by setting up the foundation of good corporate social responsibility principles which we intend to adopt as the Company grows. We plan to implement various initiatives to achieve a high level of employee satisfaction, optimising the use of both internal and external resources to have the most efficient carbon foot print while ensuring the adoption of a high code of conduct and ethics relating to all aspects of our business.

## Internal Controls

The executive board is responsible for establishing and maintaining adequate internal controls. The executive board members are involved in the day to day management of the USA and the French subsidiaries. Both these members are responsible to implement the management board's decisions and strategy, and are also accountable to the management board for their respective organisations. Envipco internal control system is designed to provide reasonable assurance to the Company's management board regarding the preparation and fair presentation of published financial statements in accordance with International Financial Reporting Standards (IFRS). All internal control systems, no matter how well designed, has inherent limitations, and therefore can provide only reasonable assurance with respect to financial statement preparation and presentation. Management maintains a comprehensive system of controls intended to ensure that transactions are executed in accordance with Management's authorisation, assets are safeguarded, and financial records are reliable. Management periodically assesses the effectiveness of the Company's internal controls and believes these to be effective and reliable.

## The Management Board

The Company's Management Board consists of 2 executive and 5 non-executive directors. The non-executive directors shall elect a chairman of the Management Board from among themselves. The Management Board is charged with the management of the Company and is responsible for establishing the Group's strategy and general policies. The executive directors are responsible for the day-to-day management of the Company.

The Company is making an effort to include women members in the Management Board.

Audit Committee
The Company has established an audit committee which operates pursuant to the terms of reference adopted by the Board of Directors, which are published on the Company's website. The audit committee was established by the Board of Directors on 27 June 2011 and is comprised of three non-executive directors appointed by the Board of Directors. The terms of reference of the audit committee are included in the Board Regulations. The audit committee is chaired by the person appointed thereto by the Board of Directors, provided that this chairman: i) shall be independent (in the manner prescribed by the Dutch Corporate Governance Code, and set out in the Board regulations, ii) shall not be the chairman of the Board of Directors, nor a former executive director, and iii) shall have the necessary qualifications. The audit committee shall meet at least four times per year, or more frequently according to need. Currently, the audit committee consists of Mr. Stalenhoef as chairperson and financial expert, Mr. Garvey and Mr. Lefebvre.

Due to the frequent discussions of the audit committee with senior management within the Group and discussions with our external auditors, the committee is satisfied with its oversight on financial reporting, risk management and audit functions of the Group activities, even though no formal procedure is currently in place due to the size of the company. It has therefore not fully adopted this part of the governance code due to its size.

## Nomination

The Articles of Association of the Company provide for the number of directors to be determined by the Management Board. The remuneration and the terms and conditions of employment for each director are determined at the General Meeting of Shareholders.

## Representation

The Company is represented by the Management Board or by one executive director.

### Meeting

Meetings of the Management Board are convened upon the request of a member of the Management Board. Resolutions of the Management Board are passed by an absolute majority of votes.

### Articles of Association

Per Article 9 Clause 9.8 of the Articles of Association, the Management Board shall require the approval of the General Meeting of the Shareholders for resolutions concerning a major change such as the amendment of the Articles of Association of the Company.

### Auditors

The General Meeting of Shareholders shall appoint the auditors of the company.

### Post Balance Sheet Events

Details of the post balance sheet events are given in note 29 of the Notes to the consolidated financial statements.

**Board Responsibility Statement**

The Company's directors hereby declare that, to the best of their knowledge:

-the annual financial statements for the year 2013 give a true and fair view of the assets, liabilities, financial position and the profit or loss of the Company and its consolidated entities;

-the directors' report gives a true and fair view of the position of the Company and its related entities whose financial information has been consolidated in the annual financial statements as at the balance sheet date 31 December 2013 and of their state of affairs during the financial year 2013;

-the annual report describes the principal risks that the Company faces.

w.s. Gregory Garvey
Chairman

w.s. Alexandre Bouri

w.s. Dick Stalenhoef

w.s. Guy Lefebvre

w.s. Bhajun Santchurn

w.s. Christian Crepet

w.s. David D'Addario

29 April 2014

(all amounts in thousands of euros)

| | Note | 2013 | | 2012 | |
|---|---|---|---|---|---|
| Revenue | (6) | 23,145 | | 25,865 | |
| Cost of revenue | | (14,641) | | (16,278) | |
| Leasing depreciation | | (1,264) | | (1,231) | |
| **Gross profit** | | | **7,240** | | **8,356** |
| Selling expenses | (7&9) | (525) | | (601) | |
| General and administrative expenses | (7&9) | (7,054) | | (7,158) | |
| Other income/(expenses): | | | | | |
| - Development costs impaired | (13) | (2,121) | | - | |
| - Impaired joint venture investment | (8) | (827) | | - | |
| - Miscellaneous income/(expenses) | (8) | 65 | | (91) | |
| **Operating result** | | | **(3,222)** | | **506** |
| Financial expense | (10) | (403) | | (242) | |
| Financial income | (10) | 8 | | - | |
| Exchange gains | | 150 | | 134 | |
| **Result before taxes** | | | **(3,467)** | | **398** |
| Income taxes | (11&16) | (71) | | (171) | |
| Deferred taxes | (11&16) | 205 | | 490 | |
| | | | 134 | | 319 |
| **Net results from continuing operations** | | | **(3,333)** | | **717** |
| Net results from discontinued operations | (28) | | (3,407) | | (4,845) |
| **Net results from total operations** | | | **(6,740)** | | **(4,128)** |
| **Other comprehensive income** | | | | | |
| **Items that will be reclassified sunsequently to profit and loss** | | | | | |
| Exchange differences on translating foreign operations | | (397) | | (283) | |
| Other movements | | (18) | | 16 | |
| Cash flow hedges: | (24) | | | | |
| Gains/(losses) recognized on hedging instrument | | 25 | | 97 | |
| Total other comprehensive income | | | (390) | | (170) |
| **Total comprehensive income** | | | **(7,130)** | | **(4,298)** |

| (all amounts in thousands of euros) | Note | 2013 | 2012 |
|---|---|---|---|
| **Profit attributable to :** | | | |
| Owners of the parent | | | |
| Profit/(loss) for the period from continuing operation | | (3,332) | 714 |
| Profit/(loss) for the period from discontinued operations | | (3,308) | (4,806) |
| | | (6,640) | (4,092) |
| Non-controlling interest | | | |
| Profit/(loss) for the period from continuing operation | | (1) | 3 |
| Profit/(loss) for the period from discontinued operations | | (99) | (39) |
| | | (100) | (36) |
| **Total** | | | |
| Profit/(loss) for the period from continuing operation | | (3,333) | 717 |
| Profit/(loss) for the period from discontinued operations | | (3,407) | (4,845) |
| | | (6,740) | (4,128) |
| **Total comprehensive income attributable to :** | | | |
| Owners of the parent | | (7,030) | (4,262) |
| Non-controlling interest | | (100) | (36) |
| | | (7,130) | (4,298) |
| Number of weighted average shares used for calculation of EPS (exclude treasury shares) | | | |
| - Basic | (12) | 2,847,607 | 2,472,607 |
| - Diluted | (12) | 2,847,607 | 2,472,607 |
| **Earnings/(loss) per share for profit attributable to the ordinary equity holders of the parent during the year** | (12) | | |
| Basic (euro) – Continuing operations | | (1.170) | 0.289 |
| Basic (euro) –Discontinued operations | | (1.162) | (1.944) |
| Fully diluted (euro) –Continuing operations | | (1.170) | 0.289 |
| Fully diluted (euro) –Discontinued operations | | (1.162) | (1.944) |

(in thousands of euros)

| | Note | 2013 | | 2012 | |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Intangible assets | (13) | 3,146 | | 4,829 | |
| Property, plant and equipment | (14) | 6,791 | | 18,012 | |
| Long term deposits | (15) | 142 | | 697 | |
| Deferred tax assets | (16) | 741 | | 606 | |
| Total non-current assets | | | 10,820 | | 24,144 |
| **Current assets** | | | | | |
| Inventory | (17) | 5,753 | | 8,452 | |
| Trade and other receivables | (18) | 5,865 | | 7,221 | |
| Cash and cash equivalents | (19) | 1,089 | | 714 | |
| Total current assets | | | 12,707 | | 16,387 |
| **Assets Held for Sale** | (28) | | 11,435 | | - |
| **Total assets** | | | **34,962** | | **40,531** |

(in thousands of euros)

| | Note | 2013 | | 2012 | |
|---|---|---|---|---|---|
| **Equity** | (20) | | | | |
| Share capital | | 1,919 | | 1,356 | |
| Share premium | | 52,853 | | 48,916 | |
| Retained earnings | | (47,779) | | (41,164) | |
| Translation reserves | | 1,957 | | 2,354 | |
| Equity attributable to owners of the parent | | | 8,950 | | 11,462 |
| Non-controlling interest | | | 38 | | 156 |
| Total equity | | | 8,988 | | 11,618 |
| **Liabilities** | | | | | |
| **Non-current liabilities** | | | | | |
| Borrowings | (21) | 5,242 | | 7,786 | |
| Other liabilities | (21) | 205 | | 956 | |
| Deferred tax liabilities | (16) | - | | 311 | |
| Derivative financial instruments | (24) | - | | 88 | |
| Total non-current liabilities | | | 5,447 | | 9,141 |
| **Current liabilities** | | | | | |
| Borrowings | (21) | 1,654 | | 1,678 | |
| Bank overdraft | | 1,156 | | 2,275 | |
| Trade creditors | | 3,933 | | 12,054 | |
| Accrued expenses | | 2,108 | | 2,273 | |
| Derivative financial instruments | (24) | 25 | | - | |
| Provisions | (22) | 181 | | 247 | |
| Tax and social security | | 35 | | 1,245 | |
| Total current liabilities | | | 9,092 | | 19,772 |
| **Liabilities Held for Sale** | (28) | | 11,435 | | - |
| Total liabilities | | | 25,974 | | 28,913 |
| **Total equity and liabilities** | | | **34,962** | | **40,531** |

(in thousands of euros)

| | Note | 2013 | | 2012 | |
|---|---|---|---|---|---|
| **Cash flow (used in) / provided by operating activities** | | | | | |
| Operating result | | (3,222) | | 506 | |
| Interest received | | 8 | | - | |
| Interest paid | | (239) | | (242) | |
| Income taxes (paid)/repaid | | (205) | | (56) | |
| Depreciation and amortisation | (13/14) | 2,404 | | 2,263 | |
| Joint venture investment impaired | (27) | 827 | | - | |
| Development costs impaired | (13) | 2,121 | | - | |
| | | | 1,694 | | 2,471 |
| Changes in trade and other receivables | | (594) | | 672 | |
| Changes in inventories | | (944) | | (205) | |
| Changes in provisions | | 115 | | 95 | |
| Changes in trade and other payables | | (1,551) | | 149 | |
| Discontinued operations | | (6,442) | | 2,668 | |
| | | | (9,416) | | 3,379 |
| **Cash flow (used in)/ provided by operating activities** | | | **(7,722)** | | **5,850** |
| **Cash flow (used in)/provided by investing activities** | | | | | |
| Investment in intangible fixed assets | (13) | (1,094) | | (1,364) | |
| Investment in tangible fixed assets | (14) | (1,252) | | (2,720) | |
| Proceeds from sale of assets | | 95 | | (42) | |
| Discontinued operations | | (237) | | (1,841) | |
| **Cash flow (used in)/ provided by investing activities** | | | **(2,488)** | | **(5,967)** |
| **Cash flow (used in)/provided by financing Activities** | | | | | |
| Proceeds from share issue | | 4,500 | | 184 | |
| Changes in borrowings and capital lease obligations – gross | | 3,548 | | 8,353 | |
| Changes in borrowings and capital lease obligations - repaid | | (1,182) | | (8,122) | |
| Discontinued operations | | 3,670 | | (602) | |
| **Cash flow (used in)/ provided by financing activities** | | | **10,536** | | **(187)** |
| **Net cash flow for the period** | | | **326** | | **(304)** |
| Foreign currency differences and other changes | | 19 | | 21 | |
| | | | 19 | | 21 |
| **Changes in cash and cash equivalents, including bank overdrafts for the period** | | | **345** | | **(283)** |
| Opening position as at 1 January | | | (412) | | (1,278) |
| Closing position as at 31 December | | | (67) | | (1,561) |
| **The closing position consists of:** | | | | | |
| Cash and cash equivalents | (19) | | 1,089 | | 714 |
| Bank overdraft | | | 1,156 | | 2,275 |
| | | | (67) | | (1,561) |

(in thousands of euros)

| | Share capital | Share premium | Retained Earnings | Translation Reserve | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2012** | **1,356** | **48,916** | **(37,255)** | **2,637** | **15,654** | **78** | **15,732** |
| **Changes in equity for 2012** | | | | | | | |
| Capital Increase | - | - | - | - | - | 184 | 184 |
| Dilution effect of minority interest | - | - | 70 | - | 70 | (70) | - |
| Net profit/(loss) for the year | - | - | (4,092) | - | (4,092) | (36) | (4,128) |
| Other comprehensive income for the year | | | | | | | |
| -Currency translation adjustments | - | - | - | (283) | (283) | - | (283) |
| -Cash flow hedge – fair value (Note 24) | - | - | 97 | - | 97 | - | 97 |
| -Other movements | - | - | 16 | - | 16 | - | 16 |
| Total comprehensive income for the year | - | - | (3,979) | (283) | (4,262) | (36) | (4,298) |
| **Balance at 31 December 2012** | **1,356** | **48,916** | **(41,164)** | **2,354** | **11,462** | **156** | **11,618** |
| **Changes in equity for 2013** | | | | | | | |
| Capital Increase | 563 | 3,937 | - | - | 4,500 | - | 4,500 |
| Net profit/(loss) for the year | - | - | (6,640) | - | (6,640) | (100) | (6740) |
| Other comprehensive income for the year | | | | | | | |
| -Currency translation adjustments | - | - | - | (397) | (397) | - | (397) |
| -Cash flow hedge – fair value (Note 24) | - | - | 25 | - | 25 | - | 25 |
| -Other movements | - | - | - | - | - | (18) | (18) |
| Total comprehensive income for the year | - | - | (6,615) | (397) | (7,012) | (118) | (7,130) |
| **Balance at 31 December 2013** | **1,919** | **52,853** | **(47,779)** | **1,957** | **8,950** | **38** | **8,988** |

Please refer to note 20 for changes in share capital and reserves.

## (1) General information

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 and the Far East; and
- collects or acquires, cleans, processes and resells recycled plastic and derivative products, which are now classified as 'Held for Sale'.

These Financial Statements have been approved for issue by the Board of Management on 29 April 2014 and are subject to approval by the shareholders at the Annual General Meeting of Shareholders. All amounts are in thousands of euros unless stated otherwise.

### Deposit redemption programs

Under deposit redemption programs, the Company is responsible for the operation of systems to redeem, collect, account for and dispose of used beverage containers. In connection with these programs, participating retailers lease or purchase RVMs from the Company. The Company then acts in a clearinghouse capacity to collect deposits and handling fees on redeemed containers from participating beverage distributors and to distribute deposit refunds and handling fees to participating retailers. Accordingly, deposits and handling fees as paid to the participating retailers are not included as revenue and expense in the consolidated financial statements. The Company earns its revenues through leasing and selling machines to retailers and other participants, and through various services provided to distributors and retailers, including container collection, disposition, and accounting services.

### Plastics processing program

The Company operates a plastic processing facility in France, which produces plastic "flake" a product derived from post-consumer plastic beverage containers. The plastic product is sold to various customers for packaging and fibre applications. This plastic processing program has been classified as a discontinued operation. See note 28.

## (2) Summary of significant accounting policies

### Basis of preparation

The consolidated financial statements of Envipco have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (hereafter: IFRS).

Valuation of assets and liabilities and determination of the result takes place under the historical cost convention. Unless presented otherwise at the relevant principle for the specific balance sheet item, assets and liabilities are presented at face value. Income and expenses are accounted for on accrual basis. Profit is only included when realised on the balance sheet date. Losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements. Revenues from goods are recognised upon delivery. The cost of these goods is allocated to the same period. Revenues from services are recognised in proportion to the services rendered. The cost of these services is allocated to the same period.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity are disclosed in note 3.

Adoption of new Standards

*Amendments and Interpretations effective in 2013*

**Changes in accounting policies and disclosures**

The International Accounting Standards Board (IASB) has issued certain International Financial Reporting Standards or amendments thereof, and the IFRIC has issued certain interpretations. The impact of changes, when adopted by the EU, on the Envipco's consolidated financial statements, has been assessed.

*a) New and amended standards adopted by the Group:*

**Amendments to IFRS 7 Disclosures – Offsetting Financial assets and Financial Liabilities**
Requires information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32 Financial Instruments. The amendments also require disclosure: of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. No material impact on Group's financial statements as rthe amendments relate to disclosure requirements.

**IFRS 13 'Fair value measurement'**
Aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. No material impact on Group's financial statements as the methods of measurement used by Envipco already met the new guidance and for the remainder amendments relate to disclosure requirements..

**Amendments to IAS 1 Financial Statement presentation**

Amendment to IAS 1 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially re-classifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. No material impact on Group's financials as the amendments relate to disclosure requirements.

**IAS 19 'Employee Benefits'**

In 2011, the IASB issued the revised IAS 19 'Employee Benefits'. The revised IAS 19 was endorsd by the European Union on 5 June 2012 and will take effect on 1 January 2013. The main change in the revised IAS 19 is the requirement to recognise all actuarial gains and losses immediately. The amendment has no material impact on the financial statements, as the Group has no defined benefit plans in place.

**Annual Improvements 2009-2012 Cycle**

Make amendments to the following standards:
IFRS 1- permit the repeated application of IFRS 1, borrowing costs on certain qualifying assets:
IAS 1- Clarification of the requirements for comparative information:
IAS 16 – Classification of servicing equipment:
IAS 32 – Clarify that tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12 Income Taxes:
IAS 34 – Clarify interim reporting information for total assets in order to enhance consistency with the requirements in IFRS 8 Operating Segments IAS 19 is the requirement to recognize all actuarial gains and losses immediately. The amendment has no material impact on the financial statements, as the Group has no defined benefit plans in place.

These amendments have had no material impact on the financial statements.

*b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2013 and not adopted early by the Group:*

- IFRS 10 'Consolidated financial statements' and IAS 27 'Separate Financial Statements' will take effect on 1 January 2014. IFRS 10 standard requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities. IFRS 10 identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements The standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee As the standard is not expected to change the entities that will be consolidated, this change is not expected to have any impact on the group's financials.

- IFRS 11 'Joint Arrangements' and IAS 28 'Associates and Joint Ventures' will take effect on 1 January 2014. IFRS 11 puts more focus on the rights and obligations of the arrangement than on its legal form. There will only remain two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenues and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures will no longer be allowed. IAS 28 includes the requirements for associates and joint ventures that have to be equity-accounted following the adoption of IFRS 11. The new standard is not expected to have any material impact on the group's financials as the company currently has one joint arrangement, of which the accounting treatment under the current standards is comparable to that under the IFRS 11.

- IFRS 12 'Disclosures of interests in other entities' will take effect on 1 January 2014 and includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. No material impact on group financials is expected as the amendments relate to disclosure requirements.

<u>Amendments to IAS 32 regarding Offsetting Financial Assets and Financial Liabilities</u>
Amends IAS 32 Financial Instruments: Presentation to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:
- the meaning of 'currently has a legally enforceable right of set-off'
- the application of simultaneous realisation and settlement
- the offsetting of collateral amounts
- the unit of account for applying the offsetting requirements.

This change is not expected to have any impact on the group's financials

Some other amendments, interpretations and improvements were made that are not relevant to the group and are expected to have no significant consequences on its financial statements.

### Consolidated cash flow statement
The Group's consolidated statement of cash flows is presented using the indirect method.

The funds in the cash flow statement consist of cash and cash equivalents. Bank overdrafts are included as a component of cash and cash equivalents when the overdrafts are repayable on demand and often fluctuate. Cash flows in foreign currencies are translated at an average rate. Exchange rate differences concerning finances are shown separately in the cash flow statement.

**Consolidation**

**Basis of consolidation**

Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2013.

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions and balances between Group companies are eliminated.

Non-controlling interest:

The total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests.

The consolidated financial statements comprise the financial data of Envipco Holding N.V., Amersfoort, The Netherlands, and the legal seats of the following Group companies:

Envipco Finance Company Limited – London, United Kingdom – 100%
Sorepla Industrie S.A. – Neufchateau, France – 96.62%
Sorepla Technologie S.A. – Reberville, France – 100%
Envipco Automaten GmbH, Westerkappeln, Germany – 100%
Envipco Pickup & Processing Services Inc., Delaware, U.S.A. – 99.85%
Environmental Products Corporation, Delaware, U.S.A. – 99.85%
Environmental Products Recycling Inc., Delaware, U.S.A. – 99.85%
Posada Holding B.V. – Amersfoort, The Netherlands – 100%
Aeromaritime Mediterranean Corporation, Delaware, U.S.A. – 100%
Stichting Employees Envipco Holding, Amersfoort,The Netherlands
Envipco A.S., Oslo, Norway – 100%

Stichting Employees Envipco Holding owns 240,000 shares of Envipco Holding N.V. (EHNV) and is controlled by EHNV. The Board of Stichting Employees Envipco Holding consists of 2 members of the Management Board of Envipco Holding N.V.

The Company is entitled to the benefits from selling these shares and shall compensate all costs and expenses of Stichting Employees Envipco Holding.

The purchase method of accounting is used to account for Business combinations by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired are recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income.

**Segment reporting**

The segments are identified on the basis of internal reports about components of the entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess its performance. Group considers geography and products as its main segments. Management measures geographical segment performance based on the segment's operating result. Similarly the respective assets and liabilities are allocated to the geographical segments. This coincides with the Group's internal organisational and management structure and its internal financial management reporting system. A business segment is a group of operations engaged in providing services or products that are subject to risks and returns that are different from those of other business segments.

**Foreign currencies**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Euros, which is the Company's functional and presentation currency. The subsidiaries that are included in the consolidation have the Euro, US Dollars, UK Sterling Pounds and Norwegian Kroner as their functional currency. Transactions and cash flows in foreign currencies are translated into the functional currency at the rate prevailing when the transaction took place. Related exchange rate differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income.

Balance sheets of entities that have a functional currency other than the Euro are translated using the closing rates at each reporting date. The income statements of such entities are translated at the average rates during the period. The resulting exchange difference is recognised in other comprehensive income in equity. When a foreign entity is sold, such cumulative exchange difference is reclassified in the income as part of the gain or loss on sale. Translation gains and losses on inter-company balances which are in substance a part of the investment in such Group company are also recognised in other comprehensive income. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

**Revenue**

General

Group revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts, allowances for credit notes likely to be sent out, other revenue reducing factors, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, collectability is reasonably assured and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies related to the sale have been resolved. When revenue recognition involves the use of estimates, the Group bases its estimates on historical results taking into consideration the type of client, the type of transaction and the specifics of each arrangement. In the USA, under the Bottle Bill deposit system, one of the subsidiary's billing includes mandatory deposits on the beverage containers which once collected, are passed through to the operators of redemption sites where Envipco machines are used. These pass through amounts are included in receivables and payables but are not recognised as revenues.

Service revenue

The Group's primary service offerings include repairs and maintenance, and pickup and processing. These services are provided on a time and material basis or as a fixed-price contract with contract terms generally ranging from less than one year to three years.

Revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred. Revenue from fixed-price contracts involving managed services is generally recognised in the period the services are provided using a straight-line basis over the term of the contract.

If circumstances arise that may change the original estimates of revenues, costs, or extent of progress toward completion, then revisions to the estimates are made. These revisions may result in increases or decreases in estimated revenues or costs, and such revisions are reflected in income in the period in which management becomes aware of the circumstances that give rise to the revision.

Sale of goods

Revenue from product sales is generally recognised when the product is delivered to the client and when there are no unfulfilled obligations that affect the client's final acceptance of the arrangement. Delivery does not occur until products have been shipped, risk of loss has transferred to the client and client acceptance has been obtained, client acceptance provisions have lapsed, or the Group has objective evidence that the criteria specified in the client acceptance provisions are either perfunctory or have been satisfied.

Leasing revenue

Revenues from product lease are recognised over the term of the lease, which are classified as operational leases.

**Cost of revenue**

Cost of revenue includes all direct material and labour costs and those indirect costs related to contract performance, such as indirect labour, supplies, housing and depreciation costs. The Group performs ongoing profitability analysis of its service contracts in order to determine whether the latest estimates - revenues, costs and profits - require updating. If, at any time, these estimates indicate that a contract will be unprofitable, the entire estimated loss for the remainder of the contract is recorded immediately and presented as losses on contracts under provisions.

**Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the income on a straight-line basis over the period of the lease.

Leases where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased asset or the present value of the minimum lease payment. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the income over the lease period using the effective interest method. Assets acquired under finance leases are depreciated over the shorter of their useful life or the lease term.

**Deferred tax**

Deferred income tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a Business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

**Intangible assets**

All intangible assets have finite lives based on their economic use except for Goodwill. The intangible assets with finite lives are amortised using the straight line method. The useful life is estimated at 5-7 years.

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired company at the date of acquisition and is carried at cost less accumulated impairment losses. Goodwill is tested annually for impairment. An impairment loss is recognised for the amount by which the goodwill of a cash generating unit exceeds its recoverable amount.
The recoverable amount is the higher of the cash generating unit's fair value less costs to sell and value in use. Impairment testing of goodwill is performed at the level of the cash generating units, which is the smallest identifiable group of assets to independently generate cash flows. For the group, the smallest cash generating units comprise the activities of one single country. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

(b) Patents, licenses and concessions

Patents are acquired intangible assets and are measured initially at cost on the acquisition date. They are amortised using the straight-line method based on the estimated useful lives of 5-7 years.

Concessions relate to RVM distribution rights in the USA Midwest market for three years.

(c) Research and development

Research costs are recognised as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the Group are recognised as intangible assets when the following criteria are met:
– it is technically feasible to complete the product so that it will be available for use;
– management intends to complete the product and use or sell it;
– there is an ability to use or sell the product;
– it can be demonstrated how the product will generate probable future economic benefits;
– adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
– the costs attributable to the product during its development can be reliably measured.

The capitalised development cost is amortised when the asset becomes available for use. Once the asset is completely developed, it is amortised over the estimated useful life, which is 5-7 years.

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

**Property, plant and equipment**

Property, plant and equipment are valued at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent expenditures that extend the asset's useful life are capitalised. Subsequent expenditures that extend the asset's useful life are capitalised. Expenditures for repairs and maintenance are expensed when incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values, based on the estimated useful lives of such assets.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Assets under construction will be depreciated once the assets are complete and available for use.

Depreciation is based on the estimated useful lives of assets as follows:

| | |
|---|---|
| Buildings | 25-40 years |
| Plant and machinery | 3-10 years |
| Vehicles and equipment | 3-8 years |

**Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other highly liquid investments with original maturities of three months or less.

**Trade receivables**

Trade receivables are recognised initially at fair value, which is generally the face value, and subsequently carried at amortised cost less provision for impairment. Impairment provisions for credit losses are recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

**Inventory**

Product inventory is valued at the lower of cost or net realisable value based on first in first out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Spare parts inventory is valued at the lower of historical cost, or net realisable value. Appropriate consideration is given to excessive inventory levels, product deterioration and other factors when establishing the net realisable value.

**Derivative financial instruments and hedging activities**

*IFRS 13 fair value measurement hierarchy*

IFRS 13 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

(a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
(b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
(c) hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items. The Group also documents its assessment both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of derivative instruments used for hedging purposes are disclosed in note 24. Movements on the hedging reserve in shareholders' equity are shown in consolidated statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised as other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss account.

Amounts accumulated in equity are recycled in the profit or loss account in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the statement of comprehensive income within finance income or expense. The gain or loss relating to the ineffective portion, if any, is recognised in the profit or loss within other income.

**Equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

The Company records purchases of its own ordinary shares (treasury shares) under the cost method whereby the entire cost of the acquired shares is deducted from equity until the shares are cancelled, reissued or disposed of.

Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity.

**Provisions**

The group recognises provisions for liabilities of uncertain timing or amount including those for onerous leases, warranty claims, leasehold dilapidations and legal disputes. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date, discounted at a pre-tax rate reflecting current market assessments of the time value of money and risks specific to the liability. In the case of leasehold dilapidations, the provision takes into account the potential that the properties in question may be sublet for some or all of the remaining lease term.

**Borrowings**

Borrowings are recognised initially at fair value and subsequently stated at amortised cost.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Transaction costs have been shown as a deduction from the long term debt (See note 21).

**Trade creditors and other current liabilities**

Trade payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost.

**Employee benefit plans**

The Group subsidiaries sponsor employee benefit plans which cover substantially all of their employees. Such plan is referred to as defined contribution. A defined contribution plan is a plan under which the Group companies pay fixed contributions into a separate entity. Under defined contribution plans, the Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, Envipco pays contributions to publically or privately administered funds or insurance companies. Contributions are generally based on fixed amounts of eligible compensation and the cost for such plans is recognised based on employee service.

**Government grants**

Government grants received on capital expenditure are generally deducted in arriving at the carrying amount of the asset purchased. Grants for revenue expenditure are netted against the cost incurred by the Group. Where retention of a grant is dependent on the Group satisfying certain criteria, it is initially recognised as deferred income. When the criteria for retention have been satisfied, the deferred income balance is released to the consolidated income statement or netted against the asset purchased.

**Deferred income**

In some of the Group’s services contracts, the Group bills the client prior to performing the services resulting in the recognition of deferred income on the consolidated balance sheet.

## (3) Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including estimates and assumptions concerning the future that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The main areas for which the use of different estimates and assumptions could cause material adjustment to the carrying amounts of assets and liabilities are discussed below.

### Legal proceedings

The Group reviews outstanding legal cases following developments in the legal proceedings and at each reporting date, in order to assess the need for provisions and disclosures in its financial statements. Among the factors considered in making decisions on provisions are the nature of litigation, claim or assessment, the legal process and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought, the progress of the case (including the progress after the date of the financial statements but before those statements are issued), the opinions or views of legal advisers, experience on similar cases and any decision of the Group's management as to how it will respond to the litigation, claim or assessment.

### Income taxes

The Group is subject to income tax in several jurisdictions and significant judgment is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the company recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when, despite the company's belief that its tax return positions are supportable, the company believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. The company believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

### Other contingencies

The French recycling business suffered a major setback in October 2012 due to a trade union employee strike which affected all production during the month. The striking employee demands for pay increases and benefits were far outside the Company's ability to address, which forced management to file for “procedure de sauvegarde” court protection on 31 October 2012. The company emerged from court protection on 4 December 2013 and has received significant additional funding from the parent to cover part of the losses in the period after the employee strike. Subsequently, the management board has implemented its decision to divest this segment and as such the French recycling business is now classified as a discontinued operation and is included as “Held for sale” as of 31 December 2013. The assets and liabilities are stated at the lower of its carrying amount and expected fair values less costs to sell (See Note 28).

### Deferred tax valuation

The Group recognises deferred tax assets for loss carry-forwards and deductible temporary differences, estimating the amount of future taxable profit that will be probable, against which the loss carry-forwards and deductible temporary difference can be utilised (Note 16).

**Goodwill impairment testing**

The Group is required to test, on an annual basis whether goodwill has suffered any impairment. The recoverable amount is determined based on value-in-use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. More information including carrying values is included in note 13.

**Allowance for inventory obsolescence**

All RVM parts inventory is valued at the lower of cost and net realisable value. For repaired inventory, the estimated value has been assessed at 50% of cost.

**Intangible assets**

The Group amortises its intangible assets, except for Goodwill, over the contracted term or their expected useful lives which are as follows:

| | |
|---|---|
| Patents, licenses and concessions | 5-7 years with the exception of a concession, whose useful life is 3 years and as such it is being amortised over the contracted term. |
| Capitalised development costs | 5-7 years |

The capitalisation and potential impairments of self generated research and development is amongst others based on estimates of future recovery.

**Property, plant and equipment**

The Group estimates useful lives of its assets as follows:

| | |
|---|---|
| Buildings | 25-40 years |
| Plant and machinery | 3-10 years |
| Vehicles and equipment | 3-8 years |

## (4) Capital management

The Group's capital consists of its net equity and long term loans. Management monitors and assesses the capital requirements for the Group and ensures that enough funding is available to meet the working capital requirements and also for the future business development. To raise funding, the Group considers both committed credit lines and equity contributions.

One of the Group's subsidiaries has to comply with certain financial covenants under its loan agreement, details of which are given in note 21. The Group's current funding requirements have been met from operations, the capital increase received during 2013 (refer to note 20 for details) and from the committed credit lines.

## (5) Financial Risk Management

The Group has exposure to Credit, Liquidity and Market risks on the financial instruments used by it. The Board of Directors has the overall responsibility to monitor and manage these risks.

### Credit risk

Credit risk arises from the possibility of asset impairment occurring because counterparties are not able to meet their obligations in transactions mainly involving trade receivables. While the Group's trade receivables are mostly exposed to credit risk, the exposure to concentrations of credit risk is limited due to the diverse geographic areas and industries covered by its operations. One of the Group's subsidiaries in the USA has an exposure to credit risk and is dependent on two major customers (see table below) for its sales and receivables in 2013 for 39% of its revenues and 18% of its receivables and in 2012, 40% of its revenues and 18% of receivables. In the normal course of business, the Group provides credit to clients, provides credit evaluations of these clients, and maintains an impairment provision for credit losses. Cash and cash equivalents are held with reliable counterparties.

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Revenue | Accounts receivable | Revenue | Accounts receivable |
| Concentration of credit risk | | | | |
| Customer 1 | 21% | 9% | 21% | 9% |
| Customer 2 | 18% | 9% | 19% | 9% |
| Others | 61% | 72% | 60% | 72% |
| | | | | |
| Total | 100% | 100% | 100% | 100% |

European receivables are monitored periodically and the USA operations manage receivables though a system of deposit accounting where Envipco acts as a clearing house for services provided and not on RVM sales, but disburses funds to customers only after collections have been made from its receivables.

The carrying amount of financial assets represents the maximum credit exposure. This maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was:

| | | €'000 Current | €'000 31-60 Days | €'000 61-90 Days | €'000 >90 Days | €'000 TOTAL |
|---|---|---|---|---|---|---|
| **2013** | Europe | 217 | - | - | - | 217 |
| | United States | 4,376 | 1,055 | 148 | 69 | 5,648 |
| | | **4,593** | **1,055** | **148** | **69** | **5,865** |
| **2012** | Europe | 693 | 625 | 833 | 71 | 2,222 |
| | United States | 3,701 | 1,039 | 258 | 1 | 4,999 |
| | | **4,394** | **1,664** | **1,091** | **72** | **7,221** |

## Liquidity risk

Liquidity risk arises from the possibility that the Group may encounter difficulty in meeting its obligations as they fall due. The Group's policy is to ensure, as far as possible, that it will always have sufficient liquidity to meet its obligations in a timely manner. The executive directors follow prudent liquidity risk management by maintaining sufficient cash, enforcing strict credit policy and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

Liquidity is managed by invoice factoring in Europe and closely pursuing receivable collections in the USA and also by keeping the committed credit lines in place. The following are the Group's contractual maturities of financial liabilities:

| | | €'000<br>In 1 Year | €'000<br>1-2 Years | €'000<br>2-5 Years | €'000<br>> 5 Years | €'000<br>TOTAL |
|---|---|---|---|---|---|---|
| **2013** | **Europe** | | | | | |
| | Operational leases & payables | 946 | - | - | - | 946 |
| | **United States** | | | | | |
| | Operational leases & payables | 7,069 | 272 | 327 | - | 7,668 |
| | Bank debt & finance leases | 552 | 6,281 | - | - | 6,833 |
| | **Total** | **8,567** | **6,553** | **327** | **-** | **15,447** |
| | Off-balance sheet | (309) | (272) | (327) | | (908) |
| | | **8,258** | **6,281** | **-** | **-** | **14,539** |
| **2012** | **Europe** | | | | | |
| | Operational leases & payables | 12,023 | - | - | - | 12,023 |
| | Bank debt & finance leases | 1,775 | 3,857 | - | 308 | 5,940 |
| | **United States** | | | | | |
| | Operational leases & payables | 7,082 | 427 | 401 | - | 7,910 |
| | Bank debt & finance leases | 580 | 3,558 | - | - | 4,138 |
| | **Total** | **21,460** | **7,842** | **401** | **308** | **30,011** |
| | Off-balance sheet | (359) | (338) | (401) | - | (1,098) |
| | | **21,101** | **7,504** | **-** | **308** | **28,913** |

The Group's current assets at 31 December 2013 amounted to €13,615,000 (2012: €17,485,000) including off balance sheet deferred lease revenue of €908,000 in 2013 and €1,098,000 in 2012.

## Market risk

Market risk arises from the fact that the value of financial instruments may be positively or negatively affected by fluctuating prices on the financial markets. Market risk includes currency risk, fair value interest rate risk, and price risk.

### Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to exchange rate fluctuations. Exposure to currency risks arises primarily when receivables and payables are denominated in a currency other than the operating company's local currency. In addition, the Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. The Group manages its currency risk by closely monitoring the currency fluctuations and does not hedge its currency risk.

### Sensitivity analysis

A 5% strengthening of US Dollar against the Euro would have reduced the loss after tax by €165,000 (2012: €130,000) and would result in net increase in equity of €165,000 (2012: €130,000) and a 5% decline in US Dollar against the Euro would have had an equal but opposite effect on the basis that all other variables remain constant.

### Interest rate risk

The Group's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group tries to minimize its interest rate risk by negotiating a fixed interest rate for the borrowings and by applying hedging on interest rate swaps. A reduction of 0.25% in interest rates would have decreased the loss after tax by €58,000 (2012: increased the loss by €17,000) and increased the equity by €1,000 (2012: reduced by €13,000) and an increase of 0.25% in interest rate would result in an equal but opposite effect with other factors remaining constant.

Price risk

The Group does not have an exposure to price risk.

## (6) Segment information

Envipco considers geography and products as its main segments. Management measures geographical segment performance based on the segment's operating result. Similarly the respective assets and liabilities are allocated to the geographical segments. The segments are identified on the basis of internal reports about components of the entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess its performance. The Group's main continuing operations relate to its core activity of Recycling. This activity has a single main operating segment – RVMs. The RVMs business segment includes operations in the USA and Germany due to compactor sales to a single new customer. The non-operating segments include the Holding company and the research and development facility in the USA (2013) and in Germany (2012) and rest of the non-active Group entities. Segment information for continuing operations is presented by geographical areas where a segment is based. Following the implementation of the board's decision to divest the plastics recycilng operation, it has been classified as "Held for Sale". Segment information of the main operating segment is detailed below:

| (in thousands of euros) | | | 2013 | | | 2012 |
|---|---|---|---|---|---|---|
| | Europe | North America | Total | Europe | North America | Total |
| **Revenues** | | | | | | |
| Continuing operations – Recycling - RVM | | | | | | |
| Sale of goods | 859 | 2,368 | 3,227 | 1,401 | 2,268 | 3,669 |
| Service revenue | - | 13,040 | 13,040 | - | 14,713 | 14,713 |
| Leasing revenue | - | 6,878 | 6,878 | - | 7,483 | 7,483 |
| **Total** | **859** | **22,286** | **23,145** | **1,401** | **24,464** | **25,865** |

| | | | 2013 | | | 2012 |
|---|---|---|---|---|---|---|
| | Europe | North America | Total | Europe | North America | Total |
| **Gross assets** | | | | | | |
| Continuing operations – Recycling - RVM | 282 | 19,777 | 20,059 | 268 | 18,916 | 19,184 |
| Non-operating segments | 3,468 | - | 3,468 | 4,824 | - | 4,824 |
| Discontinued operations | 11,435 | - | 11,435 | 16,523 | - | 16,523 |
| **Total** | **15,185** | **19,777** | **34,962** | **21,615** | **18,916** | **40,531** |

RVM segment assets in North America include €0 (2012:710,000) of assets of a joint venture (See note 27).

## (6) Segment information (continued)

| Segment Results | 2013 Europe | 2013 North America | 2013 Total | 2012 Europe | 2012 North America | 2012 Total |
|---|---|---|---|---|---|---|
| Continuing operations – Recycling - RVM | 130 | (841) | (711) | (477) | 2,138 | 1,661 |
| Non-operating segments | (2,621) | - | (2,621) | (947) | - | (947) |
| Discontinued Operations | (3,308) | | (3,308) | (4,806) | - | (4,806) |
| **Total** | **(5,799)** | **(841)** | **(6,640)** | **(6,230)** | **2,138** | **(4,092)** |

RVM segment results in North America include €395,000 of charges (2012: €449,000) for joint venture costs.
Due to plastics recycling segment being shown as “Held for Sale”, the 2012 comparative figures have been restated.

| Gross Liabilities | 2013 Europe | 2013 North America | 2013 Total | 2012 Europe | 2012 North America | 2012 Total |
|---|---|---|---|---|---|---|
| Continuing operations – Recycling – RVM | 179 | 13,047 | 13,226 | 388 | 10,950 | 11,338 |
| Non-operating segments | 1,313 | - | 1,313 | 1,443 | - | 1,443 |
| Discontinued operation | 11,435 | - | 11,435 | 16,132 | - | 16,132 |
| **Total** | **12,927** | **13,047** | **25,974** | **17,963** | **10,950** | **28,913** |

| Cost of Property, Plant & Equipment and Intangibles Additions | 2013 Europe | 2013 North America | 2013 Total | 2012 Europe | 2012 North America | 2012 Total |
|---|---|---|---|---|---|---|
| Continuing operations – Recycling - RVM | 4 | 1,703 | 1,707 | 7 | 2,720 | 2,727 |
| Non-operating segments | 1,094 | - | 1,094 | 1,357 | - | 1,357 |
| **Total** | 1,098 | 1,703 | 2,801 | 1,364 | 2,720 | 4,084 |

| Depreciation & Amortisation Expense | 2013 Europe | 2013 North America | 2013 Total | 2012 Europe | 2012 North America | 2012 Total |
|---|---|---|---|---|---|---|
| Continuing operations – Recycling - RVM | 23 | 1,798 | 1,821 | 23 | 1,853 | 1,876 |
| Non-operating segments | 583 | - | 583 | 387 | - | 387 |
| Development costs impaired | 2,121 | - | 2,121 | - | - | - |
| **Total** | 2,727 | 1,798 | 4,525 | 410 | 1,853 | 2,263 |

### 6) Segment information (continued)

RVM segment leasing depreciation of €1,264,000 (2012: €1,231,000) in North America is included in cost of revenue.

There were no non-cash expenses other than depreciation and amortisation such as provisions.

There were no associates or joint ventures where equity accounting was required.

### (7) Expenses

### Selling expenses

Selling expenses consist of costs associated with market development, marketing and promotions and trade shows.

### General and administrative expenses

General and administrative expenses include depreciation expenses for an amount of €948,000 (2012: €838,000), research and development costs of €492,000 incurred by US subsidiary (2012: €533,000 by German subsidiary), payments made under operating leases of €279,000 (2012: €406,000), and bad debt credit of €361,000 (2012: €0). The fee paid to the Group's auditor for the following services is included in general expenses and can be specified as follows:

BDO, Netherlands

| | 2013 | 2012 |
|---|---|---|
| | €'000 | €'000 |
| Other services | - | 9 |
| Audit fee | 103 | 85 |
| | **103** | **94** |

### (8) Other income/(expenses)

Other expenses included losses due mainly to provisions made by a subsidiary against an investment in jointly controlled assets of €827,000 (2012: €0). Other income consists of sundry income of €65,000 from the German RVM operation (2012: US expense of €91,000) during the year. See notes 27 and 28.

### (9) Employee benefit expense

| | 2013 | 2012 |
|---|---|---|
| | €'000 | €'000 |
| Salaries | 6,740 | 7.092 |
| Social security expenses | 443 | 414 |
| Pension expenses | 33 | 33 |
| | **7,216** | **7,539** |

| | 2013 | 2012 |
|---|---|---|
| Average number of employees | | |
| Continuing operations | | |
| North America | 123 | 121 |
| Europe | 9 | 13 |
| Total | **132** | **134** |

## (9) Employee benefit expense (continued)

**Remuneration of the Management Board**

The remuneration of the Management Board charged to the result in 2013 was €900,000 (2012: €648,000) and can be specified as follows:

| (in thousands of euros) | Salary/fee | Social cost | Pension | Total |
|---|---|---|---|---|
| **2013** | | | | |
| B. Santchurn | 454 | 9 | 3 | 466 |
| C. Crepet | 162 | 81 | 11 | 254 |
| G. Garvey | 137 | - | - | 137 |
| T.J.M. Stalenhoef | 33 | - | - | 33 |
| G. Lefebvre | 10 | - | - | 10 |
| A. Bouri | - | - | - | - |
| D. D'Addario | - | - | - | - |
| Total | 796 | 90 | 14 | 900 |
| **2012** | | | | |
| B. Santchurn | 363 | - | 3 | 366 |
| C. Crepet | 138 | 31 | 36 | 205 |
| G. Garvey | 47 | - | - | 47 |
| T.J.M. Stalenhoef | 20 | - | - | 20 |
| G. Lefebvre | 10 | - | - | 10 |
| A. Bouri | - | - | - | - |
| D. D'Addario | - | - | - | - |
| Total | 578 | 31 | 39 | 648 |

## (10) Financial expense and income

The financial expense and income are fully in respect of loans and receivables. No differences in interest expense were recognised using the effective interest rate method and the actual interest paid.

## (11) Income taxes

### Effective tax rate

Envipco operates in several jurisdictions with varied local statutory income tax rates. This causes a difference between the average statutory income tax rate and The Netherlands tax rate of 25%. The following table reconciles income taxes based on the Group's weighted average statutory income tax rate and the Group's income tax benefit from continuing operations:

Reconciliation between the company's effective tax rate and the statutory income tax rate in The Netherlands, which currently is 25%, can be specified as follows:

## (11) Income taxes (continued)

| | | 2013 | | 2012 |
|---|---|---|---|---|
| | | €'000 | | €'000 |
| Profit/(loss) before tax | | (3,467) | | 398 |
| Taxation (charge)/credit @ statutory rate | 25% | 867 | 25% | (100) |
| Tax (charge) credit for different statutory tax rates on foreign subsidiaries | | 8 | | 7 |
| Effect of unused losses for which no deferred tax asset has been recognised | | (536) | | 944 |
| Effect of recognising deferred tax asset for which previously no tax has been recognised (USA) less reversal Germany | | (205) | | (532) |
| Effective income tax | | **134** | | **319** |

None of the items of other comprehensive income is included in income taxes.

Current and deferred tax income/ (expense)

| | 2013 | 2013 | 2012 | 2012 |
|---|---|---|---|---|
| | €'000 This Period | €'000 **Total** | €'000 This period | **€'000 Total** |
| Current | | | | |
| - Germany | - | **-** | - | **-** |
| - USA | (71) | **(71)** | (171) | **(171)** |
| | (71) | **(71)** | (171) | **(171)** |
| Deferred | | | | |
| - Germany | | | (93) | **(93)** |
| - USA | 205 | **205** | 583 | **583** |
| | 205 | **205** | 490 | **490** |
| **Total** | 134 | **134** | 319 | **319** |

Tax losses, where no deferred tax has been recognised totaling €28,614,000 (2012: €23,490,000), of which €284,000 in the year 2015 and €27,102,000 in the years 2017 through 2025, €580,000 in the year 2027, €368,000 in the year 2028, €114,000 in the year 2031 and €166,000 in the year 2033.

## (12) Earnings per share

The numerator for both basic and fully diluted net result per ordinary share (earnings per share or EPS) is net result attributable to holders of ordinary shares. The denominator for basic EPS is the number of ordinary shares outstanding during the year, excluding ordinary shares held as treasury shares. The fully diluted EPS is same as the basic EPS.

## (12) Earnings per share (continued)

The net result per ordinary share has been calculated according to the following schedule:

| | 2013 | 2013 | 2013 | 2012 | 2012 | 2012 |
|---|---|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| | Continuing Operations | Discontinued Operation | Total Operations | Continuing operations | Discontinued Operation | Total operations |
| **Numerator** | | | | | | |
| Profit/(loss) for the year and earnings used in basic EPS | (3,332) | (3,308) | (6,640) | 714 | (4,806) | (4,092) |
| Earnings/(loss) used in basic and diluted EPS | **(3,332)** | **(3,308)** | **(6,640)** | **714** | **(4,806)** | **(4,092)** |
| **Denominator** | | | | | | |
| | '000 | | '000 | '000 | | '000 |
| Weighted average number of shares used in basic EPS | 2,848 | | 2,848 | 2,473 | | 2,473 |
| Weighted average number of shares used in diluted EPS | 2,848 | | 2,848 | 2,473 | | 2,473 |

Basic and diluted earnings (loss) per share for 2013 and 2012 have been calculated using the weighted-average number of current ordinary shares of 2,847,607 and 2,472,607 (exclusive of 240,000 treasury shares) respectively. A total of 1,125,000 shares were issued during the year. Treasury shares have been deducted to calculate the outstanding shares.

## (13) Intangible assets

| (in thousands of euros) | Goodwill | Patents, licenses & concessions | Development costs | Total |
|---|---|---|---|---|
| **At 1 January 2012** | | | | |
| Cost | 137 | 791 | 3,361 | 4,289 |
| Accumulated amortisation | - | (143) | (225) | (368) |
| Net carrying amount | **137** | **648** | **3,136** | **3,921** |
| **Changes to net carrying amount in 2012** | | | | |
| Additions | - | 35 | 1,331 | 1,366 |
| Disposals | - | (66) | - | (66) |
| Amortisation | - | (188) | (281) | (469) |
| Currency translation differences | (3) | 80 | - | 77 |
| Reclassification - cost | - | 325 | (61) | 264 |
| Reclassification – depreciation | - | (363) | 99 | (264) |
| Total changes in 2012 | **(3)** | **(177)** | **1088** | **908** |
| **At 31 December 2012** | | | | |
| Cost | 134 | 1,165 | 4,631 | 5,930 |
| Accumulated amortisation and impairment | - | (694) | (407) | (1,101) |
| Net carrying amount | **134** | **471** | **4,224** | **4,829** |
| **Changes to net carrying amount in 2013** | | | | |
| Additions | - | 32 | 1,062 | 1,094 |
| Disposals | - | (48) | - | (48) |
| Amortisation | - | (185) | (471) | (656) |
| Development costs impaired | | (135) | (1,986) | (2,121) |
| Currency translation differences | (5) | (5) | - | (10) |
| Reclassification  cost to held for sale | - | (46) | - | (46) |
| Reclassification depreciation to held for sale | - | 37 | - | 37 |
| Reclassification – transaction cost 2012 reversed | | 67 | | 67 |
| Total changes in 2013 | **(5)** | **(283)** | **(1,395)** | **(1,683)** |
| **At 31 December 2013** | | | | |
| Cost | 129 | 1,098 | 5,693 | 6,920 |
| Accumulated amortisation and impairment | - | (910) | (2,864) | (3,774) |
| Net carrying amount | **129** | **188** | **2,829** | **3,146** |

### Goodwill

No impairment charges were recognised on any goodwill during the period. All goodwill as per 31 December 2013 and 2012 relates to goodwill of one Cash Generating Unit in the RVM segment, which was tested for any impairment, based on its value in use, by using present value of discrete cash flows for next three years and the present value of the terminal cash flow with the following assumptions: cost of capital 10.44%, working capital requirement 10% of revenue and terminal cash flow growth rate of 2.5%.

## (13) Intangible assets (continued)

### Concessions

A concession with a net book value €32,000 (2012: €97,000) relates to a three year exclusive RVM Distributor Agreement in Michigan, USA, including assignment of certain chain account relationships and contracts. The amount is being amortised over the term of the contract. All other concessions are being amortised with a useful life of 5 – 7 years.

### Development costs

All capitalised development costs relate to internally developed assets in respect of new product range namely U48, Flex, Ultra HDS, new compactor and bulk volume solutions for the existing and new markets. All materials, labour and overhead costs directly attributable to these projects have been capitalised. €1,062,000 (2012: €1,331,000) of the development costs was capitalised in 2013. Fully developed assets are amortised over their expected useful lives, which are between 5-7 years. The largest individual asset included in the development cost has a book value of €1,951,000 (2012: €1,314,000). Management reviewed the capitalised development costs as of 31 December 2013 and decided to write off €2,121,000 where it appeared these projects will not generate adequate future revenues.

Key projects under development during 2013 included U48, Ultra HDS.

## (14) Property, plant and equipment

| (in thousands of euros) | Reverse vending machines | Land & buildings | Plant & machinery | Vehicles & equipment | Total |
|---|---|---|---|---|---|
| **At 1 January 2012** | | | | | |
| Cost | 13,646 | 7,265 | 18,530 | 1,472 | 40,913 |
| Accumulated depreciation | (9,644) | (3,605) | (8,673) | (1,134) | (23,056) |
| Net carrying amount | **4,002** | **3,660** | **9,857** | **338** | **17,857** |
| **Changes to net carrying amount in 2012** | | | | | |
| Additions | 2,362 | 469 | 1,700 | 119 | 4,650 |
| Disposals | (388) | (1) | (316) | - | (705) |
| Depreciation | (1,231) | (454) | (1,822) | (155) | (3,662) |
| Currency translation | (100) | (43) | 21 | (6) | (128) |
| Reclassifications – cost | (4,457) | 67 | 100 | (100) | (4,390) |
| Reclassifications - depreciation | 4,457 | (67) | (100) | 100 | 4,390 |
| Total changes in 2012 | **643** | **(29)** | **(417)** | **(42)** | **155** |
| **At 31 December 2012** | | | | | |
| Cost | 11,063 | 7,757 | 20,035 | 1,485 | 40,340 |
| Accumulated depreciation | (6,418) | (4,126) | (10,595) | (1,189) | (22,328) |
| Net carrying amount | **4,645** | **3,631** | **9,440** | **296** | **18,012** |
| **Changes to net carrying amount in 2013** | | | | | |
| Additions | 1,410 | 9 | 435 | 86 | 1,940 |
| Disposals/transfers to inventory | (449) | - | (144) | (22) | (615) |
| Depreciation | (1,264) | (431) | (1,450) | (158) | (3,303) |
| Currency translation | (173) | (36) | (45) | (6) | (260) |
| Reclassification cost to held for sale | - | (6,370) | (16,864) | (84) | (23,318) |
| Reclassification depreciation to held for sale | - | 4,074 | 10,205 | 56 | 14,335 |
| Total changes in 2013 | **(476)** | **(2,754)** | **(7,863)** | **(128)** | **(11,221)** |
| **At 31 December 2013** | | | | | |
| Cost | 11,851 | 1,360 | 3,417 | 1,459 | 18,087 |
| Accumulated depreciation | (7,682) | (483) | (1,840) | (1,291) | (11,296) |
| Net carrying amount | **4,169** | **877** | **1,577** | **168** | **6,791** |

## (14) Property, plant and equipment (continued)

Plant and machinery includes €75,000 (2012: €150,000) for assets which are under construction.

## (15) Long term deposits

| | 2013 | 2012 |
|---|---|---|
| | €'000 | €'000 |
| Schedule of movement | | |
| At beginning of year | 697 | 377 |
| Additions | - | 320 |
| Releases | (555) | - |
| At end of year | **142** | **697** |

Other non-current assets

| | 2013 | 2012 |
|---|---|---|
| | €'000 | €'000 |
| Deposits with suppliers and vendors | 142 | 697 |
| | **142** | **697** |

## (16) Deferred tax

| | 2013 | 2013 | 2013 | 2013 | 2013 |
|---|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 | €'000 |
| | | | | (Charge)/credit | (Charge)/credit |
| | Asset | Liability | Net | profit & loss | Equity |
| Recognised tax asset for unused losses | 741 | | 741 | 205 | - |
| At 31 December 2013 | **741** | **-** | **741** | **205** | **-** |

| | 2012 | 2012 | 2012 | 2012 | 2012 |
|---|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 | €'000 |
| | | | | (Charge)/credit | (Charge)/credit |
| | Asset | Liability | Net | profit & loss | Equity |
| Recognised tax assets for unused losses | 606 | (311) | 295 | 490 | - |
| At 31 December 2012 | **606** | **(311)** | **295** | **490** | **-** |

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax relates to the same fiscal authority.

Tax losses, where no deferred tax has been recognised totaling €28,614,000 (2012: €23,490,000), of which €284,000 in the year 2015 and €27,102,000 in the years 2017 through 2025, €580,000 in the year 2027, €368,000 in the year 2028, €114,000 in the year 2031 and €166,000 in the year 2033.

## (17) Inventory

| | 2013 | 2012 |
|---|---|---|
| | €'000 | €'000 |
| Finished goods | 1,641 | 2,489 |
| Raw material and parts | 5,030 | 6,316 |
| Work in progress | 22 | 841 |
| Provision for obsolescence | (940) | (1,194) |
| Inventory | **5,753** | **8,452** |

In 2013 inventory usage amounting to €8,408,000 (2012: €9,565,000) has been included in the cost of revenue.

Finished goods are valued at lower of cost and net realisable value. Cost includes material cost, direct labour and overheads. Raw material and parts are valued at lower of cost and net realisable value. Cost includes purchase cost and cost of bringing the part to its present location. Work in progress is valued including direct material cost and a proportion of direct labour and overheads.

Estimates of net realisable value of inventory are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. As such estimates are continuously evaluated and it is common that in the normal course of business, circumstances that previously caused inventories to be written down below cost no longer exist resulting in reversals of write-downs.

**Schedule of movement of provision for obsolescence**

| | 2013 | 2012 |
|---|---|---|
| | €'000 | €'000 |
| At beginning of period | 1,194 | 865 |
| Additions | 32 | 329 |
| Release of provision | (286) | - |
| At end of period | **940** | **1,194** |

The increase/ (decrease) in provisions relating to raw materials is effected through cost of revenue.

## (18) Trade and other receivables

| | 2013 | 2012 |
|---|---|---|
| | €'000 | €'000 |
| Trade receivables | 4,728 | 7,049 |
| Other receivables | 501 | 86 |
| Prepaid expenses | 636 | 86 |
| Trade and other receivables | **5,865** | **7,221** |

## (18) Trade and other receivables (continued)

Estimates of the recoverability of trade receivables are based on the most reliable evidence available at the time the estimates are made. As these estimates are continuously evaluated, it is common that in the normal course of business, circumstances that previously caused trade receivables to be impaired no longer exist resulting in reversals of impairment charges. Trade receivables are shown net of bad debt provisions of €2,893,000 and €3,679,000 at the end of years 2013 and 2012 respectively.

| Schedule of movement of provision for bad debts | 2013 | 2012 |
|---|---|---|
| | €'000 | €'000 |
| At beginning of period | 3,679 | 4,525 |
| Additions | 91 | - |
| Release of provision | (386) | (783) |
| Translation adjustment | (491) | (63) |
| At end of period | **2,893** | **3,679** |

## (19) Cash and cash equivalents

| | 2013 | 2012 |
|---|---|---|
| | €'000 | €'000 |
| Cash at bank and in hand | 1,089 | 714 |
| Cash and cash equivalents | **1,089** | **714** |

The cash balances are at the free disposal of the Company except for €2,000 (2012: €3,000) relating to the investment in jointly controlled assets (note 27).

## (20) Shareholders' equity

**Share Capital**

**Authorised and Issued Share Capital**

| | 2013 Ordinary Shares | 2012 Ordinary Shares |
|---|---|---|
| Number of authorised shares | 8,000,000 | 8,000,000 |
| Authorised share capital | € 4,000,000 | € 4,000,000 |
| Number of issued shares on 1 Jan | 2,712,607 | 2,712,607 |
| Shares issued during the year | 1,125,000 | 0 |
| Number of shares on 31 Dec | 3,837,607 | 2,712,607 |
| Issued share capital | € 1,918,803.50 | € 1,356,303.50 |
| Nominal value | € 0.50 | € 0.50 |

New shares of 1,125,000 were issued during the year at €4.00 per share increasing the nominal capital by €562,500 and share premium by €3,937,500. €3,000,000 of the majority shareholder's debt was converted to equity (see note 26) as part of the subscription and the remainder of €1,500,000 was subscribed for by the management board and senior executives towards the capital increase,

Stichting Employees Envipco Holding holds 240,000 treasury shares of the Company at a nominal value of €0.50, which are treated as treasury shares.

There is one vote for each ordinary share.

### Share premium reserve

For full detailed movements in share premium reserve please refer to the consolidated statement of changes in equity on Page 19.

### Retained earnings

At the Company's Annual General Meeting of the Shareholders it will be proposed to include the 2013 net result to retained earnings.

### Translation reserve

Group entities, whose functional currency is other than Euro, the Group's reporting currency, are translated using closing rates for balance sheets and average rates for income statements. The resulting difference is recognised as translation reserve in equity.

## (21) Non-current liabilities

| | 2013 | 2012 |
|---|---|---|
| | €'000 | €'000 |
| Borrowings | **5,242** | **7,786** |

| | 2013 | 2012 |
|---|---|---|
| | €'000 | €'000 |
| Other liabilities | 205 | 956 |
| | **205** | **956** |

Other liabilities include shareholder loan to the majority shareholder of €85,000 (2012: €677,000) inclusive of interest payable at euribor plus 2% (2012: 9% fixed) on the outstanding balance with no stipulated repayment period. Majority shareholder advanced $3,000,000 during the year to fund the Group's activities and agreed to convert €3,000,000 out of the then outstanding balance including interest of the long term debt on 26 June 2013 to capital when the shareholders approved to increase the Company's capital.

**Borrowings**

| | 2013 | 2012 |
|---|---|---|
| | €'000 | €'000 |
| Envipco Pickup and Processing Services Inc. (EPPSI), entered into a seven year loan agreement on 30 May 2007 for $1,875,000 with a floating interest rate. This loan is secured by the real estate and improvements. In addition to the interest, the monthly payments also include a portion of principal calculated based on a 25 year amortisation period with a balloon payment at end of year 7. To hedge the risk of floating interest rate the subsidiary entered into a fixed interest rate swap agreement for the duration of the loan. Net transaction costs deducted is €2,000.(2012: €7,000). This loan with a fair value of €1,143,000 has been reclassified to current liabilities in 2013. | - | 1,158 |
| Sorepla Industrie S.A. entered into various secured and unsecured agreements with various parties totalling €12,574,000 (2012: €5,263,000) with maturity dates ranging from 2014 to 2023. €2,202,000.(2012: €4,165,000) of the debt is secured by the assets under the finance leases and €10,372,000.(2012: €1,098,000) is secured by fixed and floating charges on other assets. | - | 4,165 |
| Others | 63 | 63 |
| Environmental Products Corporation (EPC) borrowed a facility from a third party lender for $8,500,000 of which $6,000,000 as a line of credit (LOC) repayable after 2 years with interest and $2,500,000 as a Term Loan, repayable after 5 years with interest. The LOC is renewable annually for a term of another 2 years and are collateralised by a fixed and floating charge on all assets of EPC and guaranteed by the Company. Net transaction costs deducted is €40,000.(2012: €57,000) | 5,179 | 2,400 |
| **Total** | **5,242** | **7,786** |

The debt covenants for the USA subsidiaries EPC and EPPSI have been met during the year.

## (21) Non-current liabilities (continued)

Though the borrowing costs of €42,000 (2012: €64,000) have been deducted, the debt inclusive of the transaction cost €6,938,000 (2012: €9,528,000) is payable in full inclusive of the borrowing costs.

| Future payments under long term borrowings | 2013 | 2012 |
|---|---|---|
| | €'000 | €'000 |
| Current | 1,654 | 1,678 |
| Due between 2 to 5 years | 5,242 | 7,478 |
| > 5 years | - | 308 |
| **Total borrowings** | **6,896** | **9,464** |

| Schedule of movement | 2013 | 2012 |
|---|---|---|
| | €'000 | €'000 |
| At beginning of period | 9,464 | 10,115 |
| Increase | 14,284 | 10,104 |
| (Decrease) | (3,983) | (10,670) |
| Reclass to held for sale | (12,574) | - |
| Translation effect | (295) | (85) |
| At end of period | **6,896** | **9,464** |

## (22) Provisions

| | 2013 | 2012 |
|---|---|---|
| | €'000 | €'000 |
| Warranty provisions | 172 | 143 |
| General provisions | 9 | 9 |
| Employee benefit costs | - | 95 |
| | **181** | **247** |

### Movement of warranty provisions

These are required by our German subsidiary for warranty for the repair and maintenance of compactor sales and are adequate for expected usage.

| | 2013 | 2012 |
|---|---|---|
| | €'000 | €'000 |
| Beginning of period | 143 | 52 |
| Additions | 70 | 100 |
| Releases | (41) | (9) |
| End of period | **172** | **143** |

### Movement of general provisions

| | 2013 | 2012 |
|---|---|---|
| | €'000 | €'000 |
| Beginning of period | 9 | 9 |
| End of period | **9** | **9** |

## (22) Provisions (continued)

### Movement of employee benefit costs

| | 2013 | 2012 |
|---|---|---|
| | €'000 | €'000 |
| Beginning of period | 95 | 95 |
| Releases | (95) | - |
| End of period | **-** | **95** |

These are required by our French subsidiary for employee benefit costs. In 2013 the plastics recycling business has been classified as a discontinued operation.

## (23) Employee benefit plans

Group companies provide pension benefits for their employees. The way these benefits are provided varies according to the legal, fiscal and economic conditions of each country. Such benefits are provided under defined contribution plans.

For the year ended 31 December 2013, expenses relating to defined contribution plans amounted to €33,000 (2012: €33,000).

## (24) Derivative financial instruments

Interest Rate Management
A derivative financial instrument is used to reduce exposure to changes in interest rates. The instrument, designated as a cash flow hedge, is an interest rate swap agreement, which has effectively fixed the interest rate on a term loan (note 21). The Company manages its risk related to the instrument by matching the notional amounts and expiration dates of the derivative instrument with the Company's associated debt instrument. The hedge will terminate with the term loan on 15 May 2014 and has been reclassified to current liabilities as at 31 December 2013. The increase/(decrease) in the value of interest rate swap agreement is recognised as an adjustment to accumulated other comprehensive income/(loss). At 31 December 2013 the fair value of the interest rate swap was a liability of approximately €25,000 (2012: €88,000) and has also been included in the current liabilities and as part of other comprehensive income/(loss). The Company does not issue or hold derivative contracts for speculative purposes.

The movement does not relate to any changes in the credit risk.

| | 2013 | 2012 |
|---|---|---|
| Interest rate swap – cash flow hedge | Liabilities €'000 | Liabilities €'000 |
| Opening balance | 88 | 147 |
| Fair value adjustment | (62) | (57) |
| Translation adjustment | (1) | (2) |
| Closing balance | **25** | **88** |

There is only one class of derivative and the valuation is based on a calculation of which the inputs are not based on observable market data on the interest rate swap, which makes it a Level 2 description of valuation technique and inputs used in the fair value measurements. The lender's methodology of valuation includes the use of the "Daily Marks" which is defined as the mid-market mark of the swap as at 31 December 2013. The Daily Mark for a swap is usually prepared by using proprietary pricing or valuation models, which may include various assumptions and rely on inputs of trader information and market data.

## (25) Commitments and contingencies

**Operating lease commitments where a Group Company is the lessee**

The future minimum lease payments under non-cancellable operating leases as of 31 December 2013 and 2012 were as follows:

| | 2013 | 2012 |
|---|---|---|
| | €'000 | €'000 |
| Current | 309 | 359 |
| Between 2 to 5 years | 599 | 739 |
| | **908** | **1,098** |

The leases relate to buildings, plant and equipment, office machines and vehicles. Rent expenses for the year ended 31 December 2013 were approximately €279,000 (2012: €406,000).

**Operating lease commitments where a Group Company is the lessor:**

The future minimum lease payments receivable under non-cancellable RVM operating leases as of 31 December 2013 and 2012 were as follows:

| | 2013 | 2012 |
|---|---|---|
| | €'000 | €'000 |
| Current | 1,556 | 1,072 |
| Between 2 to 5 years | 2,707 | 2,060 |
| | **4,263** | **3,132** |

Lease revenues from RVMs for the year ended 31 December 2013 were approximately €2,250,000 (2012: €2,268,000).

**Legal proceedings**

Several Group companies are parties to various legal activities which are incidental to the conduct of their businesses.

a. On 7 March 2008, Posada B.V., a wholly owned sunsidiary of Envipco Holding N.V. sold all of its investments in its helicopter overhaul and maintenance business to Industria De Turbo Propulsores (ITP). Part of the purchase price was subject to an earn out provision on certain sale activities. Posada initiated legal action against ITP for breach of the share purchase agreement, and ITP filed a complaint against Posada for alleged misrepresentation. These legal matters were heard art the London Court of International Arbitration and final pleadings given in December 2012. On 10 January 2014, the sole arbitrator appointed by the tribunal, awarded Posada a sum of approximately €400,000 including interest, and reserved judgment on its award on cost. On 25 April 2014, the Arbitrator concluded to not award cost. No provision for this award has been included in the 2013 financial statements.

## (25) Commitments and contingencies (continued)

### Legal proceedings (continued)

b. HSM GmbH & Co KG filed a patent infringement claim against Envipco Automaten GmbH (EAG) on 4 October 2012. After hearing the case at the regional district court in Dusseldorf, the judge awarded the judgment in favour of the plaintiff. Immediately thereafter, EAG filed an appeal with the Federal court as it strongly believed that its own patents granted by the German Patents office do not violate the HSM IP. The appeal hearing took place in October of 2013 and the earlier decision was overturned in Envipco's favour. EAG has also filed a claim to have HSM patents on its compactor cancelled due to prior art discovery. As no monetary damages have been awarded, no provisions have been considered necessary.

c. A bank guarantee of €575,000 was provided to one of EAG's clients in Germany to cover repair warranty obligations of our German affiliate on its sale of compactors. On 29 January 2013, the customer requested the bank guarantee to be cashed without proper support. The customer refunded the cash in January 2014, against the issuance of new bank guarantees for the same amount.

d. Envipco Holding N.V. filed a claim against Deutsche Pfandsystem (DPG) several years ago for one of its IP infringement. DPG contested this allegation and filed for a cancellation of that IP. As of 31 December 2013 the matter was still pending with the German Courts. On 10 April 2014 this IP was sold for a significant undisclosed amount to DPG. No amount was provided as income in the 2013 financial statements as this sale will be recognised in 2014.

### Loans

Please refer to Note 21.

## (26) Related party transactions

Transactions and relations with the shareholders are explained in note 20. €164,000 of interest was charged to the income statement on the average outstanding loans payable in 2013 (2012: €37,000) to Mr. Alexandre Bouri, the majority shareholder. Due to the conversion of part of the long term debt of €3,000,000 to equity in August 2013, the balance payable at year end is €85,000 with interest at euribor plus 2% (2012: €677,000 – interest 9% fixed) and no definite repayment terms.

The key management personnel comprised of the Management Board (refer to Note 9 for further details regarding transactions with related parties as well). A loan was granted to a director in 2012 for €20,000 and is repayable with interest at euribor plus 1% by 2014 as it remains unpaid on 31 December 2013.

Executives and the Management Board subscribed for 1,125,000 shares @ €4.00 per share as part of a new capital increase of €4,500,000.

Group companies enter into transactions with each other in the normal course of business. These transactions are eliminated in consolidation. Net research and development costs by the US subsidiary of €492,000 (2012: €533,000 by the German subsidiary) were incurred and then charged to the Holding company. The Group companies charge interest on intercompany loans. No interest is charged on the intercompany current account balances. The parent company also charges head office expenses to its subsidiaries, with the exception of its German subsidiary where the charge only began for the year 2013. For Sorepla, there was no charge in 2013 (2012: 176,000)

During the year, one of the USA subsidiaries has provided a €575,000 guarantee for the warranty obligations of its German affiliate. The Company also provided a guarantee to the USA subsidiary's lender, TD Bank N.A., for the credit facilities which included additional increase of $1,000,000 in 2013.

### (26) Related party transactions (continued)

The Group companies had the following intra-group transactions:

| | 2013 | 2012 |
|---|---|---|
| | €'000 | €'000 |
| Goods and services | 3,888 | 4,503 |
| Other charges and services | 224 | 539 |
| Research and development | 492 | 533 |
| | **4,604** | **5,575** |

### (27) Jointly controlled assets

Environmental Products Corporation (EPC), a US subsidiary, executed an agreement on 22 December 2009 for the evaluation and pilot of innovative recycling concepts in selected US non-deposit markets. The pilot employs new proprietary technology developed by Envipco for large scale collection of PET and aluminum beverage containers. According to IAS 31, the investment has been treated as jointly controlled assets. The agreement was amended on 13 December 2011 and the Group funded its share of the losses on a 50:50 ownership for this pilot operation. A further agreement was reached on 6 August 2013 whereby it was agreed to share in the cost overruns on a 50:50 basis until 30 June 2014 when a final decision will be made to move forward. The Group's share of expenses in 2013 amounted to €395,000 (2012: €449,000). The Group's share of results and assets has been included in these financial statements. The Group's share of equity at the balance sheet date at 2013 has been written down to zero (2012: €710,000) since a full provision has been made for the jointly controlled assets in 2013 due to its impairment.

## (28) Discontinued operations

The Group's principal activities during the year changed significantly with the Board's decision to exit the plastics recycling business in France (Sorepla). The Sorepla business was put under "procedure de sauveguarde" in October 2012. The court accepted a restructuring plan on 4 December 2013 and the company is now operating accordingly. Management is currently actively working on a sale of the Sorepla and an outside advisor has been retained to oversee this process.

The plastics recycling business has been classified as a discontinuing operation and the business "Held for Sale" is valued at the lower of its carrying amount as per the moment the activity became discontinued and fair value less costs to sell per IFRS 5.

**Sorepla Group**

**Profit and loss account**

**For the year ended 31 December**

All figures in euro thousands

| | 2013 | 2012 |
|---|---|---|
| Revenues | 19,642 | 25,976 |
| Cost of revenues | (20,430) | (25,636) |
| **Gross margin** | **(788)** | **340** |
| Selling & General Administration | (3,070) | (2,960) |
| Depreciation | (1,562) | (1,869) |
| **Operating profit / (loss)** | **(5,420)** | **(4,489)** |
| **Financial items** | | |
| Interest payable | (426) | (354) |
| Interest receivable | 269 | 2 |
| Re-measurement of financial liabilities | 3,642 | - |
| Other income | 450 | 172 |
| Other expenses | - | (176) |
| Net profit/(loss before valuation impairment | (1,485) | (4,845) |
| Valuation at fair value less costs to sell | (2,013) | - |
| **Net profit / (loss) before tax** | **(3,498)** | **(4,845)** |
| Taxation | 91 | - |
| **Net profit / (loss) before tax** | **(3,407)** | **(4,845)** |
| Minority | 99 | 39 |
| **Net income/(loss)** | **(3,308)** | **(4,806)** |

The French recycling business suffered a major setback in October 2012 due to a trade union employee strike which affected all production during the month. The striking employee demands for pay increases and benefits were far outside the Company's ability to address, which forced management to file for "procedure de sauvegarde" court protection on 31 October 2012. The company continued to operate under court administrator oversight, while a restructuring plan was worked out. The business has received significant additional funding as we executed on a restructuring plan under the court administrative process. On 4 December 2013 the French recycling business emerged from court protection. Subsequently, the French recycling business has been classified as a discontinued operation as of 4 December 2013, and the assets and liabilities "Held for Sale" are valued at the lower of its carrying amount and fair values less costs to sell. The Company is expecting to conclude the sale in 2014.

Included in the interest receivables for 2013, under IFRS 5 was a €3,642,000 gain resulting from valuing the debt of €6,900,000 at fair value.

## (28) Discontinued operations (continued)

| | |
|---|---|
| **Sorepla Group** | |
| **Assets of the discontinued operation as at 31 December** | |
| All figures in euro thousands | **2013** |
| Intangible assets | 2 |
| Tangible assets | 6,914 |
| Non-current assets | 359 |
| Deferred tax | 93 |
| Inventory | 1,751 |
| Trade and other receivables | 2,119 |
| Cash and cash equivalents | 197 |
| **Total Assets** | **11,435** |
| **Liabilities of the discontinued operation as at 31 December** | |
| Bank overdraft | 12 |
| Trade and other creditors | 2,285 |
| Long-term debt - current portion | 982 |
| Long-term debt | 7,951 |
| Provisions | 205 |
| **Total Liabilities** | **11,435** |

The net assets of the business “Held for Sale” as shown above has a fair value measurement based on management’s best estimate at a nominal value of Euro 1.00.

## (29) Post balance sheet events

The US subsidiary refinanced its mortgage on the property with T.D. Bank N. A., on 24 January 2014 and the existing liability on the interest rate swap agreement was settled with the previous lender.

The French subsidiary, Sorepla has been awarded a sum of €623,000 on the litigation claim against a supplier for breach of contract in March 2014.

On 10 April 2014, the Company signed an agreement to sell one of its IP rights to DPG Deutsche Pfandsystem GmbH for a significant amount with all other terms remaining confidential.

During 2014, additional financing of €860,000 was provided by a Group company to Sorepla for its working capital needs.

## (30) Significant non-cash transactions

Provision in the US subsidiary’s books against the jointly controlled assets of €827,000 (2012: €0) was a significant non- cash transaction that took place in 2013.

## SEPARATE COMPANY BALANCE SHEET AS AT 31 DECEMBER

BEFORE PROPOSED APPROPRIATION OF RESULT



(in thousands of euros)

| | Note | 2013 | | 2012 | |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Fixed assets** | | | | | |
| Intangible assets | (D) | 2,990 | | 4,611 | |
| Investment in subsidiaries | (E)/(J) | 10,404 | | 11,614 | |
| Loans to group companies | (F) | 2 | | 52 | |
| | | | 13,396 | | 16,277 |
| **Current assets** | | | | | |
| Receivables | (G) | 116 | | 61 | |
| Cash and cash equivalents | (H) | 228 | | 42 | |
| | | | 344 | | 103 |
| **Total assets** | | | **13,740** | | **16,380** |
| **Equity and liabilities** | | | | | |
| **Shareholders' equity** | (I) | | | | |
| Share capital | | 1,919 | | 1,356 | |
| Share premium | | 50,024 | | 44,692 | |
| Legal reserve | | 2,829 | | 4,224 | |
| Retained earnings | | (47,779) | | (41,164) | |
| Translation reserve | | 1,957 | | 2,354 | |
| | | | 8,950 | | 11,462 |
| **Non-current liabilities** | | | | | |
| Provisions | | | | | |
| Provisions for Consolidated Group Companies | | | - | | 178 |
| Loans from group companies | (K) | | 4,287 | | 3,508 |
| Other non-current liabilities | (L) | | 148 | | 740 |
| **Current liabilities** | | | | | |
| Creditors and other liabilities | | | 355 | | 492 |
| **Total equity and liabilities** | | | **13,740** | | **16,380** |

## SEPARATE COMPANY INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER

BEFORE PROPOSED APPROPRIATION OF RESULT

ENVIPCO

| | 2013 | 2012 |
|---|---|---|
| **Result from Group companies after income taxes** | | |
| Results of subsidiaries | (2,262) | (3,273) |
| Other results after income taxes | (4,378) | (819) |
| **Net result** | **(6,640)** | **(4,092)** |

## (A) General information

**Accounting principles used to prepare separate Company financial statements**

The Company financial statements have been prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code. In accordance with Article 2:362 subsection 8 of the Civil Code, the Company has elected to apply the valuation of the accounting policies used in the consolidated financial statements to the separate Company financial statements. Furthermore, in accordance with Article 2:402 of the Civil Code, the Company has elected to present an abbreviated income statement. All amounts are in thousands of euros unless stated otherwise.

In addition, Consolidated Group companies (financial fixed assets) are valued based on their net equity, determined using the Group accounting policies. In case the net equity of a Group company is negative, the Company records a provision for as far as the Company assesses that it has a legal or constructive obligation to reimburse the Group companies' losses. This provision shall be deducted from receivables on the Group company if these receivables are part of the net investment in the Group company.

### Composition of shareholders' equity

Refer to Note I Shareholders' equity of the separate Company financial statements.

## (B) Remuneration of the Management Board

The remuneration of the Management Board charged to the result in 2013 was €900,000 (2012: €648,000) and can be specified as follows:

| (in thousands of euros) | Salary/fee | Social cost | Pension | Total |
|---|---|---|---|---|
| **2013** | | | | |
| B. Santchurn | 454 | 9 | 3 | 466 |
| C. Crepet | 162 | 81 | 11 | 254 |
| G. Garvey | 137 | - | - | 137 |
| T.J.M. Stalenhoef | 33 | - | - | 33 |
| G. Lefebvre | 10 | - | - | 10 |
| A.Bouri | - | - | - | - |
| D. D'Addario | - | - | - | - |
| Total | 796 | 90 | 14 | 900 |
| **2012** | | | | |
| B. Santchurn | 363 | - | 3 | 366 |
| C. Crepet | 138 | 31 | 36 | 205 |
| G. Garvey | 47 | - | - | 47 |
| T.J.M. Stalenhoef | 20 | - | - | 20 |
| G. Lefebvre | 10 | - | - | 10 |
| A. Bouri | - | - | - | - |
| D. D'Addario | - | - | - | - |
| Total | 578 | 31 | 39 | 648 |

### (C) Research and developments costs

During the year research and development costs of €492,000 incurred by the Company's US subsidiary (2012: €533,000 by its German subsidiary) were expensed.

### (D) Intangible assets

| (in thousands of euros) | Patents & licenses | Development costs | Total |
|---|---|---|---|
| **At 1 January 2012** | | | |
| Cost | 596 | 3,361 | 3,957 |
| Accumulated amortisation and impairment | (90) | (225) | (315) |
| Net carrying amount | **506** | **3,136** | **3,642** |
| Changes to net carrying amount in 2012 | | | |
| Additions | 26 | 1.331 | 1,357 |
| Amortisation | (107) | (281) | (388) |
| Reclassifications – cost | (29) | (61) | (90) |
| Reclassifications – depreciation | (9) | 99 | 90 |
| Total changes in 2012 | (119) | 1,088 | 969 |
| **At 31 December 2012** | | | |
| Cost | 593 | 4,631 | 5,224 |
| Accumulated amortisation and impairment | (206) | (407) | (613) |
| Net carrying amount | **387** | **4,224** | **4,611** |
| Changes to net carrying amount in 2013 | | | |
| Additions | 28 | 1.062 | 1,090 |
| Disposals | (7) | - | (7) |
| Amortisation | (112) | (471) | (583) |
| Development costs impaired | (135) | (1,986) | (2,121) |
| Reclassifications – cost | 33 | - | 33 |
| Reclassifications – depreciation | (33) | - | (33) |
| Total changes in 2013 | (226) | (1,395) | (1,621) |
| **At 31 December 2013** | | | |
| Cost | 648 | 5,693 | 6,341 |
| Accumulated amortisation and impairment | (487) | (2,864) | (3,351) |
| Net carrying amount | **161** | **2,829** | **2,990** |

Major projects capitalised during the year included Ultra 48 €787,000 (2012: €746,000) and the HDS €120,000 (2012: €293,000). However, the Ultra 48 and HDS projects have been completed when the first machines were sold in the third quarter and fourth quarter of 2013 respectively. See also note 13 for capitalised development costs of the Company. Management reviewed the capitalised development costs as of 31 December 2013 and decided to write off €2,121,000 where it appeared these projects will not generate adequate future revenues.

| (E) Investment in subsidiaries | 2013 | 2012 |
|---|---|---|
| | €'000 | €'000 |
| At beginning of the year | 11,614 | 13,149 |
| Investments | 6 | 2,500 |
| Results of the group companies for the year | (2,262) | (3,273) |
| Exchange differences | (397) | (283) |
| Movement of provision | (178) | (245) |
| Impairment of loans in subsidiaries | 1,621 | (234) |
| | **10,404** | **11,614** |

The above assets relate to the investments in Group companies.

| (F) Loans to group companies | 2013 | 2012 |
|---|---|---|
| | €'000 | €'000 |
| At beginning of the year | 52 | 1,354 |
| Redemptions | (50) | (1,302) |
| | **2** | **52** |

| (G) Receivables | 2013 | 2012 |
|---|---|---|
| | €'000 | €'000 |
| At beginning of year | 61 | 41 |
| Additions | 80 | 20 |
| Repayments | (25) | - |
| | **116** | **61** |

The receivables include a loan to a director of €20,000 given in 2012 and is repayable with interest at euribor plus 1% by 2014. Also during the year a loan was granted to a director of a subsidiary for €80,000 which is repayable with interest at euribor plus 1% on demand. The remainder is in respect of VAT receivable for the respective years.

| (H) Cash and cash equivalents | 2013 | 2012 |
|---|---|---|
| | €'000 | €'000 |
| Cash at bank and in hand | 228 | 42 |
| Cash and cash equivalents | **228** | **42** |

The cash balances are at the free disposal of the Company.

### (I) Shareholders' equity

At the General Meeting of the Shareholders, the Company's shareholders approved that the 2013 net results of the Company be transferred to the retained earnings.

Refer to Consolidated statement of changes in equity (page 19) and note 20 Shareholders' equity of the Company's consolidated financial statements for further information regarding the Company's shareholders' equity. Transactions and relations with the shareholders included €164,000 of interest charged to the income statement on the average outstanding loans payable in 2013 (2012: €37,000) to Mr. Alexandre Bouri, the majority shareholder. Due to the conversion of part of the long term debt of €3,000,000 to equity in August 2013, the balance payable at year end is €85,000 with interest at euribor plus 2% (2012: €677,000 – interest 9% fixed) and no definite repayment terms.

According to Book 2 of the Netherlands Civil Code, the Company is required to restrict part of its equity from distribution to shareholders, by forming a legal reserve equal to the amount it has capitalised for development costs. The equity enclosed in this legal reserve is not at the disposal of the General Meeting of Shareholders. Therefore, this amount cannot be distributed to shareholders until the capitalised development costs have been recognised in the profit and loss account. The capitalised development costs as at 31 December 2013 amount to €2,829,000 (2012: €4,224,000). A legal reserve equalling this amount has been created in 2013 by decreasing the share premium reserve with this amount. In the consolidated statement of changes in equity and Note 20 of the IFRS consolidated financial statements the legal reserve is included in the share premium reserve. The comparative information has been adjusted to reflect this change.

### (J) Subsidiaries and affiliates of Envipco

The company has the following subsidiaries:

Envipco Finance Company Limited – London, United Kingdom – 100%
Sorepla Industrie S.A. – Neufchateau, France – 96.62%
Sorepla Technologie S.A. – Reberville, France – 100%
Envipco Automaten GmbH, Westerkappeln, Germany – 100%
Envipco Pickup & Processing Services Inc., Delaware, U.S.A. – 99.85%
Environmental Products Corporation, Delaware, U.S.A. – 99.85%
Environmental Products Recycling Inc., Delaware, U.S.A. – 99.85%
Posada Holding B.V. – Amersfoort, The Netherlands – 100%
Aeromaritime Mediterranean Corporation, Delaware, U.S.A. – 100%
Envipco A.S., Oslo, Norway – 100%

### (K) Loans from group companies

| | 2013 | 2012 |
|---|---|---|
| | €'000 | €'000 |
| At beginning of the year | 3,508 | 2,633 |
| Additions | 779 | 875 |
| | **4,287** | **3,508** |

There are no intercompany loan agreements and hence no interest is charged on outstanding balances for the years 2013 and 2012 nor is there a definite repayment period for them.

## (L) Non-current liabilities

**Borrowings**

| | 2013 | 2012 |
|---|---|---|
| | €'000 | €'000 |
| Shareholder loans | 85 | 677 |
| Other liabilities | 63 | 63 |
| | **148** | **740** |

Refer to note 26 of the consolidated financial statements for transactions with related parties regarding the Company's borrowings.

## (M) Commitments and contingencies

The Company provided a guarantee to the USA subsidiary's lender TD Bank N.A., for the credit facilities which included additional increase of $1,000,000 in 2013. See also note 29 to the consolidated financial statements for post balance sheet events.

Amersfoort, 29 April 2014

w.s. Mr Gregory Garvey (Chairman)

w.s. Mr Alexandre Bouri

w.s. Mr Bhajun Santchurn

w.s. Mr Dick Stalenhoef

w.s. Mr David D'Addario

w.s. Mr Guy Lefebvre

w.s. Mr Christian Crépet

## Events after the balance sheet date

For events after the balance sheet date please refer to note 29 Post balance sheet events of the Company's consolidated financial statements.

## Statutory rules concerning appropriation of results

In Article 15 of the Company statutory regulations the following has been presented concerning the appropriation of result:

1 In the Company's books, a dividend reserve shall be maintained for each class of shares.
These dividend reserves shall be designated as 'dividend reserve' followed by the letter corresponding with the relevant class of shares.

2 The Company may make distributions to shareholders and other persons entitled to distributable profits only to the extent that the shareholders' equity exceeds the sum of the paid and called-up part of the share capital and the reserves which must be maintained by law.

3 An amount equal to three percent of the average balance of the relevant dividend reserve over the relevant financial year, increased by the amounts withdrawn from the reserves pursuant to the provisions of paragraph 5 of this article, shall be retained from the profit as referred to in paragraph 2 of this article and added to each of the dividend reserves.
If the amount calculated as described above is larger than the available profit, the amounts to be added shall be decreased pro rata.

4 The profit that remains after applying the above shall be at the disposal of the General Meeting of Shareholders. If the General Meeting of Shareholders does not resolve to add the profit to the company's general reserve, the profit shall be added to the abovementioned dividend reserves pro rata to the nominal amount of the shares of the single class.

5 Losses shall be charged to the company's general reserve and, if and to the extent this reserve is insufficient, to the divided reserves pro rata to the nominal amount of the shares of the single class.

6 Each withdrawal from the dividend reserve pursuant to the provisions of the preceding paragraph must be compensated before any addition can be made to any dividend reserve pursuant to paragraph 4.

7 The General Meeting of Shareholders shall resolve to distribute such amounts on the shares corresponding with a particular dividend reserve as has been decided upon by the meeting of the holders of the single class of shares, up to the amount of the positive balance of that dividend reserve and if and to the extent the relevant dividend reserve is sufficient.
The General Meeting of Shareholders may only decide not to distribute the amounts referred to in the preceding sentence if and to the extent that it can be demonstrated and that the Company's liquidity position does not allow this.

8 The General Meeting of Shareholders is authorised to apply the dividend reserves for a different purpose after having obtained the prior approval of the all holders of shares of a particular class, on the understanding that the distribution shall be charged to the various reserves pro rata to the nominal amount of the shares of the relevant classes.

9 The Company may only make interim additions to the dividend reserves if the requirement in paragraph 2 has been met and provided that the prior approval of the General Meeting of Shareholders has been obtained.

10 No distribution shall be made in favour of the Company on shares acquired by the Company in its own capital for such shares.

11 Shares for shares on which, pursuant to the provisions of paragraph 7, no distribution is made in favour of the Company do not count for the purpose of calculating the profit appropriation.

12 The claim for payment of dividends shall lapse on the expiry of a period of five years.

### Appropriation of result for the financial year 2012

The annual report 2012 was determined in the General Meeting of Shareholders held on 26 June 2013. The General Meeting of Shareholders has determined the appropriation of result in accordance with the proposal being made to that end.

### Dividend distributions

Dividend distributions may only be paid out of the profit and equity as shown in the separate Company financial statements adopted by the General Meeting of Shareholders. Dividends may not be paid if the distribution would reduce shareholders' equity below the sum of the paid up and called up part of the issued share capital and any reserves which must be retained according to Dutch law or the Company's Articles of Association.

The Board of Management proposes the amount that shall be reserved from the profits as disclosed in the adopted annual accounts.

### Proposed appropriation of loss for the financial year 2013

The Board of Directors proposes that the loss for the financial year 2013 amounting to €6,640,000 will be taken to the retained earnings. The financial statements do reflect this proposal.

### Auditor's report

The auditor's report is set forth on the following page.

Tel: +31 (0)20 543 21 00
Fax: +31 (0)20 543 21 66
amstelveen@bdo.nl
www.bdo.nl

BDO Audit & Assurance B.V.
P.O. Box 71730, 1008 DE Amsterdam
Krijgsman 9, 1186 DM Amstelveen
The Netherlands

# Independent auditor's report

To: the General Meeting and the Management of Envipco Holding N.V.

**Report on the financial statements**
We have audited the accompanying financial statements 2013 of Envipco Holding N.V., Amersfoort. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2013, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2013 the company profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

*Management's responsibility*
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's responsibility*
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion with respect to the consolidated financial statements*
In our opinion, the consolidated financial statements give a true and fair view of the financial position of Envipco Holding N.V. as at 31 December 2013 its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

RA14-0545

*Opinion with respect to the company financial statements*
In our opinion, the company financial statements give a true and fair view of the financial position of Envipco Holding N.V. as at 31 December 2013 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

**Report on other legal and regulatory requirements**
Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further, we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amstelveen, 30 April 2014

For and on behalf of BDO Audit & Assurance B.V.,

Sgd,
O. van Agthoven RA